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World Weekly Report

*Soviet Union Extends Transfer Ruble
As Base For New Monetary System*

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World Weekly Report

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Soviet Union Extends Transfer Ruble As Base For New Monetary System

Dec. 18 (NSIPS) — Western Europe is now orienting towards a specific Soviet proposal to extend the Comecon monetary system to Western and developing countries. This proposal, issued by the Comecon in October but made public only last week, prefigures a general repudiation of the Bretton Woods monetary system by the rest of the world, and the end of the U.S. dollar's role as an international reserve currency. High-level sources in Western Europe indicate general acceptance of the Soviet plan, and U.S. monetary and security authorities are in panic over the prospect.

This development is to be seen in two related contexts. First, Western European leaders are furious at the United States for heavy-handed intervention into their political and economic affairs, and are breaking from U.S. policy. West German Chancellor Helmut Schmidt's speech Dec. 16 to the opening of the current Bundestag session stressed closer relations with the Comecon at the implied expense of NATO. Italian leader Giulio Andreotti and British Prime Minister James Callaghan have both circulated a proposal for a European summit to reverse the Washington-centered decisions of the 1975 Rambouillet summit, before European leaders meet with Carter. European Community Commissioner Claude Cheysson publically attacked European leaders for bowing to U.S. pressure on the question of postponing the North-South conference, adding that Europe only had itself to blame for OPEC's decision to raise oil prices.

Secondly, the Europeans, Arab countries, and Comecon have built up what amounts to a second world monetary system through extensive agreements on "nested" trade accords. The most prominent of these is the "triangular" Italy-Soviet-Libya deal of last week, but they include vast oil-for-technology transfers and related deals between the three sectors. Some of this trade already involves Soviet financing. European business

sees the extension of transfer ruble financing to the West as a natural and necessary development.

The Soviet proposal, under discussion during the Polish head of state's visit to Britain this week and the Italian foreign minister's trip to Moscow Jan. 10, involves large-scale, long-term financing through the Comecon International Bank for Economic Cooperation. The extension of transfer rubles, the Soviet account unit, to the West through Soviet ruble payments for Western imports is based on re-circulation of Western imports is based on re-circulation of Western transfer ruble holdings through "triangular" state-to-state trade agreements.

Developments surrounding the OPEC dual price increase indicate a high level of OPEC coordination with both the Europeans, especially through British-Saudi connections, and the Soviets, mainly through Kuwait, Iraq, Algeria, and Venezuela. In the context of the Arab League's agreement for early Arab monetary union last week, British sources report early-1977 moves for a gold-backed Gulf currency. The dual pricing system itself reflects no split in OPEC; on the contrary, it is an OPEC ploy to wrest control of international petroleum marketing from multinational oil companies. In essence, the agreement permits OPEC to undersell the oil companies. OPEC will also reportedly extend preferential deals to "friendly countries," including Britain and Italy.

Western European government have kept their actions towards the creation of a new monetary system under a security lid, and are still fearful of pressure from the United States — although U.S. capacity to dictate European policy is sharply reduced. Precisely how Europe decides to proceed will determine, on a short-term basis, virtually all interesting monetary and related developments during the period ahead.

IBEC Offers Transfer Ruble for Settlements of East-West Trade

Exclusive to NSIPS

Dec. 8 — The following press bulletin was issued today by the Moscow Narodny Bank:

The International Bank for Economic Cooperation

(IBEC) council, at its 43rd meeting in October 1976, adopted the decision to further improve facilities for participation of non-members of the bank in the system of multilateral settlements in transferable rubles.

First, the requirement of obligatory preliminary

balancing of settlements is eliminated. Such balancing is now advisable but not obligatory.

Second, the Amount of credit granted by the IBEC is now increased to 100 percent of the agreed volume of settlements in transfer rubles.

Third, the IBEC credit now acquires term nature, i.e. it is granted for a certain term agreed between the IBEC and the borrower within the limits of three years and should be repayed in this term.

Fourth, at the wish of the borrower the amount of the credit may at any time within the limits of agreed term be repayed in a convertible currency at a rate agreed with IBEC.

The requirement for agreement between the competent organs of the interested countries on purchase-sale of goods or services under settlement in transfer rubles remains in force.

The maximum terms of credit (up to three years), the interest rate charged on credit (1.5 percent per annum independent of the term of credit) and the interest rate on transferable ruble accounts opened with the IBEC (1 percent per annum) remains unchanged.

The new text of the procedure is as follows:

Procedure

For performance of settlements in transferable rubles between member countries and non-member countries of the IBEC.

In 1977, the IBEC will enter the 14th year of its existence. The main objective of the IBEC is to assist economic cooperation and development of national economies of the bank member countries as well as to extend their cooperation with other countries.

The nominal capital of the bank is established at 304.4 million transferable rubles which is to be paid by the member countries in transfer rubles as well as in free convertible currencies and gold. The paid-up part of the nominal capital in transferable rubles and convertible currencies amounts to 120 million transfer rubles as at January 1, 1976. The gold content of the transfer ruble is set at 0.987412 gram of fine gold.

The transferable ruble is the collective currency international of the Council for Mutual Economic Assistance (CMEA) member countries. All the settlements of these countries involved in their trade turnover, mutual credit and non-commercial transactions are performed in transfer rubles. The credits extended by the IBEC and by the international investment bank, newly created by the CMEA countries, are also carried out in transfer rubles.

The volume of the IBEC operations in transferable rubles shows an increase from year to year. In 1975 the volume of these operations amounted to 94.9 billion transfer rubles.

To ensure smooth carrying out of settlements of the IBEC member countries and to assist in fulfillment of reciprocal payment obligations involved in their trade turnover and in other payments, the bank grants to its member countries credit facilities of two types: settlements and term credits.

Settlement credit is granted to satisfy short-term

requirements for funds of the member countries during excesses in their payments over collections. This credit is of a revolving type and is advanced immediately, when needed, up to a limit determined by the council of the bank. Term credit is granted with the aim to provide for the expansion of their trade turnover, for meeting seasonal needs and other purposes for periods up to three years. For credits granted, the IBEC charges from 2 to 5 per cent per annum depending on the type and term of credit.

The IBEC attracts funds in transfer rubles to current accounts and deposits and pays on them from 1.5 to 4 per cent per annum.

The IBEC is an open international organization. Other countries may become members of the bank if they share the aims and principles of its activities and assume obligations, resulting from the agreement of October 22, 1963 concerning the organization of the bank and from its statutes (Article XIII of the agreement).

The agreement provides the IBEC may perform settlements in transferable rubles with countries that are not members of the bank in accordance with the recommendations resulting from the complex program of socialist economic integration of the CMEA countries, the council of the IBEC has revised and perfected the terms of participation of non-member countries of the IBEC in the system of settlement in transfer rubles.

The banks of non-member countries, participating in such settlements, may receive transfer rubles in payment for goods delivered and services extended to the IBEC member countries, as well as in payment for expenses involved in non-commercial transactions including amounts covering the expenses of diplomatic and other representations, of tourists, etc.

These banks may use transferable rubles in payment for import of goods from the IBEC member countries, for repayment of credits received and for payments involved in non-commercial transactions.

Settlements in transferable rubles of non-member countries of the bank with the member countries of the bank can promote the expansion of their mutual trade turnover by balancing settlements on a multilateral basis, and can offer additional opportunities for paying off or utilization of settlement balances in other currencies which occur but cannot be cleared up on a bilateral basis.

Carrying out of settlement operations in transfer rubles through the IBEC can be effected on the basis of an appropriate agreement reached among foreign trade, banking and other competent organization of the interested countries. It is advisable to balance settlements between two or several interested countries for an annual or longer period.

When such an agreement is reached, the IBEC concludes agreements with the banks of the interested countries on the method and conditions for performing settlements on the following basis:

In order to effect settlements, the IBEC establishes transferable ruble accounts in favor of the banks of the interested countries — bilateral accounts (with the participation of two interested countries) and multilateral accounts (with participation of several interested countries). The holder of such account is the bank in favour of which the transferable ruble account is

opened.

Settlements in transferable rubles may also be performed on bilateral clearing accounts, conducted by the banks of both partner countries according to their mutual consent.

Forms of settlements in transfer rubles are those generally accepted in international banking practice (collection, letter of credit, payment order, etc.). The utilization of a certain form of settlements is determined by the agreement of the banks of the interested countries.

Settlements in transfer rubles may cover:

- * settlements on separate commercial contracts, on non-commercial and other transactions,
- * settlements on the total trade turnover of the country that is a non-member of the IBEC with individual member countries of the bank,
- * settlements on the total trade turnover of the country that is a non-member of the IBEC with all member countries of the bank.

While performing settlements on individual deals and also on the total trade turnover of non-member countries with individual IBEC member countries, the bank furnishes credits to the banks of member and non-member countries in transfer rubles for periods of up to three years. Credits are granted for concrete terms and with the purpose of carrying out agreed settlements.

Interest is charged on credits at the rate of 1.5 per cent per annum.

The IBEC concludes agreements with banks of the interested countries on the procedure and conditions for granting and repaying credits in transfer rubles. Agreements may envisage a possibility of repaying in a convertible currency the credit received in transferable rubles.

Current accounts in transferable rubles with the IBEC carry an interest at 1 per cent per annum.

The banks of non-member countries of the IBEC while performing settlements on the total of their turnover with all the member countries of the bank may take credits and place deposits in transferable rubles on the above conditions now in force for the member countries of the bank.

The banks of non-member countries which participate in transferable ruble settlements may notify the IBEC of their withdrawal from participation settlements. The procedure for the withdrawal from participation in settlements is established by agreement reached between IBEC and the interested bank.

The IBEC is ready, as need be, to furnish any additional information concerning settlements in transferable rubles.

International Bank for Economic Cooperation
Moscow, 1976

“Gold and the Monetary Crisis”

Dec. 16 — This week's issue of Ekonomicheskaya Gazeta, the weekly of the Soviet Communist Party's Central Committee, published the following article, reprinted under its original headline. The article was authored by E. Bukhval from the Economics Institute of the USSR Academy of Sciences.

The present phase of the crisis of the financial-monetary system of capitalism is closely connected with a change in the role of gold as its basis. Substantial changes have occurred in this area in recent years. This is indicated, in particular, by the collapse of the international monetary system based on principles of a gold-currency standard (known as the “Bretton Woods” system), and the noticeable activation of plans for so-called “demonetization” of gold, i.e. depriving it of its functions as a monetary commodity and the basic international reserve and instrument of payments.

Basic Tendencies

The evolution of the economic role of gold is taking place in the context of the deepening general crisis of capitalism and the growth of inter-imperialist contradictions....

The reasons for the crisis phenomena are to be found in the objective contradictions of the capitalist system of the economy, in the intensification of state-monopoly regulation of the economy in the interests of big capital,

and in its militarization. As a result, recent years have seen a sharp increase in unproductive, above all military, consumption of goods and services by the state. Thus, in the USA this volume in 1975 was \$340 billion as against \$38 billion in 1950. Direct military expenditures are ceaselessly growing: the U.S. is allocating over \$100 billion for this purpose in fiscal year 1977.

The growing scope of state consumption and financing in the capitalist economy depends, as a rule, on the practice of so-called deficit financing, i.e. expenditures systematically exceed revenues in the budget. For example, the total deficit of the U.S. federal budget for 1951-1975 was around \$190 billion.

The chronic lack of balance in the capitalist countries' finances leads to an excessive issue of credit, which is one of the main sources of inflation and devaluation of money. The aggravation of inflationary processes is directly linked to the growth of monopolies' profits through raising prices and attacking the vital interests of the workers.

The gold basis of capitalist currencies, to a certain extent, inhibited the growth of super-profits for the monopolies, because it limited “deficit financing” and price manipulations. Thus, the interests of monopoly capital prompted a reconstruction of the monetary-credit and currency system of capitalism. The process of replacing gold by credit means of exchange has led to a situation where it is completely out of domestic

exchange, and state and private gold reserves have lost their classic function as a monetary reserve in the domestic financial mechanism. The currencies of the capitalist countries ceased to be convertible to gold and in the majority have no gold guarantee whatsoever.

Gold and Dollars

At the end of the Second World War, American monopoly capital, relying on the economic might of the U.S., attempted to give the dollar the status of a gold equivalent as an international reserve and means of payment — this characterizes the gold-currency, or more accurately the gold-dollar standard.

In those years, the dollar's position as an international currency rested on two basic factors: the relative stability of its purchasing power and the ability to exchange accumulated dollars for gold at a fixed rate — \$35 an ounce.

Now the situation in the international monetary system has changed fundamentally. While in 1949 the gold-currency reserves of the U.S. exceeded its short term foreign obligations 2.8 times, by mid-1976, American reserves of \$18 billion (of which 11.6 billion were in gold) stood against \$130 billion in short-term debt, including about \$65 billion of debt to central banks and monetary institutions of other capitalist countries. Simultaneous presentation of these overseas dollar assets for exchange into gold would have meant the complete bankruptcy of the U.S. But at the present time, this eventually is excluded. In August 1971, the U.S. deliberately tore the tie between gold and the dollar. The world gold-currency standard turned into a fiction.

The present economic crisis, which began in 1973, worsened the monetary disorder in the capitalist world. This is indicated by the devaluation of a number of currencies, the unprecedented collapse of British pound sterling, and the sharp aggravation of monetary contradictions between the U.S., the "Common Market" and Japan. Inflation and the instability of currency exchange rates are ever more often intensifying with periodic "monetary fevers", arising from the speculative machinations of the monopolies.

In recent years, in the course of numerous discussions of the question of the role of gold, leading capitalist countries, opposing the immediate "demonetization" of gold which the U.S. was seeking, nevertheless agreed to hand over the function of world currency to the so-called "paper gold" or "Special Drawing Right" (SDR) — a type of international credit issued by the International Monetary Fund (IMF).

The collapse of the gold-currency standard system convincingly demonstrated the impossibility of replacing gold with any national currency, even one based on a great economic capacity. The SDR's are more stable, since they have the character of international credit, but their potential for use as a real alternative to metal money is extremely limited.

Illusions of "Demonetization" and Reality

Bourgeois ideologues have attempted to portray the tendency to replace gold by instruments of credit in

exchange as a process of "demonetization." The untenability of such attempts is obvious. Capitalism remains, in the epoch of state-monopoly relations, an economy of commodity production, and therefore the role of gold in the capitalist economy, especially in the monetary-finance sphere, remains highly significant.

While the tendency has developed to replace gold by paper monies in domestic exchange..., in foreign transactions gold normally acts in its natural form of a world money. The function of gold as a reserve purchasing means as well as the general expression of social wealth, protecting currency accumulations from inflationary devaluation, is preserved under modern conditions.

At the present time, a sort of "quadrangle" of reserve means lies at the basis of the international monetary system: gold, foreign currencies, reserve positions (i.e. the right to receive credits without conditions) in the IMF, and SDR's.

International financial statistics show that the portion of reserves based on international credit is still a small 15 per cent of total liquid resources of the advanced capitalist countries, and, of this, 7 per cent is SDR's. Taking all IMF members among capitalist and developing countries, the proportion of SDR's in official reserves is even lower — about 5 per cent. And the utilization of SDR's is fundamentally limited to the narrow sphere of inter-governmental transactions, making them unable to avert either the devaluation processes or the fluctuation of exchange rates of capitalist currencies. Most reserves are "lowest grade" liquid resources — foreign currencies (two thirds of them U.S. dollars). But these bank-deposits are inconvertible into gold or SDR's.

Under these conditions, the stability of international trade and payments requires the existence of a certain size of gold accumulations in the hands of participants in trade. This is verified by the striving of the majority of capitalist states to actively use their gold reserves in international transactions and credit operations.

Thus, it is not "demonetization" of gold that is taking place, but a modification of its functions in the capitalist economy. One of the most important aspects of this process is that the deepening instability and inflationary character of the capitalist monetary system is raising the role of gold as a real world money and intensifying its function as a reserve and guarantee of international obligations.

"Edging" gold out of its economic mechanism, the capitalist economy still needs it as a stabilizing element. The source of the crisis of the present monetary system does not lie in gold or any other single component, but in the unstable and contradictory character of the entire capitalist economy as a whole, and no attempts at "demonetization" are capable of creating conditions to overcome it.

Barclay's Bank Review:

Role For The Transferable Rouble

Dec. 17 — The following are excerpts from an article in today's Barclay's Bank Review, a London-based publication:

The traditional means of financing trade deficits, hard currencies reserves, and Western credits, are under increasing pressure. The transferable rouble might therefore help ease the situation if it were to become a generally acceptable trade currency in the settlement of payments deficits in East-West trade.

With the exception of a few countries, the opportunity to hold and make settlements in transferable roubles accounts has not been widely used in East-West trade because its usefulness is rather limited at present, and no great hopes are held as yet for its potential development towards free transferability (free exchange into any commodity or domestic currency of participating countries) and ultimately convertibility (free exchange into any commodity or domestic currency of any country). However, any means of lubricating East-West trade, both in the interests of détente and from the point of view of Western countries in search for new or larger export markets, would be welcome. Similarly, Eastern Europe is concerned to finance its balance of payments deficit with the West in order to continue its growth policies based on imported technology....

The growing dependence on trade credit in the recent past has been instrumental in widening East Europe's balance of payments deficit with the West. That trade

credit may not continue to increase at such a rapid rate as it has done lends greater urgency to the need to finance Eastern Europe's balance of payments deficit by extending the transferable rouble as an acceptable means of payment.

Obstacles to development — multilateral pricing (in Comecon) a precondition for multilaterality for transferability, has not yet been fulfilled.

In order to bring intra-Comecon prices more closely in line with each other and in line with world market prices as a step towards establishing a uniform price system, Comecon foreign exchange rates could be allowed to float against each other while the transferable rouble together with the Comecon currencies are allowed to float against convertible currencies in much the same way as the snake agreement operates in the West....A balancing mechanism would be required, in the absence of a foreign exchange market to enable Comecon members to alter their exchange rates within agreed limits. This could be operated by the International Bank for Economic Cooperation with the foreign trade banks.

The threat to centralization, a major difficulty, could be averted and the transferable rouble made more attractive to Western countries as a means of settlement if "financial convertibility" were kept distinct from "goods convertibility." This would allow a Comecon central bank to borrow or lend in its own purely financial currency, which is inconvertible into local goods but convertible into other Comecon or convertible currencies. This arrangement is similar to the two tier foreign exchange systems that have existed in the West. A number of conditions would be needed to achieve financial convertibility. A large stock of gold to support the rouble would have to be maintained and reserves held in convertible currencies.

OPEC Settles on 5 per cent Effective Price Increase

Dec. 18 (NSIPS) — The Organization of Petroleum Exporting Countries (OPEC) voted for what amounts to only a 5 per cent increase in the price of oil this week during its bi-annual meeting in the Gulf Sheikdom of Qatar. While the official outcome of the meeting was announced to be a two tier pricing system — the result of 11 of the 13 members calling for a ten per cent rise and Saudi Arabia, the strongman of OPEC and the United Arab Emirates calling for only a 5 per cent increase — in reality the 5 per cent figure will predominate in future international oil sales. Two decisive factors insure that oil prices beginning Jan. 1, 1977 will climb only by 5 per cent, the most important being an announcement today by Saudi Oil Minister Sheikh Zaki Yamani that Saudi Arabia will remove its production ceiling of 8.5 million barrels a day.

The Yamani announcement flies in the face of numerous economic reports from the oil multinationals and consultant firms which predicted that the Saudis, in order to preserve their oil resources in view of rising consumption would never lift the production ceiling. The

Yamani announcement underscores Saudi Arabia's commitment to step up production in order to feed European industrial growth under what is emerging as a new international monetary system. Increased Saudi production at the 5 per cent increase price level plus a short-term anticipated slump in demand for oil when the increase is instituted will make selling oil at a higher price nearly impossible. A drop-off in oil consumption is expected as a result of heavy stockpiling by the oil companies prior to the OPEC meeting in anticipation of a price rise; many European countries and U.S. reserves are bulging, according to a New York oil analyst.

A Bigger Game

Yamani personally stated during his press conference today that he "didn't expect the 10 per cent to be enforced in the market," a statement with which a number of sources in the oil industry concurred today, conceding that the final decision at Qatar amounts to a de facto 5 per cent increase. The Saudis enforcement of a minimal price rise and increasing oil production dampens any

plans that the future Carter administration may have about energy conservation to be enforced through the International Energy Agency and its domestic arm the Federal Energy Administration. Such conservation plans have depended on the threat of the producers using the oil weapon against the consuming nations.

Yamani further underscored his commitment that Saudi Arabia would act on behalf of the underdeveloped nations to negotiate a new and just monetary system with the industrialized states. He urged "the West to show sign of appreciation" for Saudi Arabia's policies in the deadlocked North-South talks in Paris, and in its efforts to settle the Arab-Israeli conflict. In this light, a White House official quoted in today's *Wall Street Journal* commented that the Saudis are playing "a bigger game...than oil prices."

Leading East Coast newspapers in the U.S. were rife with reports and speculation of the cartel breaking up. But the Iraqi Oil Minister, Abdel Karim stated definitively that the Arab world would never let the Saudis destroy OPEC.

Intense bargaining that went late into the night of the final day of the meeting was resolved by a plan put forward by the Venezuelan Oil Minister to accept the two tier pricing system as a means of publicly bridging the gap between the Saudis and the price hawks in the cartel. The announced 10 per cent rise, while unworkable, will in the short term appease restive layers in the countries which have depended on high oil revenues to fund ambitious development plans.

A key case in point is Iran. While Iran's Oil Minister Jamshid Amouzegar was demanding a 15 to 25 per cent increase at the OPEC meeting, the Shah of Iran was in constant contact with both the Saudi King Khalid and Crown Prince Fahd.

In the process a diabolical trap may have been set for the Rockefeller-controlled Aramco consortium of four multinational companies which still owns 40 per cent of Saudi Arabia's oil. According to a well placed source closely in tune with the oil business, the Saudis are expected to launch a propaganda campaign next month against Aramco for making a "windfall" on cheaper Saudi Arabian oil. Such a campaign is timed with final negotiations for a full Saudi government takeover of Aramco's holdings. With Saudi Arabia's stated commitment to raise its oil production, even a guaranteed buy-back right to the four multinationals — as has been hinted by the oil companies — will not stop the Saudis from significantly meeting the oil needs of Europe on a straight government-to-government basis, setting the stage for other oil producers to follow suit.

Algeria:

'Third World Will Not Fall For Lying Declarations Of West'

The following are excerpts from the economic supplement of the official Algerian daily El Moudjahid of Dec. 12:

The countries of the West have succeeded in postponing the Paris ("North-South") conference... (The West's) strategy is obvious. They want to put the responsibility of the economic collapse on the OPEC countries. They have launched a massive psychological

warfare campaign to intoxicate public opinion. The biggest weeklies of the West, including the U.S. magazine *Business Week*, are stressing that the big oil consumers... must plan to put an end to the stranglehold over their economy by OPEC...

The stalemate of the North-South dialogue was a cold-blooded operation to place OPEC in a delicate situation vis a vis the other Third World countries... The Paris conference is thus postponed until next spring probably to allow more time for militarization... and to wait for the new Carter administration... Already (Carter) has confirmed his intention to put into effect a policy reducing the use of oil. How will he do that? Will he use the IEA? Will he consolidate the consumers' cartel in Kissinger's manner, that is, with a simplistic understanding of the ongoing economic order? Will he pursue the policy of division and isolation of OPEC vis a vis the Third World?

... We will not fall anymore for the lying declarations (of the West). From now on we will call... things by their real names. The economic problems we have to face — problems that are ongoing for years — mean that it is not possible anymore to play sterile games. The solutions for each of the Third World's problems, even if they are all in the same emergency category, are calling upon us to take concrete and satisfactory measures on a long-term basis...

It is us and only us who are responsible for this issue... We must not miss this last chance to ensure a better world for our future generations and a just and durable new world economic order. Otherwise we risk that the planet will be subjected to the catastrophe of the century.

CAP:

"We Will Use Our Power Resolutely"

The following are excerpts from an editorial feature by Venezuelan President Carlos Andres Perez entitled "Altering the North-South 'Collision Course'" and printed in the Dec. 15 New York Times:

Can the ties between northern industrialized powers and southern developing countries withstand the tests of the near future? I fear that the unthinkable — a negative answer to that question — now appears as likely as any other.

The urgent need is to alter the economic collision course between North and South before the two great regions of our planet find themselves in open confrontation. This would surely have a negative effect on those of us in the Southern Hemisphere, but those in the North must ask themselves who has more to lose.

I am not making threats. I am saying that our brothers on the North American continent now have the historic opportunity to show their genuine friendship through concrete acts...

...we are not insensitive to the pressures on the world economy brought on by the rising prices we charge others — and others charge us. What is needed is a realistic indexing: a balance between our basic exports and the goods we buy...

To achieve these ends, we rely not only on the bargaining clout petroleum accords us, but also on the

unity of the third world. We will use this power reasonably but resolutely. The failure to realize this will expose the world to dangers that could affect the economies of all countries and the lives of all individuals.

Some politicians are fearful of the political consequences of an oil price revision. Let them be reassured. The great powers can easily absorb the new alignment without a jolt. If they are worried about expenditures, why not reduce their capacity to end the world 40 times over to a paltry but still effective five or 10 times?

These are my thoughts, shared by many responsible figures of the third world. We believe that mankind now stands at a perilous juncture. There are great dangers — capable of endangering man's life on this planet — but there is still hope. This is the opportunity that, mastered, makes other opportunities possible.

Saudis Reported In Agreement With Algeria, Venezuela

The following are excerpts from an article entitled "The Oil Price Puzzle" by Richard Johns in the Dec. 13 Financial Times:

Saudi Arabia has been foremost among the producers in linking oil pricing policy to progress made in the

Conference on International Economic Co-operation, particularly the demand of the developing countries for improvement in the real value of their export earnings (including petroleum) and for the relief of the Third World debt....At a secret meeting on October, (Saudi Arabia's Oil Minister) Sheikh Yamani is reported to have agreed with the Venezuelans and Algerians that the price increase should be kept lower if the outcome of the dialogue was judged satisfactory, but increased if it were negative.

Yamani:

No Embargo. We Want Dialogue

Corriere della Sera, Dec. 15, 1976, from commentary by G. Josca:

"Jimmy Carter threatens that if there were a new embargo, it would constitute a declaration of economic war, which would receive an immediate reply. However, (Saudi Oil Minister) Yamani, speaking for the Arabs, "throws water on the fire." He has said: "No one is thinking of a new embargo. We don't want to sabotage the world's economy. We are in favor of dialogue."

U.S. Press Retails State Department War Line To Break OPEC

Dec. 17 — Four major news publications Business Week, Forbes, Washington Post, and the New York Times Magazine, printed articles late this week which threatened the world with war unless the prospective Carter Administration in the U.S. is permitted to disband the Organization of Petroleum Exporting Countries (OPEC) to ensure a Rockefeller dictatorship over world energy supplies and policies. The articles, proclaiming the continued existence on OPEC a "national security issue," appeared only days after highly placed sources at one of the magazines revealed that the U.S. State Department was altering editorial deadlines and forcing last-minute changes in U.S. newspapers and news journals to issue the line that, as one source described it, "The U.S. ought to nuke the Saudis."

All the articles concur on one issue: that the payment of dollar debt be maintained uninterrupted. Thus either OPEC rolls back the price of oil or OPEC must finance the debts incurred directly or on a giveaway basis through international institutions and auctions of oil at the lowest price. In the meantime, the U.S. and Western European economies must prepare to "meet the crisis" by imposing top-down fascist controls. Already these press are urging Carter to stockpile oil, impose oil rationing and launch open economic warfare on the OPEC nations to bring them to their knees.

That the State Department press is squawking so loudly over OPEC — an organization which in the past has rarely hesitated to follow Rockefeller's script — and Saudi Arabia — a Rockefeller satrapy for many years — is testimony to how quickly these oil producing countries are slipping. That, according to the articles, is an issue of war.

Business Week, Dec. 20: ...So far the U.S. and its allies have virtually acquiesced in OPEC's price policies, making no attempt to break up the cartel. But the economic consequences of high oil prices now appear so severe and the political implications so explosive that experts are beginning to say that the risks of acquiescence far outweigh the risks of a determined effort to get the price down...

If OPEC decides on a small increase or no increase at all, the world will breathe a lot easier. But not for long. If the consuming nations continue to tolerate the cartel's policies, once the economic recovery picks up some steam, OPEC will be back to take its share — and more....

... "The question is not whether a 5 per cent or 10 per cent increase in the price of oil is absorbable," says Robert Hormats, a senior economist at the National Security Council. "The question is how to survive the

disaster that has been inflicted upon us.”

And “disaster” may not be too strong a word....Even the U.S., the strongest of the industrial nations and among the least dependent on foreign crude, bears the scars of OPEC-inflicted wounds....

Says Dale Jorgenson of Harvard University, “The ability of the ‘new adaptive’ capital stock of the world to produce has been permanently lowered.”

...This mean that... “The new combination of labor, capital energy, and materials is less productive than it was before OPEC emerged,” says Jorgenson....

...Says the National Security Council’s Hormats, “What we have is a situation which is unmanageable in structural terms. The international economy simply cannot take collective balance-of-payments deficits of \$40 to \$60 billion a year indefinitely without a massive redistribution of that surplus to the developing countries and the weaker industrial nations, such as Britain and Italy. Just who will continue to lend to the weaker countries on that scale?”

....“Ultimately we either have to roll back the price of oil or get OPEC to finance the deficits directly or through international institutions on giveaway terms.”

...Thus it is possible that the basic question on the minds of OPEC’s oil ministers as they assemble in the palace at Qatar may not be how big a price increase to impose now. It may be, rather, that the inability of the world economy to grow and the U.S. change of administration signal the approach of an energy users’ counterrevolution.

New York Times Magazine, Dec. 12: Judgements that set the world’s destiny, once in our hands, are slipping into theirs. Yet the Nixon and Ford Administrations have so far refused to deal directly with the problem of OPEC — despite plausible suggestions for doing so. If Jimmy Carter wants his Washington to regain some of the lost influence, then confronting OPEC must be his first item of business...

...The first step would be for the government to establish itself as the sole importing authority for America’s oil needs — at present seven million barrels a day. It would then require anyone wishing to fill these needs to submit a signed bid...Contracts would be awarded from the lowest through the highest offers necessary to satisfy demand...

...This system...would inject into the international market a new and powerful buyer interested in bargains rather than “preserving stability.” (And) it is not merely cartel members to whom the bidding system would apply...The world’s major producer of oil — Russia — is increasingly reliant on us for grain and has signed an agreement to negotiate wheat-for-oil deals (the hang-up is that Russia wants the cartel price)...

The stockpiling program can also have a large significance for the import-auction system. By having even 30 or 40 days’ supply on hand, the U.S. will have that much more time to shop around for a bargain if the

immediate reaction of major suppliers should be to hold the line....

Even more far reaching than the stockpiling legislation is an obscure provision, written in by the House, that slipped largely unnoticed into law. It empowers the President to provide a procedure to constitute the Government sole purchaser of all or any part of our foreign oil needs for resale to the United States.

There will be strong forces at home and abroad trying to prevent the White House from exercising its unfathomed powers with any imagination or boldness. But if our President-elect does not seize this unexpected legislative ticket, to take on OPEC, he will find that the nation’s economy is unable to finance any of the grand designs he holds for the future.

Forbes, Dec. 15: Aramco is the most important and valuable foreign asset ever developed by U.S. citizens...Who ever controls Saudi Arabia’s oil holds the keys to the world’s economy and very probably its political direction.

From the moment the State Department scuttled the oil companies efforts to present a united front in the 1971 Tehran price negotiations, the producing countries had the upper hand; the old balance of power was broken. The oil companies lost control first of their ability to set prices and then of their ability to control production,...If the oil companies once seemed instruments of American policy they were beginning to seem instruments of the Saudi policy instead.

...there is no alternative to Saudi crude. ...The Saudis have taken Aramco,...Now the Americans are working for them, not they for the Americans. In this sense the takeover of Aramco by the Saudis is a good deal more than symbolic. It is one more reminder to the world that the Saudis are in the catbird seat; if they choose not to expand their petroleum production in the years ahead, the world would be in very sad shape.

Washington Post, Interview with Israeli Defense Minister, Shimon Peres Dec. 14: Peres also expressed sharp concern that Europe is being brought to its knees diplomatically and economically by Arab “oil pressure”. He said a 10 per cent increase in petroleum prices predicted by some as the result of this week’s meeting of the Organization of Petroleum Exporting Countries — would be an economic catastrophe for France, Italy, and Britain and probably sustainable only by one or two European countries including Germany.

“The whole European continent is being conditioned by the whims and decisions of 20 sheikhs, whether there will be inflation or unemployment or even communism,” Peres declared. He said one of the most important things the incoming Carter administration could do to solve the Arab-Israeli problem would be to diminish the influence of Arab oil by taking imaginative action in the energy field.

Oil Price Already Up 20%, Carter Team Plans 'Energy Embargo' Against U.S. Industry

Dec. 16 (NSIPS) — Under the cover of an anticipated Organization of Petroleum Exporting Countries (OPEC) oil price increase, major East Coast suppliers have already increased the price of No. 6 industrial fuel by 20 per cent since last June, seriously affecting industrial users and inflating consumers' electric bills through the ceiling.

As events at the on-going OPEC meeting in Qatar underscore, a major oil price increase is the policy of the Carter government-in-the-wings and the Rockefeller-controlled multinational oil companies, not of OPEC.

The Carter group has been pushing for a major oil price increase to intercept the growing OPEC-European and OPEC-Third World alliances and, domestically, to manufacture a new "energy crisis" preparatory to "solving" that crisis with the labor-intensive energy and related "development" schemes demanded by Big MAC chairman Felix Rohatyn at the Saratoga Springs Conference of Northeastern Governors last month. At that meeting a former Federal Energy Administration (FEA) official informed a private gathering, "Even if the OPEC nations don't raise the price of oil, Carter should impose an embargo so the population will go through the pain and suffering necessary to finally bring about energy conservation and independence plans."

On Dec. 13 the Washington Post echoed the same sentiments. The paper editorially endorsed the appointment of James Rodney Schlesinger — "or someone of similar intellectual grasp and administrative skill" — to head up a new energy superagency in the U.S., whose aim would be to swiftly move on the Project Independence programs that the Ford Administration failed to carry out. Schlesinger demonstrated his qualifications for the post during his Princeton lectures last month, when he urged the Carter Administration to make confrontation with OPEC its first priority. The Schlesinger call for a "big bluff" — the same strategy he advocates in the face of Soviet Union strategic military superiority — foreshadowed the spate of State Department-directed articles published in Forbes, Business Week, and the New York Times Magazine last weekend.

Divide and Conquer

The other prong of this new energy hoax are the moves by the Carter group to precipitate a price war among the oil-producing nations and to undercut growing OPEC-European marketing arrangements. On Dec. 15 Frank Zarb, head of the FEA, unveiled a plan to purchase oil for

a 500 million barrel strategic stockpile through "one-on-one negotiations" with various members of OPEC. Zarb said the aim of the secret, one-on-one negotiations was to get the oil at a discount, but he insisted that the negotiations would not be "a tactical means" for breaking the cartel. However, the plan announced by Zarb is the exact scheme suggested by this week's New York Times Magazine article "How To Take On OPEC" as a wedge to bust up OPEC and wreck the OPEC-European alliances. The article shamelessly lied that the Europeans and OPEC countries have a common interest in keeping prices up, naming "our allies Britain and Norway, who have an interest in the relatively expensive production in the North Sea," "suppliers of arms and other services to the OPEC nations," and the OPEC cartel itself.

One of the authors of the article, Jack McNamara of the University of Southern California Law Center, told a reporter this week that the architects of the FEA plan were well aware that the main interest of the nationalized Arab oil companies at present is in securing downstream marketing rights and getting out from under the control of the multinationals and well-aware of the on-going OPEC-European marketing deals. The Arab state oil companies will be glad to bid into our auction. The purpose of the bidding is to break the cartel and allow open access to U.S. markets. Let anybody bid what they like as long as the price is right."

However, the OPEC nations are moving to prevent such a price war from breaking out. The Wall Street Journal reported today that the OPEC nations meeting in Qatar are setting the premiums and differentials that OPEC countries charge for various grades and qualities of crude oil and "production programming" — sales-production levels that each country must maintain to keep petroleum prices in the cartel's hands.

Top Down Control

The Carter group not only supports the idea of a Federal purchasing agency. Charles Curtis, a member of the transition team who operates out of offices in the FEA, was instrumental in inserting a clause in the recent Energy Policy and Conservation Act which empowers the President to constitute the government the sole purchaser of foreign oil needs. This obscure clause that "slipped largely unnoticed into law," together with the stockpiling legislated by the Act, will give Carter full "legal" authority to confront OPEC via the auction system and to exert top-down control over the nation's

energy supplies. The 343-page report made public by Zarb today calls for stockpiling 500 million barrels of crude oil in the rock-salt domes along the Gulf coast by 1982, "as insurance against another Arab oil embargo."

Underscoring the evidence that a large oil price increase is the policy of the Rockefeller-controlled oil multinationals and not OPEC, the Wall Street journal reported yesterday what has been known by informed oil industry sources for some time — that the multinationals started stockpiling crude oil back in October, paying premiums as high as 70 cents a barrel for spot purchases, in anticipation of a provoked OPEC price increase in December. However, by early November, when Saudi

Arabian Petroleum Minister Yamani and other OPEC spokesmen made it clear that the cartel had no intention of playing international scapegoat and destroying the European and Third World economies through a major price hike, the multinationals were forced to ease their speculative stockpiling, and premiums on spot purchases of crude oil fell to around 35 cents a barrel.

Making oil a national security issue, and using the Schlesinger "big bluff" tactic to bludgeon OPEC into dropping its demands for development of the Third World, completes Carter's package for instituting a fascist economy in the U.S. in 100 days.

Carter Draws From Same Well Five More Cabinet Nominees

CARTER REPORT

Dec. 18 (NSIPS) — Jimmy Carter announced five more nominees for his Cabinet this week, and continued to draw on David Rockefeller's Trilateral Commission and the elite Brookings Institution think tank for the leadership of the Carter Administration.

The five new Carter appointees:

*Michael Blumenthal for Treasury Secretary. Blumenthal, a Trilateral Commission member, was also a leading member of the Initiatives Committee for National Economic Priorities (ICNEP), a planning body created to outline the fascist reorganization of the U.S. economy. Blumenthal is an outspoken proponent of corporatist "labor-management cooperation" schemes.

*Charles Schultze for Chairman of the Council of Economic Advisors. Schultze heads the Brookings Institution's domestic economic section. His brand of economics was blatantly detailed in a recent Brookings publication, "Setting National Priorities," edited, by Schultze, which calls for massive public jobs programs, wage and price controls and indexation — precisely the policy that drove standards of living in Brazil down to the starvation level. The book also details scenarios of possible US-USSR confrontations. Schultze was an originator of the "social compact" concept in which control on wage increases is to be an "exchange" for a small tax reduction.

*Zbigniew Brzezinski for National Security Affairs advisor. Brzezinski is the executive director of the

Trilateral Commission. In 1967 he proposed "a symbolic presidency" for the U.S. "in which functionally necessary experts replace parties and government bodies." Brzezinski began personally grooming Carter for the White House while the peanut farmer was still Governor of Georgia. The leading architect of "destabilization" operations against Eastern Europe, Brzezinski is believed to have organized the 1968 "Prague Spring" crisis in Czechoslovakia. "Another Dr. Strangelove," commented the *London Times* Dec. 17.

*Congressman Brock Adams for Transportation Secretary. Adams was the prime architect of the Conrail plan — a scheme that rescued Wall Street's worthless railroad bonds by triage and reorganizing the bankrupt Northeast railroads into the Conrail swindle. As House Budget Committee chairman, Adams has spent the last two years being carefully trained in Brookings Institution economics by Alice Rivlin, formerly of Brookings and now Congressional Budget Office director.

*Congressman Andrew Young for Ambassador to the United Nations. Young was the man most responsible for organizing poverty pimps and other lowlife deployed to "get out the vote" fraud for Carter.

Not wanting to waste any time after Carter is sworn in January 20, Carter transition personnel are pushing for Senate confirmation hearings on the proposed Cabinet starting Jan. 10, ten days before Carter actually is sworn into office! If they are successful, it would be the first time in U.S. history that a full Cabinet was evaluated before a President took his oath of office.

Carter Camp Forced on Defensive by Capitol Hill Backlash

CONGRESS REPORT

Washington, D.C., Dec. 18 (NSIPS) — Speaker of the House Tip O'Neill admitted to the Worcester, Mass. Chamber of Commerce early this week: "I tell you, Jimmy Carter will not charge into Congress with a 100 day program and try to ram it through," adding despondently, "The election was too close for that."

While O'Neill's remarks were intended in part to allay widespread fears that Carter and his Trilateral Commission advisors intended to do just that, they were far more just a blunt statement of the fact that Carter's initial scenario for his first months in office has had to be scotched. O'Neill should now why. As an ardent Carter supporter and one who was designated to play a pivotal role in corralling Congressional support for Carter's Brookings Institution-authored program as the newly-elected House Speaker, O'Neill has been having an increasingly difficult time trying to sell Carter, his Cabinet, and his policies to his colleagues on Capitol Hill, Republicans and Democrats both. Fearful of precipitating an open political revolt in Congress which could quickly tumble Carter's whole house of cards, O'Neill and his cronies have been forced to shift to a soft-sell approach, without, however, reneging on their commitment to implement a full war-and-fascism program.

But even this tactic won't necessary work, since the anti-Carter sentiment permeating Congress is now threatening to turn into a programmatic battle between the hard-core Carterites and those forces from both parties committed to a basic policy of industrial and agriculture development. Responding to the Carterite Northeast-Midwest Economic Advancement Coalition's 19th century "energy development" schemes and other zero-growth projects, Congressmen from the South and West are loudly protesting that what all sections of the country need are high-technology oriented development programs, especially in the area of nuclear energy. Within the past few days, a Republican Congressman from the Northeast and a leading Republican Senator from the Southwest have set up meetings with representatives from the U.S. Labor Party and the Fusion Energy Foundation to discuss drafting legislation establishing a crash fusion power program, while numerous other members of Congress are pledging to support such legislation if introduced. These developments highlight the tremendous pro-fusion sentiment existing in Congress, which, until now, has remained passive in the face of the Ralph Nader-Common Cause campaign against nuclear energy. As an aide to the Senate Finance Committee exclaimed after first pessimistically denying the possibilities for getting a serious fusion effort off the ground, "I once suggested to an Italian government official that if the Europeans, the Soviets, and the U.S. were to pool resources for a crash program, then we could easily conquer the problems involved."

U.S. Labor Party proposals for establishing a U.S.

development bank modelled after Alexander Hamilton's first Bank of the United States are also being warmly received and studied on the Hill, with Congressional traditionalists immediately recognizing that the proposed bank embodies the essential pro-development perspective for which the American Revolution and Civil War were fought. With this week's Soviet initiative toward forming a new international monetary system, these layers in Congress, and the constituents they represent, are forced to consider, as an immediate necessity, how the U.S. is going to participate in these new monetary and trading arrangements.

This sharp juxtaposition of Carter's program of mass destruction to an eminently realizable strategy for expanding world trade and production is also spurring on Congressional involvement in the fight to keep Carter out of the White House. Taking up the cudgels against the phony President-elect, Rep. Thomas Kindness (R-Ohio) travelled to Wisconsin early this week to petition a meeting of the conservative Committee for the Survival of a Free Congress to support, politically and financially, the Citizens Committee for a Fair Election which is leading the nationwide battle to overturn Carter's fraudulent election. Sources report that layers allied to the Free Congress group are now considering forming an organization for the specific purpose of challenging Carter's election.

The Carter camp has reacted to these developments. *The New York Times* and *Washington Post* launched a drive this week to defame Rep. Jim Wright (D-Tex) who was elected House Majority Leader last week by anti-Carter forces in Congress. Along with Common Cause, the Eastern press is accusing Wright of accepting perfectly legal campaign contributions!

Wright has made it clear that he will not acquiesce in the Carter camp's chief weapon against Congressional opposition: the so-called scandal surrounding the South Korean Lobby on the Hill.

Appearing on CBS-TV's "Face the Nation" last Sunday, Wright declared that the much-aligned House Ethics Committee was perfectly capable of carrying on its own investigation into the scandal, and promised that such an investigation "won't be a whitewash, but it won't be a witchhunt, either." The Carter forces responded by deploying Sens. Ted Kennedy and Republican Charles Mathias (Md.) to appeal to the Senate Select Committee on Intelligence to begin an inquiry into the activities of the Korean CIA as well as the Chilean and Iranian secret services in the U.S.

With many of the Southern-Southwestern and urban-based Democrats in Congress in rebellion, the Carter crew is frantically trying to turn the incoming freshmen Congressmen into their legislative allies. To this end, the freshmen — many of whom are coming to Congress through the same fraudulent operation which is sending Carter to the White House — are tramping from one

brainwashing "seminar" to another. So far, Harvard University hosted the new Congressmen for a three-day session on "the legislative process" while the Brookings

Institution — whence comes Carter's CEA head Charles Schultze — will take them in hand beginning Jan. 6, for an intensive seminar on "economic policy."

Jule Sugarman: A Case Study of Carter's Transition Team

Dec. 16 (NSIPS) — The Carter "transition team," to which more than 100 individuals were named shortly after election day, has remained largely faceless for two months. Apart from a few key figures, little has been published in the national press about any "transition team" member.

One member is Jule Sugarman. Sugarman was Director of the Human Resources Administration of the City of New York from 1971-74, and Deputy Mayor of Atlanta, Georgia until his transition team appointment. While in New York, Sugarman presided over three years of cutting and eliminating social welfare budgets and agencies. He initiated specialized forced-labor programs for welfare recipients, began programs which have resulted in tens of thousands of methadone addicts working in "community self-help" projects in the absence of city services, and successfully diverted millions of dollars in service money into bonded debt-service on behalf of the city's creditors. In Atlanta under Mayor Maynard Jackson, Sugarman performed similar services.

Although he has specialized in slave-labor planning and administration, he has also been an administrator with the Bureau of Prisons, an executive in the Civil Service Commission and the Budget Bureau, Director of the federal Office of Child Development, and an official of the State Department's Bureau of Inter-American Affairs.

Jule Sugarman is an "interchangeable part" in the "technocratic dictatorship" now being created for the Carter Administration under the supervision of David Rockefeller's Trilateral Commission cabinet. Sugarman is any kind of "functionally necessary expert" the Trilateral Commission would like him to be. He has no broader moral criterion to interfere with "efficiency and accountability," whatever the task. Jule Sugarman is Nazi technician.

In 1971, four years before Chase Manhattan's David Rockefeller, Lazard Freres' Felix Rohatyn et al. created the Municipal Assistance Corporation, New York's Big MAC, Jule Sugarman had taken over the new Human Resources Administration and set about centralizing the city's many social service agencies under its single roof. Big MAC's administration over the entire city government would have been impossible or ineffectual without what Sugarman first accomplished through HRA.

The HRA would run a "truly integrated, comprehensive, accountable program through a variety of social service agencies," Sugarman told the New York City Council in 1971, shortly after he took office.

Accountability, as he explained in his Andover speech in June of that year, meant "community self-help," to prepare for city budget cuts that were coming, "de-professionalization" of social services and elimination of Civil Service requirements, to prepare for the welfare recipients and others who would replace the trained case-worker without pay, and above all, "job creation" for the millions of "needy."

Sugarman is the first to admit that his innovations were not original. He has kept a detailed file on the programs created by technicians like himself for fascist governments. The file contains detailed information on Hitler's "arbeitsdienst," the Nazi Labor Service, as well as the National Youth Service of the Nazi government, and the similar programs of Mussolini, Sugarman told an interviewer in the spring of 1975. The file also contains the Brazilian and Chilean government's programs. Sugarman has drawn on all of them.

His first year in office was the year that the Rockefeller University staff under specialists Dole and Nyswander were first getting "methadone maintenance" projects off the ground in experimental programs in the devastated South Bronx section of New York. The programs were under HRA control, but they were administered by Ramon Velez, the poverty czar of the area. A city investigator put a report on Sugarman's desk showing that Velez had been unable to account for \$1,650,000 in funds. \$650,000 was withholding tax owed the federal government by Velez' Hunts Point Multi-Service Center, the Lincoln (methadone) Detoxification Center, and 100 other agencies the poverty-pimp controlled. One million Dollars was just "missing." Sugarman squelched the report and the investigation.

In March 1972, Sugarman testified before the House Education and Labor Committee in Washington, outlining a detailed program for national forced labor for all unemployed. The program was drawn out of his Nazi "arbeitsdienst" file, and was later to become the core of the current Humphrey-Hawkins bill. Sugarman proposed a "National Job Creation Commission," (the Nazi Labor Service) to be administered in line with a specific national economic plan regarding the numbers and types of jobs to be created each year. Welfare was to be eliminated, as were unemployment insurance benefits, and replaced by federal spending to subsidize private industry's creation of minimum wage jobs and public works projects.

In subsequent testimony before the Congressional Joint Economic Sub-Committee on Fiscal Affairs, Sugarman repeated this proposal, emphasizing that slave-labor was the only way to effectively eliminate

welfare and unemployment costs. "We might reduce welfare and fraud errors to near zero," he told the Congressmen, "but I suspect we could only do that if we were willing to allow children to go hungry and families to go homeless."

Two months later, David Rockefeller ordered \$1.62 million cut from the HRA budget, and Jule Sugarman began to denounce "welfare fraud" daily in compliance. He had surrounded himself with over 60 budget-cutting specialists in the two years he had been at the agency, and the \$1.62 million was cut without a hitch.

"He's a paradox," said a New York State legislator about Sugarman in June, 1972. "He has this strong quiet interest in social programs, but there's this intensity, this passion for accountability."

At a Dec. 1973 Conference of welfare specialists in New York, Sugarman was a featured speaker, and he prepared by dipping back into his Nazi file. Abolish welfare and unemployment insurance, standardize the level of benefits below poverty level and make everybody work for the "National Community" (Volksgemeinschaft) Sugarman told the conferees.

In testimony before Hubert Humphrey's Congressional Joint Economic Committee in 1975, he repeated the most elaborate version yet of his proposed application of Nazi Labor Service programs to America, this time adding "Forced Savings" ("Winterhilfe") to his "Arbeitsdienst" and "Volksgemeinschaft." Eliminate present unemployment benefits and welfare categories and combine all unemployed persons into one program which gives standardized benefits set at below poverty income (\$5,500). Index this income to the cost of living (the

Brazil file), Sugarman told Humphrey. The combined pool of employables available for a National Economic Plan would be enormous, he emphasized. Eighty to 90 per cent of all unemployed youth, 50 per cent of all mothers now receiving Aid for Dependent Children, 20 per cent of all disabled persons — a total of 60 to 70 per cent of those in the combined pool could be forced to work for nothing, he calculated.

Moreover, Sugarman went on, make these workers take a "leave of absence" from their jobs every ten years, to perform "voluntary labor" for the "National Community," thus "sharing out" the paid employment (Brazilian re-cycling). "The concept is what must be furthered now," Sugarman said privately. Once the plan is going, he later told an interviewer, workers could be made to labor for free every five years or less. He wants it extended to 70 per cent of all blue collar workers in the country.

Lastly, America needs "forced savings," Sugarman told Humphrey. Without six per cent of every worker's paycheck, and deposit it into a "government" and a "private" fund to guarantee that governments and private enterprises can meet their debt payments. In ten years, he estimated, the funds could accumulate \$333.5 billion, "a large capital resource which would be available to government or private investment needs" as determined by fascist national economic planning.

"Some people think I'm crazy," Sugarman told an interviewer last year. "But Hubert Humphrey likes my plan. They think I'm crazy, but Humphrey likes it."

Now Sugarman is helping to plan a new government.

Soviet Initiatives Undermine An Already Shaky Dollar

FOREIGN EXCHANGE

Dec. 16 — The offer of Comecon's central bank, the International Bank for Economic Cooperation (IBEC), to open up the Soviet transfer-ruble for international use as a world reserve currency threatens to critically undermine the U.S. dollar, at the point when it is most vulnerable. Until this week, the factors contributing to dollar weakness have been two: 1) The steady decline in dollar sector interest rates; reflecting both the deterioration of the domestic economy, and Federal Reserve Chairman Arthur Burns' decision to facilitate the free flow of U.S. bank funds into the Eurodollar markets to refinance Third World and European debt; and 2) The OPEC countries' efforts to "diversify" their investments, including a shift out of short-term Eurodollar deposits into gold and European equities.

The Arab League's decision this week to go ahead with the long-awaited Arab monetary union, when viewed *in conjunction* with the IBEC initiative, indicates that a much more fundamental dollar crisis is at hand.

A highly placed source at a leading London bank known for its Mideast connections, indicated the forthcoming Arab monetary union will center around a gold-backed pan-Arab currency, providing a potential direct link-up with the gold-backed transferable ruble: "Call it an Arab dinar or a pan-Arab Riyal; this kind of monetary union is going to take place in 1977. Starting from the Gulf, led by the Kuwaitis, the monetary unit will be backed in gold or Kuwaiti dinars...The Arabs are very worried about Carter and that's why they are going for other options. They don't want to be caught with their trousers down."

Should the Arabs proceed to demand payment for their oil only in such a gold-backed Arab currency, Western Europe and Japan would be *compelled* to join a gold-based clearing system along with Comecon and the oil producers. Under these circumstances, the U.S. would either be shut out of world markets, or would be forced to agree to a substantial dollar devaluation as a necessary condition for joining the new monetary arrangement.

The above assessment has been confirmed by a number of well-informed sources:

* The New York Federal Reserve Bank held an emergency meeting of its staff this week to map out contingency plans in the event of OPEC withdrawal of funds from U.S. banks.

* A spokesman for a leading Swiss bank revealed that it is premising its own investment portfolio on the accelerating Arab shift into European equities and gold and expectations of a European gold clearing-system.

* According to Midlands Bank, a major City of London

institution, trade which can no longer be financed in sterling, due to the excessive sterling sector interest rates, will in the future be financed either in deutschmarks or transfer rubles.

* Another British bank, Schroeder Trust, expects a major run on the dollar in the next "two or three years," forcing Europe to revert to its own currency arrangements.

* The Soviet journal *Economic Gazette* asks "rhetorically" this week what would happen if the \$130 billion in short-term U.S. liabilities held by foreigners were presented for payment all at once!

The true import of Arab "diversification" is just beginning now to affect the markets. The dollar fell to a record low for the year against the deutschmark today following reports of an OPEC price increase. In 1973-74, the oil price hike *benefited* the dollar, but now everyone realizes that OPEC will not invest its new oil earnings in dollar assets any longer.

West German, Japanese Resist Reflation

The Bundesbank announced today that it is reducing the annual rate of West German money supply expansion from about 10 per cent at present, to 6 to 7 per cent in 1977, while West German Chancellor Schmidt's standby public spending program allows for only minimal growth. West German short-term interest rates have already surpassed U.S. rates for the first time this year; any further tightening by the Bundesbank will speed the withdrawal of funds from the dollar sector in search of higher investment returns in West Germany and elsewhere.

Last weekend, Morgan Guaranty was forced to lead the drop of the U.S. prime rate to 6 per cent, from 6.5 per cent only two weeks ago, because its loan customers, the large U.S. multinationals, can obtain easier credit terms on the Eurodollar markets than in the U.S. The multinationals have been soaking up tens of billions of Eurodollars and reinvesting them in the Third World, taking advantage of the latest wave of currency devaluations (for example in Mexico and Australia) to buy up foreign assets cheaply, while assisting the banks in the refinancing of some Third World debt. However, "safe" outlets for multinational investments of this character are strictly limited, and their demand for Eurodollar loans will shortly dry up. The shrinkage of U.S. banks' profit margins due to the drying up of domestic loan business and the collapse of the prime rate could force Arthur Burns to lower the "Fed funds" rate still further, putting even more pressure on the dollar.

Although the position of the Japanese yen relative to the dollar is not as strong as the deutschmark, due to the more rapid decline of Japanese exports, the yen was

bolstered this week by a sudden inflow of \$40 million in Arab funds, indicating that the Japanese also are involved in negotiations with the Arabs.

Italy Torpedoes U.S. Bail-Out Schemes

The U.S. Treasury Department's efforts to persuade the West Germans and Japanese to print up more money for international bail-out loans have been met with stony silence. *Journal of Commerce* columnist Alena Welles leaked today that the U.S. will push for a "super-tranche" system for countries like Italy, and a reinvoking of the General Agreement to Borrow (GAB) for Britain, at the Group of 10 meeting in Washington next week.

Italy has chosen this moment to announce that the \$500 million loan it had previously requested from the

European Economic Community is "no longer urgent". Italy's move effectively torpedoes the austerity-based "super-tranche" scheme, allowing the West Germans et al. to argue that Italy "no longer needs the money."

In reality, Italy's new found "confidence" in its financial strength is based entirely on the sheer magnitude of its projected trade deals with the Soviets — including the Italian proposal for an "international rediscount bank" to finance East-West trade, dovetailing neatly with IBEC's plans for the transfer ruble.

Italy's campaign for a new world economic order will have to be realized quickly; U.S. Treasury officials are predicting a run on the Italian lira beginning in mid-February, when the 7 per cent foreign exchange tax expires. Italian importers have been circumventing the tax by arranging four-month suppliers' credits, which will come up for payment in February.

Gold Strength Based on Use for New Monetary System

GOLD

The strength of gold today does not stem from what most gold newsletters describe as "industrial demand" for the metal. Rather — as events over this week have confirmed — this so-called industrial demand or purchases of the metal by speculators in anticipation of a continued rise in the market price, is coming mainly from the correct perception that the metal is bound to become a major monetary asset in the immediate future.

The Moscow Narodny Bank's press bulletin issued Dec. 8 proposed the much-awaited expanded utilization of the gold-backed Transfer Ruble by non-IBEC (COMECON's International Bank for Economic Cooperation) members for international settlement of commercial and non-commercial accounts. Authoritative City of London sources report that the Pan-Arab gold-backed currency under discussion for two years is to be launched early next year.

These steps by the Arabs and the Soviets will accelerate the ongoing conversion of dollar reserve assets into gold by Western European and Japanese central banks. This will have to be followed shortly by the pegging of the currencies of these nations to gold. The reason for this is straightforward. Under the present conditions of collapse of Western European and Japanese trade — at an approximate 15 per cent annual rate — and wild currency fluctuations, the only out for these trade-dependent economies is the emerging

pattern of heavily-weighted trade in the direction of the petrodollar rich oil-producing nations and the vast trade markets for high technology goods in the Soviet sector. Both Western Europe and Japan will have to agree to the stated preference of the oil producing and Soviet sector nations for a gold-backed monetary regime in order to seize these new opportunities.

The Soviets have backed up their transfer ruble proposal with a major attack on the International Monetary Fund-U.S. Treasury operation to demonetize gold in the latest issue of the *Economic Gazette*. The Gazette bluntly points out that the U.S. statements on the demonetization of gold are absurd when the rest of the capitalist world fully understands that gold must continue to function as a reserve asset in the interest of stable world trade.

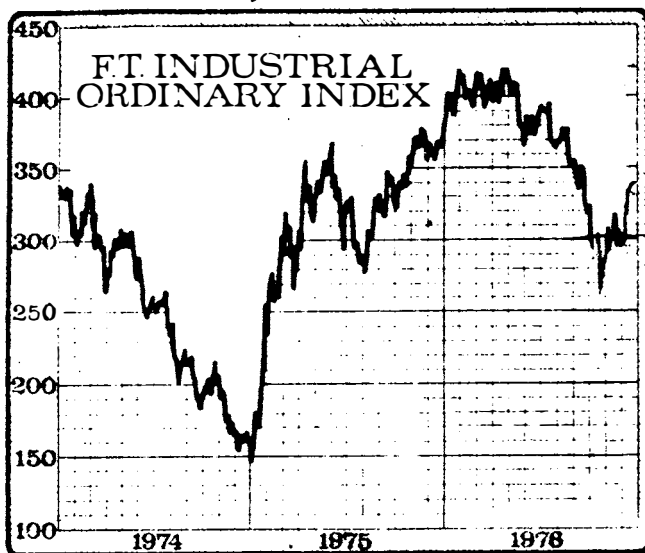
The Gulf states' unity on currency does not bode well for the dollar based financial system; this unit will clearly be backed by gold. This monetary union will mean that their oil will be paid for in either the gold-backed Arab monetary unit or other gold-backed currencies having a stable relationship with that unit. The Arabs see a gold-backed monetary arrangement as the best guarantor for stable prices for their oil as well as their imports of technology from the industrialized nations.

Otherwise, the market price of gold is holding well as today's London closing price, \$134.40 per ounce shows. However, the market has yet to realize the implications of the Soviet-Arab moves towards a gold-backed monetary system.

Britain Comes Back Strong

INTERNATIONAL STOCKS

Dec. 15 (NSIPS) — The London stock market has staged a remarkable comeback during this month, which was underlined this week when the *Financial Times* Industrial Ordinary Index withstood heavy pressure around Chancellor of the Exchequer Dennis Healy's controversial mid-week budget speech. On heavy selling, largely out of New York, the FTIO plummeted over 30 points (10 per cent) during Tuesday and Wednesday, then bounced back strongly at end week to 337.8, or a 2.3 per cent rise on the week, rising 15 points on Friday alone.



In the longer term, the London market has emerged since the beginning of December as one of the most exciting potential areas for a real investment coup, directly as a result of the Callaghan government's determination to resist the extreme deflationary demands of the International Monetary Fund (and Britain's New York banking creditors) in favor of an explicit fostering of industrial growth. Both because of this and due to Britain's new role in following the Italian lead in support of Euro-Arab cooperation and industrial monetary reform, substantial OPEC money has come back into sterling during the month, with a significant portion of it going into British equity.

In fact, this week, and for December as a whole, the British oils such as BP, Shell, Burmah, and Ultramar, along with heavy industrials such as Beecham and ICI, showed strong growth. Closely following this trend were the national European oil companies Pétrofina, Compagnie Française des Pétroles, Elf-Aquitaine, and Veba, while Exxon and Mobil were lackluster.

This week's *London Economist* stated the point succinctly. Since Carter is expected to inflate the U.S. economy severely to the detriment of real industrial growth in favor of make-work jobs, the magazine said, and since Britain is pursuing stable growth, the London equity market should begin to out perform the New York Dow shortly, and hold that lead.

Indeed, one interesting reversal of normal trends was the fact that the FT index and the pound firmed this week on the lowering of the Minimum Lending Rate to 14.5 by one fourth of a point. Since a cut in the MLR is generally expected to hurt sterling, because only high interest rates are supposed to keep any money in London, this can only mean that people have begun to buy sterling as a medium for investing in the attractive London equity market. In short, Britain has to some degree escaped the dilemma of having to choose between high interest rates for a stable currency and industrial suffocation or credit to industry and currency chaos.

British equities are way over-sold. After the spring sterling crisis, the FTIO plunged from an all-time high around 420 in April to the 260 level in mid-October, or back to the depths of the spring of 1975 (see chart). When the IMF first sent its team to London in mid-November, however, Prime Minister Callaghan pledged to the nation that "savage deflationary policies" being asked of Britain would not be allowed to destroy the country's goal of industrial progress and higher living standards through expanding social services. Reduced living standards, Callaghan made it clear, would stunt Britain's goal of higher technological development of industry and thus productivity.

Explicitly in response to this pro-growth political commitment in the face of enormous pressure, the FTIO rose almost to 300 by the time of the arrival of the International Monetary Fund delegation. A continued firm stand by Callaghan, which forced the Fund to spend over a month haggling pence and shillings at the Bank of England, brought the FTIO up by 13.5 per cent during December to yesterday's high of 337.8. Trader after trader in London stated that the cause of the market's rise especially through Monday, Dec. 13, was that Chancellor Healy's budget speech of Wednesday, Dec. 15 to announce Britain's response to IMF conditions "won't be as deflationary as the IMF demands."

The strong December pattern was momentarily interrupted in the thin and hesitant market immediately prior to the speech on Tuesday and Wednesday, by political selling out of New York which easily tricked off a 30-point drop in the tense atmosphere. Chief among the New York targets was British Petroleum, which IMF Director Johannes Wittveen had pointedly demanded the government sell its control over as part of the IMF austerity package. BP, which supplies 30 per cent of Britain's oil, gives the country tremendous independence from the U.S. as an independent energy source and is close to joining the European oil cartel being formed by five con-

tinental national oil companies. BP shares plummeted from 758 to 718 pence by Wednesday's close, with a large part of the selling likely by U.S. interests hoping to drive down the price and then buy in at bargain levels.

But the basic strength of the market was clear by Thursday and Friday, after Healy announced budget cuts so minimal that they were universally hailed as non-existent. The FTIO rose from a low close Wednesday of 313.8 to 337.8 Friday. BP bounced back as well on Healy's announcement that the government would reduce its participation from 68 per cent but retain a 51 per cent controlling share, rising from 718 to 760, including a spectacular jump of 38 pence (5.2 per cent) on Friday alone. Overall BP rose 2 pence on the week. Other British oil showed similar gains, with Shell Transport rising 17 per cent on the week and Burmah and Ultramar 17 per cent and 9.8 per cent on the month.

British medium and long-term governments showed a

similar pattern, rising overall 1.9 per cent on the week and 3 per cent since Dec. 1, on the political backbone of the Callaghan government.

Otherwise, basic industrial stocks too were strong, such as Imperial Chemical Industries, which rose 2.6 per cent on the week and 13.9 per cent during the month, and Beecham Aircraft, which rose 2.7 per cent and 18.3 per cent respectively.

INTERNATIONAL OILS: The performance of the European national oil companies involved in the "Euro-cartel" mirrored the British market during December, in sharp contrast to that of Exxon and Mobil, which have been weak all month as the OPEC states have negotiated direct deal after direct deal with the governments of Europe. Pétrofina, Compagnie Française des Pétroles, Elf-Aquitaine have all risen strongly during December, much more so than the flat performance of Exxon and Mobil (see chart).

	Nov. 30	Dec. 10	Dec. 13	Dec. 14	Dec. 15	Dec. 16	Dec. 17	Per cent rise during	
		(Fri.)	(Mon.)					week	month
FTIO	297.6	330.1	333.7	324.3	313.8	322.7	337.8	2.3	13.5
Governments	58.1	58.7	59.0	58.8	58.9		59.8	1.9	3.
BP (pence)	740	758		730	718	722	760		2.7
SHELL	405	428					440	17	8.6
BURMAH	35	41					41	2	17.
ULTRAMAR	102	112					112	2	9.8
ICI	280	311					319	2.6	13.9
BEECHAM	321	370					380	2.7	18.3
PETROFINA (BFr)	4335	4420					4400	-5	1.5
FR. DES PETROL (FFr)	93	99.2					102.5	3.3	10.2
ACQUATAINE	253	280.2					290.5	3.7	14.8
VEBA (DM)	112.8	113					114		1.
EXXON (cents)	51.13	52.58					52	-1.1	1.7
MOBIL	60	61.50					63	2.4	5.

Italian Trade Deals Show New World Trade Flows

WORLD TRADE

Dec. 19 (NSIPS) — Below is a partial list of Italian ongoing or concluded trade negotiations with mainly the Organization of Petroleum Exporting Countries and Comecon nations. Significantly, a large part of the deals concern oil supplies as Italy, in the tradition of Enrico Mattei, is actively engaged in setting up an European-wide independent oil distribution network that will free Europe from dependence on Rockefeller's Seven Sisters. Italy's recent agreements with both the Saudis and Iranians demonstrate Italy's firm commitment to guarantee the OPEC countries a solid European market, bypassing the multinationals, for their planned increased production. Furthermore, ENI (Italian state-owned oil corporation) has just sold to Iran 50 per cent of its downstream and refinery operations abroad. The Italian government has already elaborated contingency plans for the transition period into a gold-based transferable ruble monetary system after Europe's definite break with the dollar empire. The Italian case is but the paradigm and most advanced stage of a process which involves all major European nations.

Date Transaction-Agreement

- 6-29 Iraq-Italian accord, whereby Iraq supplies crude oil to Italy for 10 years. Italy will supply training to teach young Iraqis to run agricultural and industrial equipment.
- USSR-Italian trade up 26 per cent over first four months of 1976.
- Accords signed with Iran, Saudi Arabia, United Arab Emirates and Kuwait for desalinization plants, reclamation and irrigation of land, bridges, dams, railroads, ethylene production, housing, etc.
- Saudi delegation arrives in Rome at the request of Italian government to sign aeronautic accord.
- 7-3 Eugenio Cefis, head of state-owned Montedison Industries, proposed accord with Soviets and Arabs to provide Italy with \$8 billion in oil per year in exchange for technology, including plant construction, machines, etc.

- 7-12 Cefis finalizing accords to secure Soviet, Saudi, Algerian and Libyan oil supplies for Italy.
- 7-13 Soviet delegation in Italy to discuss rubber manufacturing accord. Italy is building huge food processing plant in Bulgaria, under EFIM, Italian state-owned conglomerate. Technical collaboration ongoing between Italy and Czechoslovakia.
- 7-14 ENI, Italian state-owned hydrocarbon consortium, through its Nuovo Bignono plant in Florence, signs contract with Algerian government for 230 billion lira to sell Algerians natural gas plants for an ultimate total of 600 billion lira.
- 8-10 Soviet petroleum minister in Italy to meet with IRI Finsider steel to buy Italian pipeline. Italy may invest in production of cattle in Algeria.
- 8-13 IRI Finsider signs contract for 2.5 million tons of steel over 5 years, worth \$400 million, buying \$100 million worth of natural gas and raw materials from the Soviets.
- 8-17 Italy sets up institute for "Technical Cooperation with Developing Countries," which will send 852 technicians to Third World countries to discuss financial assistance and technology.
- 8-25 \$3 trillion worth of accords signed by ENI with Iran, Saudi Arabia, Algeria, and Congo. Montedison signs accord with Poland for airplanes produced by Petzel, to be used in Sudan for spreading pesticides produced by Montedison, usable against cotton pests.
- 9-11 Montedison signs contract with German Democratic Republic involving \$140 billion line of credit.
- 9-5 Discussions of setting up joint Italian-Soviet oil company to expand oil and gas production, especially in cooperation with Holland, Libya and Algeria.
- 9-25 Soviets and EGAM, state-owned conglomerate at Breda, sign contract to purchase \$45 million worth of nuclear technology, involving projects with Finsider and Soviets.
- 9-18 IRI-linked trade company and Turkish state-owned DSA sign 350 billion lira deal for

	construction of hydroelectric plants along Euphrates.		share technology in intensification of crude production to allow exploitation of wells not otherwise exploitable.
9-15	Iranian Gas Co. and ENI subsidiary Saipem sign agreement for \$80 million and \$800 million, for construction of gas treatment plant and distribution network in northern Iran, respectively. Davy International Ltd. a party to accord.	11-2	Fiat and Soviets sign new five year agreement for Soviet Fiat Togliatti plant. ANCE signs \$2.3 billion accord for Tarbala dam in Pakistan.
10-2	Major contract signed between FIAT and Soviet Union for plant to produce 5,000 cars per year, earth moving machines, agricultural machinery; set to open in 1978.	11-11	Montedison deal with Imperial Chemical Industries of Great Britain for £12 million Scotland dyestuffs plant.
10-6	Montedison reaches accord with Egypt to build chemical plants at Alexandria and Suez area. Deal between Italian textile firm Lanerossi and U.S.-German firm Babcock and Wilcox AG to provide Algeria with three plants on a joint basis, worth \$125 million.	11-24	ENI official in Moscow to meet with Energy, Industry Ministries. Soviet officials in Italy to discuss construction projects with Italstat cement. Algerian deal with AGIP (ENI's marketing subsidiary) for Egyptian research worth \$30 million. Nigerian-Finsider pipeline deal worth \$150 million.
10-15	Public sector Minister Bisaglia in Hungary to discuss new heavy industry accords. Foreign trade Undersecretary Galli in China to discuss technology oriented trade with Chinese leaders.	12-2	Libya buys 13 per cent of shares of new FIAT Stock issue, worth \$300 million. Over next 10 years, will lend FIAT \$100 million.
10-16	Ten Soviet technicians sent to Montedison's Porto Maghera plant for technical education program. Another group of Soviet technicians at Worthington to develop plans for irrigation, electricity, under auspices of Italian Center for Research and Development.	12-3	ENI to sell to Iran state oil group some of ex-Shell Italiana.
10-17	European Economic Community accord with Egypt for 5-year cooperation for trade and technical assistance. Financing for \$187 million, free access into EEC of Egyptian industrial products and tariff concessions on agricultural products and mining products.	12-4	Saudi-Italstat deal for 35 billion lira for road-construction.
10-19	Montedison-Algerian collaboration for Montedison training of Algerian technicians from Algeria Oil Co., with EEC representatives in Algeria to discuss economic cooperation.	12-5	Yemen-Italian agreements establishing regular air service between two countries.
10-22	Reports that FIAT, SNIA-Viscosa textiles trade with U.S.S.R. now worth 1.4 billion rubles per year.	12-7	Liquichimica deal with Soviets for oil extracting process to be used in Third World. AGIP signs oil research deal for Sinai with Egypt. Iran, Libya, Saudi Arabia discuss possible agreements for pipelines, oil, plants, industrial goods, and construction, involving several hundred millions of dollars. IRI Finsider Impianti to build Iranian steel complex and city associated with it. Condotte d'Acqua to build \$1 billion Bandar Abbas port facilities in Iran ENI signs \$2.5 billion oil-for-technology deal with Iranian state oil company.
10-23	Libya buys three gas turbines from FIAT for \$32 million.	12-9	ENI, West German Veba, French Elf-EEC oil cartel formation agreement signed.
10-25	Soviet Merchant Marine official in Italy to discuss 1976 treaty on joint operations.	12-10	Iran is considering including Italy in its diversification of nuclear development plans, following Ossola's visit. Italian nuclear experts will visit Iran early next year. Already Broda Meccanica is supplying steam reactors to the power plant being built at Busheir. Iran is building up to 23,000 MGW capacity over the next 20 years.
10-28	Foreign Trade Minister Rinaldo Ossola in Bucharest, concludes agreement for \$240 million credits to Romania to finance Italian exports, reportedly in return for Rumanian supplies of oil to Italy.	12-11	Soviet Deputy Trade Minister Nikolai Komarov in Rome to negotiate a possible concession by Italy of credit to the USSR for \$600 million.
10-30	Soviets and Liquigas, Liuqichinici collaborate to	12-14	Indian delegation in Italy signs agreement with

- 12-14 Montedison to build, in India, a fertilizer plant and a second to refine petroleum for subsequent supply to Third World countries.
- IRI-Finsider deal to provide India for infra-structural development and steel for third countries via Indian markets. (Ossola is scheduled to go to India next year.)
- Reports of possible FIAT deal with India, unspecified.
- An unspecified company will be building an iron pellet factory in India, reported to be a tri-lateral arrangement that includes Iran.
- A delegation from Ghana is in Italy discussing trade deals.
- Italian Health Minister Del Falco returns from USSR with a signed agreement for joint health research.
- Turkish Deputy Prime Minister Erabeka in Italy, visiting numerous industrial installations. A statement from the Deputy Premier confirms that he is after deals particularly in the heavy industry sector.
- Soviet Minister for Civil Aviation in Italy, invited by Italian Transport Min. Ruffini.
- Rumanian Prices Minister Gaston Marin in Italy, invited by Foreign Ministry no. 2 man Radi.
- Rumors in the Italian stock market that Libya is buying into Monti. Monti shares shoot up.
- 12-15 Hungarian Justice Minister in Italy, heading a delegation.
- 12-3 *Avanti* reports that Agnelli is concerned that the unspecified buyer of FIAT shares thru Swiss banks is Qaddafi. Holds a meeting to beg the bankers not to sell to the Libyans.
- 12-17 Report that ENI and Elf-Aquitaine have formed a joint consortium to exploit oil in the Amazon.
- Algeria has signed deal with Italy for production of tires and auto company, for a total of \$260 million.
- IRI will build silos for Canadian grain. A three way deal, Canada will be lending Algeria the money for the silos at 0 per cent interest for 10 years, at which point the interest will become 1 per cent, repayable after 50 years; total worth: \$40 million.
- Radi to Algeria meeting Deputy Premier Torok.
- The German Bosch Philco plant will be selling its large Milan plant to Iran.
- SNAM-Progetti (ENI) to build fertilizer plants in India. Two contracts signed worth \$45 million — will be in Trombay and outside Bombay. The contract was signed in the Nepalese capital and includes provisions for training, equipment and original urea process originated by the Danish Halder Topsoc.
- Tecnimont (Montedison's engineering subsidiary) is currently building a series of chemical plants in the USSR.
- 12-18 Confidential report from the Italian Foreign Ministry claims that Italy has granted a debt moratorium to Egypt.

Arab Investments After FIAT

— *Monti*: Libyans want to buy from Italian oil baron Attilio Monti 70 per cent of the Milazzo and Gaeta refineries (Milazzo being the biggest European refinery), two oil tankers, and the entire distribution network of the Marche, formerly Italian subsidiary of British Petroleum. Monti is being offered 150 million dollars. Well placed sources report in the press that negotiations have been going on for eight months and the only thing missing is the final signature. Both refineries are located in strategic areas of the Mediterranean.

— *Montedison*: Through Gaith Pharaon, former economic advisor to King Faisal and friend of Cefis, Montedison has drawn big expansion plans which involve the United States, where Montedison has already bought one-third of the Bank of the Commonwealth of Detroit.

— *Cefis*: has concluded and signed two important contracts with Saudi Arabia: one provides for transferring the entire capital of the Incas Bonna Saudi Arabian based at Gidda, and part of the Incas Bonna Italiana, which has been secured a large amount of orders. The other contract will permit Montedison to do a joint petrochemical complex for an investment of 1,000 billion lira.

— *ENI*: is about to finish with Iran an agreement for giving up 50 percent of AGIP's distribution network outside of Italy. This has two aims: to obtain supplies for AGIP, and to involve Iran in the distribution business so as to render more difficult any eventual unilateral action.

— *ENI*: about to conclude an agreement with Algeria for the creation of a mixed company for the transport of natural gas. ENI's subcompanies Saipem, Nuovo Pignone and Snam Progetti, have allocated 2,600 billion lira for contracts with Arab countries during the 1976-79 period.

— *Italstat*: Will construct in Iran a huge commercial port at Bandar Abbas. Corbi, Italstat president, said that the company's contracts in Iran will not stop at Bandar Abbas.

— *Pirelli*: Last week, Guido Fabio, "foreign minister" for the Pirelli group, went to Kuwait. He is expected back in Italy Dec. 22 after signing an agreement for the construction of a big complex. Pirelli is also negotiating with Algeria for the construction there of a tire factory. Iraq wants Pirelli to expand a plant that Pirelli already built there.

— *Finsider*: Finsider (IRI) will construct in Bandar Abbas a steel complex that will produce 3 million tons of steel per year. The definitive agreement will be signed by late March 1977. The Finsider will also participate in

the construction of the Tavanir pipeline, and will supply 40,000 tons of iron sheets for the Kanganastara pipeline.

Finsider is conducting negotiations with Iran for the construction of an aluminum and tube factories. With the Egyptians, Finsider formed a mixed company for the construction of the Abu-Gharadig pipeline. In Morocco, Finsider may get involved in the construction of the Nador steel complex. Finsider also wants to construct a Bandar Abbas-like steel complex in Libya.

— *The Banco Ambrosiano*: has been asked to participate in the Mediterranean Arab Bank. The proposal came from Mahd al Tajir, Ambassador and advisor to Shief Rashid of Dubai, and was accepted immediately.

— *The Soviet Union*: is helping the Libyans in the construction of a nuclear complex. FIAT may be participating in this.

— *Cesare Romiti*, FIAT director and one of the negotiators for the FIAT-Libya deal, went to West Germany to inform bankers and industrialists that FIAT will invest 15 billion marks in West Germany, five of which will be invested in the auto sector. Most of the money will come from Libya.

Weakness in Auto Production, Despite Oct.-Nov. Business Figure

BUSINESS OUTLOOK

NEW YORK, Dec. 18 (NSIPS) — The U.S. economic situation continues to deteriorate, notwithstanding the expected rebound that the end of the Ford strike gave to the October and November sales, income, and production figures which were released this week.

In the U.S., fourth quarter production is being held up slightly by a 3-4 per cent increase from the previous quarter in business spending on new plant and equipment "locked in" prior to the widespread perception that the U.S. economy had run out of steam. By the end of this month, however, capital spending will have flattened out — industrialists have recently cut back their expenditure program sharply.

Weakness in the key auto sector also continues to plague the economy. All Big Three auto companies have just announced new temporary layoffs totaling 16,000 workers for early next year — despite General Motors chairman Thomas Murphy's ridiculously optimistic predictions at a press conference this week that total U.S. auto sales (domestic and imported) would increase 11 per cent in 1977, to 11.25 million units. Another additional 9,800 Chrysler workers will be out of work during a week in January due to a conveniently timed plant renovation. GM's Lordstown plant, one of the most politically

explosive in the U.S., will be shut down for a full three weeks starting Jan. 10.

Although Ford Motor Chairman Henry Ford II recently lowered his firm's estimates of 1977 sales to 10.6 million units, conditioned on "a modest tax cut," even Wall Street "auto analysts" (usually professional industry boosters) do not see such a sales rate as even a remote possibility in the first quarter of next year. Auto sales for the remainder of December are being very closely watched for indications of whether or not the current poor situation in the industry will rapidly deteriorate. Although reported sales in the first ten days of December were generally inconclusive, coming in at about the 9 million annual rate for domestic producers that analysts felt was absolutely essential, the Commerce Department's latest weekly retail report shows auto dealer sales down 13.9 per cent from the previous week (The weekly retail figures are not always reliable and can be subject to large revisions). The final two weeks will be a make-or-break situation.

Out Of Balance

Business statistics released this week showed industrial production rose 1.2 per cent in November, following revised declines of 0.4 per cent and 0.3 per cent in October and September respectively. The Federal Reserve Board attributed more than half of the

November increase to the settlement of strikes which had depressed the previous month's production. The Commerce Department reported that business inventories rose 0.5 per cent in October, following an upward-revised increase of 1.2 per cent in September. Almost all the increase in inventories was at the manufacturers' level. Total business sales fell 0.1 per cent in October, again slightly raising the overall inventory-sales ratio. With manufacturers' shipments falling off 0.1 per cent, manufacturers' increased inventories continued to remain sharply out of balance. The Commerce Department's advanced report (subject to significant revision) showed November retail sales increasing 1.7 per cent, paced by a sharp 3.5 per cent increase in auto sales. October figures were sharply revised upward to show a 1.1 per cent increase. Consumer installment credit, reported by the Federal Reserve Board, increased \$1.56 billion in October, the sharpest advance in three years. Personal income rose 1.1 per cent in November, following a 0.8 per cent advance in October, the former figure sharply boosted by the return to work of strikers and the latter by government wage and salary increases. Housing starts fell 6 per cent in November to 1,705,000 units, while new permits issued rose 6 per cent to 1,492,000.

In the very short term, assuming the November retail figure is accurate, the question is whether or not sales can continue to advance strongly enough through Christmas to cause retailers and wholesalers to expand orders from manufacturers at a high enough level to permit both a rundown of manufacturers' inventories and a sharp boost to production. Orders up through October, the last available figure, still remain very weak, although these primarily reflect the previous weak retail sales situation. Reports to date on the Christmas selling as the season closes are inconclusive. Even assuming that consumer spending does pick up, it is widely recognized that without an increase in capital spending, the economy will continue to falter. On this score there is no relief in sight.

* * *

Despite the vagueness surrounding the current contrived economic policy debate, which has revolved around the question of whether or not a "stimulus" will be needed, how large should it be, and what should be the proper "mix" of programs, Carter admitted both in his Atlanta press conference Dec. 14 and his press conference on the Pentagon steps Dec. 10 that low-paying government jobs programs are his "first preference" for the economy. Any tax cut, as Carter said, would be a purely secondary "rounding out" of his program, in effect a political payoff to industry to get the dust off its inventory shelves for a couple of months at best. This is regardless of whether the final "mix" has tax cuts providing over 50 per cent of the total "stimulus" or not.

The key point is that the expansion of existing jobs programs, such as CETA public service employment,

which Carter could immediately implement would actually be the first step in a massive reorganization of the economy built around labor-intensive employment and government "MEFO bill"-type financial arrangements. This would be combined with private sector labor agreements negotiated by kapo leaders like the UAW's Leonard Woodcock and "labor relations" oriented industrialists, such as U.S. Steel's R. Heath Larry, which would effectively destroy the United States' labor unions. Carter's rumored Labor Secretary, Harvard University professor John Dunlop, is an expert in "restructuring" labor markets, as witnessed by his role in the effective destruction of U.S. construction unions.

This point is necessarily true, despite any short-term cosmetic public displays to the contrary by Carter and Company, for the following reason. As even the Brookings Institution's Charles Schultze, the recently announced choice for Carter's chairman of the Council of Economic Advisors, has noted, "fiscal and monetary stimulus" in the sense of "Great Society"-type deficit spending programs are no longer viable even from the point of view of the monetarists who originally devised them. This has become abundantly clear even to the most dull-witted Keynesian, both through the meager effect that the absolutely massive federal government deficits of the past several years have had on bringing about any real "cyclical recovery" from the 1973-75 downturn, and by the inability of Federal Reserve Board chairman Arthur Burns to have any significant effect on economic activity beyond the recent upward blip in sales, despite pumping reserves into the banking system at an incredible rate since early this year.

As even monetarist Burns has learned, you "can't push on a string" — merely creating additional credit to rollover the debt doesn't provide a stable solution to the problem (from the monetarist standpoint) of maintaining debt repayment, but in fact ultimately compounds the difficulty. The real sector of the economy, strapped with exceedingly low rates of return, becomes increasingly unable to maintain the growing debt, while the new debt created increasingly fails to find its way into providing credit for the productive sector.

That is why both "conservatives" like Burns and "liberals" like Schultze — monetarists all — fundamentally agree that any attempt to maintain current debt structures must essentially consist of backing up credit creation to rollover the currently unpayable debt with government guarantees ultimately based on "labor-intensive" looting of labor, natural resources, and productive plant and equipment. This is the essence of the Regional Energy Development Corporation proposed at the Saratoga, N.Y. Northeast Governors' Coalition Conference last month, of the Humphrey-Hawkins bill (whatever its latest permutation will be), of "national planning," "federalizing" of welfare, government reorganization, and of the myriad of other programs to which the Carter forces are committed.

U.S. Feed Grain Exports Show Early Strength; Possible Price Pressure in the Offing

AGRICULTURE

Dec. 17 (NSIPS) — The U.S. Department of Agriculture this week raised its projections for U.S. corn exports, a revision based on an unusually strong showing in the first two months on the marketing year which began on Oct. 1. The upward revision in corn exports, which constitute the vast bulk of feed grain exports, comes on the heels of earlier U.S.D.A. estimates of a 5 per cent drop in overall U.S. feed grain exports for 1976-77.

The early burst in corn exports, fueled by the drought-reduced coarse grain harvests in both Eastern and Western Europe, by no means "locks in" the 1976-77 marketing year as the near record success, comparable to 1975-76, otherwise indicated. An anticipated 17 million ton exportable corn surplus among principally five U.S. competitors may exert unexpected price pressure may well be forthcoming as a result of increasingly price-competitive wheat substitution in livestock feeding both internationally and domestically. Domestic feed use typically accounts for 60-70 per cent of the annual U.S. corn crop disappearance.

As of Oct. 1, the U.S. corn crop was preliminarily estimated at 5.9 billion bushels, which together with 4 billion bushels carryover indicates total U.S. supplies for the 1976-77 marketing year of 6.3 billion bushels, slightly higher than last year. Historically, exports have accounted for 20-30 per cent of total disappearance. Exports and outstanding sales for October and November already bear out expectations that greatly reduced Soviet imports, a result of their record harvest, will be substantially compensated for by increased Eastern and Western European imports, a direct result of the drought damage to key grain producing centers in those areas. With the notable exception of Italy, every major Western European country has already taken delivery or contracted for one-third to one-half, and in some cases like the Netherlands, as much corn as they bought in the entire 1975-76 marketing year. In the past four marketing years October-December sales accounted for approximately 20-25 per cent of total ultimate sales.

While Western Europe's coarse grain production is down 12 per cent from a year earlier as a result of the drought, which most affected France where a fourth of West Europe's grain crop is produced, drought-induced livestock herd liquidation was according to U.S. Department of Agriculture reports not substantial enough to produce a corollary reduction in European feed grain demand. In fact, according to these reports, livestock feeding volume is rather simply "levelling off" after several years of significant expansion.

Eastern Europe's coarse grain production in 1976 is projected at 55 million tons, down 7 per cent from last

year's generally poor harvests as a result of the drought. U.S. sales of corn to Eastern Europe in October-November are quite high — led by East Germany's 65.6 million bushels of exports plus outstanding sales. Czechoslovakia and Poland follow with 18 million bushels and 27 bushels respectively under contract.

Japan, traditionally the major single importer of U.S. corn, has similarly contracted for 150 million bushels, more than half its 1976 imports of 228 million bushels.

Question Marks

These developments add up to a sound start for 1977 U.S. corn exports, and appear to lay the basis for fulfilling export expectations for the year as a whole even if orders diminish relatively significantly over the course of the year. Nonetheless two question marks remain in the annual export picture. One is the marginal but potentially decisive impact which the 17 million tons of coarse grain available for export from Argentina, Canada, Thailand, Brazil, and South Africa might have on corn and other coarse grain international market prices. Argentina, which has staked its national solvency on an all-or-nothing campaign of wheat and coarse grain production for export, is expected to have fully 6.1 million tons of coarse grain available for export following the spring harvest. In pursuit of its foreign-exchange-raising policy, Argentina is currently exerting tremendous competitive pressures in the wheat market, offering 20 per cent discounts. Brazil's coarse grain crop, which increased 15 per cent last year and is expected to expand an additional 10 per cent this season, could yield 2 million tons for export.

Canada is expected to have 4.6 million tons of coarse grains available for export, and South Africa and Thailand approximately 2 million tons each during the 1976-77 year.

A second significant factor in coarse grain market developments over the year is the general level of livestock feeding and related to that the extent of wheat substitution in feeding operations. Domestic feeding of feed grains, which accounts for 60-70 per cent of grain disappearance, is currently expected to be up 3-4 per cent. This is, however, an admittedly uncertain projection, given persistently fragile profit margins in all feed livestock and poultry sectors, particularly cattle. While the combined number of livestock and poultry stock is larger than a year ago, the numbers of cattle on feed as of Oct. 1 were little changed from year-earlier levels. Following the disastrous feeding experience of 1974-75, when feeders were forced by soaring production costs and relatively depressed market prices to cut back livestock output and numerous cattle feeders in particular went bankrupt, feed demand rose 10 per cent in 1975-76 as all livestock and poultry feeding industries

expanded operations in anticipation of recouping losses. Fall-out from the 1974-75 losses continued to dog cattle feeders, however, as continuing high slaughter rates for non-fed as well as fed cattle depressed meat prices. By the end of the 1975-76 season both hog and broiler producers' profit margins were squeezed as large supplies held down market prices. By early fall, for instance, both hog and broiler prices were down 30 and 18 per cent respectively from their summer peaks. At present, as the U.S.D.A. notes, futures prices for both hogs and cattle in 1977 do not allow much margin for feeding profitably.

At the moment it is not certain to what extent this situation will ultimately affect the volume of livestock placed on feed, and consequently feed demand over the coming year. To be sure, it is a situation in which the relatively large supplies of wheat together with the past six months' wheat price collapse may result in significant wheat substitution for the increasingly less price competitive feed grains proper. Wheat prices have fallen by approximately 30 per cent from a year ago to the vicinity of 2.62 dollars per bushel. Cash corn prices today stand at 2.42 dollars per bushel.

European Steel Outlook Grim and Getting Worse

STEEL

Dec. 17 — A London press conference scheduled by the European Economic Commission steel commissioner Henri Simonet, in which he was to announce the implementation of his plan as of Jan. 1, was abruptly canceled this week. The plan calls for EEC steel producers to voluntarily cut back sales along guidelines specified by the commission, so that they can split up the "shrinking pie" that remains of the European steel business. It has met with stiff resistance from the West Germans who are complaining that the cutbacks hit their industry hardest. The Germans have stated that they would have to reduce sales on certain products compared with 16 percent for the United Kingdom and 10 percent for the Italians.

By its own admission, the situation in the EEC is at a "crisis stage." In France alone 50,000 steel workers are unemployed, and in West Germany the situation is equally critical. The European steel industry as a whole is in worse shape now than during the depths of the 1975 recession. The November figures for West Germany showed slippage of crude steel production to 130,000 metric tons from the October figures. The November figure of 3,296,000 metric tons brought the year's eleven-month total to only 4.8 percent above last year's dismal totals. Crude production for the year will total no more than 43 million metric tons, 2 million tons below the year's projected output and almost one-third lower than the levels reached in 1973 and 1974.

All the major German producers have announced layoffs for the Dec. 13—Jan. 10 period, affecting more than 20,000 workers. Kloeckner-Werke AG reported a dip in sales in the year ended Sept. 30, to 3.35 billion deutschemarks (\$1.4 million), down from the 3.386 billion in 1975. The total loss for the year started at the "absolute low point for decades" and after some high hopes wound up at the same level. Total crude production of 2.95 million metric tons was just over 55 percent of total capacity utilization of 5.3 million tons.

The small amount of steel sold internationally is being sold mostly below cost with many items dipping to price

levels that existed during the recession of late 1974-75. The Japanese (the supposed villains of the steel industry) have reported that Europeans are intensifying their export drives to North, South and Central America and to the Middle and Near East offering prices that are \$40—\$50 per ton below those of Japan. In the U.S., low-carbon wire rod is being sold at prices that are \$60 per ton below the published price of U.S. Steel. Flat rolled goods, which were just increased in price by about 6 percent, are in many cases being offered at \$30-\$40 below the listed level.

France's leading steelmakers, Usinor (L'Union Siderurgique du Nord et de l'Est de la France) and Sacilor (Acieries et Laminoirs de Lorraine) have just instituted the first major dismissals of personnel since World War II. As many as 3,500 jobs may be eliminated by the end of 1977's first quarter. With no immediate prospects for improvement, steel executives throughout France are seeking government compensation to prevent additional layoffs in the coming months.

"The current situation imperils the corporation, even the survival of the profession, (and threatens) the pure and simple elimination of some markets," said Jean Hue de la Colombe, chairman of Usinor, France's largest producer. The closing of three rolling mills in Lorraine will leave 700 workers jobless and threaten another 1500 to 1,800. "It is quite clear that to produce 8 million tons this year, a workforce of 42,000 is excessive," Colombe said. Finding new positions for those laid off in France cannot be guaranteed since market conditions for 1977 "hardly appear any better" than 1976, he said.

At Sacilor, Pierre Durand Rival of the management board said that the 32-hour work week that affects 28,000 of the 48,000-man workforce would continue in the first three months of 1977. In addition, Rival said that layoffs would be unavoidable due to poor first quarter expectations and "the risk of the unacceptable gap between expenses and revenues." Industry sources expect layoffs in the area of 3,000 jobs.

Burdened by debt service on the order of 12 percent of the industry's sales, Usinor has been forced to suspend plans for new heavy plate capacity at its Dunkirk facility, to halt modernization work at its Thionville mill,

and to cancel a planned mill at Longwy. The cancellations will aggravate France's already critical unemployment problems and will remove an expected 1 billion francs (200 million) into the economy.

The picture in England is not so grim as in West Germany or France. Weekly steel production averaged 487,000 metric tons in November, the highest weekly figure in 20 months and a 6.4 percent increase over October figures.

The United States

The American Iron and Steel Institute has lodged a formal complaint against the "secret" deal reached between the EEC and Japan limiting Japanese imports into the EEC and thereby supposedly deflecting them into the U.S. This same line has been taken by Allegheny Ludlum Steel Corporation, other steel officials, U.S. Steelworkers Association President I.W. Abel in hearings before the Office of Special Trade Representatives. Several domestic steel producers are also trying to open negotiations in steel as part of the Geneva talks on the General Agreement on Tariffs and Trade (GATT). Other GATT members are taking a dim view of this last tactic since the purpose of the GATT talks is to help reduce tariffs and aid the principles of the free market system rather than hinder it as the U.S. representatives apparently would like to do. Meanwhile, U.S. steel capacity utilization is still below 70 per cent and additional closings and layoffs are being announced. It appears that the U.S. steel industry is using the press to create a scare campaign against foreign steel suppliers in an attempt to discourage their customers from buying foreign steel and to cover up the main problems of the industry and of the U.S. economy in general.

Manganese Market Feels Repercussions Of the Steel Slowdown

For the second consecutive year, negotiations for manganese ore contracts are lagging behind schedule. The long-held practice of wrapping up negotiations by November fell to the wayside last year when negotiations dragged on. The prospects for this year are not much better since there is no hurry on the part of ferro alloy producers to speed up the talks.

The problem confronting producer countries such as Gabon (which recently announced a moratorium on its \$1.2 billion debt), South Africa, Brazil, and Australia (which was forced to devalue its currency 17.5 percent is the high inventory levels in the U.S. and Europe, due to the steel industry's failure to recover from the recession that began back in July 1974.

On the average, manganese producers are looking for increases of 3 to 5 percent.

Sen. Percy Pressures Steel Producers

Working in collusion with the fraudulently elected Jimmy Carter, Illinois Senator Charles Percy is pursuing a corporate wrecking policy against the major steel producers. Percy has met with top executives from U.S. Steel Corporation, Inland Steel Corporation, and National Steel Corporation in an attempt to pressure them into rescinding the recently announced price increases. In addition, the Senator publicly announced that he has "reason to believe that" General Motors and Chrysler representatives are meeting with Japanese steel producers who are offering flat rolled steel at \$30 a ton or more below American prices. Percy made his intentions perfectly clear; he said this was an effort to force a rollback of U. S. mill sheets and strip prices.

Official representatives of GM and Chrysler denied the accusations today after Percy's remarks were published.

The Great Plutonium Hoax

Exclusive to NSIPS

Both the Wall Street Journal and the New York Times published featured articles Dec. 1 advertising a report by the U.S. Government's General Accounting Office as evidence that the breeder reactor component of this nation's nuclear energy program was properly on its way to the scrap heap. "GAO Says Ford Plutonium View Perils Future of Breeder Reactor," headlined the Times, referring to an Oct. 28 decision by the President to delay commercial use of plutonium in nuclear reactors. The Wall Street Journal added, "although the GAO report didn't say so, the breeder's future also is made uncertain by the election of Jimmy Carter. The President-elect, during his campaign, criticized the breeder program and also had views similar to Mr. Ford's in questioning the use of plutonium by the nuclear industry. It is probable Mr. Carter will propose that Congress drastically reduce the funding for the breeder program, or perhaps even kill it."

These and similar press accounts are intended to further legitimize the widely believed (and totally false) notion that increased plutonium use and nuclear fission generally represent a danger to humanity. Purposefully ignored in such accounts is the evidence that the elimination of plutonium as a nuclear fuel will mean the demise of the entire U.S. nuclear power industry and ultimately the human race itself. At stake in the short term, in addition to the breeder reactor program, is the well-established use of light water reactors (LWR) for generating electricity, since these must, within a matter of years, be fueled with plutonium as the limited reserves of their current fuel, uranium, run out.

The attack on nuclear fission programs is also directed at the more advanced more capital intensive nuclear fusion technology since the elimination of fission programs will wipe out the trained cadre force of engineers, scientists, technicians and skilled workers needed to develop fusion power. The growth of fusion power over the next two decades is absolutely necessary for the transition to a full fusion-based economy. *Only nuclear fusion* has the inherent capability of transforming industry to the necessary higher mode of production and output, as well as providing a limitless source of usable power in several forms, i.e. thermal, electrical radiative and charged particles, thus insuring the survival of the human race beyond this century. Fission power and conventional fossil power must be expanded and possibly even exhausted during this transition in order to guarantee the achievement of this goal.

Current predictions of available world uranium reserves used as fission fuel (excluding the Soviet Union and the socialist bloc) indicate that economically viable ore (at less than \$20 per pound of U3O8), will run out within approximately fifteen years at even current rates of energy growth, while inclusion of the less certain reserves of more expensive ore (\$20 to \$40 per pound of

U3O8) probably won't last until the end of the century. This means that nuclear reactors being built now will run out of uranium fuel long before their design lifetime of thirty years is completed. This fact is well known by those in the nuclear industry as well as the bankers who control capital investment.

Plutonium must be available in the near-term to fuel light water reactors and to insure that they are an economically viable energy source; otherwise the most technologically advanced industry in the U.S. will disintegrate, and with it, the potential for human survival.

Why Attack Plutonium?

The campaign against plutonium is being carried out for two major interrelated reasons. The first involves the commitment of the principle New York financial institutions backing Carter to a totally regimented labor-intensive "pick and shovel" economy typefied by such Carter programs as the Humphrey-Hawkins jobs bill and proposals for a regional "Big MAC" in the northeastern U.S., both of which envision such relatively primitive operations of coal gasification, shale oil and wood-burning as major "alternate energy" programs. Nuclear energy, requiring high capital investment and a highly skilled workforce, is, from this standpoint, a dangerous interference with the monetarist financiers' plans to collect their debt. The anti-fission activities of Ralph Nader, various environmentalist groupings and the public watchdogs of the eastern press — in short, the entire Carter coalition — should be understood in that light.

Second, to the extent that nuclear power is still seen as operative in the short term, these same financiers want to establish total control over the nuclear fuel market as a means of procuring additional temporary liquidity with which to prop up the dollar debt system. At present a massive joint effort by the two leading financial powers, the Rockefellers and the Rothschilds, is underway to buy up controlling interests in the entire world's supply of uranium ore. Their essential goal is to be able to fix the uranium ore price at any arbitrary high level, creating "uranium hoaxes" similar to the 1973 "oil hoax." Like the petrodollars, these paper profits will be allocated for debt rollover rather than productive investment.

Plutonium is a monkey wrench in the way of such monetarist schemes. Expanded use of plutonium would actually reduce the price of nuclear fuel, since the expensive enriching process for U-235 can be eliminated. Furthermore, the Rockefellers and their ilk would effectively lose their ability to corner the nuclear fuel supply, since plutonium fuel could be generated within the reactors themselves.

Nuclear Power Compared to Conventional Power

The cost of electricity generated by the established light water reactor power plants compares favorably

with that produced by conventional oil and coal fire plants in most parts of the United States and in many countries throughout the world. In fact, given the currently inflated world price of oil (\$11 per barrel), electrical power from nuclear reactors is much cheaper than oil and also generally somewhat cheaper than coal at the current \$20 per ton rate. A recent economic analysis by Dr. Seymour Baron of Burns and Roe, published in the June 1976 issue of *Mechanical Engineering*, and based on a complete net energy balance, best clarifies the current electrical power cost situation. (See Figure 1) In addition to standard capital costs, his analysis takes into account the cost of all energy, both electrical and thermal, required to mine and-or process fuel, produce materials of construction, and construct and operate the power plant, as well as the energy efficiencies and net energy out.

Results of this study show that even based on non-inflated, real production fuel costs — oil at \$1.35 a barrel, coal at \$3.00 per ton and uranium at \$8.00 per pound of U_3O_8 — all three means of producing electricity are economically comparable and the choice between them will generally be based on nearness to and availability of the fuel supply. For example, in the New England region of the United States, nuclear power is the clear choice since easy access to either cheap coal or oil is very difficult. In many regions of India, on the other hand, both coal and nuclear power can be considered, since large reserves of both coal and fission fuel are available. Of course, when plutonium becomes readily available, the nuclear option will become cheaper and the relationship between the three resources may change.

Potential near-term advance systems employing the liquid metal fast breeder reactor, and even fusion (which in this analysis was based on a very conservative first cut power plant design - the UMAK-I, Tokamak), look promising even though costs estimates were based on current state-of-the-art technology which, for fusion reactors, would represent gross over estimates.

Although all nine of the alternatives considered by Dr. Baron were calculated based on current state-of-the-art technology, only oil, coal and nuclear power (LWR) are in significant use today and, therefore, represent true operating systems based on current technology. A breakdown of current United States energy consumption shows approximately 45 per cent coming from coal, 15 per cent from oil, 10 per cent from nuclear power, and the last 30 per cent split between hydroelectric and natural gas.

Alternative Energy Boondoggles

Dr. Baron's work on net energy comparisons also exposes the joke that is being foisted on the public concerning the "advantages" of alternate energy schemes such as coal gasification and solar power as major contributions to world energy needs. These results show these schemes' energy costs exceed even the very conservative estimates for fusion power. Gas or liquid fuel produced from coal will result in energy costs almost double that of direct use of coal and will wastefully use up coal resources at twice the rate while generating only the same power. Solar power is not even in the same league since energy costs are a factor of 10 to 20 times higher

and it requires between 8 to 50 years to simply recover the energy expended in building and operating solar plants.

Nuclear Safety

The great danger of plutonium to the human population has been manufactured by those forces pushing austerity and zero growth. Past and current studies of the real hazards of plutonium have shown that it is not "the most toxic substance known to man," and that in total, it is considerably less of a hazard than the large quantities of many chemicals which are processed and used every day in industry. Although this view is well documented and supported by competent researchers worldwide, it continues to be well hidden from the general public. A recent article by Bernard L. Cohen from the University of Pittsburgh, which appeared in the November 1976 issue of *Nuclear Engineering International*, entitled "Plutonium Toxicity: An Evaluation Indicates It is Relatively Harmless," provides an excellent review of this issue.

Since plutonium is dangerous principally as an inhalent, it is compared in Figure 2 with quantities of a few other poisonous inhalents produced in the United States. It should be noted that plutonium is not easily dispersed whereas the others are gases and hence, readily dispersable. Although plutonium will last far longer than these gases, which will decompose chemically, it is also true that nearly all damage done in plutonium dispersal is from the initial cloud of dust and very little from later re-suspension by wind or during the years it is buried in the soil. It is clear that plutonium rates low on the danger scale in this comparison.

More important is the actual history of the effect on people who have been exposed to plutonium. During the period from World War II through 1974, there have been 1155 cases in the U.S. where people have received significant doses of plutonium. So far, there have been no known deaths attributable to plutonium poisoning, nor have there been any cases of cancer. Included in these statistics are 25 men, some of whom received doses far beyond the current *Energy Research Development Administration* "maximum permissible body burden," who worked at Los Alamos scientific laboratory during the war when safety precautions were less stringent. According to the "hot particle" theory which the Naderites and other zero growth advocates use against nuclear power, each of these men should have experienced an average of 200 cases of lung cancer by now. Instead, they are almost all normally healthy individuals thirty years later; one has died of a heart attack. In 1965, another 25 workers were exposed to large amounts of plutonium in a fire that occurred at the Rocky Flats Colorado Weapons Plant. None have experienced any ill effects. Other cases could also be cited with similar results.

This is not to say that plutonium is not hazardous. On the contrary, it is potentially hazardous as are many other materials; it is currently treated with overwhelming precautions in its handling and use. Because of its well recognized potential danger — it is a long lived, low energy, alpha particle-emitter which, if ingested into the human body, has the potential of causing cancer — more is known today about plutonium

and its effects than is known about most other substances that we face routinely. Extensive safety procedures and precautions have been developed in handling the material and in preventing its release during fuel processing or following a hypothetical accident in a nuclear power plant. Such precautions are more than sufficient to deal with the potential problems of plutonium.

Other major safety issues concerning plutonium are the more general questions of fission product waste disposal (the same as for uranium), nuclear plant accidents, and nuclear proliferation.

Nuclear Waste Disposal

Similar to the question of plutonium toxicity, the question of nuclear disposal is a legitimate one, but it is primarily an issue of providing the appropriate engineering design measures in processing, handling, transporting and storing radioactive material in order to insure that proper safety precautions are met. Contrary to current general public belief, the problem of waste disposal *is not* related to the quantity of waste; it is simply to insure the isolation of waste from the human environment for long periods of time — hundreds of thousands of years. This makes it a rather straightforward engineering and materials problem which for all practical purposes is already solved.

Figure 3 illustrates the amount of consumption and waste from a 1000 MWe nuclear plant compared to that of a coal plant. The tremendous magnitude of the differences are obvious. It is clear that the amount of waste from the nuclear plant is very small compared to the energy obtained. Putting it another way, it is estimated that all the nuclear waste that will be generated in the United States by the year 2000 could fit into a cube about 250 feet on a side, and of that, the "high level wastes" would occupy a cube about 50 feet on each edge.

Isolation of this waste from the environment is done now and for the foreseeable future by underground storage in leakproof tanks. For the first few months the waste is stored within the spent fuel inside the reactor building. It is then processed where reusable fuel, U-235 and Pu-239, is separated from the fission product waste, and the waste is stored as a concentrated liquid in underground tanks for five years. These tanks are now constructed with double-walled, impervious stainless steel and encased in concrete. Included are foolproof leak detection equipment, heat removal capacity and readily available spare tanks to which any filled tank could be emptied should a leak between the first and second wall occur. Simple engineering!

All older single wall design tanks such as those that were built after the war at Hanford, Washington are being replaced with modern equipment. Some of these older tanks started leaking in the early 1970s and although the nuclear critics howled and predicted the "end of the world" there was no danger to the public nor is any expected. The waste material was trapped in the surrounding rock and hardpan layers and did not enter the ground water table, a major consideration in locating the tanks there in the first place.

Finally, after five years of storage in these tanks, the decay heat levels are low enough so the waste can be concentrated even further, solidified by recently de-

veloped processes and stored essentially forever in underground vaults that are permanently removed from the human environment. To falsely assume that man has not advanced technologically since the 1940s and cannot today design and build a storage system that will completely contain safely and permanently this nuclear waste material is to deny the reality of human progress.

The "Nuclear Reactor is an Atom Bomb" Fairy Tale

A nuclear power reactor cannot explode like an atomic bomb, no matter what Ralph Nader and his crowd preach. Although both may use uranium or plutonium as fuel, there is absolutely no similarity between reactors and bombs. Bombs require the fuel material to be highly enriched and concentrated (50 per cent to 90 per cent) and fabricated as metal into precise, close fitting geometries, while reactor fuel is very dilute (3 per cent), fabricated usually as pellets of uranium oxide stacked in wide-spaced arrays of tubes with cooling water circulating around them. This reactor fuel cannot create an atomic explosion unless it were to be removed from the reactor, reprocessed in a separation plant, concentrated or enriched, changed to metal and machined into parts to an atom bomb. So-called reactor explosions are merely versions of an extremely low probability accident scenario. None have ever occurred nor has there ever been a hint of one occurring. For an LWR, this postulated event assumes that somehow a main primary coolant pipe carrying high pressure water completely ruptures, the water flashed to steam and all the reactor coolant blows out to the containment building. Although the reactor has several built-in emergency core cooling systems which would continue to inject cooling water into the reactor if such an event occurred, it is further postulated that none of these emergency systems work or if they do, water does not enter the reactor core.

Finally after stripping away as useless, all equipment and safety devices that have been designed and built into the plant to prevent any of these failures, these nuclear critics ask, "So now what would you do if?" At this point the reactor core will sit there at shutdown decay heat levels, the fuel rods will melt, maybe into a molten puddle, then perhaps through the reactor vessel, then maybe through the two or three containment barriers and dispersal mechanisms, possibly through several feet of concrete floor and then on through to China! This has historically been referred to by professionals as the "China Syndrome."

Literally thousands of analyses have been performed on currently operating as well as proposed nuclear power plants by all four major reactor manufacturers--General Electric, Westinghouse, Combustion Engineering, and Babcock and Wilcox--as well as several national labs. All have consistently confirmed that none of the accident scenarios will actually occur. Tests simulating such accidents are already scheduled, and will further demonstrate their impossibility.

Such accident scenarios are like postulating that for some unknown reason, all four engines on a filled-to-capacity Boeing 747 jetliner fail while it is traveling on a non-authorized course and the jet crashed in the Rose Bowl at half-time of the New Year's Day football game.

Nuclear Proliferation and Terrorism

As has been pointed out frequently elsewhere, nuclear terrorism a la "five Palestinians and a shoebox filled with plutonium" is a hoax, as are all "backyard atom bomb" schemes. Nuclear terrorism could in reality only occur if a government handed over a nuclear explosive device, ready made, to a so called "terrorist group." Nuclear terrorism is a political question and must be dealt with on that level.

The question of nuclear proliferation — the distribution of nuclear power plants to other countries and therefore the potential for manufacturing nuclear weapons — is simply a choice between world development for the future of nuclear war sometime in 1977. The Carter "solution," article most recently promoted by a Dec. 5 *New York Times* magazine titled "How Atoms for Peace became Bombs for Sale," is to withhold nuclear power from other advanced countries and all developing countries and cut back its use across the board everywhere else. That is, completely deprive most of the world's population of energy for development, and use solar energy and other equally bad alternatives elsewhere.

Interestingly enough, Carter, the renowned opponent of nuclear proliferation takes a position 180 degrees opposite to his stand against commercial nuclear power by backing "proliferation" of nuclear weapons, specifically "utopian" militarist Admiral Hyman Rickover's plans for a nuclear navy. Nor should it be forgotten that Carter's one-time commander Rickover is now giving Carter frequent briefings on Soviet military and strategic weaknesses which do not exist, steeling him for a nuclear confrontation with the USSR.

The alternative to such insanity is full and rapid development of nuclear power for world progress.

Figure 2

LETHAL INHALATION DOSES PRODUCED ANNUALLY IN THE UNITED STATES (x10 ¹²)	
CHLORINE	400
PHOSGENE	18
AMMONIA	6
HYDROGEN CYANIDE	6
PLUTONIUM	1

(This assumes all U.S. power is from fast breeder reactors)

Figure 3

FUEL CONSUMPTION AND WASTE — 1000-MEGAWATT POWER PLANT*			
	Hourly	Daily	Annual
FUEL CONSUMPTION			
Coal	690,000 lbs.	8,300 tons ^a	2,300,000 tons
Uranium	0.3 lbs.	7.4 lbs.	about 1 ton
WASTE PRODUCTION			
Coal (ashes)	69,000 lbs.	830 tons ^b	230,000 tons
Uranium (total)	2.7 lbs.	64 lbs.	11.6 tons
High-level fission product waste			
	0.26 lbs.	6.1 lbs.	1.1 tons
Other waste	2.4 lbs.	58 lbs.	10.5 tons

* 1000 megawatts is enough electricity for a city of about 1 million people
^a Equivalent to a 100-car trainload every day
^b Equivalent to a 33-car trainload every day (not including airborne wastes)

Figure 1

COMPARISON OF COST AND PRICE OF DELIVERED ELECTRIC POWER									
	Oil	Coal	Coal Gas	Coal Liquid	LWR	LMFBR	Fusion	Solar Collectors	Solar Cells
Total Energy Costs, mills per kwhr (1)	25.1	24.2	41.7	46.3	27.8	33.7	45.2	490	680
Total Energy Price, mills per kwhr (2)	45.7	31.7	55.7	58.8	28.5	33.9	45.2	490	680
Approx. 1975 Fuel Prices (3)	\$11	\$20	\$20	\$20	\$20	\$20	0	0	0
Capital Investment (x\$10 ⁹) (4)	0.94	0.97	1.67	1.87	1.16	1.43	1:92	20.9	28.9
Energy Payoff Time, years	0.2	0.2	0.4	0.5	0.4	0.4	0.4	8.3	48.0
Net Cycle Efficiency, %	26.6	32.4	17.5	19.4	24.9	34.7	24.6	2.6	3.9

(1) Real, non-inflated fuel costs (2) Fuel costs based on 1975 fuel prices (3) Prices are per barrel (Oil), per ton (Coal, Coal Gas, Coal Liquid), or per pound uranium (LWR, LMFBR) (4) 1985 dollars less fuel

This analysis was done on the basis of a complete net energy balance with all systems producing 1000 MWe. The results represent a useful procedure for comparing electrical energy costs, however a much more in-depth analysis would be needed to compare fusion energy in such a table since its eventual contribution to an industrial society is much more than electricity.

Ponomarev Leads Soviet Diplomatic Initiative To Gaullists

Dec. 16 — Boris Ponomarev, a Central Committee Secretary of the Soviet Communist Party, has just completed a week long visit to France, where he led a Soviet parliamentary delegation. He met with members of the Foreign Affairs committee of the National Assembly of France, which includes communist deputies and is headed by Gaullist former Premier Maurice Couve de Murville.

Ponomarev delivered two major speeches and published an article in the Paris daily *Le Monde*, all putting forward the Soviet Union's policies to prevent war and gain economic and scientific cooperation. The daily *Le Figaro* reported that the French parliamentarians were "stunned" by the power of Ponomarev's call to avoid war and his overwhelming stress on this question. In *Le Monde*, Ponomarev said that the existence of the human race is threatened by the arms race. "It must be understood as clearly as possible," he explained, "that either the arms race will stop the progress of humanity and its very existence, or the peoples will succeed, through collective efforts, in breaking the hellish spiral and thus stop the material preparations for a new world war....Our international policy is based on negotiated settlement of burning problems in the interests of universal peace. If one is to talk about the 'hand of Moscow,' it is our outstretched hand for peace."

Ponomarev's visit concluded with release of a communiqué by the parliamentary delegations, which incorporated the essence of his urgings and stood in stark contrast to the stand of France's delegation — led by President Giscard's associate, Foreign Minister Guiringaud — at the NATO meetings last week, which rejected Soviet disarmament proposals.

Soviet Union On Peace Offensive

Dec. 16 — The following are excerpts from a speech by Boris Ponomarev, a Central Committee Secretary of the Soviet Communist Party, before the French Parliament Dec. 10.

...In the struggle to strengthen détente and end the arms race, cooperation between the USSR and France can and must play an important role. We are prepared to develop this in all spheres — political, economic, and in the area of scientific and cultural ties.

...Close cooperation, friendship and accord between the USSR and France, on a lasting and long-term basis, could not only further détente in Europe, but could in practice eliminate the danger of war from the lives of the European peoples. The Soviet Union has been doing all it can so that relations between our two countries develop

precisely in this direction....

Present cooperation between our two countries already embraces a number of fundamental international questions. But, in several respects, in our view, it could be even more constructive. Above all, I have in mind the possibility of joint contribution in the search for resolution of the problem of disarmament.

We would like to see France more actively take part in international efforts directed at ending the arms race, banning nuclear weapons and participating in the work of international forums on the question of disarmament. Unfortunately, we must state that until recently, France's role in this field has been rather passive.

We understand your striving to have an independent national defense and not be obliged to the NATO military bloc.

In our view, efforts to lessen military confrontation on the European continent, to reduce troop strengths and arms in Central Europe — steps on the way to general and complete disarmament — do not contradict this aspiration.

We are taking into consideration the announcement by leading French public figures that France does not intend to return to NATO.

At the same time, we must express concern at every accumulating facts which testify to the strengthening of French cooperation with NATO in military areas.

We are convinced that France could play a significantly more constructive role in questions of military détente and the struggle for disarmament. In our opinion, in this area as well as in other major international questions, the Soviet Union and France could have fruitful cooperation and interaction.

We sincerely consider that the Soviet Union and France — as L.I. Brezhnev noted in his appearance on French television — "have large, common interests, especially in affairs such as the elimination of the threat of war, curbing the arms race and transforming Europe into a continent of lasting peace."

...The Soviet Union on its part is prepared not to interfere into internal affairs, not deviate from these principles and to promote the furthering of efforts to strengthen friendship, mutual assistance and respect. The Soviet government as it has always done, will not tolerate in its own country anti-French propaganda or attacks on the policy of your country and its leadership. But this does not include, of course, our critical evaluation of aspects of French policy.

...We are firmly convinced that between the USSR and France — the two great powers on the European continent — will be harmony, cooperation and friendship, which will create a most important precondition so that there will never be war in Europe.

Inroads Attempted Into Poland, Brzezinski Linked

Exclusive to NSIPS

Dec. 16 (NSIPS) — On Nov. 23, just three weeks before Zbigniew Brzezinski was designated Advisor to the President on National Security Affairs by James Earl Carter, a Czechoslovak domestic radio broadcast reflected on Brzezinski's and Carter's four-year association under the aegis of David Rockefeller on the Trilateral Commission and Brzezinski's past and present commitments. Radio Prague recalled that Brzezinski was the "spiritual father" of the U.S.' "building bridges" policy vis-a-vis Eastern Europe. The outstanding case of "building bridges" was the attempt to restore capitalism in Czechoslovakia in 1968, which is known as "Prague Spring" and which was terminated only by the intervention of the Warsaw Pact armed forces.

Today, continued Radio Prague, Brzezinski seeks to modernize the bridge-building concept. But, "this does not mean changing the basic aim of the doctrine, which is to bring about a change in the ratio of forces in the world by gradually breaking up the socialist community and weakening its unity and cohesion."

It takes only a direct look at Warsaw Pact doctrine and statements on strategy in the recent period, to see that to destabilize Warsaw Pact nations is the readiest way of all to bring a Soviet preemptive nuclear strike down on the United States and NATO. Statements suggesting that the most extreme Soviet response to manipulations of events in Eastern Europe would be a replay of the 1968 intervention, leading to a "limited conflict" in Europe, are dead wrong. Because enough NATO officials, such as Gen. Karl Schnell and other adherents of the "Schlesinger doctrine", have publicized their preparedness to use nuclear weapons at the first opportunity in a European conflict, the Warsaw Pact must read serious provocations in Eastern Europe as a declaration of intent to begin a nuclear war — and the Warsaw Pact will preempt it.

A large-scale deployment of destabilizing agents against Eastern Europe is, nonetheless, taking place. It is coordinated primarily through channels of the Second "Socialist" International, a number of individuals directly associated with Zbigniew Brzezinski, and networks of NATO agent Ernest Mandel's Fourth "Trotskyist" International.

Poland is the most heavily targeted nation, as a grid of events and propaganda indicates:

Olof Palme meets Brzezinski: On Dec. 9 and 10, Sweden's recently ousted Social Democratic Premier Olof Palme visited New York to confer privately with Zbigniew Brzezinski.

Palme's magazine calls for "Prague Spring": During the week of Dec. 6, the Swedish journal *Tiden*, issued by Palme's party, appeared with a call to "complete Prague Spring" in Eastern Europe. Poland was named as a prime candidate for the effort.

Brzezinski contact issues call from London: On Dec. 10, the *London Times* reported a statement issued by a

group of Polish emigres in London predicting "a crisis threatening an uncontrolled explosion, (which) — if it occurs — may, in turn bring about a Soviet invasion." The leader of the group was Prof. Leszek Kolakowski of All Souls College at Oxford. According to Polish emigré publications, Kolakowski's direct contacts with Zbigniew Brzezinski date from the 1950s, when Kolakowski was still in Poland. Kolakowski now called for "the development of organized and open forms of opposition" in Poland.

"Committee" in Poland boosted: The most widely-propagandized would-be center of opposition in Poland is currently the "Committee for the Defense of Workers," a group of 18 people mobilized to write letters and demonstrate in favor of people arrested during incidents in June of this year and sentenced to prison terms of four to six years. Reporting on the Committee in November, the West German daily *Frankfurter Allgemeine Zeitung* noted that "a certain weakness of the Committee's activity lies in the fact that prosecutions against participants in the protest actions of June 25... have to do with offenses which would be subject to prosecution in other countries, with different systems:" these include destruction of property. The Committee's members include:

Jacek Kuron, participant in student disturbances in Warsaw in 1968. His writings on "state capitalism" in the socialist countries have been published and distributed by Fourth International groups in Western Europe and the U.S.

Edward Lipinski, an 88-year old economist and former member of the Polish Socialist Party (a party of the Second International until its merger with the Communist Party after World War II). His protest letters calling for "political sovereignty" and "pluralism" have been published by the Polish Socialist Party (in exile in London), *Tiden*, and Freedom House — on whose board sit professors Zbigniew Brzezinski and Sidney Hook.

Ludwik Cohn, *Antoni Pajdak*, and *Adam Szczypiorski*, former members of the Polish Socialist Party.

Catholic Church activates: Stefan Cardinal Wysinski, head of the Catholic Church in Poland, has been instrumental in anti-government activity in Poland in the past. Although recently a Vatican detente policy led by the Vatican's Msg. Casaroli had been so successful in reaching accord with Poland officials that a papal visit to Poland was mooted, Cardinal Wysinski has gone the opposite route. After several weeks of charging that a campaign against the Church had been initiated by the authorities, Wysinski preached a sermon Dec. 5 in which he directly associated himself with the "Committee for the Defense of Workers." He read out their grievances in Church. The following Sunday Dec. 12,

Wyszynski called for workers to demand immediate wage increases — when during the previous week the government had announced a coordinated schedule of wage, price and rent increases.

Besides the Polish "Committee", the current cause celebre of the campaign is Wolf Biermann, a hippy singer barred from the German Democratic Republic. A new "Committee for the Protection of Freedom and Socialism" was organized Dec. 10 in West Berlin on behalf of Biermann. Its sponsors include lawyers for the NATO-controlled terrorist Baader-Meinhof gang, officials from the West German trade union IG Metal.

In an article prepared for the West German Social Democratic weekly *Vorwaerts* (SPD figure Willy Brandt is a factional associate of Palme in the Second International), a combination of economic leverage and outright subversion was proposed which parallels Kolakowski's idea for Poland: West Germany should seek a special arrangement to build roads and other projects in the GDR, in order to "stabilize" the East German government and create conditions for steady and deliberate bolstering of Biermann-supporters to form a social democratic opposition in the East.

Winslow Peck:

Maoist Infiltration Worries East Germans

Dec. 16 — Winslow Peck, "ex"-CIA agent from the magazine CounterSpy, reveals the infiltration of West German Maoists into the German Democratic Republic, in an interview which was made available to NSIPS. Peck

slanderously states that the European Labor Committee, European fraternal organization of the National Caucus of Labor Committees, (NCLC) has joined the Maoists in calling on NATO to invade Poland in "defense of Polish workers."

Q: ... Do you think there is CIA involvement in the dissent in Poland and East Germany?

A: "It's possible, from everything we know. There is an internal and an external side of this; the CIA doesn't invent internal contradictions, but tries to widen them. It would be natural for them to try to do that. But it's probably not policy at the highest level, with detente and all..."

Q: How serious is the situation in Eastern Europe now?

A: I was in Germany in August. The most important thing is that a new Maoist party has been set up in East Germany by the West German Maoists, the KPD-ML. That is what the East Germans are really worried about... The group is involved in recruiting, propaganda — no sabotage as far as I know. The East Germans are very afraid of this — not of Western invasion or anything silly like that. Why when I crossed the border, I had with me a set of Marxist playing cards, with Marxist figures, like Rosa Luxemburg for the Queen, Marx and Lenin for someone else. The King was Mao. They detained me for two hours at the border, because they thought I was a Maoist... The craziest thing I saw was in West Germany, where the splinter Maoist groups were holding demonstrations calling for NATO to invade to protect Polish workers. And the NCLC — their European branch — joined in!...

Poles, With Soviet Assistance, Take Protective Measures For Economy

Dec. 16 (NSIPS) — The demonstrations in Poland in June of this year stemmed from a real crisis in the Polish economy. U.S. Treasury Secretary William Simon visited Warsaw on June 22 to discuss financing of Polish trade with the U.S. — and the Polish debt. At that time, Poland was expecting a second consecutive crop failure due to drought (this did not occur) and anticipated having to import possibly 4 million metric tons of grain from the U.S. As it turned out, the drought did not occur and Poland imported 3.5 million metric tons.

Meeting immediately after Simon's visit, the Polish Politburo resolved to raise prices on foodstuffs which had been stable since 1970, in order to permit a simultaneous increase in the price paid farmers by the government for milk and meat products. This, in turn, was to stimulate agricultural production both for domestic consumption and export — to raise revenues to pay the debt. The price increases were 70 per cent for meat and 30 per cent for dairy products. They were withdrawn within 24 hours after demonstrations occurred, including rioting in two cities.

The imposition of strictures and inflation of prices in the Polish economy is directly a function of its debt to OECD countries, which was estimated at approximately \$7 billion at the end of 1975. The country then registered nearly a billion dollar trade deficit in the first half of this year. Poland has the highest debt-service to exports ratio of all the Eastern European Comecon countries, approximately 25 per cent.

Attempts to meet these obligations impose curtailments inside Poland which directly create the pre-conditions for destabilization. Poland has counted on its exports to the West for convertible currency income to pay its debts. But as the Western market for Polish hams and other traditional products has contracted in the prolonged downturn, Poland has been forced to campaign to produce "higher quality" competitive industrial goods for export — increasingly at the expense of expanding basic industry and the consuming sector for home consumption, and mechanizing agriculture. Up to 30 plants and other industrial projects slated for the new Five Year Plan are estimated to have been cut. This opens the

door for shortages and the situation is ripe for unrest.

The problem will not be resolved outside of the political arrangements and mechanisms of a new world economic order beginning to function full steam. But the Polish leaders, in collaboration with the Soviet Union, have undertaken a series of protective measures to stabilize the Polish economy in the short term. The very most important industrial construction projects are going ahead on schedule; Soviet Prime Minister Kosygin was in Poland this week to help open the 4.5 million metric tons per annum Katowice steel works, built with Soviet assistance.

In mid-November, the Polish Party leader Edward Gierek led a delegation to Moscow to hammer out further measures. Most speculation by published Western obser-

vers was over whether the Soviets would directly aid Poland in paying off its debt. Instead, the Soviets granted Poland a billion ruble credit to finance imports of consumer goods from the Soviet Union, over and above the trade parameters of the two countries' five-year trade plan. This will permit Poland — as a short term move — to reduce imports from OECD countries and thereby improve its balance without cutting as deeply into total imports and goods available for domestic consumption as it would have without the ruble credit.

Finally, and a measure of how seriously the Warsaw Pact leaderships intend to prevent destabilization plans from having soil to take root in, the Polish Party and Government leadership was shuffled at this month's Central Committee plenum (with shifts that) increase Party ability to monitor and direct the economy.

Plenty of Dissent in NATO Rejection of First-Strike Ban

Dec. 14 The final communiqué of the Foreign Ministers meeting of the NATO Defense Planning Group in Brussels last week rejected the Warsaw Pact's proposal banning first use of nuclear weapons. The NATO ministers' action has been widely depicted in the Atlanticist press as an expression of "unanimity" in NATO's ranks. Nothing could be further from the truth.

According to reports in the West German daily *Frankfurter Allgemeine Zeitung* a significant minority of the meeting's delegates, including Italian Foreign Minister Arnaldo Forlani and possibly the Dutch representatives, opposed such an outright rejection of the Warsaw Pact first strike ban. Forlani, who still signed the NATO communiqué, forced debate on the issue by emphasizing that economic and military security could only come from the maintenance of detente and the expansion of relations with Eastern Europe "in the spirit of Helsinki." The serious threat to world peace, Forlani correctly emphasized, comes from the economic situation and, in particular, "the lack of agreement at the North-South conference" in Paris, whose most recent sessions scheduled for this week were sabotaged by U.S. Secretary of State Henry Kissinger in collaboration with the "Carter Team."

The earlier refusal of the European countries to fund the proposed airborne early warning defense system (AWACS), or to agree to any other increase in armaments spending has further notified the forces behind James Earl Carter that they hardly have Europe sewed up on the issue of war. Similarly, anti-war forces grouped around West German Chancellor Helmut Schmidt not only recalled Foreign Minister Genscher to Bonn immediately after his speech, but issued prior statements through sources in Genscher's own Foreign Office that the Warsaw Pact proposals are "certainly worth consideration."

Perhaps the most significant remarks at the meeting,

in terms of future opposition from within the U.S. to Carter Administration confrontationist policies were delivered by U.S. Secretary of Defense Donald Rumsfeld. While the text of his conference address is not presently available, his remarks and responses at a subsequent press conference are significant for their defense of security as defined by detente and the "multi-faceted" relationship between the U.S. and the Soviet Union.

The NATO communiqué itself stated that NATO could not give up its option to strike first with nuclear weapons if it is attacked with a "superior conventional force." It makes reference to the UN Charter as justification for NATO's right to "defend itself against aggression." But it is a well known fact, that the Warsaw Pact would never launch a purely conventional attack on the NATO sector. Soviet war-fighting policy is directed to maximize Soviet war-winning capability, which depends on the strategic-nuclear obliteration of North America in advance of a "conventional" force assault on Western Europe with ABC (Atomic, Biological, Chemical) support. The NATO communiqué's refusal to accept a ban on first use of nuclear weapons is either irrelevant, or must be interpreted as NATO holding open the option of a blitzkrieg attack on the Warsaw Pact at some future date.

Response from the Western socialist press and the Comecon sector was swift and harsh. East German radio noted that the U.S. had in the past used the UN Charter to justify such "defenses against aggression" as the Vietnam War. The Italian Socialist Party daily *Avanti* and the French Communist Party daily *L'Humanité* joined the denunciations of NATO initiated by the socialist sector press. The French Communists' *L'Humanité* of Dec. 15 reported on the joint Franco-Soviet (Gaullist-Soviet Parliamentarian) call for nuclear and total disarmament.

Rumsfeld: NATO Has What It Needs—Defense, Deterrence

Exclusive to NSIPS

Dec. 15 — The following is an excerpt from the transcript of a press conference held by NATO headquarters in Brussels, Dec. 8, by Secretary of Defense Donald Rumsfeld following the semi-annual ministerial meeting here of the NATO Defense Planning Committee, Dec. 7 and 8. Mr. Rumsfeld's remarks were not reported by any U.S. press.

We've looked at the current military capabilities of the Soviet Union and the Warsaw Pact, the kinds of expansions and their effort which we have seen over a period of some years now. We discussed the facts about the trends in the military balance. I believe that the meetings are helpful to all ministers in terms of judging our circumstances and in terms of them making the case for what I believe is necessary...an increase in real

terms in our level of effort within the alliance....

I won't go into the details of what has been taking place from the standpoint of the Soviet Union. I think you are all aware of them. Their defense spending has been steadily increasing in real terms. The level of their effort, the size of their military establishment, the modernization of their strategic forces, the substantial modernization of their general purpose forces, the addition of some nearly 2,000 tactical aircraft since the early 1960's, the increase in divisions from 141 to 168 and the obvious, during that period, increase in the sophistication of those weapons as well as the institutional capability of the Soviet Union to produce additional weapons of increasing capability and sophistication.

The only other thing I might say is that it seems to me that, having looked at this alliance over a period of time, and hearing about its imminent demise from time to time, it is encouraging to me to see a very high level of cooperation within the alliance, indeed higher in terms of the smoothness of the cooperation than at any time during my experience. I think the alliance is healthy...I am, frankly, reassured by the fact that there is an Atlantic Alliance and that it is on watch and doing its job.

Q. What assurance were you able to give the other defense ministers that the assessment you make is going to be the assessment made by the succeeding administration in Washington?

A. ...What we discussed in there was not Rumsfeld's opinion, but *facts, facts don't change*. The military committee presented facts, the SACEUR presented facts, the various nations including the United States presented facts, and the facts are what they are. Those facts drive reasonable people, I think to certain conclusions. It certainly wasn't my role during this particular period to in any way suggest that I could speak for the new administration. The president-elect is obviously very capable of doing that...

Q. Mr. Secretary, do you consider what has been decided today on the Air Warning-Air Control System — can it be considered as a decision in principal in favor of the system?

A. Well, the question involves how you would characterize what transpired in the DPC from the standpoint of the discussion on AWACS. I would prefer to leave that to the secretary general to discuss. I think that, subject to how he describes it, and I would certainly defer to him since he is the secretary general, it seemed to me that there was general agreement that a capability to provide early warning and control, with respect to particularly low-level air, was generally agreed as a NATO requirement....

Q. Mr. Secretary, regarding the factual situation on the Soviet Warsaw Pact buildup, I would like you, if you would, to relate that to the recent history of what is called detente. Do you feel that we have lost ground in following a policy called "detente" and that "detente" may have been partly a hoax that we were on the receiving end of?

A. Well, the way I look at it, and I suppose everyone kind of looks at this subject a little bit differently, — but from the standpoint of free people, what we have to do is assure ourselves that we have the kinds of defensive

capabilities that will provide a deterrent so that there is peace and stability in this area of the world. The reality is that the Soviet Union exists; that it doesn't believe in the things that we believe in, by a darn sight; that they have substantial military power; and that their military capability has evolved over the past 20 years in a very substantial way. When one goes back to the post World War II Soviet Union and compares it with today, it is clear that they have moved from an ox cart society to a rather sophisticated military power. Now they are there, and they don't agree with what we agree with in terms of the dignity of individuals, in terms of freedom of the press, freedom of assembly, freedom of speech, freedom of religion. It seems to me that it is perfectly appropriate, while we are maintaining defense and deterrence at an adequate level to assure peace and stability, that we engage in negotiations with the Soviet Union to test whether at that given point in time we can be successful in finding areas of agreement that, for whatever reason, are in our common interest. We have been doing that in the Strategic Arms Limitations Talks (SALT), and I think that is useful to do. We have been doing that is the Mutual Balanced Force Reduction (MBFR) talks in Vienna, and I think that that is useful to do. It, of course, requires that during that period — and everyone I know who has ever dealt with these subjects would agree — that during that period one maintains one's capabilities. So, I think that it goes too far in the context of your question to suggest that some sort of error is involved there. It seems to me that what you must do is you must maintain your defense capabilities, assure that the deterrence is healthy, and simultaneously engage in those discussions and see if it is possible to find some areas of agreement. If it is, wonderful. If it isn't, be patient and keep working and try to achieve them.

Q. In that connection, sir, what do you think of the continued granting of loans and credits on easy terms to the Soviet Union and its effect on their industrial capacity, and consequent effect on their military capacity?

A. A relationship between two nations is a multi-faceted thing, and to take out one piece of that multi-faceted relationship and try to examine it and say what do you think of that all by itself is really not a very useful exercise. It seems to me that what one must do is look to the entire relationship and judge the whole, and that is the way I prefer to do it. The question you asked, of course, is a question that falls more in the areas of ministers of finance and foreign ministers than secretaries of defense. I have my views on it, but it seems to me that it is very difficult to deal with it in isolation....

W. German Press: NATO Reaches No 'Agreements In Principle'

The following are selected from West German press coverage of the NATO Defense Planning Committee's annual ministerial meeting earlier this month.

Süddeutsche Zeitung, Dec. 9: The West German Ambassador to NATO told the press yesterday that

although Defense Minister Georg Leber does believe that the Air Warning-Air Control System would be beneficial for NATO, at the same time he does not believe it is realizable. West Germany, the Ambassador explained, therefore cannot commit itself to anything binding in this connection yet; all decisions made at the Nuclear Planning Group meeting are therefore not to be understood as "decisions on principle."

Frankfurter Allgemeine Zeitung, Dec. 10: In his speech (West German Foreign Minister Hans-Dietrich) Genscher called upon NATO to be especially cognizant of its own basic principles during the disarmament negotiations. The most important of these, he said, are that conventional armed forces parity in central Europe must be the goal of negotiations, and that the reduction of troop strengths on both sides must be agreed upon collectively, without the fixing of any special national prerogatives within the respective alliances. Bonn expects the Soviet Union to start up a large disarmament campaign shortly. Genscher considers it necessary to give the Warsaw Pact an answer which will also explain to the Western public why the declaration of a general renunciation of the first use of nuclear weapons (as proposed by the Warsaw Pact - ed.) would negate the Western alliance's deterrence capability as well as Western Europe's security.

French Press:

Giscard Opposed To First Strike Ban, Wants NATO Expansion

Dec. 15 — The following are selected from French press reportage of last week's foreign ministers meeting of the NATO Defense Planning Committee in Brussels.

Le Monde, Dec. 11 — Mr. De Guiringaud (French Foreign Affairs Minister) pointed out that detente was considered by France as a dynamic element in her foreign policy. "We believe," he specified, "that the West has nothing to lose from detente and that the Helsinki declaration constitutes a useful basis for the accentuation of our efforts in this direction." He noted that, already during his conversations with Marshal Tito, French President Giscard had indicated that renouncing the use of nuclear as the East bloc countries have suggested is out of the question: "In the case of attack, we want to preserve all possibilities to reply," Mr. de Guiringaud stressed. Guiringaud by the same token has rejected the idea of freezing the two alliances at their present number of members. "The Atlantic Alliance is a free association of democratic states, and there is no reason for it not to be opened to other countries sharing its convictions," Mr. de Guiringaud asserted. He noted that no one in Bucharest (where the Warsaw Pact convened earlier this month - ed.), had evoked the possibility of a country belonging to one alliance leaving if this was judged necessary.

L'Humanité, Dec. 15 — The following communiqué was jointly issued by a Soviet Parliamentary delegation to

France headed by Boris Ponomarev and a delegation from the French National Assembly Foreign Affairs Commission led by Baron Couve de Murville, a French Gaullist leader.

The two delegations "call for the use of all possibilities in order to make relations between the USSR and France progress in the fields of political, economic, scientific and technological cooperation...The two delegations are committed to act in favor of detente policy in order for this progress to take a universal and irreversible character...The two delegations call for the intensification of efforts aimed at stopping the armament races and at eliminating the danger of nuclear war...The two delegations call nations to proceed to a total disarmament including nuclear disarmament under strict and effective international control."

Defense Research Director Currie Stresses Importance Of Fusion And Basic Research

The following are excerpts from the keynote address, "Pulsed Power, Past and Future," which Malcolm R. Currie, Director of U.S. Defense Department Research and Engineering, delivered at the Institute of Electrical and Electronic Engineering's International Pulsed Power Conference at Texas Technical University in November.

Stressing that "possible revolutionary developments" in science and technology could alter the strategic balance, Currie proposed broad new support for U.S. scientific research and training. In his overview of pulsed power system development and applications, Currie's remarks on "revolutionary developments" focused on the energy conversion problems at the "front end" of pulsed devices, a reference to the "non-linear" energy absorption and condensation processes unilaterally declassified during July by visiting Soviet electron beam fusion scientist Leonid Rudakov.

...I'd particularly like to welcome our colleagues from the Soviet Union and other nations who are participating in this conference. The Soviets have the largest investment in fundamental research in the world at the present time. Certainly they have an extremely vigorous and well-coordinated pulsed-power program that is being pursued on a national scale, for a variety of important applications. They have stepped out and taken a significant lead in a number of aspects...inductive storage, magnetohydrodynamics and explosive flux compression, to name a few. So we welcome their participation....

Technology Base

I believe that technological leadership is pivotal to our future...Now the technological leadership which we must have can flow only from a sense of national commitment to this goal and from a strong and constantly renewed base of fundamental science and technology. I have been concerned that, over the last decade, the real investment in research and development both in the private sector and in the military and space sector has declined substantially. This has been due, in part, to the trauma of Viet Nam, to the anti-technology attitude which has

prevailed, and to the attenuation of many of the basic incentives for private investment.

The consequences could be disastrous if these trends were to continue much longer. Already, our lead in many fields has diminished perceptibly and in other fields is gone altogether. This comes at a time when the Soviet Union understands very well the significance of science and technology for the future and has mounted an unprecedented national effort which is still growing steadily. They understand the power of technology in altering the strategic balance, both militarily and economically; and...particularly...the power of possible revolutionary developments now, a number of which will involve the subject matter of this conference. There is also the possibility of technological surprise, particularly by societies which, unlike us, operate largely in secret.

In order to reverse these disturbing trends it is necessary to set in motion a national commitment to retain our leadership over the long haul. This will require a long range investment program. The program should have a planned and real growth, but, above all, it needs continuity. It cannot build and sustain needed momentum if it turned on and off on an annual basis and if we chop R and D programs up in the name of improved management too often....

All DoD-sponsored research in universities is in the technology base as well as most DoD sponsored work in pulsed power. In Fiscal Year 1977, the technology base amounts to roughly \$1.8 billion out of a total program of \$10.6 billion. Prior to this, it had eroded in real value by about 50 per cent over the last decade because of inflation. Two years ago we initiated a policy of 10 per cent annual growth in research above inflation and, similarly, an annual real growth of 5 per cent for exploratory development...

Of course, increased funding alone is not enough...We must have excellent people to make it worthwhile...

I will be presenting to Congress shortly the outline of a plan for accomplishing this objective. I have discussed the proposed program with the President's Science and Technology Advisor and it has his full support. Although it would be premature to discuss the details, I can say that the plan will involve block funding of universities for multi-year periods for the support of research in broad areas of interest to DoD. It will emphasize support for young post-doctoral students and faculty and will be centered around the leadership of outstanding individuals.

Pulsed Power Comments

Now let me comment briefly on several aspects of pulsed power, the subject of this symposium.

Certainly one major and demanding area of application for pulsed power is the field of high energy lasers (HELs).

Over the past decade, the development of high energy lasers has been actively pursued within the DoD. This is an example of a new area of R and D which is potentially high payoff, but is also high risk. The DoD is trying to find out if HELs will be useful weapons. The results are still unclear. We have structured our programs to be prepared to assess the weapons potentials by the end of this decade.

However, the DoD push into HEL technology is already having useful spinoffs. High power pulsed laser concepts developed by DoD have led ERDA to explore intensively the possibilities for laser fusion. Many of the isotope separation schemes now being explored in this country sprung from researchers pushing the frontiers of HEL technology. On a more applied level, industry has attempted to utilize HELs in manufacturing processes such as welding, cutting and heat treating. Progress in this area has been slower than anticipated by laser enthusiasts — of which I am one — but I have faith that it will come.

If I may, I'd like to indulge in a little speculation involving another possible application of lasers to energy research. High energy carbon monoxide lasers have demonstrated that they can convert pulsed electricity into laser light with very high efficiency — up to about 70 per cent. We have also shown that, at least at low power, laser light can be converted efficiently into electricity. The conversion of electricity into laser energy and vice versa can be made conceptually close to 100 per cent efficient. There is no limiting Carnot efficiency associated with this process. If we could find an attractive, efficient way to convert large amounts of laser energy into electricity, we could develop a new way to transmit energy over long distances. This may be very important in space, for either interspace energy transmission or space to ground transmission of energy.

Let me touch on another area of interest to both the DoD and the pulsed power community. That is the laboratory simulation of radiation from a nuclear detonation...In 1961 members of a Defense advisory group made the prognosis that the output and energy storage of then available pulsed power sources could be increased by at most a factor of ten by technology advancements over a ten year period. But during the course of the next decade, energy stores were increased by *three* orders of magnitude and radiation outputs over large volumes were increased about 10 million times over.

...It is not clear that it is possible to keep on enlarging pulsed power simulators much longer...Most of our problems are at and near the front end of our machines where the final energy convergence and conversion takes place. It is here where we have to discover different methods of energy convergence, extraction, conversion, or perhaps even multiplication in order to markedly increase our efficiencies....

Rumsfeld, Clements, And Currie Receive Laurels From Aviation Week Magazine

Dec. 15 — In its Dec. 13 editorial, *Aviation Week and Space Technology* magazine presented "Laurels For 1976" to individuals which *Aviation Week* "thinks made significant contributions to the aerospace world during 1976." Noteworthy recipients were "Donald Rumsfeld, Secretary of Defense; William P. Clements, Jr., Deputy Secretary of Defense; and Dr. Malcolm R. Currie, Director of Defense Research and Engineering, for providing the Pentagon with the strongest and most perceptive civilian leadership of this nation's defense program in recent years."

Economic Committee Votes Isolate U.S.; Can New Ambassador Save the U.S. Policy?

UNITED NATIONS, New York, Dec. 16 (NSIPS) — The United States found itself outvoted on three resolutions concerning the New International Economic Order here this week. The vote in the Economic Committee on easier terms for rescheduling of Third World debt was 92 to 1; to “accelerate the transfer of real resources to the developing countries,” 74 to 1; and a compromise resolution on the degree of developed countries’ cooperation so far drew a 105 to 1 vote against the United States policy.

The Eastern European countries abstained on the first two resolutions, but joined with the Group of 77 developing countries to express “deep concern and disappointment at the failure of the Conference on International Economic Cooperation to achieve any concrete results so far.” Most Western European countries abstained on all three resolutions, except for breaking of ranks by the Netherlands, Norway, and Sweden.

The European Common Market countries probably would have voted against the resolution on the CIEC, and against the debt resolution for a general solution to the debt crisis, participants say, except for last minute compromises by the Third World. In the resolution “Debt Problems of the Developing Countries” (printed in last week’s NSIPS weekly), the Third World sponsors removed a paragraph detailing how the debt should be rescheduled. They did not alter the basis of the resolution, however, which was that debt problems should be handled as a general, common problem rather than case by case.

Concerning the lack of progress at the Paris North-South talks, the Group of 77, led by Pakistan, agreed to change the language from a flat expression of regret that “the developed countries have yet to display the necessary political will” to a notation that this is the opinion of the developing countries. “That was the compromise that got that one through,” a Pakistani diplomat said.

In explanation of the U.S. vote against the resolution on debt, Reynold Riemer, the U.S. representative said: “The United States regrets that the delegations concerned felt it necessary to press the type of draft resolutions now before the Committee....Debt problems should be treated on a case-by-case basis in creditor clubs, in a spirit of international cooperation.” Riemer added, “The United States believes that the financing

problems of developing countries can only be addressed in the context of the overall financial situations faced by them, rather than by generalized measures such as across-the-board debt relief, debt moratorium, and the like.” The United States did not elaborate the difference between “overall” and “generalized” situations.

Another U.S. delegate, Ambassador Jacob Myerson, discerned that in the resolution on the lack of progress at the Paris talks, “Certain paragraphs could be taken to mean, not only that the United States was committed to the New International Economic Order, but that it was prepared to accept criticism for having failed to implement the measures referred to in the text.”

Several Western countries — Australia, Austria, Canada, Denmark, Norway, the Netherlands, New Zealand, and Sweden, and Israel — voted in favor of two of the three resolutions which the U.S. voted against. Several of these countries abstained on the debt issue.

The French delegate commented, “I am surprised that so many developed countries were able to vote to take note of... allusions to the developed countries’ lack of political will. France could not accept such a judgment.”

* * * * *

The New Ambassador: The United States has got a plan to reverse all this isolation and opprobrium, however. They commissioned a study from the Ford, Rockefeller, and Carnegie Foundations, the Institute for Policy Studies, and the Harvard Center for International Affairs and found out that they were losing all these General Assembly votes because most of the new nations are black and brown. So the new Ambassador from the United States will be a black, Andrew Young. The State Department told the New York Post this week, “This will set the Third World delegates back on their heels.” William Scranton, the Pennsylvanian leaving the Ambassador’s post, added: “Andrew Young will be terrific — just what the doctor ordered for our problems at the United Nations. I am especially pleased as to what this means for our relationships with Africa as well as elsewhere.”

The African countries are not likely to be fooled, however. In fact, the U.S. already has one black representative in its U.N. delegation, Robert Kitchen,

who serves on the economic committee. Thus he is known as one of the least cooperative of the U.S.'s corps of insulters. Kitchen was seen in the delegates' lounge the other day bellied up to the bar. When asked about the U. S.' isolation in the vote, he blustered: "The New World Economic Order? Do you know what that means? We would have to admit that countries have the right to

expropriate our corporate investments without compensation. How would you like someone to do that with your savings? What if some country didn't pay back its debts? Who would insure your savings? Anyway, no country is really asking for debt moratorium — just the Chads and Upper Voltas of this world and they have legitimate grievances we are negotiating on."

EUROPE

Schmidt Launches New Government with Commitment to International Economic Cooperation and Peace

Dec. 16 (NSIPS) — West German Chancellor Helmut Schmidt's opening government address before Parliament today announces a fundamental shift in the nation's foreign policy commitments. The priority issue which Schmidt will commit himself to internationally is the success of peace and disarmament, to be achieved through international economic cooperation with Third World, oil producing, Common Market and Soviet Bloc forces. The Federal Republic's long-standing commitment to the Atlantic Alliance and NATO were discussed by Schmidt as a solely complementary feature to a program for world peace. "The West German Army," he stated, "is an army for defense; it cannot and will not be an army of attack."

To put emphasis on the leading role of international economic cooperation in promoting peace and security, Schmidt endorsed the section of the August Colombo resolutions published by the 85-nation Non-Aligned Group calling for disarmament. Stating that "the Federal Republic recognizes that great efforts must be made in the matter of the North-South gap," Schmidt called up the Soviet Union to play a larger role in economically developing Third World nations. He praised the quadrupling of Soviet-West German trade since 1972, adding that a further expansion will be possible following the summer visit of Soviet Party Chief Brezhnev to Bonn.

Schmidt's government declaration constitutes a serious defeat for the Atlanticist and Kissingerian forces grouped around the Federal Republic's Foreign Minister Hans-Dietrich Genscher. Apprised of the thrust of Schmidt's declaration days ago, Genscher and his allies around Social Democratic Party chairman Willy Brandt unleashed a wide array of attempts to destabilize Schmidt and sabotage his re-election by the Federal Parliamentary deputies at the Dec. 15 vote. Although Schmidt was indeed re-elected by a two-vote majority yesterday, two major events had put his re-election into question:

— On Dec. 13, right-wing Atlanticists in the opposition Christian Union parties reconstituted a parliamentary voting bloc which had been officially split three weeks

ago. In a series of compromise bargaining sessions, Christian Democratic Chairman Helmut Kohl and Christian Social Union Chairman Franz Josef Strauss re-established the Union coalition around a program to "halt Schmidt." The move was to block an invitation from Schmidt to key, pro-development spokesmen from the more moderate Christian Democratic Union to enter his government.

— Simultaneously, leaks were issued to the press revealing that Schmidt intended to cancel a pension increase promised during the election campaign. The well-timed announcement unleashed a wave of protest in the SPD party apparatus, forcing Schmidt to 'back down,' and suffer his first major political embarrassment.

The limited success of these two attacks is partially attributable to the behind the scenes consolidation of personal political power which Schmidt has effected recently. Prior to his government declaration a few major cabinet changes greatly diminished the powers of Kissinger's West German cohort, Foreign Minister Hans-Dietrich Genscher. The appointment of Hans Juergen Wischnewski — formerly state secretary under Genscher — to Special Minister in the Chancellor's office is exemplary. Venezuelan press sources say Wischnewski will function as special ambassador to all Third World countries.

Fundamental Change In West Germany's Foreign Policy

Dec. 17 — The following quotations and paraphrases are taken from West German Chancellor Helmut Schmidt's policy declaration, delivered to the Bundestag Dec. 16, 1976.

Foreign Policy

General. The détente policy begun in 1969 will be continued, and will be expanded by a growing partnership with the Third World. "It is crucial for peace

and security that détente be pursued." The "conflict of ideologies" between East and West, however, will also continue, but it will do so in the spirit of peaceful competition. The Warsaw Pact's military potential is in fact larger than what is necessary for defense, but the FRG will, as before, support all efforts towards lasting cooperation between East and West. The reduction of military confrontation in Europe, the Mutual and Balanced Force Reduction (MBFR) talks in Vienna, and increased concern with disarmament are priority themes. The Non-Aligned movement is also important in disarmament efforts, and the FRG greets their Colombo resolution on this subject. "The hopes of nations for a substantial curbing of the arms race must not be disappointed."

The Atlantic Alliance remains the foundation of our security. The Bundeswehr remains our contribution to the Alliance, and it must not be detached from the Alliance or relieved of its responsibilities within it. The Bundeswehr is an army for defense in the context of the Alliance, and it "cannot and must not be an army of attack." "Ladies and Gentlemen, in this world characterized by crises, our soldiers have the responsibility for keeping the peace," which has been maintained for 20 years. "We see, not without some concern, that some of our NATO partners feel it difficult to maintain sufficient conventional forces. Conventional forces are the precondition for the strategy of flexible response...But no one can be interested in a situation developing in which nuclear weapons are put in place of the missing conventional forces, thereby increasing the danger of nuclear war." We greet U.S. President-elect Carter's message to NATO...(We) have built a relationship of confidence with the USA, also based on coordinated economic and financial policies.

Relations with the Soviet Union. Soviet-West German relations have developed positively since the beginning of the decade. Trade has increased fourfold since 1972, and Soviet exports to us have increased, and we welcome this. The planned visit by the Soviet party General Secretary to West Germany should be a further impetus for cooperation in the years ahead. We also have great interest in the Non-Aligned countries, who have important functions in overcoming the effects of divided Europe. The CSCE (Conference for Security and Cooperation in Europe) is an important basis for détente policy, necessitating new moves to be fully realized. "We are going to make contributions to that end."

The European Economic Community (EEC). The EEC is a very important precondition for securing peace and freedom. We remain committed to the European Union. If we want a united Europe, then we have certain responsibilities...This is a matter of our own security; our own economic strength requires it, with German-French cooperation being especially important.

The Mideast. We are committed to a just and lasting peace in the Mideast, in a form which agrees with the United Nations Security Council and the EEC's policies. "We have good relations to Israel as well as with the Arab countries...We want a balanced policy, but not one of indifference towards either side."

North-South relations. "The FRG recognizes that great efforts must be made in the matter of the North-South

gap." We have the responsibility for the solution of this most central question of our time, especially with respect to the least developed countries and those most affected by the oil crisis. "This cooperation is only possible on the basis of an actually functioning world economy, an economy in which the industrial countries, OPEC, the developing countries, but also Communist countries participate...No state or group of states can be relieved of their responsibility" for increased cooperation, investment in the Third World, intensification of trade, transfer of technology, opening up of industrial markets, recognition of Third World sovereignty over their own raw materials, improvement of living standards, stabilization of raw materials exports (rather than solutions benefiting only those countries rich in raw materials), and debt relief for the most affected countries.

Since the Comecon has participated more extensively during recent years in the world economy, this responsibility should also be borne more directly vis-à-vis the Third World. Peace can only be secured on a common basis of cooperation, and it must be explained to our citizens that this not only means securing peace and jobs, but also that "We ourselves not long ago were in a desperate situation and needed funds from abroad for reconstruction. This came from nations against whom the German people had led a devastating war." "We hope that OPEC can contribute to success at the Paris North-South conference...Our joint responsibility is the stability of the world economy."

Domestic Policy

International Dependence of the West German Economy. Even with the relative domestic economic upswing, insecurity in the international economy is great; with impending higher oil prices and recession, "domestic political problems are to be expected." The FRG, however, is ready to aid those foreign countries, also in the EEC, who take measures to increase the productivity of their own economies.

Employment. Full employment is a priority goal. This is not only an economic necessity, but is socially and humanly indispensable. This goal, however, may not be realized by the end of 1976 given world economic conditions. Full employment programs will continue to concentrate on economic measures, while "dirigistic" measures such as shorter work time, reducing overtime or "solidarity sacrifices" are unacceptable. Under no conditions must the organization of the trade unions be weakened, since this would have disastrous consequences.

Foreign Workers. In dealing with the country's large contingent of foreign workers, the government thinks there must not be any "Swiss conditions," with their police-state regulatory mechanisms; nor should there be "American conditions," with their explosive security risks.

Budget. Increased federal health insurance premiums will be balanced out by a 5-6 billion DM tax cut program for fiscal year 1978. In addition, a 3-billion DM conjunctural stimulation program was announced. The government is hoping for an economic growth rate of 5 per cent.

Energy And Transport. The development of the FRG's coal resources will remain an important goal, but this by no means signifies a renunciation of the further development of nuclear technology. The Bundesbahn (federal railway) must be assured its position in the FRG's integrated transport network, and sufficient budgetary funding must be made available for this purpose.

West Germans Press Comments on the CDU-CSU Agreement

Frankfurter Allgemeine Zeitung, Dec. 13 — The lead article reports on a reversal of the three-week old split between the Christian Democratic Union (CDU) and the Bavarian Christian Social Union (CSU). Their agreement is based on two documents "The Basis of Political Cooperation in the Eighth Legislative Period" and "The Continuation of the Common Fraction." The documents grant CSU Chairman Franz Josef Strauss the right to have a different opinion on important matters in the Bundestag (parliament) and to assert that right whenever and wherever he desires — is, outside of Bavaria. Other stronger proposals by the CSU were rejected, for example, their call to form a commission for the 1980 election campaign based on the idea that "a rigid party landscape is no longer able to fulfill the great tasks of the rest of this century." Both parties are to remain "independent and self-subsisting."

Frankfurter Allgemeine Zeitung, Dec. 14 — CDU Chairman Helmut Kohl was elected unanimously as chairman of the joint CDU-CSU Bundestag fraction. He called upon the fraction to give up their differences and concentrate all their forces "on an offensive strategy against the weak federal government." Baden-Württemberg Prime Minister Hans Filbinger, who played a key role in the settlement, praised the CDU's executive committee for its "decisiveness," while CSU Deputy Chairman Zimmermann emphasized that the unification "could not have occurred without Strauss' personal intervention."

Frankfurter Rundschau, Dec. 14 — CDU General Secretary Kurt Biedenkopf has secured a temporary court restraining order against Ludwig Volkholz, a former member of the Christian Bavarian Peoples Party (CBV) who had announced his intention to found a local chapter of the CDU in Landshut, Bavaria. Grounds for the court order is the just-concluded CDU-CSU agreement, which prohibits an expansion of the CDU into Bavaria.

Die Welt, Dec. 14 — Former CDU Chairman Rainer Barzel's push to become chairman of the Bundestag Foreign Policy Committee was defeated by "resistance within his own fraction." Instead, he will become Chairman of the Bundestag Economic Council.

Frankfurter Allgemeine Zeitung, Dec. 13 and Dec. 14 — Two consecutive angry editorials denounce the CDU's capitulation to the pro-Strauss forces. "Strauss doesn't have to try to dodge the question of what he has accomplished with his herculean labor of the last three weeks...(The CDU-CSU fraction) has armed itself neither programmatically nor tactically for the options or dangers awaiting them..For those in the CSU who were against the split: don't they suspect that Strauss and his people could strike again one day?" The next day's editorial predicts that "the question of what is still common within this fraction will always come up again, now that the CDU and CSU have mutually recognized each other's theoretical right to nationwide representation...The CSU's weight in the new fraction has grown considerably."

Die Welt, Dec. 14 — Editorialist Herbert Kremp writes that "Just at the right time, Lower Saxony Prime Minister Alberecht has demonstrated for all to see what the CDU could become without the CSU." Kremp is primarily referring to the recent state-level coalition agreement between the Lower Saxony CDU and the Lower Saxony Free Democratic Party. (This agreement is known to be a burden to Social Democratic Chancellor Schmidt, who is in a coalition with the Free Democrats on a national level — Ed.) "It is absolutely clear: Kohl minus Strauss equals Kiep" (Walter Leisler Kiep, Lower Saxony Finance Minister and "liberal" CDU supporter of Jimmy Carter).

Die Welt, Dec. 15 — Editorial entitled "Who's Still Afraid of Helmut Schmidt?": Schmidt's "opportunity which existed at least theoretically, to discipline the capricious FDP with the threat of considering a coalition between the SPD and CDU, is now gone. Helmut Schmidt must get along with the FDP now, for better or for worse...The Chancellor will have to reckon with his partner Genscher continually forcing him into new concessions in the coming years,...even though none of these concessions are to be seen in the government declaration Schmidt will deliver tomorrow...The question is how long and far the (Social Democratic) Party's majority will follow a man who is always ready to sacrifice his political perspective in order to stay in power." Schmidt is "chancellor of a political rubble-field. These past ten weeks have been enough to shrink this strong man down to size. Nobody is afraid of him any more."

Kissinger Tries to Intimidate Schmidt, Callaghan, Andreotti

Dec. 12 — Reprinted below is the full text of a telegram sent on Nov. 22 by U.S. Secretary of State Henry Kissinger to the European Economic Community (EEC) delegation to the scheduled Conference on International Economic Cooperation (CIEC) — the so-called Paris

North-South talks. The Sunday Times (London), which leaked the text today, commented in an accompanying article that it was sent "just before the Common Market summit in the Hague, and it is now clear that Kissinger's stance played a large part in discouraging EEC Prime Ministers from supporting the plans earlier put forward by West Germany's Chancellor Helmut Schmidt" to link CIEC with negotiations with OPEC.

The United States believes it would be dangerous for the industrialized countries to strengthen the linkage between CIEC and OPEC. A number of OPEC spokesmen have been publicly attempting to make clear that the final decision on oil prices by OPEC will depend in large measure on concessions extracted from the industrialized countries in CIEC. This would reverse the linkage we would be seeking, and would strengthen OPEC ties to other LDCs (less developed countries).

While we agree on the need for an integrated approach to the CIEC, MTN, (GATT multilateral Tariff Negotiations) and ODA (Overseas Development Assistance), direct linkage between the long-term issues (which we will have to address regardless of the final OPEC price action) and the OPEC price action, which was considered and ruled out by all G-8 (the group of eight industrial countries at CIEC) at the onset of the CIEC exercise, risks serious losses on both fronts.

We are convinced that there is no negotiable CIEC package which the industrialized countries could accept and which would also represent sufficient inducement to OPEC to refrain from a substantial oil price increase over several years, given the lack of leverage by consumers over oil prices. While the oil price decision can affect our ability to take actions responsive to LDC proposals in the North-South dialogue, we must address these issues on their own merits in CIEC. The linking of CIEC and OPEC could undermine this effort, making decisions in OPEC depend on decisions in CIEC, rather than the reverse.

We have been relatively successful in CIEC in intensifying LDC restraints on OPEC. A strategy linking the two would negate these gains and confirm the effectiveness and utility of the OPEC-LDC alliance.

The outcome of the OPEC December ministerial meeting to decide on prices has not yet been determined and we continue to believe a price increase is not inevitable. Linking the two now could result in OPEC's maintaining that it had been planning a large increase but is willing to reduce it in exchange for costly concessions on resource transfer in CIEC. In other words, actual increases in oil prices would not necessarily be any different from what OPEC would have arrived at without CIEC, but the cost to the industrialized countries would be higher.

In our view, the connection which some OPEC officials have made between CIEC's outcome — a highly subjective judgment — could be used by OPEC to justify an oil price increase, it is unlikely that OPEC countries view CIEC as a major factor in a decision on an oil price increase.

Der Spiegel Takes A Harsh Look at the Rockefeller Empire

Dec. 15 — *Der Spiegel*, West Germany's largest circulation weekly magazine, took a critical look this week at the size and political influence of the financial-industrial empire of the Rockefeller family.

"Whatever Presidents and Ministers do or say, wherever pedestrians and automobile drivers move about unconsciously, whenever TV programs are beamed, and newspapers report, everywhere, Rockefeller country is shining."

Der Spiegel asserts that the political careers of family members — particularly of the most ambitious (Vice-President) Nelson Aldrich (Rockefeller) — would have been impossible without the combined financial and political clout of the family empire. They note the peculiar fashion in which Rockefeller family influence spans both the Democratic and Republican parties: "Foreign Minister Henry Kissinger was the chief of Nelson Rockefeller's brain trust before Richard Nixon drew him into the State Department. Jimmy Carter's foreign policy advisor Dean Rusk, also a former U.S. Foreign Minister, was previously chief of the Rockefeller Foundation. Practically the entire array of their predecessors at the State Department, all the way back to the proud John Foster Dulles are tied into the Rockefeller Clan through appointments, money or marriage."

The feature article identifies brother David as sitting at the top of the empire hierarchy. Through Chase Manhattan Bank, "David and his brothers direct the funds and influence of three other banks of global importance and four of the largest petroleum concerns, a dozen universities and research institutes, funds and foundations. David Rockefeller thus brought to fruition the reconstitution of the former oil imperium into a world-wide financial syndicate and thereby holds in family matters, always, the last word: the General Secretary and Politburo Chairman all in one."

Although much of the contents of the *Spiegel* article are taken from current popular biographies of the family available in the U.S. and Europe, there are indications throughout the issue that the journal is embarking on a decisively more critical approach to the U.S. political scene. In a news piece on the World Bank, explaining how and why that institution is presently bankrupt, *Der Spiegel* introduces World Bank President Robert McNamara in a fashion hardly typical for West German reporters. "As U.S. Defense Minister," says *Spiegel*, "he was responsible for the bombardment of North Vietnam. Now, he disposes over international credits for the reconstruction of Vietnamese power plants and waterways." In accounting for the process by which the Bank fell into irreparable financial decline, *Spiegel* notes: "Many developing countries had to indebted themselves to such a degree that a major portion of their export earnings were funneled into amortization and interest payments on debt, so that little was left for the purchase of foreign investment goods."

British Govt. Tells IMF: 'No Draconian Cuts'

Dec. 17 (NSIPS) — British Chancellor of the Exchequer Denis Healey unveiled the economic package prepared to secure the \$3.9 billion loan from the International Monetary Fund in a speech to Parliament on Wednesday afternoon. The package, which centers around £2.5 billion in cuts over the next two years, is a far cry from the £4 billion in immediate cuts that the IMF was originally reported to be demanding.

British Prime Minister James Callaghan elaborated the international outlook behind the Wednesday "mini-budget" in a speech before the Labour Economic, Finance, and Taxation Association last Monday night in which he called for an international economic summit along the lines proposed by Italian Prime Minister Andreotti last week. Callaghan stressed the "interdependence" of the national economies and warned that there could be no national solutions to economic problems countries such as Britain face. "Our aim," he said, "is to ensure that the international market for our currency will be more stable in 1977 than it has been this year: that our industries will be able to continue with their task of re-equipping and modernising themselves so as to become fully competitive in world markets."

The "IMF" Package

Far from being a severe "belt-tightening" exercise, as international press like the New York Times have characterized it, the budget is a clear repudiation of the Friedmanite solution of massive slashing of government expenditure to meet debt obligations. Healey stressed that "The savings needed are nothing like the draconian scale suggested by some outside commentators....Once again we have avoided mechanical cuts across the board and have not reduced the main social security benefits...." Instead, Healey characterized 1977 as a "year of transition" during which "future progress on the industrial strategy will insure that it is a transition to a much more firmly based prosperity....We must use it to resume the growth in our living standards but also — and in the long run this is more important — to rebuild the capital base of our manufacturing industry."

Specifically, Healey announced a two-year package of £2.5 billion in cuts in government expenditure, £1 billion to be cut in 1977, and a further £1.5 billion in the fiscal year 1978-79. Defense spending cuts will contribute a full 10 per cent of the first year's cuts, with the rest coming from education, housing, and health services. The government expects to sell £500 million worth of shares in British Petroleum, but this is expected to still leave them at least 51 per cent control in the company. Taxes on gasoline and alcohol will be raised by ten per cent in the new year.

In exchange, the IMF is granting the government a loan in tranches: \$1.5 billion to be given next month, and another \$1 billion before the end of 1977. To give added stability to the pound immediately (the government's reserves have been depleted this month through repayment of a \$5.3 billion loan from the U.S. and

European countries) the U.S. Federal Reserve and the West German government have agreed to give Britain short-term "swap" loans of \$500 million and \$350 million respectively.

International Cooperation

Successful negotiation of the IMF loan leaves Callaghan free to pursue his real economic goal, joint trade with the Third World, Arab and Comecon countries.

As a result of top-level discussions this past week between Callaghan and other government officials and the Polish Prime Minister Piotr Jaroszewicz, Britain and Poland have signed a five year trade agreement to encourage bilateral trade between the two countries. According to earlier reports in the British press, chemical production, as well as proposals on EEC-Comecon trade were major topics of discussion between the two leaders. The Polish-British deal follows a record Anglo-Soviet trade deal announced last week for a Rolls-Royce led consortium to supply \$165 million worth of diesel pumping equipment for Siberian oil production.

Great interest has already been generated in London around the idea of a convertible ruble for East-West trade. The latest issue of the Barclays Bank Review highlights "A Role for the Transferable Ruble" and suggests that given the problems of financing trade deficits through traditional currencies, "the transferable ruble might therefore help ease the situation if it were to become a generally acceptable trade currency in the settlement of payments deficits in East-West trade." The article suggests that "any means of lubricating East-West trade from the point of view of Western countries' search for new or larger export markets would be welcome. Similarly, Eastern Europe is concerned to finance its balance of payments deficit with the West in order to continue its growth policies based on imported technology."

An article by the Financial Times East European correspondent David Lascelles on the Narodny Bank decision to use transferable rubles in East-West trade reportedly caused a major uproar during a conference organized by the London School of Economics and the British Defence Department which was discussing multilateral payments in East-West trade.

Healey Gives Background To Economic Package; Stresses Industrial Recovery

The following are extracts from the speech given by Chancellor of the Exchequer Denis Healey to the House of Commons detailing the government's economic package for the IMF loan.

Healey announced that the government would be taking steps to "promote the nation's economic recovery and to

achieve the fastest possible return to a high and sustainable level of employment....The savings needed are nothing like the draconian scale suggested by some outside commentators. I think that there has been a growing consensus among responsible economists that savage and indiscriminate cuts of up to £5 billion would do irreparable damage both to the structure of our social services and to prospects for employment. They would imply a massive and immediate contraction of demand which is the last thing British industry wants to see at present....Once again we have avoided mechanical cuts across the board and have not reduced the main social security benefits...the cuts therefore fall elsewhere..."1977 would be a "year of transition" while Britain was consolidating a strong international trading position. The government's "medium-term programme for national recovery to ensure that the 1980s offer us the prospect of an economy fully restored to balance with high levels of output, employment and real wages and an industry which is vigorous, expanding and profitable...Further progress on the Industrial Strategy will insure that it is a transition to a much more firmly based prosperity....We must use it to resume the growth in our living standards but also — and in the long run this is more important — to rebuild the capital base of our manufacturing industry."

In the Letter of Intent to the IMF, Healey stressed that the "two pillars" on which the government's position leaned was the social contract with the trade unions and their industrial strategy, which would have to be spread over two to three years "if it is not to produce unacceptable social tensions and levels of unemployment." Healey concludes that the government's objective was to attain a "sustainable growth in output, employment and living standards based on a strong expansion in net export and productive investment....The Government sees this strategy as the basis for a 3-year programme which will firmly establish the recovery of the nation's economy and will also allow the U.K. to make its proper contribution to the stability and prosperity of the world."

Callaghan Calls For World Economic Summit

Prime Minister Callaghan issued a call for the convening of a world economic summit during his address to the Labour Economic, Finance and Taxation Association last Monday night, Dec. 13. Callaghan stressed the need to create "a healthy economic base" since international economic problems were so severe that action by individual nations would not be adequate. "They will require a combined effort," he said, "And for that reason I publicly support the proposals for a world economic summit so that these matters can be discussed." Callaghan further stressed that such an international approach was necessary to solve Britain's problems. "Our aim is to ensure that the international market for our currency will be more stable in 1977 than it has been this year: that our industries will be able to continue with their task of re-equipping and modernising themselves so as to become fully competitive in world markets."

Polish Delegation In Britain For Trade Contacts E-W Relations

Polish Prime Minister Piotr Jaroszewicz arrived in London Dec. 15 for a three-day visit with British Prime Minister James Callaghan and representatives of the business community. According to coverage in the British press, trade and East-West relations are the major topics of discussion, and the Dec. 14 Guardian reports that following his meeting with Soviet Prime Minister Kosygin, Jaroszewicz will be pushing Callaghan to take a favorable attitude towards Comecon trade proposals with the European Community. On trade deals, Callaghan told Polish press representatives that he expects cooperation between Britain and Poland to improve in the fields of construction, metallurgy, food processing and aircraft.

Trade Unions Warn Callaghan On Spending Cuts

Leaders of eight state sector unions joined together on Monday, Dec. 13 to wage a joint battle against cuts in public sector spending. Warning the government that the severity of their action would depend on the cuts announced by Chancellor of the Exchequer Denis Healey on Wednesday (Dec. 15), the unions announced that they would convene a national conference in March 1977 to map out a campaign to educate the public on the effects of cuts in social services.

TUC General Secretary Len Murray warned the Callaghan government on Monday, Dec. 13 that support from the trades unions could not be taken for granted if a severe austerity program was introduced to satisfy conditions for a loan from the International Monetary Fund. "The major question for us," he said, "is what will be the impact on the industrial strategy and the joint recovery plan."

Defense Chiefs Call For No Cuts In Defense Spending Backed By Atlantic Committee

The British Chiefs of Staff exercised their traditional right to demand an audience with the Prime Minister last Friday, Dec. 10 to protest the scheduled cuts in defense spending as part of the government's austerity package for the IMF loan. The Chiefs of Staff called for the meeting, an action which was "unprecedented in recent years" upon returning from the NATO meeting in Brussels where the U.S. insisted that all countries escalate their military expenditure to counter the Soviet threat to NATO, and it was felt, according to the Dec. 11 London Times that "the Services' capability to buy modern equipment will be further reduced" by the government's spending cuts.

Protest over the cuts also came from the British Atlantic Committee in a letter to the editor of the London Times which warned that the cuts would make it impossible for the British government to carry out the pledge of NATO Council ministers "to do their utmost to ensure that the necessary resources would be made available to maintain and improve their force contributions for the common defense."

Gaullists, Soviets Box In Giscard

Dec. 16 — The government of French President Valéry Giscard d'Estaing is being forced to the wall because of its continued support of the war policy of the incoming Carter Administration and its own consistent sabotage of international negotiations for the new world economic order. Giscard has been cornered by the developing alliance of Gaullist forces and the Soviet Union.

A joint communiqué of parliamentary delegations of French and Soviet foreign affairs specialists, led by Soviet Communist Party leader Boris Ponomarev and Gaullist Couve de Murville has delivered the message to Giscard: either East-West cooperation in the critical areas of technological progress and development takes place, or there will be nuclear war. Meanwhile, in *Le Figaro* Gaullist Baron Michel Debré sharply criticized the refusal of European governments to take continent-wide measures to eliminate such "foreign aggressions" as U.S. dollar inflation, the root cause of the economic depression which is leading to the rapid shutdown of European industry.

President Giscard and his pro-Kissinger Foreign Affairs Minister Louis de Guiringaud have continued their attacks on traditional Gaullist foreign policy. At last week's NATO Foreign Affairs Ministers meeting, de Guiringaud rejected out of hand a proposal by the Warsaw Pact countries to implement a ban on the first use of nuclear weapons and to start the process of disbanding the two military alliances. In justification of his action, de Guiringaud cited President Giscard's words to Yugoslav President Tito that France could not tolerate a ban on first strike use because in the event of attack, all options must be left open. Giscard has compounded this crime by proposing that France entirely abandon the export of nuclear technology to the developing sector, a cornerstone of Gaullist development policy with the Third World.

The French working class has served notice it won't accept the levels of Giscardian austerity called for under the so-called economic recovery plan of Prime Minister Raymond Barre. Following a government refusal to negotiate a cost of living escalator for workers of the state-owned French electricity company, members of the five unions represented at EGF declared a two day strike for Dec. 14 and 15 which has already been described by the AFP wire service as "one of the most vigorous ever in this industry." Should the government maintain its position on the cost of living escalator, there is every likelihood, according to the French press, that strike actions will quickly spread to the rest of the public sector, including coal miners, railroad workers and Paris public transport workers, whose contracts come up for negotiation in the very near future.

To date, Giscard's government has responded to the pincer-like Gaullist-workingclass pressure against it by trying to lay the blame for the political tension at the door of so-called Gaullist "partisanship." Giscard's

Socialist Party ally, François Mitterrand, informed the French press this week that the new Gaullist Party (RPR) is a new version of the fascist leagues of 1934.

Debre:

Need Europe-Wide Economic Action To Defend Against American Economic Policy

Dec. 14 — The following are excerpts from an interview today with French Gaullist leader Michel Debré. Debré was interviewed by Patrice H. Desaubliaux, a correspondent for the French daily Le Figaro.

"The current political agitations are the expression of an internal situation which is difficult and which is in the process of being further aggravated...To a large extent, this situation is the consequence of insufficient political action in recent years...What has not been recognized is the need for economic action at the level of the European continent in order (for Europe) to defend itself against certain external aggressions: American monetary policy....

"Up to now, one would have thought that things cannot be frankly approached except by rising above political parties and thereby seeking with their agreement, at least for a period of time, a government which will be able to appeal to national sentiment in order to reestablish the basic conditions for a healthy economy and, at the same time, a society more conscious of the necessities of the present...."

(In response to a question whether or not Debré would continue to support the economic program of Prime Minister Raymond Barre, he said) "...From my seat as a parliamentary deputy, I have made use of my freedom to speak and to write to support the recovery plan elaborated by M. Barre. If tomorrow, as I believe it is necessary and urgent, a new stage is decided, I will likewise support it. But do not ask me to participate, by means of a change in the electoral voting procedures, in the deterioration of the institutions of the Republic and, by means of supranationality, in the loss of the independence of our diplomacy and our defense...."

(Questioned on denials by French Foreign Affairs Minister de Guiringaud that the proposed European Parliament, outlined in the Tindemanns Plan, would interfere with the sovereign rights of the signatories of the Treaty of Rome, Debré answered) "It is impossible to believe those who assert that the election of the European Assembly by universal suffrage will be done in the context of the Treaty of Rome and that this Assembly will not spread outside the limits of the treaty. Things must be stated as they are: we are turning our backs on the political orientation of France as it was defined by General de Gaulle. It is the triumph of anti-Gaullism. Do not be surprised if I can not accept this...."

French Electric Workers Strike Against Giscard Gov't. Austerity

Dec. 15 — Workers from the state-owned French electricity company (EGF) went out on a two-day strike Dec. 14 and 15 to protest the Giscard government's refusal to support a two per cent cost of living escalator for the workers. The strike by EGF workers, which is reported by the French press to have been from 70 to 90 per cent effective, is taken as ample proof that the French working class has no intention of accepting the austerity called for by the French government. The French daily *Le Monde* today suggests that if the government continues to reject the two per cent cost of living escalator for the public sector industries, the current EGF action may quickly spread to the coal miners, railroad workers and the Paris public transport workers. The EGF strike has already been reported as "one of the most vigorous ever in this industry" by the *Agence France Presse* wire service. Cuts in service were reported at 30 per cent by *Le Monde*, and Paris subway service was down for two hours today.

Mitterrand:

Gaullist RPR A Fascist Political Movement

Dec. 16 — François Mitterrand, head of the French Socialist Party, told the French press Dec. 14 that the French economic and political structure "is cracking under the thrust of the (economic) crisis." He warned that the French economy is now experiencing a "British-style spiraling movement" — a vicious cycle of indebtedness, currency devaluation, inflation, recession, and further indebtedness, according to *L'Aurore* Dec. 14. It is in the context of such debilitating economic processes, warned Mitterrand, that right-wing and extreme right-wing movements are born.

Mitterrand compares the current political

environment to the 1930's during which authoritarian political movements were created in a number of countries. Such is the case with the newly created Gaullist *Rassemblement pour la République*, Mitterrand hysterically told the press. "Men are free to put themselves in that situation or not (regarding membership in the RPR — Ed.). I do not blame anyone. But to put oneself in that situation in order to give expression to the difficulties of groups doomed to failure, is to endanger oneself with regard to democratic procedures.

"In 1934 also, the (fascist) leagues made a lot of noise, but nevertheless, the (Socialist-Communist) Popular Front won the elections." The same thing will happen in France today, Mitterrand concluded.

Giscard Proposes To Stop Nuclear Technology Export To Third World

Dec. 16 — French President Giscard d'Estaing is seriously considering abandoning the sale of nuclear plants to Pakistan and Iran, according to a report by correspondent James Hoaglund in today's *Washington Post*. Hoaglund reports that this proposed reversal of French policy would serve the two-fold purpose of "removing one of the few remaining points of friction between Paris and Washington" and effecting a complete turnabout in a policy, first established by General de Gaulle, of selling nuclear technology to developing countries. That policy which was most recently defended by former Prime Minister Jacques Chirac in the face of U.S. threats to cut off aid with Pakistan if the Franco-Pakistani nuclear deal went through. The French President's decision, says Hoaglund, was forced by the recent moralistic warning by U.S. President-elect Jimmy Carter against nuclear proliferation. Hoaglund also reports that France has already lost ground in their nuclear and armaments contracts with Libya, which is negotiating a series of new deals with the Soviet Union.

Realignment in the Italian Communist Party

Exclusive to NSIPS

Dec. 16 (NSIPS) — The Italian Communist Party, the largest Communist Party in the West with over one million members, and the major de facto parliamentary support for the minority Christian Democratic government of Premier Andreotti, is undergoing a quiet but decisive change in leadership. The reins of power in Italy's second largest party, commanding over 32 per cent of the electorate, are being taken over by a coalition of leaders with historical ties to the industrial working class and a party grouping linked to Italy's public sector industry. This process was dramatically reflected in last week's plenum of the Italian Communist Party Central Committee.

The just concluded plenum demonstrated for all informed observers that the transfer of power from the pro-NATO, pro-austerity grouping which dominated the Thirteenth Party Congress in early 1975 to a leadership committed to increasing political and economic rapprochement with the Soviet Union is nearly completed. In what analysts described as a classic "Stalinist" script, the nominal general secretary of the party Enrico Berlinguer remained silent throughout while other leaders, many of them displaced during the party's more recent anti-Soviet postures, laid down the new line and put words into the mouth of "Comrade Berlinguer" which thoroughly belie his own past policies. The

sequence is thought to have had the behind-the-scenes blessing of pro-Soviet party president Luigi Longo, who during Berlinguer's heyday had been reduced to a virtual figurehead.

In addition, the once-powerful Giorgio Amendola, the leader of the party's right-wing faction and the major mediator between Italy's Communists and such Rockefeller-linked institutions as the New York Council on Foreign Relations, was politically invisible at the plenum. According to press reports, Amendola is being eased out of control of the party's economic think-tank CESPE which he founded, along with his protégé, the pro-austerity economist and CESPE director Eugenio Peggio. Well-informed sources in Italy also note that the Communist Parties semi-dormant factory worker networks are being rejuvenated, with anti-Soviet functionaries being pushed aside to make room for emerging — and returning — working class leaders. This upheaval at the level of the party's sensitive trade-union base is reportedly providing the sociological leverage behind the "coup" in the Central Committee.

The delivery of the keynote address at the plenum by Gianni Cervetti, instead of Berlinguer, is in itself most unusual. During the 1975 Congress Cervetti was elevated to the Secretariat, the top party executive body, as a reputed protégé of Berlinguer, but he has close personal and political ties to Moscow. He emerged into prominence during the initial phases of the anti-Amendola shift which occurred two months ago at the last CC meeting.

Seasoning his remarks with frequent references to the assent of the mute "Comrade Berlinguer," Cervetti outlined an organizing plea for a united front of all Italian democratic parties in which the Communists would be prepared to enter a coalition government — an offer *formally* not unlike that put forward previously by the New York Council on Foreign Relations as a means to use the Communists to police austerity among Italy's workers. However, the Cervetti speech is not likely to please Berlinguer's erstwhile New York mentors, since Cervetti premised the Communists' government bid on agreement on a new economic policy — a policy defined in the official party daily *l'unita* on Dec. 13 as a new monetary system based on a decisive break with the dollar. Further, Cervetti stressed that the Communist Party must be "a governing party as well as a party of popular struggle," and defined the content of "popular struggle" by outlining a policy of education for Commu-

nist cadres. A special worker's conference was announced for a later date.

Following Cervetti's report, the two major presentations by Central Committee members which dominated the meeting were even more emphatic in breaking ground for a return to pro-Soviet policies. This first was by Armando Cossutta, a veteran of the Milan Resistance movement with a large personal power base who guided the party's role in Italian trade with Comecon for many years and whose exclusion from the Secretariat at the 1975 Congress was widely regarded as a deliberate signal of the party's distance from Moscow. In a parry at Berlinguer's oft-quoted pleading for an "autonomous West European communism," Cossutta lamented that there has been too much emphasis on the adjective "new" in describing the processes of the Italian Communists, forgetting the concept of internationalism "which remains one of the particular concepts of communist parties." Cossutta also called for accentuating the traditions of Gramsci and Lenin, precedents which (particularly in the case of Lenin) have been explicitly downplayed and rejected by the Italian Communists ever since Berlinguer at the Thirteenth Congress announced the party's willingness to tolerate NATO.

Berlinguer's pro-NATO, "Eurocommunist" policies were treated to even more pointed barbs by Ambrogio Donini, the head of the Party's Central Control Commission and the last surviving member of a group of older "Stalinist" party leadership who took an uncompromising pro-Soviet stance during the factional controversies of the 1960s. Since those battles were won by the Amendola-Berlinguer group, Donini has been silent or excluded from the press. Last week, however, he took the floor to denounce the terminology "Eurocommunism as the word does not come from our party," and implies a "division into two parts of the European working-class movement." Donini decried the fact that "some" have even asked for NATO to "protect" Italy's independence.

The new public form of the Italian Communists' policies was heralded with fanfare at last week's Congress of the Communist Party of San Marino, considered a virtual appendage of the mighty Italian CP. *Pravda* reports, with obvious satisfaction, that the Soviet delegation was "warmly greeted" by the San Marino party's head Barulli who in his keynote address welcomed the Soviets as representatives of a "bastion of peace and progress" and called for even more active Soviet support for international cooperation.

Portuguese Elections Results Stir Waters for Soares

Dec. 14 (NSIPS) — The ruling Portuguese Socialist Party received 33 per cent of the total votes in local elections in Portugal this week. The PSP's tally is down 2 per cent from the legislative elections last April. The Portuguese Communist Party won 18 per cent of the total vote with particularly high results in the industrial and agrarian reform areas concentrated in southern Portugal. The PCP's 18 percent total is 3 percent its total

in April and the party's daily *O'Diario* declared that the legislative elections have "increased the real possibilities for the defense of the democratic conquests" of the 1975 Portuguese Revolution. The party has now gained control of the majority of the local governing bodies throughout the Lisbon industrial belt and the Alentejo region.

The right-wing Popular Democratic Party (PPD) and

the Social Democratic Party (CDS) received 24 per cent and 16 per cent respectively of the vote — the same as the last election. The Maoist coalition of General Saraiva de Carvalho who received 16 per cent in the recent presidential elections — received only 3 per cent of the vote this week.

The pattern of election results will make it more difficult for Socialist Premier Mario Soares to carry out the austerity measures demanded by Portugal's creditors. The New York Times, acknowledging this,

called upon Soares to form a coalition with the right-wing PPD to promote "political stability." Soares, however, is not likely to form such a coalition due to the uproar that it would cause within his own party and among working-class and military forces. Just before returning from a trip to Rumania, for example, Revolutionary Council — the governing body of the military — member Admiral Vitor Crespo warned at a press conference in Bucharest Dec. 10 that it is the mission of the Revolutionary Council to guarantee "that there will be no return to a past that the Portuguese people clearly rejected."

MIDDLE EAST

Jordan: Prying the West Bank from King Hussein

Dec. 14 (NSIPS) — A little known but highly significant diplomatic process is underway concerning the desert Kingdom of Jordan, ruled by one of the Middle East's remaining monarchs, King Hussein. The object of this diplomatic intervention into Jordan, including efforts by Britain, India, the Soviet Union, and several Eastern European socialist countries, is to persuade the Jordanians to relinquish their claim to the Israeli-occupied West Bank, taken from Palestine by Jordan in 1950 and subsequently occupied by Israel during the 1967 Six Day War.

Although Jordan officially renounced its claim to the West Bank in November, 1974 at an Arab Summit meeting in Rabat, Morocco, which recognized the Palestine Liberation Organization as the sole legitimate representative of the Palestinians, King Hussein has refused to abandon the Kingdom's hardly legal links with the populous West Bank.

The PLO decision this week to accept the establishment of a Palestinian state on any territory evacuated by Israel is widely taken to mean that the PLO — currently discussing the creation of a government-in-exile — would be willing to set up an independent Palestinian nation on the West Bank and possibly the Gaza strip in Sinai.

Jordan's Development

The key leverage point with which pro-peace outside forces are attempting to negotiate with King Hussein is the promise of agricultural and industrial development of the barren nation. Both the Soviet Union and the British are involved in this process. In doing so, they are appealing to the fledgling Jordanian state-owned industrial sector and various national banking and mining interests who, presumably, are less interested in the West Bank than in economic progress. The British have the advantage of an entire network of agents and sympathizers within the country dating back to colonial and neo-colonial days, when the British ran the country,

especially the military.

"Frankly, the West Bank is a lost cause," an Amman banker told the *Baltimore Sun* last month. "If we got it back, we would be getting back the Palestinian question, and that we do not want." The sources expressed a desire to engage in national economic reconstruction rather than play West Bank politics. In some circle, the leader of this tendency is Jordan's Prince Hassan, the brother of the king.

In early November, 1976, Prince Hassan paid an extended visit to Great Britain. He arrived on Nov. 6, and conferred with top British economics officials. According to the *Jordan Times*, the British agreed to a comprehensive program for rebuilding the Jordanian economy, and promised to "take an active part in Jordan's development effort." A high-level British commercial delegation is to visit Jordan this month to consolidate the wide-ranging accords, which include the development of Jordan's rich phosphate deposits.

Then, in late November, Prince Hassan paid a week-long visit to India, where he held a series of meetings with Prime Minister Indira Gandhi and several top ministers. Hassan signed two accords there, one for economic and technical cooperation, and a protocol on science and technology, both to run five years. India, one of the strongest political supporters of the PLO and a leader of the Non-Aligned Movement, was thought to have sought assurances that Jordan would stubbornly refuse to go along with the moves toward a Middle East peace.

Even more surprising is the extent of Soviet and East European involvement in Jordanian development. On Nov. 13, a large Soviet team of oil experts arrived in Jordan on a three-week visit to begin exploration for petroleum deposits in eastern Jordan. The Soviet oil group had been preceded on Nov. 2 by a group of Soviet electrification technicians. Economic delegations from Poland, Hungary, and the German Democratic Republic arrived in Jordan during November.

On Nov. 28, the Jordanian Cabinet was reshuffled, with the changed ministries entirely those relating to finance and economics, leading informed observers to speculate that the regime intended to signal a shift in priorities. In a speech following the swearing-in of the new Cabinet, King Hussein stated that a priority of the new government would be the "building of a solid national economy."

Kissinger's Confederation

On the other hand, there is no doubt that King Hussein is strongly influenced in the direction of following Secretary of State Henry Kissinger's prompting toward a "Greater Syria" confederation linking Jordan, Syria, and the PLO. The PLO has rejected any federation plan with Jordan. Syrian President Hafez Assad, who recently got agreement on a "Syria-Jordan union" from King Hussein, is the leading advocate of the plan, and the bloody Lebanon civil war was in part an effort to force PLO acquiescence in the scheme.

In recent weeks King Hussein has held a series of meetings with old-time representatives of the West Bank and Gaza, including the mayor of Gaza and the Arab governor of Jerusalem on Nov. 23. In addition, Bethlehem Mayor Elias Freij is an active proponent of linking the West Bank and Jordan. It is generally considered highly unlikely that the population of the West Bank would accept a return to Jordanian sovereignty, and it has supported the PLO in a wave of strikes and demonstrations. The mayor of Nablus, a West Bank city, in late November "rejected the Jordanian regime's request to the municipality to send a delegation to Amman to swear allegiance to King Hussein," said a PLO broadcast. However, with Israeli encouragement, the king has quietly resumed paying subsidies to several West Bank villages.

In the end, perhaps the oil-rich Saudi Arabians, who support the bankrupt kingdom financially, will make the difference. A possible signal, or warning, was delivered on Nov. 6 when the Saudis announced the withdrawal of their troops stationed in Jordan.

Palestine Central Council Resolution for Palestine State

Dec. 16 (NSIPS) — In a decision made Dec. 14 in Damascus, the Central Council of the Palestine Liberation Organization resolved officially to organize for "the construction of the foundations for an independent Palestinian state" in the Israeli-occupied West Bank and Gaza Strip territories. The resolution likely to be backed up by a decision to form a Palestinian government-in-exile when the full 250-member Palestine National Council meets next month in Cairo, implies Palestinian readiness to negotiate with a pro-peace government in Israel and removes remaining substantive impediments to a Mideast Geneva Conference early in 1977.

Middle East observers expect that the Damascus decision will immediately alter the map of political relations within the Arab sector as a whole. Political sovereignty for the Palestinian resistance movement will provide a concrete basis for the Palestinian intelligentsia and the Palestinian mass base to assume a leading role in formulating development policies for the entire region, in alliance with urbane layers in Egypt, Iraq, Algeria and other Arab states.

Informed PLO sources report, the Egyptian government has "remained steadfast in its support for an independent Palestinian state, there's no questioning that. The Egyptians see a Palestinian state as an important regional force." Egyptian Foreign Minister

Ismail Fahmy, in the context of a series of negotiations with Soviet, U.S., and Italian representatives this weekend for a conference on the Mideast, met with the PLO representative in Cairo accompanied by leaders from the Gaza Strip, to concretize a joint PLO-Gaza delegation to Geneva.

The governments of Syria and Jordan have continued to insist over the past week that any Palestinian state be incorporated into a Syrian-dominated confederation. The latest Syrian strategy, informed sources in Damascus report, is to try to flood the Palestine National Council with scores of malleable reactionaries from the West Bank to destroy the PNC's effectiveness and to undercut PLO hegemony within the Council. An earlier proposal by the Syrian Al Baath newspaper to "expell" the PLO leadership from the PNC met with intense opposition within the Arab sector, including from the Saudi Arabians.

An editorial in the widely read Arabic-language Al-Kuds newspaper calling for West Bank Palestinian leaders. The moderate mayor of Bethlehem, Elias Freij, attacked an Israeli government proposal to place PLO-West Bank-Gaza delegation at Geneva to Jordanian political control. The West Bank is now the scene of student protests in response to Israeli military actions, including the seizure of Arab-owned land and the imposition of a tax on West Bank merchants.

Israel Fighting It Out For Peace Or War

Dec. 17 (NSIPS) — The steps taken this week by the Palestine Liberation Organization (PLO) toward forming a government-in-exile have brought the Israeli government to a crucial juncture: whether to support an overall peace plan for the region that includes recognition of the PLO and the formation of a Palestinian state or to opt for war.

Over the past several weeks, Israeli Prime Minister Rabin has sent out signals to West European government that he is willing to support a peace strategy. Rabin dispatched Jerusalem Mayor Teddy Kolek to Hamburg, West Germany, where he met with city mayor Klose, a close associate of Chancellor Helmut Schmidt. Klose then visited Israel. In addition, Israeli Housing Minister Ofer, who is closely allied with Rabin, traveled to Great Britain and West Germany this month, where he also met with government officials. This week, after a tour through several Middle East countries, long-time Middle East specialist from Britain, Lord Caradon, arrived in Israel. According to the French News Agency, Caradon said he was investigating the possibilities of setting up a Palestinian state and is convinced that a Middle East peace settlement will be worked out "in the next months."

Leading Israeli peace advocate Abba Eban, head of the Mapai peace faction, is supporting Rabin's peace overtures. Testing the waters for a political comeback, either in or outside an alliance with Rabin, Eban launched a campaign for "national recovery" this week. Eban is also calling for relinquishing the occupied territories held since the 1967 war — a plank that he has inserted in the proposed Mapai election platform. In a document written by Eban last summer and distributed by the BREIRA organization in Washington, Eban reveals that there is no historical basis for retaining the occupied lands and calls upon "Israeli leaders to enter the intellectual arena and undertake an educative role."

Rabin Under Attack

According to Eric Rouleau in the Dec. 16 *Le Monde*, Israeli peace advocates have been secretly meeting with PLO officials over the past several months. "Rabin doesn't fail to receive and listen attentively to these intermediaries," writes Rouleau. But the pressure is on Rabin to drop his conciliatory stance, "One cannot underestimate the outcry that would result from a decision to offer all of the West Bank to an organization as disliked as the PLO," Rouleau reports.

The pressure on Rabin is being most openly expressed through former chief of staff Yigal Yadin, an independent candidate in the 1977 elections, who is heading up the newly formed, pseudo-liberal Movement for a Democratic Change; General Ariel Sharon, hero of the 1973 war and head of a right-wing splinter group; and Moshe Dayan, leader of the pro-war Rafi faction in Mapai. According to the American Israeli Public Affairs committee, Yadin and Sharon are coordinating a common strategy to smash both Mapai and the "no longer viable" Likud opposition, thereby forcing the creation of a Yadin- or Sharon-led coalition government of several parties, including the shards of Mapai and Likud. Such a coalition would be easily manipulated by a Carter Administration to block a reconvening of a Geneva conference and prepare for war. A former member of the Israeli parliament was even more explicit, predicting that Sharon and Yadin together will win about 45 seats in the parliament in the elections. Sharon will then proceed to carry out "partial withdrawals" from the occupied territories in an effort to stave off an overall settlement.

However, Rabin survived a vote of no confidence this week, 55-44. The vote was provoked by the fanatic Torah Front party, who accused Rabin for welcoming a delivering of F-15 jets on the Sabbath. The forces around Yadin voted with the extreme right in condemning Rabin.

Arabs Forming United Trade Bloc

Dec. 16 (NSIPS) — The Arab countries this week finalized plans for the establishment of an Arab Common Market whose aim is to integrate and coordinate trade and development for the Arab sector. According to the Cuban news service *Prensa Latina*, the Arab Economic Council today completed recommendations leading to the market arrangement which has been turned over to the Arab League. This week the Saudi Arabia Finance Minister publically called on his fellow members in the Organization of Petroleum Exporting Countries to take up the Common Market issue — as a means of coordinating regional development — at the ongoing

OPEC meeting in Qatar.

In deliberations leading up to the OPEC meeting, representatives from a number of Arab finance and economic ministries met last week in Baghdad to put the finishing touches on the plan while their counterparts from Arab Industry Ministries convened in Cairo to work out the specifics of future regional economic development. The Iraqi government, a leading spokesman for the creation of a new monetary system, called for the OPEC members to add to the agenda of the Qatar talks the formation of an Arab Oil company. Immediately thereafter, Iraq's second in command

Saddam Hussein began an organizing tour. In Yugoslavia, a leader of the Non-Aligned Movement for a new monetary system, he met with Yugoslavian president Marshal Tito before continuing to Iraq.

Concurrent with the formation of the Arab Common Market, the Organization of African Unity formed an African Common Market while the Arab League established a liaison office to the African bloc.

Gearing Up Production

In the next month, four pipelines leading into the Mediterranean will have been opened, including the reactivation of Saudi Arabia's huge trunkline running through Lebanon which carries a capacity of 400,000 barrels a day. The pipeline was closed two years ago because of slumping demand. But new political arrangements between Europe and the oil producers to break with the dollar and expand trade based on oil for technology agreements has insured new markets for fuel.

According to the Dec. 6 issue of *Oil and Gas Journal*, a full \$67 billion in surplus from the oil producing sector will be invested in downstream development including state-owned refining capacity, transport capacity, both pipelines and tankers, and petrochemicals. Conservative

estimates are that such investments will give the 19 producer countries almost 20 per cent of their own refining capacity, over the next 4 years, giving them increased freedom from the oil companies in marketing their oil resources. Such projections however are based on the assumption that the producers will not enforce further nationalizations of their oil resources which the Iraqi call for an Arab oil company is designed to expedite.

An unusual agreement was signed this month between British Petroleum and Iraq whereby BP will lift 80,000 barrels a day of Iraq's fully nationalized oil. Similarly it is rumored that the British firm may be invited to return to Libya to operate a field nationalized from BP in 1971 which has a potential capacity of 400,000 barrels a day, markedly increasing Libyan production. While it is still widely held that the Saudi Arabians with the largest reserves in the world, at 150 billion barrels, will stick to their production ceiling of a yearly average of 8.5 million barrels a day, the president of Texaco and other oil executives are quoted in *Oil and Gas Journal* that soon Saudi Arabia may go considerably higher than the set ceiling figure. Such a decision will be totally dependent upon a new financial and economic pact with Europe.

AFRICA

British, African Initiatives for Speedy Rhodesian Settlement Accelerate

Dec. 17 (NSIPS) — British Foreign Secretary Anthony Crosland and United Nations Representative Ivor Richards this week announced initiatives to bring about a speedy and peaceful settlement of the Rhodesian situation, and indicated that if Rhodesian Prime Minister Ian Smith continues with his "over my dead body" stance, they are prepared to accommodate him.

The British initiatives indicate that they are prepared to virtually take over the Rhodesian government and army during the transition period. In addition to appointing a "Resident Commissioner," essentially a Governor General replacing Smith as the chief executive, according to the *London Observer* Dec. 13, some Government officials are in favor of sending in British military officers to take command of the Rhodesian army, and "phase it out," to replace it with troops of the Zimbabwe People's Army (ZIPA).

Speaking to reporters Dec. 14 after the Christmas adjournment of the Geneva conference on Rhodesia, conference chairman Richards announced that he will tour the front line states (Mozambique, Tanzania, Botswana, Zambia and Angola), Rhodesia and South Africa starting on Dec. 28. Ignoring Smith's description of a direct British role in Rhodesia as "ghastly," Richards said: "Britain has to play a direct role. The purpose of my going to Africa is to define that role." Richards called on the front line states to play a greater role in the settlement, announced that he would be continuing talks with the nationalist delegations during the adjournment, and

"regretted" that the Rhodesian delegation in Geneva has failed to play any positive role in the talks.

The significance of the Richards trip was underlined by Foreign Secretary Crosland, who told Parliament on the same day that "Richards is going to Africa with my authority behind him..." and added that the transition may very well be settled in Richards' talks before the reconvening of the Geneva conference on Jan. 17.

The British have mobilized several large industrial concerns in South Africa to pressure the Vorster government into cooperating with their initiatives. One major British firm, Marks and Spencer, has decided to pull out of South Africa completely, while British Leyland, the British auto company, is "reassessing" its position in the recognizing of black trade unions at its many plants in South Africa.

While certain British leaders may be under the illusion that they are creating an innocuous moderate leadership for independent Rhodesia, it is clear to other African leaders that in the context of the new world economic order this is a mere pipe dream. "If Britain does not move," Tanzanian President Julius Nyerere told a Nigerian Television interviewer recently, "there will be a battle between ZIPA and Smith, and ZIPA will win, and a radical government will be installed, and this will make me very happy. But it is not necessary.. if a settlement can be worked out and a moderate government installed now. In that case radicalization can take place more gradually as I am doing now in Tanzania. This I prefer."

Vietnam Congress Inaugurates Strategy For Peace and Reconstruction

Dec. 17 (NSIPS) — The Vietnam Workers Party (VWP) opened its fourth party congress in Hanoi Dec. 13 after a 16-year postponement and following the end of the Vietnam war. Thirty-eight foreign delegations and 1,008 Vietnamese delegates met in the Ba Dinh convention center to deliberate on the issues facing the international communist movement and the reconstruction of a Vietnam now unified but still suffering from the devastation of 30 years of war. Vietnamese President Ton Duc Thang opened the congress, welcoming the foreign delegations from fraternal socialist countries and progressive governments. Thang's opening remarks were followed by a political report presented by Party Secretary General Le Duan. It mapped out a "new direction" for development and reconstruction, with extensive plans for expansion of industry and agriculture and the establishment of economic relations with foreign socialist as well as capitalist countries.

The VWP draft political report emphasizes the role the party will play to create a "united front" of socialist countries against "U.S. imperialism", a clear signal that Vietnam will actively seek to promote a reconciliation between the Soviet Union and the People's Republic of China. Although China failed to send a delegation following widespread speculation that a high-level delegation would be dispatched, the Soviet Union sent a delegation led by Politburo member Mikhail Suslov who held private discussions with Vietnamese Premier Pham Van Dong, Le Duan, and other senior party leaders. Suslov is also expected to confer with Communist Party delegations from Japan, India, and Sri Lanka.

Vietnamese leaders declared at the conference that they will seek to strengthen "special relations" among the communist states of Indochina to advance economic development and political solidarity. The Laotian delegation was led by Laotian Prime Minister Kaysone Phomvihane. Chinese-allied Cambodia failed to send a delegation.

In the face of U.S. efforts to revive the South East Asian Treaty Organization, the political report presents an open call to Southeast Asian nations pledging to aid their efforts to attain "national independence, democracy, peace, and genuine neutrality without foreign military bases and troops on their soil; to stand ready to establish and develop relations of friendship and cooperation."

"Setting a New Direction"

Party Secretary General Le Duan, in a six-hour address, presented the Central Committee's draft political report on the implementation of the current five-year plan. The 40-page document has been the center of dis-

cussions at local conferences throughout the country in preparation for the congress and calls for "setting a new direction" for post-war development of Vietnam.

The focal point of Le Duan's presentation was the role science and technology must have transforming a "decentralized economy of small-scale production to large-scale production without going through the capitalist state of development." This, stated Le Duan, is embodied in the concept of the "triple revolution." This includes the "revolution of productive relations, the scientific and technological revolution, and the cultural and ideological revolution with the scientific and technical revolution as the keystone in order to build step by step the system of socialist collectivity and a new socialist man."

With the role of science and technology as its underlying premise, the document expands upon the role of the northern part of the country with its industrial raw materials and heavy industry and the south, with its vast agricultural potential, in a new comprehensive 1976-80 five-year development plan. Crucial to this effect will be a reorganization of the government and upgrading of party cadre to facilitate the organization and mobilization of the country's workforce, especially emphasizing the initiative of the individual workers and peasants.

This task will be accompanied through the reorganization of the party and government to deal with the five-year plan particularly in the south where 30 years of war have left deep social scars on the population. The demobilization of the million-man Saigon regime's army, the tens of thousands of prostitutes and drug addicts, and refugees demands an understanding and qualities of leadership that are incompatible with "bureaucratic insensitivity" still prevalent in the government and party. The party will be upgraded and its membership expanded to include new members from the south.

In the south, where the worst effects of the war can still be felt with high unemployment and widespread devastation, the plan calls for the development of "New Economic Zones." "In the future, a target of more than one million people from Ho Chi Minh City will be completely settled into New Economic Zones," Nguyen Van Linh, part secretary for Ho Chi Minh City, told the congress. "The outskirts of Ho Chi Minh city," he added, "will be developed as a vast farm around the city to supply sufficient foodstuffs and vegetables to the city."

It is envisioned that agriculture will be developed in areas surrounding the urban and industrial centers where the construction of irrigation systems and application of modern agricultural technologies will increase the production of grains, industrial crops such as cotton and lead to the development of fisheries and an animal husbandry industry. The agricultural sector will therefore

produce for the local market as well as lead to the development of a flourishing food and agri-industry, yielding a supply for foreign exchange producing exports.

Industry will primarily be concentrated in the north where an industrial infrastructure now exists and in urban centers in the south. Although light industry will be promoted in the transitional period of the plan, it is seen as insufficient. "There are two tasks that are both fundamental and urgent. To ensure the minimum needs of the people's life while carrying out accumulation at the necessary tempo to build the material and technical bases of socialism." The political report asserts that a "great leap forward" in agriculture as well as industry will not be possible without augmenting "labor productivity." Here the task of industry will be located, to supply the tractors, earthmoving equipment, cement and steel required to expand irrigation and mechanization of agriculture and heavy industry.

To further this, Le Duan called for rapid expansion of trade and economic ties with all industrial nations; socialist and capitalist alike. The conference is reportedly to put forward the intensification of economic relations between Vietnam and Japan as a model for Western Europe and the United States. Japan is now a major trade partner of Vietnam and has negotiated its war debts in the form of multi-million dollar reconstruction aid and is participating in a variety of industrial projects.

This move by Vietnam towards the non-socialist west for economic cooperation and transfer of industrial technology, is a reminder to the United States of its obligation in "healing the wounds of war" as stipulated in Article 21 of the Paris Peace Accords. The Vietnamese have made informal negotiations with U.S. oil companies who held concessions under the old Saigon regime. British Petroleum, Aquitaine of France, and Norwegian and Japanese oil companies are now in active negotiations with Vietnam.

Daily Political Report to Vietnam Congress

Dec. 16 — The following are excerpts from the Draft Political Report to the Fourth Vietnam Workers Party Congress:

Preamble

The fourth party congress is held after our people's anti-U.S. war of resistance for national salvation has recorded total victory, the south has been liberated and our fatherland is independent and unified and is advancing toward socialism. The historical duties set forth by the third party congress have been fulfilled. Our glorious party — the party of the Vietnamese working class which was founded, led and trained by President Ho Chi Minh — has fulfilled its historic mission in an outstanding manner and is advancing toward its fourth congress with the big steps toward maturity and with organization (doij ngux) stronger and firmer than ever.

Part I: Great Victory, Historic Turning Point

Mid-1954 to May 1975 was the period of the extremely glorious and diversified revolutionary struggle of the Vietnamese people. This was the period when our people in the entire country, under the leadership of our party, simultaneously carried out two strategic tasks — achieving the national people's democratic revolution throughout the country and carrying out the socialist revolution in the north.

Liberating the South Unifying the Fatherland

1. After World War II, the world situation was changed greatly. The system of socialist countries was born; the national independence movement vigorously surged forward; the imperialist forces were seriously weakened; the United States became an international gendarme pursuing a counterrevolutionary global strategy. Waging the war of aggression against Vietnam; the U.S. imperialists attempted to impose

U.S.-style neocolonialism on our country, sabotage our people's cause of socialist revolution and at the same time check the national independence and socialist movement in Southeast Asia and the rest of the world. To carry out this scheme, the United States mobilized a very large military force and used numerous strategies, tactics and modern weapons coupled with several crafty diplomatic tricks.

2. Under the leadership of the party, our army and people fought extremely valiantly, successively defeating the U.S. strategies and advancing from one victory to another and ultimately to total victory...

With the total victory of the anti-U.S. national salvation resistance, the yoke of neocolonialist domination was broken forever in our country, and our fatherland became completely independent and unified. This victory foiled the biggest war effort mounted by the archimperialists since World War II, upset the global strategy of U.S. imperialism and drove it into an unprecedented difficult situation, limited and weakened the imperialist system, consolidated the outpost of socialism in Southeast Asia, expanded and strengthened the socialist system, and bolstered the strength and offensive position of the revolutionary forces in the world.

3. The great victory of the anti-U.S. national salvation resistance was a victory of the correct and clear-sighted leadership of our party; a victory in a struggle replete with difficulties, hardships and sacrifices, but an extremely courageous struggle of our people and army and tens of millions of patriotic compatriots in the south who set examples of heroism, displayed an indomitable spirit and persistently and continuously struggled for more than 30 years; a victory of the socialist regime in the north — the firm base area of the revolution in the

whole country; a victory of the unshakable solidarity among the peoples of Vietnam, Laos and Cambodia; and a victory of the forces of socialism, national independence, democracy and peace in the world....

Our victory proves that in today's era, when the world's revolutionary forces are on the offense, a nation small in size and with a small population is fully capable of defeating the aggressive forces of imperialism, even those of archimperialism, if it stays closely united and resolutely struggles under the leadership of a Marxist-Leninist party which adopts correct revolutionary lines and methods and which upholds the two banners of national independence and socialism, and if it enjoys the sympathy, support and assistance of the socialist countries and revolutionary forces and progressive people in the world.

Part II: The Line of the Socialist Revolution in Vietnam

1. The essential features of the Vietnamese revolution in the new stage:

A. The major consideration is that Vietnam is still advancing directly from a decentralized economy of small scale production to large scale socialist production without going through the capitalist state of development. Small scale production is apparent in many aspects: the majority of the labor force is involved in handicrafts; the industrial base is still small; industry and agriculture have not been integrated into a single structure; social labor productivity is still low; organization and management are still fragmented....

C. Our country is carrying out the socialist revolution under favorable international conditions: the three revolutionary trends in the world continue to gain momentum and are in an offensive position; Imperialism is drowning in the general crisis and is being increasingly weakened; a new scientific and technological revolution is taking place in the world, and with our victory over U.S. imperialism our country has earned great prestige in the international arena.

On the other hand, the struggle between socialism and capitalism to solve the question of "which will win" is acute and complex.

2. These characteristics, particularly the direct advance from small scale production to large scale socialist production which determines the content and steps to be taken to develop the revolution, require that the socialist revolution in our country be highly self-conscious, always take the initiative and be very creative. The first decisive requirement to assure victory for the revolutionary cause is to constantly bring into full play the working people's right to be the masters of society.

The socialist revolution in our country is a process of continuous and comprehensive revolutionary changes; of combining transformation and construction by abolishing the old things and creating new ones. This is a process of arduous and complicated class struggle, of carrying out the three resolutions — the revolution in production relations, the scientific and technical revolution, and the cultural and ideological revolution, with the scientific and technical revolution as the

keystone — in order to build step by step the system of socialist collective and a new socialist man...

We must constantly bear in mind that a characteristic of the advance from small scale production to large scale socialist production is an organic combination of the production relations revolution, the scientific and technical revolution and the ideological and cultural revolution. This advance calls for close interaction and stimulation between production relations, the productive forces and the laboring man. Large scale socialist production can also be conscious and planned. Planning is the main ingredient in managing and directing the advance from small scale production to large scale socialist production. We must attach importance to use value and must proceed from the overall standpoint of collective masters to give full play to and to rationally apply the use value of labor, tools and lands.

We must have a good plan to make rational use of the labor force on a national scale as well as in each locality and each base and must organize the whole country and each locality to become a construction site. Meanwhile, we must attach importance to value and the law of value...

Part VI: The World Situation the International Obligation and Foreign Policy of Our Party

1. The victory of the October Socialist Revolution was the first great leap opening a new era, an era of transition for mankind to socialism. After World War II, the victory of the Soviet Union and of the other revolutionary progressive forces in the antifascist war opened a new period in the great development of the world revolution. The great victory of the revolution in China placed the balance of forces on the revolutionary side. Socialism has bypassed all the boundaries of individual states to become a world system. Over the past 30 years, the socialist countries have developed vigorously and outstandingly.

With its great successes in all respects, the world socialist system has today acquired a combined force clearly stronger than that of imperialism. The quick and continuous development of the socialist countries stems from the superiority of socialism. It permits the successful exploration of all the potential for production and natural resources in a country at high speed and the building of a beautiful and happy life. Life proves with each passing day that the world socialist system is continuing to develop its role as a factor determining the development of human society. It is a strong fortress of the world proletarian revolution and a firm base of the struggle movement of the world's people for peace, national independence, democracy and social progress.

2. The revolutionary storms which have shaken the Asian, African and Latin American continents, and which have attracted 2 billion people to the struggle movement for national independence, constitute the second event of our era following the formation of the world socialist system. The movement for national independence has taken place under various forms. The Dien Bien Phu victory of our people began with the collapse of old neocolonialism. A number of countries, in

regaining their independence to varying degrees, have gradually gained importance in international political area. They have continued to struggle to achieve and consolidate their political independence and to develop their national independent and sovereign economics. One of the characteristics of today's movement for national independence is that it tends to be linked with socialism. For this reason, the movement for national liberation and national independence plays a revolutionary and extremely important role in the transition to socialism throughout the world.

3. The workers' movement in the capitalist countries is a direct attack launched against world imperialism in its very lairs. The workers' movement which is being developed with each passing day in a broad and well-organized manner, with a rich meaning and under lively forms, has highlighted the very great capabilities of the laboring class. Together with other democratic forces, it has directly dealt harsh blows at the capitalist monopolist class. It proves that the laboring class will certainly defeat all reactionary forces and sooner or later will eliminate capitalism from social life forever.

These joint currents, which form a great revolutionary movement in the world, will continuously launch an attack against imperialism from all directions.

4. To face the world revolutionary movement and to save the moribund capitalist regime, capitalism is being transformed into a state monopolist capitalism at a very urgent speed. Imperialism led by the United States, has worked to prepare for a new world war and has sought every means possible to counterattack the revolutionary movement in the hope of restoring the positions it lost and of checking the development of socialism. It has carried out neocolonialism by various ruthless and perfidious measures. It has plotted to lure all the newly independent countries to the capitalist orbit and to dispute and maintain the markets, the resources of raw materials and oil and the regions of advantageous investment. This is the basic policy of the U.S. imperialists, aimed at realizing their role of international gendarme and their ambition of world hegemony. The U.S. imperialists have plotted to repel the revolution and then to reverse the general situation of the world.

However, after 20 years of involvement in Vietnam — during almost 10 years of which the U.S. expeditionary troops participated directly in the fighting — U.S. imperialism has been utterly beaten and forced to accept defeat and withdraw its troops.

The total U.S. defeat in the war of aggression in Vietnam marked a downhill turn of U.S. imperialism, which has lost much of its superiority in military, political and economic strength. The capitalist world has sunk even more deeply into its drawn-out period of irreversible general crisis.

5. Thirty years after World War II, especially since the end of the Vietnam war, the world has witnessed a new change in the balance of forces favorable for the revolution and a new developmental step in the struggle of the world's people for peace, national independence, democracy and socialism.

The reality of life has increasingly demonstrated the realistic character of the capability of nations to prevent another world war and maintain lasting peace. Peace is not only a result of the democratic and antiwar movement, but also chiefly a result of the revolutionary struggle of all anti-imperialist forces, of the offensive strategy to repel imperialism step by step and overthrow it piece by piece, to render the war policy bankrupt and to advance toward completely frustrating its warmongering policy.

Naturally, imperialism will not give up its policy of using force. It has never reduced the arms race but has instead accelerated it. The nature of imperialism has not changed. This situation requires that the revolutionary forces constantly heighten their vigilance, persist in their struggle, and organize and train the masses in revolutionary struggle in order to foil all imperialist schemes of war provocation and aggression.

National independence is the first objective of the people in many countries. As long as imperialism continues to exist, the issue of struggling to liberate nations, defend independence and freedom, implement the right to self-determination and achieve equality among nations continues to be a primary point in the program of action of the revolutionary forces.

At the present time in particular — when, through its neocolonialist policy and its counterrevolutionary global strategy, U.S. imperialism continues its efforts to maintain its colonialist positions, violate the sovereignty of nations and seek ways to divide and undermine the socialist countries — national independence has become a foremost revolutionary slogan which fully meets the urgent demands of all nations in the world.

Democracy is also an urgent demand closely linked with national independence and socialism. Democracy is a basic factor for mobilizing the masses of people to rise up against imperialism and its lackeys. Therefore, democracy must be, first of all, democracy for the workers, the main force in the struggle for national independence.

In the capitalist and imperialist countries, democracy is a slogan of revolutionary struggle aimed at repelling state monopolist capitalism step by step and winning victory step by step, thus creating the premises and conditions to advance toward winning victory for socialism.

In the present historic conditions, socialism has become the direct goal of struggle of the peoples in all countries. Never before has the socialist revolution achieved such capabilities for vigorous development as today. All movements for national independence and democracy are linked with socialism and are changing their course toward socialism. The road to socialism is the guarantee of genuine independence and democracy for all nations.

The present scientific and technical revolution in the world is creating great possibilities for the socialist countries to scale new heights on the road to conquering nature with a view to successfully building socialism and communism. At the same time, this revolution is creating conditions for underdeveloped countries to make use of the achievements of modern science and technology in order to rapidly do away with poverty and backwardness.

6. ...This struggle requires that attention be paid to building and developing the world people's front against warmongering imperialism headed by U.S. imperialism. This front is very large and broad. Its very basic forces are the socialist countries, the international communist and workers' movement and the national independence movement. This front is directed against the imperialist chieftain — U.S. imperialism. In the struggle to settle on a world scale the question of "who will win — socialism or capitalism," the restoration and consolidation of the solidarity of the socialist system and the international communist and workers' movement on the basis of Marxism-Leninism and proletarian internationalism is a question of paramount importance.

The total victory of our people in their anti-U.S. national salvation resistance is closely related to the wholehearted support and great assistance of our brothers and friends the world over. We express our profound gratitude to the Soviet Union, China and other fraternal socialist countries, to the peoples of Laos and Cambodia, to the communist and workers' parties and to progressive people throughout the world for this support and assistance. Our people's victory has made a worthy contribution to the common victory of nations and to the constant growth of the world revolutionary forces. It has also created new advantages for our party, state and people to continue fulfilling their international obligations.

Following are the basic objectives of our foreign policy:

- A. To endeavor to consolidate and strengthen the militant solidarity and cooperation between our country and all fraternal socialist countries, and to do our best to contribute together with the international communist and workers' movement to restoring and consolidating solidarity and strengthening mutual support and assistance on the basis of Marxism-Leninism and proletarian internationalism in a way compatible with both sentiment and reason.
- B. To endeavor to defend and develop the special relations between the Vietnamese people and the peoples of Laos and Cambodia; to strengthen militant solidarity, mutual trust and long-term cooperation and mutual assistance in all fields between our country and fraternal Laos and Cambodia on the principle of complete equality,

respect for each other's independence, sovereignty and territorial integrity, and respect for each other's legitimate interests so that the three countries may be forever bound together in the common cause of national construction and defense.

- C. To fully support the just cause of the peoples of Southeast Asia for national independence, democracy, peace and genuine neutrality, without foreign military bases and troops on their lands; to stand ready to establish and develop relations of friendship and cooperation with the countries of Southeast Asia.
- D. To fully support the struggle of the peoples in Asia, Africa and Latin America against imperialism, old and new colonialism and racial discrimination, for national independence, democracy and social progress; to strengthen the solidarity, friendship and cooperation and mutual assistance in all fields between our country and the developing countries; and to actively contribute to the struggle of the movement of non-aligned countries against the aggressive and monopolistic policy of imperialism.
- E. To fully support the just cause of the working class and laboring people in the capitalist countries, who are forming a broad, unified front to direct their struggle at the ringleaders of domestic and foreign capital monopoly; to achieve victory step by step and to advance toward winning total victory for socialism.
- F. To establish and widen normal relations with all countries, irrespective of their social systems, on the basis of respect for each other's independence, sovereignty and territorial integrity and of equality, mutual benefit and peaceful coexistence.
- G. To resolutely join forces with the fraternal socialist countries and progressives in the world in continuing the struggle against the aggressive and warmongering policy of the imperialists — headed by the U.S. imperialists — in order to maintain and consolidate world peace.

With its correct international line and with its nature as a Marxist-Leninist and internationalist party, our party will unceasingly educate its members and our people to be thoroughly imbued with the pure revolutionary sentiments of President Ho Chi Minh in order to successfully carry out these tasks and foreign policy....

Is Fukuda Next?

Dec. 17 (NSIPS) — Japanese Prime Minister Takeo Miki submitted his resignation today to the Liberal Democratic Party's (LDP) executive council amid growing rumors in Tokyo that Japan's next premier will be former Deputy Prime Minister Takeo Fukuda — Miki's arch-rival inside the party and an associate of the Rockefeller family. Miki will remain as a caretaker president until a meeting of LDP parliamentarians elect a new premier and party president Dec. 23. Miki also denounced the "money and faction politics" inside the party as being responsible for the party's sharp decline in Japan's recent parliamentary lower house elections.

Miki's formal resignation has freed the premier to now maneuver more openly for a "dark horse" candidate to unite the party's large but disparate elements into an anti-Fukuda bloc. In his letter of resignation to LDP secretary general Uchida, Miki stressed that the LDP's upcoming convention must be "open" to other nominees and not just a "rubber stamp" for Fukuda. Miki's campaign is being supported by a significant number of younger members from a variety of the party's factions. A group of such Dietmen, led by Takao Fujinami, of the Nakasone faction, Bunsei Sato, of the Mizuta faction and Kazuo Shioya of the Miki faction have organized a petition against Fukuda which they expect at least 100 Dietmen to sign. Their efforts have won strong support from many of the LDP's grass roots organizations, such as the Hokkaido chapter (Hokkaido is one of Japan's major islands) which recently notified Tokyo that "somebody other than Fukuda or (Fukuda-ally) Finance Minister Ohira must be elected the party chief to succeed Miki."

The Tanaka Question

Fukuda's premiership depends on whether the powerful factions associated with former Prime Minister Kakuei Tanaka and former party secretary-general Yasuhiro Nakasone decide to actively join the anti-Fukuda movement. If both men make such a decision there is no way that Fukuda can come to power and a "dark horse" nominee would be almost a certainty. In the past the Tanaka faction, bitter over Premier Miki's failures to prevent Tanaka's jailing on "Lockheed Scandal" charges has come out publicly supporting their rival Fukuda for the premiership, against Miki. With Miki now officially out of power the Tanaka-Fukuda "alliance of convenience" may fall apart. If either Tanaka or Nakasone personally were to give serious support to Miki and the young "dissidents" and their "dark horse" (believed to be Foreign Minister Zentaro Kosaka, a long-time party elder) Fukuda's dreams of power could vanish. Whether Tanaka and Nakasone will decide to block Fukuda also depends on the pressures being mounted on them from outside the party, in particular from business circles and Japan's powerful press.

Another danger Tanaka, Nakasone and other crucial leaders inside the party have to face is the real danger that certain elements of the Miki faction, including possibly even Miki himself, would leave the party should Fukuda be put in power. Many younger members of the

faction have openly announced that they would walk out if Fukuda is chosen.

The New Liberal Club

The party's woes have been heightened by the announcement from the New Liberal Club (NLC) — a newly emerged party of young ex-LDP dissidents which did well at the polls — that although Miki must bear responsibility for the problems of the LDP "the government would become far worse under Fukuda." According to the NLC's secretary general a Fukuda government would force the NLC "to deal more severely with the LDP." If Miki decides to quit the LDP he would undoubtedly join ranks with the NLC. Such a defection would destroy the LDP's now razor-thin majority in Japan's crucial lower house of parliament. Both Miki and the NLC's strength politically stems from the increasing popular support both have from Japan's voters — a large portion of whom are fed up with the LDP's political maneuvering and corrupt "money politics." Much voter dismay stemmed from the widely held belief that an LDP vote for Miki in the recent elections would be "wasted" since no matter how many seats the party won the prime minister would be unable to withstand Fukuda's insurrectionary attack. Voter fears were confirmed by Fukuda's arrogant pre-election campaign when he spent as much time denouncing Miki as he did in attacking Japan's "opposition" parties. Many of the LDP's younger Dietmen, under pressure from their constituencies, have had to ally themselves to some degree with the popular premier and his "reform" campaign. Now it depends on the "elders" of the various party factions to unite openly behind an anti-Fukuda choice.

Such a move could only occur with the strong backing of key leaders of Japan's business community. Many businessmen deeply fear that Fukuda, an open zero-growth advocate, would mean disaster for Japan's high growth, export-based economy. Fukuda's commitment to "austerity politics" was made clear at a Dec. 11 rally of the LDP when he boasted: "We are entering a period of limited resources and it will become very difficult (for politicians) to steer Japan's course. I, Takeo Fukuda, will assume responsibility for steering the course."

Reflecting the real sentiment of business this week the Miki government informed the Soviet Union that Soviet Trade Minister Nikolai Patolichev would be welcome to visit Japan either late this month or early next year. Patolichev will offer Japan new development deals in Siberia based on the use of the transferable ruble to fund the projects. The Patolichev visit will follow the recent visit of German Democratic Republic Trade Minister Gerhard Beil to Tokyo.

This week the Miki government also granted Indonesia an 18-month moratorium on \$80 million debt due at year's end. In return for deferral of the loan, which was part of a \$400 million oil for development deal between Japan and Indonesia in 1973-74, the Indonesians have agreed to supply Japan with crude oil "over a long period", according to reports in the Yomiuri newspaper. The "oil

for debt moratorium" deal both safeguards Japanese oil supplies against the U.S. cartels' manipulation and represents a continuation of Japan's efforts to steadily improve relations with OPEC, of which Indonesia is a member.

The government has also come out recently in support

of the Soviet efforts to ban the first-strike use of nuclear weapons, a proposal NATO officially denounced. The government announced on Dec. 10 that Takuya Kubo, a major opponent of the pro-Schlesinger head of the nation's Defense Agency, would be appointed the director of the Cabinets National Defense Council, Japan's supreme policymaking body for defense affairs.

Confounded, Western "China Watchers" Become Blind, Deaf, Dumb

Dec. 15 — A series of NSIPS interviews has confirmed the impression given by the commentaries and analytical articles printed since the anti-Maoist purge began on Oct. 7 of this year — events are changing much faster in China than the minds of China watchers can keep up with.

Very few analysts have discerned the unmistakable evidence of a raging faction fight at the central level in Peking, or the clear emergence of a new ruling group from the Army largely based on long-time personal ties going back to the 1920s and 30s. In fact, this Army-centered grouping, with support from most of the Party, and grouped around remaining old marshals, Long March generals, and their immediate subordinates, is the driving force behind the purge of the Maoists, and is currently extending the purge to chastise, remove, and punish thousands of lower-level Maoist followers throughout the country. This purge is designed to undercut any possible base for the remaining former Maoists still in the leadership, in preparation for completing the top-level purge only begun by the arrest of Mao's widow and her three closest collaborators.

Meanwhile, a "Great Debate" is raging among China watchers over Sino-Soviet "remarriage" prospects. The debate runs the gamut from A to B: will the divorcées remarry, merely resume speaking terms, or heighten their mutual hostility, and where does the silent member of the "triangle," the United States, fit in? No one has yet guessed that there is almost certainly a faction fight over this issue, with the hegemonic army grouping having no more use for Mao's foreign than for his domestic policies. It has not occurred to any member of the China club that developments in the Third World, Japan, and Europe, for example, might totally alter the terms of discussion on the Sino-Soviet question and extend the options beyond simple "rapprochement" or the status quo.

A new right-wing "China lobby" has emerged in defense of Taiwan and opposed to U.S. diplomatic ties with Peking that require breaking with Taiwan. C. Martin Wilbur, a retired Columbia professor of Chinese studies, avoided altogether the touchy issue of whether American stonewalling on dumping Taiwan in order to normalize relations with Peking might not impel China more strongly toward the Soviet Union, and pushed for a

"two Germanys"-type formula *even if* Peking totally opposes it. John Husband, Washington-based coordinator of the large pro-Taiwan conference at the Mayflower Hotel, Washington, D.C. on Dec. 1, gave a more sophisticated "analysis." He told NSIPS that "there are some very good reasons why Peking needs the U.S." He cited Chinese "fear of the Soviets, especially after Czechoslovakia," "a desire (by China) to break out of isolation," and their need for trade and technology. So, he concluded, there is no danger of encouraging a rapprochement with Moscow by refusing to dump Taiwan. A minority position among those attending the Mayflower Conference was expressed by Franz Michael, who reiterated to NSIPS his long-held view that, in essence, "a communist is a communist" and that without Mao, China will soon reestablish close relations with the Soviet Union. He said the border issue is a trivial one to solve and he expects it to be solved very shortly. Therefore, he believes, there is nothing to gain by dumping Taiwan to recognize Peking.

An obsolete profiling of the Soviet Union by former Rand analyst Donald Zagoria yielded the novel interpretation that the *Soviets* are the main roadblock to improved relations: "I don't think the Russians are prepared to pull troops back from the border...they are not really capable of making the concessions necessary. They muffed it with China, they muffed it with Japan. They've got a fixation on the territorial status quo. They are the last remaining empire...The Russians see the Chinese as a long-range threat...The China threat is useful for all sorts of people in Moscow; to the military types to jack up the defense budget; to the conservatives in the apparat who want to prevent any real reforms and need to have enemies on both fronts; and the liberals and intellectuals want to go toward the West." Zagoria foresaw the likelihood of eventual war between the two countries and said the Soviet Union sees China, not the United States, as the greater ultimate enemy.

Another very well-known analyst who asked not to be identified agreed that the Chinese military, especially the Army, was the most anti-Soviet: "If anything, the Army is more pro-American; the Navy is more anti-American." Chen Hsi-lien, the former commander of Manchuria, which borders on the Soviet Union, "has not

the slightest doubt of what the (Soviet) threat is," he said, adding that the Army is anti-Soviet because they have the border to defend. This analyst, as did Zagoria, foresaw "a thawing in relations" and said "they will not be heated enemies...the thing is going to become more rational, with a lesser likelihood of war...but both sides will find the illusion of being adversaries more useful than the illusion of friendship (sic), so the basic split will continue. On the Taiwan question, he said that Taiwan was a major issue for the now-purged Maoists, not the "moderates," so for the U.S., "Taiwan can be put on the back burner." Normalization isn't necessary, he said, because "China *won't* go toward the Soviets."

A more realistic assessment of the Soviet side was provided by former Rand and State Department analyst Allen Whiting, now at the University of Michigan. He said the Soviets are very serious about moving toward some kind of détente with Peking, commenting "The Soviets are willing to deal on fairly serious terms," and said that one major reason is the strong Soviet desire for Japanese investment in Siberia. Japan will not invest

there unless there is some progress on easing Sino-Soviet hostility he said. He also didn't see a Sino-Soviet thaw as "necessarily dangerous" because it might aid world peace. But he dismissed close ties, saying "I don't see any analyst projecting real friendship; the competition in third countries will continue, party to party relations will remain frozen." He said that the Army was in favor of eliminating border tensions, but that there are *no* actually *pro*-Soviet people in the country: "All Chinese are anti-Soviet."

Michael Oksenberg, a noted analyst also from Michigan, was concerned that the "momentum of the (U.S.-China) relation is gone...there is a need to restore momentum to our relations with China." He did not think the U.S. could sit back complacently and assume the Sino-Soviet split would go on forever. He concluded that the militaries of both sides want to end at least the border tensions, and that relations, while still being hostile to a degree, will be such that "they will become trustworthy adversaries" — the hysterical pitch now prevailing will disappear.

Venezuela Crucial Link Between Latin America and New World Trade Flows

Exclusive to NSIPS

Dec. 17 (NSIPS) — With Luis Echeverria no longer in power in Mexico, and Peru reined in from its leading Third World position by its New York creditors since the "cold coup" of July 16, Venezuela has emerged as the critical pivot point linking Latin America to the mushrooming triangular trade patterns between the European Economic Community, the Comecon, and the Third World, led by the Arab oil producing states. Largely as a result of the highly successful European and Soviet tour last month of President Carlos Andres Perez, Venezuela has moved firmly into this embryonic new world economic order, which is being financed independently from dollar sector trade credits by means of intersecting treaty agreements, gold-backed arrangements, petrodollars, and, through the recent Comecon proposal, the transfer-ruble. For the first time, Venezuela is using its enormous petrodollar reserves to finance its own capital intensive development, aided by technological and trade agreements with the EEC, Japan, and the Comecon. But even more importantly, this initiative is starting to serve as a developmental hub for the rest of Latin America, particularly the Andean Pact.

The visit to Caracas last weekend by Peruvian President Francisco Morales Bermudez was consciously viewed in this strategic context by President Perez. Perez has made it amply clear that the survival of constitutional regimes on the continent depends on economically fortifying the potentially pro-development governments in the Andean Pact against the Friedmanite juntas of the Southern Cone. Peru, which is under enormous pressure from its New York creditors to institute intensive austerity policies, is the "equilibrium factor" of the entire continent, as one pro-Perez journalist in Caracas put it last week. The key objective of the visit was, according to the Caracas daily *El Nacional*, to provide "oxygen" to the Peruvian economy — i.e., breathing room from the pressure of U.S. banks. The joint Perez-Morales declaration made this point explicit by denouncing "coercive or interventionist practices...linked to the providing of technical or financial cooperation." The declaration attacks the policy of "rolling over" old debts by asserting that aid must be "oriented toward development."

The "oxygen", as spelled out in the communique, is trade. Although magnitudes have not been specified to date, Venezuela has pledged a special line of credit to Peru for the purchase of Venezuelan products. Particularly significant is the agreement to set up a joint fertilizer venture for the processing of the Peruvian phosphate deposits at Bayovar, an operation which the Peruvian right wing has wanted to shut down. With adequate Venezuelan financing, revenues from the

fertilizer, sorely needed throughout Latin America, will provide a welcome transfusion to Peru's balance of trade. Similar joint ventures are in the offing in the areas of tuna processing and auto. Meanwhile, Peru will increase its sales of cotton, fish meal, and iron pellets to Venezuela. In the critical area of oil, Venezuela will probably step up its supplies to Peru, while at the same time Venezuela has agreed to help recover unused oil wells in northern Peru.

Colombia

Perez also knows that Venezuela's fate is closely linked to what occurs in Colombia, which is dangerously close to falling to a right-wing military coup. Even before Morales arrived in Caracas, the Perez government had been carrying on a steady campaign to strengthen commercial ties with Colombia. Last month both countries formed commissions to coordinate the integrated development of the border region, which will include the construction of two hydroelectric complexes and a major waterways project that will facilitate river navigation in the Venezuelan-Colombian interior. Joint ventures are planned in sugar refining and mining, while both sides are working out details of sharing certain Andean Pact production quotas in the areas of auto, machinery, and light aircraft. Upon returning from his international tour, Perez made a point of visiting the Colombian-Venezuelan *Feria de la Frontera* industrial exposition, which he hailed as a sign of the fact that "we are indeed capable of moving forward on the difficult roads of industrialization."

The Venezuelan pro-development effort on the continent is not limited, however, to bilateral arrangements; it is located within the context of a struggle for the survival of the Andean pact, the economic counterweight to the Southern Cone military regimes. The overtures toward Peru and Colombia occurred following Chile's withdrawal from the organization at the beginning of November. Fifteen days later, largely through Venezuelan financing, the Pact established a \$400 million fund, which represents a significant potential for fomenting regional trade and industrial projects. Simultaneously, Venezuelan representatives to the Pact have undertaken a strong diplomatic push to implement the long-dormant Andean Pact industrial program. Significantly, Morales and Perez, in their joint statement, pledged support for this program and for the critical Decision 24 of the Andean Pact treaty, which controls foreign investment and profit repatriation.

The Morales-Perez communique also ratifies support for the Latin American Economic System (SELA), an important vehicle for promoting trade and development, since it encompasses all of Latin America, including

Cuba, a member of Comecon. A functioning SELA would supersede the limitations of conflicting Andean Pact and Southern Cone geopolitical "blocs" by presenting crucially needed trade opportunities to countries like Brazil and Argentina.

Industrialization of Venezuela

For the obvious reason that Venezuela has almost \$8 billion in reserves, Perez enjoys an advantage uncommon in Latin America: Venezuela cannot be coerced with the threat of a credit cutoff. But until recently, the Perez government was isolated from authentic pro-development currents internationally by the way in which these reserves were utilized, namely, Venezuelan petrodollars were recycled back into New York banks, the Eurodollar market, and the International Monetary Fund and related institutions. Whatever funds were employed regionally were used for the sole purpose of averting bankruptcies on outstanding dollar debts, particularly among Central American and Caribbean countries. Internally, investment was geared primarily toward mammoth raw materials projects along the lines of Secretary of State Henry Kissinger's proposed International Resources bank (IRB), a monetarist scheme inimical to the development of any self-subsisting industrial base.

Venezuela's present five-year program, the V Plan, was designed by the World Bank directly on IRB premises. A limited amount of petrodollars was to be invested in brute extraction ventures financed mostly by dollar loans. The bulk of Venezuelan exchange reserves were to be left untouched as a prop for the dollar monetary system, while the nation was slated to be plunged into a severe balance of payments deficit by 1980. Meanwhile, the remainder of the economy was to be subjected to labor intensive projects in order to avoid "unnecessary" capital investment.

Perez, however, is effectively throwing all these well-laid plans out of the window. He has discarded the primary feature of the plan by using Venezuela's financial resources and oil for capital intensive development. This was vividly expressed in the unceremonious announcement this week of the resignation of Planning Minister Gumersindo Rodriguez, a World Bank official.

It is no coincidence that within the past seven days the government has announced it will double its capital investment in the oil industry next year, and intends to pour \$5 billion into developing new oil fields and

constructing new refineries over the next five years. Dr. Felix Rossi-Guerrero, petroleum counselor at the Venezuelan Embassy in Washington, D.C., pointed out to the Journal of Commerce this week that capital investment in this sector during the period of 1970-74, before it was nationalized, totalled only \$1.5 billion. "We may have some surprises up our sleeve," he said. At the same time, the Venezuelan Development Corporation (CVF) unveiled a \$500 million industrial development program for next year, in what is hailed as a "new chapter" for the totally-revamped CVF. The program includes a credit line with Lloyds Bank of London for almost \$100 million to enable both the public and private sectors to acquire British capital goods. Other credits are being arranged with the EEC as well. Similarly, bids of up to \$1.7 billion were received from various international industrial consortia this week for increasing the capacity of the Guri hydroelectric project in the iron and steel region of Bolivar. When completed, the complex will be the second largest of its kind in the world. The turbines have already been purchased from Japan.

Coke for Venezuela's steel industry, scheduled to increase four-fold by 1980, will be provided by reactivated coal mines, according to a feasibility study published this week by C.A. Minas de Naricual. These mines had been idle since the 1950s, and already a team of Czechoslovakian technicians has visited Venezuela to discuss the development of new fields. Finally, the CVF announced that Iran and Japan will be participating in a \$200 million sugar refining project.

"At this moment we are large importers of capital goods," declared the minister of the petrodollar fund, Quero Morales, in Paris Dec. 14 following meetings with top French officials and industrialists. This quest, backed up by Venezuelan agreements to supply oil to governments anxious to bypass the Rockefeller "Seven Sisters" multinationals, is linking the nation's economic progress directly to the emerging core of trade networks taking shape around Europe. Great Britain, through the British National Oil Corporation, is actively helping Venezuela in exploration of promising off-shore sites. To reduce dependence on tankers from U.S. oil multinationals, Venezuela is negotiating extensive arrangements with Japan, Sweden, Yugoslavia, Finland, and Britain for the construction of a Venezuelan fleet and shipyards. Simultaneously, the Comecon, particularly the Soviet Union, is working out arrangements for ensuring Venezuela's technological independence.

Mexico: Battle for Land Close to Civil War; Debt Question Pressing

Exclusive to NSIPS

Dec. 17 (NSIPS) — The principal lawyer of the large landowners (latifundists) of the Northwest region of Mexico, Ignacio Burgoa, announced Dec. 10 that an administrative judge in Mexico City had invalidated the Nov. 19 land expropriation decree of then-president Luis Echeverria, which distributed 100,000 hectares to 8,000 families in the Yaqui Valley of Sonora for collective farms.

Over the following three days the latifundists and their business allies centered in Monterrey applauded the decision through the press. Silence from the Office of President José López Portillo and the ministry of Agrarian Reform was taken as tacit acquiescence to the roll-back of Echeverria's land reform efforts.

But by mid-week the voices of peasant leaders and their allies in Congress had broken through the press. In

the Congress, peasant spokesmen attacked the legal reasoning behind the judge's ruling, which depended on an extreme interpretation of controversial injunction provisions of the Mexican Constitution. Peasant leaders virtually unanimously declared: "The lands will never be handed back." Relying on the strength of this opposition, Senator Jorge Cruikshank of the Popular Socialist Party broke away from previous uncritical support for Lopez to warn the president that reneging on Echeverria's decree would mean "civil war."

However, on the evening of Dec. 16 López Portillo's Agrarian Reform Minister Jorge Rojo Lugo, temporarily averted this danger by declaring categorically that "there is no danger that the decree by ex-President Echeverria will be revoked...the decree is within the law." Rojo Lugo made the statement following a meeting between López Portillo and the Pacto de Ocampo peasant confederation leaders.

Although centrist López Portillo has thus slightly relieved the environment of growing confrontation which existed throughout the week, it is evident that he is still attempting to conciliate the right-wing forces. A newspaper on the day following the Agrarian Minister's statements reported that the latifundists have received over 100 million pesos in payment for land which Echeverria had expropriated without compensation. Since the Dec. 16 statements by Rojo Lugo the right wing has continued its attacks on ex-President Echeverria's land distribution decree and has issued threats of economic sabotage.

Behind the right wing's drive for confrontation with the

peasant sector is their profound unease over being able to impose the levels of austerity which international monetary bodies are demanding.

Those who are more optimistic about imposing Chile-level austerity are insisting that the foreign debt be paid no matter what. Miguel Angel Conchello of the Monterrey-financed National Action Party wrote a national column Dec. 16 explicitly upholding the policies of Hjalmar Schacht, Hitler's finance minister as the model for Mexico today.

Natural Resources Minister Andres Oteiza declared Dec. 14 that Mexico will "continue to pay its debts, as always." But a wire from the Cuban press service Prensa Latina the next day confirmed that López has been meeting with high finance and Foreign Ministry officials to coordinate efforts to reschedule part of the enormous \$28 billion foreign debt. It is widely rumored that rescheduling is already the case for certain private sector firms such as the steel giant Fundidora Monterrey.

To date, however, there has been unity within government planning circles that exports must be encouraged at all costs to build up foreign exchange. The head of the showcase steelworks from the Echeverria period, Las Truchas, has declared that all of the mill's output will be for export. The new austerity budget announced Dec. 15 includes substantial increases in oil investment, in order to rapidly increase oil exports. The U.S. has shown keen interest in using Mexican oil as a wedge to break open the Organization of Petroleum Exporting Countries (OPEC).

Manley Wins Presidential Election in Jamaica

Exclusive to NSIPS

Dec. 16 (NSIPS) — Jamaican Prime Minister Michael Manley won reelection as Prime Minister today. Manley, who has been a proponent of the New International Economic Order, won over 58 per cent of the unexpectedly high voter turnout. With 80 per cent of the vote counted Manley's People's National Party (PNP) had received 395,660 votes while the pro-capitalist opposition Jamaican Labour Party (JLP) received 294,967. The PNP is expected to win 48 of the 60 seats in the House of Representatives.

In his first remarks after learning of his landslide electoral victory, Manley described the vote as a "triumph for socialism and for the fight of the underdeveloped nations." "The people have given us their vote of confidence", said Manley, affirming that his government would continue its "third worldist" policies. Afterwards, Manley declared "We wish to be friends with all willing to accept us as we are, on our terms." JLP candidate Seaga, who had devoted the bulk of his campaign to charging that Manley was cultivating political ties with Cuba as a means of "establishing Communism" in Jamaica, conceded defeat with the statement, "I think we must accept it in light of the fact that people had a clearcut choice before them."

Most pre-election day coverage on Jamaica which appeared in the international press was filled with dire warnings of violence which was expected to taint the election results. The warnings, however, proved

unwarranted, as the stringent security conditions imposed by Manley throughout the island guaranteed a peaceful and free election process.

The situation now facing Manley is a difficult one. Economic sabotage directed against the vulnerable Jamaican economy is expected as Manley uses his popular mandate to carry through his pledges of expanded relations with Cuba and with other progressive Caribbean nations. The violent destabilization tactics used by Seaga's JLP goons before and during the election campaign are certain to be stepped up while the attempted assassination of Manley himself becomes an increasingly likely option for those interests threatened by Manley's outspoken role in the Third World fight for debt moratorium and a new world international order.

According to a pre-election article written by Shepherd Bliss, an associate of the Institute for Policy Studies, in the American Maoist newspaper, *The Guardian*, "There has been little thinking about what to do if Manley wins. No one seems to have considered that he may be assassinated." Leaving no doubt as to who the assassins would be, Bliss notes, "Among English-speaking Caribbean countries, Jamaica's direction is the most important for U.S. interest to control...The situation in Jamaica bears considerable importance for the entire Caribbean, as Chile marked a turning point throughout Latin America."

Ecuador Right Wing Shift Pressures Peru

Exclusive to NSIPS

Dec. 16 (NSIPS) — A sudden revival of Ecuadorean claims to Amazon lands seized by Peru in the war of 1941 caused a dangerous deterioration of relations between the two countries this week. The unexpected cancelation of Peruvian President Morales Bermudez' scheduled visit to Ecuador last week was followed by the withdrawal of the Peruvian ambassador and military attaches for emergency consultations back in Lima. Yesterday the Venezuelan press reported that Ecuadorean Foreign Minister Pesantes announced he would travel to Bolivia, Chile, Argentina, and Brazil to appeal for their help in resolving the conflict. The latter three countries, plus the United States, are the named guarantors of the 1942 "Protocol of Peace, Friendship and Boundaries" which established Peruvian control over the oil rich area of the Amazon claimed by Ecuador. Ecuador now asserts that it agreed to the 1942 treaty only "under coercion."

The behavior of the Ecuadorean government at this time places enormous pressure on Peru, which has already reached a dangerous impasse, bordering on war, with Chile over the question of territory to be granted as a Bolivian corridor to the Pacific Ocean. Caught between two rumbling fronts, Morales Bermudez' government faces the related strengthening of the right-wing military apparatus which is at once revanchist vis a vis both of its neighbors and internally the main instrument for imposition of International Monetary Fund-dictated deindustrialization policies.

The Ecuadorean government has undergone an accelerated rightward drift during the past several months, leading to a situation where the simultaneous ascendancy of fascist elements in Peru and Ecuador exacerbates the danger of war in the region. At the same time, it creates the conditions propitious to regimenting the area according to the Friedmanite "open door policy" which would destroy the industrialization and foreign control measures of the Andean Pact regional development treaty. Already one of the Pact members, Chile, dropped out of the Pact in order to allow a "free market economy", and it is rumored in the Latin American press that Ecuador and Bolivia will soon follow suit. If that were to occur, Venezuela, Peru, and Colombia would be left, in a fundamentally unviable arrangement.

Over the last two months, most of the leading nationalist figures in the Ecuadorean government have been replaced by reactionary monetarists. They were given a large boost by Gulf and Texaco which drastically slashed Ecuadorean oil production under their control during much of 1976 in order to undercut Ecuador, known as "the weak link in OPEC."

A critical blow against the Ecuadorean nationalists was struck at the beginning of this month when Admiral Gustavo Jarrin Ampudia, former Secretary General of OPEC and rallying point of Ecuadorean nationalists, was placed in a position which leads to automatic retirement in six months.

The two remaining nationalists in the government are seeking international leverage against the internal balance of power which is weighted against them. Industry, Commerce, and Integration Minister Galo Montano is going to Rumania in search of oil technology to break the stranglehold which Texaco and Gulf have held over the Ecuadorean oil industry. If Montano and Natural Resources Minister Col. Rene Vargas Pazzos succeed in their efforts to prevent Gulf and Texaco from wiping out previous nationalist advances, Ecuador could play an important role along with Venezuela as a promoter of Latin American development.

As soon as Montano had left for Rumania, however, his interim replacement repudiated Montano's fight for a strong Andean Pact by telling regional businessmen that Ecuador no longer "restricts" foreign business and that Decision 24, the cornerstone of the Pact's common policy against looting by multinational companies, has been changed from being a "tightrope none could deviate from" into "a scenario within which we can all move according to our needs and conveniences." The newly appointed Finance Minister Santiago Sevilla is known to have written last year that Decision 24 was "a victory of socialist extremism" and that General Pinochet made his 1973 coup in Chile because "the people's hunger and unbridled ideology obliged the military to snatch power from Pres. Allende's hands to avoid worse troubles." On the domestic front Sevilla is repeating Pinochet's application of Milton Friedman's fascist nostrums by freezing wages, and stopping state sector development projects, while allocating resources to luxury consumer imports.

Behind the Bylines

The Trilateral Press

Dec. 14 — Back in the 1850s, any newspaper worthy of the name proclaimed its political beliefs proudly in boasting headlines and provocative editorials. Today's press and media are in fact no less political — only less honest. The news that finally appears in print or on your radio, or on your TV screen, in living color, first goes through a systematic process of purification and "objectification" for mass public consumption...and is then purged of the scent of the corporate media smoke-filled backrooms where the process originates and ends. The name of the game is not "no politics," but dirty politics. The real political statement behind the contrived "non-political" message of the news can indeed be read loud and clear in an accounting of who's who in the corporate boardrooms of the nation's apolitical press and media.

Take "Group W" Westinghouse Broadcasting, the home of Rockefeller's right-wing media cowboys. As at the top of any of the Big Three Networks, a clear pattern of direct political associations and affiliations belies the myth of the disinterested fifth estate. Here are a few of the more outstanding faceless gnomes coloring Group W's non-point of view:

* *Karl R. Bendetson* — Director of the World War Two evacuation of Japanese-Americans from the west coast into government concentration camps; Special Assistant to the Secretary of Defense and Undersecretary of the Army, 1948-52; currently Director of the sabre-rattling Hoover Institute for War, Revolution and Peace.

* *Roger Milliken* — Close associate and financial supporter of William F. Buckley and major advertiser of the Deering Milliken textile company in Buckley's National Review magazine.

* *Hobart Taylor, Jr.* — Director, Standard Oil of Ohio; Associate counsel to President Johnson from 1964-5; Currently a member of the warmongering Committee on the Present Danger.

* *Francis P. Cotter* — FBI special agent, 1946-52; Member and then staff director of the Jt. Congressional Committee on Atomic Energy, 1952-56; State Department agent and then consultant in the early sixties; currently vice-president of Westinghouse Electric Corp.

* *Patrick J. Lynch* — Standard Oil of New Jersey economist, 1967-8; currently vice-president of Westinghouse business planning division.

* *Donald W. McGannon* — Trustee, National Urban League; Board of Directors, Radio Free Europe; Chairman, Westinghouse Broadcasting.

At the other end of the dial are the Fabian "softliners" of CBS and NBC networks, with whom Group W has traditionally locked horns. A few of the leading apolitical lights at these outfits are:

* CBS's corporate director *William A.W. Burden*. The New York Council on Foreign Relations, Atlantic Council, Atlantic Institute, and Brown Brothers Harriman are a few of his credentials.

* *Frank Stanton*, CBS director, also a member of the N.Y. Council on Foreign Relations, and a trustee of the Rockefeller Foundation, the Carnegie Institute, the Rand Corp., and New York Rand Institute.

* CBS director and past president *Arthur Taylor*, also of the New York Council on Foreign Relations, the Trilateral Commission and the U.N. Association.

NBC top brass includes corporate director *Thornton F. Bradshaw*, who hails from the Aspen Institute for Humanistic Studies, the New York Council on Foreign Relations and the Foreign Policy Association, and who chairs the United Nations Association "softline" counter-organization to the Committee on the Present Danger. Other NBC outstanding corporate boardmen of like mind are *John R. Petty*, *Stephen Du Brul, Jr.*, and *Donald Burdette Smiley*.

The power struggle for this political propaganda baronies in the last century has become a classic study in public deception and mass manipulation, carried out under the cynical rubric of the fight for a "free press." Whereas "free" is supposed to convey non-partisan and non-political in this context, it is merely flimsy cover for an ongoing battle among Wall Street factions over how best to conduct psychological warfare operations against the population.

Since 1970, Group W has been bringing this fight before the Federal Communications Commission (FCC) in a sly suit for more local affiliate control of network TV. Group W is no defender of the "little man" in its petition. Like ABC, CBS and NBC, it also owns and operates the FCC-mandated limit of five of its own TV stations. But Big Three network TV programming also supplies hundreds of independently owned and operated TV stations around the country with *two-thirds* of their total program offerings and with exclusive national and international network news programming. Group W's suit for more "local autonomy" for local affiliates boils down to a clear-cut case against this network programming, targeting especially the prime time network news hour of 7-8 P.M. The Group W case created the convenient idea of a so-called "family hour" in this time slot, to be set aside for local "rape report" news and reruns of "Lassie."

Attorney General Levi's Justice Department has taken special notice of this suit and filed its own petition on behalf of the Group W suit, urging the FCC to expand Group W's exemplary action into a full-fledged anti-trust action against all three networks. Levi's Justice Department went so far as to offer its services for undertaking full federal investigations and hearings before the FCC as well.

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