

Feb. 1, 1977
Vol. 1V
No. 5

EXECUTIVE INTELLIGENCE REVIEW

New Solidarity International Press Service

five dollars

To Our Readers

The unprecedented success of the Executive Intelligence Review's claim to have established a decisive competitive advantage over every other existing publication — government or private — in the exceptionally sensitive information industry, requires a word of explanation from its admittedly controversial publishers.

This explanation therefore strives to answer the question often asked by corporate and government-service clients of the Executive Intelligence Review, namely: "Why do I, as a businessman, government official, etc., need to rely on the published product of an avowedly Marxist enterprise?" The fact that such a reliance has been proven to be established by the market performance of the Executive Intelligence Review to date, itself signifies that the question merits an answer for reasons more important than mere curiosity.

There are two interconnected reasons for which avowedly capitalist corporate managers have repeatedly appreciated the intelligence services supplied by the avowedly Marxist Executive Intelligence Review.

First, our superiority over our competitors, both in government and the private sector, in the information field, occurs in matters of method, particularly method of intelligence evaluations. The implications of our methodological commitments for the client-executive who wishes to purchase a reliable intelligence report, are twofold. One, in our ability to single out unique special features in world developments which, months later, become leading features that dominate subsequent political, economic, financial and technological trends. Our established track record includes such "success stories" as our consistent lead over every one of our competitors in the analysis, evaluation and publication of events leading to the OPEC-led onslaught against the energy and financial empire of the Rockefeller coalition; the emergence of the European-Arab axis; the Soviet and West European commitment to the development of fusion power and related technologies; the establishment of the Warsaw Pact's decisive marginal strategic advantage over NATO strategic forces; the concerted drive of West Europeans, Non-aligned nations and others to replace the Bretton Woods system with a gold-based world monetary arrangement; and so forth.

Equally decisive for the corporate executive who relies on our intelligence product is our commitment to differ with our competitors in the presentation and packaging of this product. Our editorial policy is founded on the proposition that the informed executive will be unable to form competent policy judgments unless he is presented with the *entirety* of the world picture into which his particular corporate jigsaw puzzle must be fitted. Hence our deliberate decision to present, each week, a synthesized total world picture within which our client will also be able to find every significant intelligence item pertaining to his special area of concern and responsibility. He thus has the option of weighing the import of such specialized intelligence items against the global frame.

The second reason for our superiority over our competitors is the fact that the Executive Intelligence Review relies on the services of uniquely qualified vendors. They are the Intelligence Department of the U.S. Labor Party, the Fusion Energy Foundation, the amassed expertise of the Labor Party's Legal Department. The Executive Intelligence Review also reflects the added advantages of insight gained through the USLP's political activities and relations with every social and political group of any consequence in this country and abroad. Such groups and entities are going to be playing an increasingly decisive role in the emerging new world economic order, and our established relations with them give us a decided advantage over every one of our competitors in this key business area.

Finally, the editors of NSIPS fully share the USLP's fundamental political proposition that the *capitalist* necessity of maximizing rates of capital formation can only be realized by means of a *socialist* theoretical solution to the problems of accumulation imposed on the economy by the monetarist faction. Hence our commitment to making available to the industrial executive, the engineering specialist and the concerned official the quality of political and business intelligence enjoyed by the U.S. Labor Party leadership itself.



Nancy Spannaus
Editor-in-Chief

IN THIS WEEKS

EXECUTIVE INTELLIGENCE REVIEW

Is the U.S. population being mobilized for war? Certainly the energy crisis being supervised from the White House by James Schlesinger follows to the letter Trilateral Commission blueprints for economic dictatorship at home — to prepare for a thermonuclear showdown abroad.

Our **National Report** carries key excerpts from Schlesinger's emergency gas bill, and a report on the Nader types behind it, plus a complete rundown on Trilateral plans for reorganizing the Federal government for "crisis management," and lengthy passages from the Trilateral Commission's latest policy statement "Toward Renovating".

* * *

Going behind the panic mongering and lies from the White House, the **Energy** section brings you a detailed report on the actual effects of the natural gas shortage. A shocking expose reveals how, at this very moment, potentially plentiful U.S. imports of natural gas from Algeria are being sabotaged by Federal authorities.

* * *

Simultaneous with the Carter declaration of emergency, his 'plumbers' units have moved into flagrantly public assaults on his most vocal domestic opposition — the U.S. Labor Party (See **Law**). Not only is the Federal Election Commission conducting FBI-style interrogations of the party's financial contributors, but Georgia Congressman Larry McDonald, a Carter mouthpiece, has demanded the reconstitution of the House

Internal Security Committee — solely to investigate the USLP!

* * *

It's no coincidence either that the prospects for full-scale war in southern **Africa** have risen sharply again this week, as Rhodesian outlaw prime minister Ian Smith has sabotaged the Geneva peace talks — apparently with the connivance of the Carter team, and over strenuous objections from the British.

* * *

The Carter people will do almost anything to get a war started **somewhere**. Remember that peculiar little comic opera coup attempt in Benin earlier this month? It was planned to have serious consequences — by the same AFL-CIA trade-union networks which helped Carter and Rockefeller steal the White House. (See **Africa**).

* * *

The Carter crew is also going after the USSR directly. See our **Soviet Sector** report for the story behind the "human rights" statements on Eastern Europe pouring out of Washington and their implications for the success of the SALT disarmament talks.

* * *

Why is the Carter crowd moving with such desperate haste? On the economic front, global events are now way beyond their control. This week's **International Report**

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
SOVIET SECTOR
EUROPE
MIDDLE EAST
AFRICA
ASIA
LATIN AMERICA
LEGAL

presents evidence that with Italy in the lead, Western European nations, the Comecon, and the Third World may have already agreed to make the gold-backed transferable ruble the replacement for the bankrupt dollar. French Prime Minister Barre has added his voice to the chorus of those demanding such new monetary arrangements this week, and Britain's Callaghan and West Germany's Schmidt met to discuss unified European resistance to Carter hyperinflation.

* * *

Anti-Carter political forces, determined to restore prosperity to Europe before it's too late, are strengthening their hands internally as well. To find out about Socialist Party moves to beef up Italy's Christian Democratic government ... why Giscard could be the biggest loser in the Paris mayoral race ... why Britain's rulers think its working-class is the key to the nation's re-industrialization drive ... turn to our **Europe** section.

While all this was going on, U.S. veep Fritz Mondale, on the continent this week, suffered what could have been the biggest diplomatic fiasco in U.S. history. See International Report for a brief chronicle of Mondale's debacle in Europe, and an extensive sampling of the European press commentary on Fritz and his Trilateral masters which heralded Mondale's arrivals and speedy departures.

* * *

Egypt could hold the key to the present international situation. This week's special exclusive **Middle East** report explains the

pressures that could force Sadat out of the dollar's orbit, and pull the rest of the developing sector nations right behind him.

Also included are an overview of the region on the eve of the first Carter round of "shuttle diplomacy" and a full documentary picture of the steadily mounting cooperation between Arabs and Europeans for economic development and regional peace.

* * *

The choice now facing the world is posed quite starkly in this week's **Latin America** report, which explains why 1977 could be a boom year for Jamaica's economy as it orients to expanded trade with the Comecon — and reports on the death agony of the New York banks' "economic miracle" of the 1960s, Brazil.

* * *

Also featured in this issue:

- *** The banks prepare to take New York City apart (See **Economics**)
- *** A look at India's Indira Gandhi campaigning for re-election. (See **Asia**)
- *** The Great Plutonium Hoax Revisited (See **Energy**)
- *** Will Cyrus Vance be the next Watergate victim? (See **Washington Week**)
- *** An interview with the man who wrote the U.S. "environmental protection" law (See **Energy**)
- *** The story of political repression the New York Times won't print (See **Latin America**)

EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1972, GPO, New York, N.Y. 10001

TABLE OF CONTENTS

INTERNATIONAL	EUROPE
3 Hint Transfer Ruble Deal Set	35 France
4 Schmidt, Callaghan Meet On Development	37 Italy
4 Barre Calls For Gold-Backed Euro-Currency	38 Britain
5 Mondale Tour Of Europe A "Major Blunder"	39 West Germany
6 Europe Tells Mondale Go Home	
	MIDDLE EAST
NATIONAL	40 Who Will Meet Vance In Cairo?
8 Carter Sends Energy Bill To Congress	41 IMF Demand Provoke Nasser-Era Policy
8 Emergency Gas Bill	43 Soviets Analyse Egyptian Events
10 Trilateral Demands End To 'National Sovereignty'	45 Shape Of New Monetary System
11 "Toward A Renovated International System"	48 French-Saudis Open Way For Trade
14 "Remaking Foreign Policy"	48 Cyprus Issue To Be Settled "Nato's Way"?
17 Washington Week	
ECONOMICS	AFRICA
18 New York: Banks Demand Control	50 Smith Rejects British Proposals
19 Foreign Exchange	53 Behind The Benin Coup Attempt
21 Banking	54 Who Is Irving Brown?
22 Steel	
23 Corporate Affairs	ASIA
23 Rail	55 Gandhi Announces Elections
	57 Gandhi Lifts Emergency Restrictions
ENERGY	LATIN AMERICA
26 Effects Of Energy Crisis In U.S.A.	59 1977 May Be Boom Year For Jamaica
28 U.S. Delays Algerian Gas Imports	62 Brazil Is Dying
28 Policy Of Trilateral Commission	64 NSIPS 5 Asylum At Stake In Peru
29 Plutonium Recycling	
31 USLP's Benton On Nuclear Energy.	LAW
32 Author Of NEPA: 'Fewer People'	65 McDonald Slanders USLP
	66 The Federal Election Commission Scandal
SOVIET SECTOR	
34 Vance To Tie Up SALT With "Human Rights?"	

Executive Intelligence Review is published by Campaigner Publications, Inc., 231 West 29th Street, New York, N.Y., 10001.
Single issue price: \$5.00(U.S.).
Subscription by mail are \$225 for 1 year (52 issues).
Address all correspondence to: Campaigner Publications, Inc., P.O. Box 1972, GPO, New York, N.Y. 10001.
Editor-in-Chief: Nancy Spannaus
Managing Editors: Linda Frommer and Don Baier
Production Editor: D. Asch

Hint Transferable Ruble Deal Set

Italy has adopted a "new mechanism" for the discounting of Soviet bills of exchange that will guarantee an enormous boost in Italo-Soviet trade without worsening Italian foreign indebtedness. This announcement was made by Italian Foreign Minister Arnaldo Forlani Jan. 21 during a presentation to the Parliament's Foreign Affairs Committee on the nature of the negotiations he had conducted during a trip to the Soviet Union a week earlier.

As reported by the foreign minister, the arrangement worked out with the USSR for the "new mechanism" to finance a possible \$7 billion in increased trade between the two countries consists of the following: Soviet bills of exchange (essentially Soviet I.O.U.s) will be given to Italy in payment of Italian goods and services. Italy in turn will use these I.O.U.s in payment for purchases of raw materials and other goods from third countries.

As defined, this arrangement is the transferable ruble, originally adopted by the Comecon central bank in October and most recently elaborated in the prestigious Moscow publication *International Affairs* this January as the most rational means to ensure the required growth levels of international trade on a sound, non-inflationary basis.

A first direct hint on the nature of Italo-Soviet financial negotiations earlier this month during the Forlani trip was provided by Italian Prime Minister Giulio Andreotti himself in the course of statements issued to the international press corps. During the course of a press conference in Bonn, West Germany Jan. 18, Andreotti for the first time "leaked" the fact that Forlani's negotiations in Moscow had included the "Ratti plan" for the creation of an East-West European Bank. The purpose of the bank, as defined by its originator, would be to institutionalize at an international level precisely the type of financial arrangement which Italy is now reporting to be initiating on its own.

Ratti, who is the foreign affairs director for the giant Montedison petrochemical complex, addressed a gathering at the Milan Italo-Soviet chemical fair on the same day that Forlani spoke in Parliament and in precisely identical terms.

The Italian publication *Il Popolo*, newspaper of the Christian Democratic Party which currently controls the national government, chose the following day to both explain the political motivation behind these Italian developments and at the same time urgently demand that they be institutionalized and broadened to include Italy's European partners. *Il Popolo* wrote that Europe must immediately and "of necessity" adopt a common currency as "the fundamental precondition for bringing order into the international monetary system after the declaration of (dollar) inconvertibility on August 15, 1971 (when the dollar was taken off the gold standard.)" This would be the only means to secure against "inflationary policies by individual governments," continued the newspaper, and put the continent firmly on the road of sound economic growth.

Popolo was echoed on the same day by the President of the West German Chamber of Commerce and Industry, Otto Wolf von

Amerongen. In an interview to the daily *Sueddeutsche Zeitung*, von Amerongen not only lambasted all inflationary policies, but went further to reject "common pick and shovel" job programs as being the equivalent of Nazi slave labor-built autobahns. This unmistakable reference to James Carter's economic program was elaborated with an explicit attack on that program for attempting to "create a new inflation mentality" not only in the U.S., but in Europe as well.

Coordinated Timing

The timing of Foreign Minister Forlani's announcements and the analogous press campaign throughout the continent are not in the least accidental — as indeed has been the case for the majority of West European developments over the recent period. Two days after Forlani's speech West German Chancellor Helmut Schmidt left for his scheduled trip to London to meet with British Prime Minister James Callaghan. As reported by the *London Daily Telegraph* and the *Financial Times*, the immediate purpose of the visit was Schmidt's desire to "strengthen Callaghan's hand" during his early February trip to the U.S. to meet with Carter in his capacity as official representative for the European Community.

Schmidt and Callaghan will discuss the fundamental shift in West European policy indicated by Italian developments. It was, after all, in Bonn that Italian Premier Andreotti chose to disclose the negotiations around the "Ratti Plan," while Chancellor Schmidt told the press that he and Andreotti had reached "convergence" on all major aspects of strategic economic and foreign policy. It was during the past weekend that Britain chose to give public support to the efforts of its Gaullist allies in France through the *London Times*. Schmidt will be travelling to Paris immediately after departing from London.

When Vice President Mondale begins his scheduled tour of Western Europe next week to try and sell the Europeans on Carter's policies of economic hyperinflation and nuclear confrontation with the Soviet Union — as developed by the Trilateral Commission "shadow government" — he will not only find Europe to be less than cooperative, he will find Europe decidedly committed to collapsing the hyperinflationary balloon known as the dollar monetary system.

The extent of this commitment at all levels of European society is best indicated by the included demand of the Italian metalworkers union (FLM) — the most powerful in the country — as part of its contract demand that FIAT initiate "a partial reconversion from automobile to tractor production, in the context of "expanded international trade." Tractor reconversion as a determinant basis for European and Third World development, was an included crucial aspect of the Labor Party's International Development Bank proposal to which Europe has acknowledged its commitment.

Mondale and Carter should look to Angola if they wish to understand sensuously what they are facing from their former West European allies. The Angolan government of Neto — which

Italy has strongly supported from its inception — this past week announced that it was creating a new currency. “Our money is political money,” announced President Neto, “and we are not willing to sacrifice it to worldwide imperialism.” Only a sharply limited amount of the old currency, the escudo, will be allowed to

be traded in for the new currency.

In response to the holders of escudos who fled the country with their arms filled with the now-worthless paper, the Angolan Finance Minister has aptly responded: “I suggest you put the (worthless escudos) in capitalist museums.”

Schmidt, Callaghan Meet to Hammer Out Joint Development Strategy

West German Chancellor Helmut Schmidt and British Prime Minister James Callaghan met for talks on Sunday, Jan. 23 which were the latest in a series of meetings between Schmidt, Callaghan, and Italian Prime Minister Giulio Andreotti designed to work out a united Western European front for development and trade independent of the bankrupt U.S. dollar. In keeping with the Italian-West German coordination for industrial growth previously worked out between Schmidt and Andreotti, the talks established, “the broadest coordination of foreign and economic policy of both countries, with respect to the upcoming summits, according to the Jan. 24 daily *Sueddeutsche Zeitung*.”

In a joint television interview after the talks, Callaghan and Schmidt ruthlessly initiated this coordination by attacking the Committee on the Present Danger line of President Jimmy Carter’s advisors which insists that the Soviet Union’s military strength shows it has abandoned détente. Both spokesmen agreed, “We have nothing to fear from the Soviet Union’s military

strength....We are agreed that Moscow is following a policy of détente.” Callaghan ridiculed “the people who get into a bit of a panic about this” while Schmidt supported him saying, “at the present time one must not listen too much to people who overstress the need for defense efforts.” Schmidt further emphasized the Western European determination to reach agreement with the Soviet Union, regardless of Carter’s White House if necessary, by stressing that although it was important that Carter and Soviet party chief Leonid Brezhnev “get along together and negotiate a SALT agreement,...we Europeans have to reach a compromise on the limitations of conventional weapons in Europe.”

Schmidt was not as specific on the question of industrial development for Britain and West Germany. The *Sueddeutsche Zeitung* reported that unnamed British government sources complained that Schmidt “was afraid to make a decision” and discuss European moves away from the dollar, even though West Germany is an economic powerhouse.

French Prime Minister Calls For Euro-Currency Backed By Gold

U.S. Vice President Walter Mondale’s arrival in Western Europe this week coincided with the launching of a concerted campaign in favor of a single European currency by those European forces most committed to global industrial growth. While the creation of a single unit of account has been a longstanding project in Western Europe, its great significance now derives from the fact that it is meant to be pledged on gold; it would thus involve a break with the U.S. dollar and the first phase of a new international monetary system.

While the Italian forces backing the Andreotti government have been advancing that proposal for some time, it was endorsed last week by French Prime Minister Raymond Barre — the first West European governmental leader to do so publicly. Mr. Barre, who is known to espouse Gaullist views on monetary matters, had recently asserted that gold represents a “living international monetary asset.” He followed this statement by an interview he gave to the newspaper of

the Italian industrialists’ association *Il Sole 24 Ore* on Jan. 26, in which he declared: “(The European Economic Community) must characteristically resemble a national market clear of customs or fiscal obstacles, and further offer that irreplaceable element of support which is constituted by a common currency or at least currencies connected by stable exchange relations and managed in a concerted manner. But his monetary union is valid only if supported by a common economic policy.”

On the same day, *Il Popolo*, the newspaper of the Italian Christian Democracy, laid out the following program for Europe: “A single European currency is perhaps the only condition whereby the recurrent international monetary crisis would cease, and it would establish stable commercial relations without the dangers of returning to more or less veiled protectionism....This will facilitate dialogue with Third World countries and a long-term accord with the oil-producing

countries. A single European currency will be the true fundamental condition for Europe to speak with a single voice."

A similar theme was also discussed at the Franco-Egyptian monetary colloquium which took place in Cairo Jan. 14-17 (see Mideast Report). Jacques Riboud, a former oil expert connected to a French think-tank on monetary matters, the Centre Jouffroy, and one of the colloquium's sponsors, proposed the creation of a "Eurostable." Such a monetary instrument, he explained would serve both as a unity of account and a means of settlement for international transactions on the

Euromarket — a proposal which he deemed as acceptable to the Arab nations' interest.

These announcements on the part of Western European forces have been timed with the release of a report in this month's *IPW*, the East German theoretical journal on politics and economics, that a major symposium on the issue of gold took place in Budapest in October, attended by economists both from the Comecon and from Western European think-tanks. *IPW* reports that the conference discussed at length the "gradual emergence of a second — West European — center of capitalist currency system."

Mondale Tour of Europe A "Major Blunder"

Vice President Walter Mondale's present tour of West European capitals is turning into an international embarrassment for the new administration of James Carter, and has been characterized by one well-placed source close to the White House as a "a major blunder." In Brussels, Bonn and now in Rome, the Vice President has come face to face with European leaders more committed than ever to independent unity from the U.S., detente with the Soviet Union and growth-oriented trade with other continents.

Most embarrassing for Washington's emissary was his two-day stay in West Germany, where all the traditional demonstrations of the Federal Republic's role as America's closest ally were markedly absent. Mondale's four-hour discussion with Chancellor Schmidt and national media coverage of the visit focused entirely on the present conflict between Bonn and Washington over two key strategic issues: Carter has demanded Bonn apply monetary stimulation to its economy and Bonn is refusing; Carter has asked that a \$4 billion export treaty of fission nuclear power plants to Brazil be cancelled, which the West Germans have so far refused to do.

All reports indicate that Mondale made no headway in reversing Bonn's stand on these two issues. While the Italian daily *Il Giorno* predicted that the fight over the Brazil treaty could "put the nail in the coffin" of U.S.—West Germany relations an unprecedented array of West German newspapers announced that the country is seeking a new identity in Western Europe and will not tolerate a bullying posture from the United States. On January 23, the *New York Times* reported an interview with Chancellor Helmut Schmidt, which set the tone for his talks with Mondale. "Any American economists," the Chancellor stated, "who argue that the solution to our economic problems here is reflation should go back and study the problems of Europe...Until then, they'd please better shut their mouths."

The right-wing daily *Die Welt* greeted Mondale the same day by noting that Carter speaks of creating a "new partnership" with the Western allies, "but the Carter

program has already been written by the Trilateral Commission founded by David Rockefeller." The same journal warned, "The U.S. demand to stimulate the world economy is not in the interest of Europe and the Third World." This theme was strongly echoed by the commercial daily *Handelsblatt*, which called for a cleaning out of all remaining support for hyperinflation, since "if Carter uses (such support) he will destroy European unity."

The Brazil deal, in particular, has been employed by Chancellor Schmidt to rally a loose de facto, coalition between his own trade union and social democratic voting base and traditionally staunch pro-American conservatives. The basis for this coalition, whose interests coincide with stronger Europeanist factions in Italy and Britain, is a minimum program of promoting economic growth and exports by generating technological breakthroughs in a fission-energy sector. The *Bild Zeitung*, the most anti-communist boulevard daily in the West German press corps, stated this week, "In all modesty and friendliness, we must make our American friends get used to the fact that we have grown up and are competitive. Threats will come to nothing."

Mondale was also rebuffed in Brussels, where he met with Roy Jenkins, commissioner of the European Economic Community. In response to Mondale's complaints over the Europeans' nuclear energy policies, Mr. Jenkins detailed to the Vice President Europe's commitment to reduce its dependency on petroleum imports in the coming years and expand its nuclear generating capacities.

On January 26, Mondale arrived in Rome, where his reception has been prepared by *Il Popolo*, official organ of the governing Christian Democracy, with clean assertions of Italy's role as Western Europe's political leader. Mondale's trip "constitutes an appropriate occasion," *Il Popolo* stated, "for us to confirm the clarity and firmness of our international policy. And it is urgent for us to emphasize the unequivocal faithfulness of Italy to the values of liberty, democracy and civilization which constitutes our common heritage."

Europe Tells Mondale: Go Home

ITALY

Il Popolo (Christian Democratic newsdaily) Jan. 26
(Italy's) geopolitical position confers upon her, in fact, not only the role of fixed bridge — or if one prefers — connection or synthesis — between Africa and Europe, between North and South, between rich and underdeveloped; but also, no less delicate of meeting point between East and West ... Such awareness must force us to clarify without reticence — not only to friend Mondale but above all to ourselves — the choices that we intend to adopt. It must be justly remembered in these days that (Foreign Minister) Forlani and our allies have, after our recent and fruitful diplomatic missions, "a great possibility of understanding" that Italian foreign policy is developing in "a secure and coherent manner" ... the visit to Rome of the U.S. vice-president constitutes rather a valid occasion for us to confirm the clarity and firmness of our international policy.

Corriere della Sera (Newspaper of Record), Jan. 22
The new president, as one can see, is backed by a single network ... the Trilateral Commission. It's basic assumption, of the crisis of democracy ... emphasizes so-called ungovernability or the crisis of governability of modern democracy and the eventual alternatives ... even at the price of the limitation of democratic institutions.

Il Giornale, Jan. 25
... (after referring to the New York Times interview with Chancellor Schmidt) ... this interview predicts something different than a free and easy rapport with the new administration ... we find that another nail has been driven into the coffin which is the agreement signed between Germany and Brazil ... the Americans hope to find a satisfactory solution but Helmut Schmidt is not likely to lose face by tearing up an accord he has already signed.

L'Unita, (Italian Communist Party Newsdaily), Jan. 26
EEC official Roy Jenkins probably presented Mondale... with the EEC economic and energy paper with the intended aim of reducing European dependency on petroleum imports.

ENGLAND

The Daily Telegraph, Jan. 21
Mr. Carter's administration is dominated by men who like himself are members of the Trilateral Commission ... Both left-wing and right-wing critics have denounced the commission as a sinister global conspiracy.

The London Times, Jan. 21
Carter's inaugural address reminds one of President Kennedy's ... when only a few Republicans and anti-Papists doubted that he intended a 'rebirth' for the nation ... Little did we realize that Kennedy meant every word of it and that the New Frontier would be sought in Berlin,

the Bay of Pigs, the underground silos of inter-continental ballistic missiles and Vietnam.

The Daily Mirror, Jan. 21
Carter's inaugural speech was promising. He promised the American people almost everything but the moon, because Nixon's astronauts have already been there.

London Observer, Jan. 24
America has got a new President, but Americans are still not sure what sort of a President they have got in Jimmy Carter. Carter's talk of bringing the people into government is a bit of a hoax, well meant, perhaps, but dangerous ... The problem of Russia and of avoiding nuclear war aside, Carter has economic problems... reflation... and world recovery... This is a formidable man, capable of much. One only hopes that his conscience never comes into conflict with history.

Sunday Telegraph, Jan. 24
Jimmy Carter's inaugural address was... humble humbug. And... his down-home ways could be dangerous... In the leader of the greatest power on earth, such St. Francis-like pretensions to Christian humility could prove far more dangerous than the Napoleonic conceits and fancies of President Kennedy.

WEST GERMANY

Die Welt, Jan. 24
The new administration... adheres to a NATO policy... which would make West Germany the main theater of battle in any nuclear confrontation... In the last century, politicians in a country under such a threat would reconsider their responsibilities to the Alliance. West Germany can not do that, but we cannot be content with an Alliance strategy which plays out our total destruction in war.

Die Welt, Jan. 23
West Germany's refusal to reflate its economy isn't going to appeal to Walter Mondale... whose ideas are prepared by the Trilateral Commission... Mondale coming to Bonn will bring nothing new with him... he will want to strengthen the World Bank and the International Monetary Fund... The Trilateral Commission was created by David Rockefeller... Mondale will want to explain Jimmy Carter's nuclear philosophy to Chancellor Schmidt... but Schmidt will not discuss details of German atomic exports with Mondale, preferring to leave this to experts.

Die Welt, Jan. 25
The United States has been speaking of partnership and of mutual formulation of policy, but the direction in which Carter is going is already fixed. It is the U.S.' own self interest that is speaking here. The United States' demand for the stimulation of the world economy is not in the interest of Europe and the Third World... Jobs depend

on its exports, and therefore he (Carter) wants others to inflate so that they can buy U.S. products. This is not acceptable for Europe and West Germany. Schmidt will take a firm position. One can only hope that Mondale will bring back to the United States this insight into Europe's problems. The nuclear deal with Brazil will show that the interests of the U.S. and those of West Germany are not the same.

Die Welt, Jan. 26

Government spokesman Klaus Bolling's art of interpretation reached a high point yesterday that can be included as one of the more memorable occasions in one's life... Bolling's best specimen was his interpretation of the Chancellor's (Schmidt's) remark, that of course Carter's inauguration speech was eloquent, but it lacked any direction. No, Bolling said, not so, not so. The Chancellor simply wanted to say that the speech did not contain any economic program, that was all...

Frankfurter Allgemeine Zeitung, Jan. 24

Jimmy Carter, the Tarzan from Georgia, is a natural boy. He told his driver to pull over to set an example for Americans how to get used to the cold... to cut down energy consuming.

Frankfurter Allgemeine Zeitung, (editorial) Jan. 26

... Helmut Schmidt is holding a strong front at home and abroad against inflationary advice which is becoming more and more frequent. There is an unholy alliance of foreign states, monetary theorists, trade union leaders and his own party friends, who are all pointing in the same direction: ... inflation.

Frankfurter Rundschau, Jan. 24

Mr. Mondale's visit is to strengthen the U.S.-European axis. That's not the reality today. After 1973, European efforts to open up relations with Arab nationalism dissolved, leaving the field for the U.S. to set up the illusion of a U.S.-European Axis as the only reality... One must keep in view conflicts of interest spanning the Atlantic.

Suedische Zeitung, Jan. 26 "Inflation — No Recipe for World Trade"

A quick look at the interview will show that at least Schmidt is the old Schmidt again as far as the freshness of his tone goes, which is not always an advantage. But in other things he's quite correct. The Chancellor defending himself against the idea that cannot be eradicated in spite of its nonsense, that the Federal Republic of Germany only needs to make a little monetary steam, that is

inflation, and the international economy will be on its feet once again.

Bild Zeitung, Jan. 26

Both Mondale and Schmidt negotiated in a friendly manner for more than three hours, but they were unreconciled over one point; Mondale wanted to dissuade Bonn from the nuclear deal with Brazil. The Chancellor remained firm.

Bild Zeitung, Jan. 26 "Threats Won't Work"

....The Federal Republic of Germany could do a great deal of business selling nuclear reactors for peaceful purposes to foreign countries that urgently need energy. We need business orders, and the jobs, and the foreign countries need the energy. The Americans are grumbling, they have many objections, but in essence they have only one: they want to do the deal themselves... but we have the better argument: our reactors are better. Nothing works with threats. We remain open to advice, but not to tutelage.

Stuttgarter Zeitung, Jan. 26 "Bonn's Nuclear Deal"

... Schmidt told Mondale that in the future the Federal Republic of Germany will take on additional responsibilities in the question of atomic exports.

FRANCE

Le Figaro, Jan. 24

The very exclusive "Trilateral" think-tank created by Nelson Rockefeller which is said to have provided Jimmy Carter with the main body of his ideas in terms of foreign policy, has always considered its first priority the reinforcement of consultations between the United States and its principal allies. In fact, the trip by Vice President Mondale which begins today in Brussels and will proceed to the other capitals of the "Old World" and Tokyo, demonstrates that such is indeed the essential priority of Gerald Ford's successor.

JAPAN

Mainichi, Jan. 13

It is feared in some quarters that the brief moratorium on nuclear energy proposed by the Trilateral Commission... may slow down Japan's efforts to establish nuclear fuel recycling facilities... Walter Mondale is expected to visit this country shortly, to discuss the energy issue with Japanese leaders at the instruction of President-elect Carter... Amidst such a cooperative atmosphere, we must redouble our efforts to better their understanding of our unique position on the nuclear fuel issue.

Carter Sends Energy Dictatorship Bill To Congress

In a bill drafted under the direction of U.S. "energy czar" James Schlesinger and sent to Congress for immediate action this week, the Carter White House is demanding sole authority to declare a natural gas emergency and unprecedented powers to oversee the allocation of natural gas supplies on a national basis. The bill would hand the President broad subpoena powers, backed by the threat of court action, to obtain information from any source he deems necessary to enable him to decide how gas supplies should be rationed.

The bill hardly pretends to offer solutions to the actual problem of natural gas shortage. Nowhere does it provide for emergency imports of natural gas or the utilization of existing U.S. wells on a crash basis; nor does it offer any long-term method for increasing U.S. energy supplies.

A comparison of the contents of the gas bill with Trilateral proposals for U.S. executive reorganization and global policy orientation, (all are excerpted below) should make it obvious that the bill instead offers the Trilateral Commission's standard "crisis management" administrative proposals — in effect putting the U.S. under an energy dictatorship in which lower Manhattan financiers who control Carter could wipe out major portions of U.S. industry and systematically destroy their political opposition.

Under the terms of the legislation, Carter will be able

to wage virtual economic warfare against the population by selectively shifting the gas shortage from one section of the country to another, shutting down industry after industry and throwing millions of workers out of their jobs. The fact that the Schlesinger bill designates homes, hospitals and small commercial establishments as high-priority recipients of gas rations makes it entirely in keeping with the monetarist spirit of Carter's overall de-industrialization thrust. Exacerbating the ongoing energy crisis, the bill will also force up natural gas prices by permitting regulated interstate purchasers to buy from the intrastate market at deregulated prices.

The extraordinary subpoena powers which the bill authorizes to the President will give Carter a lethal tool for blackmailing non-Rockefeller linked natural gas and oil producers and other industrial forces into compliance with his policies, or driving them out of business altogether.

The most criminal aspect of the legislation is this: by deliberately failing to propose measures for immediately increasing natural gas supplies, the legislation feeds directly into the Rockefeller-Trilateral Commission conspiracy to maintain the U.S. in a *permanent* energy crisis which will be continuously used over the coming months to justify precisely the kind of dictatorial powers which Carter is now demanding — but on a far broader basis.

Emergency Gas Bill

The following are excerpts from the natural gas emergency bill presented to the Congress by the Carter Administration this week:

A BILL

To authorize the President of the United States to order emergency deliveries and transportation of natural gas to deal with existing or imminent shortages by providing assistance in meeting requirements for high priority uses; to provide authority for short-term emergency purchases of natural gas; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Emergency Natural Gas Act of 1977."

DEFINITIONS

Sec. 2. As used in this Act:

(1) The term "high priority use" means — (A) use of natural gas in a residence; (B) use of natural gas in a commercial establishment *in amounts of less than 50 mcf* on a peak day; or (C) any other use of natural gas the termination of which the President determines would endanger life, health, or maintenance of physical property ...

Presidential Declaration

Sec. 3 The President may declare a natural gas emergency if he finds that a severe natural gas shortage

endangering the supply of natural gas for high priority uses exists or is imminent in the United States or any region thereof that the exercise of his authorities under section 4 is reasonably necessary to assist in meeting requirements for such uses. Such emergency shall be terminated when the President finds that such shortages no longer exist and are no longer imminent.

Sec. 4 (a) (1) If the President finds it necessary to assist in meeting the requirements for high priority uses of natural gas (including replenishment or injection), on the basis of a notification by the Governor of any State pursuant to subsection (c) or on the basis of other information available to the President, the President may, during a natural gas emergency declared under section 3, by order, require — (A) any interstate pipeline to make emergency deliveries of, or to transport, interstate natural gas to any other interstate pipeline or to any local distribution company served by an interstate pipeline for purposes of meeting such requirements; (B) any intrastate pipeline to transport interstate natural gas from any interstate pipeline to another interstate pipeline or to any local distribution company served by an interstate pipeline for purposes of meeting such requirements;... (2) No order may be issued under this subsection unless the President determines that such order will not ... (B) result in deliveries of natural gas from such pipeline which are excessive (as determined by the President) in relation to deliveries which are required under orders applicable to other interstate pipelines; and ... (d) The President may request that representatives of interstate pipelines, intrastate pipelines, local distribution companies, and other persons meet and provide assistance to the President in carrying out his authority under this section. (e) (1) In order to obtain information to carry out his authority under this section, the President may — (A) sign and issue subpoenas for the attendance and testimony of witnesses and the production of books, records, papers, and other documents; (B) require any person, by general or special order, to submit answers in writing to interrogatories, requests for reports or for other information, and such answers shall be made within such reasonable period, and under oath or otherwise, as the President may determine; and (C) secure, upon request, any information from any Federal department or executive agency. (2) The appropriate United States district court may, upon petition of the Attorney General at the request of the President, in the case of refusal to obey a subpoena or order of the President issued under this subsection, issue an order requiring compliance therewith, and any failure to obey an order of the court may be punished by the court as a contempt thereof. (F) (1) If the parties to any order issued under subsection (a) fail to agree upon the terms of compensation for deliveries (which may include compensation in kind) or transportation required pursuant to such order, the President, after a hearing held either before or after such order takes effect, shall, by supplemental order, prescribe the amount of compensation to be paid for such deliveries

or transportation and for any other expenses incurred in delivering or transporting such gas. (2) For purposes of paragraph (1), the President shall calculate the amount of compensation — (A) for deliveries of natural gas, based upon the reasonable replacement cost of such gas, as determined by the President, plus not more than 5 percent of such cost; and (B) for transportation and other expenses, based upon reasonable costs, as determined by the President.

Antitrust Protections

Sec. 5 (a) There shall be available as a defense to any action brought under the antitrust laws (1) that the activity which is the subject of such action was pursuant to a request of the President under section 4 (d) or was necessary to carry out an order under section 4 (a), and (2) in the case of any meeting, that such meeting was pursuant to such a request or necessary to carry out such an order and was in compliance with the requirements of subsection (b). (b) A meeting held pursuant to a request by the President under section 4 (d) or pursuant to an order under section 4 (a) complies with the requirements of this subsection if — (1) there is present at such meeting a full-time Federal employee designated for such purposes by the Attorney General; (2) a full and complete record of such meeting is taken and deposited, together with any agreement resulting therefrom, with the Attorney General, who shall make it available for public inspection; and (3) such other procedures as may be specified in such request or order are complied with.

Emergency Purchases

Sec. 6 (a) The President may authorize any interstate pipeline or local distribution company served by an interstate pipeline (or class or category of such pipelines or companies) to contract, upon such terms and conditions as the President determines to be appropriate (including provisions respecting fair and equitable prices), for emergency supplies of natural gas for delivery before August 1, 1977 — (1) from any producer or natural gas (other than a producer who is affiliated with an interstate pipeline as determined by the President) if (A) such natural gas is not produced from the Outer Continental Shelf and (B) the sale or transportation of such gas was not, immediately before the date on which such contract was entered into, certificated under the Natural Gas Act ... or (2) from any intrastate pipeline, local distribution company, or other person (other than an interstate pipeline or a producer of natural gas). (b) (1) The provisions of the Natural Gas Act shall not apply — (A) to any sale of natural gas to an interstate pipeline or local distribution company under the authority of subsection (a) or to any transportation in connection with any such sale if such transportation would not otherwise be subject to such Act; or (B) to any natural gas company (within the meaning of the Natural Gas Act) solely because of any such sale or transportation

Sec. 10

(b) Except with respect to enforcement of orders or

subpoenas under section 4 (e), the Temporary Emergency Court of Appeals shall have exclusive original jurisdiction to review any order issued, or other action taken, under this Act. (c) Prior to a final judgment, no court shall have jurisdiction to grant any injunctive relief to stay or defer the implementation of any order issued, or action taken, by the President under this Act.

Enforcement

Sec. 11(a) Any person who violates an order or supplemental order issued under section 4 or an order under section 6 (c) shall be subject to a civil penalty of not more than \$25,000 for each violation of such order. Each day of violation shall constitute a separate offense. (b) Any person who willfully violates an order

or supplemental order issued under section 4 or an order under section 6 (c) shall be fined not more than \$50,000 for each violation of such order. Each day of violation shall constitute a separate violation. (c) Whenever it appears to the President that any individual or organization has engaged, is engaged, or is about to engage in acts or practices constituting a violation of any order issued under section 4 (a), any supplemental order issued under section 4 (f), or any order under section 6 (c), the President may request the Attorney General to bring a civil action to enjoin such acts or practices and, upon showing, a temporary restraining order or preliminary or permanent injunction shall be granted without bond. In any such action, the court may also issue mandatory injunctions commanding any person to comply with any such order or supplemental order.

EXCLUSIVE

Trilateral Document Demands U.S. Interventions, End To 'National Sovereignty'

The following are excerpts of "Towards a Renovated International System," a draft prepared for presentation at the Jan. 9-11 meeting of the Trilateral Commission in Tokyo. Ostensibly written by three Trilateral Commission members — Richard Cooper, a Yale University professor recently nominated by Jimmy Carter to be Undersecretary of State for Economic Affairs; Karl Kaiser, the head of the Research Institute of the German Society for Foreign Policy; and Masataka Kosaka, a Professor of Law at Kyoto University — the document bears the heavy editorial hand of Carter's new National Security Advisor, Zbigniew Brzezinski, who, according to the document's introduction, has been "brainstorming" with the authors since Dec. 7, 1974.

The document demonstrates how closely the Carter Administration follows the Trilateral Commission's supranational policies. Most striking is the document's long analysis of the alleged danger posed by the long-negotiated Brazil-West German nuclear deal... written months before Carter sent Vice President Mondale, another Trilateral member, on a European junket with the express purpose of stopping the deal. Similarly, the document's emphasis on non-proliferation of nuclear weapons — which the document essentially equates with the non-proliferation of nuclear *energy* — presages the statements that came out in the last phase of Carter's presidential campaign.

Most important, however, is what the document

outlines as *future* Carter policy. No piece so far published by the Commission has been so vehement in its call for "limited sovereignty" — the **ability** of one country to intervene, "Entebbe-style," in another. "The desire for national autonomy and the traditional concepts of sovereignty" are a major obstacle to Trilateral policy, notes the draft, especially in Third World countries; and this is complicated by the fact that national leaders have to cater to a voting constituency!

Rather, Trilateral policy dictates that certain problems should justify "limited sovereignty" solutions: pollution — which the document incredibly asserts to be caused by "industrialization, the introduction of modern agricultural techniques and the expansion of population" — and the use of extreme disassociation strategies" on the part of the Third World. Significantly, one of the "disassociation strategies" is what the document calls a "joint development bank," a hardly veiled reference to the International Development Bank proposal of U.S. Labor Party chairman Lyndon H. LaRouche.

Against such bank arrangements, the document calls for the enforcement of the expanded use of the bankrupt International Monetary Fund's Special Drawing Rights and commodity buffer stocks, the much-discredited proposal of C. Fred Bergsten, the economist who left the Trilateral Commission and the Brookings Institution to become Carter's Assistant Secretary of the Treasury for International Economic Affairs.

"Towards A Renovated International System"

...None of the problems at the heart of international concern in the first half of the 1970s has disappeared. The North-South dialogue, which in these years increasingly moved toward a North-South confrontation, has added new ones. In many cases where a breakdown was apparently avoided, this was done by postponing the impact to the future or shifting it from stronger states to weaker ones as, for example, in the case of the balance of payments deficits following the oil price increases. In East-West relations, detente, despite its advances, has not progressed at the desired rate, thus giving rise to a new debate about its goals and substance....

The Current Predicament

...Intensive interaction between societies at various levels is an essential element of our modern societies, which share the goals of economic efficiency and the achievement of an adequate standard of living for individuals. On the other hand, however, interdependence produces mutual interference across national frontiers which jeopardizes the very advantages of interdependence. Interdependence requires steering mechanisms among those involved....

While interdependence is a web that connects practically all states of the globe, it remains fragile. Nuclear proliferation and undesired ecological change are two increasingly important threats to these ties. Avoidance of nuclear war is rarely discussed as part of the problem of interdependence. It is, however, generally regarded as a condition for the solution of all other problems of world order, for nuclear war threatens the survival of mankind. Throughout the postwar era, the many states of the global system have had to rely on effective arms control among the few nuclear powers, notably the United States and the Soviet Union, including as well the potential nuclear states in conflict areas.

Now, however, the problem of nuclear weapons is posing itself on a new worldwide scale as industrialization and diversification of energy sources make the widespread use of nuclear energy an economic imperative. The quantity of weapons material and the corresponding possibility of misuse is increasing. Effective measures against proliferation, therefore, can no longer be handled by a few but involve a large number of states with divergent outlooks and interests, and different economic status, all of which have to act in some degree of concordance. Proliferation concerns no longer focus on countries like Germany and Japan — since they have ceased to be a problem in this respect, if they ever really were — but on unstable or adventurous countries in the developing world, especially in areas of conflicts and violence, which could acquire a capacity to build nuclear weapons. In fact, unless the states of the world are capable of innovation in this field a period of instability and violence could be opened compared to which the past quarter century may appear as a *belle epoque*.

Undesired ecological changes present a different problem. If a nuclear explosion occurs it will be visible and have its awesome impact; no doubt surrounds its reality, which mankind has been spared since the bomb was used in Japan. The origins of ecological changes may, in contrast, not be clear. When their first symptoms occur, they may already be irreversible. Today the pressure of man on the environment is so considerable that many undesired changes already occur, and partial breakdowns are no longer an absurd notion.

The origins of the environmental problem lie in industrialization, the introduction of modern agricultural techniques and the expansion of population — though the perception of the wide-scale importance of the problem is recent. It is an international problem in that pollution in one country often affects the environment in others as well. In the case of ecological interdependence, the transmission of the effects of local or national action can be much less resisted by outsiders than in other types of interdependence where a limited option of withdrawal exists by cutting transnational links and interaction — though at considerable cost.

A breakdown of the globe's biosphere is unlikely during this century, but there can be no certainty of its avoidance. Later, with industrialization progressing in currently less-developed countries, the probability rises....

For these reasons contemporary interdependence has an inbuilt mechanism by which it could well be destroyed, unless countermeasures are taken. Tariffs, export subsidies, industrial policy, privileged treatment and so forth, the very instruments used to implement social policy nationally, inherently threaten the systems of interaction and interdependence which are a source of wealth in the industrial world and a precondition for meeting and surpassing minimum human needs in the developing countries....

...Development policy of the past is perceived as having failed, since it has insufficiently improved the situation of the Third World. Relations with the industrialized "North" are viewed as having increased wealth there but not in the developing "South" and as having been structured according to the needs of the former. Why produce cash crops like cocoa for overfed people in the North, it is argued, when the same soil could produce desperately needed foodstuffs for the hungry masses of other developing countries? Some intellectuals, groups, and governments in the Third World increasingly lean toward a strategy of disassociating North and South. Various suggestions at the 1976 Colombo conference of the nonaligned states and at the 1976 Mexico City conference on economic relations among developing countries clearly express such goals, e.g., proposals for a developing countries payments union, the establishment of a joint development bank, preferential treatment, multinational corporations of their own, and so forth.

These tendencies to disassociate from interdependence need not necessarily be viewed with alarm. On the contrary, a healthy policy of increased self-reliance may require some cutting of old links or dependencies. Moreover, such a strategy would have to overcome many obstacles before it could become a feasible policy. But the problem has to be taken seriously; for unless interdependence effectively solves the problems of the weaker states, the trend toward disassociation from interdependence is likely to grow. A more effective contribution of the industrialized world to development is required. Otherwise the success of the extreme disassociation strategies will create a series of disturbances unpleasant for the industrialized world, and probably even more harmful to the developing world....

...Human dignity demands, furthermore, that individuals enjoy freedom of expression, a significant say in the running of their political and social affairs, and access to their own culture. If basic human needs are understood to include these individual rights, a policy which attempts to meet these needs is confronted with the dilemma of reconciling the acceptance of a pluralistic world structure with a desire to promote human rights....

...The Trilateral countries face the dilemma of where to draw the line between acceptance of political pluralism and promotion of human rights. A policy which promotes democracy and human rights will inevitably come into conflict with prevailing conceptions in other states, including some developing countries extremely jealous of their newly won sovereignty and particularly sensitive to any interference by outsiders. However, a totally "standoffish" policy on human rights is not acceptable, for several reasons: First, is basic human solidarity with the oppressed. Second, a world in which democracy and freedom of the individual were confined to the countries of the Trilateral region would be likely to affect negatively the future of democracy within the Trilateral region itself. Finally, a world order that does not fulfill the minimum of human dignity and freedom for the individual does not correspond to the objectives for which mankind should strive. If the liberal democracies renounce any effort to promote human rights in other parts of the world, the struggle for freedom and dignity, already taking place in an unfavorable environment, can only be less successful....

...A global sense of community among human beings is important for a functioning world order. It is necessary in order to generate the energy and motivation for sacrifices, for transfer of resources, and for support of domestic socio-economic changes to facilitate economic progress in poorer areas of the world....

Obstacles

...A realistic strategy of action must take into account the major obstacles to cooperative management of interdependence. Obstacles of particular importance are the desire for national autonomy, the impact of domestic politics, disparities in conditions among countries, and political barriers.

The desire for national autonomy and the traditional concept of sovereignty aggravate the tension between national policies and transnational interaction in a

situation of interdependence. They tend to support attitudes and actions which disregard the effects of national measures on outside states or groups and they hinder the observance of the rules of international cooperation. States which have an absolute conception of sovereignty are less able to make the compromises or engage in the day-to-day routines of consultation necessary for managing an interdependent world. These attitudes exist to some extent in all countries, often fluctuating over time in intensity. In developing countries, under pressure to make particular efforts to alleviate poverty, the desire for autonomy poses special difficulties. Anxious to assert their independence in all fields, they often tend to regard the types of accommodation and consultation necessary in interdependent relationships as interference in their domestic affairs and an encroachment upon their sovereignty....

...the pressures of domestic politics encourage a short-term view of problems. The fact that politicians must present themselves to the voters every few years has the unfortunate effect of concentrating their attention on issues which will secure their re-election and not on problems of the more distant future. It rarely pays domestically to raise long-term problems, particularly if this means confronting voters with difficulties ahead and the need for sacrifices to master them. Thus long-term problems and strategies to solve them are not discussed as concrete political issues. The failure of American and European politics to respond adequately to the necessity to reduce oil consumption provides a telling example....

The Trilateral Role In Global Tasks

...The communist countries are avowedly hostile to the economic and political system of the Trilateral countries, and Trilateral countries are hostile to communism, so the basis for joint maximizing behavior is simply not present on issues involving the economic system in an important way, such as the nature of the international monetary system, the modalities of global economic stabilization, or the role and responsibilities of multinational corporations. This does not of course preclude close cooperation on some specific issues....

Elements Of A Global Strategy

Given the broad characteristics of our current circumstances, what principles should guide the Trilateral countries in their approach to managing our increasingly interdependent world? With its numerous complexities and uncertainties, the temptation will be strong to adopt a completely pragmatic approach: to take each problem as it arises and try to deal with it as expeditiously and efficiently as possible, in short, to "play it by ear." Future international relations will no doubt contain a great deal of such a pragmatic approach, perhaps even more so than in the past. But we believe that the Trilateral countries should surmount this limited view; their aspirations should go beyond merely *coping* with future events to *shaping* these events...

...Containing the spread of nuclear weapons to other nations or non-governmental groups is a central aspect of preventing nuclear war. Preventing nuclear proliferation has become enormously more complicated

with the growing dependence of the world on nuclear reactors as an alternative source of energy, and thus the possible diversion of nuclear fuel into weaponry. The radical proposal by the United States in 1947 to internationalize the control of nuclear materials is no longer possible, but the current nuclear powers should cooperate to prevent the spread of nuclear weapons, and the Trilateral countries should seek stringent controls on the use of nuclear fuel and the reprocessing of nuclear waste material, not only within their own borders but also in all countries to which they provide reactors and fuel...

...East-West tension will remain high for a long time. The autocratic, single-minded nature of communist regimes will make difficult genuine relaxation of tensions with more pluralistic societies in the modern industrialized countries of the West. The policy of detente attempts gradually to change the nature of East-West relations while aiming above all at maintaining peace. Detente should in the long run create a variety of links between communist and non-communist countries, thereby gradually building up a network of interdependence which will, it is hoped, create additional incentives for resolving conflicts peacefully and for finding cooperative solutions to common problems. But the process is likely to be both uncertain and prolonged, and is complicated by the worldwide rivalry between the two dominant Communist countries, the Soviet Union and China. Despite slow progress and setbacks there is no alternative to stabilizing and gradually reducing East-West tensions, which, more than any other set of tensions in the modern world, endanger the survival of mankind as a whole if they erupt into war...

...Assuring steady, vigorous growth in demand for the export products of developing countries is perhaps the single most important thing the industrial countries can do. The experience of the 1960s shows that, under conditions of steady growth in demand, economic development can proceed at a rapid pace in those developing countries able and willing to take advantage of the opportunities that good export markets provide. (We appreciate the complexity of the problem of economic growth, including issues both of the quality of growth and of the distribution of higher incomes, but we do not believe, as is sometimes popularly supposed, that the unavailability of natural resources represents a practical limit to growth. As in the past, technology should permit mankind to stay ahead of the always imminent "exhaustion" of particular commodities, although the costs of adaptation may be heavy in many cases.)

Second, sound economic management can be supplemented by explicit schemes for stabilizing both export earnings of developing countries and prices of certain primary products of special interest to developing countries, either as importers or as exporters. We already have the compensatory financing arrangement of the International Monetary Fund to provide special loans to countries whose export earnings have fallen below certain historical norms; and this is supplemented for some less-developed countries by the Rome Agreement of the European Community, although the amounts potentially available under the latter scheme

are quite small. If it seems necessary in the light of future demand management, these two facilities should be improved....

...Production and trade in primary products inevitably carry certain risks. Weather is quite important in the production of many of them, and others are subject to strong inventory cycles in the industrial countries. Without supportive arrangements, these risks could inhibit investment in relevant primary product sectors, or encourage costly national attempts to avoid the risks. Some — by no means all — of the risks associated with primary product production could be reduced by appropriate management of buffer stocks of the commodities in question. Where private markets seem on past record to be unable to provide an adequate degree of price smoothing, governments should consider the establishment of buffer stock reserves in order to dampen price fluctuations....

...At their best, foreign-owned firms can be a powerful stimulus to economic development by introducing more efficient management and marketing techniques, production technologies, and capital. Foreign-owned firms have frequently been charged with introducing inappropriate technology into developing countries, and no doubt many examples can be cited. But that has largely been a response to national policies in the host country that distort the choice of production techniques, e.g. toward capital-intensive means of production. Countries that want economic development would be well-advised to welcome foreign firms on appropriate terms. Where necessary, they can obtain outside assistance, for example from the World Bank, in negotiating with such firms...

...Finally, a negotiated monetary framework needs to apply only to the five to ten leading countries in international trade and financial transactions. With an agreed framework among these "core" countries, other countries are likely to adopt similar arrangements; and if they find it preferable to adopt different arrangements, better suited to their individual circumstances, they can do so without jeopardizing the central framework. For example, many smaller countries could adopt flexible exchange rates without threatening a regime of fixed exchange rates among major currencies; or may smaller countries could fix the exchange rate of their currencies in one fashion or another without threatening a system of flexible exchange rates among major currencies. In *this* sense, the international monetary system is a question primarily for the major non-communist countries. Other countries, however, have a major interest in how it works. (Communist countries have by choice insulated themselves from the world's monetary arrangements through tight, occasionally brutally tight, exchange controls. Their influence is small, and is likely to remain small so long as they contain these tight controls.)...

...Central tasks for the next decade are to learn how to operate a system of flexible exchange rates and to assure that the SDR provides most if not all of the incremental reserves needed by the world economy. The first of these tasks involves developing practical guidelines to prevent large and erratic movements in exchange rates, which are damaging to foreign trade and other normal in-

ternational economic transactions, and to prevent competitive manipulation of exchange rates, e.g. deliberate international economic transactions, and to prevent competitive manipulation of exchange rates, e.g. deliberate under-valuation of a currency to help create an export surplus and domestic employment...

...Such discussions should encompass not only official reserve holdings, but also the growth of international liquidity, some in official hands, some in private hands, that occurs annually through the medium of the international financial markets, and especially the euro-currency market. This market is only lightly regulated, and while it has been the source of much of the strength of international financial relations during the past decade, it also represents a source of potential vulnerability to the system's stability as well as a relatively uncontrolled source of international liquidity.

With respect to both tasks, it is desirable that the International Monetary Fund increasingly evolve into a central bank for national central banks. It already performs this function as a source of financial support, although it is not yet a true lender of last resort due to limitations on its resources. If SDRs become the principal reserve asset, the IMF will play a central role as a creator of international reserves. Moreover, under the

Jamaica agreement of 1976 the IMF is charged with exercising close surveillance over currency interventions to influence exchange rates, with a view to assuring their consistency with agreed objectives and limitations on the use of exchange rates...

Problems Of Peaceful Use Of Nuclear Energy

The magnitude of the expansion of the nuclear sector raises serious questions about the safeguard system developed through the NPT and the IAEA. They appear increasingly inadequate to deal with the danger of nuclear proliferation by way of the sensitive parts of the fuel cycle, notably through enrichment and reprocessing procedures which offer the potential for producing nuclear material of the quality required for weapons.

Finally, the rise of terrorism has made us aware of the great potential danger from the nuclear energy sector's vulnerability to terrorist attacks. Hence the physical security of both nuclear installations and transport of nuclear materials has become a major problem and will become even more important in a world of hundreds of operating nuclear reactors, each requiring supplies of fissile material and removal of dangerous waste products...

EXCLUSIVE

"Remaking Foreign Policy":

The Trilateral Commission Plan for U.S. Dictatorship

Prior to the November elections, David Rockefeller's Trilateral Commission drew up plans to seize control of the U.S. Executive Branch and assume dictatorial powers over U.S. economic and foreign policy. Immediately following the elections, Trilateral Commission member Graham Allison and supporter Peter Szanton received Rockefeller and Ford Foundation funds to publish a detailed plan to "streamline" the U.S. Congress and reorganize the Executive Branch in line with the pre-election plan, which premised its success on credible "crisis-management."

The Allison-Szanton report calls for replacing the National Security Council (NSC) with an executive committee of the cabinet, in which "emergency powers" are delegated to "crisis-management" subcommittees chaired by "czars" of energy, defense, and foreign and domestic economic policies. The report calls for dismantling the institutional means of power of the traditional military officers corps and constituency-based Senators and Congressmen; it calls for strengthening the State Department at the expense of the CIA and the military services.

Within days of the inauguration, the Carter "team" rushed to implement the bulk of the Allison-Szanton proposals, and at this writing, we are in the midst of a con-

trived natural gas crisis managed by the "Energy Czar" (of the report), James Schlesinger with Carter already having sent a bill to Congress to give Schlesinger dictatorial powers.

The Allison-Szanton report, entitled "Remaking Foreign Policy," was originally commissioned by Trilateral members and David Rockefeller's Council on Foreign Relations in 1975. A draft was written up in the fall and winter of 1975-76 and circulated well in advance of the 1976 Democratic National Convention. With Trilateral Commissioners Carter and Walter Mondale now formally heading the Executive Branch and the 11 other Commissioners confirmed or designated for high Cabinet or sub-Cabinet positions, their premeditated insurrection against the U.S. Constitutional process is now on record in the public domain — a report which denounces the Constitutional process, and proposes to dismantle it.

Allison has long been a Trilateral Commission instrument for attacks on the Constitution. As Dean of Harvard's Kennedy School of Government, he assisted in recruiting Samuel Huntington and a Harvard staff to draft "Crisis in Democracy: Report on the Governability of the Democracies to the Trilateral Commission," which proposed replacing democratic governments wherever they are found. Huntington, Allison and their colleague

Joseph Nye are all now under consideration for high-ranking positions in a reorganized Department of Defense under Trilateral Executive Committee member Harold Brown, now Secretary of Defense. Szanton, once an employee of the Rand Corporation, previously worked with Allison on Nelson Rockefeller's Murphy Commission on the Organization of the Government for the Conduct of Foreign Policy.

The objectives of the Allison-Szanton plan for crisis-management are as follows:

****Replace the National Security Council with an "Executive Committee of the Cabinet — ExCab, a super Cabinet," which would include Cabinet members not previously included and exclude the Chairman of the Joint Chiefs of Staff. Carter has announced that this plan, if not formally, is effectively being implemented now. Brookings economist Charles Schultze, Chairman of the Council of Economic Advisors, and Trilateral Commissioner W. Michael Blumenthal, Secretary of the Treasury, have been added to the National Security Council, and Commerce Secretary Juanita Kreps has also participated in recent meetings.

****Create four "Assistants to the President," "czars" for the areas of defense, foreign policy, domestic management and energy. James Schlesinger is now energy czar and Trilateral Commission director Zbigniew Brzezinski is foreign policy czar.

****Combine the staffs of the National Security Council, the Domestic Council and the Economic Policy Board into a single, streamlined foreign-and-domestic policy staff for the ExCab and the czars. Brzezinski has already announced a reorganization of the National Security Council staff which establishes a new Office of North-South Relations (for operations against the Third World) and institutionalizes unauthorized procedures for his personal review of foreign-economic policy. This constitutes a major step toward the merger of domestic and foreign economic policy proposed by the Szanton-Allison report.

****Establish "ExCab crisis-management subcommittees" under each "czar" along the lines of the National Security Council's existing Special Action Group. Composed of the czar and Deputy Secretaries from chosen departments, a subcommittee would be advised in crises by a staff, which Allison states, would "provide staff work (policy recommendations) for presidential decision...managing continuing processes of implementation, review and redecision."

The Szanton-Allison report repeatedly emphasizes the need for an energy czar. Reviewing the failure of past approaches to meet U.S. "energy needs," it states: "But none of these entities had much weight....all viewed the issue through essentially domestic lenses, as a problem of ensuring supplies to match U.S. consumption. The foreign policy aspects of the problem passed largely unnoticed..." As is now apparent, the Carter "team's" emphasis is to ensure a shortage of supplies, and reduce U.S. and European consumption to match.

After naming Schlesinger "czar," Carter announced Jan. 3 that energy problems "will be the first major undertaking of the Administration...One person, Mr.

Schlesinger, will be in charge of the whole energy field." Schlesinger proceeded to fill four positions on his staff: Dean Abramson, Jay Gustave Spaeth and Anthony Reisman of Laurence Rockefeller's National Resources Defense Council, and James Cubie of Ralph Nader's Rockefeller-funded Environmental Policy Center. He chose John O'Leary, his former aide from the Atomic Energy Commission, to head the Federal Energy Administration.

Schlesinger and his Trilateral Commission colleagues have run the natural gas crisis since it struck in mid-January.

Breaking the Opposition

Allison-Szanton also proposed sweeping changes in Congress and the Pentagon in a report which takes care of its own opposition. It recommended a reorganization of the Congressional and Senate Committee systems, "to offset the Congressional forces of fractional and special concern." The report's proposals — "abolishing seniority, putting committee assignments on a random and rotating basis, lengthening representatives terms to four years running concurrently with the President's, reducing the number of existing committees," etc. — parallel point for point the original Stevenson bill for reorganizing the Senate, and the Obey Commission report for reorganizing the House of Representatives. The major addition is the report's demand that a procedure be established for implicating Congressmen and Senators in the Trilateral administration's policies. Key Senate and House leaders should constitute an "Interdependence Committee" in each house to sponsor sessions between resistant Congressional leaders and the President and the ExCab staff.

They also propose that the Joint Chiefs of Staff be dismantled and replaced by a "single chief military officer" who alone would have access to the president. Defense Secretary Brown has not yet dared mention this in his plans to reorganize the civilian Pentagon posts — but the Allison-Szanton document itself urges a very careful approach.

Closely related, they recommend the elimination of the civil service merit system and the rotation of civil servants between executive departments. They explain:

"Formulating goals, making decisions, and announcing them...is a main responsibility for Presidents and Cabinet members...but they must be interpreted by middle-level officials...(who) embody (different) perceptions, objectives and constraints...at the root of this problem is the 'permanent government', a foreign policy and national security establishment of more than 3 million people, virtually none of whom change with administration."

Allison-Szanton drape their proposals for defusing constituency pressure on Congress and the Pentagon's pre-eminence with the same rhetoric against "bureaucracy" and "special interests" used by their candidate Carter. They argue that the distinction between foreign and domestic policy be dropped because there is "a pervasive weakness of broader foreign policy considerations when pitted against specific military, economic, and domestic concerns...A principal cause is that the institutional guardian of those considerations, the State Department

ment, repeatedly fails to compete effectively with the military services, the Secretary of Defense, the Treasury Department or even with the lobbyists of private corporations...A closely related imbalance is the excessive weight accorded to narrow military requirements as against the broader conceptions of American security..."

As an example, they cite nuclear policy in two respects: 1) the fact that the discussion of Schlesinger's "limited nuclear war" insanity since 1961 has not resulted in a definitive policy decision due to opposition by the traditional military, and 2) the failure of the policy of "nuclear non-proliferation" — the Trilateral Commission's cover for imposing an embargo on shipments of materials for nuclear energy plants to developing nations, effectively overridden by pro-development industrial interests who support expanded trade and technology transfer.

With similar reasoning Allison-Szanton propose a separation of intelligence functions into "operations" and "intelligence," with the latter to be placed under...Cabinet departments, principally the Department of State.

The State Department is to be "strengthened" to handle these covert operations capabilities through the assistance of teams of outside experts:

"For each of several foreign countries, three or four panels would be established. One would be composed of Foreign Service officers; the second of professionals from other agencies...A third...of experts drawn primarily from the universities and think-tanks. Finally, private individuals with reputations as 'wise men' about developments in each country might be identified..." These last two committees would also train foreign service officers.

Implementation of this plan was begun by the Rockefeller family's Foreign Intelligence Advisory Board when it chose an "outside team" to compete with CIA analysts on the recently reported National Estimate of Soviet military capability. As planned, the "outside team" released a report intended to discredit the CIA and its conservative supporters in Congress and industry, and thus pave the way for State Department assumption of intelligence functions as a result of CIA "incompetence."

The Machinery of Trilateral Crisis-Management

The following are the Trilateral Commission controllers of the Carter administration and their close co-retainers of David and Nelson Rockefeller.

State Department

- * Cyrus Vance, Secretary of State; Trilateral Commission, Rockefeller Foundation.
- * Warren Christopher, Deputy Secretary; Trilateral Commission, former Vance aide per Allison-Szanton requirements that the Secretary's Deputy be his "alter-ego."
- * Philip Habib, Undersecretary for Political Affairs; Vance assistant at Paris Vietnam peace-talks 1968-69.
- * Richard N. Cooper, Undersecretary for Economic Affairs; Trilateral Commission.
- * Lucy Wilson Benson, Undersecretary for Security Assistance; Trilateral Commission, Common Cause executive committee, in charge of 1976 presidential debates.
- * Richard Moose, Deputy Secretary for Management; Kissinger aide who first proposed "super-cabinet" in 1968.

- * Mathew Nimitz, State Department Counselor; or "trouble-shooter," a Vance law partner.
- * Richard Holbrooke, Assistant Secretary for East Asian and Pacific Affairs; Trilateral Commission.
- * Andrew Young, U.S. Ambassador to the U.N.; Trilateral Commission.
- * Anthony Lake, Director of Policy Planning; Trilateral Commission, formerly Nelson Rockefeller's Commission on Critical Choices for Americans.

National Security Council

- * Zbigniew Brzezinski, Chairman; Director of Trilateral Commission.
- * David Aaron, Deputy for Brzezinski; a former aide to both Walter Mondale and Henry Kissinger.

Treasury Department

- * W. Michael Blumenthal, Secretary of Treasury; Trilateral Commission, Rockefeller Foundation.
- * Anthony Solomon, Undersecretary for Monetary Affairs; Trilateral Commission.
- * C. Fred Bergsten, Assistant Secretary for International Affairs; Trilateral Commission (employee).

Defense Department

- * Harold Brown, Secretary; Trilateral Commission Executive Committee.

Watergate Mood Building In Washington

One week into the Carter Administration, the aroma of Watergate is already perceptible on the Washington political scene. The sentiment that's building behind the scenes, revealed in informal conversations on Capitol Hill in particular — "The bumbling stupidity of this Carter crew is more than enough to frighten anyone. Something's got to be done about these idiots."

ITEM: Dark clouds are forming around the Secretary of State Cyrus Vance on the eve of his trip to the Mideast and Moscow. Vance's most intimate and long-standing legal associates, Harry Heller and the Simpson, Thatcher and Bartlett law firm, are defendants in a fraud suit resulting from a \$100 million oil tax shelter swindle dating back to 1974. And that's not all. Joel Dolkart, one of Vance's senior partners, has been indicted by a grand jury on 89 counts of grand larceny, forgery and filing false income tax returns, in a case where Dolkart stands accused of secretly pocketing \$1.5 million in fees from the Gulf and Western Corporation. Many believe that a full investigation into Simpson Thatcher's activities would create a very sticky situation for Vance ... a bigger scandal for Carter's Trilateral cabinet than the Sorenson leaks.

ITEM: Well-placed sources have indicated that the Federal Election Commission may run into trouble

on its Congressional appropriation in the wake of attempts by Carter's FEC "plumbers unit" to harass and intimidate contributors to the U.S. Labor Party's 1976 presidential campaign. Many on Capitol Hill recall the post-election FEC snooping into House Majority Leader Jim Wright's finances, and believe that the attack on the Labor Party is only the prelude to a major FEC assault on Congressmen unwilling to go along with Carter's plans. "Things could get pretty

WASHINGTON WEEK

dirty if the FEC keeps this stuff up," one source commented. "I have had a look at their lists of Carter's campaign disbursements — now *there's* a real scandal."

ITEM: Insiders are reporting Congress in "a hostile mood" which could spell big trouble for Carter's package of "emergency" legislation — especially since Senate Majority Leader Robert Byrd's remarks on the "strained relations" between the Administration and Capitol Hill. "My God, Carter is stupid," one Congressional staff exclaimed to Washington Week after hearing of Byrd's comments. "To have provoked a major row with his Majority Leader of his own party so early in the game — it's absolutely with-

out precedent. And believe me, no Senate Majority Leader would say the things Byrd said without counting heads first."

ITEM: Carter's Congressional supporters are beginning to crack under pressure. Take Senator Durkin of New Hampshire, who is sponsoring an amendment to the Schlesinger energy bill to give the Carter team special powers to "investigate a producers' conspiracy." After several irate Senators vigorously attacked Durkin's plan on the Senate floor this week, the jerk in Durkin appeared in full bloom. "Well maybe we need fission, maybe we need fusion, I don't know what I know," he babbled. "I only know that we need to know, we need to know." Laughter erupted in the aisles of the Senate, and one aide was overheard remarking "He's waving his hands around like someone having a premature ejaculation." "For some Senators, like Frank Church, that would be quite a compliment" another staffer replied.

OVERHEARD AT THE INAUGURAL GALA: The escort of a prominent D.C. journalist observed three of Carter's cabinet heavyweights huddled in discussion as the festivities swept on around them. "Well, gentlemen," she inquired sweetly, "Is this a meeting of the National Security Council?"

"NO," one snapped back angrily, "It's the Trilateral Commission."

New York: Banks Demand Financial Control of New York City

SPECIAL REPORT

New York City's banking majors — led by Chase Manhattan Bank and Banker's Trust — announced this week that they will try to unload their imminent bankruptcy onto New York's population in a new austerity plan that will be administered by a three member banker-run board — the Local Finance Commission. The banks will overrule New York City's sovereignty with final budget decisions, auditing of New York's books to be placed in the hands of the new commission.

The bankers' new demands have prompted a level of protest greater than at any time since the city's "fiscal crisis" was provoked in 1975. Leading the opposition is New York State Assembly Speaker Stanley Steingut, who stated Jan. 21, "The dictates of a handful of bankers, operating behind the doors of locked boardrooms, can never be accepted as the substitute for democracy. The time has come to pull back the clandestine curtain that has obscured public scrutiny and debate the crucial decision-making by a tightly-knit group of money-lenders."

Steingut's press aide stated Jan. 26 that the Assembly Speaker's special investigator, Phillip Haddad, is also looking into reports that the Federal Reserve is questioning the solvency of Chase Manhattan and Banker's Trust banks. When asked whether the banks might be moving hastily to set up their Local Finance Commission because of their impending insolvency, the Steingut aide added, "That's a conclusion you could easily reach."

Background to the Crisis

Collectively, the 11 New York banking majors have gorged themselves on \$5 billion of MAC (Municipal Assistance Corporation) and New York City notes, which they bought up in record amounts in the late 1960s and 1970s. However, as the mounting burden of debt refinancing crippled the city's ability to maintain a balanced budget or essential social services New York City was barred from the credit market early in 1975. The banks' \$5 billion holdings in city securities suddenly turned to sand. The banks' notes are frozen, blocked in the banks vaults without a viable secondary market to turn the notes into cash badly needed by the banks, most of them regarded as "troubled" banks by the banking

industry.

In the words of Wall Street's financial analysts, for New York's banks to re-open the market in city notes — MAC or otherwise — New York City must reestablish its creditworthiness by demonstrating its ability to ram through levels of austerity sufficient to meet all its outstanding debt obligations.

This was spelled out precisely at a meeting Jan. 19 of the chairmen of the boards of the largest New York banks — David Rockefeller of Chase Manhattan, Ellmore Patterson of Morgan Guaranty, Alfred Brittain III of Banker's Trust and Walter Wriston of Citibank — with Gov. Carey and Stephen Berger, chairman of the Emergency Financial Control Board (EFCB). There the plans for a Local Finance Commission were propounded: the commission, with subpoena power, would control and monitor the city's finances for the next 20 years. The plan called for eventually taking over New York State's finances as well, according to a seven page working memorandum in which the bankers wrote, "Hopefully, the Commission would in time monitor and control the budgeting and financing of all subdivisions within the state, although not necessarily with the same blunt restrictions" as stipulated for New York City.

Moreover, the banks threatened, if New York State, which nominally oversees the finances of New York City, did not accede to the full package of banks' demand, the banks would not finance the State's \$4 billion spring borrowing, which will be floated after April 1.

Carey Budget

In his Jan. 18 budget message, Carey called for more than \$350 million in state budget cuts, to fall almost completely on welfare, education and medicaid. Under the \$200 million in proposed welfare cuts, single persons and married couples able to work will be thrown off the rolls after 45 days on relief, in direct violation — acknowledged by the governor — of the New York State Constitution, Article 17, Section 1, which mandates that, "the aid and care and support of the needy are public concerns and shall be provided by the state." This would affect 45-50,000 people. Secondly, rent payments for welfare victims will be reduced in some cases by as much as 13 per cent.

In parallel moves, the Emergency Financial Control Board announced Jan. 25 that it was nullifying the wage contract completed last month between the city and 54,000 teachers and other school employees after a year and one half of negotiating. Meanwhile, in a stormy meeting on Jan. 28, the EFCB took effective control over the city's Health and Hospitals Corporation, throwing out

the single, publicly recognized resistor to the austerity programs among top city agency officials — Dr. John Holloman, a leading member of New York's black political machine. Holloman was replaced by Dr. Pascal Imperato, the head of New York State's Public Health Administration. According to the *New York Times*, Imperato was regarded as the "ax man" because he had succeeded in cutting New York State's health system by 18 per cent and its personnel by 25 per cent.

The attack on the hospital system, in combination with the slashing of welfare payments, is the sine qua non to forcing unemployed out of New York City into slave-labor jobs. In the words of one banker interviewed this week, New York City's population, "will be given the democratic choice of starving to death in New York or moving to labor-intensive work projects" elsewhere in the country.

Feb. 3 Note Deadline

The tempo of budget-cutting was expected to be further increased by the city government's deadline to finance \$1 billion to repay short-term city notes previously held in moratorium, but declared payable by the city in a State Court of Appeals ruling late last year. The city must come up with the \$1 billion by Feb. 3.

Banking forces were hoping to obtain an extension of the \$2.3 billion federal loan to New York, which comes due June 30, 1978, for an additional five years. This, argued several banks, would provide the collateral guarantees for New York City to issue notes to repay the \$1 billion due Feb. 3.

However, according to the office of Senator William Proxmire (D-Wis.), chairman of the Senate Banking Committee, the chances of an extension of the federal loan to New York City for another five years may not be good. "In 1975, many Republicans voted to approve the

original loan to New York City only because a Republican president grudgingly agreed to support it. This time around, with a Democrat in the White House, Republicans may not vote for a loan extension."

Meanwhile, the Treasury is withholding any action to bail out New York, to let the full impact of the crisis hit the city. According to Mark Koehler, the Treasury official with oversight for New York City, "we have no plans to promise a loan extension to New York before Feb. 3. After that, we'll play it day by day."

In concert, at 11:00 am on Jan. 28, at the headquarters of the New York City Central Labor Council, the Business Labor Working Group (BLWG) — set up by David Rockefeller and Sen. Jacob Javits in January, 1975 — will announce the results of their year-long study on how to develop low-wage industries in the South Bronx and Brooklyn slums and grant tax incentives to businessmen to encourage them to stay in Manhattan and use local low-wage labor.

The Executive Committee of the BLWG includes Secretary of State Cyrus Vance, former Federal Energy Administration chief John Sawhill (now president of New York University), *New York Times* publisher Arthur Sulzberger, Committee on the Present Danger member and International Ladies Garment Workers Union president Sol Chaikin and N.Y.C. Central chief, Harry Van Arsdale.

According to Chase Manhattan vice president Jack Davies, who coordinated the group, "we want a federal urban development bank. This is not stated in the report, but it is what we all have in mind. "Such a bank would provide a federal guarantee for the securities, similar to MEFO bills issued by the Nazi German government, to fund the "industrial development" projects the group advocates.

Behind The Dollar's Stability

FOREIGN EXCHANGE

Though the most fundamental shifts in Western Europe's economic policy and industrial activity show merely a partial and gradual reflection in this week's foreign exchange developments, certain trends are manifest. The dollar — which began declining again vis-a-vis the deutsche mark and other Western European currencies in midweek, and picked up again this morning — has been bolstered by currency flows which express its actual weakness.

The strength of the pound is a major factor helping the dollar, as the New York financial press frankly stressed Jan. 26 (since buyers moving out of marks and Swiss francs into sterling do so via dollar purchases). The

strength of the pound, in turn, involves the shift of petrodollar use from New York bank deposits to credit and investment outside the U.S. or U.S.-prompted debt refinancing. The dollar's strong points are thus contingent ones inseparable from its handicaps; this paradox subsumes the rise in short-term U.S. interest rates basically caused by fears of inflation and by bond-market shakiness as a glut of Treasury issues builds up. By the same token, the 1.6 per cent increase in leading economic indicators for December, cited by some traders as a help to the dollar today, expresses (seasonal factors apart) an increase in durable goods orders to keep ahead of price hikes.

The dollar may well continue to be stabilized for a while on the basis of the pound's strength and the increase in interest rates — this depends on how soon Western European governments formalize their policy of consolidating investment and trade priorities with OPEC and the socialist sector through new financing structures outside dollar channels.

Pound Firm

An interim case of dollar flows bypassing the International Monetary Fund and the New York banks was the record \$1.5 billion Eurodollar loan to Britain announced Jan. 24. The loan, whose lead underwriters are the four major West German commercial banks, bears a low cost of seven-eighths of one per cent over the London interbank rate for the first two years and one per cent thereafter for five years, with an amortization grace period of two years. Britain also has "swap" credit lines available of \$500 million from the U.S. Federal Reserve and \$350 million from the West German central bank, which it does not need to use immediately. By June, the nation's currency reserves may total \$10 billion, projects the *Journal of Commerce*, due to loan inflow and general confidence in the pound. This confidence is now reportedly expressed by a switch in the currency's "leads and lags"; importers from Britain no longer delay payment in the expectation of a sterling depreciation, but the reverse. The discount on three-month forward purchases of pounds has narrowed 100 points so far this month and is expected to continue.

The Bank of England has no desire for "hot money" inflows to drive the pound up to a level disadvantageous for export competitiveness, and has continued to buy large amounts of dollars. The Callaghan government, which now exerts close control over the Bank of England, has also taken steps to ease the domestic credit crunch by releasing \$600 million into the banking system over the next seven weeks and planning further reductions at the minimum lending rate, now at thirteen and one-quarter per cent.

France Brightens

In France as well, government authorities are maintaining tight control over foreign exchange developments; according to the state-linked Credit Lyonnais commercial bank, French officials are in a good position to defend the franc against the kind of speculative attack threatened once more this week by the New York press. The Banque de France has large currency reserves and at worst can tighten interest rates considerably. A franc devaluation, in the majority French view, would help export competitiveness less than it would crimp vital imports and hurt investment confidence. International market suspicion toward the franc, apart from Wall Street's political pressures, has been based on the nation's high trade deficit, high inflation rate, and possible 1978 "left-wing" anti-business government. December figures, however, show the November 3.8 billion franc deficit cut to 1.3 billion, while retail prices rose only .3 per cent. The import decline of

2.3 billion, say some sources, reflects the end of emergency oil stockpiling, rather than austerity measures. In any case, the upturn is not due to the delayed success of "the Barre plan" in its 1975 form of sheer deflation and austerity; this plan, as stressed by the London *Economist*, did nothing to help the trade balance price inflation or investment. Rather, Barre and the French economy have joined the British, Italian and West German offensive for expanded high-technology exports unhampered by dollar pressures. (See International Report).

French markets have seen a petrodollar inflow which the commercial banks have partially funneled to a major trading partner, Italy, in the form of long-term loans. A recent *Business Week* complaint about this "risky" practice was answered by a Jan. 25 article in the daily *Le Monde* throwing the potato back to Lower Manhattan with the comment that Chase Manhattan "has been involved in extremely risky loans in recent years."

In West Germany, there is less distress about the slippage of the mark's dollar parity than about the starvation of capital markets bypassed by investment flows into Britain, France and Italy. New issues of mark-denominated Eurobonds have become losers, the financial daily *Handelsblatt* complained this week, and in addition two large mark-denominated bonds have been called in by Tenneco and Transocean Gulf. The domestic bond market is painfully quiet (a railroad issue's flop is injuring Chancellor Schmidt's prospects for fulfilling his policy of badly needed rail transport expansion) and a number of new Scandinavian dealers are worried about the prospects for mark issues in February, totaling 850 million marks. The stock market shows a parallel slump.

The phenomenon of premature calling-in of bonds at a premium is also sweeping the Swiss bond market, where issuers are either draining themselves of liquidity they cannot use for investment, or converting higher-interest debt into lower-interest obligations. The latter effort has dominated West German private credit flows this winter, but some analysts fear serious competition from an upturn in public borrowing that began to appear in November. Such a squeeze would jeopardize the West German central bank's firmly reiterated restraints on money supply growth for 1977, and weaken the mark. The success or failure of recent efforts toward export expansion — including a 50 per cent increase in government export guarantee funding, and a new openness toward state-to-state barter deals with Iran and other OPEC trading partners — will remain the decisive factor conditioning the standing of the mark and the financial soundness of public and private entities.

Euro-Arab Deals Squeeze New York Banks Out Of International Markets

BANKING

As a result of Arab oil producers' large-scale pull-out from the Eurodollar markets and the redeployment of their dollar reserves into trade and development deals with the West Europeans, Japanese, and Comecon nations, the major New York commercial banks have been isolated from a large section of world capital flows. The new Arab "investment portfolio" has given Chase Manhattan, Bankers Trust, and the other increasingly shaky Rockefeller-dominated New York majors what might be the final shove into the bankruptcy courts.

It is an open secret on Wall Street that the two most illiquid banks, Chase Manhattan and Bankers Trust, have been receiving emergency cash injections "under the table" from the U.S. Federal Reserve for weeks.

According to well-placed Wall Street observers, Chase has recently been forced to scrounge for even nickels-and-dimes savings — closing down many of its branches, paring down personnel, cancelling library subscriptions to business publications — leading some experts to believe that, as in the Franklin National collapse, Chase is secretly selling off its assets in preparation for formal bankruptcy proceedings. David Rockefeller's "squeeze-play" against New York City this week, analysts say, is merely part of a larger strategy to ensure the marketability of New York MAC bonds on the open markets, allowing the commercial banks to sell off their MAC bond holdings and thus rid themselves of one of their most illiquid "bad loan" categories.

The six largest New York banks together hold an estimated \$78 billion such "problem loans" to New York City and other bankrupt U.S. states and municipalities, Third World and European countries, the collapsed Real Estate Investment Trusts, tanker companies, etc. — accounting for 60 per cent for their total outstanding loans.

Fighting for Deposits

According to banking analysts, the New York majors have suffered a loss of deposit funds recently, largely due to the fact that OPEC investors are no longer placing the bulk of their oil earnings in short-term deposits at the New York banks or their Eurodollar branches but are instead investing directly in European industry. The deposit drain could explain the extreme tightening in cash reserves held by the New York banks during January, which occurred despite the Federal Reserve's "loose money" policies. During the week ending Jan. 19, the U.S. banking system went into a net borrowed position for the first time in five months. Significantly,

analysts said the tightening occurred *only* in the big money center banks, while the regional banking system had ample case.

But it is more than just deposit losses which has the Rockefeller banks panicked: Arab capital redeployments are squeezing the banks out of the only sound international loan business still remaining — the multilateral trade deals — at the same time that Arab assistance has given European debtors the leverage with which to declare debt moratorium on old loans still outstanding to the New York banks. Recently, several France, British, and Italian private and state sector companies forced Lower Manhattan to swallow postponements on scheduled debt payments.

Arab dollar holders have absolutely refused to use their petrodollars for refinancing the Europeans' \$100 billion debt; instead, they stipulate, every penny loaned to Europe must be backed up by an expansion in real production and trade. Last week, for example, Saudi Arabia set up \$6 billion fund for Denmark to finance stepped-up shipments of Scandinavian agricultural machinery and fertilizers to Saudi Arabia, only on the condition that Denmark would not use any of the funds to service its astronomical dollar and deutschemark-denominated foreign debt (now corresponding to 17 per cent of Denmark's Gross National Product).

Freezing Out Wall Street

Meanwhile, European and Japanese banks have taken over the "petrodollar recycling" which the New York banks had believed to be their monopoly and upon which they had earned the bulk of their profits in recent years. The Eurobond market, in particular, with its lucrative commissions and syndication fees, has become a major competitive battlefield, squaring off New York and London banks against the German and Swiss. The continental European banks, largely due to their improved access to OPEC funds, have seized a large hunk of the Eurobond business, representing debt issues by the better-off European state and private companies. The New York banks have been relegated to the most illiquid sector of the Eurodollar market — Third World debt-refinancing.

The French daily *Le Monde* this week responded to a *Business Week* article, which charged that French banks were making "risky" petrodollar loans to Italian banks, by noting that it is U.S. banks, like Chase, which have the worst "bad loan" record.

The French loans are sound; they are predicated on Italian industrial recovery through capital-intensive exports to the OPEC and Comecon countries — the centerpiece of current Italian foreign policy. Last week, a consortium of European and Japanese banks again muscled into Wall Street's territory with a major Eurocurrency loan to the Italian state holding company, IRI.

Steel Still In Crisis

STEEL

As expected, the current gas shortages are taking their toll against steelmakers across the country. Of the American Iron and Steel Institute's 11 steelmaking districts, seven reported drops in production from the previous week and four managed slight improvements. Hardest hit was the Pittsburgh district where production declined by 48,000 tons and layoffs were widespread. The Youngstown district was hit almost as hard, with production falling 25.6 per cent. Mills in this area are being forced to operate at around their Christmas-time levels when many furnaces were shut down.

For the industry as a whole, the week ending Jan. 22 saw production decline by 6.3 per cent, or below 2 million tons. Capacity utilization, which has failed to climb over the 70 per cent mark for quite some time, fell to the dismal level of 64.2 per cent down from 68.5 per cent the previous week.

At this point, the only mitigating factor is the dismal state of the industry itself. In figures just released, U.S. Steel Corp., and Bethlehem Steel Corp., the nation's two largest producers announced reduced earnings of 26.7 per cent and 30.6 per cent respectively in 1976. Had these shortages occurred during times of "normal" steel demand they would have created havoc both in terms of massive layoffs and increased costs due to the switch-over to costly alternative fuels.

While the effects of the gas curtailments cannot be minimized, 1977 has gotten off to such a slow and disappointing start that steelmakers are not making it their sole excuse. They have chosen instead to step up their attacks on importers, especially the Japanese. In the Gulf region, Armco Steel Corp., U.S. Steel Corp., and other domestic suppliers have apparently regained the structural steel market from importers through their announced price reductions of \$40 per ton. This, combined with the fact that the Japanese had been with-

drawing from that market for some time in an attempt to gain higher prices and lessen criticism, has returned this market to the domestic producers although at a substantially reduced price level. It remains to be seen how long these price reduction will remain and whether they will have any effect on steel production levels. Another area in which increased pressure is being put on importers is the West Coast, where the newly created Labor-Management Committee for Fair Foreign Competition is seeking a full investigation of foreign marketing practices in that area.

While this futile practice of attacking the competition continues, signs of a positive approach to their problems is emerging from steelmakers, and industrialists generally. These signs have surfaced in the January edition of *Iron Age* magazine in the form of a direct attack against zero-growth Naderite groups and the spending schemes of the Carter Administration. In the lead editorial, editor-in-chief Gene Beaudet states, "It (the free market system) is imperiled not only by the costly failure of special policies but also by an array of new demands and restrictions on business brought on by new environmentalists and consumer constraints, and a growing public bureaucracy whose rules, regulations and restrictions keep the private economy from reaching its outer limits of growth." The special edition stresses the needs for greatly increased capital formation, reduced governmental welfare hand out programs, and sane environmental policies which will not sacrifice industrial expansion and the creation of new jobs. These themes and their urgency are spelled out in detail in large advertisements taken out by Republic Steel Corp., Wean United, and others. William J. DeLancy Jr., president of Republic Steel specifically attacks "overzealous bureaucrats" and "puritanical environmentalism" and notes the existing potential for government misuse of powers. R.J. Wean Jr. of Wean United, which owns a steel foundry in Vandergrift, Pa. states that while the economic stranglehold placed on the Vandergrift foundry are his company's problem, the future of America's steel industry is everyone's.

Case Co. Investment In French Hydraulic Excavators: A Signal for the Future?

CORPORATE AFFAIRS

J.I. Case Company, a manufacturer and distributor of farm and construction equipment, has signed a Letter of Intent to Purchase 40 per cent of Poclair S.A., a French-based manufacturer of hydraulic excavators.

Pending approval of the Boards of Directors of the two companies and the French government, Tenneco, the parent company of J.I. Case will acquire stocks and assets of the French company, totalling \$65 million.

Poclair is the largest producer of hydraulic excavators in the world and is described as "one of the jewels of the French engineering industry" by the *Financial Times*. The company, however, was on the brink of financial disaster due to the collapse of the internal and export market for heavy farm and construction equipment.

The French family-dominated company has a strong tradition of capital outlay for technological development

and had invested heavily in expansion of its own plant and equipment just prior to the 1974 downturn.

Without increased sales expected from the export market, the debt equity ratio of the company increased rapidly over the past years. In addition, French authorities refused to allow Poclair to cut its workforce, resulting in a serious cash flow crisis.

Tenneco is a large Texas-based conglomerate recently in the news because of a dispute with the U.S. Congress over Tenneco's attempt to build a pipeline in the Soviet Union which would facilitate U.S. imports of Siberian natural gas. The company obviously not afraid of starting a little controversy while pushing for increased trade, has created quite a stir by receiving the French firm.

Two articles covering a full-page in the Jan. 26 *Financial Times* tried to play off the deal as an insult to French national pride. However, a financial analyst with Merrill Lynch revealed that Tenneco invested in the company because it foresees an export market to the underdeveloped sector on the basis of recycled petrodollars.

A Real Prognosis For The Rail Industry

RAIL

In descriptive accounts of the performance of the railroad industry during 1976, the American Association of Railroads, the Department of Transportation and various private financial analysts agreed on such phrases as "landmark year," "an excellent recovery year," and even "the beginning of a new era for railroads." If the financial performance of this vital industry during 1976 is viewed narrowly in relation to its recent financial history and apart from its deteriorating physical condition, one can understand how honest men might derive such a distorted picture. The true prognosis for U.S. railroads, as the situation now stands, however, is contrary.

The key revenue producing operation for U.S. railroads is freight traffic. Total freight traffic carried during 1976 was 5 per cent higher than 1975 but still 8 per cent lower than the 1973 and 1974 figures. A closer look at 1976 figures, however, reveal that shipment of capital goods, coal and grain were down in 1976 from the depressed 1975 figures. Automobile shipment up 20 per cent accounted for most of the 1976 increase. This is not a

healthy freight market.

Freight revenues however rose to a record in 1976 of \$17.6 billion over \$15.4 billion in 1975 and \$15.7 billion in 1974, thus bringing income substantially above the 1975 deficit and to about half of the 1974 figure. This recovery in income was generated at the expense of an unprecedented 9 per cent reduction in the labor force and 8 per cent increase in freight rates over the two years.

The inability of railroads to remain financially solvent in a weak U.S. economy is not surprising, but that is not the extent of the problem. The post-war history of this industry shows the short circuiting of its potential and physical deterioration.

Today capital spending per ton mile has completed a steady decline to levels half what they were in 1950. In 1976 the locomotive fleet decreased in number for the first time in six years as did the number of freight cars.

Expenditures for maintenance of the Right of Way were up 17 per cent in 1976 over 1975. However, the legacy of 30 years of deferred payments to maintenance levels leaves the industry with well over 100 million crossties and 5 million tons of rail needed to be replaced.

The current amount of this deferred maintenance are estimated to be between \$10 and \$15 billion. Consequently the number of train accidents has doubled since 1957 and the per cent of those attributed to maintenance of way

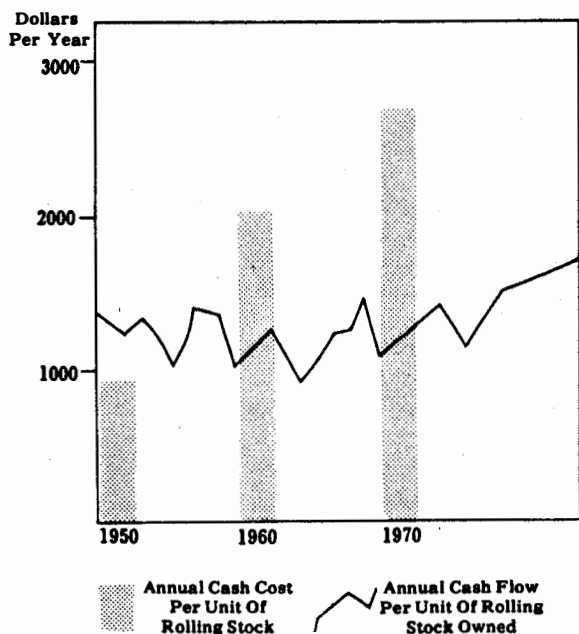
deficiencies has risen from 11 to 37 per cent. In light of these figures, the recent government subsidies increased in maintenance expenditures is not a sound program for the revitalization of rail shipping capacity but necessary base line spending to keep the railroads running. Exemplary of this point is the program for the refurbishing of Northeast rail under the Conrail plan. The reorganization of six bankrupt Northeast railroads with heavy Federal Support is hailed as the answer to the decrepit physical condition of Eastern rail shipping. However, a recent Citibank study showed that combining all government support — totalling \$2 to \$3 billion plus Conrail's projected income generating power still leaves Conrail \$2 billion short of the necessary expenditures for maintenance to bring the right of way up to "normal" conditions over the next five years.

Decades Backlog

The story behind the destruction of this nation's transport system is centered in the 1920s and 1930s and involves the sacrifice of the overall development of a national railroad-truck network in favor of a competitive relationship between the various modes and transport companies. This is documented by the regulation ruling made then by the Interstate Commerce Commission (ICC).

The best evidence of the distorted development of the industry otherwise can be seen in the following type of facts:

1. Trucking handles a major portion of long-haul shipping and is three times as costly in energy as rail;
2. Electrification of rail, making freight transport 30-40 per cent cheaper has not been carried out;
3. Because of the myriad of different companies and assorted bureaucracy and paper work, the average freight car spends two-thirds of its useable life sitting in freight yards.



Perhaps the most amazing thing about the U.S. rail industry is that a number of rail companies have continued to exist as financial entities at all.

At no time in the post-war period has the rate of return for railroads in the U.S. been above 5 per cent. It has been gradually decreasing since 1953 and has been below the rate of return on U.S. government bonds since 1957.

Year	Rate of Return (millions of dollars)	
	U.S.	East
1952	4.16	3.80
1957	3.36	3.29
1962	2.74	1.80
1967	2.46	1.58
1970	1.73	.93
1973	3.04	.48
1976	2.44	
(estimated)		

Even these low rates are doctored to underestimate the picture. They are doctored in two ways. The ICC has been very generous in allowing railroads to not devalue existing capital and the railroads have padded their accounts with large non-rail income. Needless to say, the private capital markets are all but closed to the industry. NYSE estimates that capital resources available to the industry will fall 14 per cent short of necessary expenditures this year.

The largest chunk of necessary expenditures is Contractual Fixed Charges which includes interest and rents. Since 1962 increases in funded debt, rising interest rates and equipmental leasing arrangements with the banks have increased fixed cost 70 per cent while total income increased only 14 per cent.

Year	Total income	Fixed charge	Ratio
1952	1316	422	3.12
1962	980	367	2.67
1967	1050	462	2.28
1970	846	589	1.44
1973	1209	626	1.93
(Includes non-rail)			

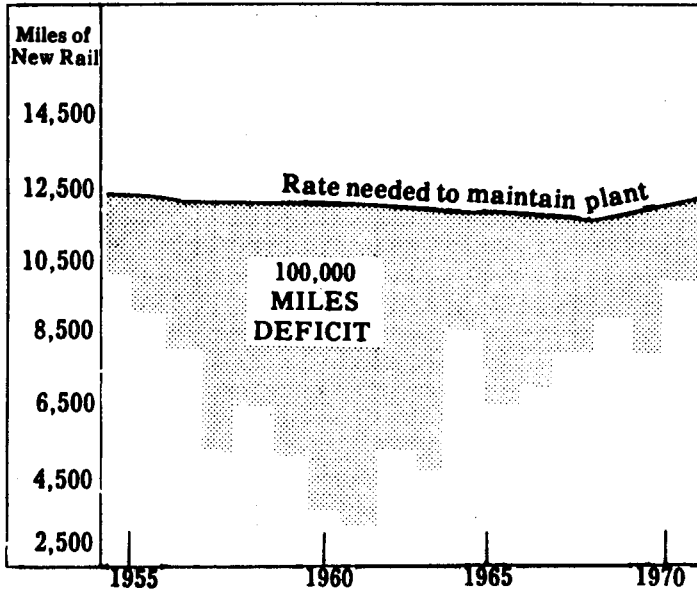
A better measure of the railroad's ability to cover fixed costs is cash flow. Cash flow eliminates non-cash bookkeeping entries like depreciation, doubling and tripling income figures to easily cover fixed costs but not sufficient to cover new capital investment. The graph dramatizes the financial plight of the railroads, showing that since the mid-1950s the annual cash cost per unit of rolling stock is far above the annual cash flow per unit owned.

In the face of declining earnings and cash flow, the railroads are increasing dividend payments from 50 to 60 per cent of ordinary income in the mid-1960s to 80 to 90 per cent in the 1970s.

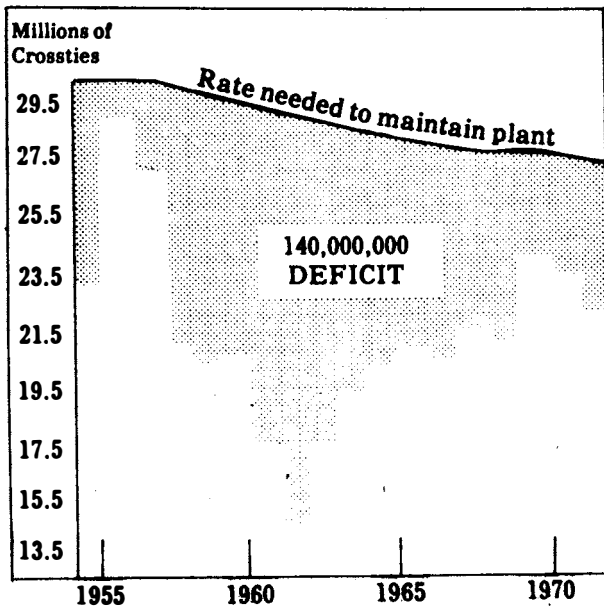
Role of Holding Companies

Over recent years there has developed an accelerating trend for railroad companies to diversify. Owning large

amounts of land and national resources, the railroads are increasingly anxious to invest in mining and other enterprises especially when long-term contracts can be obtained. Whether the holding companies created to facilitate the flow of funds between railroad companies and associated investments, are in fact, milking the railroads is the question at hand.



Sante Fe Corp. which operates the Sante Fe Railroad gets over 50 per cent of its income from oil; Union Pacific generates more income from oil and real estate than from rail operations; Illinois Central has been operating at a deficit supported by its other investments.



After three decades of decay and the favored development of long-haul trucking, railroads as an industry can no longer generate the income necessary to raise money in the credit markets for necessary payments to deferred maintenance. The formation of a holding company serves a number of purposes. The flow of funds between a railroad and a holding company is unregulated by the ICC. Railroads will often send money or large portions of their assets upstream to their holding companies because the holding companies are more likely to be able to sell bonds.

In 1974, Illinois and Central Gulf passed up \$16 million to its holding company IC Industries. In 1971 Union Pacific transferred a major portion of its assets to its holding company.

The relationship is made clearer in the following chart:

Sante Fe Company	Income	Pre-tax Earning
Rail	1420	51.0
Truck	35	-1.6
Pipeline	23	-1.0
Petroleum	137	82.0
Forest	49	5.1
Real Estate	137	6.4
		(in millions of dollars)

The main advantage to rail despite its low rate of return is high cash flow generated for use by the holding company; while the low rate of return of rail operations per se enables the holding companies to force rate increases and become eligible for government aid.

Financial analysts agree that even if forthcoming declines in freight revenues force major railroads into a deficit, their holding companies will support them and only those rail companies that haven't diversified will be in trouble.

In a report issued in August, 1976 Goldman Sachs investment house recommended staying away from rail stocks unless there is movement toward holding companies exploitation of natural resources or mergers that cheapen operating costs.

Others like Pennsylvania Governor Milton Shapp continue to call for some form of government support for the rebuilding of the railroads. Shapp proposed the creation of a government-backed \$15 billion trust fund as the minimum necessary outlay to get rail into shape. But a crucial institutional problem of the railways must be solved to effect the most efficient transport network technically possible. The Department of Transportation or similarly constituted agency would have to be given power to supersede the management decisions of individual transport companies for the development of the network as a whole. Those companies not able to remain in business under the government directed-use of operating revenues and government grants and loans will have to be forced to merge or nationalize. The R and D Department of the Department of Transportation estimated that a nationally organized interfaced transport system, if upgraded to minimum safety operating standards, could with present levels of equipment handle five times the freight carrying traffic that is now handled by the trucks and rails together.

Effects of the Energy Crisis in the U.S.A.

The following is a partial report on the effects of the Carter energy crisis in key states as of Jan. 29 as compiled by NSIPS offices around the Eastern half of the country. Since at this moment, the number of workers, schoolchildren, and households affected by natural gas shortages and the number of forced closings of plants, schools, and places of business is being deliberately exaggerated in the press to foster a crisis atmosphere, such figures will not be reported here.

States of Emergency

Ohio — Gov. James Rhodes declared a state of energy crisis two days ago, as natural gas suppliers announced plans to curtail their shipments to the state by an additional 18 per cent (they are already curtailed by more than 28 per cent). It is reported that most industrial and commercial users will be cut off from gas supplies by early next week if the cold weather continues. With tens of thousands already out of work because of the shortages, rumors are now circulating of mass layoffs. The emergency powers assumed by Rhoades, a Republican, under an act passed in 1975 give him the authority to mobilize the national guard, the state police, etc. for energy-related emergency work, to order the closing of schools and other municipal functions, to order industry shut, and if the emergency becomes "extreme," to suspend certain energy-use environmental restrictions. At this moment, the Governor is resisting pressure from Carterite Democrats and Rockefeller-linked Republicans to take rash emergency measures. Yesterday, he ordered all state offices closed at noon and requested that the state schools do likewise; most schools were already shut. He placed the national guard on alert and ordered some 250 onto active duty to assist in snow removal and disaster relief to snowbound areas. The governor then suspended Environmental Protection Agency restrictions against the burning of high sulfur fuels by power plants.

The Republican leadership of the state legislature will introduce legislation next week to give Rhoades wider emergency power to allocate gas supplies. The Governor's office, however, told NSIPS that he does not want such power and would veto the bill if it passed. The Governor's aides also cautioned the press against believing pronouncements emanating from the state Energy Research and Development Administration (ERDA): "Ryan (the ERDA head — ed.) is always trying to put words in the Governor's mouth."

Indiana — Gov. Bowen has declared a state of energy emergency and has mobilized the national guard. Seventy-one armories have been opened throughout the state to act as shelters, while guardsmen are bringing in

supplies to snowbound areas. The major gas supplier for the northern part of the state has ordered 35,000 industrial and commercial customers to close down. In the downstate area, gas has been cut to 155 industrial users in the Indianapolis area, stopping all production until at least Monday. White County is reported to have declared martial law, but local officials denied that it was declared, only that it was in effect. Only government and official vehicles are allowed on the roads; civil defense teams are fully mobilized. All schools were shut yesterday pending further decisions over the weekend.

Bowen, like Rhoades is also resisting pressure to take drastic measures. He has lifted EPA bans on high sulfur fuels and has suspended regulations barring fuel and coal trucks from carrying overweight loads. The Governor along with Mayor Hudnut of Indianapolis went on TV last night to call for energy conservation, but announced no new measures. He instead asked people to stay at home to avoid the cold and to double up with neighbors to conserve fuel.

The press is now filled with stories of possible residential cutoffs, while telling people that the only thing that will ease the crisis is a break in the weather. Last night's blizzard has blocked all interstate highways north of Indianapolis. The average temperature in the state remains below zero.

Pennsylvania and New Jersey — These states, run by Rockefeller-controlled Governors, represent the most advanced statewide crisis management situations and are thus the leading edge of the nationwide crisis management drive for an energy dictatorship.

Gov. Milton Schapp declared a state of emergency in Pennsylvania last week. The national guard was immediately placed on a low-level mobilization. It has since been deployed into local areas for "disaster relief." The press is circulating reports that the guard will be deployed sometime next week to begin evacuations of people from areas serviced by gas transmission trunk lines. These lines, the reports state, will have to be turned off to maintain pumping pressure in the main lines. All media report scare stories about residential cutoffs impending, while month-long mass layoffs are said to be "very likely." Special civil defense units have been mobilized to handle emergencies created by yesterday's storm and the continuing gas crisis. Restrictions on burning high sulphur fuels have been waived.

Some gas suppliers are reported to be close to exhausting their total supplies. Pittsburgh radio reports that home heating suppliers have run out for residents in some counties around the city and that fuel companies have demanded cash payments for their products. Philadelphia Mayor Rizzo, who has fought against efforts to close down his city, yesterday was forced to

declare a state of emergency. He ordered all commercial and industrial establishments to close for three days with the exception of food markets, pharmacies, and service stations. Rizzo will decide on Monday whether to rescind the order.

In New Jersey, Gov. Brendan Byrne has also mobilized the national guard and all civil defense units. The latter have been augmented by staff from public utilities to form "heat patrols" going house to house in some areas checking for compliance with Byrne's orders to turn down thermostats. Rumors are also circulating here that the guard will be called on for evacuations from areas whose gas supplies will be cut next week. The media are reporting that "all of the state's industry will shut down soon" unless the weather substantially improves. New Jersey's gas supplies have been curtailed by 45 per cent.

New York — Gov. Hugh Carey declared a state of emergency two days ago and put the national guard on alert. They have since been mobilized for snow removal, primarily in the western area of the state. The Buffalo area was devastated by last night's snowstorm. According to eyewitness reports, nothing is moving in or around the city. Thousands of people are stranded in buildings and in cars, with the Red Cross distributing disaster food supplies.

The press is using these actual disaster conditions to terrorize the rest of the state. New York area press reports that residential gas cutoffs could occur next week, while many plants in the metropolitan New York area will be forced to shut Monday. Carey has ordered all schools heated by natural gas shut indefinitely. He is reported to be considering assuming wider powers under already passed state energy crisis legislation to force allocation of gas. He has already ordered thermostats turned down by 8 per cent and has mobilized CD units.

West Virginia — Less than two days after his inauguration, Gov. Jay Rockefeller announced a state of "acute energy emergency," mobilized the national guard, and declared that this will be "the worst energy crisis in history." NSIPS has been unable to indicate exactly what powers the young Rockefeller has under his "acute energy emergency." The Governor had announced plans to relocate people from "affected areas," using the national guard, but it is unclear whether any such evacuations have taken place. A combination of natural gas shortages, cold weather, and snow has reportedly closed down most activity in large areas of the state; the media have been whipping the population into a panic. Yesterday the radio reported the approach of a killer snowstorm, "the most dangerous storm of your lifetime." As the word spread,

schoolchildren bolted from classrooms, workers reportedly ran from factories and traffic in several cities ground to a halt as panicky residents futilely attempted to escape. Rockefeller, who is reportedly operating from some kind of "command bunker" overseeing a "crisis staff," made a special broadcast on a CD radio band to urge calm and tell everyone to stay in their houses until further notice.

The states of *Virginia, Alabama* and *South Carolina* were reported today to have all declared states of emergency. Gov. Godwin of Virginia is said to be considering plans to allocate gas supplies from one portion of the state to another. Gov. George Wallace of Alabama is reported to have mobilized the national guard and is preparing to evacuate people from "cold parts of the state to warm areas."

Some Other Affected Areas

Maryland— Thus far, although Gov. Mandel has seen no reason to declare a state of emergency, the four major natural gas suppliers have requested that all users cut use to a minimum. The lack of emergency has by no means stopped the psywar against the state's population. Workers in the state's factories are being told to report to work each day without any assurance of whether they will be sent home. This is especially true in the Baltimore area, where GMAD workers are being told that there may not be any work next week because of a likely gas shutoff. Three thousand Baltimore restaurants were closed without warning yesterday by gas cutoffs — right after they had purchased their fresh food for the weekend. Fires caused by bursting gas lines continue to proliferate in the city. Baltimore Mayor Schaffer yesterday suddenly ordered the over-worked fire department to conduct a city wide fire drill. The Mayor had the radio stations announce several times that the citizens should "not be alarmed, this is only a drill."

North Carolina — Unlike South Carolina, there is no state of emergency in this state, nor any severe crisis. This may come as a shock to the readers of the *New York Times* and other northern newspapers which have reported mass layoffs in the state. While Governor Hunt's office admits that it does not have accurate figures on layoffs, NSIPS has confirmed that the *Times* reports are greatly exaggerated. Most plants that had gas cutoffs were able to continue operations by switching to other fuels. A key factor in limiting the effects of the crisis is that the state gets a good sized chunk of its power from nuclear plants.

U.S. Delays Algerian Gas Imports To New Jersey

The Federal Power Commission (FPC) and the Federal Energy Agency (FEA) have delayed approval of a contract for liquified natural gas (LNG) signed in 1975 between New Jersey Public Service Electric and Gas Company and the Algerian state-owned hydrocarbons industry, Sonatrach. The contract is due to expire March 31, 1977. According to Jim Randel, Senior Vice President of the Public Service Electric and Gas Company, Algeria could supply enough gas to end the threat of future shortages. The criminal delay in getting the approval of the contract is unending "red tape," according to Randel. The company has to wait for the results of the environmental impact studies the FPC is conducting; after that there will be hearings on those studies; then the briefs have to be filed and more hearings held — all of which must occur before the March 31 deadline when the contract expires. Randel said that the Public Service Company would throw in the towel on the gas deal if the contract is not approved. The FPC never approved a 1972 contract by the same two companies, which expired with no shipments made.

To gain credibility for the delay, scare stories of tanker explosions and fires like the one in 1973 near Bloomfield on Staten Island that set fire to an LNG loading terminal are being splashed across the headlines in East Coast papers. Bloomfield is the scheduled reception area for the Algerian gas. From the government side, the FPC, under pressure from the FEA, says that there are large amounts of Algerian LNG contracted already by U.S. companies and it doesn't want to base U.S.

natural gas imports too narrowly. The government agency wants to limit gas imports to 1 trillion cubic feet annually; present total contracts amount to 1.5 trillion cubic feet.

U.S. Delay Sabotages Algerian Economy

While the U.S. already imports 46 per cent of Algeria's crude oil production, their reserves are said to be dwindling and the government has placed all hopes and its development programs for massive industrial expansion on the basis of increased LNG contracts. As a result of the contract delays Algeria has to lean on continued high oil prices in order to maintain export earnings while plant and equipment lie idle. Unused Algerian tankers now cost \$9 million a year in finance charges alone. The calculated revenues from increased LNG sales, based on the fact that the LNG program is at least 18 months behind, would easily offset the enormous debts accrued to finance the Algerian development program. A huge chunk of this debt is held in Eurodollars and most of it, \$1.5 billion, comes due in 1980-82, the years when the increased LNG production was to have been well on the way to secure markets. The FPC has Algeria over a barrel on the gas issue; despite existing open European markets, only the U.S. needs the vast amounts that would provide Algeria with export revenues to prevent a credit crunch in the next three years. Sidahmed Ghazali, the President-director general of Sonatrach, put it politely this week: "The U.S. is taking nearly half our crude oil production, and there are customers ready to take almost half our gas..." Why is the FPC waiting?

Policy Of Trilateral Commission:

New York Times Previews Anti-Nuclear Energy

While the Trilateral Commission met in Tokyo, to discuss, among other things, a strategy to sabotage nuclear fission power technology, the *New York Times* Jan. 20 carried a preview of this Trilateral policy in what was ostensibly a report on the recently issued U.S. Energy Research and Development Administration study "Benefit Analysis of Reprocessing and Recycling Light Water Reactor Fuel." In reality, the unsigned *Times* article purposefully misrepresented the conclusions of the ERDA study to assemble a direct attack on existing nuclear fission energy technology and on the development of more advanced technology with fission and fission-fusion breeder reactors.

The ERDA-76-121 report, released in December 1976, is a cost-benefit analysis of how much would be saved by recycling plutonium produced by Light Water Reactors as a nuclear fuel instead of disposing of it as waste. As ERDA notes, its report does not take into account any benefits that would accrue from developing the plutonium recycling industry vis-a-vis the development of the fission or fusion breeders. The development of a plutonium nuclear fuel recycling industry, the report says, is "a prerequisite for a successful breeder economy."

The *Times* completely misrepresents the ERDA report — starting in the first two paragraphs of its article: "The

EXCLUSIVE

recycling of plutonium as fuel would save only about 2 per cent of the expected cost of electricity from nuclear plants, a study by the Energy Research and Development Administration has concluded. The implication of this finding in a report designated ERDA 76-121, is that civilian plutonium recycling...is not crucial to the economic acceptability of nuclear power."

The *Times* goes on to note the Oct. 28 statement by President Ford "that delayed a United States commitment to plutonium recycling until potential risks of diverting plutonium to military uses can be resolved."

The only piece of information from the ERDA study that the *Times* accurately reports is that plutonium recycling "would reduce United States demand for uranium ore...from 1.5 million to 1.1 million tons, between now and the year 2000."

Lying With Statistics

The 2 per cent figure quoted by the *Times* is misleading on two counts. First, it is a relative figure for the savings accrued from utilizing plutonium recycling for the *total* cost of electricity. In absolute terms, the ERDA report

says this net saving is \$16.6 billion, compared to a total cost of more than \$830 billion — a substantial amount of money by any count. The figure quoted is, moreover, a "base line" case, which, the ERDA study cautions, does not take into account the full economic costs that would occur if uranium production would have to be increased from 1.1 to 1.5 million tons without recycling. In actuality, the total savings gained by utilizing the plutonium recycling in terms of greater energy growth would quickly soar to more than \$48 billion.

Contrary to the *New York Times'* prattle, the "implication of this finding" is not the conclusion it prints. In fact, the source of that "finding" is not difficult to determine — the Trilateral Commission. As reported in the Japanese press, the January meeting of the Trilateral Commission in Tokyo decided that "plutonium recycling" is not economically important, and should be delayed because of "proliferation problems." As the Trilateral Commission notes in its unpublished study on reordering the world, without plutonium recycling world commercial nuclear fuel will remain under the thumb of

The Advantage Of Recycling Plutonium For Nuclear Power

Existing nuclear fission power reactors are based on the utilization of the uranium isotope 235. When present in sufficient quantity this isotope of uranium will support a chain reaction of "fissuring" of the atomic nuclei that generates large amounts of energy. In naturally occurring uranium, less than 1 percent is the isotope 235 and more than 99 percent is the isotope 238, which does not fissure under normal chain reaction conditions.

In order to utilize uranium in the currently developed, economical power reactors, the so-called Light Water Reactors (both the pressurized and boiling water designs), the proportion of the 235 isotope must be increased. This is accomplished by very expensive and large isotope enrichment plants that were first constructed for the production of nuclear weapons material. It should be noted, however, that the degree of enrichment needed for power reactor fuel — from less than 1 percent to 3 percent — is much less than the 100 percent needed for bomb material.

As the uranium 235 is burned up in Light Water Reactors, a small portion of the uranium 238 captures neutrons produced by the fission of the 235 and is transmuted into plutonium 239. Plutonium 239 can also sustain a fission chain reaction and is used in nuclear weapons. Since plutonium 239 is a different chemical element, it can be separated from the spent fuel of a nuclear power reactor in a much easier and cheaper fashion than that of isotope separation.

In Light Water Fission Reactors the amount of

plutonium produced through transmutation is equal to about one-third of the uranium 235 that is fissured during the operation of the reactor. Since plutonium is roughly equivalent to uranium 235 as a source of nuclear energy, this plutonium in spent nuclear fission fuel represents a substantial potential energy resource even today — if the facilities for chemically separating and fabricating plutonium nuclear fuel are built. The technology for doing this has existed and has been utilized in the nuclear weapons industry for more than three decades.

Furthermore, with the development of the Fast Fission Breeder Reactor, for which several prototypes already exist, the ratio of new plutonium nuclear fuel produced to uranium 235 utilized can be increased to *more than 100 per cent*. This would convert uranium from a marginal energy resource — equal to a fraction of the world's potential oil resources — into a major energy resource for electrical power production.

More significantly, using nuclear fusion neutrons to produce plutonium (a fusion breeder), this potential energy source could be developed as rapidly as desired. The fission breeder, in contrast, because of limited breeding rates, can increase the supply of total fuel only by a factor of approximately 7 percent per annum at best. It should be noted that existing fusion experiments have attained the necessary physical conditions for operation of fusion breeders, and that this system could be developed much more quickly from an engineering, economic, and scientific standpoint, than that of a pure fusion system.

U.S.-based Rockefeller-dominated industries.

The *Times's* deliberate misinformation on the ERDA report makes clear that the Rockefeller financial, oil and mining interests are trying to prevent the emerging European independence from Rockefeller energy control. In particular, with the coming on-line of the European Centrifuge Uranium enrichment plant in the near future and *with full-scale plutonium recycling*, Europe could be totally independent of the U.S. in respect to the acquisition of nuclear fuel by as soon as 1978.

The U.S. is using the Oct. 28 statement of President Ford (noted above) to prevent an ongoing plutonium recycling agreement between Japan and Great Britain. The fussion fuel involved originated in the U.S., and under the terms of the contract the U.S. can interfere with its utilization, Rockefeller's governmental officials have said. They have objected to the recycling agreement on the basis of preventing nuclear weapons proliferation! (The facts are that Britain already has nuclear weapons and Japan could readily develop a nuclear weapons capability anytime it desired to do so.)

'Governor Brown, Naderites Have Hog-Tied California's Energy Sources' Says U.S.L.P.'s Gubernatorial Candidate

The following "State of the State" message was issued in Sacramento, Cal. Jan. 12, 1974, by Nicholas Benton, U.S. Labor Party candidate for Governor of California in 1978.

The administration of Governor Gerald Brown, its conservationist appointees on key state commissions overseeing growth, and the Naderite groups generally have so hog-tied California that sheer catastrophe is being projected for the near-term by all those in positions to know the impact of these forces on energy supplies. nuclear power, oil, natural gas, and water supplies of the state are being so choked by the zero-growthers that experts have designated 1981 as the doomsday by which time the valleys will be parched, and hundreds of thousands of businesses and millions of homes will be cut off from energy supplies if current policies persist.

In the face of this crisis, the people of California must join with me as I extend the U.S. Labor Party's unique capacity to marshal multipartisan forces to confront this threat with an aggressive campaign of education, and legal and legislative initiatives on behalf of progress and science. The Labor Party has demonstrated its unique capacity to rally industrial, conservative, scientific, trade union and student interests around a comprehensive growth and energy policy, premised on the feasibility of the near-term development of nuclear fusion power, embodying the principles of progress and science fundamental to the American experience and the humanist conception of man. My campaign will be the focus for a legal strategy of challenging Naderite legislation and rulings on grounds that impediments to progress are unconstitutional, an educational strategy for rekindling commitment to science and growth on the campuses, in the workplaces and through the corridors of power, and a legislative strategy to motivate pro-growth tendencies in public offices through educational and legislative proposals and constituency pressure. The volume and effect of such strategies, and their ultimate success or failure for California, depends on the scale and intensity of support for my campaign.

We are on the brink of an irreversible regression to the Dark Ages. In every area of energy, the crisis is imminent and the needs clear:

Water

While Governor Brown is working out plans for imposing individual consumer water rationing, agricultural interests in the valleys have almost exhausted the deep water well resources, and current drought conditions threaten to turn the valleys into deserts. Farmers are immediately faced with being forced to abandon fruit and vegetable crops in favor of crops requiring less water, despite having cut back on winter wheat planting

this year by 10 per cent because of poor market conditions. Impediments to the construction of the Sacramento Delta-San Joaquin peripheral canal, the San Felipe projects, and other projects must immediately be removed. Shorter term solutions must also be explored and implemented. The Coastline Conservation Law must immediately be declared unconstitutional to facilitate rapid nuclear power development along the coast — both to alleviate the pressure on limited water-supplies that inland nuclear power construction would create and to attain indispensable energy-intensity levels for powering desalination and new irrigation systems that must be developed to fully realize expanded agricultural production levels.

Electrical Power-Nuclear Power

The blocking by the Brown administration and Naderites of nuclear power development threatens electric power cutbacks as early as next fall, and catastrophe by 1981 at the latest. Pacific Gas and Electric has issued a warning to its clients that failure to have its Diablo Canyon power plant operational by the late summer will force involuntary blackouts and brownouts of electrical power in northern California by the fall, due to the effect of drought conditions on its hydro-electric facilities. The state must bring full pressure to bear on the federal agencies that have yet to approve the facility, and to dispense quickly with any Naderite impediments. The three laws impeding nuclear power development, that were passed by the state legislature last year — imposing virtually the same restrictions contained in the infamous Proposition 15 that California's voters rejected by a wide margin — must be declared unconstitutional and be repealed. The Energy Commission dominated by Governor Brown appointees must be denounced and cleansed for its destructive policy based on an insane projection of a 3.0 per cent rate of growth in electrical energy use for the state. This is to be compared to a 7.0 per cent rate of growth in 1970, 4.8 per cent rate of growth at present, and what we could initially estimate as a necessary 15 to 20 per cent rate of growth required to effectively overcome current employment, environmental and energy-production problems. The insanity of the 3.0 figure is amplified by the fact it does not take into account greater than present dependence on electrical energy resulting from exhaustion of natural gas and oil supplies.

Legislative and policy impediments must be lifted to allow the immediate completion of the Southern California Edison nuclear power plant as an initial step to avert massive electrical power blackouts of

businesses and consumers being projected to begin irreversibly by 1981 under present policy. All forms of energy production must be encouraged to develop, but with a clear emphasis on the primacy of nuclear power, especially with the level of commitment to broad-based research and development of nuclear fusion power, as delineated in the U.S. Labor Party's Fusion Energy Act of 1977, as the singular feasible comprehensive solution to the energy crisis. To be effective means tackling this incompetent Naderite drivel head on with educational initiatives on the sound engineering solutions protecting against conceivable accidents involving the fission process and on the feasibility of the near-term development of fusion, as experts such as Dr. Teller have recently acknowledged.

Natural Gas

Federal Power Commission regulations on the interstate flow of natural gas guarantee that California will face a severe shortage of this energy source very soon. While the U.S. Labor Party nationally will be challenging these regulations, all impediments to the proposed construction of a natural gas facility at the Port of Los Angeles must immediately be lifted to enable import of gas. The suspicious explosion of the tanker in the Los Angeles port that has spurred environmentalists to block the Liquefied Natural Gas facility must be further investigated for evidence of sabotage, given the extraordinary pattern of gas and oil-related spills, explosions, and disasters cohering with a Carter administration drive for increased regulation and reduction of

Author of NEPA: 'We Need to Have a Lot Fewer People'

The following interview with Professor Lynton K. Caldwell of Indiana University was provided to EIR by a New York law student. Caldwell was the author of the National Environmental Policy Act of 1969 (NEPA) in his role as a consultant to the Senate Committee on Interior and Insular Affairs. He has a long history of involvement in "Public Administration" abroad, in particular in Thailand, Colombia, the Philippines, Turkey, Pakistan, and the Middle East.

Q: Where did the idea for NEPA come from?

A: There were a lot of people involved, but I really wrote the bill and the EIS (Environmental Impact Statement) section.

Q: Who were the early supporters of environmental concerns?

A: In the 1960s there weren't many people who foresaw the environmental movement. The Conservation Foundation was one group that did.

Q: Who provided the backing for them?

A: I think the Rockefeller family; perhaps also the Ford Foundation. I was at the University of Michigan in 1963, a lot of people there were helpful. Also a behavior sociologist named Abe Maslow was very important.

Q: Wasn't he associated with Kurt Lewin?

A: Oh, yes, I found Lewin's ideas most helpful in formulating my own ideas about ecological sociology.

Q: You indicated in an article that Congress didn't realize the implications of NEPA in terms of its disruptive effects on the economy...

A: Not many people did. There was a good deal of political dynamite in it. It would have been just a nice piece of rhetoric without the EIS, but that really blew off the lid. There were about 35 bills that

session on the environment, but they were all rhetoric. The Jackson Bill (NEPA) was the only one with any teeth in it. We set it up so the public could blow the whistle on the federal agencies.

Q: There wasn't much debate, was there?

A: It might have had a rougher time if people knew what was in it. In the Senate it was passed on the Consent Calendar; there was some debate in the House. I can't think of a more important piece of legislation that had less publicity.

Q: NEPA seems to have had quite an effect on the rate of growth.

A: Growth is an omnibus term. This country could do with a lot fewer people. In the long run, we need to have a lot fewer people. We should encourage a sub-zero rate of growth.

In fact, I agree with Paul Ehrlich when he says that we could do better with half the number of people in this country. I happen to agree with Ehrlich that 100 million people would be a lot better than 200 million.

This is the only answer to problems like poverty and the environment. This is just plain humanitarian realism.

Q: Would you accomplish this through reducing energy consumption?

A: It will be hard to do. We have only a limited capacity to reduce energy consumption.

Q: What about the underdeveloped countries? Isn't there a real conflict between environmental concerns and the need for economic development?

A: There's no real conflict. Many of the developing countries' problems are environmental problems. The developing countries are wildly overpopulated; this can't be remedied by technology or economic development. Things are just going to get worse; there will be severe social conflicts.

energy supplies nationally.

Oil

Anticipating success in blocking the Liquefied Natural Gas facility at the Port of Los Angeles, the Brown administration is opposing the construction of a deep-water receiving facility for Alaskan oil at the Port of Long Beach on grounds that the pipeline to Midland that Standard Oil of Ohio intends to use to transport oil from California must be used instead of the import of grossly price-inflated natural gas to this state. Brown's determination to obstruct the development of the Long Beach facility most clearly reveals his surrogate role for larger interests committed to deindustrialization of the U.S. through manipulated energy shortages. The impact of such a policy on the economy of California, and on the individual Californian is obvious. Obstructions surrounding the more than 400 permits required to proceed with the construction of the Long Beach facility must be overcome as quickly as possible, and anticipated legal challenges from the Brown administration dispensed

with rapidly, since delays beyond 60 days from now begin to postpone the badly needed oil beyond the point that it will be ready to flow through the Alaskan pipeline in 1978.

All these battles must be fought, but not one at a time. The people of California will be recruited to this fight as they are impelled with a vision of a comprehensive growth policy, and the underlying humanist conceptions of man informing the Renaissance "Idea of Progress" and its highest political expression, the American revolution and the U.S. Constitution. They will be recruited to the fight as the relationship between energy and high living standards and opportunity for meaningful participation and contribution to an expanding economy mastering the capacity to alleviate world economic and political crises and tensions is spelled out. And they will be recruited as they see the legal and legislative initiatives for the fight create the opportunities for positive action. This is the task we must undertake. This is the task for which my campaign is the indispensable catalyst.

Vance To Tie Up SALT With "Human Rights?"

A National Security Council review under Zbigniew Brzezinski's direction has been ordered on Strategic Arms Limitation Talks (SALT) with the Soviet Union. Secretary of State Cyrus Vance conferred yesterday with Soviet Ambassador Anatolii Dobrynin on prospects for reopening the negotiations in March and April, and it was announced that Vance may go to Moscow at that time.

Parallel to these steps towards sitting down over SALT with the Soviets, the State Department made a prominent entry into the virulent campaign around alleged "human rights" violations in the Soviet Union and Eastern Europe which had previously been conducted chiefly by the press. Evidence is mounting that Vance intends to declare at some early date that a new SALT agreement will be contingent on the Soviets' following a U.S. prescription for their official attitude to the people known as "dissidents." A demand of this sort was presaged in Vance's reported answers to questions from Senator Clifford Case (R-NJ) concerning restoration of U.S. diplomatic relations with Cuba. Vance replied that this was under consideration, but would probably hinge on Cuban release of political prisoners. This was exactly the recommendation of the Linowitz Commission Report published in December 1976 and drawn up in part by Robert Pastor, now a member of the National Security Council, in consultation with Treasury Secretary Michael Blumenthal.

There is probably no surer way to preclude progress at SALT and test Soviet patience than inserting the "human rights" issue onto the agenda. The individuals — signatories of a document called "Charter 77" in Czechoslovakia and top USSR "dissident" Andrei Sakharov — to whose defense the State Department came this week in back-to-back official statements are variously viewed in Soviet and other Warsaw Pact leading circles as agents of Western intelligence services or dupes.

These circles consider U.S. pretensions to advise what their status should be as a good deal more than interference in Soviet and Eastern European domestic affairs. They see intent to provoke military action in Eastern Europe — a destabilization tactic headed for world war.

The Czechoslovak party daily *Rude Pravo* predicted

Jan. 26 that NATO countries intend to use the dissidents issue as ammunition for a "confrontation with the socialist countries" at followup meetings to the 1975 Helsinki European Security and Cooperation conference, scheduled for Belgrade this June. This paper as well as the Soviet military daily *Red Star* Jan. 23 advanced the Soviet policy: European security cannot be separated by the various "baskets" (security, economic cooperation, and scientific-cultural relations) of the Helsinki accords. The accords must be implemented *in toto*, stated *Rude Pravo*, and NATO has sabotaged that both by catering about manufactured "human rights" cases and barring progress particularly in military détente. *Red Star* cited the "Soviet threat" campaign associated with the Committee on the Present Danger and the "Team A"-"Team B" defense intelligence estimates controversy as evidence on the latter point.

One clear sign of decreasing Warsaw Pact tolerance of the Carter Administration's behavior was the appearance of strongly worded attacks on Carter National Security Council head Zbigniew Brzezinski in the Eastern European press this week, for the first time since his nomination. The Czechoslovak weekly newspaper *Tvorba* revealed that Sovietologist Brzezinski is far from being considered cured, in Eastern Europe, of his reputation as an "enemy of the Soviet Union" and "militant anti-communist," who "can be expected to exert a negative influence on U.S. foreign policy." Brzezinski is naturally suspect in Warsaw Pact circles in relation to the *dramatis personae* of the very same "dissidence" cases which Vance's State Department and the New York Times have made their cause. An article appearing Jan. 28 in the West German Communist Party daily *Unsere Zeit*, by an author with Eastern connections, assessed Brzezinski's policies today as essentially what they were during Prague Spring in Czechoslovakia, 1968, of which he is considered architect: ideological subversion, attempts to harm Soviet relations with Eastern European countries, recruitment of intellectuals from these countries, and seeding popular sentiment against the ruling parties. Referring to Brzezinski as effectively "foreign minister" of the new administration, the writer linked "Charter 77" to the 1968 Western intelligence scheme in Czechoslovakia.

Paris Mayoral Race Arena For Fight Against Giscard's Policies

FRANCE

Somewhat unexpectedly, the current Paris mayoralty race has turned into the major battle arena of French politics. Such has been the case since Jacques Chirac, who was prime minister until last August and who now presides over the re-formed Gaullist party (RPR), suddenly announced on Jan. 19 that he was running for mayor against Industry Minister Michel d'Ornano.

D'Ornano is a member of President Valéry Giscard d'Estaing's small Independent Republican Party and a handpicked mayoral choice by Giscard which has disgruntled most of the Gaullist movement. The Gaullist form the largest component in Giscard's presidential majority.

In the week since he threw his hat into the ring, Chirac has exploited the platform of the mayoral campaign to challenge the domestic and international policies of Giscard and, with increasing directness, to lay out a policy of opposition to the dictates of the newly installed Carter presidency in the United States. Giscard, known for his loyalties to the forces behind Carter, finds himself politically isolated. Evolving a unanimity not seen since the days of Charles De Gaulle himself, Chirac has endorsed a program for economic growth independent of the U.S. dollar which has long been the rallying cry of the General's closest political heir Michel Debré and which more recently has been vigorously taken up by Chirac's successor in the premiership, Raymond Barre. In the context of the mayoral campaign, Gaullists this week torpedoed plans to fill the vacuum around Giscard by bringing in the Socialist Party of François Mitterrand to form a pro-Carter "center-left" cabinet.

Mayoral Prestige

The situation is far from devoid of irony. The tradition of electing a mayor to rule the French capital was resurrected in 1975 through a law initiated by the government then headed by Jacques Chirac. The last time Paris had a mayor of its own was during the working-class uprising of the Paris Commune of 1871. Historically — during the French Revolution of 1789, the Hundred Years' War which spanned the 14th and 15th centuries, and the Carolingian rule of the feudal period — the top official in Paris has enjoyed powers which were, *de facto*, greater than those of the first ruler of France.

The Paris mayoralty thus endows its holder with considerable political prestige — a fact which did not escape President Giscard in 1974 any more than it did then-Prime Minister Chirac, although for different reasons. The President clearly believed that the Gaullist deputies to Parliament from Paris, who form the great majority of Paris deputies, could be led to agree with his "liberal" policy generally. This course of affairs he hoped to consecrate with the election of a Giscardian figurehead as Paris mayor.

The reason Giscard's ploy has backfired is to be found in the recent strategic shift in France, which has placed the Gaullists in an increasing position of political control. Chirac's decision to run for mayor has been described generally by the European press as "a slap in the president's face." The influential *Le Monde* suggested last week that the President must "prove without delay that he is still governing."

What is really at issue is the reinstatement of the historic Gaullist leadership role in Western Europe for industrial progress and independence from NATO — a leadership which faltered after DeGaulle's death and was particularly eclipsed with the election of Atlanticist Giscard in 1974. A major step has been taken toward assuming such leadership by Prime Minister Raymond Barre, who called for a "common Eurocurrency" to be the basis for a European economic program in an interview with the Italian industrialist paper *Il Sole 24 Ore* on Jan. 26 — thereby joining the Italian Andreotti government in the forefront of European moves for a new international monetary system.

Emergency Powers

Upping the ante, Chirac dropped a bombshell last weekend by endorsing the demand that the Prime Minister be granted full emergency powers to carry out an independent policy of economic growth based on productive investments. This demand has been repeatedly formulated by the leading Gaullist "baron," former Prime Minister Michel Debré, an advocate of a "government of public safety."

In a broadcast over radio Europe No. 1 on Jan. 23, Chirac explained that the real reasons behind his resignation last August stemmed from his appreciation that the legitimacy of President Giscard's government was seriously in question. Linking the problem of legitimacy to his perception of the country's urgent economic needs, Chirac explained that his

disagreements with President Giscard on this issue had forced his resignation.

With near-simultaneity, Debré himself escalated the Gaullist offensive on another front by announcing the formation of the "Committee for the Independence and Unity of France" in a press conference on Jan. 20. A battalion of Gaullist heavyweights was in attendance to declare their membership in the committee — an organization viewed as crucial in commanding international support for the Gaullist opposition to financial and military policies emanating from lower Manhattan.

Debré's campaign was immediately joined across the Channel by a faction of British parliamentarians, the leftist Tribune Group in the Labour Party. The Nov. 22 *London Times* reported that this faction has "launched a campaign in concert with Mr. Debré" to defeat a bill coming up in the House of Commons on the project for a directly-elected European Parliament. The European Parliament, which Giscard advocates, is viewed by the Gaullists and their allies as an attempt by NATO to impose a supranational government on Europe and overrule national sovereignty.

At his press conference, Michel Debré stated that he was vehemently against the election of the European Parliament precisely because of the war threats emanating from NATO circles. Debré counterposed the progressive cooperation of France with all European countries, in particular with Eastern Europe.

Among those announcing membership in Mr. Debré's "shadow cabinet" were former Minister Alexandre Sanguinetti, a proponent of West European disengagement from NATO; General Gallois, a staunch enemy of the "limited tactical nuclear warfare" theory associated with Carter advisor James Schlesinger; Louis Terrenoire, chairman of the Franco-Arab Solidarity Association; and Michel Habib-Deloncle, chairman of the Franco-Arab Chamber of Commerce. The Gaullist leader's initiative received favorable coverage in the Soviet Communist Party paper *Pravda* on Jan. 23.

The Mitterrand Gambit

With such momentum against the announced Carter policies of deindustrialization and war provocation against the Soviets threatening to propel the last "reliable" regime in Western Europe — Giscardian

Chirac Explains His Decision To Run

The following are excerpts from a declaration former Prime Minister Jacques Chirac, the president of the Gaullist Party (RPR), made on radio Europe No. 1 on Jan. 23 concerning the conditions which led him to run for the Paris mayoralty:

Referring to the "flow of nonsensical declarations emanating essentially from Independent Republican circles (President Giscard's party - ed.)" against his candidacy, Jacques Chirac warned: "I would like to tell these gentlemen to pull themselves together and stop their excesses... These elections are undoubtedly capital for the majority, and it is the reason why I am running... I would like to give them a piece of advice and tell them that if they are as respectful of our institutions as they claim to be, they should stop bringing the president on the forefront all the time under the pretext of protecting him," (a reference to Interior Minister Michel Poniatowski, known to be a long-time "protector" of the President's political career).

Asked about the reasons for his resignation from the post of Prime Minister in August 1976, Mr. Chirac explained:

"I first considered that, little by little, the idea was gaining credit in the nation that the (governmental) majority did not represent the majority of the country's electorate... Now, I consider that it is not possible for political men to assume a responsibility or to rule if they are not fully

legitimate. For me legitimacy is above legality... I clearly told the President that I would not remain at the head of a government which, some would think, was not legitimate. It was a fundamental question...

"The second reason was that I considered that, in the necessary effort for an economic recovery, there was a very important given which was the wait-and-see attitude of a number of economic agents, notably investors, and that the best way to unblock the situation and... permit initiatives able to relaunch investment was to lift the political uncertainty and call for early elections..."

"... Since the beginning of 1975, and notably at the end of 1975, I had demanded insistently that a plan of economic recovery be put into gear, verbally and in written form, and I had even demanded... that it be implemented in a very rapid fashion, I would even say in a muscled fashion, by decree — which is a constitutional and perfectly regular procedure in our country — which, in my mind, would have made it possible to create a shock of a nature to restore trust.

"In July and August, when I knew perfectly well that I intended to put an end to my functions, I had engaged in an important effort of reflection, notably with the leaders of a number of socio-professional circles, an effort which resulted in a note which I left on Aug. 10 to my successor's cabinet and which included a number of measures which, in their spirit and even in their details, were very close to what became later Mr. Raymond Barré's plan. Which explains the fact that today I have no difficulty in supporting it."

France — out of the U.S. orbit, certain pro-Carter circles in lower Manhattan and Washington have been tempted to revive the old idea of an alliance between the forces around François Mitterrand, the leader of the French Socialist Party, and the Centrists and Independent Republicans supporting the President and his sidekick Interior Minister Michel Poniatowski. This scheme, known to be a favorite of (for example) the new U.S. National Security Advisor Z. Brzezinski, would be to outflank the Gaullists and their allies on the "left." The conservative *Le Figaro* expressed a widely held view last week in speaking of "objective connivance" between the Independent Republicans and Mitterrand to oppose the threat of the Chirac candidacy.

Gaullist spokesmen have already taken steps to discredit such schemes and to force the hapless Mitterrand into the embarrassing position of running against Chirac — if he dares — in the Gaullist stronghold of Paris. Following Poniatowski's attacks on Chirac's decision to run for mayor as favoring an opposition victory, RPR vice-president Yves Guéna accused the Interior Minister of having "unavowable motivations," — i.e., of conspiring with the Socialist Party against the Gaullists. Chirac said on radio that should the Union of the Left (Communist and Socialist Parties) win the 1978 legislative elections, President Giscard should resign rather than adopt the "unconstitutional" course of appointing a Socialist Prime Minister.

Italian Metalworkers Contract Demands Conversion to Tractor Production

ITALY

On Jan. 21 in Turin the National Coordinating Committee of FIAT — 450 delegated representatives for more than 800,000 metalworkers (FLM) — overwhelmingly approved a negotiating platform for contract negotiations with FIAT. The series of negotiations which will begin at the first week of February is the first important private sector negotiations of the year. The FIAT negotiations form the precedent for all other private employees negotiations.

The platform — which has been unusually under-reported by the Italian press — calls for partial conversion of auto production to produce tractors for Third World export; emphasizes the importance of nuclear power development, and stresses the primacy of overall

technological development in the context of an expanding industrial economy.

The most complete reportage to date of the platform comes from the FIAT-controlled press the Turinese daily, *La Stampa*. On Jan. 27 *La Stampa* "synthesizes" the Investment and Policy statement, neglecting to report the key issues in the platform. *La Stampa* reported: "FLM asks to be advised of the lines and programs of FIAT investments in Italy and abroad, with particular regard to the division of labor between Italian plants and foreign plants. In reference to December's FIAT-Libya deal, the platform calls for "the examination and use of the increased capital acquired to be used wherever possible for Mezzogiorno investments."

La Stampa then reports briefly on plans for reconversion of car to autobus production and "hypotheses for development of IVECO (the industrial vehicle consortium of FIAT and France)."

PSI Bid to Enter Govt. Blocked

Italian Socialist Party leader Giacomo Mancini's initiative for the PSI to immediately enter the government of pro-development Prime Minister Giulio Andreotti, has been sabotaged by the ex-Action Party network, centered around Giorgio Amendola of the Italian Communist Party (PCI) and the Republican Party's Ugo LaMalfa, and the PSI's Riccardo Lombardi.

On Jan. 22 Mancini factional ally, PSI spokesman Cassola floated the proposal for the immediate entrance of the PSI into the government, specifically as the bulwark against the Trilateral Commission's assault on Italian democratic institutions. Writing in the official PSI daily, *Avanti*, Cassola stated: "The Trilateral

Commission has threatened that the present economic crisis may necessitate the reduction of democracy in Europe. The Italian left, confronted with this prospect, must act now to maintain democracy. This can be done only by a Christian Democratic-PSI coalition with the outside support of the Italian Communist Party."

Cassola's statements were made one day after Jimmy Carter's inauguration. The government formula proposed by Cassola, as part of the Mancini strategy, would strengthen the present government by institutionalizing its broad-based popular support.

To prepare the PSI for its governmental responsibilities, Mancini had operated "underground" for at

least two months to clean out the group of Atlanticist politicians still buried within the party, pinpointing general secretary Bettino Craxi and the so-called intellectual wing grouped around ex-Action Party leader Riccardo Lombardi.

On Mancini's instructions, the PSI leader Zuccala called for a preliminary debate of PSI parliamentarians to discuss the overall strategy of the party — as a prelude to a PSI directorate meeting and subsequent DC-PSI meeting. The directorate meeting would have been the arena for an all-out fight with Craxi et al.

On Jan. 26, however, this meeting was sabotaged with only 20 Parliamentarians attending, forcing Mancini to back down in this round of the fight because he did not have the majority necessary to call for a directorate meeting. Mancini, as reported in Jan. 27 *La Repubblica*, blasted the "terrorist methods" employed against potential participants in the debate. The powerful PSI Chamber commission head Mariotti stated to *La*

Repubblica that there was "psychological terror" not only in preventing parliamentarians from attending Zuccala's meeting but at the provincial-federation levels of the party as well. On Jan. 24 *La Repubblica* had reported that Mancini's office had received a barrage of calls and letters congratulating his push for DC-PSI government immediately.

By Jan. 26 however the network of ex-Action Party members — grouped around Amendola (PCI), Ugo LaMalfa (Republican Party) and Lombardi — had struck back. The Bologna federation of the PSI (Bologna is Amendola's homebase) put out a condemnation on Jan. 26 of the Soviet Union's position on dissidents, diverting attention of the federation leaders away from the Mancini meeting. The Bologna statement read in part: We ask solidarity of the PSI federations in condemnation of the Soviet Union, "just because Stalin has died does not mean that Stalinism and its vicious purges is dead."

Callaghan Will Use Bullock Report to Take Economic Debate "Into the Workplace"

BRITAIN

The highly controversial Bullock Commission report on "worker participation" released Jan. 26 will facilitate the public debate on the economic strategy currently being pursued by British Prime Minister James Callaghan. Callaghan, who has taken personal responsibility for overseeing discussion on the report while it is being formulated into legislative proposals, is apparently fulfilling the pledge he made to the Labour Party's annual conference last October to take the government's program "into the workplace" to impress upon the British people the need for industrial expansion and regeneration.

The report, prepared under the chairmanship of Lord Bullock, a master of St. Catherine's College, Oxford, has already generated considerable controversy in Britain. It proposes to give employees equal representation with shareholders on company boards of directors in firms of 2,000 or more employees. Rejecting "token" two-tier proposals of the sort applied in West Germany and Sweden, where trade unionists exert *advisory pressure only* over company decisions, the Bullock report calls for a "2x and y" formula in which shareholder-chosen directors would equal employee-chosen directors, and a number of "outside" directors would be chosen jointly by the labor-management groups.

Although the plan would be imposed only after one-third of the firm's employees had agreed to it by secret

ballot, the report's proposals could potentially involve 7 million employees in 738 firms in Britain, both public and private, British and foreign-owned.

The following are extracts from key sections of the Bullock Report as printed in the Jan. 23 edition of the *Observer*. The official version of the Report was not yet available at press time.

"During our inquiry we found a widespread conviction, which we share, that the problem of Britain as an industrialized nation is not lack of native capacity in its working population so much as a failure to draw out their energies and skill to anything like their full potential. It is our belief that the way to release these energies, to provide greater satisfaction in the work place and to assist in raising the level of productivity and efficiency in British industry — and with it the living standards of the nation — is not by recrimination or exhortation but by putting the relationship between capital and labour on a new basis, which will involve not just management but the whole work force in sharing responsibility for the success and profitability of the enterprise.

"Such a change in the industrial outlook and atmosphere will only come about, however, as a result of giving the representatives of the employees a real, not a sham or token, share in making decisions about the future of an enterprise which in the past have been reserved to management and the representatives of the shareholders.

"The debate about industrial democracy is much less about the desirability of moving in the direction of greater participation (which many accept as inevitable)

than about the pace of change and the need to extend such participation in the Board. We believe that the crucial test, which alone will carry conviction and create a willingness to share responsibility, is an acknowledgment of the right of representatives of the employees, if they ask for it, to share in the strategic decisions taken by the Board...

"We believe that the change of attitude of the TUC (Trades Union Congress — ed.), and their willingness to accept a share of responsibility for the increased efficiency and prosperity of British companies, offer an opportunity to create a new basis for relations in industry which should not be allowed to pass. We should certainly consider what may be the consequence for the future of British industry of a failure to seize this opportunity, of doing nothing or (more characteristically perhaps) of doing too little too late...

"There are increasing pressures on companies to be more responsive to change, if they are to remain profitable. They are faced more often with important investment decisions about the introduction of new technology, re-equipment of a plant or the transfer of production to a new locality. Often their decisions closely affect the lives of thousands of employees, and in such situations it becomes increasingly difficult for employers to deny the

rights of these employees, not only to have their interests taken into account by management, but also to have an opportunity for active involvement in the decision-making process...

"Trade union involvement is fundamental to the industrial strategy, not simply because such involvement is necessary to forestall negative resistance to change, but also because employees, through their trade unions, have a positive role to play in combating industrial stagnation and in stimulating much-needed changes in industrial structure and performance...

"In our view, it is no longer acceptable for companies to be run on the basis that in the last resort the shareholders' view must by right always prevail. There must in future be a new legitimacy for the exercise of the management function within a policy framework agreed jointly by the representatives of capital and labour. We believe this new legitimacy is essential for the long-term efficiency and profitability of the private sector and for the ultimate success of the company itself. In our view, it is unreasonable to expect employee representatives to accept equal responsibility unless, through equal representation on the Board, they are able to have equal influence on the decision-making process."

West German-U.S. Arms Deals Stalled

WEST GERMANY

West German industrialists are already feeling the effects of indirect U.S. pressure on them to cancel West Germany's \$6 billion nuclear technology deal with Brazil. The United States Coast Guard, according to *Die Welt* Jan. 27, has decided not to buy a number of VFW-614 airplanes, made by the Vereingte Flugtechnische Werke-Fokker GmbH in Bremen, in favor of a U.S. contractor. As the newspaper points out, this is not simply a matter of another lost contract; rather, "once again we perceive tendencies on the other side of the Atlantic which already revealed themselves around the tug-of-war for the German Leopard II tank."

This military tug-of-war has been going on over various issues ever since Dec. 8, when NATO's European foreign ministers — taking a West German lead — decided to postpone any decision on the purchase of Boeing's \$4 billion Airborne Warning and Control System (AWACS) pending further cost studies. By that time, according to *Interavia* magazine, the U.S. State

Department had already warned the Pentagon that the West Germans were linking their acceptance of AWACS to painful U.S. concessions in the complicated wrangling over interchangeable parts for a semi-standardized NATO tank. More specifically, the West Germans have been insisting on the adoption of a smooth-bore cannon produced by Thyssen-Rheinstahl instead of an American or a modified British design. As the commercial daily *Handelsblatt* pointed out Jan. 17, it was edifying to see NATO General Secretary Walter B. Laberge, who has overall responsibility for the AWACS deal, suddenly turn into an enthusiastic advocate of the Rheinstahl cannon in spite of his lack of any expert knowledge in the field.

Therefore, the decision by West Germany and the U.S. on Jan. 15 to postpone any decision on the standardized tank until the end of 1977 at least points to a successful stall by West Germany and the rest of Europe on the AWACS issue.

A recent report in the Brazilian newspaper *O Globo* in fact indicated that Europe's military industry is already lining up its own incursion into the United States' South American market. A consortium of firms, including Kraus-Maffei, Fabrique Nationale de Belgique, and Delegation des Armements is talking about setting up Brazil with its own domestic arms industry.

When Vance Arrives in Cairo - Will Sadat Still be in Charge?

The popular uprisings in Egypt last week have transformed the entire constellation of forces in the Middle East. Although the smoke has begun to clear in Cairo and throughout Egypt's urban centers, the underlying issues that touched off the explosion are far from resolved, and most observers predict a new outbreak of violence and disorder that might yet topple the regime of President Anwar Sadat.

With an almost frantic speed, the Sadat regime is scrambling for a compromise formula that can resolve the conflicting — and seemingly irresistible — pressures bearing down on the Presidential palace. On the one hand, the International Monetary Fund and Egypt's Western creditors have refused to budge an inch on their demands for more of the very austerity measures that provoked the riots and strikes of last week. But on the other hand, Egypt's working class and unemployed masses in the cities — and the Nasserist and Communist networks that command their loyalty — cannot be expected to tolerate any further reductions in the already abysmal standards of living. As Sadat must know, no compromise exists to resolve this conflict.

With each passing hour, the crisis becomes more acute for Sadat, and his indecision is feeding the rumor mill. There are reports of a deeply split Egyptian military general staff, and the Egyptian population continues clamoring for a program of national action to give Egypt a direction.

Sadat's predicament — whether or not to break with the IMF — has thus potentially become a catalyst for the growing momentum of Western Europe, the socialist countries, and the Arab sector toward a new monetary system. A declaration of national economic emergency and an Egyptian debt moratorium directed at the IMF would provide a strong impetus for Arab, European and Soviet political action to topple the Dollar Empire.

The Egyptian crisis has terrified the neighboring Saudis, who are themselves split as to how to deal with the matter. At least one important section of the Royal Family is reportedly considering an opening toward the Soviet Union, and this group — which includes King Khalid himself — can be expected to back Sadat in a decision to cut Egypt's deadly ties with the IMF.

The entire Arab world, led by the oil-producing states, has become an integral part of the worldwide motion toward a new world economic order. A proliferation of trade deals, including oil-for-technology arrangements between Western Europe and the Arab world, is fast

creating a web linking all parts of the Mediterranean region. Hence, the case of Egypt has emerged as the most explosive problem for the pro-development alliance of the Mediterranean.

The triangular nature of the Mediterranean region's politics is obvious at a glance. While the Europeans seek "a dialogue" with the Arabs — the next meeting of the Arab-European Dialogue is set for Feb. 10 in Tunis — the Soviet Union is quietly acting to improve its formal economic ties with the Arab world as well, especially Iraq, Libya and Algeria, all of which have been approached to associate with Comecon, the socialist countries' economic union. Egypt and their Saudi bankrollers, are the lynchpin in these relationships, which is why so much hangs on Sadat's decisions in the next days.

Virtually the sole remaining stumbling block to a successful resolution of both the Egyptian crisis and the larger issue of a New World Economic Order is the dangerous relationship of Israel to the Palestine Question. As in 1967, the threat of an Arab-Israeli war is the chief bludgeon by which a U.S. Administration hopes to prevent the Arabs from leading a break with the U.S. dollar. The potential for such a disaster is reflected in Egypt's post-Nasser "Open Door" policy to the multinationals and the Rockefeller-controlled multinational oil corporations operating in Saudi Arabia.

The priority given to the Middle East crisis is evidenced by the fact that Secretary of State Cyrus Vance, West German Foreign Minister Hans Dietrich Genscher, French Foreign Minister Louis de Guiringaud, and UN Secretary-General Kurt Waldheim will each tour the Middle East in February.

The trip by Vance, announced this week by the Carter regime, has one purpose: To prevent a Geneva peace conference and dupe the Arabs into continued toleration of the step-by-step diplomacy started by Henry Kissinger. Israel, Jordan and Syria have already accepted this policy, and only Egypt and the Palestine Liberation Organization are hold-outs. Thus, the urgent tactical goal of the Vance tour will be to try to overcome Egyptian insistence on Geneva, and convince Sadat to abandon his support for the PLO. Egypt, which sees the PLO as an important vehicle for its foreign policy aims, including improved relations with the USSR, is not likely to drop such a strategic part of its policy.

Israel, under heavy pressure from Carter, has vir-

tually given up its earlier peace momentum under Prime Minister Rabin, who has capitulated — for the time being— to the war hawks led by Defense Minister Peres. This, thinks Vance, is his ace-in-the-hole in dealing with Egypt.

But without emergency aid to Egypt and a workable plan to reconstruct the shattered Egyptian economy, there looms a very real possibility that Sadat, and his "Open Door" policy, may no longer be sitting atop Egypt by the time Vance leaves Washington.

IMF Demands Could Trigger Egyptian Return to Nasser-Era Policy

Egypt, at the center of Middle East politics and finance is now on the verge of a social uprising unprecedented in the country's modern history. Veteran observers of the Egyptian scene are warning that last week's nationwide riots, provoked by the government's decision to implement International Monetary Fund demands to raise prices on vital commodities, are only the first shot in an explosion that could topple the pro-U.S. government of Anwar Sadat and-or bring Egypt back to the policies of its Nasser-era leadership of the Arab sector and the Third World. The same observers stress that it is the IMF itself which will light the fire on this powderkeg if it insists over the coming days that Sadat impose — in a cosmetically different form — a new set of austerity demands in return for badly needed credit from western capital markets.

The effect of the explosion has been to dramatically strengthen left and Nasserist forces in Egypt who support aligning Egypt with the European and Arab governments now moving rapidly toward creation of a new international monetary system based on gold and the Comecon Transferable Ruble as the new media of international exchange.

Former Planning Minister Ismail Sabri Abdallah, current head of the National Institute of Planning and member of the Nasserist National Progressive Union, called for a gold-based monetary system and blasted IMF Third World policy at an international conference of economists in Cairo earlier this month.

Following last week's outbreak of violence, National Progressive Union head Khaled Mohieddine told the Jan. 27 London *Times* that Egypt needs a "radical change," a "step-by-step" return to the policies of Nasser, and the strengthening of the role of the Soviet-built state sector in Egypt.

If Egypt does shift strongly into opposition to the IMF, this will doom the debt repayment strategy of Egypt's creditors, led by New York's Chase Manhattan bank. At the same time, because of the high stature of the late President Nasser among the non-aligned Third World nations, a shift back toward his policies is certain to catalyze rapid further steps toward a new framework for global economic relations.

On the other hand, should Sadat attempt to work out a new set of austerity arrangements with the IMF — plans for such a package are already being discussed — he is certain to face a repeat of last week's explosion. From all indications, last week's upsurge was well organized

and coordinated by a broad spectrum of left and Nasserist forces, notwithstanding the government's attempts to pin the blame on the Communists.

The consensus is that Sadat cannot survive such an explosion. His rule is already dangerously compromised in the wake of last week's use of the restive and deeply split army against demonstrators, an action so unpopular that *Al Ahram* itself printed an editorial declaring that the army must be used only for "national defense" and not against the population. Moreover, certain fundamental tenets of the Nasser years, including the primacy of national development and the maintenance of the living standards of the urban poor and working-class, are deeply held among the population. The declaration of the ending of subsidies was viewed by the Egyptian populace as virtually an act of treason against the 1952 "Egyptian Revolution" and everything it stands for.

The *Baltimore Sun* reports that Sadat, after intensive consultations with his closest advisers, has been on the verge of unveiling an "action program" for the economy, but that this has now been reduced to a series of homilies about what the government will *not* do. For the time being, the *Sun* states, Sadat is withholding *any* statement on the economy, further "disappointing" the population. An informed Washington source recently returned from Cairo expects Sadat to reverse his "open door policy" and replace it with a "closed door policy," a siege, austerity economy "independent" of the IMF and dependent on friends from the Gulf States. But this approach will tap the same anti-austerity rage demonstrated in last week's riots.

The Egyptian left-Nasserist forces have received support from both Western European and socialist sector forces. West Germany's *Frankfurter Rundschau*, which had earlier identified European technological assistance to build up the Egyptian "labor force and infrastructure" as the means to resolving the collapse of the Egyptian economy, on Jan. 24 identified the 1956 Suez crisis as one of Europe's landmark "mistakes" in dealing with the Arab world. The *Rundschau* demanded a sweeping policy re-orientation for the coming year. France's *Le Figaro* warned Jan. 24 of the ominous parallels between the current situation in Egypt and the 1954-56 period, when U.S. economic pressure resulted in the disastrous French-British confrontation with Egypt. This time around, *Le Figaro* urged, Egypt needs massive economic aid, without conditions.

The Soviets, for their part, have praised Nasser's "principled approach" in resisting John Foster Dulles' "economic dictates," and have identified the Egyptian industrialization policy which characterized Egyptian-Soviet ties under Nasser as the only legitimate process for the repayment of debt. A Jan. 26 *Pravda* commentary itemized the content of IMF arm-twisting of Egypt, and concluded that it is "unacceptable for Egypt in the present period, above all for political considerations" to give in to the IMF.

Unexpected, tight coordination of Nasserist-leftist cells was sharply in evidence in last week's demonstrations. With near-military precision, demonstrators in the key urban centers and several working-class suburbs simultaneously initiated mass action, chanting identical praise of Nasser and criticizing the current regime. These Nasserist networks, it is reliably reported, extend to the highest echelons of the Egyptian military, including the General Staff level.

The general population is heavily armed with material left over from old Arab-Israeli war stocks. According to *Events* magazine, 1200 heavy machine-guns were uncovered by authorities in one Egyptian village. Other sources report that there are whole regions in Egypt that are outside of Sadat's effective control.

Concessions to Leftists

Sadat has already made significant political concessions to Egyptian nationalist and leftist factions. Jan. 26, his brother-in-law, Mahmoud Abu Wafieh, was removed from his post as Secretary-General of the Arab Socialist Union. On the same day, Amin Hafez, attacked by the Soviets earlier this month for his close ties to the CIA, resigned from his post as Deputy Secretary-General of the Arab Socialist Union.

According to the Jan. 28 *Le Monde*, Egyptian Prime Minister Mamdouh Salem, the original architect of Sadat's "Open Door," is likely to resign in the near future. Lending greater credence to this possibility, the Italian Communist Party paper *Unita* the same day reported that Sadat is now viewing his Open Door policy as a disaster and is seriously considering reversing it.

Throughout the week, Sadat has come close to disavowing a campaign emanating from his own Interior Ministry, from right-wing religious circles, and from the editorial board of the daily *Al Akhbar* that has called for a national witch-hunt against "Communists" for allegedly leading the riots. Last weekend, Sadat told a Norwegian television audience, in comments picked up by West Germany's *Frankfurter Rundschau*, that it was not Communists who are to blame for the unrest, but rather Egypt's lack of agricultural output, industrial investment, and housing. Similar comments, with a less explicit appeal for aid in industrializing Egypt, were made in an interview Jan. 25 with France's *Le Monde*.

IMF Hard-Line

Although expressing awareness of Sadat's plight, the IMF is set on a no-compromise path of imposing harsh austerity policies in the Third World; Egypt, the IMF has made clear, is to be no exception.

Sadat received first-hand verification of this reality earlier this week when the IMF refused to meet Egyptian requests for a — pathetic in the circumstances — four-year 41 billion aid package. The refusal, embarrassingly for Sadat, followed reports in the semi-official *Al Ahrām*

newspaper that a visiting high-level IMF delegation was already committed to lending Egypt the money. Sadat had prepared an address to an expectant population for Jan. 27 on the basis of the hoped-for momentum created by the loan acquisition.

But in the actual IMF-Egyptian Economic Ministry negotiations, the Jan. 26 London *Times* reported, IMF delegation head John Gunter went no further than "appreciating" Egypt's economic plight and adamantly refused to confirm reports that the loan had gone through. The same night, Sadat cancelled his address to the nation, further discrediting his already shell-shocked regime.

The pro-IMF faction within Sadat's own corps of advisors is liberally represented in the government after the November-December formation of a new Cabinet. Its leader is Deputy-Premier Abdel-Moneim Kaissouny, whose pro-IMF proclivities had to be tightly reigned in by Nasser during his years of service under the late President in the latter 1950s.

Kaissouny at this moment is still fully committed to all the essential points of the IMF restructuring program. This week, in fact, he reached an accord with Gunter for the ending of Egypt's two-tier currency system. The new "single currency" system, the Jan. 25 *Financial Times* of London pointed out, would include cuts in "import subsidies." If ratified by Sadat, this agreement will provoke a replay of last weeks' riots, likely on a higher order of intensity.

The Jan. 26 *Journal of Commerce* reported that this and related measures are expected to go into effect by March 31 and that a meeting of Egypt's creditors, led by Chase Manhattan, that had been due to meet in March to "review" Egypt's economy, has now been postponed until April, after the "reforms" are already in place.

The IMF also has the support of factions and agents within Egypt who are linked to right-wing international intelligence networks of the Rockefellers. The same writers in *Akhbar*, who have been supporting IMF-style labor-intensive projects in Egypt, twin brothers Mustapha and Ali Amin, are now calling for a nationwide repression campaign against the left. Their calls have been echoed by members of the deeply-split *Al Ahrām* editorial board. Acting virtually autonomously, the Interior Ministry has in fact initiated a crackdown against Egyptian Communist Party, Egyptian Communist Labor Party, and other leftist cells, which has received blaring front-page play in the Egyptian press, even though it is widely recognized as diversion from the real sources of last week's protests.

Ordinarily, it would be expected that these rightists would be funded and mobilized by the Saudis and other Gulf states. This is likely the case now as in the past.

But a major question in the present international climate is whether a faction within Saudi Arabia, in order to stabilize Egypt, will wink at and even covertly encourage a minimal resurgence of Nasserist sentiment in Egypt. This possibility is suggested by reports that there is growing factionalization within the Saudi ruling family on the question of considering opening up diplomatic relations with the Soviet Union.

In the present circumstances, the IMF pressure may prove to be the final straw pushing Egypt of Euro-Arab monetary initiatives.

Soviets Analyze Egyptian Events: The Issue Is Industrialization

The Soviet Union was quick to respond officially to widespread reports in the West that underground communists were being blamed for the large demonstrations and clashes in Egypt last week. *Pravda* Jan. 22 carried an analysis by A. Vasilev of the "social roots" of the Egyptian crisis. The Soviet writer's observation was that such unrest is the lawful outcome of economic policies which prevent expansion of industrial investment in a country. In the case of Egypt, this is what the government's "Open Door" policy for the attraction of Western capital has done. Vasilev elaborated:

"It must be said first off, that the "open door" policy has as yet been unable in fact to attract any significant private capital investments, although a few state loans have been obtained. According to Ministry of Economics data, orders have been approved for approximately 400 million Egyptian pounds from private means, for 285 projects. But only one twentieth have been implemented."

Foreign banks have set up shop in Cairo:

"But they have not made a single major investment either. They merely seized the majority of monetary operations in the country."

Vasilev specified the World Bank (IBRD) as the chief culprit, leading the way in looting the Egyptian economy through loans with political strings attached. He detailed subsequent increasing demands from "foreign private capital", the devaluation of the Egyptian pound, and alterations in domestic labor and taxation policies. *Pravda* emphasized Egypt's deteriorated trade balance and its burgeoning debt to the West.

The Soviet paper addressed the issue of Egyptian debt to the Soviet Union as well, something much hue and cry has been raised about in Western publications. In this case too, industrialization is the issue:

"Egypt repays credits extended by the USSR by deliveries of its goods. Trade Minister Taufik has stated that if economic relations with the Soviet Union were disrupted, 300,000 people in Egypt would be out of work. Soviet-Egyptian cooperation projects help the growth of production in key branches of the economy, where foreign capital — private or state — does not want to go. It is important to note that all the facilities built with USSR aid are entirely the property of Egypt."

Pravda observed that the open unrest of the population is not the only manifestation of World Bank and IMF policies in Egypt. "...a part of the Egyptian national bourgeoisie has felt infringed upon and demanded changes in the "open door" policy. The reason for this is that the liberalization has been mainly to the advantage of speculators and parasitical circles."

Further indication of the kind of pressure the Soviet Union is applying to Anwar Sadat's government came in the weekly *Literaturnaya Gazeta* on Jan. 19. The paper lambasted Sadat's toying with the question of peace in the Middle East by priding himself on being party to the

"step-by-step" Sinai agreement of Henry Kissinger. *Literaturnaya Gazeta* pointed out that Egypt today faces a challenge similar to that Gamel Nasser faced 20 years ago:

"Just as during the Suez crisis, when the U.S., attempting to exert political pressure on President Nasser, negotiated about 'step-by-step financing' of the Aswan dam, so today Egypt is dealing with a tactic pursuing the same goal: to drag the country into the orbit of Western policies and force degrading conditions of peace with Israel on it and prevent its cooperation with the socialist countries..."

The Observer:

"The Shadow of Revolution Lay Over Egypt"

The following is excerpted from an article written from Cairo by Gavin Young of the British daily, The Observer which appeared Jan. 23.

The long-suffering poor of Egypt last week rose up and shook President Sadat's bourgeois society until its teeth rattled.

The shadow of revolution lay over Egypt for at least two days. Things were quiet here yesterday, but it was the strange quiet that follows the bursting of a bomb... Police say they have seized a plan, drawn up by a secret organization called the "Communist Labor Party" to burn down Cairo and various installations. The Government is inveighing against "an organised Communist campaign of sabotage and destruction"... If the communists continue to be blamed for this popular revolt, they will reap much undeserved benefit. The people will congratulate them. Sadat is now huddled with his advisers. He may make a public statement today or tomorrow. If he continues to blame the Communists without recognizing the real social discontent, the future for Egypt will be perilously unsettled.

Events:

Egypt's Deep Social Problems Must Be Solved

The following is excerpted from an article in the latest issue of the Lebanese magazine Events.

...One of the major problems is the amount of weaponry spread amongst the general Egyptian population. Police and security services are using outdated inefficient equipment while rival gangs have some of the best light weaponry on the market. These armaments have been dispersed during Egypt's recent wars... The Egyptian government is urgently discussing possible solutions to the situation, but it is doubtful

whether a mere tightening of security will be sufficient. There is obviously a need for solutions to deep social problems. Egypt's new democracy will not survive if people cannot live without a shadow of fear hanging over them.

Another article in Events titled "Egypt: on the brink of a disastrous explosion," states that "What happened in Egypt last week is a totally different matter. It is no longer a question of letting off steam or sporadic anger. This time it is tantamount to a national revolt; a revolt against the way in which Egypt is being run, and the price Egyptians are having to pay to make ends meet... Egypt has an ever-increasing left-wing force that is flourishing in the present atmosphere of discontent.

Baltimore Sun:

Sadat on the Defensive

The following is excerpted from an article written from Cairo in the Baltimore Sun of Jan. 27.

President Anwar Sadat's attempts to recover the political momentum after last week's food riots here appear to be faltering badly.

The president and his advisers have not been able to put together a new economic strategy, and Mr. Sadat was forced to cancel an already much delayed address to nation last night to give him more time to develop a new program.

Earlier he yielded to demands that his brother-in-law Mahmoud Abu Wafieh be fired as secretary general of the centrist Arab Socialist party — the first political casualty of the riots. Government authorities, meanwhile, have expanded their charges that alleged Communists and other leftists were responsible for inciting many of the disturbances, which spread throughout the country after the government increased prices of food and other basic commodities.... But the crackdown on the suspected Communists and other leftists, though many were undoubtedly involved in the three days of disturbances, is viewed by many Egyptian and foreign political observers here as an effort to divert attention from the government's failure so far to redress the basic grievances of the poor workers and peasants except to suspend the austerity program and price increases.

President Sadat held lengthy consultations over the weekend with top advisers and government officials, but the only concrete decisions emerging from them — no new austerity measures that would make poor poorer and no reduction of the new political freedom here — were anticipated.

What Egyptians are waiting for now is what one newspaper columnist called "an action program," but Sadat's options are limited.

Economically, his only hope of salvaging his five-year development program which would have brought Egypt to the brink of real growth is large infusions of cash most probably from Saudi Arabia and other oil-rich Arab countries, but so far he has only promises of more aid — and rather under strict conditions being insisted upon by the IMF...

The following is excerpted from Le Figaro, Jan. 24:

History always repeats itself in a certain way. In Cairo today, people have the impression they are back in 1954, 55, 56 when John Foster Dulles was enough of a bad politician to refuse the arms and money the young Nasser was requesting. Nasser was only a petit-bourgeois nationalist. He had forewarned the U.S. ambassadors of his coup d'état intentions. He did not want to make a revolution. But Dulles forced him to call on the Soviets. Today, if the Western world does not understand Sadat's desperate appeals, Egypt may once again tip over to the other side. Nasser had been able to turn to Moscow. Sadat will refuse to do so, but he will be swept away by some unknown figure, much more dangerous than Nasser ever was. Let us not forget either that Sadat is the man of peace in the Middle East.

The rich Gulf countries seem to have understood the situation. Saudi Arabia's King Khalid has informed Sadat that he could count on him. Sadat needs \$20 billion over the coming five years. He has been saying so for three years...

Khaled Mohieddine Calls for Return to Policy of Nasser

Following is a Jan. 27 interview with National Progressive Union Party head Khaled Mohieddine.

The present regime is in need of a radical change. If President Sadat does not take a lesson from the events of Jan. 18 and 19, it will be very bad for the future of Egypt.

The real meaning of the troubles is that the present government policy has failed. We have to go back step-by-step to the policy of Gamal Abdel Nasser. The gap between rich and poor is increasing and at present there is no possibility of economic development or social justice in Egypt...

We should stop trying to liberalize the economy. The role of the state has got to increase, not diminish. In any underdeveloped country, there is no chance for the people to progress unless the role of the state in supervising the economy is strengthened. Last week showed the failure of the Government's policies.

No one knows who's responsible, but it was not the left. The government knows that very well. They are not trying to find the cause of the problem.

The Generals Are Very Dissatisfied With Sadat

The following is a Jan. 27 interview with a former U.S. State Department official in Middle East affairs.

Q: Two months ago, you said that Egyptian President Sadat will have serious problems with the army if unrest broke out among the population. What is your evaluation for the present situation?

A: The Egyptian situation has followed a terrible trend for many years. If the International Monetary Fund decides to push its austerity programs, the country will have to pay the price. The country's collapse will be imminent, and I mean the country's collapse, not Sadat's government.

Q: What about the army; you always seem to believe that the army will overthrow Sadat?

A: I was very surprised that Sadat handled the situation so well with the Security Forces. When I learned that the Security Forces were engaged in battles with the demonstrators, I was positive that was the end of him.

Q: What is the exact opposition to Sadat from the army?

A: As I told you before, there is a great split among the generals in the Security Forces. They are very dissatisfied with Sadat's policies, because they have lost their bargaining power with the Saudis and the IMF. Before Sadat's moves towards the West, the Egyptian army always had the upper hand in Middle East politics, and especially towards Saudi Arabia. From the time that Sadat decided to go along with Kissinger, the Saudis have had Egypt in their pocket. The only bargaining position that Egypt has now is its imminent collapse.

"Sadat Needs External Aid"

The following is a Jan. 27 interview with a professor from the Georgetown University who was a recent visitor to Cairo.

Q: What is next for Egypt?

A: In my estimation, Sadat must work towards a comprehensive program, which will be called a "closed-door-policy" against higher prices. Sadat must now think about a very strategic program as to how he will get external aid. I don't think that he has any more hopes with the IMF; I think his direction will be towards the Arab oil producing countries, but the key country is Saudi Arabia. The question is, are the Saudis ready to bail him out.

Chase Manhattan:

"The Riots Were More Intense Than Anybody Expected"

The following is a Jan. 27 interview with a highly-placed Middle East officer with the Chase Manhattan bank.

Q: Where do things go from here in Egypt?

A: It all depends on what potential lenders to Egypt are going to do. Sadat's room to maneuver has been sorely restricted; the riots were more intense than anybody expected; they were general throughout the country. He will have to put off price rises for a while. Maybe this whole episode has convinced the IMF that he needs help. There is an unconfirmed report that the IMF has lent Egypt money. But Sadat has to do something other than raise prices. What he can do I just don't know. Something has got to give. We have to see if the Gulf States will give him money; this is likely. The Saudis have a lot to lose from a radical takeover. In fact, I could never understand why the Saudis didn't give him more money. Sadat is trying to get the message across.

Q: Do you think this week will lead to a possible moratorium, or rescheduling on debt?

A: Efforts to try to reschedule the debt have so far not been successful, and strangely, this talk has dropped off. It's awfully tight. And what bothers me is how spontaneous the riots were throughout the country.

Q: Do you think Carter is now going to funnel aid into Egypt?

A: I don't look for much from the Carter Administration. Possibilities do exist however from the Gulf countries. It's got to be another \$1 billion at least for Sadat for the short term; he is going to need \$2 billion.

Europe, Arabs, Comecon Seek New Monetary System

The meeting of the Euro-Arab Dialogue, scheduled to convene in Tunis on Feb. 10, will launch "a new period of achievement," in the words of *Events* magazine. The meeting's focus will be economic co-development and it will climax a whole series of meetings and initiatives which have been taking place between Arab, European, and Soviet representatives to clear the way for a new monetary system.

Reflecting the growing momentum away from the dollar, former Egyptian Planning Minister Ismail Sabri Abdalla, currently the director of Egypt's National Planning Institute, issued a call this week for a new monetary system linked to gold, to replace the International Monetary Fund and World Bank, issuing long-term credits for the developing sector. Saudi Arabian King Khalid, in direct opposition to the pro-U.S. faction around Prince Fahd, issued unprecedented recognition this week of the Soviet Union's support for the Arab world, noting that "we cannot ignore" the Soviet Union's greatness.

Khaled's statements (see below) coincides with Soviet overtures to Iraq, Algeria, and Libya to associate themselves with the USSR and Comecon to form a progressive cartel "because OPEC today is being subjected to pressure and trends from within that are not acceptable to the organization's progressive measures." In addition, Kuwait will make an announcement in the near future on its plans to purchase several hundred million dollars worth of arms from the Soviet Union, a deal that is receiving the backing of the Saudis.

Meanwhile, ties between the Arab World and Western Europe are strengthening. Italy's state-owned oil company ENI is in the process of creating a branch company especially designed for comprehensive trade arrangements with the Arabs and Eastern Europe, and recently signed a contract to build chemical fertilizer plants in Saudi Arabia. As part of Italy's drive to broaden ties with the oil-producing states, Montedison representative Ratti arrived this week in Saudi Arabia, to be followed soon by Foreign Trade Minister Ossola.

Japan is forming a state-owned oil company modeled on ENI for dealings with the Arab world. Following talks this week between Japan and Iraq, Japan has agreed to loan Iraq \$1 billion at low interest rates while Mitsubishi has been awarded a \$371 million contract to build a power station in Iraq.

Former Egyptian Minister Calls for Int'l Gold-Backed Reserve Currency

On Jan. 14-17, the French magazine, Political and Parliamentary Review, headed by Jacques Riboud and the Egyptian Society for Political Economy, Statistics and Legislation sponsored a Franco-Egyptian monetary colloquium in Cairo, Egypt. The following excerpts are taken from Le Monde correspondent Paul Fabra's Jan. 25 report on the presentation to the colloquium made by former Egyptian Planning Minister Ismail Sabri Abdalla.

(M. Abdalla's) opening point is the unadaptability of the current monetary system, such as it is applied by the International Monetary Fund, to the needs of the developing countries. ...The International Monetary Fund, from which the Group of 77 developing countries could withdraw without great damage according to M. Abdalla, persists in its desire to apply remedies to the Third World which were conceived for other illnesses. A classical example: to demand a currency devaluation under the pretext that the exchange rate of the national currency is unrealistic. The effects which one anticipates from a devaluation in the developed countries are rarely realized in the developing countries where exports and imports for the most part are fixed in the medium term. On the other hand, the rise in cost of capital and intermediary goods affects production costs and thus hampers exports rather than stimulating them. The same phenomenon affects wages in cases where the country imports a substantial part of its alimentary products.

Another example: to demand the alignment of internal prices with world prices and suppression of any subsidies. In our countries where the trade union movement is still weak and has effectively organized only a very restricted element of the working class, wages will not follow the sudden rise in prices and the most deprived masses will see their misery increase with all that this means in terms of political and social ferment...

...Also in the proposals which (M. Abdalla) made on "a revamping of the international monetary system," he declared himself in line with "a certain number of fundamental principles which seem sufficiently orthodox, if not classical, to have a reasonable chance of being accepted by the international community."...The speaker called for the constitution of an international bank destined to replace the International Monetary Fund and charged with the creation of an international currency which would not be the Special Drawing Rights (SDR). According to the speaker (M. Abdalla), "it is obvious that the SDRs cannot play the role of an international

currency" namely because the terms of their emission result from "a sort of vicious circle" and also because the rules governing emission place the creation of SDRs "at the discretion of great powers."

On the contrary, the currency proposed by M. Sabri Abdalla should have "a minimum gold cover", because he added, "I am persuaded that the complete demonetisation of gold (as proposed by the IMF —ed.) is a little premature with regard to international payments." Another idea worth consideration: the proposed international bank would only grant short term advanced to developed countries "to finance occasional deficits" while the developing countries could benefit from medium term loans. This proposal seems reasonable to us, because if the developed countries are willing to proceed with a true reform of the international monetary system, they should at the same time be able to eliminate the deficits between each other...

'Middle East Checks Out Bullion Market'

The following excerpted article is printed in the Jan. 28, 1977 issue of the Lebanese magazine Events.

The appearance of a representative from the Dubai-based Bank of Oman at a gold auction in Washington last week...further bolstered rumours among Western gold investors and speculators that the Arab financial institutions are considering swapping dollars for large quantities of bullion...

Some forecasters of trends in the gold market...remain convinced that Middle East oil money will soon be used to buy up large amounts of gold. One major reason is that gold is becoming an increasingly attractive investment which Middle East financial institutions will find hard to resist. Between September and December last year the price of gold rose from \$100 to \$135 per ounce.

Also, the options open to investors of oil money are narrowing. Gold could become an attractive alternative to the U.S. dollar. No wonder former U.S. Treasury Secretary William Simon has warned Arab governments that the purchase of gold would be regarded as an unfriendly act.

Khalid In Shift On Soviets

L'Humanite, the newspaper of the French Communists reported the following Jan. 25.

...King Khalid, whose country has no diplomatic relations with the USSR and the Socialist countries, noted "in favor" of the Soviet Union, that it has supplied arms to the Arab countries when the West refused them. "It (the Soviet Union) is a great country, we can't ignore that fact," he said, expressing a current of opinion which wants to be more "realistic" than that led by Prince Fahd, who has been presented by the Western Press as the "strong man" of the regime. Let us recall that, in December, Sheikh Yamani, the oil minister, stated that his country would not tolerate the presence of Communists in the French and Italian governments.

“Kuwait: Diversified Armaments”

The following is a full translation of an article appearing in the Jan. 24 issue of the French-language weekly Afrique-Asie:

Kuwait, following the example of other Arab states, wants, it would seem, to diversify its sources of arms supplies. This is paradoxically translated — at a time when an institutional crisis has reinforced the pro-Saudi pressure groups — by a discrete opening in the direction of the Soviet Union. The Dec. 1974 visit to Moscow of the Kuwaiti Foreign Minister had started this operation. According to certain rumors, the results of these negotiations may soon be made public. In question would be an order worth several hundreds of millions of dollars which would have received the benediction of Saudi Arabia itself.

This ‘turn-around’ is all the more surprising in that Saudi Arabia would have at the last minute aborted, last year, the agreement between Jordania and the USSR for the supply of arms.

Several reasons are being put forward:

— firstly, for Kuwait what is important is the quality of the arms and not their quantity, given the narrowness of its territory. Thus, it is particularly interested in Soviet missiles, in particular the Sam 6 and Sam 7 which showed their efficiency during the 1973 war;

— the second reason would be that the United States has not shown any particular hurry to satisfy the Kuwaiti needs in arms. The initiative towards the USSR is aimed at putting pressure on Washington;

— the third reason, finally, is that the USSR could be called on to play a mediating role in the border conflict which seems again to emerge between Kuwait and Iraq.

New Oil Alliance?

The following was reported in the Jan. 25 Journal of Commerce.

A UPI release reports that the Soviets have approached a number of Arab members of OPEC to form a separate oil cartel with East Europe and Moscow, according to the *Kuwait Times*. Among the countries approached are Algeria, Iraq and Libya. The *Kuwait Times* writes that “the justification for the new oil cartel is that OPEC today (according to the Soviets) is subjected to pressure and trends from within that are not acceptable to the organization’s progressive members...The main objective of the Soviet Union is to bring about a new grouping which could guide the world oil industry into prograssive directions and would place the oil producing countries under direct Soviet influence.” The Soviets reportedly do not object to the “continued membership of the Arab countries in OPEC as it stands today.”

‘A New Phase In Euro-Arab Dialogue’

The following is excerpted from an article which appeared in Events magazine, Jan. 28.

The Euro-Arab dialogue — the link established between the European Community and countries of the Arab League — is approaching a watershed. Whether or not the dialogue moves forward into a major new phase is likely to be determined by the second meeting of the dialogue’s joint negotiating committee. The hope is that the studies will end and a new period of achievement will begin following the meeting due to be held in Tunis on February 10...

...Apart from politics, three major subjects will be discussed in Tunis: the problems of financing joint projects, commercial relations and the transfer of technology.

Among subjects to be discussed is an international joint convention on the protection of foreign investment...In Brussels it is believed that agreement on such a convention could lead to a significant increase in investment by European countries in Arab countries...

So far, the greatest progress within the whole Euro-Arab dialogue has been made in the field of agricultural cooperation. The Tunis meeting will review at least three pilot schemes — in Somalia, Iraq, and Sudan — and the extent to which they can help to reduce the massive agricultural deficit of the Arab world as a whole. Among other matters on the Tunis agenda will be joint projects for the improvement of certain Arab port facilities where bottlenecks are currently causing problems. Two such projects are already under way in Syria and Egypt.

In addition, the European side is interested in discussing the chances of cooperation in oil refining. The Arab side is also interested in talking about the prospects for cooperation in aviation, solar energy and radiation protection...

U.S. ‘Hasn’t Convinced’ Arabs

The following is excerpted from a Frankfurter Rundschau editorial by Karl Grobe Jan. 24 calling for closer Euro-Arab cooperation:

European arrogance once let Britain and France stumble into the Suez war in 1956...And after 1973 European efforts to open up relations with Arab nationalist states dissolved, leaving the field open for the U.S. to establish the illusion of a U.S.-European axis as the only real thing. But the mere propagation of the advantages of the free market economy by the U.S. hasn’t convinced Arabs in the southern Mediterranean...That means that one must keep in view the conflict of interests across the Atlantic going on at this time.”

French-Saudis Agree on Need for Middle East Settlement ; Open Way for Substantial Trade

French President Valery Giscard d'Estaing's four day trip to Saudi Arabia on Jan. 22-25 marked an important step forward toward the negotiation of a global Middle East settlement within the coming year. Both parties, led by Saudi King Khalid and the French President, fully endorsed the need to bring the longstanding Middle East conflict to an end "without delay." This general political statement of agreement on the need for peace in the Middle East set the tone for the negotiation of sizeable foreign trade deals between the two countries, which could be rapidly extended in the coming months.

By agreeing to push for a rapid solution to the Middle East conflict, the Saudis and the French have, in the words of the London Times journalist Paul Martin, thrown a direct "challenge to the Carter Administration" to cease stalling on this issue; they have simultaneously laid the basis for Europe to play a much greater role in getting the peace settlement off the ground.

King Khalid himself took the lead in shaping the political discussions during Giscard's trip in his interview to Agence France Presse on Jan. 23. During the interview Khalid called on France to play an "imminent role" in rallying the rest of Western Europe to publicly support a global settlement, including mutual recognition of the legitimate rights of the Palestinians. As part of Khalid's effort to directly involve France in the organization and conduct of the peace settlement, the Saudi King suggested France should participate in a Geneva conference.

Giscard, faced with a tough political battle back home, could not afford politically to leave Riyadh empty-handed. He at the very least met Khalid more than halfway by declaring to the press shortly before his

departure from Saudi Arabia on Jan. 25 that "there is no reason for the Geneva conference participants to believe that the chances will be better in the future...than they are now." Although Giscard vetoed immediate French participation in Geneva discussions, he left the door open for a future seat by stating that if at some point France's presence was deemed "desirable" she would certainly attend.

The final joint communique released on Jan. 25 also reflects a parallel concern on the part of the Saudis and the French for the evolution of the international economic situation. Both delegations renewed their commitment to work for a "more equitable and rational new world economic order, which they esteem to be indispensable to international peace and stability." One aspect of this effort was recognized to be the extension in depth of the Euro-Arab dialogue.

The very positive political tone of the Giscard-Khalid meetings have already borne fruit through the negotiation of a series of preliminary trade deals. In addition to concluding contracts with the French nationalized oil companies Elf-Erap and CFP to increase imports of low-priced Saudi oil to 42 million tons over the next three years, agreement was reached on the construction by the French of a nuclear energy research center in Dharan, Saudi Arabia. At this point, it also appears that Saudi financing of a multibillion franc British-French armaments industry in Egypt has been assured, while discussions are still underway for a 3.5 billion franc housing construction program with the French. At least one report has suggested that plans may be afoot to reconstruct the devastated city of Beirut, Lebanon using French technology and Saudi money.

Cyprus Issue To Be Settled "NATO's Way"?

A week before his inauguration, Jimmy Carter announced that one of the focal points of his foreign policy would be the Cyprus question. Indeed Carter did not even wait until his formal assumption of power: the Turkish forces who are occupying 40 per cent of the Island quickly stepped up the expulsion of the Greek Cypriots from Turkish controlled territory — an act which has rapidly increased the tension on Cyprus to an extreme point. Just how Carter plans to "deal" with the issue of Cyprus has been explicitly described by the Communist press of Greece and Cyprus.

Rizospastis (newspaper of the Greek Communist Party — KKE), Jan. 16:

Multisided conspiracy — encouraged by the position of Karamanlis' government — is being presently carried

out by the American imperialists through the "mediation" of the EEC in order to impose the NATO partition "solution" on Cyprus. As our correspondent reports from Nicosia and as it is now confirmed by NATO circles, the aim of Carter's "initiative" around Cyprus is the Americanization of the British bases there and to ensure U.S. military presence on the island.

The BBC reportedly revealed that "there may be a shift in the dominance over the bases and in the orientation of their purposes," adding that the exchange of a "just" (NATO) solution of Cyprus "may be the American presence in Cyprus instead of the British."

... Observers of the related developments note, in parallel, that the intensive activities of the Atlanticists around Cyprus and around the "suspended issues" on the southeastern flank of NATO will enter a new, decisive

phase immediately after the official inauguration of Carter.

In this respect, the tour of the new Vice President Mondale in Western Europe January 23, has been characterized as very significant... as Carter himself stated its aim is the better "conceptualization" of common policies for the "settlement" of problems, among which the Cyprus issue and the Greek-Turkish relations are a focal point.

The possibility of another tour to Ankara, Nicosia and Athens, for the same purposes, by the U.S. Secretary of State Cyrus Vance is also reported, while unconfirmed press reports indicate that Carter will invite the Prime Ministers of Greece and Turkey to Washington to "settle" their differences.

Also notable is Carter's announcement that he will very soon send a delegation to Athens, Ankara, and Nicosia to submit "new ideas and proposals" from the American government.

Rizospastis, Jan. 14:

The General Secretary of AKEL (the Cypriot Communist Party) Comrade Ezekias Papaioannou, addressing yesterday's Parliament meeting... warned the Cypriot people that "many and various factors impose or are prepared to impose pressure and solutions which are against the interests of the people of Cyprus, both Greeks and Turks. The most reactionary NATO circles are again plotting new anti-Cypriot plans... We also may have new assassination attempts against President Makarios and against other democratic leaders. The dangers of a new adventure are not to be excluded."

Alekos Mihailidis, Parliament representative of the Democratic Party, headed by Spyros Kypriannou, warned of the danger of another coup in Cyprus.

Rizospastis, Jan. 18:

While in two days Jimmy Carter will be officially the new President of the United States, Washington and its Western partners in NATO and EEC are escalating their activities for... the final imposition of their "new" partition plans against Cyprus.

It is now certain that this multi-sided imperialist conspiracy is directly connected with the present tour of Cypriot pro-NATO politician Glafkos Clerides in Europe and the USA for "consultations."

...Political observers in Athens consider that the purpose of Clerides' stop in Athens is to pave the way for the "new ideas" around the Cyprus issue that Cyrus Vance will deliver in his slated visit to Athens (as well as Ankara and Nicosia.)

Prensa Latina, Jan. 19:

According to Haravgi (the newspaper of the Cypriot Communist Party, AKEL) Great Britain is being pressured by NATO to give up its bases on Cyprus. The paper added that imperialism believes that this is the opportune time to realize its old plans to convert the island into an atomic trampoline. There are no doubts that the visits of several official persons from the U.S., West Germany and Britain to Cyprus are tied up with the strategic plans of NATO to impose a solution on the Cypriot people.

New Peace Initiatives

Jan. 28 — During the past few days, a major initiative from President Makarios, with the backing of the Soviet Union, has sought to preempt Carter's plans. On Jan. 27 Makarios and Turkish Cypriot community leader Rauf Denktash held a meeting in Cyprus for the first time since the occupation of the island by the Turkish forces in 1974. The meeting was described by both leaders as a breakthrough. Makarios apparently convinced the Turks to withdraw from a substantial part of that portion of the island now occupied by the Turkish army. The Turkish government has announced the withdrawal of 1,000 troops from the island itself. More importantly, according to a Cypriot diplomat, Makarios won a political concession from the Turkish side on the need for a strong federal government in Cyprus. This is a major change of the Turkish position.

According to Greek press reports, the Soviet ambassador to Cyprus held a meeting with the Turkish leader Denktash just before the Makarios-Denktash meeting. Simultaneously Makarios sent Akel's Papaioannou to Athens to organize Greek political backing for this policy "as a counterbalance to the initiatives and pressures of the Carter Administration." Makarios also moved against Cypriot right-wing terrorist networks, and opened up an investigation in parliament into the activities of the National Guard officials who are suspected of involvement in the 1974 coup against Makarios.

Smith Rejection of British Proposals Puts Southern Africa on War Footing

Rhodesian Prime Minister Ian Smith this week rejected the British Government's proposals for the basis on which to continue negotiations for the transition to majority rule in that country. Smith's rejection insures the collapse of the Geneva conference on Rhodesia.

Smith will soon announce that he intends to start negotiations to implement the so-called "Kissinger plan" with his own choice of black Rhodesian representatives, according to a source close to the Trilateral Commission. The source added that Smith's action will create a crisis in southern Africa, one which will give the Carter Administration the opportunity to "face down" the Soviet Union and Cuba in that region. Negotiating partners previously mentioned by Rhodesian officials include the leaders of ZUPO, primarily tribal chiefs on the Rhodesian government payroll, and Bishop Abel Muzorewa, who was recently denied further support from the five front-line states when they swung their unanimous support behind the Patriotic Front alliance between Joshua Nkomo and Robert Mugabe.

Smith is now preparing for an escalation in the Rhodesian war. When he rejected the British proposal for resuming negotiations, Smith asserted: "The (Rhodesian) government is at this moment implementing measures to increase our fighting effort. There are additional plans in the pipeline, and speaking in general terms, a new and tougher line is being considered for our security effort." Smith added: "The interest and participation of the U.S. is something worth retaining."

British Foreign Secretary Anthony Crosland warned Smith of the "calamitous consequences" of his rejection, a view shared by other Western European leaders. Throughout his diplomatic tour during the last month in southern Africa, British Geneva conference Chairman Richard had been consistently warning of a war worse than World War II if the Geneva conference is not reconvened and the crisis resolved peacefully.

The Smith rejection came only days after British business circles and pro-British circles in South Africa had pressured South African Prime Minister John Vorster into promising not to intervene militarily in Rhodesia and into lending his support to the British initiatives generally, if only as a maneuver to stall for time. The *London Times* characterized Smith's move as a "coup d'état" against Vorster.

While the British Government and press universally lambasted Smith's action and placed the sole blame for

the Geneva conference failure on his shoulders, newly-appointed United Nations Representative and Trilateral Commission member Andrew Young blamed the "fatigue" of British envoy Ivor Richard for the collapse, according to the *Washington Post* Jan. 26, and further stated that the United States does not accept the front-line states rejection of long-time agent Muzorewa and his partner, the Rev. Mr. Ndabaningi Sithole. Young has previously gone on record as believing that the U.S. should intervene into the affairs of black African states as well as those of the white minority ruled countries, and that the primary question in southern Africa is the purported Communist menace.

Young is leaving next week on a trip to front-line state Tanzania where he will meet with several African organizations and leaders, before going to Nigeria. He will attempt to carry out the Carter Administration policy of isolating the Patriotic Front and splitting up the front-line states. There are also reports that Young would welcome an opportunity to meet Vorster and Smith, although these meetings have not been confirmed.

Underlining the Rhodesian government's determination to start a full-scale war, assassins this week succeeded in killing Mr. Jason Moyo, the chief military advisor of Joshua Nkomo's organization, while Rhodesian police arrested the Rev. Mr. Canaan Banana, a leader of Robert Mugabe's faction inside Rhodesia.

Responding to such provocations and to the continued Rhodesian raids into neighboring Mozambique, the Secretary General of the Organization of African Unity, Mr. William Eteki Mboumoua, proposed the creation of a pan-African military force to be stationed in the front-line states as a deterrent to further Rhodesian aggression.

Evans and Novak Back Smith

The following are excerpts from the Evans and Novak column appearing in the Washington Post Jan. 28:

While the Western democracies join in an orgy of recrimination against white leader Ian Smith for blocking peaceful settlement in Rhodesia, the present tragic impasse can be traced to an incendiary speech last fall that made clear black refusal to abide by the terms negotiated by Dr. Henry Kissinger.

The speech by Robert Mugabe, ostensible political

leader of Rhodesia's most powerful black guerilla forces, was delivered to his guerilla chieftains last September before the Geneva conference even started. He flatly forecast that Geneva would never produce a plan peacefully converting white-ruled Rhodesia into a new black majority nation. His words dripped with hostility for what he called the "Kissinger-British" peace plan.

Smith, prime minister of the white regime, in fact has been considerably more faithful to Kissinger's compromise than Mugabe and other nationalist leaders. To join the present browbeating of Smith by the British will not ease the Carter administration's apparent helplessness in the face of growing Soviet-backed guerilla war in Rhodesia...

Ironically, then, the post-Geneva record shows that Mugabe's "friends" also include many Western politicians, headed by chief British negotiator Ivor Richard, who are now flaying Smith as responsible for the collapse of Geneva.

Granted that Smith is a political anachronism who represents a tiny fraction of his country's 6 million population, it was not Smith who torpedoed the Geneva conference. "On balance," one of the best informed Western diplomats told us. "the responsibility was more the blacks' than it was Smith's."

Smith's grievous fault was not torpedoing Geneva, where his representatives never departed from the basic settlement formula Smith agreed to with Kissinger....

Without a threat of force or arms, the United States can do nothing on behalf of more moderate black nationalists....

Now, with Mugabe's guerrilla leaders plotting a repeat of Angola in far more strategically important Rhodesia, the Western position in southern Africa has dropped into an abyss. Climbing out of that abyss will not be made easier by political posturing against the unfortunate Ian Smith.

'The Outlines of a Policy'

The excerpts below are from a Washington Post editorial on southern Africa Jan. 26.

Suddenly, if not unexpectedly, the makings of a major crisis in southern Africa have been dumped into the new administration's lap. ... The outlines ... of a policy of the Carter administration's own were disclosed yesterday by Ambassador to the United Nations Andrew Young.

Attributing Britain's announcement (of the collapse of the Geneva negotiations—ed.) to its ambassador's "fatigue" Mr. Young said the parties still had enough common interest to push towards a negotiated settlement. ... At the same time, Mr. Young made clear that the United States does not accept the African front-line states' recognition of the "Patriotic Front" (the Mugabe-Nkomo alliance—ed.) which includes the guerrillas, as in effect the coming government of Zimbabwe (Rhodesia)....

What is unclear is whether the Carter administration will press something like the original Kissinger plan, which Ian Smith broadly accepted, or the later British proposals, which were devised to satisfy the front line states when forces in the Patriotic Front rejected the

Kissinger plan. ... Mr. Smith's argument is that since he has accepted the essentials of the Kissinger plan, the United States cannot let him down.

Smith Held Responsible for Collapse of Talks

The London Times covered Ian Smith's rejection of the British peace proposal in an article Jan. 25 by reporter Michael Knipe in Salisbury, Rhodesia. Excerpts appear below.

In effect, Mr. Smith, the Rhodesian Prime Minister, made a second unilateral declaration of independence today when he refused even to negotiate on the British proposals for an interim government prior to majority rule....

If the British efforts to bring Mr. Smith back to the Geneva conference table had one basic flaw, it was in presuming that Mr. Smith was a rational and reasonable leader. Mr. Richard operated from the assumption that if there was any chance of producing a reasonable settlement, a responsible leader would grasp it. The fault in his premise was the assumption that white Rhodesians want the war to end at all costs.

(Knipe adds that white Rhodesian population is polarized sharply over Smith's declaration, with 25 per cent thinking him insane and 75 per cent as insane as he is.—ed.)

The whites here who opposed UDI (Smith's 1965 Unilateral Declaration of Independence—ed.) ... and who dearly want a settlement, have reacted with shocked incredulity today to Mr. Smith's decision.... In Cecil Square today, one man reacted with numb dismay. "How can he do this? ... I can't believe it. I'm beginning to think he's crazy."

In his broadcast (to the nation, rejecting the British proposals) Mr. Smith said the British proposals called for "immediate black rule which would be imposed from the outside" and that it would "in no sense be an elected Government." This is simply not the case.

The proposals involve free elections prior to independence. It is Mr. Smith who has so far refused even to contemplate any form of national, all-race elections....

For the West, the crucial question now is whether to make further attempts to reason with Mr. Smith or whether to take sides in the guerrilla conflict. Mr. Smith is openly hoping to win the support of the United States.

British House of Commons Debate on Rhodesia

The following excerpts are of the British House of Commons debate in Rhodesia as reported in the London Times Jan. 27. The paragraphs in parentheses are summaries of the debate report.

(Foreign Secretary Crosland reported that it was with a deep sense of disappointment that the government learned yesterday that Mr. Smith, *alone of the parties* had rejected the ideas which the Government had put to him, even as a basis for further negotiation.)

As I told the House on December 14, I authorized Mr.

Richard to adjourn the Geneva conference and to undertake consultations in southern Africa with a view to laying the foundations for an agreement on an interim government.

In particular, I asked him to develop with the parties some new and positive ideas, including our ideas on the direct role which Britain would be ready to play in the transitional period.

Following Mr. Richard's first round on consultations, we set out what we had in mind in a document which was given to each of the Geneva delegations, the four African front line presidents and Mr. Vorster.

The suggestions in the paper did not constitute a cut and dried British plan, nor were they presented on a 'take it or leave it' basis. They were intended to provide a serious and detailed basis for negotiations, and were open to amendment and modification in the light of those negotiations....

They were designed to meet the concern of the nationalists that the transfer to majority rule should be rapid and irreversible and of the white Rhodesians that it should be peaceful and orderly....

It is therefore with a deep sense of disappointment that we learnt yesterday that Mr. Smith alone of the parties, had rejected the ideas which we have put to him, even as a basis for further negotiations. Mr. Smith claims to have left the door open for further negotiations by expressing his readiness to implement the "Five points" put to him by Dr. Kissinger in September last year.

But it was clear from an early stage of the Geneva conference that the nationalist delegations could not agree to accept these proposals as a basis for negotiation. That was why we put forward our own ideas which we believed offered a reasonable way of bridging the gap between the parties.

Mr. Smith has claimed that our proposals would have led to chaos and Marxist rule. But if there is such a risk, it is much more likely to be created by his rejection of these proposals. He has once more shown his inability to face reality....

Yesterday's events represent a serious setback to all our hopes for peace in Rhodesia. We must now give intensive study to any options which may still be open to use in this new situation. For our goal remains a peaceful and orderly transfer to majority rule in Rhodesia....

(Conservative Foreign Affairs spokesman John Davies accused the Government of "dilatatory and ineffective" measures in Rhodesia, denounced the Government's "discarding" of the Kissinger proposals, and asked if Crosland would discuss a new initiative with Vice President Mondale during the latter's visit to Britain. Crosland replied:)

"Britain was not in a position to discard the Kissinger proposals. These were not acceptable to the nationalist delegations; it was they who discarded them.

The notion that there was a Kissinger deal was inaccurate because the only deal that could be made was not one between the Anglo-Americans and the Rhodesian Government; the only deal that could possibly be made was one between the white and black Rhodesians.

(Another Conservative asked if Crosland and the

Americans were going to issue warning to the Soviets and the Cubans to "keep out of this dispute or the consequences for East-West relations might be sad." Crosland replied:)

This danger is one of the dominant facts in the situation.... This additional danger has been created by Mr. Smith's rejection of our terms.

(Crosland, however, ruled out the use of British troops in Rhodesia in the immediate future, but not in the long term.)

(Another Conservative member accused Envoy Richardson of "hobnobbing all the time with Joshua Nkomo and Robert Mugabe, "who is purely a terrorist"... and suggested instead encouraging relations between Smith and Abel Muzorewa, widely known in southern Africa as Smith's agent. Replying that Richard had indeed met with Muzorewa, Crosland went on:)

The Patriotic Front (Mugabe-Nkomo alliance—ed.) exists, so do the front line presidents and any notion of a solution without taking their existence into account is a total pipe dream.

Return to Kissinger Plan Unlikely

The following excerpts on Smith's rejection of the British proposals are from the Jan. 25 Financial Times of London.

In rejecting the proposals put forward by Mr. Ivor Richard ... Mr. Ian Smith's Government has taken a fateful decision which is likely to be heavy with consequences, not merely for Rhodesia itself, but also for the rest of southern Africa. ... The gleam of hope that the Rhodesian problem might be settled through a peaceful, negotiated transfer of power, which unexpectedly flickered to life last autumn, has faded away....

It may well be that they (the British proposals—ed.) give rather more weight to the demands of the black delegations than the so-called Kissinger plan.... But within the context of a negotiation which was not about the principle of majority rule, but about the method of managing the interim government, the differences between the two sets of proposals should no reasonably be regarded as fundamental. Having publicly accepted the Kissinger plan, Mr. Smith may feel his position is morally unassailable if he now rejects the less attractive Richard plan; but that will not strengthen the chances of resuming negotiations on the basis of the Kissinger plan.

For one thing, the four black delegations have from time to time been quite deeply divided over the procedures for a transition to majority rule, and the tentative agreement hammered out between them and the five Presidents of the front-line States will be difficult, if not impossible to re-forge on the basis of a return to the Kissinger plan.

For another, the rigidity shown by the Salisbury regime in what is, after all, a negotiation, can expose it to the charge that it was deliberately aiming at a breakdown all along; and it is a charge which gains in credibility from the fact that Mr. Smith now appears to

be seeking a separate set of negotiations with partners of his choice, that is, only with the most "moderate" and malleable of black Rhodesian leaders.

Even if he should succeed in opening independent negotiations, it is far from clear that they could lead to meaningful conclusions. Bishop Abel Muzorewa has a substantial popular following inside Rhodesia, but since

he does not have direct control over the guerrilla forces, an agreement between him and the Smith Government cannot be counted on to bring about an end to the guerrilla war. And without the prospect of an end to this war — which in practice means a settlement agreed with the guerrilla leaders and endorsed by the front-line Presidents — the outlook for Rhodesia is bleak indeed.

The Benin Coup Attempt — Rockefeller's Die Spinne Network At Work In Africa

In an abortive replay of Israel's raid on Entebbe last summer, a plane load of mercenaries invaded Cotorou, the largest city of the West African republic of Benin, early Jan. 16 in a coup attempt against the pro-socialist government of President Mathieu Kerekou. The invasion was crushed by the quick response of the Benin army.

The Benin incident came only a day after a raid against the main railroad of the People's Republic of the Congo in Central Africa, carried out by the Front for the Liberation of Cabinda (FLEC), a CIA-sponsored organization that operated in the oil-rich Angolan enclave of Cabinda from Zaire during the Angolan war. Cabinda borders on the Congo.

Both operations are the work of the African section of Rockefeller's right-wing "Die Spinne" terrorist network. Like the Abu Daoud affair in France, they are aimed at disrupting the growth of anti-dollar trade deals between European and African countries and terrorizing those countries who are taking the lead in developing these relations.

The Africa section of "Die Spinne" operates out of Paris, working through the Brown Institute under the general direction of AFL-CIO official Irving Brown, former director of the Airican American Labor Center. In 1975 the Brown Institute set up the Organization Nouvelle de L'Afrique Libre (ONAL) specifically to train political dissidents and exiles from progressive African countries as mercenaries and terrorists, an operation similar to the anti-Castro Cuban terrorist networks in the U.S. ONAL provided the black mercenaries who took part in the raid on Benin. Both the right-wing Benin exile organizations and FLEC are member organizations of ONAL, which works in the Die Spinne networks with the France fascist Organization de L'Armée Secrète (OAS). The OAS tried to overthrow and then to assassinate French President Charles De Gaulle after De Gaulle granted independence to Algeria. OAS member Jean Kay, for example, is one of the leading members of FLEC, whose membership also includes black former Portuguese colonial troops and ex-members of the French Foreign Legion. Other member-organizations of ONAL include exile groups from the former Portuguese colonies, Nigeria, Guinea, the Congo, and virtually every other progressive African country.

Non-member supporters include, informally, the intelligence agencies of Israel, South Africa, and the

United States, and the governments of Senegal and the Ivory Coast. The latter two countries, charged Guinean President Sékou Touré this week, are using Israeli military advisors not only to train their armies but also to train the "terrorist elements" of the ONAL member organizations.

ONAL's founding in late spring of 1975, occurred as U.S. and South African-sponsored guerrilla bands were being mopped up in Angola, and as Secretary of State Kissinger was finishing his first African tour, meeting with Ivory Coast President Felix Houphouet-Boigny in Paris.

The invasion of Benin — planned at the Brown Institute, according to European diplomatic sources — started early on Sunday morning, Jan. 16, when a plane-load of mercenaries took off from Marrakech, Morocco, flew to Gabon to pick up other contingents, and landed at the airport in Cotonou. According to Prensa Latina, the Cuban press agency, the mercenaries split up into three groups, one to hold the airport, one to attack the presidential palace, and the third to take the military encampment of Guezo.

The swift counterattack by the Benin military, plus the failure of the attackers' plans suggest that the Benin authorities may have been forewarned. The presidential palace was attacked with mortars and bazookas, but President Mathew Kerekou was not there at the time. The sympathetic forces inside Benin who, according to the plan, were supposed to open warehouses of weapons to the invaders and participate in the attack, did not materialize.

The Benin army forced most of the invaders to retreat and flee in their plane, killing at least seven of the mercenaries and capturing a quantity of weapons, pictures of which appeared in a special edition of the Benin party daily, Ehuzu. The white mercenaries who were killed were disfigured by their colleagues to prevent identification.

Other African leaders responded immediately to the news of the coup attempt, announced by Benin radio the same day, and both Guinea and Algeria offered to send troops if necessary to help defend the country. Comparing the raid to the use of mercenaries by the CIA in Angola and to the raid on Entebbe, Algerian President Houari Boumediene said: "In all these actions, these new policies showed themselves to be a disaster for those

who conceive and practice them..." Guinean President Toure called on other African countries to come to Benin's aid "with the energy and firmness which the circumstances require." The government of Nigeria, after sending a special envoy to investigate, issued a communique expressing their "profound indignation at the barbarous aggression against a progressive African country," and noting that the attack came during a critical period when Africa is striving to assure its independence and economic well-being.

Attack In The Congo

Congolese National Radio announced that FLEC had launched an attack on Jan. 15 on a construction site on country's main railroad, which runs from the coast to the capital city of Brazzaville. "The perpetrators of this attack," said the broadcast, "work at creating tribal tensions in the People's Republic of Angola and to

damage relations between the Congo and Angola."

The attackers who killed seven persons, wounded two and kidnapped five, including three French technicians. FLEC usually operates from Zaire, which borders both Cabinda and the Congo. Zairean President Mobutu Sese Seko recently met with German right winger and Die Spinne operative Franz-Josef Strauss, according to informed sources. In an apparent plea for support for his organization, FLEC leader Nzita Henrique, who claimed credit for the raid, told the Swedish daily *Svenska Dagbladet*: "the West should know that Cuban and Soviet cargoes are carried on (that) railroad."

The FLEC operation had been disbanded after the consolidation of the Angolan revolution, but, according to the Algerian publication *Actualités*, FLEC was re-established following the visit to Zaire by French President Valery Giscard d'Estaing in 1976.

Who Is Irving Brown?

Irving Brown has functioned as a high-level intelligence operative since World War II, setting up and funding political intelligence networks and arms-funneling networks and using these to contain independent or pro-communist political forces. His major areas of operation have been Europe and Africa where he has directly coordinated efforts to subvert European labor unions and has helped set up pliable unions in newly independent African countries.

During World War II Brown worked with the Office of Strategic Services, the predecessor to the CIA. He continued this work through Interpol and Die Spinne networks after the war, running operations in both France and Italy to undercut the anti-U.S. activity among Communist and independent forces. In 1946 he was involved in the coup carried out against a short-lived coalition government in Greece that included substantial Communist Party and worker participation.

In addition to managing private armies of thugs to ensure the U.S. domination of post war Europe, Brown channeled arms through the U.S. occupation government of Germany after the war and supplied

vast amounts of CIA money for these various subversion efforts.

Brown's Africa operations, blossomed in the 1950s and early 1960s, centering on maintaining U.S. control over the emerging independent African states. In Algeria, Brown used his extensive African network, which included the OAS (an anti de Gaulle terrorist group) and the U.S. intelligence wing of the Israeli labor organization, Histadrut, to prolong the war, thus delaying independence. His networks were also involved in the bloody civil war in the Belgian Congo which resulted in the elimination of Congo leader Patrice Lumumba and the domination of U.S. interests.

Since the 1960s Brown has been active in African trade union circles, working through the AFL-CIO-affiliated African-American Labor Center. By keeping the trade unions malleable and concerned with "safe issues," Brown insures that they do not become political, thus preventing pro-development African leaders from developing trade unions as a power base to resist the austerity demands of the U.S. and its financial institutions.

Gandhi Announces Elections, Startles Opposition

Indian Prime Minister Indira Gandhi stunned both her supporters and critics last week by announcing that parliamentary elections will be held in India this coming March. Subsequently, the government has conducted a series of other totally unexpected moves, lifting major provisions of the "state of emergency" declared in 1975 including the censorship of national media, to enable the press to cover the parliamentary campaigns and arguments presented by all parties who contest the elections.

Gandhi's bringing to a close the 18-month period of the state of emergency expresses her confidence that she can now successfully contest national elections with the opposition, infested with foreign agents as it is, because of the achievements she can show the electorate.

Prior to the announcement, Gandhi released all major politicians being held under provisions of the Maintenance of Internal Security Act, destroying the stream of western press charges calling her a "totalitarian dictator." Her principal "crime" was her championing of the Third World cause of debt moratorium and a new monetary system. Her opponents are upset by her firm intention to hold "free and fair elections" and restore India's position in the world as the most populous democracy. But what has them most upset is that Gandhi has challenged her political foes to win parliamentary seats based on *the economic policy* they propose for India.

Gandhi and the left wing of the Congress Party will enter the electoral campaign period with India's best economic performance in the post-independence period as her record, substantial grain reserves and close to \$3 billion in foreign exchange reserves — the outcome of her embattled pursuit of foreign and domestic development policies premised on the early realization of a new world economic order.

In a brief national broadcast Jan. 18, Gandhi announced the election and her "unshakable faith in the power of the people." She warned against misuse of election campaigns: "May I remind you that the Emergency was proclaimed because the nation was far from normal. Now that it is being nursed to health, we must insure that there is no relapse." This warning is well taken by the coalition front of Opposition parties (Janata Front), which in the pre-emergency period attempted to topple Mrs. Gandhi from power through provoked strikes and mass disruption of the economy, in many cases with direct aid from the U.S. CIA. Jayaprakash Narayan, the opposition leader on the Ford Foundation payroll, called for the army to mutiny, which led to the declaration of the emergency in June 1975.

Congress Campaign

The economic policy that Mrs. Gandhi has defined as her party's campaign platform has also resulted in considerable apprehension within parts of the Congress itself. As all national parties begin meetings to determine their election strategy, the central issue has become not what the Opposition will do, as the western press has suggested, but whether the Congress Party will make an electoral alliance with the Communist Party of India (CPI) in crucial states such as West Bengal, Bihar, Orissa, and Kerala. The first three represent the heavy industrial sector of India with a working class that is receptive to the CPI's even stronger development programs. The fourth state, Kerala, has been governed for the past six years by a CPI-Congress coalition.

Such an electoral alliance will be hard for the Congress Party to resist. At the time of the state of emergency, Prime Minister Gandhi also announced a 20-point economic program that included major land reform and moratoria on peasant debts, but the CPI has done much more than the faction-ridden Congress itself to implement the policy. Consistently throughout the past 18 months, the right-wing landlord base of the state Congress Parties has delayed implementation of the 20-point program, while their business associates, principally the Rockefeller-related Birla family interests, have pressured Mrs. Gandhi to "liberalize" her policy toward multinational corporation. Spokesmen for this pointedly attacked the Congress Party Youth Program declared that national elections were not in the political agenda for the immediate future, and were willing to discuss national economic policy only to give impetus to the "family planning" programs and in particular, the Ford Foundation's campaign for mass forced sterilization.

The CPI at this time announced its own five point economic program to supplement Mrs. Gandhi's, and pointedly attacked the Congress Party Youth Program which proposes an end to illiteracy, "family planning," slum clearance, and an end to the dowry and tree planting. This "does not solve the problems of poverty and unemployment faced by our country," the CPI has charged. The CPI asked for immediate nationalization of jute, textiles, and drugs (all Birla); national takeover of the grain trade to both end speculation and maintain price stability on essential commodities; payment of withheld bonuses to industrial workers and cost subsidies for the peasantry to counter the impoverishing effects of private hoarding operations. The CPI has also publicly announced that it does not support the compulsory

sterilization program that Youth Congress representatives have endorsed, saying that the population question cannot be separated from general economic development.

Gandhi Responds

Mrs. Gandhi herself has placed the right wing of the party on alert by a two-pronged strategy that strengthens the CPI efforts. In her first campaign speech, Gandhi addressed foreign policy, an area in which the Congress and the Communists have no disagreements: "Detente cannot be if it is confined to one continent alone. It must be expanded to other areas deeply affected by tension and conflict...Our first priority is the question of world peace, which is tied to the resolution of the North-South dialogue." She then added "all our influence will be directed toward resolving world problems, bilateral and multilateral."

In a meeting with chief ministers of all states, she ordered a halt to all acts of coercion in the so-called family planning drive, especially compulsory sterilization. "Any act of compulsion or harassment will be dealt with severely," she warned. Then, she demanded strict implementation of the 20-point program with an eye on essential commodities' prices which have begun to rise after a 12-month period of zero inflation. The same day, finance ministry officials announced that bonuses of a minimum of \$8 will be paid to all workers in industrial units showing a profit. This decision falls short

of the 8 percent cost of living demand of the major trade unions, the Congress based Indian National Trade Union Congress (INTUC) and the Communist-linked All-India Trade Union Congress (AITUC), but it is a gesture aimed at the very states where the Congress party base has collaborated most closely with the CPI.

Opposition Parties

The Indian Parliament's Lower House that Mrs. Gandhi dissolved last week had the following composition: Congress — 355; Communist Party of India-Marxist — 26; Communist Party of India — 24; Jan Sangh — 16; Dravida Munnetra Kazhagam — 12; Congress-O — 11; Independents — 28.

The issues Indira Gandhi posed for economic debate to determine India's development strategy have found no echo in the anti-Communist Opposition parties. The day new elections were announced, the government released Morarji Desai, a former finance minister who leads the Congress-O, the far rightwing that in 1969 split from Gandhi's party. Desai immediately joined "socialist" Jayaprakash Narayan, leader of the undifferentiated Opposition, in meetings to determine a common strategy. On Jan. 20, the two men, both in their seventies, emerged from the meetings to announce a joint electoral front of the rightist Jan Sangh party, the Congress-O, the Bharatiya Lok Dal and the Socialist Party. This coalition, the Janata Front, has since picked up the support of the Communist Party of India-Marxist (CPI-M) on "civil liberties" issues.

The Janata Front has received front page coverage from the *New York Times* which on Jan. 21 cited the charges made by an aide of the ailing Narayan that Indira Gandhi has "murdered democracy in India." The Times reported these charges as the lead item in its international news coverage. "All that has happened shows that the choice is nothing less than democracy and a fascist-type of dictatorship," he charged.

Narayan's Ford Foundation links have not gone unnoticed in the press, while his present proposal for economic "decentralization" and "ruralization" of India is not only unfeasible but in a country as diverse and complex as India, a call for outright chaos. Morarji Desai, the other stalwart of the Opposition is hated by urban and rural populations alike for his association with the policies of the International Monetary Fund during his tenure as finance minister in the 1960s. Desai is favorable to the U.S. multinationals, and has repeatedly attacked India's state sector as a source of industrial waste.

Despite the remarkably warm reception it has received in the western press, bad omens have already appeared in the horizon for the Janata Front. The Hindu revivalist Jan Sangh announced yesterday that it may not participate in the elections if all party members are not released from jail by the government. The Jan Sangh's militia, the Rastriya Sevak Sangh (RSS), remains banned for its violent activities. The loss of the Jan Sangh to the Janata Front would be significant, for it is the largest anti-Communist opposition party, and the only one which has used its significant militias to

Who Is Jayaprakash Narayan?

Jayaprakash Narayan, the leader of the Opposition coalition or Janata Front, is 76 years old. He made headlines in 1974 for leading the mass demonstrations against the Gandhi government which culminated in his call for the Indian army to mutiny. This, a destabilization operation against Gandhi, was part of World Bank pressures on the government to forego development in favor of foreign exchange earnings to pay the foreign debt. The campaign included total disruption of the economy through strikes incited by Narayan's followers, all brought to an end by the state of emergency in June, 1975.

Narayan and hundreds of other subversive politicians were arrested. Mrs. Gandhi accurately charged that they represented the internal arm of a larger "conspiracy" against India similar to that which the CIA ran against the Chilean government of the late Salvador Allende. The major portion of Narayan's funds came through the "Gandhi Peace Foundation," a "cultural center" that receives its money from the Ford Foundation. Calling for his release from prison immediately after his arrest was Willy Brandt and that section of the Second International under Brandt, controlled by U.S. intelligence agencies. Along with Socialist Party leader George Fernandes, Narayan has been charged by the Communist Party of India with direct connections to the CIA.

physically attack the Communists during past election periods.

Western Press

Western press accounts of the Indian election campaigns have invariably predicted that the elections will be close and promoted the fortunes of the rightwing Opposition front. The *New York Times*, has led one group of editorialists suggesting that Mrs. Gandhi note how "our (U.S.) civilized transfer of power has impressed the

rest of the world." If Mrs. Gandhi allows "fair elections" the election will be "close."

More accurate coverage has prevailed in the British press. The *Financial Times* aptly noted that Gandhi's critics stand on weak ground if they intend to shift from charging the Prime Minister with anti-democratically calling the 1975 state of emergency in order to consolidate her power, to accusing her of calling elections to strengthen her personal base of support. What then is "democracy," asks the *Financial Times*.

Gandhi Lifts Emergency Restrictions and Calls for March Elections

The following is the text of a speech given by India's Prime Minister Indira Gandhi and broadcast to the Indian nation Jan. 18:

It is some time since I last spoke to you on the radio. However, through my continuous travels in various parts of the country and through the groups and large numbers of individuals whom I meet in Delhi and elsewhere I have continued to be in close touch with you all. Your support, your affection and your trust enable me to serve India to the best of my ability....

Some 18 months ago our beloved country was on the brink of disaster. Violence was openly preached. Workers were exhorted not to work, students not to study, and government servants to break their oath. National paralysis was propagated in the name of revolution. The democratic way would have been to work towards the next elections which were not far off.

The government had to act and did act. Without a purposive government a nation, especially a developing one, cannot survive. At that time I made it clear that the restrictions imposed would be temporary. They have been gradually eased. The leaders and many of the rank and file who had been detained have been released. For some time, past press censorship has been relaxed and newspapers have been reporting the activities of people and parties. Restrictions could have been lifted earlier had violence and sabotage been given up, had there been no attempt to stir up communal and other unrest.

This discipline and feeling of hope enabled us to initiate and pursue many policies to help those sections of the population who had not greatly benefited from development plans. The constitution has been amended to remove impediments to policies which are designed to serve the people. We have also undertaken programs to combat social evils such as dowry, which is a burden on our middle classes and family planning which aims at healthier and better-cared-for children. Any act of compulsion or harassment will be dealt with severely.

May I remind you that the emergency was proclaimed because the nation was far from normal. Now that it is being nursed to health we must ensure that there is no relapse.

Normality means the orderly conduct of business. This is possible only if people live by certain codes and norms of behavior. Democracy also has certain rules. Government functioning cannot be obstructed. None should imperil the welfare of any section of the people or the safety of the nation. If India is to live and prosper, there can be no preaching of hatred, no practicing of violence, no encouragement of subversive activities, or lowering of standards of public life.

The economic situation has vastly improved. Others are studying our anti-inflation strategy. Production has increased thanks mainly to the new spirit of dedication which we see in our farmers, in our industrial workers and in our scientists, technicians, managers and administrators. The public has cooperated in spite of difficulties.... The 20-point and 5-point programs have shown tangible results. Even though much remains to be done, they have generated an attitude of confidence and have galvanized young and old. In spite of criticism there is a new respect for our country abroad.

I am conscious of the difficulties which farmers, industrial workers and some other sections of our population are experiencing. We are studying each problem so as to find quick solutions. Cyclones, drought and floods have caused hardship in some areas. My sympathy to all those affected. In recent months prices of a few commodities have slightly increased. But we have already initiated corrective action which will soon show results.

We have the largest grain stocks in years. Elements which wish to stir up economic trouble will be sternly dealt with. As long as there is close cooperation between the government and the people, our economic battles can and will be won.

Anyone can see that today the nation is more healthy, efficient and dynamic than it had been for a long time. The question now before us is how to restore substantively those political processes on which we were compelled to impose some curbs.

Change is the very law of life. This is a time of great fluidity in the world. Contemporary society is beset with dangers to which developing countries are especially vulnerable. Hence all change must be peaceful. This is the legacy of our freedom struggle and of Mahatma

Gandhi and Jawaharlal Nehru.

Our system rests on the belief that governments derive their power from the people and that the people give expression to their sovereign will every few years freely and without hindrance by choosing the government they want and by indicating their preferences for policies. The government so chosen has their complete mandate to carry out such policies.

The present Lok Sabha was elected in 1971. The clear cut mandate of the people enabled the country to meet a combination of challenges — those created by the events in Bangladesh by the international economic crisis, by the drought of 1972-1973, and by the political events of 1974-75. Legally, the present Lok Sabha can continue for another 15 months.

But we also strongly believe that parliament and government must report back to the people and seek sanction from them to carry out programs and policies for the nation's strength and welfare.

Because of this unshakeable faith in the power of the people I have advised the President to dissolve the present Lok Sabha and order fresh elections. This he has accepted. We expect polling to take place in March.

The rules of the emergency are being further relaxed to permit all legitimate activity necessary for recognized parties to put forth their points of view before the people. I earnestly counsel political parties to eschew violence and refrain from vilification and calumny. People should neither believe in nor give currency to rumors and gossip.

Every election is an act of faith. It is an opportunity to cleanse public life of confusion. So let us go to the polls with the resolve to reaffirm the power of the people and to uphold the fair name of India as a land committed to the path of reconciliation, peace and progress.

My good wishes to you. For the people of India may 1977 prove to be a year of added stability, strength, and continuing achievement.

Jai hind!

1977 May Be Boom Year for Jamaica

Believe it or not, the Jamaican economy may be heading into a boom year. No doubt this will startle readers of the doom and gloom commentary on Jamaica which has filled the pages of business journals for the last year.

Admittedly, 1976 was a disaster. Bauxite, sugar and tourism earnings, Jamaica's sources of foreign exchange, all plummeted. The Jamaican trade deficit went up \$30 million for the first six months despite considerable reductions in imports. The nation's foreign debt edged over the \$1 billion mark; and disgruntled Jamaicans smuggled more than \$200 million in foreign exchange out of the country, sending foreign reserves which were at \$142 million in April 1975 into deficit.

But while the soothsayers of Wall Street were still busy predicting Jamaica's demise, Prime Minister Manley stunned his detractors with the announcement last week of sweeping plans to open up new markets for expanded production of Jamaica's exports, and acquire new sources of cheap credits for food and capital goods

through trade with the Council of Mutual Economic Assistance (Comecon).

The result is that Jamaica is unlikely to be the sinking ship the International Monetary Fund would like to think, although the same could not be said of the IMF itself. Its standard bailout package of internal austerity, import cuts and currency devaluation was greeted in Jamaica like an offer to tie a rock to a drowning man. Prime Minister Manley has made it clear that he will neither cut the social welfare programs he considers vital to the future expansion of the semi-skilled and skilled labor force, nor will he devalue the Jamaican currency and plunge the nation into a new round of inflation. Moreover, reliable sources in New York have it that Jamaica has privately requested a moratorium on its debt payments from the Canadian and New York banks which hold the majority of Jamaican debts.

At the same time Manley has imposed a wage and price freeze and set import quotas. He has nationalized several banks and imposed tight currency controls,

Jamaican Patterns Of Trade

JANUARY-JULY 1975
(VALUE OF TRADE IN MILLIONS OF U.S. DOLLARS)

	EXPORTS	% OF TOTAL	IMPORTS	% OF TOTAL
NORTH AMERICA	190.518	41	273.910	41
U.S.A.	169.383	36	231.272	34
WESTERN EUROPE	181.583	39	157.318	23
UNITED KINGDOM	113.551	24	95.498	14
OIL EXPORTING COUNTRIES	41.424	9	137.747	20
LATIN AMERICA & CARIBBEAN	16.579	4	46.140	7
ASIA	2.161	.5	37.141	6
COMECON AND CHINA	19.908	4	1.256	.2
AFRICA	9.941	2	.584	.1
TOTAL	462.924		672.603	

(SOURCE: IMF)

particularly designed to prevent further illegal drain on foreign exchange.

Despite the poor showing of the last two years — real growth was down 2 per cent in 1975 and was at least as bad for 1976 — the Jamaican economy has potential strengths which Manley's announced plans can turn into real growth. Its most important strength lies in Manley's labor policy — upgrading the productive capacity of the Jamaican labor force through capital investment in education and social infrastructure such as health and housing. Its greatest weaknesses now lie in its agricultural sector and its dependency on U.S. markets. In his speech announcing his economic program, Manley emphasized that sales of Jamaica's exports to the Comecon would be based on expanded production and not at the cost of Jamaica's present trading partners. This will broadly diversify the patterns of Jamaica's trade, which shifted toward the U.S. after World War II from its traditional 60 per cent dependency on Great Britain. Today 40 per cent of Jamaica's trade is with Great

Britain and Canada (see chart page 59). The new trade with the Comecon will provide revenue for the industrial development of the Jamaican Economy.

Bauxite

The real backbone of Jamaica's economy, now and for the immediate future, is its bauxite and alumina industries. Jamaica is the world's second largest producer of bauxite, supplying nearly 60 per cent of U.S. bauxite imports. Jamaica's 1975 bauxite production was 11.4 million metric tons, down one-quarter from 1974 because of a fall-off in U.S. aluminum orders. From January through August 1976 exports to the U.S. totalled 4.5 million metric tons which was off 10.4 per cent compared with the first eight months of 1975. In the same period Jamaica's alumina supplies to the U.S. were off 38.6 per cent from 1975.

But the two-year decline in the aluminum industry may be about to reverse. Jamaica's 1976 third quarter exports of bauxite and alumina were up a startling 61 per cent over the second quarter. More importantly, because

Jamaican Exports And Imports

(VOLUME: 1970=100)

(VALUE: IN MILLIONS OF JAMAICAN DOLLARS;)

	1972	1973	1974	1975	1976*
EXPORTS					
<u>ALUMINA</u>					
VOLUME	120	137	159	136	87
VALUE**	\$119.9	\$147.8	\$315.7	\$294.8	\$170.2
<u>BAUXITE</u>					
VOLUME	93	96	104	72	79
VALUE	\$ 68.4	\$ 79.5	\$133.2	\$ 89.3	\$ 90.1
<u>SUGAR</u>					
VOLUME	92	87	90	81	76
VALUE	\$ 35.4	\$ 35.4	\$ 79.4	\$139.7	\$ 41.1
<u>TOTAL</u>					
VOLUME	106	113	126	103	82
VALUE	\$300.8	\$354.7	\$664.5	\$712.7	\$399.7
IMPORTS					
<u>TOTAL</u>					
VALUE	\$493.2	\$604.5	\$850.8	\$1021.4	\$637.1

*THRU 3RD QUARTER

**1.1 US DOLLARS

PER JAMAICAN DOLLAR

aluminum is second only to steel in importance among world metals, and has been second only to oil in post-war growth of demand among industrial resources, aluminum development has figured prominently in the recent series of trade deals among Western Europe, the OPEC nations and the Comecon. In addition to the markets opening up as a result of these triangular trade deals, Manley has recently discussed with Venezuelan President Carlos Andres Perez the sale of Jamaica's bauxite in exchange for Venezuelan oil. Venezuela plans to increase its 54,000 ton production of aluminum to 350,000 tons over the next five years. Regional expansion of the aluminum industry also includes Jamaican plans to build an alumina smelter with Mexican and Venezuelan capital. Jamaica will have a minority interest in a Mexican smelter, and smelters are being planned through the Caribbean regional development organization, Caricom, in Trinidad and Guyana.

The plans for these smelters cap Manley's three year effort to rationalize the industry and create a true market price for bauxite. Bauxite has never had a market price. The aluminum industry has been dominated by six multinationals led by Alcoa, Reynolds and Kaiser. Bauxite is sold wholly "inside" the multinationals from one subsidiary to another, with the price determined within the firms. Until recently, most producing countries did not even know the extent of their own reserves or their position relative to other producers. In early 1974 Manley was instrumental in founding the International Bauxite Association and pegged a 7.5 per cent production levy on bauxite to the price of aluminum ingots instead of the nebulous bauxite price.

Manley's new taxes have earned Jamaica \$455 million since their introduction. Initially the aluminum companies were far from pleased. But the aluminum companies are not behind the U.S. rancor toward Manley which continues to be reflected in the press. They are apparently able to see what the IMF cannot. Admittedly, their production networks are geared to specific bauxites but they have long since recognized that Manley has no intention of preventing foreign investors from making profits. In fact, the companies are increasingly willing to work with the Manley government on new ventures. All of them are involved in negotiations for Jamaica's purchase of 51 per cent of their island operations. Alcoa

has already signed a partial agreement and Kaiser is expected to finalize its agreement with Jamaica Feb. 2.

On the other hand C. Fred Bergsten, Carter's appointee as Treasury Department Assistant Secretary for International Affairs, during his days as a director of the Brookings Institution accused Manley of "price leadership," a far worse sin than "pure cartel action." However, neither Bergsten's nor any other inquisition can fully cover up that Manley is not at odds with his chief international business partners and has the support of a sizable portion of Jamaica's industrial leaders for his nationalist policies.

Tourism

Jamaica's tourist trade is linked subjectively to the U.S. as well as economically. Tourism was an important diversification of the Jamaican economy when it was first developed in the 1950s, and spurred a sizeable growth in Jamaica's construction industry. It began to fall significantly in 1975 as a result of the recession in the United States. The harping of the U.S. press on political violence in Jamaica exacerbated the decline in 1976. Tourism revenue dropped more than \$11 million from the already low 1975 figures to \$110 million for 1976. This does represent a sizeable part of Jamaica's foreign exchange. But it is generally unrecognized in estimates of its importance that the tourism industry absorbs up to 40 per cent, according to one estimate, of its own foreign exchange earnings in support of its own luxury trade.

Agriculture

The most important problem in the Jamaican economy is the agricultural sector. The problems here are twofold: the first is that the market for Jamaica's chief cash crop, sugar, has totally collapsed; the second is the need for an efficient reorganization of sugar production and of the small subsistence level farms being worked by unskilled labor.

The roots of the crisis hitting Jamaica's sugar industry are in the surge into commodity speculation in the early months of 1974, when speculators fled the unstable paper markets into more tangible commodity trading. The price of sugar rose from a ten-year 1963-1973 average of 7.3 cents a pound to a peak of 65 cents a pound in November 1974, the highest jump recorded since just prior to the onset of the 1930s depression.

As a result of the increased export revenues, major

Jamaican Trade With U.S.			
(IN MILLIONS OF U.S. DOLLARS)			
	1974	1975	1976
TOTAL IMPORTS FROM U.S.	327	381	188
AGRICULTURAL IMPORTS	81.4	75.5	
EXPORTS TO U.S.		335	209

sugar producing countries built up sizeable foreign exchange earnings and improved international credit ratings. For the first time, in many cases, these nations could seek loans in the world's major money markets. The boom did not last the year, however, before prices nose-dived. By year-end 1975, prices had plunged 70 per cent, and by the third-quarter of 1976 sugar prices dented the pre-boom level of 7 cents a pound. During the collapse sugar producers were forced to increasingly draw on their foreign reserve holdings to meet the debt obligations incurred during the short-lived boom. Jamaica is not the only sugar producer whose foreign reserves went into the negative as a result.

The answer to this crisis does not lie merely in rationalizing the markets. Manley has already begun reorganizing sugar production. Mechanization, utilizing the new Cuban M-2 cane cutter, would go a long way toward releasing a large sector of the unskilled work force for training as semi-skilled and skilled labor.

Manley's social welfare policies are aimed toward that sort of upgrading of the Jamaican population. Here is his own description of his policies, given in reply to his detractors, in a recent speech:

"...I will not admit, though it costs us money, that it is a mistake for us to begin the literacy programme which has so far taught over 150,000 persons to read and write. I will not admit that it was a mistake for this government to have built, upgraded and re-located some 30,000 houses for poor people over the period 1972-1976. It cost money. I will not admit that it was a mistake for us to begin the Pioneer Corps, and to introduce free education.

It cost money. I cannot admit that it was a mistake for this Government to have introduced the Minimum Wage Law.

"I will not admit that it was a mistake for this Government to have originated Project Land Lease under which, so far, over 22,000 small farmers have been provided with over 40,000 extra acres of land. I don't believe it was a mistake for this Government to start the Impact Programme which provides work for many thousands of men and women who have never worked before in their lives and can now, for the first time, begin to earn an independent livelihood.

I cannot admit that it was a mistake for our Government to have reclaimed over 200,000 acres of bauxite land for the people of Jamaica.

"...I cannot admit that it was wrong for this Government to have assisted in the financing of almost 800 basic schools for young children.

"I cannot admit that it was a mistake for this Government to have established some 20 Sugar Workers' Cooperatives involving 43,000 acres of land farmed by approximately 4,500 former sugar estate workers.

"I cannot admit that it was a mistake for this country to widen the scope of its foreign policy relations to include closer ties with our brothers and sisters in the Third World of Afro-Asia, Cuba, Venezuela, and Mexico.

"And finally, Mr. Speaker, I cannot admit that it was or is a mistake for this Government to pledge itself to the creation of a society based on the principle of equal justice and equal rights for all of our people."

Brazil is Dying

Brazil, in the vanguard of Latin American austerity programs is today facing an ecological holocaust. Both drought and floods ravage huge regions of the country, **destroying crops and beef herds, and unleashing epidemics among the malnourished populations which spill over into neighboring countries.** Floods in Argentina, Bolivia and Paraguay, drought in Colombia and in the Caribbean, and both floods and drought in Peru are rapidly reducing those nations' "triaged" economies to Brazilian levels. What this will mean is indicated by the following review of developments in Brazil during the last month. The facts come from the Brazilian press:

***Hundreds of families living on the islands of the Paraná River, which flows through southeastern Brazil into Argentina, are being evacuated as the river swells, producing the worst flooding seen in ten years. Rice, banana, corn and manioc crops are lost throughout the area. The mayor of one region in the area comments on the unexpectedness of the flooding: "Normally, the maximum flow of water in the Paraná occurs in the end of February and beginning of March. When we entered January this year the river had already reached seven meters above its normal level... if it continues raining, as it has now, we will have a repetition of the 1974 floods which had catastrophic effects for the entire region."

***States along the entire northeastern coastal zone are struck by severe drought, including the state of Bahia, where two consecutive bean crops and two consecutive corn crops were lost. In Minas Gerais, cotton losses from drought are estimated at 70 per cent and milk production has fallen by 60 per cent. Almost 50 per cent of the sugar cane harvest is lost. In Ceara, 50 per cent of the cotton crop is estimated lost and the entirety of the corn and bean crops. Rio Grande do Norte has lost 90 per cent of its bean and corn subsistence crops and in Piaui, 60-90 per cent of the basic crops—rice, beans, corn and cotton—are destroyed. Portable water resources there are almost gone. In Rio, rice production has fallen 40 per cent, sugar 55 per cent, manioc is down 25 per cent. Nationally, bean production is down 50 per cent. Meteorological projections for the entire northeast indicate that 1977 will be a much worse drought year than the last.

***Deforestation of the Paraná region has left the entire area with only 11.8 per cent green-area and primitive forest left, according to an investment banker who warned of the future (draught) problems this portends.

***Floods in the Pantanal zone along the Paraná and Paraguay Rivers bordering Bolivia are described by the

press as the worst since 1905. One million head of cattle in this beef-producing area have been destroyed already, and all sowing in the region is lost. Evacuations of the adjacent northeastern Argentine provinces have begun.

***Bats are transmitting rabies to the herds of cattle in Piaui and many of them, already weakened by the drought conditions, are dying. The border between Piaui and Ceara is closed to avert spread of disease.

***Rats are proliferating throughout the Rio area. According to the new mayor of the municipality of Nova Friburgo, known for its public sanitation campaigns, there are 15 rats per person, one of the highest ratios in the world and clearly conducive to plague outbreaks.

***Serious outbreaks of measles in Bahia have been touched off by draught conditions. The disease is endemic to the population there due to malnutrition and a total absence of sewage facilities. (The sole water

reservoir in the area has the capacity to serve only 2,000 inhabitants and is used by all the animals of the region as well.) Over 50 people, mostly children have died from the disease in the last two months. Beriberi, the vitamin B-deficiency disease, has begun to appear throughout Chapada do Chapau, once considered the most prosperous region of Bahia.

***A large number of cows are being slaughtered in Minas Gerais instead of being kept for reproduction. Fifteen-day-old calves are also being slaughtered: the cost of maintenance in the area, exacerbated by the drought, makes them too costly to keep. Pasture land not destroyed by the drought is being attacked by hordes of cicadas.

***Soy bean plantations in western Paraná are being destroyed by caterpillar infestation. The flooding has prevented the application of pesticides.

Peru Asks Embassies to Deny Asylum to NSIPS 5

The Peruvian government is pressuring the Mexican and Venezuelan embassies in Lima to reject requests for political asylum from journalists of *New Solidarity International Press Service* in Peru.

Luis Vasquez, NSIPS director, and Sara Madueno de Vasquez, his wife and associate director of NSIPS, sought asylum Jan. 21 in the Mexican Embassy, while three colleagues, Ronald Moncayo, Hector Cuya, and Jorge Melendez entered the Venezuelan embassy the same day. The five were under extreme political harassment and feared for their lives.

The Peruvian government alleges that the five Labor Committee members are not being politically repressed, since they do not belong to a political party. The last three months of arrests, deportations, surveillance, and harassment of Labor Committee members in Peru was simply part of an investigation of Vasquez's technical violation of Peru's press law, the government has said.

NSIPS along with the International Caucus of Labor Committees — of which the five are members — have stepped up an international campaign to secure the safe passage of the five journalists out of Peru.

The Labor Committees are providing the Mexican and Venezuelan governments with full documentation of the political nature of the Peruvian government's actions. The following is a partial chronology:

*Oct. 18 — Officials of the State Security Division of the Policia de Investigaciones del Peru (PIP) enter and search NSIPS Lima office, arresting Vasquez and Gretchen Small. According to the arresting officer, Comisario Superior Ruiz, the press service was being investigated for "connections to terrorism" and for distributing a "clandestine newspaper, Nueva Solidaridad." He said that NSIPS materials in English would be read by Interpol.

*Oct. 21 — Deputy Minister of the Interior, Col. Arrisueno, says that Small will be released without charges, but that Vasquez will be held for further investigation of "subversive agitation."

*Oct. 27 — Hector Cuya is arrested by the PIP during a search for "hidden weapons" in Small's apartment. Following his release, Cuya and two other NSIPS staff members were subjected to constant surveillance and harassment by a team of PIP agents.

*Nov. 2 — PIP returns to NSIPS offices, removing all remaining files and property from the officially sealed offices.

*Nov. 26 — Fernando Lozano, a student leader at the Catholic University in Lima, is arrested.

*Dec. 3 — Lima papers report that the 22 year-old Lozano died of a "heart attack." His body was badly bruised and battered. When NSIPS confronted Commissioner Ruiz on the Lozano death, he responded: "No, we (State Security Police) didn't do it; it was the Guardia Civil. The Guardia Civil did it."

*Dec. 4 — NSIPS post office box is closed by order of the State Security Police Director Col. Pena Salcedo, via Ruiz. NSIPS is notified that anyone found distributing

Nueva Solidaridad — now defined as a "clandestine" paper — would be arrested.

*Dec. 9 — Vasquez is charged with: "violation of press law" and being the "intellectual author" of NSIPS international press releases detailing IMF austerity and coup plans for Peru. The judge can order the arrest of any NSIPS staff members in Lima cited in the State Security report as "collaborators" in the alleged crimes.

*Jan. 1 — Interior Ministry authorizes the opening of seven news weeklies, mostly right-wing publications. NSIPS remains closed.

*Jan. 7-10 — Vasquez, released Dec. 28, is under constant surveillance and harassment by agents of the PIP. The PIP established surveillance operations to watch the activities and homes of other NSIPS staff members and collaborators.

Peruvian Gov't. Admits Political Repression

Peruvian President Morales Bermudez and Interior Minister Cisneros have admitted that the Peruvian military government is jailing trade unionists and leftists for political "crimes". Cisneros made the admission to Peruvian reporters two days ago while boarding a plane at a Lima airport. In response to further questions on the suppression of numerous leftist magazines and newspapers, Cisneros said, "The political moment is not convenient to reopen certain press organs, particularly those that are most politically polarized." The following day Morales Bermudez said that there were "some" political prisoners being held.

Five persons — members of the Latin American Labor Committees and correspondents for *New Solidarity International Press Service* — are currently in the Mexican and Venezuelan Embassies in Lima requesting political asylum.

A spokesman for NSIPS in New York said this morning that, "The government admission of political imprisonment and suppression of the press is irrefutable proof that the government is lying to Mexico and Venezuelan officials about the case of our correspondents. The admissions of gross violations of civil liberties should constitute proof to these countries of the immediate necessity for granting the five political asylum and pressuring the Peruvians to issue our employees safe conduct passes out of the country."

"It must be made clear internationally that Peru today is fast becoming another Chile, run by the same U.S. multinationals and intelligence operatives who overthrew Allende in 1973 and who staged the 1964 coup in Brazil," a Labor Committee spokesman said.

McDonald: Congress Should Investigate U.S. Labor Party

Lyndon H. LaRouche, Jr., the Chairman of the U.S. Labor Party, issued the following statement concerning a three-and-one-half page slander against the party inserted into the Congressional Record of Jan. 27 by Georgia's 7th District Congressman Larry McDonald.

"McDonald's slanderous characterization of the U.S. Labor Party — and his astonishing call for the recreation of the House Internal Security Committee in order to investigate the party reflect the level of hysteria in the top circles of the Carter Administration. Those circles are responding to the Labor Party's exposure, in Congressional testimony, of the Trilateral Commission's control of the Carter White House.

"No new comer to dirty tricks, McDonald has functioned in the past and is functioning now as a Trilateral-Carter "plumber" conducting simultaneous 'left-right' disruption operations against legitimate political organizations who are mobilizing opposition to Carter's policies.

"A national officer in the John Birch Society, McDonald aided in installing Jimmy Carter in the White House by sabotaging Republican and conservative forces' efforts at preemptive actions against vote fraud. Along with Rockefeller politicians like William Buckley and Richard Viguerie, McDonald has participated in dirty tricks operations as exemplified by the activities of the well-known political intelligence operatives on his Congressional staff, John and Sheila Rees. Sheila, a member of the National Lawyers Guild, was a 'former' member at the Institute for Policy Studies — the single largest source of 'new left' terrorism in the nation

throughout the 1960-70's. John Rees, using Prudential Insurance monies, was instrumental in setting up black racist Imamu Baraka in Newark, N.J. as the counter to state representative Anthony Imperiale in a scenario designed to provoke racial tension in the late 1960s and early 1970s. John and Sheila Rees jointly have issued an 'intelligence' newsletter called Information Digest distributed to LEAA police departments throughout the U.S.

"McDonald himself is tied into the reconstructed Nazi networks built up by the Rockefeller family after World War II through his association in Interpol international networks controlled in part by William Buckley and Richard Viguerie. These networks, run through Interpol, include individuals like OAS (Secret Army Organization) official Jacques Soustelle, who was involved in assassination plans against the life of Charles de Gaulle.

"Although most of his present activities are technically not illegal, the scope of McDonald's operations illustrates vividly the conspiracy being directed by the Trilateral Commission to subvert the nation's political institutions.

"Congress must act now to stop this. As a first step in unravelling this evil web, a full investigation should be launched into Interpol, a key controlling point in the overall Trilateral conspiracy. If carried out immediately, such an investigation can be the first step in reviving the institution of Watergate and begin the process of removing Jimmy Carter from office before his policies irrevocably commit this nation to fascism and war."

The Federal Elections Commission Scandal

The Federal Elections Commission (FEC) created by Congress to guarantee honest election fundraising and to safeguard the legal disbursements of federal matching funds, has instead proved itself, during the course of the 1976 elections and since, to be an agency of subversion of the constitutionally guaranteed right of U.S. citizens to support and vote for the political party of their choice.

Actions this week by the FEC against the Lyndon LaRouche presidential campaign and the U.S. Labor Party, show conclusively that the FEC is functioning as a covert operations "plumbers" unit on behalf of President Carter and his supporters on the Trilateral Commission.

In Boston on Jan. 25, two FEC representatives appeared without prior announcement at the Boston office of the Labor Party and demanded information on contributors to the 1975-76 LaRouche campaign. They identified themselves as William C. Yowell, FEC badge number 041 and Elmo Allen, FEC badge number 024 and asked for phone numbers of specific contributors. They refused to specify to the U.S. Labor Party National Committee member present what they intended to interrogate these people about.

This is in violation of standard FEC procedures. By usual FEC practice checks of contributors are conducted only after written notification is mailed to the candidate and the contributor in question. Trying to cover their tracks, Charles Steel, chief counsel for the FEC called

the Committee to Elect LaRouche (CTEL) legal counsel in Washington, D.C. to apologize for the incident. The Boston visit, however, occurred amidst other Commission harassment of the USLP:

*At 7:45 Jan. 25 FEC agent Keith Vance and another agent arrived unannounced at the home of Delaware Labor Party member Leroy Jones, and demanded for two hours that he and his wife produce check stubs proving their contribution to CTEL. Vance interrogated Mr. Jones on whether he gets a stipend from the Labor Party and how he could afford to make a contribution.

*At 11, the same agents badgered a student member of the Labor Party with questions, "Who is the Delaware Labor Party Chairman... when did he give you the money for the contribution, how much did he give you?" After getting negative answers on these questions, the agents coerced the member into signing a statement on his replies. Shortly afterward, the agents staked out the home of a third contributor to question him when he walked out the door.

*In Boston, agents Yowell and Allen visited the Lahey Clinic where a U.S. Labor Party member is employed to get information about his contribution.

The FEC is ostensibly checking LaRouche contributors to determine the legality of CTEL's claim for primary matching funds. The records for the LaRouche campaign were thoroughly audited by the FEC in November 1976. Since then, the disbursement of approximately \$120,000 in primary federal matching funds to the LaRouche Committee has been illegally held up by FEC stalling tactics.

Carter Ordered Phony FEC Probe Into Labor Party Finances

Continuing investigations by the U.S. Labor Party into the harassment campaign being illegally conducted by the Federal Election Commission against contributors to the Committee to Elect LaRouche (CTEL) today confirmed that the so-called eligibility check on CTEL's applications for over \$100,000 in federal matching funds is a containment and frameup operation ordered by Jimmy Carter. Informed Capitol Hill sources told the Labor Party that the Committee to Elect Carter-Mondale requested the Justice Department probe CTEL funding on the eve of the presidential election, following a paid political broadcast on nationwide TV Nov. 1 by the Labor Party's presidential candidate Lyndon H. LaRouche, Jr. At that time, LaRouche detailed a conspiracy by Carter's backers — the Trilateral Commission of David Rockefeller and the then still-secret Committee on the Present Danger — to seize the U.S. presidency by using vote fraud.

Court Case Readied

Attorneys for CTEL are preparing a suit against the FEC for Federal Court next week for their refusal to reach a decision on the eligibility of the Committee for matching funds. The Cointelpro-style visits to contributors is a further step in the administrative stall that the FEC has used to deny the LaRouche campaign its legal funds since October 16.

The initiation of this harassment confirms the information received by the Labor Party last week from highly reliable Washington sources that Carter backers were preparing to begin harassment against the Labor Party including investigation of the records and funding of the Labor Party and business interests associated with Labor Party supporters, frame-ups of Labor Party supporters in connection with a contrived espionage scare, and FBI-Cointelpro style dirty tricks and terrorism against Labor Party supporters.

In addition to initiating investigation of the LaRouche contributors, the FEC has demanded that the CTEL submit its expenditure records to a reaudit this week. They further made the demand, unprecedented in business and campaign practice, that CTEL obtain for them the books of its creditors — to prove CTEL had transactions with them. The FEC asked in particular, to look at the books of Campaigner Publications, Inc.,

which specializes in printing journals and promotional material on fusion energy, and industrial technology.

Threat to Pro-Growth Forces

The full details on the FEC's discrimination against the LaRouche campaign is already being circulated on Capitol Hill in a USLP fact sheet detailing the takeover of the FEC by Carter's backers. Three weeks ago the Republican FEC chairman Vernon Thompson was targeted for a scandal involving alleged partisan activities by a conspiracy involving Rockefeller-linked Melvin Laird. Last month, the FEC general counsel John G. Murphy resigned reportedly because he was fed up with the pro-Carterite FEC members' manipulation of election law.

Under its present Carter control, the FEC constitutes a direct threat to U.S. pro-growth forces, particularly in Congress. This month the FEC submitted a request to Congress for power to extend its jurisdiction to include regulating Congressmen's "office funds," i.e. the monies Congressmen receive, in part from contributions, and use for general purposes including trips around their constituency, informational and promotional around decisions on important issues, for example, the energy question. If Congress does not specifically deny the FEC these new powers, they will automatically go into effect within 30 days. Corporation and other contributors to congressional campaigns will be liable to FEC "blitz" investigations and coercion through threat of investigation and "fishing expeditions" through their records, should the Commission assume these new powers.

"The FEC is holding a knife at the throat of Congress," said Marcia Merry Pepper, CTEL Chairman, in a Jan. 25 statement. "The Commission is now nothing more than a vehicle for Carter's plumbbers. It was the perception of pro-growth forces that Carter would act like a little Hitler and turn the institutions of government into his instrumentalities. The FEC's actions against my organization show that such fears were wellfounded. Unless such individuals act now to stop this illegal and unconstitutional harassment, they will be next." According to the fact sheet, the FEC has negligently refused to act on a scandal of campaign practices surpassing Watergate. As reported in the *New York Times*, a number of glaring irregularities exist in the Oct. 22-Nov. 22 Carter campaign report. These irregularities, if investigated, would reveal the top layer of the massive vote fraud operations conducted by the Carter campaign in Pennsylvania, New York, Ohio and Wisconsin...

"...Indicative of the evidence from the report are the following items: 1) Carter spent \$7.45 million between Oct. 22 and Nov. 22. \$499,739, or eight per cent is designated to the vague category "get out the vote" in neat \$100 to \$1,000 sums... b) One Freddie Burton of Detroit was given \$2,200 on Oct. 30 in \$100 and \$500 sums. Burton received an additional \$150 on Nov. 1...

2) "Miscellaneous office expenses" is an equally scandalous category of several hundred thousand dollars: b) Andrew Zausner, and attorney for Blank, Rome, Klaus and Comindky received \$15,500 on Oct. 25 and Oct. 28 in neat \$500 sums for "Misc. office" expenses... "The List goes on and the pattern is clear. Even \$100 and \$500 sums totaling tens of thousands of dollars were "itemized" into random categories, in a

classic but amateur job of "padding the books." Put together with the evidence of vote fraud on the court records in Wisconsin, New York, and Ohio, an immediate investigation is demanded. These three states plus California, Pennsylvania, and Texas comprise the bulk of the suspicious entries.

"...The FEC has not even begun the required audit of the Carter campaign report. Reached Jan. 14, an FEC spokesman gave procedural excuses about "waiting for debts to be paid and deposits returned." FEC procrastination amounts in fact to a protection operation for one of the most dangerous election scandals in history."

The Labor Party has recommended to Congress that, in the interests of a free electoral process, the Congress 1) deny any extension of jurisdiction to the existing Federal Elections Commissions; 2) initiate investigation of the 1976 election practices of the FEC and initiate appropriate remedies; and 3) determine the proper way to reconstitute a federal agency responsible for ensuring honest elections and fair campaign practices.

European Labor Party Leaders In First Brandt Trial Appeal Fined \$10,000

European Labor Party Executive Committee members Anno Hellenbroich and Jurgen Spahn were fined 24,000 deutschemarks (\$10,000) by the Second Criminal Chamber of the State Court in Wiesbaden, West Germany, for "spreading facts" about Willy Brandt, the chairman of the West German Social Democratic Party.

The Jan. '26 court decision upheld a previous conviction of the two Labor Party leaders for "injuring and politically slandering Willy Brandt" by printing information in the Labor Party's German-language weekly, *Neue Solidaritat*, showing Brandt to be an agent of the U.S. CIA and a Nuremberg criminal. In this, as in others in the series of lawsuits brought by Brandt against the Labor Party, the West German courts have so far upheld feudal legal traditions which hold that truth is not a sufficient defense against claims of slander and libel.

In this week's decision on the Labor Party's appeal, the State Court dismissed the original conviction's sentence of six months' probation, but increased the fine from \$1,600.

In their four-day appeals trial, the two defendants submitted as evidence numerous international publications confirming Brandt's career as an agent of the CIA, along with official U.S. State Department documents naming Brandt as a paid "informer" of the CIA's predecessor, the Office of Strategic Services.

Hellenbroich and Spahn immediately announced that they will take their appeal conviction to a higher court.

**Subscription Rates for
New Solidarity International Press Service
Executive Intelligence Review**

**Executive Intelligence Review
P.O. Box 1972, GPO
New York, N.Y. 10001**

Name

Affiliation

Street

City

State

Zip

\$ 60 for three months
\$115 for six months
\$225 for one year

January Special Offer
\$ 40 for three months