

Feb. 15, 1977  
Vol. IV  
No. 7

---

---

# **EXECUTIVE INTELLIGENCE REVIEW**

---

---

**New Solidarity International Press Service**

**five dollars**

[ THIS PAGE IS INTENTIONALLY BLANK ]

# EXECUTIVE INTELLIGENCE REVIEW

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

---

---

## TABLE OF CONTENTS

### INTERNATIONAL

- 2 Sniffing The New Winds From The East
- 4 NSC Prepares For Middle East War
- 7 Will Iran Invade Saudi Arabia?
- 8 Iraq, Kuwait Warn Of War Danger
- 9 Behind Aramco's Great October Revolution

### NATIONAL

- 11 The Unfinished Agenda Will Finish America
- 13 The Unfinished Agenda
- 17 Carter Assistant Keynote: The President Is Extremely Sympathetic
- 17 What Is The Rockefeller Brothers' Fund
- 18 Who's Who On The Environmental Task Force
- 19 Congressional Agents Gear Up Energy Cutbacks
- 19 USLP, ERDA Congressional Testimony
- 20 Paul Warnke: Softie Or Soft Cop?
- 22 Do Americans Support Carter's Conservation Program?

### ECONOMICS

- 24 Corporate Affairs
- 25 Foreign Exchange
- 26 Business Outlook

### ENERGY

- 28 The Politics Of The Nuclear Fuel Cycle

### SCIENCE AND TECHNOLOGY

- 32 'Cooled Protons Promise Energy'

### SOVIET SECTOR

- 34 Aren't Brezhnev's Favored Writers Helping Schlesinger Out?

### MILITARY STRATEGY

- 36 Joint Chiefs Chairman Refutes "Team B"
- 37 Brown: Arms Investment Should Focus On R and D
- 39 The Political Economy Of Military Posture

### EUROPEAN ECONOMIC SURVEY

- 47 "Sick Men" Of Europe Revived, Not Cured
- 48 Britain
- 52 France
- 55 Italy
- 58 West Germany

### MIDDLE EAST

- 62 Israelis Demand Crisis Diplomacy
- 63 Saudi Regime Divided On Aramco
- 64 Behind Sadat's Open Door

### AFRICA

- 70 Carter Primes War With Black Africa

### ASIA

- 72 Gandhi Launches Pro-Growth Electoral Platform
- 74 Fukuda: An End To Growth

### LATIN AMERICA

- 75 Brazil-West Germany Demand "Energy Independence"
- 77 Argentine Military Backs Nuclear Energy

### LAW

- 80 USLP Presents Vote Fraud Evidence To Congress

# EXECUTIVE INTELLIGENCE REVIEW

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

*Editor-in-Chief:* Nancy Spannaus

*Managing Editors:* Linda Frommer, Don Baier

*Production Editor:* D. Asch

*Desk Editors:* Konstantin George (U.S.A.), Vivian Freyre (Europe), Rachel Bertoff (Soviet Sector), Bob Dreyfuss (Middle East), Douglas DeGroot (Africa), Dan Sneider (Asia), Robyn Quijano (Latin America), David Goldman (Economics), Paul Goldstein (Military Strategy), Morris Levitt (Science and Technology), Barbara Boyd (Law), Fay Sober (Press), William Engdahl (Energy)

## IN THIS WEEK'S ISSUE —

Do recent Soviet characterizations of Jimmy Carter as a friend of détente signal a lessening of the danger of thermonuclear war? In this week's **International Report**, U.S. Labor Party National Chairman Lyndon LaRouche suggests the new Moscow line may be a "grand deception"... whose consequences for the rest of the human race could equal those of a Soviet "Munich." Our **Soviet Sector** report backs LaRouche's analysis with sharp commentary on recent articles in the Soviet press.

\* \* \*

The Carter administration is not letting apparent Soviet olive branches get in the way of its plans for a showdown over Mideast oil. **International Report** exposes the scenarios designed to guarantee a Rockefeller energy stranglehold... plus interviews with oil analysts and policymakers pushing the "nuke the Arabs" line... and a review of how the Rockefellers pulled off the 1973 oil hoax war.

\* \* \*

Statements by Israeli warhawks and Syria's Assad... the machinations of Cyrus Vance... the furor over the so-called "red line" in Lebanon... indicate the fuse for a new Arab Israeli conflict is lit and set to burn down by mid March. Our **Middle East** report has the details. A special background feature on the economic policies of Egypt's Sadat explains why the riots in Egypt occurred, and why new unrest could break out in the country which may be the key to the region.

With this issue, the Executive Intelligence Review makes three important contributions to the current global struggle over energy:

The enclosed 20 page **Science and**

**Technology** special supplement on the current state of thermonuclear fusion power research and development is a comprehensive review of the topic unavailable to our knowledge from any other source. It's free to our subscribers.

\* \* \*

A complete translation of a report published this week in the Italian newspaper Corriere della Sera on a Soviet breakthrough in particle accelerator technology with potentially far reaching consequences for both fusion development and military weapons systems. (See our regular **Science and Technology** report.)

\* \* \*

Significant excerpts from a report by Gen. George Brown, Chairman of the U.S. Joint Chiefs of Staff, analyzing Soviet military capability... together with an appendix by the Labor Party's Lyndon LaRouche identifying the significance of Brown's report... and its implications for those forces seeking to resist the Carter administration's program of progressive cutbacks in global energy consumption. (See **Military Strategy**).

\* \* \*

A special report on the production of nuclear fission fuel, including a description of the fuel cycle... and the efforts by forces in Europe, Asia and Latin America to secure adequate fuel supplies for increased development of nuclear energy. (See **Energy**.)

\* \* \*

A detailed report on the controversial

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

nuclear deal between Brazil and West Germany... including the official U.S. official position on the deal... and actual Carter policy. (See **Latin America**.)

\* \* \*

"Some people might just not make it. Kids 1-10 are the group whose future we're talking about." With those words a participant in the Rockefeller Bros. Fund's Environmental Task Force expressed the essence of its "Unfinished Agenda" for the U.S. economy at a clandestine meeting in Washington this week. **National Report** carries an exclusive feature on the Rockefeller "environmentalists," including excerpts from their just released task force report and a who's who of people and groups involved. Plus a scientific evaluation of the consequences if their proposals for a solar energy economy were adopted... and a news flash on the Carter administration's Alliance for Energy Conservation, just formed to carry out the Unfinished Agenda.

\* \* \*

Opposition to Carter in the U.S. Congress is now shaping around the appointment of "arms control" advocate Paul Warnke. A profile of Warnke is contained in **National Report**... along with an estimate of the state of the opposition... in the wake of Congressional testimony on research and development by a Labor Party spokesman and a Federal official which directly challenged the assumptions behind Carter's program. Plus sharp attacks on the Carter policy by the Governors of Louisiana and New Hampshire, and an editorial backing rapid fusion power development by a New York radio station.

The scandalous behavior of the Federal Election Commission could be Carter's Watergate. For explosive Congressional testimony on the FEC's operation as "Carter's Plumbers," see **Law**.

\* \* \*

The mild European economic recovery will be short lived if Carter's policies are permitted to prevail. That's the message carried by this week's **European Economic Survey**,... which carries the first reports on how 1977 is shaping up for business in Britain, Italy France and West Germany. Now a monthly feature, in addition to our regular weekly **Economics** report.

\* \* \*

Japanese Prime Minister Takeo Fukuda is widely known as Carter's best friend" among international heads of state. To find out why, read excerpts from Fukuda's most recent speech in the **Asia Report**. Also, a news analysis of India's national election campaign.

\* \* \*

Who was responsible for this week's atrocity in Rhodesia? And what did it have to do with U.S. Ambassador Andrew Young's whirlwind tour through the capitals of black Africa? Does this week's meeting between South Africa's Vorster and Rhodesia's Smith signal a first strike against independent African states? See **Africa**.

# Sniffing the New Wind from the East

by Lyndon H. LaRouche, Jr.

Wiesbaden, 10 Feb. 1977 — All the main signals from Moscow suggest that the Politburo majority around Secretary Leonid Brezhnev is committed to throwing all sorts of vital Soviet interests overboard in a desperate effort to sew up a March "SALT II" signing with Secretary Cyrus Vance. Those are the facts, but the facts are by themselves more than a bit too simple.

First, the official new line in *Pravda*, *Izvestia* and so forth, alleging the "pro-detente Jimmy Carter," does not represent either the Politburo's knowledge or perception of the Carter Trilateraloid regime. Arbatov, Bovin and other pertinent apologists of the "new line" are not merely mistaken; from the standpoint of Soviet leaders' knowledge, they are publishing the grossest lies for the edification of Soviet and Washington readers.

Second, if "SALT II" were concluded on the indicated basis reported in high-level circles, it would represent a conscious abandonment of what Soviet leading circles have defined as basic strategic policy since the 1962 Cuba missiles crisis.

In light of these and related facts, only three broad alternative conclusions can be recommended: (1) The Soviet leadership has, for the moment, capitulated to the mere threat represented by Carter's operational thermonuclear confrontation scenario; (2) The Soviet leadership is repeating the "Hitler-Stalin Pact" tactic with Cyrus Vance et al; (3) the present literary and related postures from Moscow are a calculated-deception operation. All three alternative appreciations are sufficiently credible that they must be examined more closely to get at the reality.

If any Politburo ruling faction of the moment has in fact capitulated to a Carter threat, if the war-winning strategy and technological breakthroughs are intended to be abandoned in favor of a return to the "deterrence balance" policy of the Khrushchev period, then such a Politburo faction is in a very precarious position within the Soviet leadership. The Soviet military, the Novosibirsk establishment, the "hard-liners" of all Eastern Europe, and other elements of the Soviet state and party machinery will become most restive.

The Hitler-Stalin pact syndrome does not present itself as a stable proposition either. The Hitler-Stalin pact had two principal elements: the "Rapallo" consciousness which persisted in both Germany and the USSR even after the Hitler accession to power; even though the German and Soviet spokesman of Rapallo had been purged prior to 1939, the objective self-interests involved persisted to the point of representing sufficient basis for the only possible temporary detente between Nazi Germany and the Soviet Union. Nazi-Soviet negotiations and relations of the 1939-1941 period preceding Hitler's Operation Barbarossa indicate that Stalin was eminently conscious of this correlated feature. However, the dominant feature of the 1939-1941 Hitler-Stalin pact was *the total isolation of the USSR after Munich 1938*. This

latter is absolutely not the situation of the Soviet Union today.

Thus, in respect to both of the alternatives summarily treated just above, it may be granted that some disoriented elements around the Politburo might seriously entertain either or a combination of the options, but the majority of the Soviet apparatus is simply not capable of tolerating either.

The third alternative is the most intriguing. It is, in a sense, a variant of the Hitler-Stalin pact syndrome, and would represent a major blunder by the Soviet leadership; but it is the sort of blunder which the Soviet apparatus more broadly is capable of tolerating.

The question of the margin of a Soviet war-winning capability is not clearly settled, at least to the best of our knowledge of all the available literature and oral reports available to us on the subject. Indeed, this question could not be settled decisively on a purely military basis in any case. As Vietnam most recently and emphatically illustrates, the question of the final margin of war-winning capability in depth is fundamentally a political question. In any case, whether or not the Soviet leadership perceives itself as possessing a significant margin of war-winning capability, the vacillator will always tend to opt to wait a bit, to build up yet a bit more of the favorable margin before committing his forces to war. The potential compromise position between the "softs" and the "hards" within and around the Politburo would therefore tend to be a *grand deception operation*, whose principal specific features would be an intent to throw the Carter forces somewhat off-balance psychologically and to gain time for war-preparations.

Technically, as a national Soviet policy, such a grand deception tactic has certain grounds on which to seem to succeed. Technological new dimensions in war-winning capability are either in or approximately at the implementation and deployment phase. They would continue, although discreetly, pending some "SALT III" to presumably cover these areas (e.g., such as the Rudakov and similar Soviet areas of research). From the narrowest, nationalist point of view, the grand deception operation would be directed to permitting the Soviets to make a confrontation at a time of their own future choosing, taking advantage of the Carter energy and related policies to weaken USA and NATO war-fighting capabilities relative to the Warsaw Pact. I could place myself in the position of a Soviet leader and envisage *the technical competence* of such a policy taken in and for itself.

Such a grand deception operation unfortunately tends to correlate with the political shortcomings of the Soviet leadership, and in fact assures thermonuclear war.

This is no time for grand-deception operations by anyone. The only effective policy for avoidance of general war for this period has the following essential elements: (1) A recognition that the *ancien regime* of Chase Manhattan and its puppets and political allies is

irreversibly committed, like the Hitler regime of 1938, to policies of bluff and actual general war, and hence only a deliberate wrecking of the monetarist power of Chase Manhattan et al. can prevent general war; (2) That the potential political and economic correlation of forces to break Chase Manhattan et al. exists, and hence war is essentially preventable by those — and only those — specific means; (3) That, as 1973 demonstrates, the crucial question is the task of educating the wilful impulses for practice of the anti-Chase Manhattan global forces around a correct and coherently presented strategic policy.

Thus, either of the three mooted, alternative Soviet policy turns would and must represent a Soviet commitment to near-term general thermonuclear war — whether by intention or blunder. Soviet concessions to Carter represent a Soviet withdrawal from all effective peace strategies and thus reduce Soviet options to early thermonuclear war.

#### *Characteristic Weaknesses of the Politburo*

During the approximate 60 years since the October 1917 Bolshevik Revolution, Soviet perceptions of Communist political strategies for Western Europe and elsewhere have been predominantly a failure. It is nonsense, of course, to speak of Eastern European nations as Soviet “captive nations,” but is also true that the Red Army created the indispensable preconditions for the establishment of socialist governments in those states. The case of Cuba and other Soviet-oriented varieties of socialist governments in the developing sector have evolved as a consequence of the same general sort of special conditions which produced the Bolshevik Revolution. Under the reign of lower Manhattan “American Century” monetarists, the full potential for capitalist forms of industrial and related development in those developing nations required nationalization of lower Manhattan-linked national firms, and an orientation toward the Soviet economy in response to lower Manhattan’s economic-warfare reprisals against the pertinent national economy.

With some exceptions, which represent a bumptious political minority within Politburo and related circles, the Soviet insight into political processes is significantly inferior to that of the period of Lenin’s leadership of the young Soviet republic. There are many contributing reasons for this continued political primitiveness of the Soviet leadership overall, for which 60 years of combined “containment,” invasions and persisting threats of war are the most significant. The political bankruptcy of the Communist International of the 1930s and its post-war heirs in the capitalist sector has aided in preventing Soviet leaders from developing a competent, sensuously-premised comprehension of the organic realities of the global political process as a truly political process. Hence, the characteristically predominant Politburo regression to state *realpolitik* under conditions of stress.

This is complemented by a kind of national paranoia among Soviet leading circles. They are predominately detached from any sensuous perception of the internal realities of the “outside world,” more so than the leaderships of Eastern European states and parties. The

“outside world” is for most of them a world of “strangers,” in which prospective allies and adversaries alike are deemed essentially untrustworthy and so forth.

This “national paranoia” feeds Oblomovist currents among Soviet leaders — for which the current shift in Soviet manifest posture is a characteristic expression: the official view of the Carter Administration prominent in recent issues of *Pravda* and *Izvestia* reveals Oblomov wildly fantasizing in his bed with the covers pulled entirely over his head.

This politically conservative Oblomovism pervading much of the Soviet leading circles has nurtured a kind of para-Trotskyist delusion among especially the Atlanticist utopian political-military factions, a utopianism for which the lunatic Zbigniew Brzezinski and the Naderite warmonger James R. Schlesinger are, together with cautious warhawk (“dawk”) Paul Warnke, notable expressions. They have seized upon those features of Trotsky’s analysis which they choose to excerpt for this purpose. Such miscalculations lead directly and quickly into general thermonuclear war.

The Soviet leadership’s Oblomovism does not extent to the sensuous perception of tangible self interests of the Soviet state itself. Any direct threat to the perceived fundamental strategic defense capabilities of the Soviet Union pushes Oblomov out of bed, racing to the nearest red button. On this point, the lunatic USA utopians adduce from the 1962 missiles crisis experience only what they wishfully choose to adduce. Threaten to set fire to Oblomov’s bed and Oblomov becomes very secretive and disposed to prompt corrective action.

Whatever Mr. Schlesinger, Mr. Harriman, and their friends imagine to be the operative political combinations in the Soviet leadership, whatever delusions may momentarily reign in the Soviet leadership majority, what both Messrs. Harriman and Schlesinger refuse to acknowledge — according to our direct several discussions with them on this point, both directly and through suitable intermediaries — is that the present operational policy commitments of the Carter Administration must soon kick the tripwire which awakens Oblomov to the fact that a pyromaniac is preparing to set fire to his bed.

The follies of current manifest Soviet policy-turns and the coordinate insanities of the Carter administration are that their respective, *fey* illusions commit both to an inevitable early thermonuclear holocaust.

#### *The Imminent Scenario*

The Carter administration is immediately committed to breaking the back of its Western European and Japanese opponents by an early-March Middle East scenario which is most emphatically focused against Saudi Arabia, and which cuts off Western Europe’s and Japan’s major energy supplies. This is in general, a replay of the 1973 scenario by which Rockefeller et al. played upon vacillations among Europeans and Arabs to the effect of breaking up Euro-Arab anti-depression negotiations of the 1971-1973 period.

If such a Middle East scenario succeeded, and if Europe and the developing sector therefore submitted to a variant of the Schachtian-fascist International Resources Bank cartelization hoax, the Soviets would be

“geopolitically” isolated, and unavoidably committed to an early thermonuclear war. That Middle East crisis would be the “lesson” which educated the Politburo, and impelled the Soviet leadership toward a war-fighting commitment. Strategically, such a commitment would then be correct, because all alternatives to war had been eliminated.

To the extent that Secretary Brezhnev is prepared to play a Munich 1938 Neville Chamberlain to Mr. Carter’s Hitler, the March consolidation of the indicated terms of “SALT II” make World War III imminently inevitable. However, at the moment, such a development is not inevitable; if the CMEA proceeds aggressively to aid Western Europe and leading Arab and other developing-sector forces in consolidating a new, gold-based monetary system linked to the transferable ruble, such action would collapse Chase Manhattan Bank, and thus invalidate the premise of the Carter administration’s presently operational confrontationist policy.

This alternative, this actual road to world peace, is what the Brezhnev leadership is ostensibly incompetent to perceive. If it perceives such political alternatives, it lacks conviction in such matters under stress. Hence, either the Soviet Politburo quickly dumps the Arbatov-Bovin-Kuznetsov idiocies, or Western Europe takes independent preemptive initiative in the matter, or by March of this year the world will be poised on the brink of

an essentially unpreventable general war.

Those leading USA and other circles who choose to breathe a sigh of relief at the appearances of Politburo gutlessness and ignorance thus place themselves in the same category as those foolish English people who hailed Neville Chamberlain’s 1938 return from Munich.

Then, perhaps, the world is too cowardly and stupid, in respect of the present leading forces of most nations, to survive? Only the Labor Party and relatively few strategic co-thinkers in various leading circles inside and outside the USA show the combination of perception and firmness of will to get us out of the most hideous mess the human race has faced in its recorded history. We shall quickly discover what other forces have sufficient intelligence and courage to associate themselves openly with the U.S. Labor Party. If they do not, they show themselves inadequate in combinations of intelligence and will to survive.

Meanwhile, it should be no mystery why the Labor Committees developed necessarily at arm’s length from the ideology and influence of the Communist parties. The best Communists have amiable intentions, but lack, as organizations, the independent qualities of intelligence and will to cope effectively with the principal political and economic complexities of this present time. Such Communists’ ineptitude is the aggravating element in the growing war danger.

**EXCLUSIVE**

## National Security Council Sets Up Task Force For Middle East War

Jimmy Carter’s National Security Council began drawing up plans this week to meet the European-Arab Dialogue with a political-military show of force by the United States, Israel, and Iran.

According to sources on Capitol Hill, a National Security Council (NSC) task force for a Middle East war is being assembled by White House energy czar James Schlesinger and NSC Director Zbigniew Brzezinski. The chief target of the NSC — whose membership is almost entirely composed of the Rockefeller family’s Trilateral Commission — is to disrupt, by threats and if necessary by force, the spreading array of trade and financial arrangements among Western Europe, the Arabs, and the socialist countries to dump the U.S. dollar. The centerpiece of these efforts is the pending nationalization of the giant Arabian-American Oil Company (Aramco) by the government of Saudi Arabia.

The takeover of Aramco by Saudi Arabia, an action which has drawn support from diverse political forces in Europe, Japan, and the United States, would free as much as 10 million barrels of oil per day to fuel world development. At present, that vast volume of oil production is under the tight control of the four Aramco partners — Exxon, Mobil, Texaco, and Socal. Should the

Saudis finalize the nationalization, a host of European state-owned oil firms, British and Japanese companies, and U.S. independent refining and marketing companies would have unrestricted access to Saudi crude oil. In addition, the *political* power wielded by the Rockefeller family and the New York banks through their control of Aramco production would be destroyed, and Exxon and its sisters virtually eliminated as a major factor in the world oil market.

According to sources on Capitol Hill, when Frank Zarb, then head of the Federal Energy Agency, toured the Middle East late last year, he became alarmed at the thought that the political control of Aramco’s vast oil resources would pass into Saudi hands. He recommended that the U.S. take action, but President Ford refused. Now, the source reported, the Carter regime — Schlesinger and Brzezinski — is planning to throw the entire muscle of the NSC and the State Department behind an effort to halt the nationalization.

### *Showdown In March?*

According to the best estimates, the Carter Administration has set a four-week fuse on the Middle East powderkeg. Pentagon sources report that before leaving



office, former Defense Secretary Donald Rumsfeld warned that the incoming Carter team was planning to promote a major confrontation in the Middle East in early March. Moshe Dayan, the former Defense Minister of Israel and the leader of that country's warhawk faction, predicted on Feb. 10 in Memphis, Tennessee, that "within four weeks" the U.S. would launch a Middle East "initiative." Dayan was speaking after having held secret talks with both Brzezinski and Secretary of State Cyrus Vance, who is about to leave on a one-week tour of the Middle East Feb. 14.

The Vance trip, whose object is to reintroduce the warmongering "step-by-step" diplomacy of Henry Kissinger, is seeking to derail both the Geneva Peace Conference and calls by Western Europe, the Soviets, Egypt, and Saudi Arabia for an immediate overall peace settlement. If those forces acquiesce in the abandoning of the Geneva perspective and a return to step-by-step diplomacy — which would signal the establishment of near-total U.S. political and economic hegemony in the Middle East — then the likelihood of a war in the Middle East following Vance's return, in early March, will increase dramatically.

The explicit threat from the Carter Administration to Western Europe was delivered yesterday in Brussels by Israel's Foreign Minister Yigal Allon. The developing economic and political relations between Europe and the Arab world, said Allon, "might become a politically dangerous tool which would diminish, not enhance, the role of Europe in the Middle East." The *Washington Post* had the following comments on Allon's remarks:

The United States and Israel have expressed concern that the European-Arab relationship, although limited to trade, financial, and technological cooperation, has begun to assume a political character that could affect prospects for an overall peace settlement in the Middle East.

The United States has exerted diplomatic pressure to block a Common Market proposal endorsing an "urgent" return to the Geneva peace conference when Common Market political directors met in London on Jan. 31.

Allon's remarks were meant to threaten the opening of the Euro-Arab Dialogue meeting today in Tunis, Tunisia, where the representatives of the Arab League planned to demand that Western Europe adopt a strong stand on the need for a political resolution of the Middle East crisis.

#### *Blueprints For War*

From the Carter side there is no lack of battle plans. The most recently issued is entitled *The Geopolitics of Energy*, presented by Senator Henry Jackson's Interior Committee in January 1977. The Jackson report urges that the question of U.S. energy policy and dependence on oil imports be made "a high priority item in national security considerations," despite the fact that the U.S., in its struggle to control world oil resources, "may actually find itself pitted against traditional allies." The study, which will form the strategic basis of the Carter regime's Department of Energy under Czar Schlesinger, minces no words when discussing the Soviet threat to Middle East petroleum reserves: "The USSR may have judged

that its effort to disrupt oil arrangements with the West could provoke a response from the United States which, in time of crisis, might lead to general war." Jackson cites the Soviet technical aid to Iraq after that country nationalized its oil in 1972 as an example of such USSR-instigated "disruption of oil supply to the West."

The threat of general war is also raised directly by the Rockefeller-controlled International Energy Agency (IEA) in a report issued last week in Paris. The IEA, a supranational Trilateral institution created by Henry Kissinger at the height of the Great Oil Hoax of 1973-74, warned that the "dangers of Western reliance on OPEC are not primarily economic, but political," according to the *Wall Street Journal*, and predicted a scenario in which the U.S. and USSR "could be drawn into a confrontation in the Middle East."

In the Senate, Edward Kennedy is the prime architect of schemes to confront the OPEC countries. But in a recent report, Kennedy, like Jackson, note with alarm that the only workable strategy is one in which the U.S. confronts OPEC in combination with its allies in Western Europe and Japan; he urges a "common front among oil-consuming countries" under the IEA to use economic warfare and blackmail against OPEC. In a recent interview, the staff author of the Kennedy report said bluntly, "If OPEC were to do something along the lines of disrupting oil supplies to our allies, we couldn't sit idly by. A hostile act in any area of the world could lead to war."

#### *Bypassing The Seven Sisters*

U.S. threats and blackmail — including reported assassination attempts against Italy's Prime Minister Andreotti, French President Giscard d'Estaing and West German Chancellor Schmidt this week — are apparently intended to ensure that the Europeans will continue their fatal hesitation to take an independent policy stance against the U.S. for a Middle East peace. Last week, the actions of the European Economic Community held back from endorsing a resolution for a Geneva Peace Conference until after Vance's trip to the Middle East. U.S. strong arm tactics have failed however to disrupt the ongoing European-Arab *economic* dialogue which is set to meet again this week in Tunisia. There are indications in fact that Western Europe is being joined by Japan and by key independent oil consortia from the United States itself to destroy Exxon's monopoly in Saudi Arabia.

This week alone, top-level delegations from Italy's state-owned oil firm ENI and from the Japanese Ministry of Trade and Industry are in Saudi Arabia to secure oil supplies outside the framework of Exxon and Aramco. Michel d'Ornano, the French Industry Minister, urged his country to seek increased trade with Saudi Arabia via the national oil companies CFP and Elf; and the giant Italian state industrial complex Montedison — controlled by Eugenio Cefis — secured a contract for a "substantial" part of Saudi oil output through Aramco partner Socal, on Saudi orders. A high-ranking West German delegation, led by Foreign Minister Genscher and a team of two dozen businessmen, is now touring the Middle East.

There are, in addition, several discussions underway between Saudi Arabia, key U.S. independent oil companies, and European and Greek middlemen concerning the supply of vast quantities of Saudi oil to the U.S.

## Senate Ctte Staffer: Schlesinger - Vance Will Control U.S. Foreign Energy Policy

*The following interview is with a staff member of the U.S. Senate Foreign Economic Policy Committee, formerly known as the Church Committee on Multinationals.*

**Q:** What is the status of your probing on the Aramco Saudi nationalization talks?

**A:** Late last year our subcommittee attempted to get specifics from the State Department on these talks, and we were told that State considered them to be a private matter between the companies and the Saudi government. No information was made public. Then the Federal Energy Administration (FEA) put out regulations calling for fairly detailed, specific information on what the negotiations were about but stopping short of asking for prospective information. Now, with the new Administration in Washington, prospective information will be requested, since both Schlesinger (Special Assistant to the President -ed) and FEA head O'Leary are committed to asking for this.

### Aramco Official Lies About Saudi Policy

*The excerpts below are from an interview with an Aramco official in Washington, D.C.*

**Q:** What do you make of Saudi Arabia's efforts to consolidate a "pairing arrangements" sales strategy of direct deals with European companies rather than going through Aramco?

**A:** It's not true. We've contacted two or three of the designated companies and got denials from them. Even *Platt's Oilgram* magazine backs this up. A recent issue quotes the governor of the state-owned oil company Petromin who denies the existence of pairing arrangements. This proves that the Saudis don't want to dictate buyers to Aramco.

Here is what *Platt's Oilgram* had to say:

**Q:** An Aramco official has just denied that pairing arrangements have taken place and cites your journal as providing evidence to this effect.

**A:** I am surprised! The article the Aramco official cited was in a back issue. Two issues later we published a story retracting the Petromin governor's statement. I'm surprised that the Aramco official didn't cite the later story. These days I guess the folks at Aramco are a little nervous. It is very much Saudi Arabia's and Yamani's policy to go through the pairing. The Saudis want to keep the thing as quiet as possible.

**Q:** Do you foresee tighter National Security Council control or regulation of these talks?

**A:** I would say yes, the NSC will take more and more of a role. You can't get away from this idea. It will depend on Schlesinger exactly how it will happen. Either the NSC will coordinate for the State, Treasury, and FEA, or Schlesinger will coordinate; it depends on him. There are two things involved here. One is that the U.S. doesn't have any comprehensive energy policy. Two is that the U.S. companies have more of an interest in maintaining access than they do on price.

**Q:** What will become of the oil companies themselves if what you are describing takes place?

**A:** The oil companies will become more and more technical middle-men. They'll move the oil from one place to another. I see, and I have recommended, movement toward a Federal Purchasing Agency. Church (Sen. Frank Church, Idaho) himself recommended this a couple of years ago. This government will finally start making decisions affecting the national security of the country on the energy question.

**Q:** All this will have a dramatic effect on the Saudis, especially if we assume that they are drawing close to good terms with Aramco, as you imply.

**A:** Well, the Saudis have made a decision to go for a lower price, and they've been bending OPEC toward this. U.S. policy up till now has not been helping them. If the U.S. had a consistent energy policy, it could encourage low prices and higher production. At least, on some kind of experimental basis if need be, there should be some purchasing authority to develop stockpiles.

**Q:** Are you talking about some kind of sealed bid system?

**A:** Most sealed bid systems don't have a purchasing power attached to them but it's a possibility, there are many kinds of sealed bids.

**Q:** How are the oil companies reacting to the increasing NSC-Schlesinger regulation and control of energy policy?

#### *The Oil Lobby*

**A:** The oil companies have expressed unanimous comments on FEA legislation. They're all anti-divestiture. And they've had massive advertising campaigns to prove "we're good guys." Mobil sponsors one thing, another oil company sponsors a concert, that's how it goes. This has gone on since 1973, a general advertising campaign to improve their public image. They're saying, "We know the oil business and we should run it for you." They're giving their lobby institution, the American Petroleum Institute, unlimited money to battle the threat of horizontal divestiture that Carter has supported.

**Q:** Might not everything you are saying lead to a U.S.-Saudi showdown, given that the Saudis were getting good terms from Aramco?

**A:** There should be face-to-face negotiations between the Saudi and U.S. governments on how this will work. Zarb (Frank Zarb, former FEA head -ed) was distressed during his Mideast trip last year at the particular con-

ditions the Saudis were working out. He was concerned at what in essence the Saudis would require on downstream operations, and that's why he issued regulations.

*Q:* So to sum up, you see much tighter NSC control over foreign energy policy and negotiations?

*A:* To be exact, it may not be the NSC itself. It's possible Schlesinger himself will be in control. I would estimate that it could come down to a battle between Schlesinger and Blumenthal (Michael Blumenthal, Secretary of the Treasury -ed). In this battle Schlesinger would win out, and there would be a Schlesinger-Vance (Cyrus Vance, Secretary of State -ed) coalition on energy questions.

*Q:* I still think what you are saying is provocative and could lead to a Mideast confrontation of one sort or another....

*A:* Confrontation in the Mideast? Sure. There's lots of concern over that. Take Iran. The Shah is getting more and more unhappy with the situation every day. Things are getting a little tense.

*Foreign Policy Staffer:*

## 'Saudis Could Have a Change in Regime'

*The following is an interview with a professor at Tufts University's Fletcher School of Law and Diplomacy, a former aide to Senator Hubert Humphrey.*

*Q:* What is the likelihood of a military move by Iran against Saudi Arabia?

*A:* Iran needs revenues, and this has caused stress on the regime and could therefore force the Shah to make a move, perhaps against the Saudis. The need for revenues also poses domestic problems for the Shah. He can't afford to cut back on military spending since that may not go down so well with the military.

*Q:* How solid is the situation inside Saudi Arabia? There is much evidence of a deep rift between pro-U.S. Prince Fahd and King Khalid, who is not adverse to expanding

links to the Soviet Union.

*A:* Saudi Arabia could have a change in regime...Saudi Arabia could become vulnerable to outside forces....Iraq and the Soviet Union could play around there, perhaps leading to a change of government. It is in the interest of Saudi Arabia to ally itself with Iran to meet this threat.

*Q:* What would the U.S. do in the case of such an unlikely occurrence as the Soviets actually invading the Persian Gulf?

*A:* The important issue is what would Europe and Japan do. The Soviets would invade Saudi Arabia in order to take over the oil supplies there and sell the oil at a cheaper price to Europe and Japan. You can imagine that under these circumstances the French wouldn't call up the U.S. and ask them to invade the Gulf in retaliation. I don't think that the U.S. would go to war over the issue under these circumstances. I think you would see a deep split emerge between Europe, Japan, and the U.S. as a result of such a thing. When it comes to oil matters, the Europeans and Japanese are already growing closer to Saudi Arabia. There are many secondary oil companies that want closer relations with the Saudis, you know.

*Q:* You say that there is no likelihood of a U.S. military response in the event that the Soviets were to move into the Gulf, but what can the U.S. do to ensure that this does not happen?

*A:* The U.S. must respond by checking the Soviets on the ground. Iran represents the best deterrent. You see, the Soviets view Saudi Arabia as the jugular to the West; therefore, we must be very cautious. At some stage they might be tempted, and if we have abandoned the Philippines and Diego Garcia, then what kind of deterrent are we left with?

*Q:* What will the Saudi response be if the Carter Administration does not heed the Saudis vis-à-vis reconvening the Geneva peace talks, since the Saudis only went for a 5 percent increase as a means of inducing Carter to favor Geneva?

*A:* The Saudis will increase their oil production even though it is against their own economic interests and the increased production will be used for political purposes. Also, many lucrative contracts issued by the Saudis will go to European and Japanese firms instead of U.S. firms.

## Will Iran Invade Saudi Arabia?

A possible invasion of Saudi Arabia by Iran backed by the Carter Administration has been openly tossed around Carter circles as a possible option to prevent the Saudis from breaking out from under Aramco's control and forging oil-for-technology arrangements with Europe and Japan. A professor at Fletcher School of Law and Diplomacy at Tufts University who is a former aide to Sen. Hubert Humphrey identified Iran's military might — an extension of NATO's military apparatus — as the No. 1 "deterrent" against the Saudis.

The Shah of Iran may be pressured into carrying out

Carter's military option against Saudi Arabia by growing internal economic difficulties and social unrest, offered a spokesman connected to the Council of Foreign Relations. In January, Iranian oil production fell sharply, exacerbating the economic difficulties of the Shah, who has strongly opposed the Saudi-led drive to keep oil prices down and raise production.

Then this week the *Sunday Times of London* gave splashy play to a new book by Paul Erdman entitled *Crash of 1979*. The author lays out a situation closely paralleling the current monetary crisis — but projected

to 1979 — in which the Shah provokes World War III by invading Saudi Arabia's oil fields.

In reality, Iran is the scene of a raging faction fight and there are increasing indications that the Shah is gradually beginning to buck the Carter Administration and may not be so willing to use the Iranian military to threaten Saudi security. The Shah sent an unusual letter Jan. 8 to then Defense Secretary Donald Rumsfeld to say that his government had dismissed retired Army colonel Richard Hallock, who had been appointed in 1973 by Defense Secretary Schlesinger as a special "military advisor" to Iran. The Shah endorsed Hallock's

replacement, Eric von Marbod, who was appointed by Rumsfeld, and who is pushing for a reduction in the Iranian military budget to curtail Iran's posture as military policeman for the region.

Internal pressure on the Shah is also easing somewhat with the rise in Iran's oil production since late January.

Iran also has other options besides carrying out U.S. orders. The Soviet Union has assigned Vladimir Vinogradov, the chairman of the Geneva peace conference, as ambassador to Iran, and that assignment has coincided with a sizeable growth of economic and trade deals between Iran and Comecon.

## Iraq, Kuwait Warn About Carter's "Thermonuclear War"

*The following is a release of the Iraq News Agency, commenting on the incoming Carter Administration, excerpted from Foreign Broadcast Information Service, Washington, D.C.:*

Baghdad, Jan. 22 (INA) — The Baghdad daily Al Iraq, commenting on the inauguration of the new American president Jimmy Carter, has said: "His will not be a new era, but an extension of the traditional U.S. policy whose broad lines are drawn up not by the ordinary American, but by the monopolist companies."

The daily editorial said today that despite the defeats that befell them, the forces of aggression were still capable of committing aggression and even dragging the world into a new thermonuclear war whenever they believed this was necessary for their interests.

*The following is excerpted from the Kuwait daily As-Siyasah, from FBIS; dated 19 January 1977:*

**"With Carter Inauguration Tomorrow  
a New Explosive Stage Begins  
in the Middle East"**

A new stage in Middle East history begins tomorrow, and a close examination of the conditions involved indicates that, contrary to expectations, it is going to be extremely tense.

Jimmy Carter, the new American president, will offi-

cially assume office tomorrow, placing the Middle East and the oil question on his list of priorities.

From the first days of Carter's takeover, there will be a persistent U.S. action on two fronts: The solution of the Middle East problem and the oil question.

The speculation that this year or the next will be a time of serious confrontation in the Middle East is based on reviewing the names and background of the new President's assistants for foreign policy, defense and energy. If there is a common characteristic among all these new officials, it is that they all believe that the United States must maintain absolute supremacy in defense, oil, and diplomacy. Consequently, the questions of the Middle East and oil will be the first tests of the new intensive U.S. policies.

Although implementation of the policy of maintaining U.S. domination in energy by breaking the 'inflexible power' that oil has enjoyed in the past ten years has already begun, the method chosen to solve the Palestinian problem will be extremely acute and violent. With the violent U.S. pressure that will be brought to bear on the area from abroad, it is quite likely that reactions with the same degree of violence will occur in the area. And because Brzezinski, Vance, and Schlesinger want to prove Washington's ability to achieve its ambitions of absolute world domination, the violence that begets violence will make the next two years the tensest time in Middle East history.

# 1973: Behind Aramco's Great October Revolution

The year 1973 was the year in which the U.S. dollar was publicly recognized as bankrupt. The monetary storms of the 1960s had culminated in the burial of the 1944 Bretton Woods monetary system on August 15, 1971, but the effects of that devaluation and Nixon's unplugging of the dollar rapidly unraveled, and by late 1972 the crisis had returned, worse than before. Angry meetings in January 1973 failed to accomplish anything on the world monetary front. The dollar was devalued again — and still its value plunged.

For Western Europe, the end of the dollar system became a real possibility, and key forces in Western Europe, including Italy and the Gaullists then in power in France under President Pompidou, began exploring practical means of breaking the New York banks' hegemony over Europe.

Oil played a crucial role in these tentative discussions. Europe knew at the time that an enforced dependence on American multinational oil companies held Europe a political hostage of U.S. power, wielded by the Rockefeller family most directly. As in the current period, Italy's Ente Nazionale Idrocarburi (ENI), the state-owned oil firm, took the lead. An ENI vice-president called on the national oil companies of Western Europe to take on increasing responsibility in bilateral deals with the Middle East countries, in defiance of the U.S. "special relationship" with Saudi Arabia. Said the ENI official:

These agreements should be concluded between the national company of each supplying country and national companies of the EEC countries acting jointly....These agreements should be ample in scope and in number. Clearly, they could not cover all needs, but they would replace the existing machinery, under which the supplying groups and the great international groups confront one another, while the European countries, which are the really interested parties, take no part in the decisions.

At an OPEC conference in March 1973, Iraqi Oil Minister Saadoun Hammadi echoed the sentiment of the Italians from the other side. In a speech at the conference, he laid out what, in essence, was a comprehensive package of oil-for-technology arrangements between state-owned companies, bypassing the multinationals:

National oil companies have at their disposal increasing volumes of crude oil to sell in the world market. Instead of being marketed in the conventional way, these volumes of crude oil could be disposed of in package deals of five years' duration, specifying not only the terms of normal free market sales like price, payments, etc., but also the implementation of a number of development projects in the seller country on terms to be agreed upon. In this way, the marketing of crude oil would evolve into a relationship between national oil companies and groupings of project-implementing firms from the oil-consuming countries over periods of time longer than a year and involving more than one spot deal — thereby bringing about a more stable relationship.

Besides Iraq, a number of other oil-producing countries, especially Algeria, began to develop closer links to the state-owned companies of Western Europe. However, because of its immense oil production, Saudi Arabia remained the determining element in any European-Arab effort to break the Rockefeller energy stranglehold. But even in 1973, in spite of the seemingly airtight U.S. control of Saudi oil via the huge Aramco complex, there were indications that the Saudis themselves were not of a single mind when it came to Europe and Japan.

For instance, in May 1973 King Faisal of Saudi Arabia arrived in Paris for three days of talks with Pompidou, which resulted in a wide-ranging accord and numerous signed contracts. Throughout the spring of 1973, Saudi Arabia signed arms and trade agreements with Japan, France, and Great Britain, the latter a British Aircraft Corporation deal to undertake defense work in Saudi Arabia in which U.S. bids were defeated. Saudi Arabian Oil Minister Zaki Yamani then announced on Aug. 22 that, because of successive dollar devaluations, the Saudis were considering replacing the dollar with the Japanese yen as a means of oil payment!

To be sure, Saudi Arabia was by no means ready at that time to break with Rocky's Arabian-American Oil Company (Aramco). But the stiffening of political will on the European side, supported by Iraq, Algeria et al., had the effect in Saudi Arabia of strengthening various networks within the byzantine ruling elite that were either agents of or sympathetic to certain European factions. Given sufficient courage in Western Europe, the state-owned companies of Europe could capture virtually all of Saudi oil production away from Aramco for the asking.

Finally, Giulio Andreotti — Italy's current prime minister — was also prime minister in the summer of 1973. In a series of visits to other nations, Andreotti put forward a plan for peace in the Middle East, and sought to win the support of world leaders for his idea, which included a development package for the region.

## *The October Revolution*

With the outbreak of the Mideast war in October 1973, the Rockefeller counteroffensive went into high gear. The skyrocketing price of oil in October and then again in December, pushed by the captive Shah of Iran, ruthlessly reinforced the dollar at the expense of every other currency. Three other institutions, all created during 1973, were deployed then and in the coming months as part of the desperate attempt by the Rockefellers and the New York banks to prevent world events from sweeping them off the stage: the *Trilateral Commission*, created by David Rockefeller and Zbigniew Brzezinski in mid-1973; the *Church Committee*, or Senator Frank Church's Subcommittee on Multinational Corporations, which was deployed to drag up dirt on the entire worldwide pro-development faction, from the U.S. to Italy, Japan, and Saudi Arabia; and *Watergate*, with President Nixon driven out of office in preparation for the Trilateral Commission coup of November 1976.

The October war was merely a Rockefeller-staged sideshow to accompany these other events. But in its final moments, the war provided the Rockefeller faction with the pretext for the first worldwide alert of U.S. forces since the Cuban missile crisis. With the world on the brink of nuclear war, the U.S. urged its allies at a secret NATO meeting "to take steps to chill their trade and political relations with the Soviet Union." The Europeans refused. In addition, Western Europe — including West Germany — refused to allow the world nuclear alert to occur on European soil. For a day, at least, NATO had ceased to exist!

Kissinger moved fast to propose the creation of "an energy action group," and invited the NATO partners to attend a Washington Conference that, in February 1974, would found the IEA, now Senator Jackson's vehicle for confrontation.

The fight against the IEA was led in 1974 by France, Iraq, and Algeria. In a *Le Monde* interview, Algerian President Houari Boumedienne issued a challenge to Europe:

The Europeans at the present moment have the possibility of laying the basis for a long-term cooperation which would guarantee their oil supplies for 25 years in exchange for their participation in the development of an area in which they are vitally interested. The Washington Conference aims to slow down the new policy of direct links between producer and consumer. The real policy of the United States is not to lower prices, but to control the sources of energy and thus ensure its political power. This is the truth. If the Europeans yield before the American "big stick," they will once again return to the sidelines of history. It is a question of choice.

The Iraqis were even stronger in their comments. In a full page advertisement that appeared in major newspapers all over the world, an "Open Letter to President Nixon" from President Bakr of Iraq called for cooperation between producers and consumers and blasted the price increases as an American plot. Iraqi Prime Minister Saddam Hussein attacked the embargo and production cutbacks by the other Arab states as devised "by reactionary ruling circles well-known for their links with America," and said that a "suffocating economic crisis" in Europe will force the EEC to "abandon its independent policies and rely more and more on America."

With the backing of Iraq and Algeria, France moved to begin the European-Arab Dialogue, over bitter protests from Kissinger. A "senior American official," obviously Kissinger, was quoted as follows:

We want to avoid a confrontation with the Europeans, but this confrontation has become inevitable. The Europeans cannot compete with the U.S. in the Middle East, and if we fight them there we will win. The Arab countries need the United States more than they need Europe.

But the confrontation that Kissinger predicted was not fought on economic grounds. It was fought by terror, threats, and innuendo. A wave of political destabilizations swept across Western Europe in early 1974, toppling the British, Italian, French, and West German governments in rapid succession. In the Middle East, military threats mounted, as CIA-backed Kurdish rebels threatened to provoke an Iran-Iraq war, and then Secretary of Defense Schlesinger sent U.S. naval task forces toward the Persian Gulf, muttering ominously about "Russian bases." In a series of "deep background" briefings, Kissinger put out the message that a U.S. invasion of the Persian Gulf, perhaps with help from Israel and Iran, was entirely feasible. He then publicly threatened U.S. military action in case of "strangulation" of the West.

#### *Watergate and Church*

A key element in ongoing European-Arab moves to establish a new monetary system was the behind-the-scenes role of the Republican industrialists in the United States who lent their support to that undertaking. The destruction of the Nixon presidency by the Watergate operation was essential to the Rockefeller faction's efforts to block the creation of a gold-backed monetary system and increased international trade. Nixon's worldwide ties — heavily into oil, via the American "independents" — and those of his Republican allies in the Midwest and South-Southwest were crucial to European industrialists' efforts.

The 1973-75 hearings of the Church Committee systematically targeted the half-formed international faction with a series of Watergate-style attacks. From Japanese industrial forces to Saudi and Iranian princes, to Italian Christian Democratic politicians, to Turkish, Egyptian, and Nigerian officials, the "Lockheed scandals" and other such rigged exposes lent additional weight to the Rockefeller terror that was launched worldwide against the capitalist opponents of the Dollar Empire.

In turn, the Church hearings paved the way for a phony populist call for "divestiture," i.e. the disassembling of the oil companies and increased federal controls over the industry. While the divestiture proposals do not threaten the big oil companies — whose overseas operations are beyond any U.S. legislation — they do threaten the smaller "independents," who since World War II have been a key focus of opposition to Rockefeller.

It is now the Senate's pro-Carter Democratic mafia that is planning the fatal confrontation with OPEC. Senator Jackson would head the Senate's reorganized Energy Committee, to work in treasonous collusion with Schlesinger, while Kennedy and Church spew out provocative scenarios designed to trigger a showdown with the oil-producing countries — and to raise oil prices.

# The Unfinished Agenda Will Finish America

## Rockefeller Brother's Fund Issues Blueprint For No - Energy Economy

by Carol Lerner

On Feb. 2, the Environmental Agenda Task Force, an organization sponsored by the Rockefeller Brother Fund, held a little publicized, day-long symposium on Washington's Capitol Hill to publicize its just released report, *The Unfinished Agenda*. The consensus report written by the 12-member Task Force in collaboration with 63 other leading environmentalists. The report is a blueprint for the total destruction of United States industry through a combination of energy cutbacks coupled with at least five-fold increases in energy prices.

The Task Force document (see summary and excerpts) calls for a "new type of energy economy," a "Conservator Society," where a "centralized high-technology future is unsuitable." Electricity generation is not "thermodynamically justified," the report states. Fission energy should be phased out while fusion research should be virtually eliminated. In fact, all investments in energy or technology in general should be halted. Instead we should move to "soft 'energy sources'" based on converting "sun, wind, organic materials — even geothermal heat — to useful forms" over the next years. In particular the so-called environmentalists stress the conversion of wood into liquid-fuel (methanol) and the recycling of sludge (human excrement) into fertilizer and fuel. The development of "soft energy sources" should be paid for by taxing existing fossil fuel consumption — taxes which would drive the cost of a barrel of oil to \$100.00 and natural gas to \$16.00 per thous. cu-ft. or more than a 10-fold increase.

The 191-page document, which lists 70 "public policy proposals" earmarked for legislation, applies "zero growth solutions" as population control, pollution abatement, natural resources, and the ecology. The report proposes that food shipments be eliminated and all assistance — food or development — be tied to mass population control. Domestically, it argues that income tax deductions should be eliminated for the third — and after — child. The report calls for the substitution of "hand tractors" and other "hand tools" for mechanized farm machinery both at home and abroad.

"The money (presumably saved from such a transition -ed.) could be used to retire the national debt, Dennis Hayes of the Rockefeller Brothers Fund-funded Worldwatch Institute stated (see interview below) — debt mostly owed to the Rockefeller's Chase Manhattan International Monetary Fund.

The Rockefeller family itself is aware of the implications of a program which would be able to generate only enough energy to sustain life for 10 million people at current U.S. living standards or 75- to 80-million at a Fourteenth century standard at best. Rockefeller Brothers Fund staffer, Gerald O. Barney (see interview below), who is also editor of *The Unfinished Agenda* report, has said that "some people, particularly children from 1-10, may not make it."

The proposals contained in *The Unfinished Agenda* are intended to constitute the central core of Jimmy Carter's national energy policy scheduled to be announced April 20 — a fact confirmed by President Carter's Feb. 8 press conference where he hinted that he would propose an energy tax on natural gas. The favorable reaction given by Carter's Assistant to the President for Domestic Affairs and Policy Stuart Eizenstat, who keynoted the Task Force's symposium, (see excerpts from his speech below) only confirms this fact. In addition, Energy Czar James Schlesinger, a well known proponent of nuclear power in all forms but nuclear energy, is about to launch a campaign for both solar energy and an energy tax.

The Task Force will also lobby Congress to pass aspects of the "unfinished agenda" program. In the House, Rep. John Dingle (D-Mich), who hosted the symposium, and Rep. Richard Ottinger (D-NY), who is a first Vice President of the Friends of the Earth, have emerged as leaders. In the Senate, Sen. Charles Percy (D-Ill) and Sen. Edward Brooke (R-Mass), who has introduced legislation forcing utility companies to tie progressive price rise to energy usage, have become open supporters. The Rockefeller Brothers Fund is described in its Annual Report as the family's own private "vehicle through which we could share a source of advice and research."

Every single leading member of the Rockefeller family sits on the Rockefeller Brothers Fund's board along with Common Cause's James Gardner and Big MAC's Felix Rohatyn, who is placed on the Fund's Finance Committee.

Through both the Fund and the Rockefeller and Ford Foundations, the Rockefeller family created the environmentalist-conservation movement. For example, the RBF, which also Funds the Trilateral Commission, funds more than 25 environmental and related organizations including Worldwatch Institute and the Natural Resources Defense Council.

The Environmental Agenda Task Force was personally established by RBF Chairman Laurance Rockefeller, a leading Board member of the Natural Resources Defense Council, a Task Force participant. The Task Force was formed last July only days after Jimmy Carter wrangled the Democratic Party nomination. The report was first publicized about two weeks after Carter's inauguration and only hours before his "fireside chat" on energy policy.

To insure that the Task Force document would be ready on time Rockefeller personally drafted leading zero growth propagandists, including Lester Brown (Worldwatch Institute), Amory Lovins (Friends of the Earth), Donella Meadows (Club of Rome) and even himself to write the bulk of the book's 10 chapters.

According to RBF staffer Gerald D. Barney, Rocke-

feller hopes to use the Task Force, whose members represent the 12 largest environmental groups, along with the other leading environmentalists who participated in the project as the core of a large "united front" organization which would lobby for the recommendations listed in *The Unfinished Agenda*. While all of these groups have basically adopted the anti-nuclear energy perspective, both in terms of the economy and population, there are differences in emphasis, particularly between the so-called radical wing, Zero Population Growth, Environmental Action, Friends of the Earth, etc., and those considered more traditional, Sierra Club, National Audubon Society, etc. While in practice these differences are miniscule, Laurance Rockefeller wants to turn this presently loose coalition into a highly centralized and *fascist* movement.

## 'Some Of The Kids Aren't Going To Make It'

*The following is an interview with Gerald O. Barney, editor of the Unfinished Agenda and coordinator of the Environmental Agenda Task Force. Mr. Barney is on the staff of the Rockefeller Brothers Fund.*

**Q:** How do you expect to get the recommendations in the *Unfinished Agenda* implemented?

**A:** Right now I am writing a memo proposing that the Task Force stay together. The main thing is to get the organizations together to lobby. We need to set aside a number of people to closely monitor Congress...We must be prepared to make a united front.

**Q:** How do you think Congress will relate to the recommendations of the report?

**A:** Well we have some Friends on the Hill. (Rep.) John Dingill, for example, invited us to use the Caucus Room of the House's Cannon Building. Percy, Ottinger and others are favorable. Also the Rockefeller Brothers Fund is buying 5,000 copies of the Task Force book and will be sending it to every member of Congress, plus distributing widely to government, business and labor.

**Q:** What about the Administration. How will they respond?

**A:** If you heard Stu Eizenstadt's speech, you would know where the Administration stands. His speech was damn good....

**Q:** I understand that President Carter will announce a national energy policy in April. Will it contain any of the report's recommendations? I'm particularly interested in this idea of an energy tax and, of course, nuclear energy.

**A:** We're working on this. Carter is quite receptive on the energy tax and also on conservation in general. Recently, he's been a little equivocal on nuclear energy. If he goes along with the breeder reactor program, he'll certainly get a lot of flak from us. I know Laurance Rockefeller has particular concern around the nuclear question....we're going to put a lot of pressure on him....We think he'll respond.

**Q:** Many of the recommendations — like eliminating personal tax exemptions, high energy prices, etc., won't be very popular with the public. How do you expect to rally support?

**A:** We are raising unpopular issues — unpopular but necessary....These are tough things we have to do. It's the children from 0-10 that we are really talking about. Some of them may not make it.



# The Unfinished Agenda

Gerald O. Barney, ed., *The Unfinished Agenda: The Citizen's Policy Guide to Environmental Issues*, Thomas Y. Crowell Co, New York, 1977

The Unfinished Agenda, a report of the Rockefeller Brothers Fund-sponsored Environmental Agenda Task Force, is summarized and excerpted below. The chapter on "The Energy Economy" — the key topic in the report — will be extensively excerpted, while the remaining 9 chapters will be briefly summarized with appropriate excerpts included. The report, edited by Gerald O. Barney of the Rockefeller Brothers Fund, is 191 pages and is scheduled for release in March.

**Preface:** "The Environmental Agenda Project was an effort to enlist the constructive thinking of the nation's most knowledgeable and professional environmental leaders ... Sixty-three of these new leaders pooled their considerable expertise ... to identify and describe what they regarded as the most critical issues ... and to recommend what explicit actions might be taken over the next several years..."

The Preface then identifies the 63 environmental leaders who participated in the project (see list below).

**Introduction: The Call to Action:** This section lists 70 "public policy proposals," earmarked for legislation, on topics such as population, food and agriculture, energy, natural resources, society and decision-making, etc. Many of the specific recommendations will be cited in the chapters dealing with a specific topic.

**Chapter 1: "Population: How Many Is Too Many?"** (Written by Donnella Meadows -Club of Rome- with contributions by Lester Brown -Worldwatch Institute). The report calls for a reduction in population — both internationally and domestically — listing 11 proposals geared to reaching this goal including:

- \* Remove taxation discrimination against single people and childless couples and eliminate additional tax benefits (e.g., income tax exemptions) for those with three or more children.
- \* Continuation and increased funding of family planning programs, research into fertility control methods, and training of paramedical personnel in recipient nations be provided to administer and follow-up on simple techniques of contraception, abortion, and sterilization.
- \* Special emphasis be given to foreign-aid measures that have an indirect negative effect on fertility...
- \* Establish a national goal of population stabilization or gradual population decrease...
- \* Gradually reduce and stabilize quotas for legal immigration....

**Chapter 2: "Food and Agriculture:"** (Written primarily by Donnella Meadows and Lester Brown). In this chapter, the authors further the polemic against popula-

tion growth saying that "population stabilization is the only possible long-term solution" to the world food shortage. "Increasing food production ... should be considered the least desirable..." alternative. The authors also stress labor-intensive methods of agriculture both for home and abroad. Specific recommendations include:

- \* Relating all forms of assistance to the necessity of bringing birth rates into line with death rates. "Birth rates shall not be maintained higher than death rates" even though this may "interfere with some freedoms."

- \* A U.S.-Canada Commission on Food Policy, modeled after the efforts of "OPEC countries to manage petroleum" through "the price mechanism and production controls."

- \* Reduce unnecessarily wasteful levels of food consumption in the U.S., including "food-related commodities" such as "fertilizer and energy."

- \* To the extent possible, encourage the reduction of direct donations of food to poor countries.

- \* Promote research and development of intermediate agricultural technologies, both for use at home and to aid agricultural development abroad.

"Examples of these intermediate technologies include digesters to produce fertilizers from household and urban organic wastes, biological pest control, windmills for pumping water, solar grain driers, small sturdy hand tractors, methane generators, and many sorts of handtools." Along with recommending the use of "more labor-intensive methods," the report recommends the return to the "smaller farm."

**Chapter 3: "The Energy Economy"** (Written by Amory Lovins of Friends of the Earth).

It is essential to devise and build a new type of energy economy far less dependent on dwindling supplies of fluid fuels ... Within a few decades, world extraction of oil and gas will also peak and start to decline. As it is, this country is rapidly becoming reliant on imports from a single, politically volatile region, to the detriment of both our economic and political independence. This change in fortune caught the government largely by surprise. Therefore it is imperative that the United States devise a new energy plan.

## THE CURRENT DILEMMA

Project Independence and its later drafts assume rapidly growing supplies of energy, especially in the form of electricity, to be essential to a healthy economy. Increased efficiency in using energy is thought desirable. Yet the resources and initiative to be devoted to increased efficiency are slight and effective action has a low priority in government...

One aspect of the Project Independence plan which raises formidable problems is the proposed massive reliance on nuclear fission through a multi-trillion-

dollar investment. The required technical maturity, manageability, reliability, and economic viability of the technology have not yet been satisfactorily demonstrated. In fact, a searching examination of performance records and experimental results over the past few years leaves one shaken by the potential for disaster. Skepticism has grown among knowledgeable experts about the ability of unproven safety systems to prevent catastrophic accidents because of random failure or human malice. Threats and actual attacks on reactors and other nuclear facilities have occurred and are increasing. Thousands of unexpected engineering failures, some of which narrowly avoided causing serious releases of radioactive materials (as in the Browns Ferry fire of March 1976), have placed the quality of design, construction, maintenance, and adequate federal regulation in serious doubt ...

Perhaps the most alarming hazard of widespread fission technology is its creation of materials which, in the hands of some individuals, could result in violent and coercive acts. The knowledge and tools needed to convert certain plentiful nuclear materials into a crude or sophisticated bomb, or into simpler weapons of mass destruction, are readily available...

Protecting the guardians of nuclear waste from social unrest, strikes, economic pressures, and wars implies a rigid and hierarchical social structure.

An alternative — and hypothetical — source of energy in the distant future is controlled nuclear fusion, which is included in the more speculative energy scenarios as an ultimate “safe,” “clean,” and “inexhaustible” substitute for fission and fossil-fuel energy sources. It is of course difficult to evaluate, decades in advance, the costs and impacts of a technology that does not yet exist even on paper. Although fusion technology if feasible would have one overwhelming advantage over fission breeder technology — the non-involvement of plutonium — it is likely to share every one of the other crippling disadvantages of nuclear power listed above. It is likely to be extraordinarily expensive in capital, materials, energy, and human skills. It is therefore even more likely than fission technology to pre-empt the resources of society and to foreclose other energy options. Its safety is far from obvious. Plutonium apart, the problems of radioactive leakage and waste disposal may dwarf those of fission technology. Fusion reactors will utilize large quantities of radioactive tritium, notoriously difficult to contain, and much of the energy will be produced in the form of high energy neutrons, which will make the entire reactor structures radioactive. Finally, first-generation fusion reactors will involve the consumption of lithium, a material whose supply is certainly not inexhaustible and could probably not sustain a large energy demand for long. For all these reasons, controlled nuclear fusion does not appear to be a valid, promising option for future energy supplies. We recommend that fusion research continue, but at low priority ...

## A Friendly Trade-Off Between Food And Energy

*Below is an interview with a staff member of Friends of the Earth:*

*Q: Your colleague Amory Lovins has written in *The Unfinished Agenda* that the U.S. should be powered by bio mass conversion to fuel alcohol. Would that mean mainly wood? How would that work?*

*A: Wood is one method, but in Brazil they have tried manioc and other crops. They can all be used.*

*Q: It doesn't seem that existing forest land and marginal lands will supply enough energy. How would you deal with that?*

*A: You can use cropland too. In fact you would probably have to.*

*Q: Wouldn't that decrease the area available for food crops?*

*A: There would be a trade-off between food supplies and energy supplies with our program, but that it part of the sacrifice you would have to make.*

### THE ENERGY BLUEPRINT

This nation and the world recently passed a fork in the energy path. The present path leads further toward a centralized high-technology future, an unsustainable energy future which requires huge commitments of monetary capital and the remaining stocks of energy capital. The other path leads to a future based on dispersed-income energy sources and soft technologies with far less reliance on electricity....

Conservation and prudent use of resources mean not loss but rather preservation of the “good life.”... Humanity and humane values may be less endangered by too little energy....

It appears that the United States, like other industrial countries, already has far more electricity than it can thermodynamically justify. Reducing electricity generation would save enormous amounts of capital and fuel by decreasing the wastes associated with central power stations....

\*Smaller-scale energy generation systems should be developed and promoted....

\*We recommend a rapid move from dependence on depletable energy capital to renewable energy income.

This would require a diverse range of relatively simple (though sophisticated) energy technologies that convert sun, wind, organic materials — even geothermal heat — to useful forms at a scale and quality appropriate to end-use needs. Rapid recent progress may make it possible over the next twenty-five years for the United States to construct an energy economy almost wholly reliant on these proven, economically attractive “soft” energy sources....

The electric utility industry is faltering and may soon be financially moribund, in part because utility laws force the utilities to be so wasteful of both

capital and energy. And above all, nuclear power is dying. Dying not only because in economic terms it is too capital-intensive to be viable as a long-range energy option, but because the more debate surrounds it, the less viable it becomes as a political reality. Nuclear proponents are winning a few battles, but losing the war. Once these realities have been recognized, an orderly process of transition from the current obsolete plan must be initiated....

\*Maintenance of a fusion research program, but only at a low level, protecting a future option but without conviction at this time that it is promising.

\*A progressively increasing gasoline tax, the proceeds of which are to be used to begin reducing the effects of automobiles. This tax would have a significant impact on the poor, and thus other methods would have to be used simultaneously to attack the problems of poverty....

\*In the area of nuclear power a plan is needed for the orderly phasing-out (sic) over about ten years of existing facilities and the repeal of the Price-Anderson Act, which arbitrarily limits liability for reactor accidents.

The phase-out must include a halt to exports of nuclear (sic) technology and knowledge (except for safety's sake) and of nuclear fuel, for which soft-energy systems would be substituted. The phase-out process would clearly terminate the fast-breeder program and all other steps toward a plutonium economy (such as operation of the Barnwell reprocessing plant), which is now being urged by many arms-control experts on various grounds; also termination of all nuclear construction and commitments and the derating, for increased safety margins, of any reactors whose shutdown would cause serious dislocations....

\*Subsidies to nuclear (and other) energy industries must be withdrawn and antitrust and securities laws enforced lest alternative energy sources be deprived of the benefits of competition and entrepreneurial vigor.

*Chapter 4: "Natural Resources: Will They Last?"* (Written by Ian Nisbet of the Massachusetts Audubon Society) The report calls for minimal use of minerals and other raw materials because their extraction and fabrication have become "highly energy-intensive." This section specifically recommends:

\*The United States adopt as a long-range goal the achievement of a "Conserver Society," in which materials are used to maximum advantage with minimum resource depletion.

*Chapter 5: "Water and Air Pollution"* (Written primarily by Gerald Barney of the Rockefeller Brothers Fund) The report calls for a strengthening of the Federal Water Pollution Control Act and the Clean Air Act Amendments as well as a "drastic increase" in the Environmental Protection Agency's air pollution research budget. In addition, the report stresses the importance of sludge for its "utility as fertilizer."

*Chapter 6: "The Hazards of Toxic Substances"* (Written by Joseph Highland and Arlie Schardt, both of the Environmental Defense Fund) This section concentrates on toxic substances as the cause of cancer and as they cause learning disabilities and behavioral disorders. The report proposes that "priorities in the National Cancer Plan be shifted ... away from the search of a cure for cancer" and calls for a full implementation of the Toxic Substances Control Act.

*Chapter 7: "Spaceship Earth: The Life-Support System"* (Written by Donnella Meadows with assistance from Laurance Rockefeller) "The United States has entered an era of scarcity" is the main theme of this section. Overcrowding on our "little spaceship — Earth" has threatened the "fauna and flora" of our ecosystem. The report recommends that:

\*Special efforts be taken to preserve endangered species....

\*Congress act favorably on pending wilderness legislation.

\*The provisions of the Endangered Species Act be better enforced.

\*Congress act in 1977 to protect Alaskan wildlands.

\*The United States must develop a worthy land ethic.

*Chapter 8: "The New Biological Threat"* (Written by Nicholas Wade of *Science Magazine*) Fears that scientists, using the recombinant DNA technique, will create new forms of life by genetic transfer which could result in human epidemics with the "worst possible consequence." It proposes that "certain experimental research can be banned entirely."

*Chapter 9: "Society and Decision-Making"* (Written by Gerald Barney with contributions from Amory Lovins, Donnella Meadows, and others.) The problems of "high inflation, unemployment and growing dependence on foreign-oil imports" could be lessened, the report says, by "improved planning techniques" and "the management of technologies.... A full and active national discussion should be launched immediately on how the nation can best develop a long-range planning capability," the report recommends. The report calls for a reorganization of federal agencies making the environment "a top national social priority on an equal level with defense, employment, health, education and commerce." In addition, "antitrust laws must be vigorously enforced" and industry must be made more accountable.

\*Prices of increasingly scarce commodities should be raised with an escalating tax. For example, natural gas, both intra- and interstate, is priced unreasonably low, but rather than passing on wind-fall profits to a few individuals.

\*An escalating tax on natural gas consumption is recommended. The tax should increase so that after five years the price of natural gas would correspond to the price of producing energy of equal quality from energy income sources. A similar tax should be

applied to all fossil fuels and proceeds used exclusively to encourage the development of income energy technology.

*Chapter 10: "A Question of Values"* (Written by Gerald Barney and Amory Lovins) "As must be clear by now, this book is about a world transition from abundance to scarcity, a transition that is already well underway," the section begins. "The transition from abundance to scarcity ... requires a profound change of values. In abundance, personal interests and individualism are the keys to survival and growth. In scarcity, the values necessary for survival are a paradox: It is in the best interest of

each and every individual to put the interests of the whole society above his own; survival and stability are possible in no other way.... One of the first items on the agenda will be a rethinking of the concept of growth."

The report poses a host of specific questions for examination: "In the population area, for example, why do we as individuals want to have children? Is it selfish not to have children or to be parents?... Do we have an obligation, responsibility, or opportunity to feed starving peoples in other nations with our food?... Will feeding the undernourished temporarily reduce death rates and lead to inevitable disaster caused by high birth rates?"

## Worldwatch Institute: Tax Oil, Gas— Pour Proceeds Into Solar Energy

*The following is an interview with World Watch Energy Spokesman Dennis Hayes:*

**Q:** The report *The Unfinished Agenda* recommends applying a tax on natural gas and oil to make them equal in price to solar energy. Do you support this and how do you think it will be implemented?

**A:** Yes, I certainly support it. It's the only way to force conservation. Controls and rationing just won't work. We at Worldwatch have proposed a similar tax to President Carter's through a group called the Georgia Conservancy. Cecil Phillips, a friend of Carter's, is our liaison. We called them "royalties" just like the Arabs, since taxes aren't too popular — they're to be applied at the well head.

**Q:** How much will that tax amount to? I've seen varying estimates of how much solar energy will cost.

**A:** So have I, but I think the best estimate is the equivalent of \$20 a barrel oil and \$3.50 a thousand cubic feet for gas, although it might be a bit more like \$4 or \$5. What we actually proposed to Carter was lower than that. We proposed a general energy tax of \$.50 a million btu. That's about \$.50 per thousand cubic feet of gas or \$3 a barrel of oil. We estimated that it would bring in around \$28 billion a year.

**Q:** But your \$20 a barrel figure would be quite a bit higher, more like \$100 billion or so.

**A:** Yes, but you have to move there one step at a time.

**Q:** Even the lower tax is a large increase in price. How do you expect to get such an unpopular measure through Congress?

**A:** Well, for one thing you can link it to tax reform and cut income taxes simultaneously. After all, this money will go to the government, not to oil and gas companies.

**Q:** What exactly should the government do with it?

**A:** We would hope they would invest it in solar energy, that's the best thing. Of course, they could use it to retire the National Debt, but I don't think they would, not a Democratic President.

**Q:** Who actually supports such a tax at the moment?

**A:** Well, in the Senate, Percy does, and in the House Ottinger and Fisher. The Administration is definitely favorable. Schlesinger is definitely persuadable — he's a hard-headed guy and knows we need conservation. I don't believe at all this stuff about him being pro-nuclear.

**Q:** Do you really think the public will go along with this?

**A:** After two to three years of worsening crises, of natural gas, of electrical energy crisis — that's coming — maybe another oil thing, they'll catch on. Anyway, if this isn't politically feasible, we'll go with a series of conservation taxes. If your car doesn't get 40 mpg, then there'll be a \$2,000 tax on it, same with your appliances. For industry, this will be more difficult, it will involve massive regulations, but it might work.... Anyway, people will get sick of this stuff and then be ready for a general tax. That is really the way to go.

**Q:** Since you favor higher energy prices, do you favor deregulation?

**A:** Not directly, no, because that ends up putting the money in the gas company not with the government like the energy tax. But it does open the door for further increases and opens up the debate so that it is positive.

# Carter Assistant Keynote: The President Is Extremely Sympathetic

*Assistant to the President for Domestic Affairs and Policy Stuart E. Eizenstat gave the keynote address at the "The Unfinished Environmental Agenda" symposium Feb. 2 in Washington, D.C. The symposium was sponsored by the Rockefeller Brothers Fund.*

*Excerpts from the speech are printed below.*

... I think it's no hyperbole to say that conservationists and environmentalists have in President Carter the most sympathetic champion of environmental and conservation interests since Teddy Roosevelt. As governor, President Carter justly earned the top rating from the non-partisan League of Conservation Voters....

Your topic today is "The Unfinished Agenda." I know it is the culmination of a long effort though compressed time-wise, and I want to compliment on behalf of the administration the Rockefeller Brothers Fund for the support that they have given this project.... By this remarkable book it's obvious that you have redefined your interests and I believe that this book will be a benchmark against which our administration and future administrations will mark their success. This book indicates, and your efforts here today indicate, that environmental issues touch us all directly and are as much a part of our national security and public health as any other issue.

I believe that we've made a good start in the environmental area. President Carter appointed (as Secretary of the Interior) Governor Andrus, a man with a proven record in the environmental area. He did so only after calling many other environmental leaders down to Plains before the announcement was made to determine whether or not Governor Andrus was an acceptable candidate and who else they might be interested in. And

that shows, I believe, the interest he has in the environment. Indeed, at that meeting the environmental leaders present asked him who the environmental person would be in the White House. He said, "Me", meaning the President. And I think that signifies a new day....

One of the areas that I know you're particularly interested in ... is nuclear proliferation. I consider the two best speeches then Governor Carter gave during the campaign were two dealing with nuclear nonproliferation — the one at the United Nations and the one in San Diego. We intend for the remarks that the then governor made to be put into action. One of the assignments that Vice President Mondale was given on his recent trip was to talk with West Germany, which he's done, and to indicate our serious concern with the whole problem of the selling of reprocessing plants and their arrangement with Brazil. We intend to make it clear to both allies and others that our interest in the area of nonproliferation is a serious and substantive one, one we will pursue vigorously every day that we are in office.

I could go on for a great deal of time, because this agenda of ours is perhaps almost as long as the agenda that you have. One hope that I would have is that at the end of our four year term we would merit your support, that your unfinished agenda, now compressed into 178 pages, would be much shorter, and that we would have had a hand in addressing many of the problems in your agenda. Then, perhaps, next time, Mr. Rockefeller, when you have a handout at the end of four years your unfinished agenda may be in pamphlet form instead of a book....

We intend to have environmental issues in the forefront of our agenda for the next four years.

## What Is The Rockefeller Brothers Fund?

The Rockefeller Brothers Fund (RBF) is the chief sponsor of the Environmental Agenda Task Force and its about to be published report, *The Unfinished Agenda*. RBF Chairman Laurance S. Rockefeller initiated the Task Force while RBF staff member Gerald O. Barney serves as the Task Force's Chairman.

The Rockefeller Brothers Fund was established by the six children of the late John D. Rockefeller, II in 1940 as a "vehicle through which we could share a source of advice and research and could also combine some of our gifts to better effect," according to the Fund's Annual Report. Serving as basically the family's own private think tank, the RBF played a key role in developing the environmental movement.

The RBF, which also funds the Trilateral Commission, currently funds about 30 of these organizations including: American Conservation Association; Association for the Study of Abortion; the Conservation Foundation; National Organization for Non-Parents; Natural

Resources Defense Council; New Alchemy Institute; Planned Parenthood Federation of America; Population Council; Union of Concerned Scientists Fund; World-watch Institute.

The RBF's 1975 Annual Report lists Laurance S. Rockefeller as Chairman; David Rockefeller as Vice Chairman and both Felix G. Rohatyn (Municipal Assistance Corporation, New York City) and Richard N. Cooper (Carter appointee to State Department) as members of the Finance Committee. Trustees include: David Rockefeller; David Rockefeller, Jr., John D. Rockefeller 3rd; Laurance S. Rockefeller; Margaretta F. Rockefeller; Nelson A. Rockefeller; Abby Rockefeller Mauze; Hope Rockefeller Spencer; Detlev W. Bronk, Rockefeller University; Gerald M. Edelman, The Rockefeller University; Richard N. Cooper, formerly of Yale University now with the State Department; John W. Gardner, Common Cause.

# Who's Who On The Environmental Task Force

*The following are members of the Environmental Agenda Task Force:*

Gerald O. Barney, *Chairman, Rockefeller Brothers Fund*  
John H. Adams, *Natural Resources Defense Council, Inc.*  
David R. Brower, *Friends of the Earth*  
George Davis, *The Wilderness Society*  
Robert T. Dennis, *Zero Population Growth*  
Thomas L. Kimball, *National Wildlife Federation*  
Ian C. T. Nisbet, *Massachusetts Audubon Society, Inc.*  
G. Jon Roush, *The Nature Conservancy*  
Arlie Schardt, *Environmental Defense Fund, Inc.*  
Maitland S. Sharpe, *The Izaak Walton League of America, Inc.*  
Anthony Wayne Smith, *National Parks and Conservation Association*  
Elvis J. Stahr, *National Audubon Society*  
Paul Swatek, *Sierra Club*

*Sixty-three other members of environmental organizations participated in the Unfinished Agenda project. A partial listing is:*

Frederick Anderson, *Environmental Law Institute*  
Lester R. Brown, *Worldwatch Institute*  
Robert Cahn, *The Conservation Foundation*  
Daniel Ford, *Union of Concerned Scientists*  
Jay Forrester, *M.I.T. and Club of Rome*  
Willis Harman, *Center for the Study of Social Policy*  
Peter Harnick, *Environmental Action*  
Hazel Henderson, *Princeton Center for Alternative Futures, Inc.*  
Charles Hitch, *Resources for the Future*  
Dorothy Kuper, *League of Women Voters*  
Dennis and Donnell Meadows, *Club of Rome and Dartmouth College*  
Al Moran, *Planned Parenthood*  
Laurance Rockefeller, *Natural Resources Defense Council*  
John Todd, *New Alchemy Institute*  
George Zeidenstein, *The Population Council*  
Barry Commoner, *Center for the Biology of Natural Systems*  
Robert Heilbroner, *New School for Social Research*  
Ralph Nader, *Center for the Study of Responsive Law*  
Emma Rothschild, *writer*

*Nearly 400 environmentalists attended a one-day symposium, "The Unfinished Environmental Agenda" in Washington, D.C. Feb. 2. The symposium's registrant list shows a mixture of representatives from the organizations listed above; representatives of the Carter Administration (at the time listed as "Transition Team" members); Carter-allied Congressmen and their com-*

*mittee staffers; representatives of the Rockefeller family and their foundations; a smattering of businessmen and trade union representatives. A partial listing is reproduced below:*

Mr. Gar Alperovitz, *EPEA (Explanatory Project for Economic Alternatives)*  
Nick Ashmore, *House Committee on Agriculture*  
The Honorable Howard Baker  
Mr. James P. Beirne, *Senate Committee on Interior and Insular Affairs*  
Mr. James Benson, *Energy Research and Development Administration*  
Mr. Leon G. Billings, *Senate Committee on Public Works*  
The Honorable George E. Brown, Jr., *Subcommittee on Environment and Atmosphere*  
Mr. Charles B. Curtis, *Interior, Energy Cluster, Carter-Mondale Transition Team*  
Mr. William M. Dietel, *President, Rockefeller Brothers Fund*  
The Honorable John Dingell  
Mr. Henry L. Duncombe, Jr., *General Motors Corporation*  
The Honorable Joseph Lyman Fisher  
The Honorable Ernest F. Hollings, *Chairman, Subcommittee on Oceans and Atmosphere*  
Mr. John D. Holmfeld, *House of Representatives, Science Policy Staff*  
Mr. Victor Kamber, *Assistant to the President, Building and Construction Trades Department of AFL-CIO*  
Mr. Tim Lynch, *Subcommittee on Environment and Atmosphere*  
J. Irwin Miller, *Cummins Engine Company*  
The Honorable John M. Murphy, *Chairman, Subcommittee on Oceanography*  
Mr. James C. O'Brien, *Political Action Director, United Steelworkers of America*  
The Honorable Richard L. Ottinger, *First Vice President, Friends of the Earth*  
Mr. Ralph Richardson, *Director NES, Rockefeller Foundation*  
Mr. Douglas G. Robinson, *Interior, Energy Cluster, Carter-Mondale Transition Team*  
Mr. Godfrey Rockefeller, *World Wildlife Fund*  
Mr. John D. Rockefeller 3rd  
Mr. Laurance Rockefeller, *Natural Resources Defense Council*  
Ms. Kitty Schirmer, *Carter-Mondale Transition Planning Group*  
Mr. Robert Scrivner, *Rockefeller Family Fund*  
Sheldon Sixfin, *The Chase Manhattan Bank*  
Mr. Thomas Belford, *Common Cause*  
Mr. Jonathan Lee, *Senate Budget Committee*  
Mr. Terry Leitzell, *Department of State*

# White House Congressional Agents Gear Up For Energy Cutbacks

In his first presidential press conference Feb. 8, Jimmy Carter affirmed that cutting energy consumption is his administration's top domestic priority. Carter said bluntly his energy policy will engender controversy and "require substantial sacrifices on the part of the American people," and added, "this month we've imported over half of the total amount of oil that we have used — 10 million barrels a day on the average. This has got to stop."

Two days later Senator Charles Percy (R-Ill.) and Senator Hubert Humphrey (D-Minn.) called a press conference in Washington to announce the formation of the National Alliance to Save Energy. The National Alliance is calling for a 50 per cent reduction in oil imports and will set up task forces of mayors, governors and state and local officials to lobby for and implement energy conservation programs. The watchword of the group will be "Energy saving is our major resource."

Both David and Laurance Rockefeller are members of the Alliance's new Advisory Board, whose chairman is Henry Kissinger. White House "energy czar" James Schlesinger is the group's official advisor; Vice-President Walter Mondale is honorary chairman; and cabinet secretaries Juanita Kreps (Commerce), Brock Adams (Transportation), Ray Marshall (Labor), and Patricia Harris (HUD) are all advisors. Panicked by the crisis atmosphere the Carter team has created, leading Republicans — most notably Gerald Ford and House Minority Leader John Rhodes — have joined this effort.

A leading staff member for the Congressional Joint Economic Committee, himself in frequent contact with Schlesinger's staff, reported that the White House is not

considering gas and oil rationing. He added that high energy prices plus mandatory controls on energy usage, were the only way to force real energy conservation.

Concurrent with the public campaign for cutbacks Congressional allies of the Carter administration have begun to beat the drums for solar energy. At the press conference unveiling the National Alliance, Hubert Humphrey announced he will sponsor the first solar energy conference in Minnesota and urged a national effort behind developing solar and coal resources. Capitol Hill sources have revealed that Congressman Ottinger, a participant at the Rockefeller Brothers Fund conference, is preparing legislation to require all federal buildings to convert to solar energy and the Joint Economic Committee is planning hearings on the subject shortly.

A key stumbling block to an all-out federal drive for solar energy the JEC staff member complained is the staff of federal departments including the Energy Research and Development Administration. Many were members of the Atomic Energy Commission and won't buy such ridiculous schemes as solar energy development. To handle this problem Congressman Rosenthal (D-NY) has launched an investigation into 200 ERDA staff members he claims have conflict of interest problems.

Meanwhile, James Schlesinger has already ordered ERDA to rewrite its fiscal 1978 budget to direct funds out of fission and fusion development into solar and coal programs. It is expected that proposed funding for conservation programs will be doubled by Schlesinger. The Office of Management and Budget is reviewing the reshuffled figures and Carter will act on them shortly.

## USLP, ERDA, Testimony Focuses Congressional Resistance

Two events in Congress this week made public the national security issues which are at the forefront of the minds of responsible congressmen on both sides of the aisle:

On Feb. 11, U.S. Labor Party National Committeeman Richard Cohen testified at Senate Foreign Relations Committee hearings on the confirmation of Paul Warnke as Arms Control and Disarmament Agency director and SALT negotiator. Warnke's own testimony, said Cohen, demonstrated his unfitness for office, by opposing U.S. research and development efforts and denying the reality of Soviet technological advances which could provide a marginally decisive military capability; at the same time, Cohen charged, Warnke was covering up National Security Council operations under the direction of James Schlesinger and Zbigniew Brzezinski to pro-

voke a Mideast showdown in order to maintain Rockefeller control over Saudi Arabian oil. Thus, Cohen concluded, Warnke was speeding the U.S. toward general war at a time when the energy and research cutbacks championed by the Carter administration would further cripple U.S. defense capability.

On the same day one week after President Carter used his first "Fireside Chat" to dictate a 20 per cent cut in U.S. energy consumption, John Kintner, director of the Energy Resources and Development Administration fusion program, told a House Science and Technology subcommittee that a brute force fusion development program could supply the U.S. with all the energy it needs by 1990 at the latest. However, Kintner warned, if funding for fusion continues at its current low level, fusion reactors would never be commercially feasible in the

U.S. Reporting on the impressive breakthroughs in fusion technology made by the Soviets, Kintner said that the USSR has generously offered full collaboration on fusion development, including joint projects and laboratories, and a free flow of informational exchanges. "The information flows will be all one-way to our benefit," Kintner commented, as he charged that the U.S. is holding back from joint ventures, although they are obviously in the national interest.

The concerns expressed by Cohen's and Kintner's testimony were reflected at the Warnke hearings and in private congressional conversations, and no doubt contributed to the Senate Armed Services Committee's decision to convene its own hearings on the Warnke nomination. Rockefeller spokesmen including Hubert Humphrey and Paul Nitze felt compelled to respond to these concerns in their own remarks in the Senate: Humphrey presenting a quick SALT agreement as a device which would allow the U.S. to get away with short-changing its R and D programs; and Nitze "opposing Warnke" by retailing the Committee on Present Danger pitch for an all-out military buildup and an official repudiation of detente.

Meanwhile, congressmen from all sections of the U.S. continued to report their alarm over the impact of the Carter de-industrialization program on their constituencies, in terms which make it clear that even such traditional antagonists as conservative "free enterprisers" and Black Congressional Caucus members are becoming aware of their common interest in stopping Carter.

But although a sizable grouping of conservative — and in a growing number of cases, moderate to liberal — Democrats and Republicans share a perspective of rapid

fusion development and industrial and agricultural expansion as the primary goal for national survival, to date these forces constitute no more than an informal coalition committed merely to "containing" the Carter administration. With no centralized leadership, this informal and fluctuating group is pursuing a Maginot Line defense against Carter cuts and slashes, which can crumble quickly under the high-profile conservation offensive of the Rockefeller brothers.

Operating by a series of Byzantine alliances and "deals," the anti-Carter forces have chosen more often than not to negotiate with their opponents, thereby sowing confusion and demoralization in their own ranks. One conservative Republican Senatorial office confided, "We're in a situation where we have to bargain and barter with the Democrats," i.e. Carter.

Such "bargaining and bartering" has led leading Republican congressional spokesmen, such as House Minority Leader John Rhodes (Ohio), to endorse solar energy development, and to introduce legislation to make solar development an energy priority. Similar realpolitik by Rhodes has led him to introduce Carter executive branch reorganization legislation into the House, when a key member of Carter's own party, Jack Brooks (Texas) is stalling the bill because it "would stand the U.S. Constitution on its head."

Conservative Democrats, the natural ally of mainstream pro-growth Republicans, viewing the opposition party's vacillation shake their heads and resign themselves to isolation within their own party. The net result is that while a significant force exists for making fusion and industrial growth a reality, it has as yet no positive programmatic leadership and direction except that provided by the Labor Party.

## Paul Warnke: Softie Or Soft Cop?

Despite the vehemence of the public brouhaha over the supposed "dovish" leanings of Paul Warnke, Jimmy Carter's nominee as head of the Arms Control and Disarmament Agency and U.S. Strategic Arms Limitation Talks (SALT) negotiator, informed observers of Washington and New York foreign policy politics are viewing the whole affair as a carefully stage-managed performance to convince the Soviets the Carter Administration is willing to pursue detente, buying breathing space for Secretary of State Cyrus Vance and National Security Advisor Zbigniew Brzezinski to pursue their avowed policy of reducing "Soviet influence" in the Third World and Eastern and Western Europe, supposedly without provoking overt Soviet reaction.

In this view, even the vehement congressional opposition to Warnke being mounted by hardliners Henry "Scoop" Jackson and Rep. Samuel Stratton is likely to have the blessing of top Administration policymakers, who see the congressional brawl as helping boost Warnke's "soft-liner" image, while at the same time providing pressure which the Administration will then be able to invoke as it proves expedient.

The main question, these observers say, is whether the Soviets will fall for it. Wall Street Averell Harriman visited Moscow before Carter's election to assure Mr. Brezhnev that the Democratic candidate — despite his provocative campaign posture — was committed to continuing detente. In the past, they pointed out, the soft-line Soviet circles centered around Georgii Arbatov, the head of the USSR's USA-Canada Institute, have taken such gestures as the naming of Warnke as expressions of good faith.

A look at Warnke's public record discloses little reason for the fears being expressed by hardliners Jackson, columnists Roland Evans and Robert Novak, et al.

Warnke, like almost every other Cabinet-level appointee in this Administration, is a member of David Rockefeller's Trilateral Commission. He sits on the Executive Committee, next to the Executive Director Zbigniew Brzezinski, the Administration's certified "hard-liner." Other Trilateral members include Cyrus Vance, who was promoted from foreign affairs editorial director of the *New York Times* to be Secretary of State, as well as Lane Kirkland and David Packard, both exe-



cutive members of the ultra-warhawk Committee on the Present Danger.

Warnke is a protégé of Clark Clifford, his senior law partner in the Washington-based Wall Street law firm of Clifford, Warnke, Glass, McIlwain and Finney. It was Clifford who wrote the Truman Doctrine, which committed the United States to a policy of colonialist interventions to preserve the "American Century." Clifford was also the author of the National Security Act, which created the CIA, against the initial opposition of President Truman.

Under President Kennedy, it was Clifford, along with hardliner Gen. Maxwell Taylor, who reorganized the CIA after the Bay of Pigs episode, bringing in John McCone and promoting such people as Ray Cline. In 1963, Clifford was installed as head of the hawkish Foreign Intelligence Advisory Board by Kennedy.

Under Clifford's sponsorship, Warnke was brought into the Department of Defense as legal counsel in 1966 and rose to the position of chief of Internal Security Affairs. Under hardliner Paul Nitze, Warnke contributed to the implementation of the counterinsurgency warfare doctrine in Vietnam, to the escalation of the bombing, and to the extermination policy code-named "Operation Phoenix."

In 1968, as a member of the "Senior Advisory Group on Vietnam," Warnke was one of the Wall Street emissaries who delivered the message to Lyndon Johnson not to run for re-election. This Wall Street coup allowed the Rockefeller financier faction to continue the war for the next seven years, and to use it for destabilization operations against the United States government through the creation of a pacifist, Naderite "left opposition."

Warnke's further contribution to this operation came in the fake "Pentagon Papers" scandal, used to undermine President Nixon. It was Warnke's copy of the "Pentagon Papers" that was leaked to former Rand analyst Daniel Ellsberg, via Warnke's aides Leslie Gelb (now an Assistant Secretary of State) and Morton Halperin.

Domestically, Warnke also helped coordinate Cyrus Vance's "Garden Plot" masterplan for a military takeover of U.S. cities to counteract "civil disturbances."

Warnke's dove image only began to be cultivated after 1968, when he joined the advisory board of the Carnegie Foundation's Fund for Peace and the Center for Defense Information, acquiring a reputation as a defense savant among the circles grouped around *Foreign Policy* magazine, whose editor, Richard Holbrooke (now Assistant Secretary of State for East Asian Affairs), is also a member of the Trilateral Commission. The central feature of CDI analysis is the denial that military superiority can exist in the nuclear age.

#### *The Man Without a Soul*

Those who know Warnke describe him as a man without a soul. Some additional facts about his recent history confirm this announcement as valid.

Up to 1976 Warnke was horrified over the prospect of confrontation with the USSR, and up to that time had a

realistic appraisal of Soviet response to the strategy then being enunciated by Brzezinski and others. He is aware of the fact that the present danger of war comes as a result of the determination of bankrupt lower Manhattan banks to go for a show of force in order to subjugate the Third World and Europe. However, as a member of this crumbling empire, in his capacity as a highly paid errand clerk for David Rockefeller, Warnke now espouses the Trilateral policies which he knows are leading to war.

In his article "We Don't Need a Devil" in the latest issue of *Foreign Affairs* magazine, Warnke details the utopian perception which he will be operating from as head of ACDA.

He proceeds from the assumption that the USSR is a second rate power and from that vantage point reviews the growing danger of war emanating from U.S. policies towards the Third World, or what he calls "the thwarted billion in Asia, Africa, and Latin America."

He turns to the "success" of the Rockefeller-engineered surrogate warfare against the Third World carried out in the Middle East, gloating with satisfaction that the USSR's political and economic influence has suffered a series of "setbacks."

"The decline of Soviet fortunes in the area makes its presence at any reconvening of the Geneva Conference... hardly essential."

The U.S. monetarists can claim debt payment at will and impose fascist regimes in the Third World. At the North-South talks where the Third World has put debt moratoria on the agenda, "what is required," according to Warnke, "...is U.S. willingness to implement the promise of Kissinger's 1975 speech," that is, no debt moratorium.

The question that precedes this wishful thinking is whether or not the Soviets will be forced into a thermo-nuclear war under these tripwire conditions. Warnke answers no. He assumes that as long as the Soviet Arbatovs are allowed to maintain a perception that the U.S. is willing to negotiate arms limitations and other negotiating forum, thus impressing upon them that the U.S. will never do the unthinkable, then no tripwire conditions should ever arise.

Warnke argues this by presenting the following bit of history:

"Whatever the reasons, the Soviet reaction was curiously pallid when in the spring of 1972 the Nixon Administration mined the harbor of Haiphong and stepped up the bombing of Hanoi just before the SALT I agreements... while Soviet shipping was trapped in Haiphong harbor, Nixon was welcomed to Moscow where he and Brezhnev signed the treaty limiting antiballistic missile sites as well as the interim agreement on control of offensive nuclear arms."

*With these credentials it is still uncertain whether Congress will engage in the farce of certifying Warnke as a soft-liner, or expose him as the soft-cop of the Trilateral Commission.*

# Do Americans Really Support Carter's Conservation Program?

*With the inauguration of emergency rule and dictates in several states to deal with the energy crisis, the U.S. press has emphasized to its audience the emergence of a groundswell of support for President Carter's energy conservation measures and other government proposals put forward by Ralph Nader and similar environmentalists. The opposite is in fact the case. Printed below is selected evidence which demonstrates that, contrary to the emissions of Trilateral Commission controlled news media, the Carter-Naderite campaign has produced a backlash of publicly stated commitment to energy-intensive development: Included below are the statements of two governors issued this week and the statement of HIRE, Help Implement Regional Employment) a coalition of business and labor in Indiana, and pro-development statements from regional press. These forces are demanding that potential nuclear sources of power be allocated adequate funding, and that proposed facilities be completed to free the U.S. from dependence on fossil fuels.*

*The following was broadcast on station WRFM Jan. 26, and repeated Friday Feb. 3, 1977 by the station news director Jim Grant.*

We are in the throes of an energy crisis. After years of being spoiled by cheap energy, we not only are finding energy expensive, but scarce. Our oil and natural gas wells are running dry and we're not drilling new ones at a rate sufficient to fulfill our needs. Energy has become as precious as gold and diamonds. There are threats of unemployment, industrial turmoil and personal hardships all round us due to a shortage of energy. And yet energy is all around us. One pound of any substance, converted to energy, would equal ten million tons of TNT. One pound would release ... eleven billion kilowatt hours, 15 billion horsepower years ... A room air conditioner for half a million years ... A home furnace ... Continuously for 25,000 to 50,000 years ... And supply all of the electric power needs of the United States for five days. I'm news director Jim Branch and a world of energy is the subject of *The WRFM Report*.

In theory, our supply of energy is infinite. With our thermostats turned down to 65 ... with business and schools closing because of a natural gas shortage ... and with threats of more gasoline price hikes ... what quack could have made such a ridiculous statement. That quack ... was Albert Einstein ... and the statement evolved from a simple mathematical formula ...  $E=MC^2$ . That theory overturned the long standing belief that matter and energy were two totally different things in the universe. Einstein made it clear that he didn't think energy could be released from matter ... because of man's inability to smash the atom. However, Enrico Fermi turned that theory into reality in 1942 with the first nuclear chain reactor. In a controlled manner, man has

been able to open the heart of matter to get at the energy within. We have become relatively expert in using fission to split an atom to release energy. We have established nuclear power plants around the nation to provide us with electricity. They are currently the center of controversy because environmentalists claim they are unsafe. After sixteen years of service, and no harmful accidents, the charges are without foundation ... and nuclear energy must remain an important source during our period of depleted oil and natural gas supplies ... and until more sophisticated alternate forms of energy can be practical. But fissionable power is not the final solution because there is the problem of nuclear waste. The fission process leaves radioactive residue that must be shielded from mankind for thousands of years. A relatively simple process over a short term ... but a process that becomes increasingly difficult over many years as the waste piles grow. The future may lie in the ultimate of the transferring of matter into energy. Fusion. Solar energy advocates want to harness the sun's rays as they strike the earth and convert them into energy. But only 2/1,000,000,000 of solar energy produced every reaches the earth. Why not recreate the sun's power source. That source is thermonuclear ... and we call the process fusion. Unlike fission, that splits an atom to produce energy ... fusion fuses atoms together to release energy. And there is no nuclear waste. The process goes on constantly on the sun. As stars go, the sun is very small... but to us it is immense ... weighing an estimated two billion billion tons. Its radiation surface has a temperature of 10,000 degrees and at the core temperatures reach 25 million degrees. Every second, the sun converts 657 million tons of hydrogen into 653 million tons of helium ... with the remaining four million tons released as energy. That's an output equal to 380 million billion billion watts. And what's more the sun has been doing this for around six billion years, and appears to have used up about five percent of its potential. The fusion process has been accomplished successfully, but there are still problems to iron out before it can be used commercially. Scientists are having a difficult time finding materials to produce the chambers where the thermonuclear process takes place because of the extremely high temperatures involved. But they are convinced they can solve those problems and deliver a workable energy system by 1990. If they have the money. The fusion energy foundation is trying to encourage the Carter Administration to spend \$2 billion for research in 1977 ... instead of the \$350 million budgeted by President Ford. They object to the increasing amount of money being spent for fission research, because they believe fission is only a short term solution ... while fusion could solve our problems for all time. It seems that politicians simply can't plan that far ahead ... to the year 1990 or 2000. It's a shame. Energy is all around us. All we have to do is tap the source. And fusion offers us that opportunity.

## **The Case Of Indiana HIRE: Business And Labor Fight For Growth**

*HIRE a coalition of Northwest Indiana business and labor groups, was formed one year ago in order to resist sabotage of the vital Bailly nuclear generating plant. The coalition, strengthened by successful court action allowing construction to begin at Bailly, is currently broadening its concerns to domestic economic growth through nuclear energy development.*

*Leaders of HIRE made the following statement on their commitment to fight for growth and development:*

Now that the coldest winter in this century has wreaked massive havoc by immobilizing industry, bringing traffic to a halt, squeezing retailers to shut down, closing schools, threatening hospitals, increasing incendiaries, and multiplying human misery and unemployment, we pause to pose some pertinent questions.

Where is all the fuel the pooh-poothers said was in plentiful supply in secret caves, aboard tankers off Cape Cod, and filling Gondolas in railroad yards, awaiting price rises resulting from the energy-cum-winter crunch?

What of the substitutes the rose-tinted agreed that American ingenuity would develop in ample time for just such emergencies — technological, fiscal miracles as solar energy, geothermal power, tidal surges, aerodynamics' shale oil, etc?

Now that the bleeding hearts have taken care of the butterflies, Bluejays and Bluegills, what can we realists do for the human race that God put on Earth to "fill the Earth and subdue it; have dominion..."

Verily, of what value is super-clean air when cattle freeze in unheated barns, diminishing the supply of beef, hiking the cost of milk, and eliminating dairy products from the American table?

Who benefits from federally mandated quietude when the air is rent by the cries of hungry babies, elderly pensioners, winter fire victims, overcrowded hospitals and unemployed tradesmen?

And what will the selfish-interest groups who worship exotic flora and fauna above human good and welfare learn from this costly and pain-filled lesson? Will they allow the badly needed and long-overdue power plants to be erected 10 years late and at 10 times the original cost?

Will Congress cease meddling with the market's supply and demand equalizer in the mistaken belief that more oil, gas, coal is available by holding down prices, that taxing oil-exploratory ventures will encourage free enterprise, that constant threats of divestiture will keep the industries productive?

Will our neighboring states — and their self-seeking politicians — mind their own business and stop trying to divert attention from their own ineptitude by "protecting" Indiana from its programs of progress?

Will the news media drop its nay-saying, doomsday philosophy on energy-producing projects adopted to hype sales, increase readership, and controversy, and raise advertising rates? Will they recall that the very industries affected by this windmill tilting are the advertisers who make their existence possible?

Let us go about our business of making the most of earned lessons. Let free enterprise — made up of the people: management, construction, unions, financial institutions, stockholders, consumers — build the power plants HIRE has advocated. The plants that have met with every federal approval but stymied by those who deny the need and refute the authority.

---

## **Governors Hit Carter No-Energy Programs**

Before beginning a 10-day tour of other Southern states, Louisiana Governor Edwin Edwards issued a statement last week in opposition to administration energy policy "We cannot go from emergency to emergency scenario forever. I propose immediately:

\*\*\* The removal of all restrictions of the mining and use of coal.

\*\*\* The opening of the Atlantic Seaboard to off-shore exploration

\*\*\* The development of alternative fuels.

\*\*\* The deregulation of natural gas and other fuel prices.

"...President Carter's plan to reallocate gas will mean less gas for Louisiana ... In my judgement, reallocation will mean a 50 per cent curtailment of the industry of Louisiana in the next 30 days — while the state's natural gas goes to heat non-industrial uses in New York and elsewhere. I am critical of Maryland, New York, New Jersey and Delaware for not licensing off shore oil drilling."

Republican Governor of New Hampshire Meldrin Thompson sharply criticized Feb. 7 the Carter Administration following the Nuclear Regulatory Commission hearing to approve the completion of the Seabrook, New Hampshire, Nuclear power plant:

"This continuing delay points up sharply the need for action by President Carter ... On Saturday, when I was in Washington, I met with the president's aide, Steward Eizenstat to arrange a meeting between myself and the president and got no cooperation. I can't believe that the president of the United States would refuse to receive this urgent message on the need for nuclear power when the signatories represent 100,000 Americans. We will be working through New Hampshire Congressman D'Amours to get this meeting arranged this week."

## War For Oil Market Shows In Fifth Round Of North Sea Hearings

### CORPORATE AFFAIRS

British Energy Minister Anthony Wedgewood Benn's announcement Feb. 8 of tracts allocated in the "Fifth Round" of North Sea oil lease distribution brought to the surface a war for market share between Exxon, the world's largest petroleum company, and most of the rest of the oil industry. Benn's statement in the House of Commons that the 65 tracts allocated were conditional upon industry support for British "national interest" had the strong backing of most petroleum majors, but provoked consternation at Exxon International Headquarters in New York.

The North Sea oil leasing is also a critical side-issue to the drama now being played out in Aramco's negotiations with Saudi Arabia for a takeover of the consortium's facilities. Negotiations between the British government and the Saudis for oil-for-technology exchanges include proposals to provide Britain with oil in excess of its consumption needs, for international distribution through the two leading British oil companies, British Petroleum and Royal Dutch Shell. In effect, Britain has given the Saudis an alternative world distribution mechanism for their oil, and with it, a key margin of leverage against Aramco. Especially important is that the British have done so despite urgent protestations from the Carter Administration.

All the fifth round tracts are subject to a 51 percent equity participation by the British National Oil Corporation, and a substantial level of development input by participating companies. In ongoing negotiations, the British government is seeking to apply the 51 percent formula to tracts developed before the founding of B.N.O.C. in February 1974. The last lease allocation was in 1972.

Nominally, the issue between the government and the participating companies is the question of majority shareholdings. But Exxon officials fear the use of North Sea oil to carve up Exxon's share of the European refining and distribution market — particularly when the market share of the Aramco consortium is under assault from several sides.

Confidential reports on the British National Oil Corporation's activities prepared by Aramco lawyers say the British government's near-term objective is full "upstream" and "downstream" control of North Sea oil, from the drilling platform to the pump station. B.N.O.C. has reportedly begun negotiations with numerous independent refiners in Britain for partnership arrangements to distribute the 51 per cent of output the national company will control. British press reports link

these negotiations to plans by Occidental Petroleum, which has already invested heavily in U.K. refining, and Italy's national oil company ENI, to jointly build a giant refinery on a Thames Estuary island.

Even more upsetting to Exxon, which controls 50 percent of West German distribution through Esso AG, is the followup to the meeting of five nationalized European petroleum companies in Brussels last November. Following the meeting, which established a "European cartel," outgoing European Community Commissioner for Energy Henri Simonet proposed the use of North Sea oil to supply the European national companies on the continent.

A major part of British Petroleum's announced \$4.5 billion capital spending program for the next five years involves construction of new refining capacity in West Germany through Deutsche BP, in joint ventures with West German chemicals and petroleum companies. Traditionally a crude-surplus company, BP is in a strong position — especially with West German support — to challenge Exxon in the pivotal West German market. Majority owned by the British government, British Petroleum has close working relationships with the West German oil company, Veba-Gelsenberg. The British petroleum major was also the major recipient of North Sea tracts, with 13 in the fifth round from a total of 65. Exxon went into the competition for tracts with some reluctance, and was awarded a part-interest (with the Shell group) in three tracts.

Consensus opinion among New York analysts of oil company securities is that the deal likely to be worked out on Exxon's and other U.S. companies' previous North Sea developments will amount to little more than "face-saving" control by the British National Oil Corporation. Currently, the formula that seems likely to emerge from the haggling involves immediate re-sale of B.N.O.C.'s 51 percent of output to Exxon or other partner companies, which one analyst called "playing games." But Exxon officials acknowledge that B.N.O.C. will retain authority to absorb as much of the 51 percent as it deems Britain requires. Hence, Exxon emphasizes, they are totally vulnerable to U.K. government pressure.

Nonetheless, virtually the entire U.S. petroleum industry is going along with the British position. A major vote of confidence for Energy Minister Benn's policy came through Feb. 9, when Gulf Oil announced that it would spend a record \$676 million in North Sea development during 1977. Gulf's position eradicates whatever hope Exxon had of bringing pressure on the British government. Over the last several weeks, Exxon had prevailed on other U.S. petroleum majors to threaten a boycott against further North Sea development. But the only U.S. company to take Exxon's side is

Standard Oil of Indiana, which abstained from the fifth round over objections to the B.N.O.C. 51 percent condition.

Other major participants in the fifth round include Union Oil, Kerr-McGhee, Monsanto, Standard of California, Occidental, Phillips Petroleum, Sun Oil, Getty Oil, and a large number of U.S. "independents."

Meanwhile, developments on the European continent indicated a further weakening of the Aramco market position.

The French Industry Minister D'Ornano announced at a meeting of the Council of Ministers Feb. 8 that French industries should arrange to trade technology exports for oil with Saudi Arabia. Oil industry sources view the D'Ornano initiative as an escalation in the French government's open warfare with foreign companies in France over the domestic oil market. The French government wants the two French state-controlled companies, Elf-Erap and the Compagnie Francaise des Petroles, to dominate the local oil market.

In Italy, officials of Montedison, the half-state, half-private sector petrochemicals giant, announced they had contracted with the Saudi state oil company Petromin for a "substantial" volume of direct sales. The announcement occurred during a trip to Saudi Arabia by the chief executive of Italy's national oil company ENI, indicating the deal was arranged at a high level of the Italian state sector. Italy now receives 10 percent of its

total oil imports through direct deals with the Saudis, bypassing the Aramco consortium.

There are strong indications that oil industry maneuvers against Exxon's market share in Western Europe are related to a powerful behind-the-scenes support operation for Saudi Arabian Sheikh Yamani's plans to place the Aramco consortium under state controls. Centering on British Petroleum, a working alliance of European and U.S. oil and construction firms is trying to counteract the intense pressure on Yamani from the Carter Administration to leave Aramco in place.

In the context of negotiations to nationalize Aramco, long-standing attempts by non-consortium U.S. companies to bypass Aramco and deal directly with the Saudis have taken on fresh importance. Previous attempts by crude-short U.S. companies, notably Ashland, to gain direct access to Saudi crude, were spurned. But some industry insiders believe the Saudis may now use numerous U.S. offers to bypass Exxon, Texaco and Mobil as a means of buying political leverage in the United States, at Aramco's expense. Combined with the contraction of Exxon's market share in Europe as European oil-for-technology agreements come on line, a Saudi-American effort to undercut Exxon and its partners in their home market would shatter the Exxon cartel's world petroleum market dominance for the first time during this century.

## U. S. Asks For Dollar Devaluation

### FOREIGN EXCHANGE

Carter campaign advisor Lawrence Klein, a Wharton School of Finance professor, answered the question of what the Carter Administration would do after the West German and Japanese rebuff to its reflation proposals, in Congressional testimony Feb. 9. Klein, whose testimony was given priority coverage in financial news media, called for a ten percent revaluation of the deutschmark and yen with respect to the U.S. dollar.

Although Klein spoke in no official capacity, West German and Japanese central bank officials treated his views as a quasi-governmental sally from Washington. What, Japan central bank governor Morinaga asked in a press statement released Feb. 10, could Lawrence Klein have in mind, since the world monetary system is now subject to freely-floating exchange rates? Morinaga stated emphatically that Japan would under no circumstances intervene to strengthen the yen. Nonetheless, the yen rose from 289 to 285 to the dollar over the week's trading, which traders attribute to the Klein testimony.

In a press statement Thursday, West German Bundesbank vice-president Otmar Emminger warned that West Germany would stick to a "clean float" policy, despite the 14 percent appreciation of the deutschmark during 1976 and resulting potential harm to West German exports. In a commentary Friday, the leading West German business daily *Handelsblatt* cited the Klein pro-

posals and warned that Carter "wants a fundamental economic policy change," and "elimination of West Germany's and Japan's trade surpluses."

This international fluff over an obscure remark by an individual outside of government could not be explained except by reference to an exceptional background situation. "If the United States stimulates alone, by passing out \$50 bills to everyone and gunning the money supply, we might simply export the expansion. Americans will buy 'undervalued' Japanese and German goods, thus putting foreigners to work, until the expansion fizzles out. We'll be left with a huge trade deficit, a plummeting dollar and double-digit inflation. President Carter wouldn't like that."

The *Wall Street Journal's* commentary Monday on the Carter administration's proposals that Western Europe and Japan reflate in tandem with the United States —

### LEADING CURRENCIES vs. U.S. DOLLAR

	Thurs., Feb. 3	Per cent Change vs. U.S. Dollar	Thurs., Feb. 10
Deutsche Mark	.4129	+ .6	.4154
French Franc	.2009	+ .1	.2012
Swiss Franc	.3974	.0	.3973
British Pound	1.7150	.0	1.7160
Japanese Yen	.003471	+ 1.0	.003503

quoted above — is an accurate reflection of the current views at the Carter Treasury. Ignoring the effects to the U.S. economy of the bad winter weather, the 1978 fiscal year budget deficit of the Federal government will range above \$85 billion (including off-budget financing) presuming that the Carter reflation package goes through in its present form. At the same time the U.S. government plans a record deficit, the investors who have made the largest contribution to financing the deficit since the 1973-74 downturn, especially commercial banks and corporations, are no longer in the market for Treasury paper. Foreign investors are more than hesitant to come into the market.

This situation casts a poor reflection on the Fed's injection of \$1.2 billion in permanent reserves to the banking system during January. The slow rate of growth of money supply during the last four weeks, which most analysts attribute to the dislocation of the bad weather, does not reflect the inflationary potential of the deficit picture alone. But possibly even more significant is the administration's attitude towards the problem of international indebtedness, presented at a press briefing Thursday, Feb. 10 by Treasury Assistant Secretary for International Affairs C. Fred Bergsten. Bergsten announced that the United States would attempt to provide large amounts of additional "development aid" to Third World countries who now owe possibly \$300 billion to other governments, official institutions and private banks. The Carter Administration's motive is to prevent the debt structure from collapsing. Indeed, Morgan Guaranty Trust Company's January statement on the need for world reflation cited the maldistribution of payments deficits, and private banks' inability to continue to

carry the 60 per cent of the burden they assumed during 1976, as their primary motive.

Given the continuing deterioration of the Third World's deficit position — developing countries are expected to run \$330 billion in the red this year — dollar credit will have to be stretched to meet the gap. Bergsten hinted that U.S. government resources, i.e. money creation, will be put to the task, Congress willing.

Supporters of this view include Bank of England Governor Gordon Richardson (who does not necessarily reflect the views of the Callaghan government). Richardson told an international banking seminar Wednesday, "In the absence of an unprecedented expansion of world trade we must begin now to establish the institutional framework within the U.S., Europe, and the OPEC, to handle both the refinancing of accumulated debt and new credit requirements of developing countries."

This policy spells extreme dollar weakness. Lawrence Klein has been widely interpreted to propose that the West Germans and Japanese pre-discount this weakness at the official level by agreeing to revaluation. As noted, they have refused this Carter administration fallback option, virtually point-blank.

Late this week the dollar showed across-the-board weakness in Europe. Contrary to exaggerated reports of its demise, the French franc remained stable against the dollar only through large central bank dollar purchases. The French monetary authorities prefer to accumulate foreign exchange rather than let the currency appreciate, despite the Barre government's desire for a strong franc, due to fear that the market may push the franc down again quickly.

## Carter's Confidence Game Is Up

---

### BUSINESS OUTLOOK

---

The ludicrous debate in Congress over the Carter administration's economic stimulus program hasn't exactly allayed fears of inflation or boosted business confidence in Carter or his program. The hint by Chief Economic Advisor Charles Schultze in testimony before the Joint Economic Committee Jan. 31 that the Administration might support a bigger stimulus after it surveys the economic damage left by the natural gas crisis sent shivers through the business community from which no one has recovered. The graph of business confidence in the new president to date is reflected in the movement of the Dow Jones average since the beginning of the year: steady erosion with no sign of let up. So far this year the stock market has lost about 70 points or a solid 7 per cent.

One of the most notable recent signs of discontent was the statement of the Business Roundtable on Feb. 9 calling for an end to the growth of government interference in the economy. Such a statement was not expected from the exclusive group of 175 top corporate

executives; however, their present chairman is Irving Shapiro, head of DuPont and at last count an avid Carter supporter. Either Shapiro couldn't persuade his members to look favorably on the new president or he is a defector from the Carter camp himself. The Business Roundtable came out against the stimulus package, against anything resembling national economic planning, against divestiture of the oil companies, and in favor of development of all available energy sources. Such stubborn ideological adherence to "free enterprise" is one of the major problems the Carter Administration is up against in trying to impose its Fabian program; the gentlemen at the Business Roundtable and other such business forums rightly see another FDR lurking behind the Carter grin.

The Wall Street Journal ran a devastating attack Feb. 11 on the keystone of Carter's economic program — energy conservation. "Economic growth means using the world's resources of minerals, fuels, capital, manpower and land. There can be no return to Walden Pond without mass poverty." The editorial went so far as to attack by name the Rockefeller zero-growth policy underlying the Carter program — before lapsing into a final paragraph on restoring free market pricing as the

solution to our energy problems.

Inflationary fears are being fed by the prospect of Carter's \$31 billion stimulus package and the possibility that it may be expanded to offset the effects of the cold weather. The Senate Public Works Committee is considering a bill similar to one passed by a House Public Works subcommittee Feb. 8, that would authorize a full \$4 billion for local construction projects this fiscal year, instead of spreading the authorizations out over this year and next. At a meeting of the Senate committee Feb. 8, chairman Jennings Randolph (D-W.Va.) said, "We have a feeling that the Administration is favorable to the \$4 billion and compressing it into a shorter period of time."

The movement of all interest rates continues up, as investors discount the inevitable higher rates of inflation later this year. Staring everyone in the face is the prospect of a whopping Federal deficit, which will be the only visible achievement of the Carter stimulus program.

"No American, German, or Japanese businessman will expand just because debt is floated to finance the scattering of \$50 bills," the Wall Street Journal wrote summarily at the beginning of last week.

With the likes of C. Fred Bergsten, the mod Brookings economist, now floating their reflation schemes from inside the U.S. government, businessmen here and in Europe and Japan have good reason to be terrified about inflation. Given West German recalcitrance about reflating along with the U.S., the U.S. is left to refinance the dollar empire alone — a reality implicitly recognized by Carter economist Lawrence Klein when he shifted his line away from imploring West Germans to reflate to imploring them to upvalue their currency by 10 per cent — to cushion an inflationary blowout of the dollar (see Foreign Exchange column). The implications for the U.S. economy are a huge trade deficit, a plummeting dollar, and double-digit inflation.

# The Politics Of The Nuclear Fuel Cycle

Leading European, Japanese, and developing-sector countries are directly accusing the U.S. government of imposing wartime-type de facto embargo of vital uranium fuel supplies. Officials of the U.S. State Department, Energy Research and Development Administration (ERDA), and Nuclear Regulatory Commission profusely denied that the U.S. has embargoed strategic uranium fuel supplies, but then cited "administrative delays" as the reason an embargo is in fact being imposed.

The embargo is being attributed internationally as an attempt to implement the recent Trilateral Commission-Carter administration call for safeguards against what it likes to call "nuclear proliferation." Such de facto interruptions of internationally contracted uranium fuel deliveries, as a special ERDA study warned last May, is rapidly eroding U.S. credibility as an assured and reliable source of nuclear reactor fuel. This, in turn, undermines the nuclear Non-Proliferation Treaty (NPT) under which the actions are being justified since the Carter Administration is reneging on its export guarantees under that treaty!

In fact, the Carter policy has nothing at all to do with any concern for stopping the danger of nuclear war internationally but is actually insuring that the world is plunged in the immediate period ahead into such an irreversible course. Under the ruse of non-proliferation, the Trilateral Commission Cabinet is carrying out a short-run policy of economic and political warfare against its presumed international allies which makes sense only as subsumed feature of a policy of rapid deindustrialization and energy reduction.

## *Origins of the Non-Proliferation Hoax*

Like many war gameplans, the Carter Administration's current control of various phases of the so-called nuclear fuel cycle under the guise of "proliferation" originates with the Rand Corporation. In April, 1976 Rand Corporation associate Albert Wohlstetter published a study titled, "Moving Toward Life in a Nuclear Armed Crowd?" This report served as the policy trigger for key Senators such as Percy (R-Ill), Javits (R-NY) and Ribicof (D-Conn) to call for fuel export restrictions which among other things would prohibit the transfer to any non-nuclear weapons possessing country of any technology, component or facility capable of producing, fabricating or reprocessing special nuclear material. Although congress has yet to enact such an Export Reorganization Act, this is the policy being implemented by Executive fiat to sabotage the substantial Brazil-West German reactor deal which includes development of nuclear reprocessing facilities. In actual fact, although it is theoretically possible for a country such as Brazil to

develop a workable nuclear device, using reprocessed plutonium, they will lack even the facility for reprocessing until 1982-85. Assuming brazen violation of agreed to international safeguard inspection arrangements and a full-scale attempt to develop a militarily effective bomb, it would be years more before that could occur. What is at issue is a U.S. government strategic deployment to sabotage energy-intensive advanced technological development worldwide. The technology is the same whether diverted for weapons or for peaceful energy. The ultimate determinant of which prevails is the long-term healthy industrial development policies, not top-down police enforcement of Trilateral Commission controls. Nuclear "proliferation" per se is a meaningless argument in this context.

## *Control of the Fuel Cycle*

Implementation of this policy becomes clearer when the entire fuel cycle is looked at strategically. The overall fuel cycle for nuclear fission reactors encompasses the uranium enrichment to provide fissionable fuel for reactor use of an approximate 3.5 per cent grade of fissionable U235 ( up to 90 per cent U235 is needed to produce an explosion), through to the eventual reprocessing of spent fuel, a method that promises to increase available fissionable fuel by at least 25 per cent.

In the course of carrying out a full-scale vigorous world energy development program under which fossil fuel as well as fission energy resources are developed at the most rapid feasible rate to fulfil world energy need transitional to a nuclear fusion economy, existing world uranium reserves become critically short and the needs become great for reprocessing as well as a full transitional development of the so-called fast-breeder reactor technology which "breeds" its own fuel. All of these technologies in one or another degree are essential for any present assured development of nuclear resources. The present situation is enormously complicated by the Rockefeller family-Trilateral attempt to sabotage any substantial nuclear "independent" capability on the part of Europe, Japan, and the developing sector. All such attempts — aside from "Naderite" deployment of "environmentalist" groups to stall actual plant construction — have zeroed in on control of the critical fuel cycle. The following is a summary of the international resources to withstand such sabotage:

## *Uranium Reserves*

The majority of known world uranium reserves outside the Soviet Union lie in the United States, Canada, Australia, and South Africa, with small immediate reserves in France and potentially enormous reserves in Sweden. Since the lead time to bring reserves into production is 8-10 years, it is useful to consider what



countries are actually presently mining uranium. Currently, the U.S. and Canada supply approximately 50-60 per cent of all Europe's enriched uranium, making the current U.S. embargo extremely significant.

In the United States, which has approximately 30 per cent of uranium reserves outside the Soviet Union, control and regulation of the mining is held by ERDA and the Nuclear Regulatory Commission, who have been "delaying" approval for various exports of natural and enriched uranium. By all serious estimates of world needs, current U.S. mining is grossly inadequate with some 13,000 tons total produced in 1974. To expand output means significant capital investment in further mining and milling capacity. This is not presently being done and latest estimates are that actual milling is being reduced.

*Australia*, which has huge reserves of what are regarded as the world's most readily available uranium is currently producing virtually none. The reasons are explicitly political dating to sabotage of major international exploitation agreements between the former Whitlam government and Japanese and European customers in 1975. Although the second largest Australian labor union, Australian Workers Union has just called for a major development of Australian uranium resources to provide 20-30,000 jobs, currently the only actual mining is at the small 300-man Mary Kathleen mine owned by the Rio Tinto Zinc. The restriction is deliberate and tied to international intelligence deployments operating through the Kaplan Foundation-funded Friends of the Earth. These "Friends" have sabotaged development of the immense reserves by organizing the Transport Union

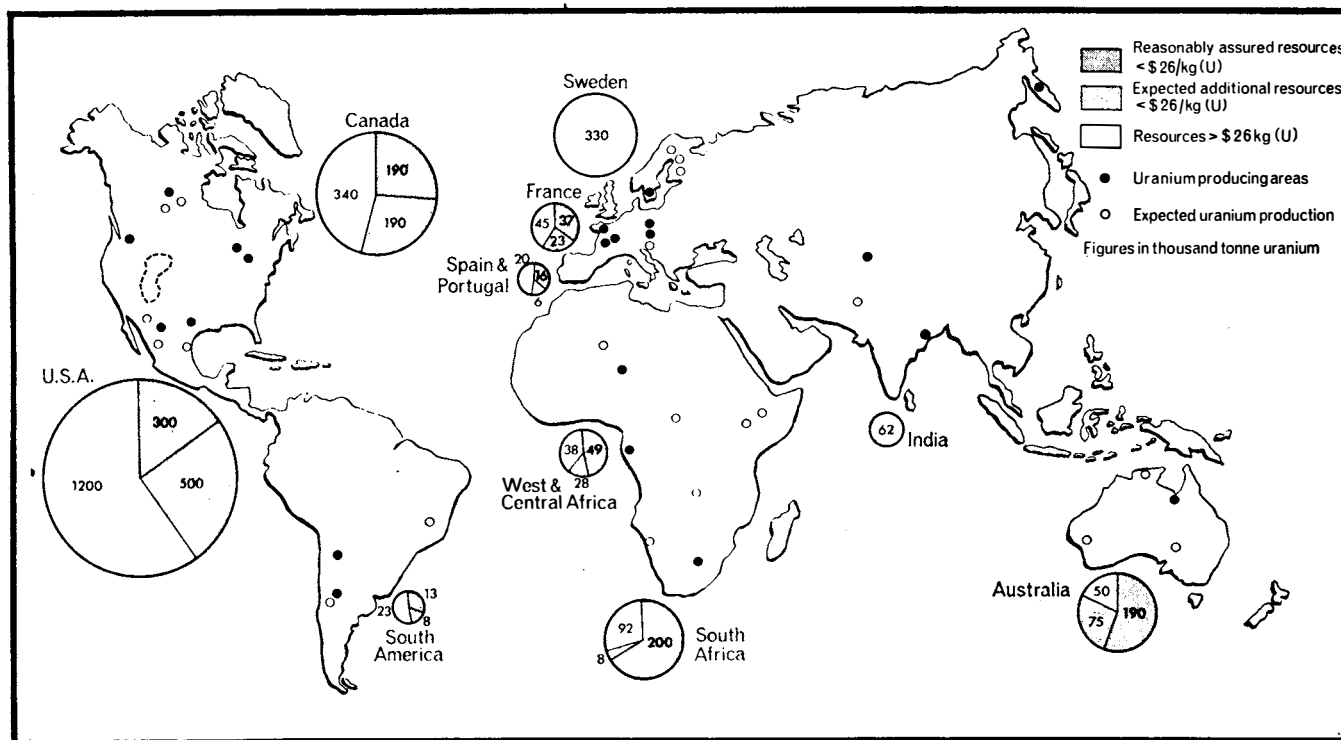
to refuse to ship any uranium and passage of an Aborigine Rights Bill which gives aborigines veto rights over mining on rich uranium lands. (see EIR, Vol. IV, no. 4, "A Company Against Uranium Use").

*Canada*, which has one of the largest uranium concentrations in the world, is virtually shut down. Out of a total of 8 milling plants, three were active in 1975 and producing only 3,700 tons. Further, since Jan., 1976, Canada has halted all international export of uranium for renegotiation of a new law which imposes prohibitive terms on consumer countries for export. Renegotiations with the Japanese importers broke off last week over the stringent terms. Euratom is currently in talks to work out an agreement. Another restrictive prohibition in this law requires Canada to maintain a 30-year domestic reserve.

In *Europe*, although there are potentially large reserves in Sweden, these are not presently being exploited. France is the only European country presently producing uranium from its own resources in regular and useful amounts, though reserves are small and annual production in 1973 was 1,600 tons. It also gets some 1,400 tons from additional mining arrangements in Gabon and Niger.

This international situation of deliberately controlled restriction of non-Soviet uranium resources leaves only the politically volatile Southern African reserves where aside from South African reserves which in 1973 produced about 4,000 tons, the huge Namibian Rossing Mines owned by RTZ are due to come on line sometime in 1977.

Main uranium producing regions of the world.



### *Enrichment Capability*

The next stage in the fuel cycle process is a similar strategic choke point. The U.S. government has attempted to maintain an effective monopoly on enrichment under the rubric of control of nuclear weapons capability. Neither the U.S. nor Europe have at this point any capability for further forward contracts of enriched uranium beyond existing commitments reaching into the next decade. U.S. cutoff of new enrichment contracts in 1974 accelerated both European development of independent enrichment capability as well as increased imports from the Soviet Union of enriched uranium which now forms a significant portion of supplies to West Germany, France, Italy, and Sweden.

The most recent U.S. government run enrichment facility was completed in 1956 and a Ford proposal last year to provide government underwriting assurance for construction of a major private enrichment facility by a consortium called Uranium Enrichment Associates for \$3.5 billion gaseous diffusion plant in Alabama was effectively killed by the Nader lobby. The facility, of which Bechtel was to have been a major participant, would have increased present U.S. enrichment capability by fully 33 per cent and would have assured export supplies to Japanese and European energy installations. As it is now, the grossly under-capitalized U.S. government facilities at Oak Ridge, Tenn., Paducah, Ky.; and Portsmouth, Ohio are over-booked and since 1974 have issued conditional delivery contracts.

Sabotage of the Uranium Enrichment Associates deal insures a critical bottleneck of world enrichment supplies into the future, which since the early 1970s and especially since the deprivations of the 1973 oil crisis has forced major acceleration of European and other countries' development of the critical and highly energy-intensive enrichment technology. Beginning in the early 1970s, the French took the initiative to form the Eurodif consortium in direct response to by-then-obvious U.S. policy of guaranteed uncertainty of future supplies. Eurodif, which now includes French, Italian, Belgian, Spanish and Iranian participation, began work in 1975 on a facility at Tricastin in France which is scheduled to begin operation in 1979. The Eurodif member countries and Japanese buyers have fully booked all Eurodif capacity into the 1990s. Until then, beginning with the French decision in 1971, European nuclear users have made substantial import agreements for enriched uranium from the Soviet Union.

Urenco, a joint West German, British, Dutch uranium enrichment consortium is the second major European enrichment project underway. Development of the Almelo facility of Urenco, which is slated to supply a major portion of Brazil's enriched uranium for its West German reactors until completion of its own enrichment capacity in 1985, is under question due to opposition within anti-nuclear layers of the Dutch Labor Party. This week, West German and British members of the Urenco consortium announced they would go ahead with development of the scheduled capacity should the Dutch

withdraw. To date, the Urenco commercial enrichment capacity has been limited to three small pilot plants of 60 SWU (separative work unit) output per year. The committed capacity through the 1980s is for 2,000 SWUs. Eurodif capacity is planned for 10,800 SWU by 1982, with a second "Eurodif II" of Coredif which involves Eurodif, French and Iranian participation planned for the mid-1980s.

The estimated supplementary supplies of enriched uranium from the Soviet Union are assumed to be 3,000 SWUs per year to Western Europe. Present U.S. enrichment capacity is 22,800 SWU per year.

The entire European and U.S. enrichment capacity is drastically underdeveloped even given present "realpolitik" estimates of international nuclear power capacity. Enrichment supply thus represents a major strategic chokepoint to possible political and economic blackmail of Europe and the U.S. energy supplies. Europe's existing dependence on nuclear power for commercial electricity is approximately twice that of the U.S., ranging from 10-18 per cent of total national electric power.

### *Reprocessing and Fast Breeders: Breaking the Uranium Blackmail*

In order for the long-term energy blackmail around control of enriched uranium for existing light-water reactors, to be effective and allow cartelized raising of world uranium to prohibitive levels, development of reprocessing capability and the so-called fast breeder reactors must be effectively sabotaged. This is the essential explanation for the recent Trilateral commission call for a world moratorium on all reprocessing development. It is the reason the Wohlstetter study cited above. A proliferation of other Rand and Rockefeller family-funded efforts of "environmentalists" have zeroed in on stopping development of reprocessing such as is involved in the West German-Brazil deal. This is the reason behind the public statement this week by Otto Wolff von Amerongen, head of the West German Industry Association (DIHT) that there is "no need to either delay the building of reprocessing plants or have these procedures be managed in the U.S. or elsewhere."

Fast breeder reactors, reactors capable of "breeding" surplus fuel, thus not dependent on enriched uranium, require an initial fuel mix which contains some 20 per cent Plutonium 239. Plutonium is an artificial isotope which must be obtained from reprocessing of spent fuel from existing light water reactors. A substantial international commitment to reprocessing and fast breeder development destroys the apparent ruse of the present uranium blackmail and for this reason, over the past year the issue has become the target of a concerted international scare campaign as to the danger of "nuclear terrorism" and bomb proliferation. Under the kind of international program of world energy growth rates necessary to raise the world to the present level of the advanced sector in terms of industrial development, fast breeder reactors must come on-line within the decade as foreseeable uranium supplies are exhausted.

Presently, the one operating commercial reprocessing plant in the U.S., in West Valley, N.Y. has been permanently shut down due to financially prohibitive environmental requirements. The Nuclear Regulatory Commission of the U.S. government is presently delaying all decision on reprocessing pending issuance of final "environmental impact" regulations, generally referred to as GESMO regulations. In Europe, West Germany, Britain, and France have formed a joint reprocessing consortium, called United Reprocessors, which includes the Windscale facility of British Nuclear Fuels Ltd., the La Hague and Marcoule facilities of the French Atomic Energy Commission (CEA); and a planned site to be announced soon in West Germany to be run by PWK and KEWA. Japan has recently made a major push to complete its commercial reprocessing facility at Tokai Mura due to be completed in the late 1980s. Brazil and Pakistan currently have reprocessing contracts from West Germany and France respectively.

The development of the fast breeder, whose theoretical design has been available since the 1940s Manhattan Project, is currently being actively developed only in France, Britain, and the Soviet Union. The U.S. program is postponed indefinitely at this point. The French Super Phoenix, a joint project with West German and Italian collaboration, got the go-ahead late last year after two year successful operations of the Phenix prototype.

Commitment to develop a breeder program is presently a major pending governmental issue in Britain, and Japan, and the British currently have 250 MWe prototype fast reactor, the PFR and there is a demonstration breeder under construction in Japan though completion is still years off at this point.

### Summary of reprocessing projects around the world and current

Location	Operator	Type of plant	Capacity te/y	Date operational	Status
<b>U.S.A.</b> West Valley, N.Y.	NFC	Oxide	300	1966 to 1972	630 te processed before shut down for expansion
		Expanded, oxide	750	early 1980s	Dependent on new con- struction permit
	Midwest Morris, Ill.	GE	Oxide, advanced process	300	—
Barnwell S.C.	AGNS	Commercial, oxide	1500	1977-78	Depending on GESMO decisions
	Exxon	Commercial, oxide	—	mid-1980s	Looking for site
<b>U.K.</b> Windscale	BNFL	Nat. U metal	1500-2500	1964	Operating near full capacity Head end improvement pro- gramme in hand
		Oxide head end	300	1972 to 1973	Operated but shut down for investigation of incident and subsequent modification
		Refurbished oxide head end	400	1977-78	Will feed into nat. U separa- tion plant depending on availability of capacity
		New commercial oxide plant	1000	1984	For expected domestic requirements part of United Reprocessor's plan
		New commercial oxide plant "overseas"	1000	1987	Awaiting decision on public acceptability of overseas contracts
<b>France</b> La Hague	CEA	Nat. U metal	800	1966	Main plant for reprocessing EdF nat. U fuel but due to be changed over to oxide
		Oxide head end	150 to 800	1976	Phased build up feeding into existing separation plant
		New commercial oxide plant	1000	1985	Detailed design just starting
Marcoule	CEA	Nat. U metal fuel	900-1200	1958	Early military plant. Will take over commercial nat. U from La Hague
<b>Germany</b> Karlsruhe WAK	KEWA	Pilot scale oxide	40	1970	Operating with fuel of increasing burnup
	PWK/KEWA	Commercial oxide plant	1500	1984	Design specification being prepared. Site to be selected
<b>Japan</b> Tokai Mura	PNC	Demonstration scale oxide	200	1976	Non-active commissioning
	PNC	Commercial oxide plant	1000	late 1980s	Projected if site can be found
<b>Belgium</b> Mol	Eurochemic	Multi-purpose semi- commercial international plant	60	1966	Shut down. Future in doubt. Has been used for reprocessing development
<b>Italy</b> Saluggia Eurex 1	CNEN	Pilot scale oxide	10	1969	Currently shut down for modification
<b>India</b> Trombay	IAEC	Pilot scale nat. U oxide	60	1965	

*Note:* Several other pilot and laboratory scale plants have and are being operated for development of reprocessing technology. Commercial reprocessing of research reactor fuel has also been undertaken in several plants around the world. Fast reactor oxide fuel will be reprocessed in pilot scale plants in France and the U.K. and a plant for mixed thorium uranium oxides was built in Italy but has not been operated.

### Enrichment capacities in operation or in construction in U.S.A. or Europe and assumed supply from U.S.S.R. (in million SWUs)

	1980	1982	1984	1986	1988	1990
U.S. ERDA	22.8	25.2	25.9	27.6	27.7	27.7
Urenco	1.0	2.0	2.0	2.0	2.0	2.0
Eurodif	6.1	10.8	10.8	10.8	10.8	10.8
Total	29.9	28.0	28.7	40.4	40.5	40.5
Assumed supply from U.S.S.R.	3.0	3.0	3.0	3.0	3.0	3.0

## 'Cooled Protons Promise Energy— A Technique Perfected In Siberia'

*We reprint here a full translation of the article, "Cooled Protons Promise Energy — A Technique Perfected in Siberia," by Ugo Amaldi, which appeared in the Science and Technology Section of the Milan newspaper Corriere della Sera on Feb. 9.*

*Last summer Soviet plasma physicist Rudakov revealed a dramatic contribution to controlled thermonuclear fusion research with his advances in electron beam technology. Now his colleague Budker has made an equally significant contribution as reported in the Corriere della Sera article.*

*Budker used a non-linear plasma effect to increase the degree of order in a high energy beam of protons. If increased ordering allows the proton beam to be focused to extremely high densities, this effect is very useful for controlled thermonuclear research where such beams can be used to compress and heat fusion fuel as well as for fundamental theoretical research.*

Over the last few months, particle accelerator experts have enthusiastically received the news that at Novosibirsk, in Siberia, Professor Budker has succeeded in "cooling" a bundle of protons through the application of a method which he himself proposed about ten years ago. This method involves the use of an electron bundle.

This success deserves to be known because the new technique is not only applicable in the area of fundamental research carried out with the use of particle accelerators, the aim which Budker had in mind when he proposed it, but is apparently also susceptible of interesting developments in the search for new ways to produce energy through nuclear fusion.

### *Parallel Bundles*

The term "particle bundles" is currently used not only in research regarding fundamental particles and their interactions, but also in practical applications, such as the radiation of surgical instruments as a means of sterilizing them and in tumor therapy. Whatever the source and the use of a "bundle," it is not possible to make the particles of which it is composed all move along exactly parallel trajectories.

The new "cooling" technique through the use of electron bundles allows for a very large reduction of the intrinsic divergence of the proton bundles produced by the particle accelerator. It should be added at this point that the mechanism has nothing to do with the principle of the laser, which is only applied to bundles of visible light.

In the accumulation ring constructed by Gersh Budker

and his collaborators, there is a bundle of protons of 65 billion electron volts of energy in continuous circulation. The ring is shaped like a horse racetrack, the greater sides of which measure about five meters. Each of these sides is formed by a straight tube in which the protons move along approximately parallel trajectories and with the energy levels of each differing somewhat. At the same time a bundle of electrons is passed through one of these tubes (the energy of the electrons is such that their velocity is equal to half the velocity of the proton); since the mass of an electron is nearly 2000 times smaller than that of a proton, in order to make the electrons more parallel to and at the same speed of the protons it is necessary to impart to them about 2000 times less energy. The two bundles travel mixed together in the straight tube, moving at approximately 100,000 kilometers per second; while the protons themselves move the length of the ring and traverse the same path millions of times per second, the electrons are hurled off at each passage and substituted by continuously new electrons.

The electrical forces which are exercised between this cloud of electrons and each proton cause the latter to gain velocity, if it (the proton) is moving too slowly with respect to the electrons, or to lose velocity if it is going too fast.

As predicted by the theory developed ten years ago, Budker and his collaborators have observed that in less than a tenth of a second the trajectories of the protons become much more parallel and their respective energies become practically all equal. The presence of the electron bundles therefore reduces the dispersion of velocities and directions of motion of the protons: in technical language, the electrons "cool" the protons.

What are the applications of this new technique? The most immediate deal with particle accelerators and the fundamental research which utilizes these instruments. The more a bundle is composed of particles moving along parallel trajectories and with similar energies, the smaller the area on which it can be focused using appropriate lenses. A cooled bundle can therefore be concentrated on much smaller dimensions than could a non-cooled bundle, as long as it is focused through lenses to which the electrically charged particles are sensitive — that is, magnetic lenses.

### *Microexplosions*

Electron cooling opens up new perspectives for the study of proton-antiproton interactions. It is now possible to conceive of the realization of the particle accelerator which Budker proposed ten years ago. Now pre-cooled bundles of protons and antiprotons will be able to cir-

culate in opposite directions in one and the same magnetic ring of a few kilometers in diameter. Powerful magnetic lenses will be focused on one or two points of the circumference on dimensions of the order of a millimeter such that the number of proton-antiproton interactions will be much greater than could be obtained were the bundles not cooled.

A project of this type was begun in the last weeks at the European Center for Nuclear Research in Geneva; most of the credit goes to a brilliant Italian physicist, Carlo Rubbia. The same is happening at the Fermi Laboratory in Chicago. Within one year, prototypes of the cooling rings will be in operation.

The possibility of producing intense bundles of charged heavy particles which can be focused on very small surfaces has been received with great interest by accelerator experts who one or two years ago decided to contribute to the attempts to solve the energy crisis. There exist methods of energy production which are

based on the realization of microexplosions of the H-bomb type. In these methods there is an attempt to compress gold capsules one millimeter in diameter which contain deuterium and tritium until (temperatures of) 100 million degrees are reached. The deuterium and tritium nuclei can in fact supply energy by fusing if these temperatures are reached.

The energy for the comparison process is supplied by a large number of laser bundles which are simultaneously focused on one of these microspheres. Until now, the attempts have been to use lasers because of the enormous quantity of energy which they can concentrate on (surfaces of) very small dimensions, but this process is still far from achieving success.

In the last year various sources have proposed using bundles of iodine or uranium ions instead of laser bundles. One of the problems to be solved, however, deals with the possibility of focusing these extremely intense bundles on such tiny dimensions. Pre-cooling with electrons can solve the problem.

# Aren't Brezhnev's Favored Writers Helping Schlesinger Out?

Among the large number of analyses in Soviet publications to the effect that the Carter Administration is pursuing a laudable and promising course towards new strategic arms agreements with the USSR, an article entitled "Mondale's Trip: Strategic Aspects," which appeared in the government daily *Izvestia* Feb. 6 over the signature of A. Bovin, bears special attention. Like other recent writers on the topic, not excluding that frequent guest at Rockefeller-sponsored indoctrination sessions, USA Institute head Georgii Arbatov, Bovin averred that Carter is earnestly committed to achieving a speedy SALT agreement and that doing so will reduce the chance of nuclear war.

A. Bovin has a reputation as a mouthpiece for party General Secretary Brezhnev and is a well-established commentator on matters of "detente." He tends to find "realistic forces" where other Soviet observers, including well-placed people in the military, would perceive a menace. It was not only this reputation that distinguished Bovin's presentation of the case, but his astounding attempt to draw a line of distinction between the U.S. president and a viewpoint readily identifiable as that of the Trilateral Commission — David Rockefeller's organization without which there would be no President James Earl Carter, nor the Vice President Walter Mondale who most immediately occasioned A. Bovin's remarks.

The thinking behind Bovin's article is the same misconception on the part of leading Soviet circles to which the Trilateral Administration's "hard cop-soft cop" performance, epitomized by the debate over the appointment of Paul Warnke to head the SALT negotiating team, is designed to appeal. As has been aptly observed by a few columnists in the West, Warnke's, Secretary of State Vance's and Carter's own apparent readiness to oblige in reaching a SALT accord must be nectar and ambrosia to the Soviets compared with what might be forthcoming from Zbigniew Brzezinski and James Schlesinger — whom they rightly fear and hope to see little of in strategic negotiations.

Such distinctions and such hopes are groundless. If nothing else has, Carter's press conference yesterday should erase them. Carter's rush for SALT is a rush for the Schlesinger doctrine and nuclear war! "We have the capability, as do the Soviets," said Carter, "to detect the launching of opposing missiles and then I, as President, and the leaders in Russia would have to be faced with the question of how much of a retaliatory attack to make." This is, undisguised, the "nuke and negotiate" prospectus of Mr. Nuclear War, Schlesinger himself.

## *Bovin's Ruminations*

For starters, A. Bovin dismissed as "rhetoric not politics" Carter's statements on U.S. "leadership in the world community." Next he severed Carter from the Trilateral Commission basic principles, as follows: some "Western observers," he said, consider that Carter puts first foreign policy priority on relations with "natural friends and allies" (Western Europe and Japan - with the U.S., the components of Trilateralism), second on "North-South" relations, and only third on the U.S. stance towards "potential adversaries" like the USSR.

"It is entirely possible, that some foreign policy strategists in Washington prefer precisely this schema of priorities," proceeded A. Bovin. But not Carter! "This (schema), however, is not viable. No one can abstract away from the main, most acute political problem of today — preventing world nuclear war... No subjective preferences (sic!) can change the real situation. And it seems that the new president fully understands this. At any rate, his energetic statements on the necessity of moving ahead with disarmament, banning all nuclear tests, and completing SALT 2 permit such a conclusion."

Following the same line of thought as A. Bovin, G. Kuznetsov in the military daily *Red Star* Feb. 2 anticipated that from the SALT agreements Carter seeks, there will emerge "a further purification of the international atmosphere and reduction of the danger of war." Academician Arbatov contributed a two-page article to *Pravda* for the purpose of refuting the "Soviet threat" campaign in the U.S. — and counterposed Carter's "positive" approach. TASS issued the pre-profiled welcome to Warnke as a dove.

How far this misplaced confidence can be stretched is largely a matter of the inevitably increasing visibility of Schlesinger's hard hand at the control end of Carter's puppet strings. There are those in the Soviet Union and elsewhere in Eastern Europe who already perceive with alarm the direction of Carter's actually Schlesingerian pronouncements. As Carl Gustav Stroehm, military correspondent for the West German daily *Die Welt* described it, if the Soviets are pushed too far — around the "dissident" issue or other questions fundamental to the security of the Soviet state — the "new generation" of military leaders may go so far as to carry out a "Bonapartist" coup. These military men, Stroehm wrote Feb. 8, think in global, Clausewitzian terms; they will not permit the Soviet Union's overall strategic position to be undermined.

The "Clausewitzian" line has emerged primarily in the Czechoslovak press and Soviet military publications. "It

would be a mistake," said a recent issue of the Soviet journal *Communist of the Armed Forces*, "to ignore the danger arising from imperialist policies." In the 1930s, the article said, imperialism used the economic depression to establish "an open terrorist dictatorship of monopoly capital" which launched a new world war. *Rude Pravo*, the Czechoslovak Communist Party daily, exposed the fraud of Carter's phony "disarmament" line in a Feb. 2 commentary, attacking Defense Secretary Harold Brown for his remark at his first press conference that the SALT I expiration deadline is a long way away — October — and therefore there is no need to rush anything. This is "blatantly false," said *Rude Pravo*: "while it may be true that 90 percent of the agreement has been reached, the remaining 10 percent is an extremely complex problem which cannot be dismissed." The article also pointed out the farcical nature of Harold Brown's proposed defense budget cuts. Despite some dovish statements by Vice-President Mondale during his recent trip to Europe, the purpose of his visit was to "increase the aggressive forces of NATO, increase military budgets, and support the enemies of international detente," *Rude*

*Pravo* charged.

This hard line will lawfully grow stronger as Carter drops his "pro-disarmament" mask. But will there be other than military options when the illusion is shattered and it is recognized that the entire Trilateral Administration is a war machine?

The crowning blunder of A. Bovin's article is instructive in connection with this question. Referring to the clashes between Mondale and the Europeans down whose throats he tried to ram Trilateral doctrines, Bovin overlooked the fact that the West Europeans were throwing Mondale's words back at him *labeled as Trilateral garbage*. Bovin declared that the Veep's problem was attempting to stabilize the capitalist system, "an impossible task."

Although that latter estimation is not shared throughout the Soviet leadership, as Soviet initiatives for stabilizing trade and political collaboration with European governments attest, it is a statement of political ignorance entirely coherent with Bovin's views on Carter and SALT. Either idea, pursued consistently, would leave no option but war at a point not too far off.

## Joint Chiefs Chairman Refutes "Team B"

General George Brown, chairman of the Joint Chiefs of Staff, publicly took issue this week with intelligence estimate of Soviet military superiority promulgated by "Team B" analysis of the Committee on the Present Danger. In a letter written on behalf of the Joint Chiefs to the Senate Defense Appropriations Subcommittee, Brown singled out "Team B" spokesman and retired Air Force intelligence chief General George Keegan for advocating "scare tactics" in order to force a short-term military buildup for an immediate confrontation with the Soviet Union. Brown posed a program of technological research and development as an immediate alternative for guaranteeing the nation's security.

Brown bluntly wrote that the Joint Chiefs' evaluations did not have to conform with the views of the Carter administration. He is encouraging the military to provide the public with "maximum information about Department of Defense activities." According to the Washington Post report and the Joint Chiefs have little disagreement with the purely quantitative estimates of overall Soviet military strength, but they "do not agree that the Soviet Union has achieved military superiority over the United States." Rather, "the available evidence suggests that the USSR is engaged in a program (of military research and industrial development) to achieve such superiority, but they have not yet attained this goal."

Asserting their independent evaluation functions, the Joint Chiefs have divorced themselves from both the administration's "arms control" posture and the Committee's war mongering. Their answer to Carter and the CPD follows two highly significant statements issued over the last week, one by General Brown himself, and the other by Aviation Week editor Robert Hotz, sections of which are reprinted below.

The following are excerpts from the letter written by General George Brown, on behalf of the Joint Chiefs of Staff, to the Senate Defense Appropriations subcommittee:

*"Issue 1:* That the USSR has achieved military superiority over the United States.

*Brown:* The Joint Chiefs of Staff do not agree that the Soviet Union has achieved military superiority over the United States. The available evidence suggests the USSR is engaged in a program designed to achieve such superiority but they have not attained this goal.

*Issue 16:* That the greatest global conflict in history is likely to occur within the next decade or two unless there is a radical change in the U.S. intelligence perceptions.

*Brown:* The Joint Chiefs of Staff do not agree. In fact, a

range of perceptions exists in the U.S. Intelligence community on Soviet capabilities and intentions. This is a healthy feature of intelligence analysis. However, the avoidance of global conflict is not dependent solely upon intelligence perceptions but depends on other factors, including maintaining the strategic balance.

*Issue 19:* That a grave imbalance in favor of Soviet military capacity had developed out of a failure over the last 15 years to adjust American strategic thinking to Soviet strategy. American strategy is premised on the principle of war avoidance while that of the Soviet Union is premised on war winning.

*Brown:* The Joint Chiefs on Staff support the statement about the premise of Soviet military strategy. Although the Soviets seek to avoid war, preferring to attain their strategic objections in other ways, their military doctrine is premised on the notion that war is an instrument of policy and success in war, even nuclear war, is attainable. Soviet strategic policy and force development continue to be based on this military doctrine, which calls for capabilities, to fight, survive, and win a nuclear war.

*Issue 20:* That today no general officer is allowed to speak on the subject of strategy, doctrine, or threat unless his views coincide exactly with the shifting pronouncements of the Secretaries of Defense and State and the White House.

*Brown:* The basic policy as expressed in DOD directives is that the American people will be provided with maximum information about DOD activities, and toward that end, general officers are encouraged to speak publicly in areas of their competence. Within the Department of Defense there are ample opportunities for general and flag officers to voice independent views on matters of strategy, doctrine, and threat throughout the process of formulation, implementation, and review of these matters. Likewise, there is no restriction on answering questions before Congress. All commissioned officers must accept the responsibility for statements they make.

*Issue 25:* That to continue the present course of United States defense policy and strategic diplomacy would be inviting the very thing, the very condition which it is aimed at preventing — gestation of global conflict.

*Brown:* The Joint Chiefs of Staff do not agree. Recent reviews of U.S. Defense policy, strategy, and posture have concluded that the United States moving in the correct direction. While studies in these areas are continuing, deficiencies which have been identified to date relate more to defense programs than to defense policy.



# Brown to Congress: Arms Investment Should Focus U.S. on R&D

*The following remarks are excerpted from General George Brown's United States Military Posture Statement, a 12 page memorandum addressed to Congress, delivered last week.*

While Soviet-United States relations may be characterized by a general relaxation of tension, the Soviets must be expected to continue to probe for targets of opportunity. The Soviets will seek to exploit crises when such action serves their interests, while avoiding direct military confrontation. As the Soviets pursue their military efforts to enhance their position in the overall balance of military power, we should expect hard bargaining in negotiations, an expansion of bilateral cooperation, and strenuous efforts by the Soviets to acquire advanced technology, some of which has significant military application.

Continued improvements in Soviet forces imply that warfighting and war-winning capabilities are fundamental Soviet military goals. This does not mean that the Soviets will be prone to undertake actions entailing a significant risk of war; however, should a conflict develop, it appears they intend to have the means, both conventional and nuclear, to ensure an outcome favorable to them.

It is evident that the Soviet leadership sees no inconsistency between calling for a relaxation of international tensions and simultaneously increasing its military capabilities. In fact, Moscow appears to view its increased military capabilities as the foundation of such a policy.

The present Soviet military capability reflects the achievement of a research and development (R and D) base that has grown steadily since the late fifties. Top priority continues to be accorded military R and D, which receives regular and large infusions of capital investment allocations, the latest and best domestic and foreign equipment, the most highly qualified science and engineering graduates, and the management-guidance efforts of the country's elite.

R and D resources provide the framework for continued development of Soviet weapon systems. Many of the developments noted in the sixties through the present time were based on resource investments made during the fifties and early sixties. The continued growth trends in Soviet R and D investments during the past decade indicate the high priority of future system developments. In addition, increasing scientific and technical capabilities reflect the Soviet Union's growing potential to achieve technological breakthroughs that could alter the military balance.

Perhaps the most important aspect of the Soviet technological base, or that of any country for that matter, is its pool of scientific and technical manpower. The Soviet

Union has long recognized the importance of this resource to its industrial and military strength. Through the years they have made a large and sustained investment in this sector of the scientific and technological (S and T) base, and have established an extensive educational system to support their S and T manpower requirements.

The top scientists and engineers, as well as administrators, are selected and accepted into the country's Defense R and D programs. Prestige, material benefits, high level support, and the best of equipment are part of the advantage of Defense R and D employment.

Perhaps the most important source of R and D manpower is the advanced degree program of the Soviet Union. From these ranks come the leaders of scientific thought and research and the potential for significant advances in science and technology. In 1976, the Soviets awarded an estimated 32,000 candidate degrees. The candidate degree is roughly equivalent to the U.S. PhD. This is slightly less than the number awarded in the United States. However, the Soviet Union places a much greater emphasis on natural sciences and engineering in their advanced degree program, with approximately 80 per cent of the candidate degrees conferred in these disciplines — as compared to 40 per cent of the PhDs for the United States.

The USSR has developed the largest R and D manpower base in the world. In 1976, it is estimated that over 800,000 scientists and engineers were engaged full time in R and D. As a comparative note, the USSR passed the United States in sheer numbers in 1968-69 time frame and presently holds a better than 200,000 lead in their R and D manpower. As the Soviet R and D manpower continues to increase, both qualitatively and quantitatively, the Soviet capability for scientific and technical advances, and consequently their potential for technological surprises, similarly increases.

Science and technology have been among the principal factors in our continued overall military superiority. We have responded to improved Soviet capabilities by developing and procuring many advanced weapons systems. We must continue with logical and sufficient long range research and development programs.

These various research and development efforts are dependent upon our technology base. Last year in my report to you, the Soviet technology base and threat it represented were addressed. This year, our technology base and what it provides to counter the threat and increase the U.S. defense capability will be addressed.

Our technology base is a national asset and an investment in the future. The science and technology available to the country from universities, government agencies, and industry provide the engineering know how to keep our country technologically strong. Military weapon systems are beneficiaries of a high level of technology,

but so are the space shuttle and our growing energy program. This "high technology level" has provided the basis for today's commercial aircraft, the \$10 pocket calculator, advances in medical instrumentation, and new training methods, to name a few. In the three decades since World War II, the national investment in technology has changed all of our lives dramatically.

In my view the technology base provides the military services with a means for generating and testing ideas and for determining the probable feasibility of techniques and prototypes. The scientists and engineers in the base must be leaders in their technical areas. They must be innovative, scanning all the related technology for military applications. For example, the laser or optical laser as it was called at the time, was conceived in 1959 by Dr. Townes while he was under contract to the Department of Defense. The laser was used for instru-

mentation and has now developed to the point where the laser guided bomb is a reality, but this took a 10-15 year period.

Technology is broadly used and government-sponsored scientists must be allowed the freedom to innovate and follow their ideas from technical paper to end use. Their ideas must also be verified and accepted and this is done through advanced development efforts where engineering feasibility is proven. This policy provides the best insurance against technological surprise both from within the U.S. community and without.

Our future is based on a strong technology base with the capacity for innovation and subsequent technological breakthrough. If we do not fully support our research and development efforts, we place the future security of this country in doubt.

# The Political Economy Of Military Posture

By Lyndon H. LaRouche Jr.

In the main, the February 1977 report of Chief of Staff General George Brown to the Senate Defense Appropriations Subcommittee is newsworthy only because it appears over General Brown's signature. The exception is the report's vitally important concluding section on Research and Development, whose crucial point we amplify here.

Given the circumstances of the "Carter transition," one could not have expected General Brown to speak as frankly in public as he might have wished against the sort of rubbish being dragged into national "strategic estimates" by the Rockefeller crowd. President Ford had "quit the ball game" in the "third quarter," professing to thus avoid the victory which might have damaged his "good loser" standing. General Brown's report chiefly clings to the bureaucratic tradition, "touching the right-bases" and that sort of thing.

Although the sensitive reader picks up a significant shading of language and emphasis here and there, until the final section the report avoids the kind of direct statements which might prompt excessive howling from Carter's "team." Until the final section of the report, General Brown "kept his nose clean."

A few opening observations on the report as a whole provide background for the specific point chiefly under consideration here.

## *The Strategic Balance*

Until President Kennedy's (McGeorge Bundy's) 1962 "Cuba Missile Crisis" the Soviet strategic military profile tended to converge upon the "mutually assured destruction" utopian doctrine of the USA and NATO. The 1962 confrontation tilted the balance of strategic policy-thinking within the Soviet leadership away from "deterrence" toward a commitment to a thermonuclear war-winning policy. This shift brought Soviet policy back into conformity with the natural Soviet political-military outlook, for which the 1930s "Tukachevsky Plan" is broadly exemplary.

This shift in Soviet military posture goes far deeper than a formal change in policy. Present Warsaw Pact strategic capabilities are now peculiarly adapted to the commitment to thermonuclear war-winning. This approximate decade-and-a-half of buildup around the shifted policy has been accomplished through the most painful allocations of productive facilities, and not

without shocks within the Soviet and Warsaw Pact political leaderships.

As General Brown's report properly emphasizes, this shift in Soviet policy correlates with a double-effect development to the decided, cumulative advantage of the Warsaw Pact generally and the Soviet Union in particular. During the approximately 15 years since the Cuba Missile Crisis, the USA's Research and Development infrastructure has been in ongoing erosion and virtual collapse, while Soviet basic research has leaped ahead on the basis of a massive increase in the number of scientists and engineers. This feature of the strategic balance includes several recent demonstrations that the Soviets are qualitatively ahead of the USA in key areas of militarily relevant basic scientific research, an emerging gap which will probably accelerate over the period immediately ahead.

Broadly, there is no disagreement concerning those facts among most leading NATO circles. It is agreed that the Warsaw Pact is developing a thermonuclear war-winning capability. It is debated whether the Warsaw Pact has yet developed a decisive margin of military war-winning capability.

In respect of those facts, there are two glaring omissions from General Brown's report.

General Brown asserts that the Soviets have not yet achieved a significant margin of thermonuclear war-winning capability. This feature of the report has no weight one way or the other — and is therefore an omission-in-fact. *The Chief of Staff of the United States would under no imaginable circumstances announce publicly that the Soviet Union had achieved such military superiority, no matter how large such a margin were to his knowledge.* (The reasons for that are obvious enough to any congressman or journalist who does not have his thumb stuck in his mouth.)

Second, although the report emphasizes categorical comparisons of principal weapons systems, it does not interrelate those elements as a coherent military capability — even though there could be no reason of "national security" for omitting such matters of extant public knowledge. In this way, the report avoids presentation of actual Warsaw Pact capabilities — losing the coherent image of such capabilities in a *Schwaermerei* of systems considered in only a fragmented way.

The significance of that is illustrated by the 1940 Fall of

France. On paper, in terms of weapons systems considered in distinct categories, the French Army had the advantage in tanks and certain other categories. What was decisive in the Nazi victory — apart from the political war-fighting capabilities of the opposing forces — was not the weapons systems as such, but the way in which they were deployed, etc.

Exemplary is the case of the Warsaw Pact armored personnel carriers. It is necessary to add to the appropriate location in General Brown's report that these APCs are part of the training and deployment programs for mobile movement of Warsaw Pact mechanized spearhead forces across a West German terrain which has been previously saturated with ABC warfare.

In general, weapons systems can be competently assessed only from the way in which they will be used, and within a coherent overview of the overall deployment of forces. The business of matching one weapons system against its opposite number is an inconclusive application of the Sears-Roebuck catalogue mentality. The question is, "What does such a weapons system, in its indicated usage, do to enhance the total offensive capability of the forces as a whole?"

Naturally, one doubts that the staff at the Pentagon would perpetrate such a blunder in its own private strategic studies. Nonetheless, their report to the Congress perpetrates such a blunder on the congressmen — hence, such a blunder contributes to shaping USA policy. What the report offers the Congress is a comparative study of a collection of catalogue parts, when the question before the Congress is whether these parts add up to a functioning automobile, tractor, or merely a very expensive (and dangerous) toy for overgrown Trilateraloid children.

#### "Salt II"

The immediate context of reference for the report is the off-again, on-again "SALT II" charade — to be precise, the "SALT II" Mutt-and-Jeff game of psychological warfare being employed in the effort to throw Moscow (and other centers) psychologically off-balance.

We are not opposing a "SALT II" agreement, but merely insisting that foolish illusions concerning this subject ought to be exploded.

"SALT II" is not primarily a military agreement. *It is a political gesture in the guise of a military weapons-systems agreement.* From the Soviet standpoint, such an agreement, like the Helsinki "Basket I" package, is no better than its bona fides — which, at this moment, would include a Carter administration pull-back of its Israeli and Ian Smith-Vorster puppets from the present headlong confrontationist course currently being escalated in both the Middle East and Africa's south and Horn regions. It is the political process of publicized ratification of a "SALT II" agreement by both parties, accompanied by certain perhaps less publicized bona fides, which would "reduce" the political tensions between the USA and the USSR.

As a military agreement per se, "SALT II" is nonsensical. The issues of "cruise missile" and "backfire bomber" are mere rhetorical sleight-of-hand diversions. Any agreement on specific weapons systems can enforce only what it purports to expressly enforce. I could place myself in either seat, meticulously honoring such an

agreement, while also cheerfully and quite legally proceeding to develop a decisive margin of war-winning capabilities.

Unfortunately, "SALT II" cannot be realized under the present *operational* policy commitments of the Carter administration.

The bankruptcy of Chase Manhattan Bank and related institutions can not continue to be forestalled unless both the Western Hemisphere and most of the rest of the world are placed under a fascist zero-growth deindustrialization and austerity policy. Without that concession, Chase Manhattan's bankrupt debt-overhang collapses. Hence, the Trilateral Carter administration has shown itself consciously committed to a domestic and foreign policy absolutely irreconcilable with the expressed fundamental self-interests of the other OECD nations, the Comecon (CMEA), and the developing sector. It is Soviet and CMEA political and economic cooperation with Western European and other nations which presently represents the decisive margin of resistance to Chase Manhattan's desperate policies. Hence, the Carter administration is proceeding from a conscious commitment to bluffing its way through an irrepressible global conflict.

If the Carter administration were to commit itself to a "SALT II" agreement and the indispensable bona fides that entails, such a step backwards from the present, *operational* confrontationist policies would mean a collapse of Chase Manhattan Bank and allied institutions. Until and unless that Carter administration elects to abandon Chase Manhattan to its much-deserved bankruptcy, that administration will tease the Soviets and others with recurring apparent moves toward "SALT II," and might effect such an agreement *only if the Soviets would relinquish the requirements of the relevant bona fides.*

There is no basis to doubt that such a confrontationist policy is currently operational. The escalation of the Middle East operations of Brzezinski et al., the Carter administration's intervention to nullify a written protocol just previously enacted between Vorster and British representative Ivor Richard, the all-out escalation of Brzezinski's interventions into Eastern Europe, and, most significant, the Carter administration's launching of "crisis-management" destabilization tactics against the U.S. population through the contrived "energy crisis," are all crucial evidence that the *New York Times* Jan. 20 "Potemkin Village" editorial reflects the operational policies of the administration. *Any contrary estimates are simply wishful delusions.*

At the moment, one of the key breaking-points on the global strategic situation is the issue of Brazilian nuclear-energy development agreements with the Federal Republic of Germany. The Brazilian government is not only preponderantly committed to this, despite massive pressure from New York and Washington, but has made this a public issue between itself and the Carter administration. At the other end, West Germany, the issue is no less significant.

Through Rockefeller-controlled agencies, including the Rockefeller brothers' protégé Ralph Nader, the general development of nuclear power has been effectively aborted. Only two nations, the USA and the USSR (plus, possibly China) currently have

operating fuel reprocessing capabilities — although West Germany and France are on the verge of achieving this. West Germany's agreement with Brazil coincides with West Germany's realization of reprocessing capability.

Currently, massive pressure, including some delivered via Vice-President W. F. Mondale, has been deployed against West Germany and Europe generally on the issue of the Brazilian power agreement. West Germany is nonetheless firmly committed to that contract, a point featured as a leading public joint statement of West Germany's Helmut Schmidt and France's Giscard d'Estaing during this past week. Meanwhile, every part of Rockefeller's intelligence networks, including the agent-riddled West German Communist Party, is being deployed for projected mass riots and other means in the effort to sabotage European nuclear energy programs.

If Secretary Cyrus Vance loses the fight over nuclear plants for Brazil, the \$40 billion Brazilian debt is placed in jeopardy (at least as far as lower Manhattan's perceived requirements are concerned in this matter), and the South Atlantic Treaty Organization game probably evaporates, too. Agreements on development cooperation among Venezuela, Brazil, and Argentina would nullify the Carter administration's "Second War of the Pacific" scenario.

On might therefore say that Cyrus Vance et al. behaved most stupidly in this matter of Brazil's nuclear-power policy, placing their entire Latin American strategy at risk in such a way. Actually, the unfortunate Cyrus had a Hobson's choice in the matter. Since global deindustrialization and reduced energy consumption are the keynotes of his faction's fascist economic policies, he could not envisage acceptance of so significant a nation as Brazil shifting effectively to a pro-development policy while he is armtwisting Peru, Mexico, and other Latin American nations into submitting to fascist economic austerity. Mr. Vance was not stupid, but merely insane.

With Carter in the White House, the world is on a short fuse leading to a showdown. In this setting, the Carter administration's Mutt-and-Jeff games over "SALT II" are merely part of the overall psychological warfare effort to put the opposition psychologically off-balance before the actual thermonuclear confrontation occurs.

#### *The Pentagon's Predicament*

The nexus of General George Brown's problem is that his government is headed toward an actual thermonuclear war, but preparing only for a monstrous strategic bluff modeled on the 1962 missile crisis. In fact, since 1966, the logistical and other elements of fundamental war-fighting capability of the USA have deteriorated, together with the Vietnam War's erosion of the nation's political war-fighting capability. Mr. James Schlesinger's recent, weird public statements respecting the "aura of power" exemplify the essential hollowness of the administration's military strategy.

The purely military side of the question is illustrated by the 1976 ERDA flap concerning the declassification of secret Soviet research to a Livermore Laboratories audience by Soviet physicist L. Rudakov. The Soviets are qualitatively ahead of the USA in relativistic beam and related work. The flap over the MIG-25 is a part of the same picture. Most recently, some idiot has circulated a summary of a purported CIA paper alleging that the

Soviet's monkeying with the ionosphere has caused a global weather modification. That argument is absurd in its conclusion; it is the Tri-"laterization" of the Amazon basin, involving forces on a scale much larger than Soviet ionosphere experiments, which entirely accounts for the main features of the recent years' shift in global weather patterns. However, the Soviets are developing such capabilities, as well as the ability to put the entire NATO communications and related targeting system "on the fritz" with the aid of such procedures.

From the Pentagon's standpoint, the USA is losing its capability to sustain a military posture at such crucial points as electronics-aerospace and basic research and development. The Carter policy of reducing U.S. energy consumption by successive 20 per cent and 40 per cent levels will have devastating consequences from the Pentagon's standpoint, as will also Senator Ted Kennedy's effort to liquidate the New England electronics-aerospace complex.

Although the Pentagon report avoids arrogating the decisive political side of the strategic problem to itself, generals and colonels can not help thinking about such matters. No commanding officer attuned to the outlook of combat troop command could. The Pentagon must view the U.S.A.'s extremely reluctant strategic allies as largely "unacceptable forces" in overall strategic planning. The zombie and mercenary forces which fascinate the "surrogate warfare" freaks of the Interpol and National Security Council cliques quickly lose their special usefulness under the political conditions of general warfare — as Vietnam, among other experiences, illustrates. Terror and forces modeled on the Canaris "Brandenburger Division" may represent a tertiary, complementary feature of war-fighting, but for serious war-fighting, "special forces" antics are strictly "bush league" ultra-obnoxiousness of the sort that cannot decide the outcome. Serious political mobilizations under warfare conditions deal summarily with the Mark Rudds and kindred covert operations offal. The relatively hardened allies of the Trilateral gang are a tiny minority of social forces which the rest of the population of those nations is only waiting to string up from the nearest limb of summary justice. Once general warfare shifts the pattern of deployment from exceptional actions to general mobilizations, the massive potentialities simmering below the surface of current events come into play — a contemplation which prompts any sensitive Pentagon official to shudder at the mere mention of the word "allies."

The political strategic problem is not that the USA is intrinsically hatable. Quite the contrary; any large outpouring of U.S. industrial technology to the developing sector (and elsewhere) would make most of the world pro-American. The problem, from the Pentagon professional's vantage point, is that the present administration has all the policy and related earmarks of a "loser," a doomed *ancien regime*.

#### *General Brown Radiates A Coherent Thought*

General Brown's report chooses to concentrate its main effort at the crucial point of the Research and Development question.

The general background presentation included in that concluding portion of the report is an able and accurate

summary of the comparative facts of Soviet and U.S. Research and Development capabilities over approximately the past fifteen years. This, concentrating on numbers and specializations of categories of scientists and engineers, is a direct parallel to our own earlier summary of the same matter.

Brown proposes to reverse the USA's decline by an energetic revitalization of military Research and Development programs. There are some potentially devastating fallacies — chiefly of omission — in this proposal, but his argument is entirely sound as far as it goes.

At first glance, Brown's proposal is a politically astute approach toward saving the nation's key university and other research centers, as well as the electronics-aerospace industry generally, from the Naderite axe of Carter's deindustrialization policy. Save these vital national capabilities by placing them in effect under the national defense budget umbrella. Thus, General Brown's co-thinkers in the Congress are offered the option of measured retreat before Carter on the economy in general while exempting key sectors from the Carter axe under the implied threat of charging Carter with virtual treason if he fails to make such exceptions. In fact, although Brown does not explicitly charge Carter with being a filthy Tory traitor to the United States, he sets forth the facts on which some congressman might premise such an epithet.

Brown complements this line of argument with the correct observation that a broad spectrum of now-commonplace technological advances in civilian economy originated as by-products of military Research and Development. The argument offered is sound as far as it goes, and might have been elaborated into an even much stronger case, space permitting.

We have made a related sort of proposal to congressmen and others concerning a counter-energy policy: mobilize our forces for a concerted defense of university and other research centers, and feed our electronic-aerospace industry with the projects developed in that way, centering around fusion research. In this way we shift resources within academia away from "socially relevant basket-weaving" into basic sciences training, building up qualified cadres and working teams of scientific specialists while extending this spearheading effort into development projects conducted chiefly through the electronics and aerospace sector. Brown's report essentially proposes to accomplish such a tactic under the umbrella of national defense.

There are two problematic features of Brown's approach. The first is the implicit problem of "national security," which gets significantly in the way of the quality of research effort required. The second is a tendency toward a *post hoc ergo propter hoc* evaluation of the record of military technology.

We ourselves have two specific competences to employ in dealing with the problem of "national security." First, through our collaboration with some leading physicists and related studies, we have put together a conclusive overview of the fact that the Manhattan Project succeeded despite the "national security" environment in which it operated; but for a revolt of the scientists against the pertinent ignorance of the FBI and others involved, the conditions of work for the project's success

would not have been established. Free-wheeling communication among scientists is the essence of a research and educational environment for proliferation of effective scientific cadres. Second, we have come into the forefront of several areas of current theoretical work, and have demonstrated that a certain type of political campaigning among scientists, industrialists, workers, and others is indispensable to realizing the preconditions for broadly based breakthroughs in scientific knowledge. The Greshamite science and education policies of Tudor England are the most pertinent paradigm for the workings of the same principle.

We shall deal with the second of those two points after identifying the second problematic feature of the Brown report on Research and Development.

The relative success of military technological development work is not located in the military aspect as such, but in the *dirigist* and centralized character of state-funded development in contrast to market-oriented projects of private capitalist firms. This is illustrated in one way by the general case of Soviet economic and military development, and in another way by the pattern of "state industry" sectors emergent in Italy, France, Britain, and so forth. Any person who has been concerned with a corporate development project recalls, with enraged frustration, why most corporate projects of that sort tend to fail. What is wanted, to supersede the problematical, *post hoc ergo propter hoc* perception offered in General Brown's report, is an insight into the underlying principles common to the varied cases of successful *dirigist* approaches.

We shall develop that point secondly, after first developing the notion of the "Greshamite paradigm" for development of scientific capabilities.

#### *Lessons Of The Naderite Plague*

Dr. Edward Teller, for some years a public opponent of our proposals concerning fusion research, late last year publicly reversed himself on this issue, elaborating absolutely cogent reasons for such a shift in policy. This incident exemplifies the broader fruits of the kind of international campaign we had conducted, especially over the preceding two and a half years, a campaign which contributed in a marginal but definite way to making 1976 the year of definite breakthroughs in plasma physics research.

If our campaign is properly examined, it offers a conclusive refutation of previously prevailing illusions respecting the alleged nonpolitical character of basic scientific work. This point is best illustrated by placing our efforts as the direct opponent of Ralph Nader (variant spelling *Nadir*) and what Nader broadly symptomizes.

Nader is a protégé of the Rockefeller Brothers Fund. That fact is of interest to those corporations who have incurred extra financial costs to Rockefeller-linked financial institutions as a result of Nader's sabotage of financed projects. In fact, the entire zero-growth plague is essentially a Rockefeller project. Zero Growth as such is associated with John D. Rockefeller III, and with the Rockefeller-linked Club of Rome. It is not only a fight between Rockefeller and the Catholic Church, but pits Rockefeller and allied factions against the entirety of the Non-Aligned nations, most of the OECD nations' funda-

mental self-interests, and the fundamental industrial and related self-interests of the United States itself. The neo-Malthusian Rockefeller brothers have demonstrated that science itself is the most fundamental of the *political* issues before mankind today.

This is not a new issue, only an old issue which has peaked to the dimensions of a crisis of unprecedented magnitude and intensity in the form of "energy policy." In the history of the English-speaking people, this was the issue of the fight between the Tudors and Hapsburg Fuggery (the fight that made the very word "Fuggery" and its derivative epithets among the most obscene terms in the English vocabulary.) It was the issue of the American Revolution. The *Tory* Rockefellers and their allies express the seven centuries continuity of anti-scientific Fuggery from the days of the Bardi's ram-paging thieves, Biche and Mouche, through the Hapsburgs, the Holy Alliance, and our native American *Tory* traitors, Aaron Burr, Martin van Buren, Andrew Jackson, August Belmont, and so forth.

Science — the fostering of creative scientific work for technological progress — is a profoundly *political* commitment. Not petty "politics" in the sense most persons misuse that term, but real politics, the struggle over policies which determine the fate of nations and humanity generally. (Indeed, a nonpolitical person is therefore professedly a moral imbecile, just as the notion of a "value-free university" is a depraved obscenity.)

The root of scientific thought is the conception of the entire universe as a lawful universality, and the coherent notion that deeds of act and omission are events which send ripples throughout the world to affect the universality in that way. Hence, scientific knowledge is not essentially mathematical procedures or anything of that sort. Scientific knowledge is a rigorous way of looking at the connection between one's acts and the world as a whole. Scientific knowledge is the habit of looking over the shoulder of one's own thought-processes while one is thinking, judging whether those thought processes represent a competent ordering of the way in which one's behavior can affect the world as a whole in some useful way.

This attitude becomes science as impassioned efforts to discover the lawful ordering of the connection between the universal and the individual act lead to coherent knowledge of the lawful ordering.

Dr. Edward Teller, in explaining his shift in policy, spoke precisely as such a scientist. He spoke as a scientist not merely because of his education and so forth, but because he situated the question of policy appropriately in respect of its global consequences.

Our campaign for fusion research had two complementary features most pertinent to the points just made. Our chief argument involved an elaboration of the theoretical overview of physics and of the notion of energy which coincided with the humanist origins of physics: the neo-platonic, negentropic conceptions emergent from the work of Roger Bacon, the Florentine Academy, and so forth. These arguments were most typically effective among strata of physicists which were distinguished by a history of creative scientific achievements; hence the argument we made found corroboration in such physicists' own psychological and related experience in creative work. "Yes, this describes the way I think when

I accomplish something important," is the gist of that psychological corroboration. Our correlated arguments emphasized the universalist approach to present global problems, that the fusion breakthrough represented the main chance upon which present establishment of the future of the human species depended.

These positive elements of the campaign were complemented by a ruthless emphasis on the fact that the delay in fusion research was consistently the result of deliberate anti-scientific policies of forces centering around the Rockefeller brothers. In general, the physicists and others knew that fact better than we did, but had wishfully refused to conceptualize their relevant experiences in that coherent way.

This political aspect of our campaign was deliberately complemented by an accompanying practical activity. Each of these physicists and others had already some accomplished or in-process significant bit of contribution to overall progress in fusion and related work. What was immediately lacking was an institutionalized set of channels for socializing that material in a political way. These sorts of contributions were generally being buried, either by de facto censorship by some relevant journals and so forth, or by being relegated to obscurity by the indifferent way in which their circulation occurred. These physicists and others had been cumulatively discouraged from sustaining the effort to propagate their contributions in the way essential to fruitful scientific work. We improvised alternative channels of communication of some of the most appropriate of these conceptions.

To balance the account, those physicists and others were immediately subjected to a massive "Cointelpro"-type harassment on account of their associations with our efforts. That experience proved to much of the physics and related scientific communities that our theses concerning Rockefeller and the political character of science were not only valid, but could not be overlooked.

The extension of this campaign into the ranks of industrialists and working people — especially skilled workers and technicians — produced evidence of the potential for assembling a significant social force behind the cause of a broadly based, but fusion-research-issue-centered campaign for science.

This was helped in direct and perverse ways by Soviet breakthroughs, the flap over the Rudakov case representing a kind of watershed for accelerating preliminary success of the overall campaign. The fact that Soviet breakthroughs forced U.S. and other physicists to consider more seriously the reality of "non-linear effects" meant that our specific epistemological emphasis on the corrected notions of a Riemannian relativistic continuum could no longer be brushed aside. Science was obviously obliged to orient now toward fundamental breakthroughs in theoretical physics, preparing itself to overthrow Maxwellian physics, the Einstein-Weyl program, and to examine the Schrödinger issue in a new way. Contrary to the wretched Bertrand Russell, basic scientific knowledge had not come to its end at about 1927; the greatest breakthroughs in such knowledge are imminently before us — if we only mobilize ourselves appropriately to realize them.

What this experience illustrates, most fundamentally, is that the emerging new era of scientific knowledge demands a reorientation of the physicist toward greater emphasis on the self-consciously epistemological aspect of scientific thought in general. The epistemological emphasis in the works of Descartes, Riemann, and Cantor is exemplary of the mere beginning-point for the kind of rigorous emphasis required today.

In Bardwell's recent treatment of the work of Lamb, the work of my own immediate associates took a fresh step forward in behalf of our continued concern to begin the process of shifting scientific thought from an excessive dependence upon algebraic (hence, *reductionist*) forms of conscious conceptualization. Negentropic "non-linear effects" complement the apparent elementarity of particle-forms with the conditional elementarity of the Gestalts characterizing vortices and so forth. Some most recent achievements at the Argonne laboratories point in the same direction.

These Gestalts, whether as particles or "non-linear structures," are of course only predicates of existence — and "existence is not a predicate." Basic research will concentrate in the immediate period ahead on synthesizing apparent anomalies under many kinds of controlled conditions, including developing coherent positron beams and what-not. The research programs will emphasize efforts to explore the relations which may be synthesized among various combinations of such particles and "anomalies" under very high energy-density conditions. The broad functions of this research program is to elaborate a broad array of evidence to the point that some crucial hypotheses can be developed concerning the *transfinite* existence which orders the negentropic relations among very high energy-density phenomena. As Bardwell's commentary on Lamb's work properly suggests, we shall discover many new things concerning what underlies the apparent soundness of many algebraic formulations, but we shall accomplish this by resorting to increasing emphasis on new kinds of conscious images which supersede mathematical thinking as we now know it.

For this purpose, the epistemological program we have specified for physics will be indispensable. To this end, the sort of work done by the Labor Committees, Labor Party, and Fusion Energy Foundation thus far is only the preliminary, token expression of what must next be undertaken. The Labor Party, because it presently represents the only institutions which have so far attained an independent mastery of the epistemological method indispensable to the next qualitative phase of basic research, will thus tend to determine catalytically whether the USA succeeds in this venture at the rate which is potentially within our immediate grasp.

Consider the folly of conducting such basic research work under the disadvantages of "national security." Although the Soviets have not yet replicated the specific epistemological competence of the Labor Party, Soviet science verges with a high degree of approximation on such competence through the tradition associated with Academician Vernadsky, notably emphasizing Vernadsky's successful preliminary grasp of the significance of Riemann (the actual Riemann, not the cheap-imitation Riemann of the Einstein-Weyl program) for extending Pasteur's program of studies into the

primariness of negentropic processes. Hence "secrecy" in respect to basic research is nonsensical. It is to the extent that the kind of open basic research activity emphasized by the Labor Party and Fusion Energy Foundation are enhanced, expanded to include more numerous institutions, that the necessary, crucially oriented approach to basic research can be successfully fostered.

Hence, we are not opposed on principle to conducting much of the research program's support through General Brown's Pentagon, and so forth; the basic research must, however, be kept away from the umbrella of "national security." Since there is every reason to order the matter in this way, and no competent reason to prevent such an arrangement, that is the way it must be done.

One further, extremely important practical consideration must be taken into account. General Brown's report emphasizes that, on the record, military research has appeared to foster much civilian technological progress. It is also a fact, on the record, that development has tended to occur through small firms rather than large ones. Informal, task-oriented teams of collaborators, sometimes of relatively short duration, are the normal optimal organization of a research project. Great intellectual efforts radiate from centers of leading influence, centers which operate as coordinating and reference points for particular project-teams, but the task-oriented teams themselves best function in this sort of environment under the added stipulation of the greatest freedom in their manner of composition and dissolution. It is often the cross-fertilization accomplished in new teams through team-members from diverse other short-term projects which is most fruitful.

The type of activity typified by the recent work of the Fusion Energy Foundation represents the necessary sort of central focus needed for the overall research community. This must be complemented by great fluidity in migration of specialists among various university research centers, corporate and private research laboratories, and so forth, for collaborative shorter-term undertakings.

Otherwise, given a certain level of basic research and scientific cadre development, the final phase of technological advancement is the capacity to produce devices which reflect scientific achievement. The power of the United States was not developed by virtue of our possession of "scientific secrets," but our superior power to produce what more advanced European science discovered. Today, granting the importance of scientific cadres in Western Europe, Japan, and India, outside the USA the residence of science is the Soviet Union. We have little opportunity to parasitize science from Europe any longer: to have it, we must begin to foster basic scientific communities ourselves. It is not necessary to elaborate the rather obvious various implications of that point.

#### *The Flap About "Dirigism"*

When some key corporate executives protested angrily against the "dirigism" of the ICNEP organization, we emphatically agreed — because ICNEP was proposing *fascist* dirigism. Otherwise, as we emphasized during



our 1976 presidential campaign, there are certain other forms of dirigism which simply cannot succeed in a capitalist economy; those, too, we rejected.

What General Brown's report proposes is, to speak plainly, *dirigism*. The conscience of U.S. conservatives, otherwise stoutly opposed to dirigism generally, accepts the same dirigism for the sub-domain of our economy represented by the U.S. Defense Budget. In Western Europe, and in Brazil, the "state sector" — sometimes ingenuously termed "socialist sector" — represents a broadened application of dirigism.

The proper way for a typical American to examine this problem is to take the dirigism of Alexander Hamilton as a point of reference, the Hamiltonian conception of the national bank.

The mental block against competent insight into this matter is the acceptance of the nonsense-myth of "pure, state-free, competitive capitalism." Such a form of capitalism, on the record, never existed. From the Tudor period onward, capitalist development has always occurred through the patronage of a centralized state, and has depended upon the credit and revenues of the centralized state to create the economic environment in which capitalist development of individual firms could flourish. In fact, the notion of "pure, competitive capitalism" was developed in the United States principally as a piece of Jacksonian anti-capitalist rubbish.

As Hamilton clearly and correctly understood, and as most today unfortunately do not, the centralized capitalist state's selective fiscal and monetary policies, mediated by an appropriate central banking institution, are the only instrument through which private individual capitalist firms can flourish. Every other version of this matter is pure myth and ignorant delusion. The question is not whether the state credit should be used to shape national development. The only legitimate question is what national development policy should be, and how the relationship between state banking and individual firms should be ordered.

As we have shown and emphasized in our 1976 presidential campaign materials, the most efficient state regulation of private firms in a capitalist economy is a minimal direct intervention into the internal affairs of those firms. Certain minimal and maximal standards of employment and so forth are quite sufficient, provided that the fiscal and monetary relationships between the firm and the state are properly ordered.

State policy properly says that a certain capital-formation policy for agricultural development and a certain policy for taxing the revenues of agriculture is specified, catching the resources of individual initiative between those two points of policy. The same applies to mining, manufacturing, and transportation. The state must direct its fiscal and monetary policies to efficiently mold the economic environment to the effect of favoring the results demanded.

This principle governed the development of state sectors in Italy, France, Brazil, and so forth. The national interest demanded maintaining and developing certain industries in opposition to foreign monetary interests, miscalled "free market forces."

These sorts of "dirigist" policies intersect the case of military expenditures. If sufficient concentration of state

funds is committed to a dedicated effort to cause certain corporations to get a job done, the job will probably be done. If this allocation of state resources is made in respect to military requirements, but if similar support for non-military productive research is not provided by those or other means, it will appear to be the case that military technology leads the way. The secret is essentially that the government tends to be more sensible of military imperatives as long as a probable adversary is in sight.

The essential problem is our tax and banking policies. We do not require vast "dirigist" bureaucracies. Quite the opposite. What we require is a ruthless tax and banking policy which distinguishes between aiding the results we desire and penalizing those (relatively speaking) we desire less. Create a relative tax-bonanza for useful forms of basic research, and for technological advancement through higher rates of per capita capital formation, and tax the hell out of speculative capital gains and so forth; use the resources of a state bank to pour credit on the most favorable terms to desired categories of activity and starve less desirable activities, meanwhile keeping financial structures pared down by tax and related methods to correspondence with real values. The results will tend to produce themselves through "private initiative."

The problem is that our fiscal and monetary policies have been at best indifferent to the distinctions between industrialist and monetarist interests, and have increasingly favored the monetarist interest at the expense of the industrialist interest.

After all, it is the same corporations, the same executives, the same professional technicians, and so forth who deliver both military and civilian technology. We have moved away from the government arsenal as the main instrument of military hardware. The only difference behind Brown's *post hoc ergo propter hoc* presentation of facts is the difference in the policies under which the same corporations, the same executives, and so forth are operating in respect of the two kinds of production by the same firm.

Let us consider the case of Chrysler Corporation. Why don't we take the wraps off Chrysler's potential — get it out from under various kinds of harassment, including the Naderite varieties, and let it concentrate on a high-technology role in the auto and related fields? Why spend billions patching up automobile models which are inherently high pollutants and so forth, rather than letting the flow of capital move into developing new types of vehicles and so forth? Why not let Chrysler continue with some basic models, adding new types into its spectrum, thus feeding the overall development of the industry? Our federal tax and monetary policy should be attuned to such purposes.

This would require a drastic change in the functioning of the Congress. Instead of session devoted to ad hoc patchwork enactments, the Congress should be essentially a body which proceeds from a deliberative overview of the needs and objectives of the nation and passes annually *very, very few bills*, shaping fiscal, monetary, and other principal policies to give clear direction to the effective efforts of the nation. The ad hoc, helter-skelter arrangement, in which principally the Brookings Insti-

tution, the Russell Sage Foundation, Joe Rauh, and the Rockefeller Foundation proposes, and a confused Congress processes, an unwholesome mess of ad hoc legislation and an occasional, non-understood lollapalooza, is the immediate root of the problem to which General Brown's report refers. Our nation lacks any purpose, except to do in the main what pleases the Rockefeller brothers and a few others of the same ilk.

Given the circumstances of the moment, one would not be properly displeased if the Congress were to authorize the tactic which General Brown implies in the Research and Development section of his report. For the moment, we are not overly scrupulous concerning how the indispensable Research and Development effort is funded. The practical problem is of providing some method which would effectively prevent the Carter administration from interfering with the realization of the intent of Congress to this point. In line with the proposed Exec-

utive Branch reorganization I presented to the Ford White House, I would prefer basic research under the Commerce Department, coordinated with a remodeled Intelligence Department of the Executive, but matters being what they are — for the moment we must accomplish some extremely essential things by the proverbial "hook or crook."

The important thing, the reason for this report, is that the present period in the United States is one of mobilization and general preparation for what we must do once we rid ourselves of the Trilateral Administration and what it entails. Our actions during this period must also be a coherent building-process, a preparation of our outlook and programmatic views for what we must do once we get the Executive Branch into our hands, where it belongs. In the meantime, forced to expedients as we are, let us shape our expediencies as much as possible into conformity with the measures we will enact once we are in control of the Executive Branch.

# 'Sick Men' Of Europe Revived But Not Cured

During the past two months, the economies of Britain, Italy, and France — widely known as the "sick men" of Western Europe — have shown a significant *short-term* improvement, indicated by the surprising stability of their respective currencies. Although most U.S. financial press commentators have attributed this development to the alleged success of domestic austerity programs (e.g., the "Barre Plan" in France), the actual determining factor has been political rapprochement with the Arab oil-producing nations and, to a lesser extent, with the Soviet sector.

The immediate fruit of this European-Arab dialogue have been substantial OPEC investment in all three European economies, (including, in the case of Britain, the informal commitment of the Saudis and other OPEC investors to assist in stabilizing the troublesome sterling balances), and a sudden flood of oil-for-technology trade arrangements. This has coincided with a major shift in government economic recovery strategies, not only of Britain, Italy, and France but of West Germany as well, with primary emphasis now being placed on the opening of new markets for high-technology European industry in the Middle East oil-producing, Soviet, and Third World sectors. Accordingly, government exports credits guarantee policies have been upgraded and expanded, including a 37 percent hike in credits available for the British program and a 100 percent increase for West Germany's Hermes export credit program announced during January.

Although this shift in European government strategies has given a temporary boost to business confidence, the lack of an adequate *international* credit mechanism with which to finance large-scale North-South and East-West projects, means that the European upswing will soon run up against its inherent limits. European-Arab rapprochement has brought Western Europe a breathing space, but not economic recovery.

Italy, the country which has recently been in the forefront of European efforts to transform East-West credit practices, including a proposal for European-wide discounting of the Comecon transfer ruble, has just suffered a major setback in its Soviet trade. A number of Italian companies have complained that they are losing several hundred million dollars' worth of Soviet orders due to prohibitive credit requirements imposed by the Italian government. Under heavy pressure from the International Monetary Fund to impose new austerity so as to qualify for bailout funds, the Andreotti government has reached a stalemate in its negotiations with the Soviets concerning an estimated \$7 billion worth of prospective trade.

Similarly, Soviet officials last week notified the British government that one billion pounds in Soviet orders were available to British industry *dependent upon* the working out of appropriate financial arrangements.

In actuality, the Italian government's own "Ratti Plan", providing for European-wide pooling of reserves in an East-West Bank which would finance trade through the discounting of Soviet commercial paper, has all the ingredients of a solution to this dilemma. The only obstacles are *political* — most notably the opposition of the U.S. Carter Administration.

The problems in the lack of such an international mechanism are most evident in the heavy industry-based, export-oriented economy of West Germany, Western Europe's industrial linchpin. The West German government has reported a 10.6 per cent plunge in the

## Overall Industrial Production Indices

(1970=100)

	W. GERMANY	FRANCE	U.K.	ITALY
1973	113.2	120	110.2	114.5
1974	111.9	123	106.3	119.0
1975	105.0	112	101.0	108.5
1976				
JAN	103.8	125	101.0	110.5
FEB	113.0	128	101.9	120.7
MAR	110.1	129	101.7	121.9
APR	118.0	128	102.0	124.3
MAY	116.6	126	103.9	129.7
JUN	118.6	129	100.2	128.5
JUL	99.1	110	101.8	123.1
AUG	98.1	77	100.8	68.9
SEP	113.7	129	100.8	136.6
OCT	120.7	123	100.8	135.1
NOV	122.8	126	102.4	130.6
DEC	109.7		102.5	132.0

preliminary (unadjusted) industrial production index in December and a 14 per cent jump in January unemployment. The production and employment cuts occurred primarily in the deeply depressed steel and machinery industries — precisely those European sectors which have yet to benefit from trade deals in a major way. With a worldwide “glut” of steel emerging, an estimated 200,000 workers have been or are about to be placed on short-time or laid off throughout Europe.

### Unemployment

(IN THOUSANDS AND IN % OF LABOR FORCE)

	W. GERMANY		FRANCE	U.K.		ITALY	
	TOTAL	%	TOTAL	TOTAL	%	TOTAL	%
1973	274	1.3	394	618.8	2.7	669	3.7
1974	583	2.6	494	614.9	2.6	560	2.9
1975	1,074	4.7	840	977.6	4.2	654	3.3
<b>1976</b>							
JAN	1,351	5.9	1,017	1,303.1	5.5	681	3.5
FEB	1,347	5.9	978	1,304.4	5.5		
MAR	1,190	5.2	938	1,284.9	5.5		
APR	1,094	4.8	897	1,281.1	5.4	693	3.5
MAY	954	4.2	848	1,271.8	5.4		
JUN	921	4.0	813	1,331.8	5.6		
JUL	945	4.1	809	1,463.5	6.2	776	3.8
AUG	940	4.1	842	1,502.0	6.4		
SEP	899	3.9	955	1,455.7	6.2		
OCT	944	4.1	1,025	1,377.1	5.8	777	4.0
NOV	985	4.3	1,041	N.A.	-		
DEC	1,090	4.8	1,037	1,371.0	-		
<b>1977</b>							
JAN	1,240						

A related problem is the fact that, in every country, industrialists are short of funds for necessary capital investment programs, at the same time that trade unions are demanding pay hikes to compensate for two years of declining real incomes. In West Germany a modest 6.9 percent metalworkers' wage boost last week evoked a wave of protest from employers' associations and economic institutes, who labeled the increase a precedent-setting “threat” to the economy.

Throughout Europe, previous government-employer ability victories to limit wage increases has eaten heavily into retail sales, eliminating the possibility of any internally based recovery and threatening the decimation of the skilled labor. Given this predicament, the continuing failure of European governments to take swift action to revamp the world monetary system will undoubtedly lead to serious economic deterioration and renewed currency turmoil during 1977.

### Consumer Prices

(% CHANGE FROM PREVIOUS MONTH)

	BRD	FRANCE	UK	ITALY
JAN	+0.8	+1.1	+1.3	+1.2
FEB	+0.7	+0.7	+1.3	+2.2
MAR	+0.4	+1.0	+0.5	+2.0
APR	+0.6	+0.9	+1.9	+2.6
MAY	+0.4	+0.7	+1.1	+2.0
JUNE	+0.3	+0.4	+0.5	+0.5
JULY	-0.4	+1.0	+0.2	+0.6
AUG	+0.4	+0.7	+1.4	+0.9
SEP	+0.0	+1.1	+1.3	+1.8
OCT	+0.1	+0.9	+1.8	+2.9
NOV	+0.4	+0.8	+1.4	+2.2
DEC	+0.5	+0.3	+1.3	+1.2
1975-76 % CHANGE	+ 3.7	+9.8	+15.1	+ 22.0

## Investment Squeeze Hurting Callaghan Industrial Strategy

### BRITAIN

The recent inklings of an industrial recovery for Britain, largely the result of the Callaghan government's attempts to shape the political climate for industrial growth, is in danger of disintegrating before it has had a chance to fully take hold.

The reason is the lack of investment funds available to industry. The government's willingness to make short-term compromises over sterling and credit policies to meet the conditions of the IMF loan announced in December could mean the failure of its positive industrial strategy — without an immediate move toward long-term investment credits for industry as outlined in the Ratti Export-Import bank proposal for Europe.

Following Prime Minister Callaghan's decision to take

personal responsibility for the development of the country's economic policy, there has been a major push to change governmental machinery to allow for expanded export credits and development of new foreign markets. As announced during the Feb. 2 meeting of the National Economic Development Council, Britain's tripartite economic planning review body, the ECGD (Export Credits Guarantee Department) will be expanding its role as guarantor of funds for major projects abroad, and the British Overseas Trade Board (BOTB) will work closely with companies and industrial consortia to open up new markets. To accomplish this, Parliament has approved the extension of the ECGD credit ceiling from £18.3 billion to £25 billion, with an option to further extend it to £40 billion. As an indication of the level of expansion in trade the government is preparing for, in the year to March 31, 1976, the ECGD had extended only £8.4 billion, which accounted for 36 per cent of total UK export funds.

While trade with the Third World and Mideast has shown a remarkable increase over the last year, and the latest balance of trade figures show important gains in exports, the government's export strategy has yet to be consolidated in terms of concrete orders throughout the economy.

The preliminary success of Callaghan's strategy is shown by the December balance of payments statistics, which registered a return to the black by £21 million — only the fourth time this has happened since 1974. With the contribution of invisibles remaining steady at £200 million from November to December, most of the improvement came from increased exports—up to £2,362 million from £2,225 million in November. Industrial production has remained virtually stagnant at 102.6 (1970-100) in both November and December. Given this stagnation, it is not surprising that unemployment continued to rise in January, to 1,448,200 from 1,371,000 in November. Even if the government's industrial strategy succeeds, Callaghan has warned that unemployment will not come down, and will probably rise to 1,500,000 this year.

Probably the clearest indication of the government's success in stabilizing the economy is the steady value of the pound around \$1.71, and the 75 per cent increase in the country's official reserves in January, by \$3,067 million

### Balance Of Trade, Current Account

(MILLION POUNDS, SEASONALLY ADJUSTED)

1976	VISIBLE EXPORTS	TRADE IMPORTS	TRADE BALANCE	CURRENT BALANCE
1ST QTR	5,419	5,897	- 478	- 33
2ND QTR	5,992	6,946	-1,004	-533
3RD QTR	6,121	7,327	-1,206	-637
OCT	2,222	2,576	- 354	-154
NOV	2,226	2,736	- 510	-310
DEC	2,362	2,225	- 179	+ 21

to \$7,196 million. While this includes the transfer of the first tranche of the IMF loan into the country's coffers, it is also indicative of the high level of foreign confidence following the successful completion of the IMF loan and sterling balance support operation.

Despite the first indications of apparent success, the British economy is threatened with the return of the all-too-familiar inflationary spiral if the government cannot channel major capital investment funds to industry to relieve the bottlenecks that inevitably occur at the beginning of a "go" cycle. Money that by rights should have been available to industry through banks and building societies has instead been swept up in the flow of "hot money" through the City of London that has caused a phenomenal demand for gilts ("gilt-edged") Treasury bills).

The effect of this squeeze on industrial investment was clear in the release of the wholesale price index on Monday, which presaged a return to inflation rates of 40 per cent a year if January's rise of 3.2 per cent were to be maintained. The government's ability to reduce inflation is a key part of their economic strategy, since not only foreign confidence, but also their "social contract" with the trade union depends on the reduction of inflation to prevent a repeat of the wage-price spiral of 1974.

While more than willing to follow the government's initiative in boosting manufacturing industry investment, figures released recently by the Treasury Department indicate that industry as a whole is downgrading its investment intentions from a 15-20 per cent increase in 1977-78 (as reported by the Department of Industry earlier this year) to closer to 10 per cent. In their February Monthly Survey of Business Opinion, the *Financial Times* indicates that for the 40-odd companies they surveyed in the electrical engineering, consumer durables and retail sectors, the rate of recovery was slackening due to lack of skilled labor and shortages of some supplies.

As Prime Minister Callaghan has stressed, exports are the key to any recovery, due to the expectation that home demand will continue to be depressed while the cost of living rises faster than income over the next year. Personal earnings increased by 3.5 percent from July to November 1976 while the retail price index rose by 5.1 percent in the same period. The so-called consumer boom of the pre-Christmas period was dependent largely on tourist business in the South-East around London, increased sales in liquor and cigarettes in expectation of an increase in VAT levels on Jan. 1, and a high level of consumer credit.

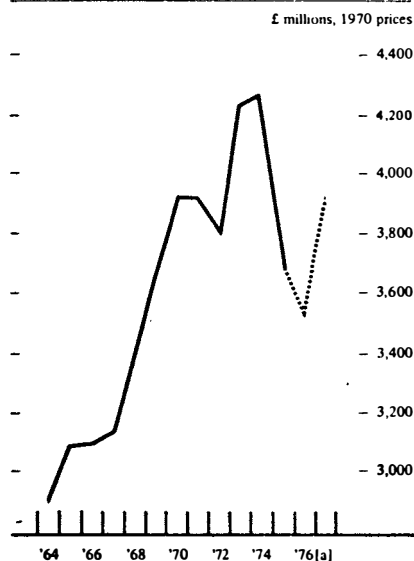
### Money Markets

The renewed foreign confidence in the country's economic stability combined with high interest rates has attracted unprecedented amounts of "hot money" into the London gilts market, the effect of which has been to channel funds away from industry — just at the start of the government's industrial investment program — into purely speculative investment funds in the City of London.

Caught in the uncomfortable bind of having to juggle between maintaining gilt sales to finance the huge public

### Fixed investment by manufacturing, distributive and service industries

The volume of investment is expected to recover next year, but would still be well below the previous peak in 1974.



[a] 1976 and 1977 figures are taken from the Department of Industry's investment intentions survey.

sector borrowing requirement — the strategy defined by Chancellor of the Exchequer Denis Healey in his speech laying out the conditions of the IMF loan in December to restrict the growth of the money supply — and financing industrial investment, the government last week informed the markets through the Bank of England that they were “not amused” with recent trends and promptly severed the automatic link between the Minimum Lending Rate (MLR) and gilt sales.

What prompted the Bank of England's decision was the overwhelming demand for gilts — £1.45 billion worth of bills were applied for on Friday, Feb. 4, with only £300 million on offer — a situation which normally acts as a trigger to lower the MLR. Despite the high cost of loans to industry, the government has refused to lower the MLR to the levels demanded by the market, in an attempt to stem the sale of gilts through depressing buyer expectation of a continued fall in interest rates. However, the MLR has fallen from its all-time high of 15 per cent in December to 12 per cent by Feb. 4.

To compensate for the squeeze on bank liquidity which the gilt sales have caused, the Bank of England has released a total of £1.460 billion to the banks in the last month, £1.1 billion in mid-January, and a further £360 million during the last week of January. Even so, very little bank lending to industry has gone for investment since end-of-year bank advances traditionally go toward providing for tax payments.

#### Industrial Profiles

One of the key growth sectors for the British economy is North Sea oil and gas development — a fact that is well reflected in the government's energy policy. With the fifth round of licenses for oil exploration in the North Sea,

### U.K. Major Economic Indicators

1976	(MILLION POUNDS)	PRODUCTION	PRODUCTION OF	PRODUCTION OF	MONEY SUPPLY	
	CONSUMER EXPENDITURE (1970 PRICES, SEAS. ADJ.)	OF CHEMICALS & ALLIED INDUSTRIES (1970 = 100)	AUTO (THOUSANDS OF UNITS)	CRUDE STEEL (THOUSANDS OF TONS)	M-1 (SEAS. ADJ.)	M-3
JAN		121	96.4	392	- 48	+399
FEB		124	119.8	450	+620	+572
MAR I	8,866	127	142.6	451	+140	+196
APR		126	92.7	462	+340	+537
MAY		126	127.2	469	- 8	+238
JUNE II	8,789	128	129.5	433	-174	+246
JULY		125	90.7	367	+545	+841
AUG		126	64.8	373	+352	+707
SEPT III	8,928	132	98.2	430	+406	+989
OCT		127	109.0	458	-334	+534
NOV			110.0	487	+202	+169
DEC IV	8,955		96.0	376		

## U.K. Trade By Major Areas

(MILLIONS OF POUNDS STERLING)

	EEC		U.S.		OPEC		EAST BLOC		THIRD WORLD	
	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.	EXP.	IMP.
1973	4,034									
1974	5,516	7,712	1,771	2,257	1,210	3,794	514.7	741.9	2,380.0	2,581.0
1975	6,419	8,804	1,789	2,351	2,278	3,274	655.9	752.8	2,923.0	2,615.0
1976 I	1,970	2,504	534.7	685.8	684.4	974.3	175.4	243.4	826.4	753.6
II	2,251	2,876	614.5	744.8	763.2	998.9	189.0	309.2	829.9	925.8
III	2,332	2,716	645.1	746.0	781.3	1106.1	175.2	280.9	804.3	902.8

British Energy Minister Tony Benn made it clear that the government intends to take primary responsibility for the development of their oil and gas resources, and has refused to award licenses to those companies — Exxon and Aramco specifically — which have refused to agree to the government's 51 per cent option to buy up North Sea oil. As part of the fifth round, the British National Oil Corporation will, for the first time, take major responsibility for developing new fields, instead of merely participating in established consortia.

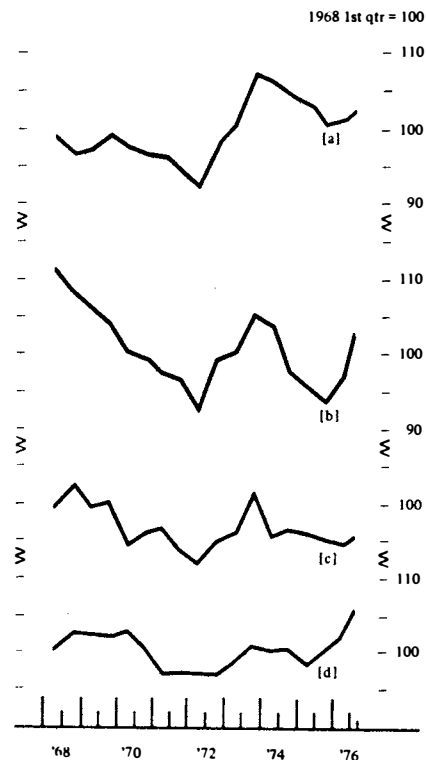
Strong support for the government's stated intention to use North Sea revenues (estimated to total £5.5 billion by 1980 and average £3.4 billion a year in the early 1980s) to promote industrial recovery has already come from British Petroleum whose shares are 61 percent owned by the British government. Announcing the doubling of BP's five-year investment program to £2.7 billion, BP chairman David Steel stressed that the program "will make a major contribution not only locally in terms of jobs, but also to the health and continuing development of the national economy."

The major sectors of British industry have been taking advantage of the fall of the pound during the fall months to boost their export share. In chemicals, exports were up 3.2 per cent, from £281 million to £290 million from November to December, while at the same time imports fell by £8 million to £185 million. However, the increase of 10 per cent expected in chemical output for 1976 did not materialize largely due to low domestic demand. Projections for growth in 1977 have been cut back from 8.5 per cent to 5 per cent. However, despite the high interest rates, the industry as a whole is attempting to maintain its existing capital programs, and it is expected that there will be an increase in the volume of investment in 1977 over 1976.

Similarly with auto, exports of motor vehicles were up by 50 percent in November; cars contributed heavily to this increase with exports growing by 87 percent. Car production rose only marginally last year, by 5 per cent to 1,334,000 units, while commercial vehicle manufacture, usually considered the strong sector of the industry in Britain, fell by 3 per cent to 370,700 units. Productivity

### Price ratios relevant to UK export performance

*The depreciation of sterling this year has sharply improved the relative profitability of exporting and the cost-competitiveness of UK industry.*



- [a] Ratio of competitors' export prices of manufactures to those of the United Kingdom (in dollar terms); partly estimated.
- [b] Ratio of competitors' unit labour costs in manufacturing to those of the United Kingdom (in dollar terms); partly estimated.
- [c] Finished manufactures: ratio of UK import prices to UK export prices.
- [d] Manufactures: ratio of UK export prices to UK wholesale prices.

rose by three per cent, however, despite massive layoffs throughout the industry. Chrysler, for example lost 9,000 workers, almost a third of their workforce, while British Leyland cut back even more.

Unable to capitalize on the fall of the pound directly, the British Steel Corporation has carried the cheap British exports situation one step further by announcing a cut of 6 per cent in prices of hot rolled coil and sheet, specifically to undercut foreign rivals. Similarly, BSC will be increasing its stocks 800,000 to one million tons, despite recent cutbacks of 15,000 tons a week, to be able to ensure adequate supplies for orders. BSC is undertaking discussions with the government on the possibility of closing several old and inefficient steelworks to concentrate on newer works being built in other parts of the country.

#### *Government Strategy*

The Callaghan government unveiled the spearhead of its economic strategy at a meeting of the National Economic Development Council Feb. 2 which outlined proposals which promise to boost British exports by as much as £36 billion by 1980. Describing the government's proposals as "frankly experimental," Chancellor of the Exchequer Denis Healey and Industry Secretary Eric

Varley laid out a program which highlights five industrial sectors for immediate development and stresses the need for increased financial and political aid to other companies to boost their exports.

Named for immediate attention were industrial engines, construction equipment, office machinery, electronic components and domestic electrical appliances on the grounds that 1) these sectors are central to export health; 2) these sectors represent world leaders in their markets and have expressed Britain'sness to expand their market performance; and 3) these are the sectors in which the government can most immediately contribute to industrial growth.

Major responsibility for implementing the government's industrial strategy is being given to the National Enterprise Board to undertake discussions with targeted companies on future investment and organizational plans. The NEB was formed in 1975 with powers to buy up troubled industries and provide financial assistance to firms considered to be critical for national economic health. Already the NEB has announced it will form a government-backed consortium for computer industry to coordinate export and product development projects for participating companies (still to be announced).

## Franc Stabilized With Arab Support; Credit Crisis Looms In 1977

---

### FRANCE

---

The French government has bought precious time for the national economy over the fourth quarter of 1976 and early 1977 by winning the support of its Arab trading partners in stopping the rout of the French franc on the international money markets. The political backdrop to this temporary success is the turnabout in French policy under the direction of Prime Minister Raymond Barre, who has repeatedly stated that French policy would be brought back into alignment with traditional Gaullist calls for expanded trade with the socialist sector and the Third World and for the creation of a gold-backed international monetary system. Arab receptivity to this shift has been expressed in promises of increased investment in French industry through the negotiation of trade deals and in the influx of Arab capital into French money markets. This critical margin of Arab money has played the largest part in stabilizing the franc and taking the immediate pressure off the national economy created by a collapsing currency.

French President Giscard d'Estaing's Jan. 22-26 trip to Saudi Arabia gave some indication of the levels of Arab capital accessible to the French economy. At that time, \$3 billion in Saudi financing for the Egyptian-based Arab Military Industry Organization, to be constructed through joint British-French efforts, was firmed up, as

well as a 3.5 billion franc housing construction contract. Rumors that the Saudis would also offer France a \$5 billion loan to finance expanded trade continue to be circulated by some of Wall Street's leading oil analysts. Simultaneous with these trade-related initiatives, the Arabs have intervened on the international money markets to back the French currency. *Business Week* magazine reported in January that French banks have doubled their intake of Arab "hot money" short-term petrodollar accounts at the rate of \$8 billion in new deposits in the last nine months of 1976. At the same time, Arab money has flowed into French government and corporate bonds on a large scale.

The 11 percent depreciation in the effective exchange rate of the French franc during 1976 was a continual source of inflation, resulting in a big jump in the cost of imported raw materials, and accounting for much of France's record 20.5 billion franc trade deficit. By successfully stabilizing the franc, the government has given a temporary boost to business confidence, expressed in a slight upturn of the stock market from its 1976 nadir levels, a 2.4 percent rise in industrial production in November, and a decline in unemployment from 1,041,000 in November to 1,036,900 in December. Significantly, the government was able to let up on its tight credit policies — resulting in a sharp decline of the key call money (interbank) rate from 10.25 to 9.75 percent at the end of January — since defense of the franc no longer requires as high interest rates. The declining call money rate decreases the cost of acquiring short-term



funds for French banks, improving their profit margins, and allowing for a possible expansion in bank lending to industry.

#### *New Monetary System Necessary*

Although the French-Arab dialogue has thus provided the French economy a brief respite, the underlying reality is that, as long as there exists no international monetary framework within which to finance expanded exports, no broad-based recovery is possible. The much-touted government anti-inflation program, the Barre plan, has, since September 1976, actually tended to strangle internal consumption and capital investment. In this respect, the government's shouts of "victory" that the retail price increase was held at .3 percent for December 1976 is a pyrrhic victory which no one expects to be repeated over the next four months. Likewise the whittling of France's foreign trade deficit from 3.82 billion francs in November to 1.32 billion in December is a highly ambiguous omen, based as it is on a 2.3 billion franc cut in agricultural and energy imports.

As the situation shapes up now, the trend toward reduced internal consumption and credit starvation will probably prove to be even more difficult problems than the inflationary disease which the government claims to have solved.

The latest economic indicators from the French statistical institute, the INSEE, underline the point. Although, as noted above, overall production indices jumped 2.4 percent in November, a noticeable declining consumption trend has emerged. Retail sales volume indices declined four points in October, while orders for

#### Foreign Trade Results 1976

	(IN BN. OF FRANCS)		
	EXPORTS	IMPORTS	BALANCE
JAN	18.97	20.34	- 1.37
FEB	21.0	21.74	- .74
MAR	23.39	24.92	- 1.53
APR	23.22	24.45	- 1.23
MAY	23.14	23.97	- .83
JUNE	24.41	24.14	+ .27
JULY	23.43	23.75	- .32
AUG	17.41	20.14	- 2.73
SEP	22.07	26.16	- 4.09
OCT	24.66	27.21	- 2.55
NOV	24.48	28.30	- 3.82
DEC	24.71	26.03	- 1.32
1976	270.89	291.59	-20.7

#### Sales Index 1976

(100 = 1970)

	RETAIL SALES	NEW CAR REGISTRATIONS
JAN	98.5	151.6
FEB	95	129.9
MAR	93.4	168.7
APR	97.1	180.3
MAY	96.3	164.9
JUNE	95.9	176.8
JULY	95.9	142.9
AUG	95	83
SEP	97.2	138.6
OCT	93.5	174.0
Nov		170

consumer goods plummeted 30.7 percent from October to November. Throughout 1976, retailers deliberately kept their stocks abnormally low, as a testimony to the tentative character of the consumer spending trend during the year, but from October to November, consumer goods stocks began to accumulate again. This trend was only alleviated slightly by a 2.8 percent pickup in the consumption index for November, in itself a reflection of last minute buying before the Phase One price freeze was lifted at the end of the year.

This developing trend in consumer related sectors is not a new phenomenon to the capital and semi-finished goods sectors, where order books have been shrinking since the first quarter while stocks mount. There is also some indication, according to the latest INSEE report, that a backlog of semi-finished goods stocks is developing despite the decline of activity in this sector.

For the first quarter of 1977, the immediate prospect is for a worsening of this deteriorating condition, especially in the consumer sector, which is the main target of Phase Two of the Barre Plan. Prices should begin to rise somewhat following the lifting of the fall price freeze, although this will be moderated by cutbacks in value-added taxes (VAT) from 20 to 17.6 percent for selected industrial products. The government hopes to contain overall price increases at 6.5 percent. This rising price trend will immediately intersect rising unemployment, as a new round of steel layoffs goes into effect.

#### *Capital Credit Crunch Foreseen*

The real crunch, however, will center around the availability of credit for capital investment. The government plan at present is to restrict the overall rate of increase of credit to the economy at 5 percent in 1977, as a partial means of fighting inflation and the growth of the monetary mass. What credit will be granted to industry will be highly selective "critical support" injections, tied

## Production 1976

(100 = 1970)

	<u>STEEL/IRON</u>	<u>ORG. CHEM.</u>	<u>INORG. CHEM.</u>	<u>ELEC. MACH.</u>
JAN	92	155	102	154
FEB	89	153	106	150
MAR	110	160	111	166
APR	99	145	109	174
MAY	109	152	99	165
JUNE	106	160	110	178
JULY	86	156	89	123
AUG	73	127	89	123
SEP	113	160	109	178
OCT	110	151	107	171

to rationalization schemes, thereby contributing still more to the unemployment problem. As a foretaste of the nature of the government's investment policy, a two billion franc credit has been extended to the nationalized public utilities to assist in financing their 30 billion franc deficit, in exchange for two billion francs in cuts.

Reporting from private industry is even more pessimistic. *L'Usine Nouvelle* reported in January that the rate of increase in credits to the economy peaked at 3.5 percent in 1976, and will drop to 3.1 percent for 1977. Private investments were a pitiful 2 percent for 1976 and projected at 2.4 percent for 1977. State loans to the nationalized firms, normally the biggest share of total investment, will shrink 3 percent in 1977 to a 9.5 percent rate of increase. For the steel sector, this credit situation translated into a slight 2.8 billion francs of credit in 1976, barely sufficient to cover the 2.5 billion interest due on the industry's debt. For basic industry, in particular, this reduced credit is going to debt financing and maintenance of current plant and equipment with no expansion in sight.

French industrialists are keeping close watch on the government's actions in the investment area. To date, Prime Minister Barre has won the support of the major employers' association, the CNPF, on the basis of his Phase One program to plug up the rout of the French franc and to bring inflation under control, but the question of credit to the economy, and the government's flexibility on this issue, is literally a matter of the survival of French industry. In a first test, *Les Echos* of February 3 reported that the CNPF had appealed to the government for a 20 billion franc program of low interest credit for 1977, which has since been rejected by Prime Minister Barre as inflationary because it would set interest rates at an artificially low level. CNPF spokesman François Ceyrac quickly responded again urging the government to consider lowering interest rates to industry.

On the basis of the internal economy, the government is correct in pointing out that it cannot generate the

necessary levels of credit to sustain full productive capacity. The only real means for that level of credit generation is through the development of international trade. Even limited one-shot deals, such as France has successfully negotiated with the socialist sector and the Arab countries recently, are likewise not sufficient to have widespread impact on the entire economy.

### *Focus on Technology*

This is not to minimize the high technology orientation of France's export policy, as outlined by Prime Minister Barre at the conclusion of his mid-January trip to Great Britain. In the forefront of the government's trade program has been a concerted effort to not only ensure France's current supply of oil and related energy sources, but also to proceed with experimental work in nuclear energy. Just last week French President Giscard d'Estaing and West German Chancellor Schmidt defended European exports of nuclear technology to the Third World in the face of heavy U.S. pressure to abandon projects already in the works. As testimony to this commitment to developing nuclear energy, in the past month the Barre government has given the green light for the European project to proceed with construction of the five billion franc Super-Phenix fast breeder reactor project, and negotiated with the Saudi Arabians for construction of a nuclear technology research center.

France's nationalized oil firms, Elf Erap and CFP, have played a very important role in safeguarding France's oil supplies in the medium term until the nuclear-related projects are fully functional, and were no doubt key in the conclusion of a three-year 42 million ton oil deal with Saudi Arabia at the conclusion of President Giscard's trip Jan. 22-26. The terms of the contract agreement will reflect both the Saudi decision to restrict oil price increases to only five percent and the special terms which the French have enjoyed with the Saudi oil producers since 1974 under then Foreign Affairs Minister Michel Jobert. Under these terms, France will get the

Saudi oil for 93 percent of the actual market price. Simultaneous with this supply strategy of the nationalized firms, the government has significantly backed ELF-Erap and CFP on the domestic markets by giving them a bigger percentage cut in total distribution at the expense of Mobil and other U.S. oil multinationals.

#### *Profiles of Key Industrial Sectors*

**AUTO:** The auto industry had a record year in 1976, based in part on sustained consumer spending until the fourth quarter. Total production for the year was 3.4 million vehicles, reflecting a 17 percent increase in automobile production, a 35 percent increase in small utility and truck production, but a marked 21.4 percent decline in heavy trucks. Renault was number one in production with 1.365 million vehicles, followed by Peugeot at 758,000; Citroen at 679,000 and Chrysler France at 510,000. The industry as a whole was able to prevent stockpiling during the course of the year by forcibly keeping stocks low, even creating extended delivery periods when necessary. On the basis of these record production figures for the year, the newly merged Peugeot-Citroen interests showed a consolidated turnover of 35 billion francs. However, the prospects for 1977 are not bright, as auto producers are predicting a sharp curtailment of sales. Investments in 1977 for Peugeot-Citroen and Renault are projected at 2 billion francs at present to cover both improvements in productive capacity and new models.

**CHEMICAL:** The French chemical industry was literally saved this year by the organic chemicals wing of the sector, which will largely be responsible for the projected record turnover of 90 billion francs in 1976, an increase of 17 percent from the previous year. For chemical fibers, the leading chemical firm Rhône Poulenc suffered a 500 million franc deficit in 1976, while the entire industry had a parallel loss of 500 million francs in the mineral sector, primarily fertilizers. Fertilizers did particularly poorly in 1976, especially following the summer's drought; nitrogenous fertilizer production dropped 14 percent for the year, complex fertilizers 11 percent and superphosphates 13 percent.

The activities of the chemical engineering firm Technip stands in marked contrast to the general

deterioration of this industry. In the past two months, Technip has won 6.5 billion francs in trade deals with the Soviet Union and Poland, for construction of three separate petrochemical and related refining and processing complexes. The largest deal is a four billion franc petrochemical refinery project with Poland, signed at the close of 1976. Technip has also just recently signed a one billion franc contract with Qatar for construction of a steam cracking unit which will also have spinoff facilities for production of ammonia.

**STEEL:** Overall steel production for the year reached 23.2 million tons, a 7.8 percent increase from 1975, but still 14 percent below the levels of two years ago. The hardest hit sector was rolled steel, reflecting the collapse in construction and housing during the year. Plant efficiency for this wing of the industry is currently only 60 percent, and weekly work hours per employee are at a low 32. Sacilor-Sollac, France's number one producer of rolled steel, had a sharp cutback in production to 6.5 million tons out of a total capacity of 9 million. The rate of decline in flat steel production was not as sharp in 1976 in part because of the sustained activity in auto. However, the industry as a whole faces a major debt financing problem in the immediate future. Total industry indebtedness equalled total turnover in 1976, or 33 billion francs. Private investments in 1976 reached scarcely 2.8 billion francs, hardly sufficient to cover 2.5 billion in interest payments due. The outlook for 1977 is even bleaker, with private investments currently projected at two billion francs. In the long term, Sacilor-Sollac and Usinor, the leading flat steel producer, have plans for eliminating close to 12,000 workers from their combined workforce of 90,000. The proposed government bailout plan for the antiquated Lorraine steel industry fits right into the vicious pattern of "rationalization" rather than expansion which will be promoted in the first quarter of 1977. Out of a projected three billion franc investment, one third will go to phasing out 14,000 jobs and the rest to modernizing plant and equipment. Because of the desperateness of the steel situation, the government has relented in backing up a total of seven billion francs in low interest loans in 1977, on the condition that this be used for make-work jobs on the spot and plant "modernization."

## Italy Needs Credit Lines To Maintain Recovery

---

### ITALY

---

A mild economic recovery in Italy resulted in a 12.3 per cent increase in industrial production and a 35.5 per cent increase in exports for 1976. While exports increased by taking advantage of the lira devaluation, however, the devaluation contributed to a 46 per cent increase in the cost of imports as producers were forced to pay higher prices for raw material imports.

These high import costs generated major domestic

problems: Italy had the second worst trade deficit in its history; there was massive internal debt accumulation, a 1976 inflation rate of 20.5 per cent, and corresponding discontent from the trade unions in the face of a lowered standard of living.

The Andreotti government has staked everything on the expansion of foreign trade, the only way out of its present economic dilemma.

#### *The Soviet Credit Line*

In 1976, 38 percent of Italy's total credit extension was to the Soviet Union; estimates for this year (including a still-to-be-signed \$650 million credit line) are that 50

percent of Italy's credit will go to the Soviet Union. Italy is blacklisted on the traditional loan market and therefore cannot supply this credit from its own funds.

Italian Foreign Minister Forlani and Soviet Foreign Trade Minister Komarov worked out the \$650 million credit line last month but Italy has stalled on finalizing the agreement because of a lack of funds — a delay that has already cost the Italian industrialists close to one billion dollars in lost orders from the Soviet Union. Moscow-based representatives of major Italian firms — including Montedison, Fiat, Finmeccanica and Snia Viscosa — visited the Italian Embassy in Moscow Jan. 6 to pressure the Italian government for quick implementation of the \$650 million credit line before Italy is squeezed out of international competition. But Italy, running a \$6 billion annual trade deficit is in no position to provide the credit.

The trade credit conditions Italy is able to offer the Soviet Union are almost prohibitive: making Soviet contracts or credit paper negotiable on the international financial markets in case Italy wishes to "sell" such instruments or use them for security for its own international credit needs; restricting repayment to an eight-year period without the usual three year "grace" period; and raising the Soviet interest payment to 7.95 percent from the 7.55 percent originally agreed upon by Forlani and Komarov.

Italian Foreign Trade Minister Rinaldo Ossola, stalling for time to try and come up with the credit line to formalize the Soviet contract, has postponed his Feb. 20 trip to Moscow where the contract was to be signed.

Italy's internal consumption, despite import increases

has contracted because of the austerity measures imposed to support the lira throughout 1976. The highest monthly Consumer Price Index increases were registered at 1.8 and 3.4 percent for September and October 1976 respectively. The CPI will undoubtedly be worsened by the Feb. 5 "anti-inflationary tax package" passed by the Italian Parliament. In order to avoid an open confrontation with the trade unions over using cost of living, the Italian Council of Ministers passed a tax package which, ironically will indirectly reduce the living standards of the working class, increasing consumer prices by one percent. The package will provide \$1.6 billion for the government and is designed to cut labor costs by 5 percent. At the same time, the Value Added Tax was increased from 12 to 14 percent. The package also exempted employees from \$1.4 billion in payments into a social benefits fund, which will be covered by an additional tax.

The Council of Ministers also increased the cost of petroleum products — excluding gasoline.

Production increased steadily throughout 1976 rising 12.3 percent over 1975 figures. But the high level of output depended on rising government subsidies to the state-owned industries to make up the difference between their increased earnings and the even greater increase in their costs after the January 1976 collapse of the lira. As a result, the indebtedness of the state-sector industries has passed the danger mark. Despite the apparent industrial boom, Italy's economy, which depends on a constant, high throughput of costly raw materials, is running at a net loss.

The latest available production figures, comparing the

	STEEL	AUTO	BUILDINGS COMPLETED	
	THOUSAND TONS (MONTHLY AVERAGE)	THOUSANDS (MONTHLY AVERAGE)	MILLION CUBIC METERS (MONTHLY AVERAGE) TOTAL	RESIDENTIAL
1973	1,750	152.1	11.4	7.7
1974	1,984	135.9	10.7	7.0
1975	1,818	112.4	13.5	9.1
1976		130.4		
JAN	1,818	110.3	13.3	8.6
FEB	1,748	111.2	13.2	7.2
MAR	1,909	125.3	10.0	6.4
APR	1,741	109.1	9.7	6.2
MAY	2,054	135.4	11.1	6.8
JUN	2,039	128.2		
JUL	2,159	152.2		
AUG	1,679			
SEP	2,141			
OCT	2,164			

## Trade And Payments

BILLION LIRE

	IMPORTS (CIP) (MONTHLY AVERAGE)	EXPORTS (FOB) (MONTHLY AVERAGE)	TRADE BALANCE	MILLION DOLLARS U.S. CURRENT ACCOUNT	U.S. OVERALL PAYMENTS
1973	1,352	1,081	-271	-2,510	- 197
1974	2,217	1,640	-577	-7,817	-4,633
1975	2,091	1,897	-194	- 528	-2,673
1976					
JAN	2,088	1,769	-319		
FEB	2,338	1,880	-459	I. QUARTER	
MAR	3,098	2,511	-587	-1,413	-2,344
APR	3,070	2,362	-708		
MAY	3,246	2,737	-510	II. QUARTER	
JUN	3,013	2,526	-487	-1,338	- 183
JUL	2,883	2,988	+105		
AUG	2,574	2,226	-348		
SEP	3,224	2,721	-503	- 390	
OCT	3,295	2,965	-230	- 230	- 80
NOV	3,604	2,980	-624		+ 390

SOURCE: OECD, IMF

July-October 1976 period to the same quarter 1975, showed impressive increases in indicator sectors: chemical up 24.4 percent; textile, 15.4 percent; metallurgy, 13.2 percent; rubber, 9.8 percent, and machinery, percent. Industrial production for October 1976 compared to 1975 was up 10 percent; November 1976 to November 1975, up 17 percent and December 1976 to December 1975, up 21.9 percent.

Exports of primarily manufactured goods increased in the first eleven months of 1976 by 35.5 percent to a total of \$31.6 billion. Imports however rose even further, by 46 percent, for a cash total of \$37 billion (\$9 billion alone being accounted for by energy supply imports).

On the basis of these figures, the *Journal of Commerce* estimated that Italy's 1976 foreign trade deficit would be the second worst ever. The *Journal* estimate that the trade deficit had tripled from 1975 to \$6 billion in 1976.

Increased exports were the only thing that saved Italy from total bankruptcy. Exports were largely increased due to the dumping of crude steel and other goods on the European market, and the beginning of delivery on large deals to the Soviet Union and the Arab countries. The devaluation — caused increase in imports — primarily of oil and food products — and the resulting gigantic foreign trade deficit, have begun to squeeze the central government's investment in the public sector industries. This cutback in investments to the heavily indebted public

sector threatens to collapse the vital public steel and chemicals industries.

Currently the Italian Senate is modifying the government's main investment program, the industrial reconversion plan, slashing it from a projected investment of 3800 billion lire to 750 billion. The Italian Reconstruction Institute (IRI), the major steel producer through its subsidiary, Finsider, is threatened with bankruptcy. IRI President Petrilli warned on Feb. 4 that unless IRI was given an immediate 670 billion lire to cover just its operating costs the company would be forced to close. IRI's overall debt is 14,300 billion lire and its continued operations are vital to Italian industrial recovery. In November 1976 total steel production was estimated at 23.1 million tons and the state sector alone produced 16.7 million tons (4 million of which was specialized steel). Of the total state sector output, IRI's Finsider produced 12.8 million tons (2.8 million of which were specialized steel).

Montedison, the partially state owned petrochemical complex which was originally slated to get 2000 billion lire of the projected 3800 billion lire is now to get only bare-bones operating costs of \$ 700 million from the industrial reconversion bill. Montedison however began to show signs of recovery from July to December of 1976, when it began delivery to the Soviet Union of complete chemical plant facilities. Montedison ended 1976 with a deficit of only 50 billion lire as compared to 200 billion lire

deficit in 1975. This concern accounts for 15 percent of Italy's trade with the Soviet Union.

Two major private companies, Fiat auto and Pirelli rubber, are slated for major capital investments in 1977 based on increased trade with the Soviet Union and the developing countries. Fiat received a major infusion of capital in a deal signed Dec. 5 with Libya which increased the auto company's capital from 150 to 165 billion lire. With this capital investment, Fiat intends to reopen its nuclear energy production sector and invest heavily in Italy and Brazil, particularly in improved plants, and increased industrial vehicle production. On Feb. 2 Carlo Rossi, the executive in charge of Fiat's Termeccanica and Turbogas announced the sector's merger under the name Termeccanica Nucleare, the new nuclear development sector of Fiat.

Fiat director general, Romiti, a representative of Italy's pro-industrial expansion faction announced a total investment of one trillion lire for 1977, 860 billion lire of which the auto, industrial vehicles, and specialized steel sections of Fiat will receive 50 percent of which will be invested in model changes and production improvements. Of the 290 billion lire for the auto industry, 260

billion will be invested in Italy and 30 billion will be invested in Brazil. Of the total industrial vehicle investment of 385 billion lire, 275 billion will go to Italy to complete the modernized Grottamindara plant. Fiat — Romiti will only slightly increase passenger car production in 1977, producing a projected 1,308,000 vehicles as compared to 1,339,000 in 1975.

Pirelli rubber company, and its subsidiaries, announced on Jan. 9 that it will increase its capital from 70 to 130 billion lire. The capital inflow — despite incessant rumors — is not from the Arabs but from state-owned Mediobanco, which is underwriting 50 percent of Pirelli's new stock purchases.

The Pirelli company, despite the fact that it has paid negligible stock dividends in four years, is expected to break even this year. Plans for reorganization protend a major expansion. Pirelli is expected to restructure the companies into four major categories — pneumatic, cable, industrial products and consumer products. According to *Il Mondo* of Feb. 2 Pirelli is ready to "deprovincialize" its operations. A spokesman for the company stated that Pirelli technology is the most advanced in Europe and that the company is now ready to reach out into the international markets.

## West German Policy And Production At The Crossroads

---

### WEST GERMANY

---

Private and governmental policymakers are now debating the underlying crisis in the West German economy. At the end of 1976, industry chalked up some gains relative to the shattering minus signs of 1976; but the economy is running at a loss in real terms, as its productive base deteriorates, new capital investment declines, and crucial margins of its erratic liquidity flows go into public debt financing rather than expanded capacity and technological innovation.

The exports on which at least half of West German economic activity directly depends grew 14 percent in 1976, and though imports rose 17 percent, a \$14 billion trade surplus was achieved which the BRD press pointedly compared with the U.S. deficit of the same size. Sales to the most essential single group of trading partners, the Common Market, rose, especially in the fourth quarter as demand from Britain, Italy, and even France picked up. December industrial production (providing a 6.5 percent increase in the index for the calendar year) showed a 10 percent decline from November; but incoming orders that month, especially for the crucial capital goods sector, climbed counter to the overall orders' plummet in the fourth quarter (Tables I and II).

Yet heavy industry, especially the steel and machinery sectors, is still in deep trouble, with so much excess

capacity that upward blips in orders could easily be handled without new investment. Investment growth, along with the expansion of capital goods exports it presupposes, has now emerged as the subject of policy debate.

Reporting this month that investment plans for industry as a whole for the 1977 remain below the minimal 1976 levels, a deputy director of the influential German Chamber of Commerce, Dr. Broicher, complained that "rationalization still holds priority over expansion." However, Broicher did not venture beyond familiar pleas for expanded research and development through corporate tax relief and a corresponding willingness on the part of companies to overcome their "defensive investment tendency." For its part, the government has insisted that real export-led growth of investment will be pursued in opposition to inflationary fiscal and monetary attempts to "stimulate" the still-depressed economy.

This week, too, the Dresdner Bank insisted that, owing to the soundness of the USSR's economy, its indebtedness to the West should be no obstacle to trade; BRD industrialists and their financial daily, *Handelsblatt*, have welcomed and publicized the Comecon central bank's transferable ruble proposal for gold-backed clearing-house settlement and promotion of trade and investment arrangements among the socialist sector, Third World, and advanced sector. Nevertheless, a low ceiling persists on the BRD's ability to generate the giant increments in credit facilities for the East-West, North-South transfers of capital goods it seeks.

Table I: West Germany's Trade By Selected Area

(IN BILLIONS OF DM)

YEAR/MONTH	TOTAL		EEC-9		EAST BLOC *	
	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS
1973 (MA)	12.1	14.9	6.3	7.0	.6	.9
1974 (MA)	15.0	19.2	7.2	8.6	.7	1.3
1975 (MA)	15.4	18.5	7.6	8.0	.7	1.5
1976						
JAN.	15.9	18.4	7.8	8.4	.8	1.4
FEB.	16.9	19.1	8.2	9.3	.8	1.1
MARCH	18.9	22.8	9.5	10.8	.9	1.8
APRIL	18.6	20.8	9.3	9.7	.9	1.4
MAY	18.0	21.3	9.0	9.9	.9	1.5
JUNE	18.6	20.7	9.2	9.7	.9	1.3
JULY	18.7	21.3	9.0	9.3	.9	1.6
AUG.	18.0	19.2	8.3	8.4	1.0	1.4
SEPT.	18.4	23.0	8.9	10.5	.9	1.4
OCT.	19.3	22.5	9.3	10.4	.9	1.3
NOV.	19.2	22.2	9.0	10.1	.9	1.4
1976 BAL. OF TRADE (ESTIMATE)		+33.7		+9.8		+6.3

\* INCLUDING COMMUNIST CHINA AND OTHER COMMUNIST COUNTRIES IN ASIA

MA = MONTHLY AVERAGE

SOURCE: DEUTSCHE  
BUNDESBANK

### Three Crucial Branches

Machinery orders rose by only 7 per cent during 1976: the Association of German Machinery Producers reports that this climb was the result of a few large foreign orders in late summer. Domestic orders declined by 10 percent for the year, with a pickup of 12 percent in December over November owing to rationalization moves in industry. Capacity utilization has improved to 81 percent, but the order books are relatively short at 5.9 months. The breakdown per subsector of machinery is mixed (Table III); the declines in orders for steam turbines (40 percent) and construction machinery (27 percent) partially reflect the cutbacks in infrastructural outlays by key Third World trading partners like Iraq.

By contrast, the best industrial performer over 1976 was the *chemical* industry, whose 92 billion DM in total sales last year (16 percent above 1975) more than compensated for its 10 percent sales loss the previous 12

months. Most of the recovery occurred in the first half of 1976, reflecting in part the short-term upswing in domestic auto demand. Further progress has been hampered by sluggish international purchases and a narrowing of profit margins from the mark's revaluation (see Table IV).

Chemical industry spokesmen do not expect 1977 to show the same growth; current turnover and profit margins tend to confirm this expectation, but the industry — by its nature reliant on high-technology innovations — plans some significant investment projects. As an offshoot of British expansion plans for North Sea oil reserves, Deutsche BP (the West German subsidiary of British Petroleum) and the Bayer chemical firm plan invest 2 billion DM in the Dinslaken oil refinery outlet, aimed at transforming it into a major petrochemical complex. During 1976, the other two chemical giants, BASF and Hoechst, dispatched their petrochemical sub-

Table II: New Orders Booked  
By West German Industry 1976

(1970 = 100 SEASONALLY ADJUSTED)

MANUFACTURING AS A WHOLE	TOTAL	% CHANGE	DOMESTIC % CHANGE	FOREIGN % CHANGE
THIRD QTR.	163		140	243
FOURTH QTR.	158	- 3%	145 <sup>-4%</sup>	200 <sup>-22%</sup>
NOVEMBER	156		144 <sup>+3%</sup>	195 <sup>+4%</sup>
DECEMBER	163	+4.5%	150	202
RAW MATERIALS AND SEMI-MANUFACTURE				
THIRD QTR.	152		140 <sup>+2%</sup>	191 <sup>-3%</sup>
FOURTH QTR.	153	+ .7%	143	185
NOVEMBER	152		143 <sup>+1%</sup>	181 <sup>+3%</sup>
DECEMBER	155	+ 2%	145	186
INVESTMENT GOODS				
THIRD QTR.	181		139 <sup>+10%</sup>	276 <sup>-26%</sup>
FOURTH QTR.	168	- 7%	153	205
NOVEMBER	162		146 <sup>+11%</sup>	202 <sup>+7%</sup>
DECEMBER	179	+10.5%	163	216
CONSUMER GOODS				
THIRD QTR.	144		138 <sup>-.7%</sup>	199 <sup>0%</sup>
FOURTH QTR.	144	0%	137	199
NOVEMBER	144		138 <sup>-4%</sup>	192 <sup>-2%</sup>
DECEMBER	140	- 3%	133	188

Table III: Machinery Orders

In West Germany 1976

(% CHANGE FROM 1975)

TOTAL	+ 7%
FOREIGN	+22%
FOREIGN MINUS LARGE DEALS	+10%
DOMESTIC	-10%
TEXTILE MACHINES	+32%
OFFICE EQUIPMENT	+20%
TRACTORS	+14%
MINING MACHINERY	-33%
CONSTRUCTION MACHINERY	-27%
STEAM TURBINES	-40%

SOURCE: ASSOCIATION OF  
GERMAN MACHINERY PRODUCERS

Table IV: West German  
Chemical Production 1976

(COMPARED TO 1975)

NITROGENOUS FERTILIZERS	.....-20.2%
PHOSPHATE FERTILIZERS	.....-14.1%
AGROCHEMICALS	.....-21.9%
PLASTICS	.....+41.9%
CHLORINE	.....+21.0%

subsidiaries to work with the state petroleum company, Veba-Gelsenberg, on plans for the cooperative expansion of European state oil refining and distributing capacity as a whole. At the same time, BASF and Hoechst increased their foreign investment by 400 and 300 percent respectively last year, mainly in quest of cheaper labor.

The steel sector showed no semblance of recovery; output for the year was at the depression levels of 1975, and industry sources privately claim that they are losing over 200 million DM a month by continuing to operate. Twenty percent of the nation's steel workers are presently unemployed. Although orders for rolled steel products rose slightly in December, prices are falling

and order books at year's end showed less than one month's span.

West German steel, decidedly competitive during periods of world economic growth, has dramatically lost foreign markets; and the country became a net steel importer for the first time this year. The nation's largest steel firm, August Thyssen, headed by a Trilateral Commission member, has sponsored output restrictions and anti-Japanese protection measures in the Common Market; meanwhile, Thyssen has reportedly been dumping the steel from its expanded Brazilian low-wage subsidiary into Western Europe.



### Trade Policy

An alternative relationship with the Third World appears in the determination of other West German manufacturers to provide thermonuclear power facilities to Brazil. The Brazilian deal is especially important, from the point of view of West German industry as a whole, because it provides a touchstone of industrialist and governmental evolution beyond two traditional BRD maxims: one is to avoid state-to-state trade and investment arrangements as a violation of the "free market" principle. The Schmidt government has taken an extremely open and aggressive role in arranging and defending the deal.

The second maxim is simple enthusiasm for "big orders" of whatever kind. But the Brazilian nuclear plan is being justified by West Germany on the basis of mutual First World-Third World benefits in providing advanced energy resources to the latter as a precondition for their absorption of high-technology trade and investment from the former.

Earlier this month, Economics Minister Hans Friderichs announced two major trade promotion initiatives by the government. The Hermes Trade Credit Guarantee corporation, which operates on behalf of the government, will increase its total allocations for 1977 by 20 per cent to 127 billion DM. On Jan. 28, Friderichs had officially endorsed future proliferation of barter deals between BRD companies and petroleum companies by OPEC governments. This decision, announced the same day Friderichs arrived in Saudi Arabia for trade and cooperation negotiations — which produced nothing firm — draws on the experience of West Germany's largest engineering enterprise, Gutehoffnungshuette, which during 1976 delivered 750 DM worth of goods abroad in exchange for petroleum.

### Financial Flows

Trade financing, as the Dresdner Bank debate indicates, is one painful problem of the BRD starvation of long-term capital for productive purposes. Germany was traditionally dependent on foreign investment for industrial growth; the BRD is even worse off — either overwhelmed by "hot-money" flows into short-term mark investments that help finance the public debt at the expense of threatening to hyperinflate the economy, or suffering, as at present, from lack of overseas interest in the stock and bond markets. Like a diabetic alternately stuffed with chocolate and starved altogether, the credit system cannot absorb nutrients, so to speak, much less generate them by itself.

The government's commitment to reduce deficit spending and consolidate expenditures produced a 4 billion DM decline in the 1976 year-end federal deficit. Public indebtedness remains higher in relation to GNP than that of the United States, and the bond market is largely devoted to financing it, along with the banking sector when the central bank deems it necessary. The chronic question in financial circles is how, if a promising "upswing" appears in the private sector, it can be financed at tolerable interest rates given the claims of government debt service on available credit (Table V).

Cutbacks in public spending have already damaged the country's never-adequate industrial infrastructure. The debt-strapped state railroad — whose new bond is being mournfully traded inter-bank well below par, unable to venture into the market — intends to make 32,000 workers redundant after an earlier 30,000 out in the 200,000-man railway force. Ten thousand construction workers are about to be idled in the Ruhr industrial center. Unemployment continues to climb above the one-million level.

Table V: Public Debt In West Germany

(IN BILLIONS OF DM)

LEVEL AT END OF MONTH	FEDERAL	STATE	LOCAL	BUNDESBAHN (STATE RAIL)	BUNDESPOST (STATE POST)
1970 DEC	47.3	27.8	40.3	17.0	20.3
1974 DEC	72.1	47.3	61.3	23.2	40.5
1975 DEC	108.5	67.0	68.8	26.3	40.1
1976 SEP	126.1	78.3	72.6	29.4	37.7

SOURCE: DEUTSCHE  
BUNDESBANK

# Israeli's Demand Crisis Diplomacy From U.S.

On the eve of Secretary of State Cyrus Vance's trip to the Middle East, war tensions in the region are steadily mounting. In what can only be judged as a premeditated action, the U.S.-linked regime in Syria and the U.S.-surrogate Israeli military have jointly heated up the southern Lebanon crisis to the brink of a shooting war. The *Times of London* Feb. 9 commented that "Vance may have to act as a mediator in a major crisis" in Lebanon rather than simply "find facts," as per the original aim of his mission.

A major U.S. "crisis mediation" initiative — to the exclusion of involvement by the United Nations, the Soviet Union, and the Europeans — has become the rallying cry of the intransigent Israeli leadership. This week, from Washington, D.C., the General Accounting Office, headed by Elmer Staats, released a special report claiming that the Israelis were demanding that U.S.-manned "observation posts" in the Sinai area become permanent, rather than maintain 2-3 year tenures as per 1975 Kissinger-arranged Egypt-Israel accords. According to Staats, the Israelis want new such posts to be created in the border areas between Syria and Israel and along the West Bank. The GAO noted that any such arrangement would bolster U.S. regional power to the detriment of "U.N. prestige."

Complete with a public rejection of the Geneva Mideast peace conference, the Israeli advocacy of step-by-step, covertly backed up by the Carter camp, is meant to create an *aura* of U.S. hegemony and power in the Middle East.

### *Soviets' Reactions to Step-by-Step*

Warsaw Pact observers have reacted to the Carter-Israeli ploy publicly and angrily. Several commentaries in leading Soviet party and military journals have linked the step-by-step strategy to a new increase in war tensions — as with the Sinai pact of 1975 that preceded the Lebanon civil war bloodshed — and reiterated the Soviet call for a Geneva conference.

The military journal *Red Star* Feb. 6 declared that recent warnings by Peres and Israeli Chief of Staff Gur of possible "preventive war" against neighboring Arab states are the result of a "hardening of Israeli attitudes" connected to an "aggravation in Lebanon's southern region" and to the "calculation" by the "Zionist rulers, their traditional patrons, and certain Arabs" on a new "step-by-step" dynamic.

Commentator Kudryavtsev in the Feb. 8 government paper *Izvestia* warned of an "explosion" that will "draw into the orbit of its activity many Mideast countries, especially when it is considered that the Mideast is a crossroad of international interests and influences."

Kudryavtsev referenced the events in Lebanon to warn that "aggressive forces" could be gunning for a "new adventure" and stressed that "what the imperialists cannot achieve by force, they try to achieve at the negotiating table. This was the purpose of the American step-by-step policy."

### *Syria-Israel Standoff*

The backdrop for the renewed Soviet attacks on U.S. crisis diplomacy was a serious exacerbation of the southern Lebanese crisis. Late last month, Syrian dictator Assad ordered 500 of his troops to the southern Lebanese town of Nabatiyeh, 2 kilometers below the "red line" demarcation established by Israeli Defense Minister Peres and General Gur. Leading warhawk Israelis immediately issued warnings alternating with insistence that the U.S. "convey" to Damascus Israeli warnings and threats. As the Vance trip has neared, Gur et al. have issued deadlines and ultimatums for a Syrian withdrawal, virtually committing Israeli military to action in the south if Vance fails to successfully mediate the crisis.

A Feb. 7 Jerusalem Post editorial, reflecting government thinking, suggested that a Syrian withdrawal from southern Lebanon be linked to a "settlement" of outstanding Israeli-Syrian territorial disputes. Writing the next day, the respected military columnist for the newspaper Haaretz insisted that "the only solution" for Israel is an Israeli intervention into the south, which would lead to a "clash with the Syrian army and provoke escalations in the Sinai" area bordering Egypt.

Assad has fed these war threats. While neither he nor any other Arab leader can publicly advocate step-by-step diplomacy for fear of further intensifying internal opposition to the shaky pro-U.S. regimes, Assad has played the southern Lebanese game for all its worth. In an interview Feb. 10 with Kuwait's *Al-Rai Al-Amn*, Assad proclaimed: "We will go to war or Geneva with equal zest." He warned that failure to meet Arab demands by Israel would lead to war "immediately."

Assad has over the past week executed a volte-face and "refused" to remove his troops from southern Lebanon near the Israeli border. He has also successfully drawn Egypt's President Anwar Sadat into a "unified political command" that has been welcomed by Tel Aviv sources as a "blow to the Soviets," and which, coupled with Sadat's virulent recent anti-Soviet tirades, has set the preconditions for Egyptian covert support of Syria-Israel "separate peace" arrangements. The Soviets have sent high-level negotiating delegations to Egypt this week to maintain Egypt on a pro-Geneva course.

A critical determinant in Arab states' perceptions has

been the near-decisive consolidation of a Peres victory against Prime Minister Rabin for the Labour Party candidacy. Latest reports are that two weeks before the Labour Party nominating convention, Peres has won 1500 of the 2200 delegates. Council on Foreign Relations

specialist Zygmund Nagorski noted that "my closest Israeli friend," Israeli Mayor Teddy Kollek, regarded as a dove, has just joined the Peres, thus proving for Nagorski that "there is no chance for peace in the Middle East."

**EXCLUSIVE**

## Saudi Regime Divided On Takeover Of Aramco

---

### SPECIAL REPORT

---

Within Saudi Arabia's extended ruling family, sharp differences are shaping up over oil policy. The outcome of this fight will determine both the future of the Arabian American Oil Company (Aramco) and Europe's future oil markets.

The complex network of Saudi princes and businessmen that comprise the still largely Medievalist government are divided over Saudi Oil Minister Sheikh Ahmed Zaki Yamani's recent declaration to increase oil production and take a more aggressive stand in determining who buys Saudi oil and on what terms. Yamani's position explicitly means confronting Exxon et al.'s longstanding domination of the Saudi oil business through Aramco.

Yamani is backed by Saudi Arabia's chief sovereign, King Khalid, and the second crown prince, Abdullah ibn Abdul-Aziz, the commander of the Royal guard. His opposition comes from the "modernist" first crown prince, Fahd, whose thinking and training cohere closely to the attitudes of Exxon and its three Aramco "sisters," Socal, Texaco, and Mobil.

The terms of the takeover of Aramco, according to sources close to Yamani, were worked out in December 1976, and have since been awaiting the cabinet's approval. The New York Times reports that it is Fahd and his allies in the cabinet who are withholding their stamp of approval.

It is widely acknowledged by oil industry sources that, following the nationalization, the four Aramco partners will be much more under the thumb of the Saudi government. This was recently previewed by the pairing of the four Aramco companies to four European companies designated to receive specified amounts of additionally produced Saudi crude. Whether or not the Khalid-Yamani wing of the Saudi elite can achieve a consensus favoring the approval of nationalization will heavily depend upon the political will of the European consuming nations and Japan.

#### *Pilgrimage to Riyadh*

The feudal structure of the Saudi regime allows for a proliferation of so-called agents of influence — princes, wealthy families, and Mr. Fixits — who, for a price, can

lobby with the Royal Family. These agents are loosely strung together into "networks" whose connections are entirely outside the Kingdom. Despite the predominant Rockefeller influence in Saudi Arabia via the four Aramco partners until now, energetic efforts by British, French and Italian interests and independent U.S. oil companies have managed — using long-standing network ties — to factionalize Saudi Arabia to the point of a break with Rockefeller. (See box on Adnan Khashoggi, for example.)

Since the beginning of the year the Saudi capital, Riyadh, has become the site of numerous high level visits from political and trade delegations from both the European Economic Community and Japan. Presently a 20-man delegation from Japan's pro-development "resource faction" of industrialists is conferring with Yamani about the prospects for opening up as-yet untapped fields north of Riyadh in order to supply Japan with badly needed petroleum in return for Japanese high-technology investments for Saudi Arabian development. A similar mission was completed two weeks ago by West German Economics Minister Karl Friedrichs accompanied by representatives of the German state-owned company Veba Deminex. Following consultations in Riyadh with officials from the Italian owned oil company, ENI, the Saudis have agreed to sizably increase crude exports to Italy, including the Montedison and Anic petrochemical companies.

But implicit in all of these new and far-reaching trade agreements is the finalization of the takeover of Aramco. The new oil-for-technology agreements are part of a broader program of the Europeans, Japan, and the Comecon nations to achieve expanded industrial output in the context of a new international monetary system which eliminates the hegemonic role of the U.S. dollar. Realization of this program depends on a secure source of energy outside the Rockefeller-run "seven sisters" orbit, and this is what is at stake in the factional interplay surrounding the Aramco takeover, a fact of which the Saudis are well aware.

For the first time, King Khalid has addressed the question of implicit Soviet and Comecon participation in such a new international economic system. According to Agence France Presse, Khalid recently praised the Soviets for arming the Arab countries and referred to the USSR as a "great country." On the monetary front, two high ranking officials from the Bank of England will be in Riyadh next week for talks with government officials.

Informed U.S. foreign policy sources, as well as leading Western press, have strongly hinted recently that the Rockefeller interests are engaged in "dirty tricks" interventions into the internal Saudi debate to influence its outcome. Various press have recently begun warning of King Khalid's premature death, and Mideast diplomatic sources have reported an unusually high incidence of assassination threats against the life of Sheikh Yamani. The New York Times, itself a proclaimed supporter of Prince Fahd, noted in a recent editorial that Yamani, not a member of the royal family, could be dismissed from his post summarily.

According to a well-informed Harvard source, Prince Fahd has been maneuvering to fully usurp King Khalid's power ever since the King succeeded to the throne following the assassination of King Faisal. Fahd has made a special effort to organize members of the Saudi family behind his policies, which include keeping a ceiling on Saudi oil production, and using the nation's monetary reserves for financial rather than industrial purposes. In so doing, Fahd hopes to win the necessary "consensus" at court.

A pivotal player in this palace intrigue is Crown Prince Abdullah. As the commander of the Royal Guard, largely composed of representatives of various contending bedouin tribes, Abdullah's political allegiance effectively determines who controls the reins of power. Fahd is known to be an arch enemy of the older and more conservative Abdullah, an ally of Khalid. A few months after the death of Faisal, Abdullah's position in the Saudi ruling hierarchy was bolstered at the expense of Fahd.

In recent weeks there has also been a resurgence of scenario-mongering in the western press over the prospects of heightening tensions in the Persian Gulf between Iran and Saudi Arabia, particularly as a result of the two tier oil pricing system, which initially cut into Iran's output of oil. A source at the New York Council on Foreign Relations has speculated that under the burden of

waning oil revenues Iran might be induced into a military venture against the Saudis, and according to the French daily *Les Echos*, this is the justification Fahd and company are using to block the go-ahead of the increased oil production and Aramco nationalization.

But the latest indications are that OPEC is about to reach a compromise on the split pricing system, which will be rounded out at about a 7.5 per cent price increase for OPEC as a whole over 1976 prices. During the last OPEC meeting in December the Saudis and the United Arab Emirates only went for a 5 per cent increase while the other 11 OPEC members declared a 10 per cent hike. According to the Rockefeller connected oil consulting firm of Walter J. Levy, the compromise would act to delimit Saudi production. However, reports of the agenda of the OPEC economics committee meeting to be held in Vienna next week indicate that the question of a cartel-wide step up in production is a priority; this would give the Saudis the backup to continue in their planned program of stepped up oil output, and takes the pressure off Iran.

Similarly, the British government, with traditional colonial ties to the Persian Gulf states, is working with the Saudis to militarily neutralize the area and minimize the potential for regional flare up. Last month, the government of the tiny Sheikdom, Bahrain, suddenly called on the U.S. to remove its only naval facility in the Gulf — in operation since World War II — by no later than mid-1977. Two weeks later, the Iranian government withdrew 3,000 troops from Oman at the mouth of the Gulf, a clear signal from the Shah that his aspirations of military domination of the area — carefully built up by former Secretary of State Henry Kissinger — are diminishing. All of this was followed by an announcement from the British that it will vacate the strategic island of Masirah off the mouth of the Persian Gulf in the Indian Ocean by March 31. At the same time, the London Sunday Times reports that the Sultan of Oman has ruled "out of the question" the prospects of the U.S. replacing the British.

## *Why The Riots Happened:*

# Behind Sadat's Open Door

Egyptian President Anwar Sadat is currently undergoing the most severe test yet in his six-year reign as a result of a remarkably unsuccessful attempt to impose unpopular International Monetary Fund "economic reforms" on Egypt's population. The reaction to the announced new measures in mid-January was so intense that Sadat has in calculated self-defense launched a bitter anti-Communist crusade throughout the country, introduced a series of repressive legislation, and begun to rely for political support on the extremist Islamic nationalist right-wing forces associated with the Muslim Brotherhood and related groups. This radical departure from the pro-Soviet, pro-development legacy of ex-Presi-

dent Gamal Abdel Nasser has now placed in jeopardy, Sadat's power, with all the serious implications that fact holds for instability in the war-torn Middle East.

Sadat's current woes are not a sudden, unexpected development, but the lawful consequence of a consistent policy line adopted by Sadat since his 1970 accession to power — the attempted full re-incorporation of Egypt into the IMF-managed system of international loans.

The invariant theme of Egyptian President Anwar Sadat's six-plus years in office, underlying all the momentary, tactical twists and turns and internal balancing acts, is his evident intention to repeat the late nineteenth century historical tragedy in which Egypt be-

**EXCLUSIVE**

came the showcase of "Third World" colonial looting. In the short time-span of his regime, Sadat has taken giant steps toward reversing the "Bonapartist" national economy, painstakingly established by Gamel Abdel Nasser. With a popular reaction exemplified in last month's riots, Sadat has brought the Egyptian economy to the brink of sheer collapse under the supervision of an international bankers' consortium modeled on the famous Commission de la Dette that paved the way for Britain's military occupation of Egypt in 1882.

The product of his own strange ideas about Egypt's development, nurtured and fed by International Monetary Fund-linked technocrats and by David Rockefeller, ex-Treasury Secretary William Simon and a host of other top U.S. monetarists, Sadat's "Open Door" dream for Egypt has now brought his regime to a profound crisis that could well lead the nation into both war and a Brazil-style dictatorship. The Open Door has become a universally recognized, dismal failure; its history and especially the recent popular explosions, stand as a lesson in the dangers of trying to roll back a people's deeply ingrained sense of the Idea of Progress and depend on the "good-will" of monetarists for development.

#### *Phase One: The Rise To Power And Attack On The State Sector*

For all his shortcomings in understanding financial and monetary questions, Nasser made an early and definite strategic decision to mobilize Egypt's population and resources behind a program for developing and expanding the national economy, relatively protected by restrictive foreign exchange regulations from New York bank currency and loan speculation. Nasser introduced nationalizations of foreign companies and banks, with strong support for the newly created state sector and close ties to the socialist bloc and Non-aligned. In the years leading up to the 1967 war, Nasser began to encourage a growing pro-socialist intelligentsia and cadre force.

Sadat's "Open Door" is a systematic attempt to roll back each and every one of these achievements through the relaxation of all legal controls against foreign encroachment into Egyptian sovereignty, and one by one, purge of those elements, whose outlook was founded by the Bonapartist strategy of the Nasser years.

Sadat, on the other hand, was an avid supporter of opening Egypt up to the Chase Manhattan-led international dollar credit system from the day he assumed power after Nasser's death. Sadat has represented a lumpy blend of right-wing Nasserist "balancing" politics and antagonism to Nasserist development commitments. Sadat distinguished himself by support for the whims of that wing of the Egyptian bourgeoisie rooted in speculative boondoggles and quick-money schemes, such as Sadat's in-law Osman Osman, a real estate speculator who is Minister of Housing and Reconstruction. Contrasting so fundamentally with Nasser, how did Sadat ascend to power in the first place? Here, only the bare rudiments of the story can be told.

After Egypt's defeat in the 1967 Arab-Israeli war, a wave of demoralization swept the country, seriously affecting Nasser himself. Nasser had two options, to locate Egypt's defeat in terms of a rigged war set up by

the U.S. Rockefeller faction and thereby steer the country strategically further toward the Soviets and Non-aligned; or to appease the Rockefeller-Israeli conspirators by turning Egypt toward the U.S. as a bargaining tactic for economic aid and against Israeli expansionism.

Periodically disoriented and paranoid, Nasser was increasingly open to those of his close advisors, such as Mohammed Hussein Heykal, editor of the influential *Al Ahram*, who called for the latter course. Worse, Nasser fell victim to a campaign of rumors and misinformation that led him to misread plots against his regime and to turn against long-time allies, such as General Amer, and to promote the real conspirators. The "discoverer" of the "Amer" plot, the virulently anti-Soviet Mohammed Ahmed Sadeq, was promoted by Nasser to the post of Director of Intelligence. A likely second source of chaos and confusion, Alexandria Police Chief Mamdouh Salem, maintained intact his powerful Rockefeller-linked police apparatus.

Sadeq became one of Sadat's main proponents for the secession; Salem is today the increasingly powerful Prime Minister and self-installed Interior Minister. Sadat, the right-wing adventurer in Nasser's pre-1952 Free Officer Corps, was appointed Vice-President and became ruler of Egypt upon Nasser's death in September 1970.

Whatever his proclivities, Sadat at first had to tread cautiously in an Egypt still strongly "Nasserist." A mild foretaste of what was to come was Sadat's December, 1970 order to newly installed Prime Minister Mahmud Fawzi to begin legal processes toward liquidating the sequestrations of foreign property that had taken place during Nasser's reign.

Sadat's first major political move was the purging and jailing of a group of powerful men in the Arab Socialist Union, Egypt's only party, centered around leftist Ali Sabry, under the contrived pretext of "discovering a Soviet-led plot" against his regime. In reality, Ali Sabry's circle, which badly outnumbered Sadat's supporters in the Executive and Central Committees of the ASU, was the intellectual and political nerve center of the Egyptian state sector. That sector had been built up almost exclusively with Soviet technological assistance. In the 1965-67 period, Nasser had increasingly begun to lean on and nurture this group to mobilize Egypt's workers, peasants, students and intelligentsia in a more consciously socialist direction. From 1967 through the middle of 1977, the group played a decisive, if increasingly defensive, role in keeping aflame popular support for a powerful state sector as the prime instrument for social and economic progress. Its role as an alternate government is personified in Sabry's position as Vice-President.

On May 14, 1971, Sadat "revealed" the plot in one of his hallmark addresses to the nation. Sabry was booted out of office and sentenced to death. Held-over Ministers from Nasser's Presidency, Interior Minister Sharawi Gomaa, Minister of State Sami Sharaf, and Minister of War Mohammed Fawzi, as well as ASU Secretary-General Abdel Mohsen Abul Neur, were forced out of office. A general purge of the administration, especially of the leftist hard core of the ASU, ensued.

According to an informed Lebanese source, a

“determining role” in the purge and especially in the dismantling of the ASU hard core was played by Mamdouh Salem, who quickly usurped control of the police and intelligence services after Gomaa’s forced resignation. Salem was named Interior Minister in the new Cabinet appointed by Sadat on May 14 of that year.

Sadat could make this whole affair credible ultimately only by accompanying it with expansive economic promises, which meant “liberalizing” the economy to be more “attractive” to U.S. banks. On May 31, a law aimed, in the words of one Arab journalist, at “re-establishing a climate of confidence to encourage the expansion of the private sector,” was promulgated. The law juridically overturned Nasser’s executive sequestration prerogatives. On Sept. 20, Sadat established the Egyptian International Bank for Foreign Trade and Development to handle the inflow of Arab aid money in “free, convertible currencies” not subject to the tight exchange controls imposed by Nasser. The bank made deposits tax-free and loans subject to no regulatory laws, thus expediting speculative inflows. The appointed bank chief was Abdel-Moneim Kaissouny, who had been removed from the office of Economics Minister and sent into exile by Nasser in 1965 for advocating austerity policies that, Nasser warned, would precipitate a rightist putsch. Kaissouny is today Deputy Premier overseeing economic and monetary affairs under Sadat. He is the foremost advocate of the IMF “reform” measures.

On Sept. 24, 1971, a corresponding series of measures were enacted that established “free trade” and “free financial” zones throughout Egypt and set up new codes governing foreign investment. These measures, too, rolled back the safeguards Nasser had instituted against foreign speculation and looting.

#### *The Twists And Turns of '72*

Not surprisingly, the “liberalizing” measures added to the distrust of Sadat prevalent in several layers of the Egyptian population, who were equally wary of the increasing stridency of Sadat’s periodic verbal forays against the Soviet Union. Throughout 1971, Sadat had played a calculated time-buying game by promising the restive population that that year would see the “end of the war — no peace stalemate with Israel” and the “liberation of Arab territory” from Israeli hands. But as the Egyptian army was in no position to go to war, the bluster soon wore thin. By Jan. 1972 Sadat had to inform an expectant populace that the strategic situation created by the India-China squabbles had prevented Egypt from going to war!

Sadat’s demagogy and affronts to Nasserist, pro-Soviet sentiment was creating an incendiary situation in the country. Unrest in the universities was becoming endemic and was spreading into the working-class and armed forces.

As a result, in early 1972, Sadat launched a crazy-quilt policy of austerity and anti-austerity measures and wooing-rejecting diplomacy with the Soviet Union. Underlying the flips and flops was the fact that Sadat was continually making concessions to the centers of power adverse to his pro-U.S. “liberalizing” tendencies.

On Jan. 3, in reaction to a huge U.S. arms sale to Israel, Sadat appointed a core of three advisors around him that

included a prominent Foreign Minister under Nasser, Mahmoud Riad, a former Ambassador to Moscow, Murad Ghaleb, and former Foreign Minister and former Ambassador to Britain, Italy and France Hafez Ismail. On Jan. 16, an entire new Cabinet was appointed, with Ghaleb as Foreign Minister with special responsibility for coordinating relations with the Soviets, and with former Industry Minister under Nasser, Aziz Sidky, made Prime Minister.

Sidky at least symbolized a commitment to growth which Sadat cultivated to provide maneuvering room for austerity and “siege economy, wartime” controls over commodities. At one crucial juncture during the year, Sidky attempted to introduce measures to raise living standards, even though these remained insignificant within Egypt’s overall economic stagnation. Sidky played a more meaningful role in stabilizing relations with the Soviets, which otherwise reached disasterous proportions in July with Sadat’s expulsion of 20,000 Soviet military advisors from the country.

The most interesting demonstration of the Sidky-Riad-Ghalib influence was Sadat’s 1972 appeal to Europe for diplomatic and economic aid. In a striking and instructive parallel to recent diplomatic events, Egypt decided in early 1972 that western Europe especially Britain and France, could play an active role in breaking the Middle East stalemate by forcing the U.S. to exert influence on Israel for an overall Mideast peace settlement. According to a 1972 feature in New Middle East magazine, Egypt wanted to “see Europe exert pressure in two directions: by emphasizing the common interests of the Arab world and Europe in oil; and the desire for a peaceful Mediterranean, not under the tensions of Soviet-American naval rivalry.”

Concrete progress in relations occurred during the first half of the year. A long-stalled negotiating process over European construction of the Suez-Alexandria (SUMED) pipeline was completed in April 1972 with a French-led consortium signing the contract. Later in the same month, Egypt signed a preferential trade accord with the European Economic Community. By late summer, relations were to have been more closely coordinated through a tour by Murad Ghalib across the continent.

During this period, European leaders were beginning to seriously consider tighter relations with the Arab states, but probably moved too slowly to provide Egypt with the diplomatic breakthrough it sought. The real crusher, however, to Egypt’s diplomacy was that year’s Munich Olympic massacre.

A combined operation of West German, Israeli, and Jordanian intelligence, this ghastly affair had the desired effect of engineering an immediate crisis in West German-Egyptian relations and, more generally, on European-Arab relations, as mutual recriminations flew across the continent, much to the delight of the Israelis. New Middle East magazine remarked that the Munich operation “could not have come at a more inconvenient time—or place—for Egypt,” as its case has been weakened in Europe and Israel has been given a “significant psychological advantage.” The Financial Times noted that the Cairo press “depicted the political goal of the commando assault at Munich as undermining the pro-

posed diplomatic offensive by Egypt...in West Germany in particular for the sake of a Mideast settlement."

Foreign Minister Ghaleb was made the sacrificial lamb of the shattering of Sadat's Europe option, and in the same month was replaced by Mohammed Hassan Zayyat, a veteran diplomat with extensive U.S. ties.

### 1973: The "Opening" — And The War

Perhaps in reaction to the September events, on October 1, Law 53 was passed ordering the liquidation of the nationalizations effected under an earlier 1964 law during Nasser's presidency.

But it was not until the first months of 1973 that Sadat decided to make significant moves toward "opening the door" of Egypt's economy to the U.S.

With growing student unrest, with the economy stagnant, with U.S. arms sales to Israel, and a stalemate with Europe blocking regional diplomacy, and with Sadat himself consistently undercutting progress in relations with the Soviets, Sadat on March 26 removed Sidy from the premiership and installed himself as both Premier and as military governor of Cairo, an appointment conferring on Sadat the ability to declare martial law in case of unrest.

Sadat immediately confirmed suspicions that these gestures were aimed at internal repression and mobilization for war. In April, he embarked on a nationwide crackdown against leftist intellectuals, journalists, and ASU members and began to speak more insistently on the Egyptian war option.

In an interview with *Newsweek* upon assuming the premiership, Sadat stated: "I have just completed contacts with all the Big Five, including China, with West and East Europeans, and the Non-aligned countries. There is only one conclusion — if we don't take our case in our own hands, there will be no movement, especially given Washington's ridiculous ideas....All West Europeans are telling us the same thing. And what's more they are right. Everyone has fallen asleep over the Mideast crisis. But they will soon wake up to the fact that the Americans have left us no other way out....The U.S. will be committing the gravest error in its history if it continues to believe we are crippled and can't take much action. The situation here will — mark my words — be much worse than Vietnam because here your vital interests are at stake." Asked about further peace moves, Sadat confessed, "I did my best. I've run out of ideas."

Sadat, however, had one idea: March, 1973 represents the real beginning of the "Open Door" as a conscious, enunciated policy. In his re-shuffled Cabinet, Sadat decapitated the left: Ghaleb was demoted to an innocuous post, avowed Marxist Minister of Supply, Fuad Mursi, was removed from the government. Long-standing Treasury Minister Abd al-Aziz Hogazi was promoted to the posts of Deputy-Premier and Minister for Finance, Economy and Foreign Trade. An informed Beirut source labeled Hijazi a "sort of spokesman for the private sector and a staunch advocate of economic liberalism." He was also a "prominent architect of the 'economic opening'." The New York Times described Hijazi as "an orthodox financial expert known for his advocacy of austerity" who was "constantly overshadowed by Premier Aziz Sidky, with whom he was often at odds."

By July, the Cabinet was approving a series of "liberalization" measures to ease foreign exchange regulations and to reverse the Nasser era's nationalizations. At the end of the month, Hijazi announced the "forthcoming reorganization of foreign exchange transactions" and established a Higher Planning Board for Foreign Trade to "define the objectives of Egypt's foreign trade and economic relations." The politics behind the verbiage was stated bluntly by the August 1973 Middle East Economic digest, which noted that Hijazi's "reforms...could eventually exclude much of its present trade with the Communist states." A digest article from that month is entitled, "End of Barter Trade (with the Socialist sector—ed.) Seen."

On Sept. 1, Hijazi introduced a "parallel foreign exchange market," by which the Egyptian Central Bank could buy and sell convertible currencies outside of the former monitoring process of the Finance Ministry. The "twin aims" of Hijazi's move was neatly summed up in the Cairo economic journal *Al-Ahram al-Iktisadi*, paraphrased in the Middle East Economic Digest: "to increase the rate of foreign capital inflow as a result of a *realistic exchange rate reflecting the real purchasing power of Egyptian currency*; and to encourage exports, especially of those non-traditional exports which are largely affected by flexible supply and flexible demand in a way which would mean a "free market for Egyptian currency, i.e., *the floating of the Egyptian pound where the value of the currency is determined by the forces of supply and demand without interference from the authorities.*" (emphasis added).

But one grave obstacle stood in Sadat's way: the restiveness of those same layers of the population that had always been aroused by the twists and turns of his policy. Sadat said publicly that the sacrifices of "opening the door would fall on the population and that those sacrifices would be long and arduous. The President-Premier knew that a psychological rallying point would be the only way to gather popular momentum behind his de-Nasserization policies.

What emerged was the "limited war" option against Israel. A real war was out of the question, since the Egyptians would lose, and Sadat knew it. But a managed war, with the recovery of kilometers of the Sinai occupied territories, including its oil reserves, would give Sadat just the maneuvering room he needed.

Sadat successfully wooed Saudi King Feisal to the use of the "Arab oil weapon" as a bargaining ploy against the U.S. The U.S. would be compelled to force the Israelis or at least those Israelis around then-Defense Minister Moshe Dayan, to accept a cosmetic "Egyptian military victory" in a short war. The Rockefeller faction had its own well-documented reasons for wanting such a war, the ensuing rise in oil prices and creation of billions of petrodollars, which it used to bludgeon Western Europe and prop up the faltering dollar: Only days before the war began, David Rockefeller arrived in Cairo. Sadat had won his case.

While 1973 began the momentum for "opening Egypt's door," a well-informed Arab source notes that 1974 "may be regarded as the year of the 'economic opening,' Since the October, 1973 War engendered the political conditions favouring this evolution through reinforcing the popu-

lation's confidence in the regime."

That "confidence" was to be very short-lived.

#### *Hijazi Out, Salem In, Debt Up*

The period from the end of the October war to the present is characterized by one overriding fact — the massive explosion of Egyptian indebtedness, in particular the burgeoning of short-term, 90-180 day debt owed to the New York banks. The Egyptian debt level was estimated by recent Chase Manhattan memos at \$12 billion and Chase officials doubt it can be collected.

Debt service payments, at approximately a \$800 million annual level in 1972, reached over \$2.5 billion in 1975, partly because the government decided to close out a wide range of debt accounts, many of which had accrued during 1974. By 1976, this policy necessitated new lending to roll over newly accrued short-term obligations, and estimated debt service payments during the past year were well over \$30 billion.

To this figure must be added the financing of Egypt's immense budget deficit. Sadat's banking mentors in New York have been lending to him at rates reliably estimated as between 10 and 20 per cent, setting in motion a wild spiralling of interest-on-interest indebtedness that is in turn met by new short-term debt, by opening up the printing presses, by running an inflation rate conservatively estimated at 35 per cent, and most recently and most dangerously, by trying to impose severe consumption cutbacks under IMF dictate.

Last spring, David Rockefeller created a "lenders' commission" of private banks that moved directly to override Egypt's national sovereignty by overseeing the collection of Egypt's debts and the reorganization of Egypt's economy to expedite "liberal" lending capabilities. Only in return for compliance with such measures — Rockefeller has instructed Sadat — will Egypt get credit. The enforcer of the commission's orders has been the IMF.

The commission periodically refuses to meet until they have received word from the IMF that Sadat has complied with the report's demands for making the Egyptian pound fully convertible, for eliminating subsidies on vital commodities for most of the population, and for dismantling the Egyptian bureaucracy set up during the Nasser years.

Sadat himself would be the first to jump to carry out the IMF's policies, were it not for the unrest that such measures provoke. It is no surprise that the rioters of mid-January chanted slogans against "Sadat the Khedive," after the Khedive Ismail who ruled Egypt during the period when British and other European banks took over Egypt in the period leading up to the 1882 British occupation.

Sadat's eagerness to comply with David Rockefeller today is no less evident than in 1974 when he moved to "open" Egypt up. By December 1973, the SUMED pipeline contract was transferred over to a U.S. consortium motivated by the New York investment house, Kidder-Peabody and financed by First National City Bank. The deal was widely recognized to be a *political* expression of Sadat's turn away from Europe and toward the U.S.

Starting in the same month, and extending through July 1974, a series of laws were put forward and passed to

further "de-Nasserize" Egypt. The 1974 budget proposed in late 1973 called for 49 per cent of the capital of state-owned organizations to be offered to private Egyptian or Arab investors and for the revival of the Egyptian stock exchange. These proposals, officially aimed at "giving a more active role to the private sector of the economy," were followed by the lifting of sequestrations, the restitution of seized private property, and the "denationalization" of cinemas, which were given back to their former owners.

On Feb. 10, Sadat created the Arab and International Economic Cooperation Organization to supervise foreign trade and coordinate foreign investment projects. The organization was put under Hijazi's control. The *London Financial Times* of March 1 welcomed it as the "main clearing house for the new economic liberalizing plans." On the same day, Sadat created a Higher Council for Arab and International Economic Cooperation.

On March 30, Hijazi announced the formation of an International Company for Trade and Investment, one of whose owners was the Arab International Bank, the new title for the 1971 investment bank run by Kaissouny.

On May 15, Sadat's "October Document" program mapping out his "twenty years" designs for Egypt, most prominently including "the economic opening," "the encouragement of the private sector," and the "easing of restrictions on foreign capital investment," were ostensibly approved by "99.5" per cent of the Egyptian people.

The watershed date for the entire year however, was June 10, the date of passage of Law 43. The Law 43 extended the fiscal exemptions granted for foreign investments, exempted foreign companies from Egyptian regulations requiring workers' participation on boards of directors — a landmark policy of the latter Nasser years — authorized foreign financial institutions to open branches in Egypt, permitted foreign capital to participate in the creation of domestically oriented banks operating in Egyptian currency, and established the "General Organization for Arab and Foreign Investment and Free Zones." One of the drafters of the law boasted that it would "change the political features of Egypt for years to come."

The Law 43 paved the way for the June-July visits to Egypt of U.S. President Nixon, the first visit ever by a U.S. leader, and of U.S. Treasury Secretary Simon, who used the occasion to demand that Sadat eliminate food subsidies for the population, reverse the nationalizations of the Nasser era, and expedite U.S. investment into Egypt. Simon set up a joint U.S.-Egypt committee, one of whose top members was David Rockefeller.

On July 16 Chase Manhattan, First National City Bank, the Bank of America, and American Express were given authorization to open branches in Cairo and soon set up joint venture banks with Egyptian institutions. Much of the banking structure was reorganized along "offshore" lines to remove impediments to speculative lending and monetary recycling.

A Beirut bankers' newsheet commented, "The last obstacles standing in the way of the investment of Western capital funds in Egypt were thus removed. From then on, the state was to give priority to the reactivation of the Egyptian private sector."



This point was brought into the open with the September, 1974 appointment of Hijazi to the position of Premier, replacing Sadat.

But the severe popular discontent bubbling throughout the entire year began to surface in early 1975 in response to the massive inflation caused by the speculative adventures of the "new bourgeoisie" created by the Hejazi-Sadat measures. The suspicion began to grow that Sadat's "open door" was a clever confidence trick: the sense of distrust began to spread into the armed services, factions of which were also upset at the continued deterioration in relations with the Soviets and at the expanding awareness that the "victory of October, 1973" was a sham. Both Hijazi and Sadat were the targets of biting public attacks during student and worker demonstrations in January 1975.

To clamp down on the unrest, and to remove from the public eye the symbol of "openness," Sadat in April, 1975 again reorganized the government, bringing Salem in as Prime Minister and, in what was considered to be a major surprise, making a "new generation" army officer, Husni Mubarak, Vice-President. The latter move was recognized as an attempt to assuage the armed forces.

Along with Hijazi, most of the technocrats on his team were kicked out of the government, after having been officially scolded for not having reacted with sufficient dynamism in "promoting the economic 'opening.'"

Other noteworthy aspects of the government reorganization were the removing of the last vestiges of leftist and Nasserist influence. Marxist Ismail Sabri Abdullah was removed from his post as Minister of Planning and Sadat eliminated a presidential advisory board occupied by, among others, Sidky and centrist-Nasserist theoretician Heykal.

The new Finance Minister Ahmed Abu Ismail announced upon appointment that "the economic opening should not be directed solely to external trade, but equally to the domestic situation through the creation of joint stock companies financed by the private sector" in order to "make possible the mobilization of private capital in the financing of projects instead of being used only on consumption." It was noted in Cairo circles that this was the first time that an Egyptian official has mentioned the possibility of creating private companies, a system that Nasser had abolished in 1961.

Much of the 1975-76 period was marked by intense intra-ministerial squabbles over whether to comply with IMF austerity demands. Opposition to compliance reportedly extended up to the ministerial level in the fights between the Economic, Finance, Trade, and Planning ministries. Although compliance with IMF demands to eliminate food subsidies and streamline the bureaucracy were periodically reported during this period, Sadat nervously held back from pushing the measures through.

But IMF pressure mounted. In September and October of last year, deputy ministers from more than 10 Egyptian ministries were brought to the U.S. and were told that no investments would go into Egypt and implicitly that any consideration of an alternative new world economic order and debt moratoria would be met with a rapidly deteriorating regional political-military situation and possible Israeli "Entebbe-style" pre-emptive intervention.

In November, the resistance was virtually swept away. The IMF's main man in Egypt, Kaissouny, was made Deputy Premier for Economic Affairs. Too nervous to openly publicize what was afoot, the government early this year suddenly announced the lifting of subsidies and ensuing price rises for several vital necessities, such as flour, rice, and cooking oil. The riots which broke out were of unprecedented fury, in mid-January and Kaissouny even tendered his resignation.

But Sadat is committed to pushing on, and is now telling his population to "sacrifice for another four years" and is alleging that there exist "Communist plots to create unrest to prevent foreign investment from coming into Egypt." Salem has reassumed control over the Interior Ministry, a nationwide repression crackdown has begun, and leading intellectuals are warning that the country is headed for "Chileanization."

According to informed sources who recently returned from Cairo, Sadat is sometimes in despair and has expressed the wish to hide from the unrest and social chaos that his policies have unleashed. The Economist of London reports that Sadat falls asleep during Cabinet meetings when economic matters are being discussed. A Georgetown University source even reports that Sadat might replace Egypt's Open Door with a "Closed Door Policy."

# Carter Primes Smith, Vorster For War With Black Africa

The Carter Administration threw its full diplomatic weight behind a war confrontation in southern Africa this week, under cover of a "peaceful transition to majority rule." While Carter and his backers maintain that they oppose both continued rule by the illegal Ian Smith regime in Rhodesia and the continuation of the South African system of *apartheid* — positions cynically reiterated two days ago by Carter's Secretary of State Vance — the U.S. has secretly given the green light to Smith and South African Prime Minister Vorster to break off negotiations with the Africans being conducted under British auspices, and prepare for a military showdown.

Under these circumstances, the Carter regime's commitment to "peaceful" change is meant to become the vehicle for overt U.S. backing for the racist regimes. Andrew Young, who represents the U.S. at the United Nations, clashed openly yesterday with the President of Angola, Agostinho Neto, when the two met in Nigeria. Young told Neto that the U.S. opposes — and presumably would oppose by force — any attempt to topple the Smith regime by force.

Young:

## U.S. Won't Upset Smith Or Vorster

Speaking Feb. 7 in Nairobi, Kenya, on his way from Tanzania to Nigeria, Young demanded of the five front-line states most closely involved with the Rhodesian situation that they continue de facto recognition of the illegal Smith regime and that they readmit State Department agents Bishop Abel Muzorewa and the Rev. Ndabaningi Sithole to the negotiating team. "Any solution has to be worked out with the people in power," said Young, referring to Smith, "I do not see the U.S. role as upsetting anyone in power, be that Smith in Rhodesia or Vorster in South Africa ... (The Patriotic Front) has to be supported, too because they are the only ones who can stop the fighting ... Any realistic settlement has to involve them, but this does not necessarily need to mean that any future government be composed exclusively from this group."

Young's statement flies in the face of the front line states' position, supported by the Organization of African Unity's Liberation Committee, that the Patriotic Front receive exclusive support. This measure was taken to en-

Smith and Vorster, meeting yesterday in the South African capital, formalized their commitment to refuse to negotiate with the Patriotic Front of Rhodesia, the liberation army backed by the front-line African states and Great Britain, and instead announced their joint intention to carry out phony talks with captive black puppet leaders in Rhodesia, led by Bishop Abel Muzorewa and a gaggle of tribal chieftains.

The Smith-Vorster declaration occurred as the *Washington Post* reported that Rhodesian army attacks on Mozambique have become an almost daily occurrence, and Mozambique has entered a phase of war mobilization. President Samora Machel issued an appeal to international forces, including the socialist countries, for military assistance against the Rhodesia and South African forces.

The massacre on Feb. 6 of seven Catholic missionaries, an action widely recognized to have been the work of agent provocateurs and denounced by the Patriotic Front, has nevertheless provided a thin cover for the on-going war buildup by South Africa and Rhodesia.

sure that the liberation of Rhodesia is not followed by a replay of the Angola war of last year, a replay which would have far more serious consequences. He made the statement after meeting with Tanzanian President Julius Nyerere, who rejected Young's advances, telling him that the U.S. "should encourage the British and the nationalists to agree. Having agreed and finding that the stumbling block to majority rule is Smith, then the rest of the world should be helping to get this obstacle out of the way. The U.S. can't replace Britain; Britain is the colonial power."

Nyerere's position, representing that of the front-line states, is designed to avoid a U.S.-Soviet confrontation, by making the elimination of the Smith government by force if necessary, the responsibility of a pan-African or British Commonwealth military force, or a combination of the two.

Arriving in Nigeria, Young met not only with Nigerian President Olusegun Obasanjo, but with Angolan President Agostinho Neto. Neto reportedly told Young that if Smith continues his intransigence, the African states will liberate the country by armed struggle, accepting support from any quarter and expecting the U.S. not to interfere. Young emerged from the meeting to tell reporters that Neto was the first President with whom he "disagreed openly."

While in Nigeria, Young delivered the Trilateral Commission's terms for a settlement of the Rhodesian conflict: a multinational meeting including the U.S., Britain, Nigeria, Zaire, the five front-line states and the Rhodesian nationalists. At such a meeting, the U.S. would strongarm a "unified" nationalist front including "moderates" such as Bishop Muzorewa, recently denounced by Zambian President Kaunda as an "agent of the Smith regime."

Young backed up his plan with a threat of economic warfare warning the black countries to steer clear of accepting any Soviet or Cuban aid in liberating southern Africa: "In the event of such influence being tried again in Africa, we shall use economic strategy, nor military strategy, to forestall it... We have learned from the lessons of the Vietnam war and come to the conclusion that you cannot win a war by killing, but you can win an economic war."

---

## Who Murdered The Missionaries?

In a radio broadcast from Maputo, Mozambique, the Patriotic Front of Rhodesia denounced the mass murder of seven Catholic missionaries this week as the work of the Rhodesian Army's Selous Scouts.

The Selous Scouts are a part of Rockefeller's private mercenary army which is presently attached to the Rhodesian government, but which could be deployed anywhere else in Africa. According to information from Rhodesian nationalist sources, the Scouts regiment has no connection to the Rhodesian Army chain of command

— its orders come directly from the top. The unit maintains its own prisons in abandoned mines for selected political prisoners not meant to reappear. It is officered largely by non-Rhodesians, including mercenaries from Australia, New Zealand and the United States, and the enlisted men include numbers of black former Portuguese colonial troops, particularly from the similar counterinsurgency unit called "Las Flechas."

The tactics of the unit are based on those developed during the so-called Mau Mau insurgency in Kenya and similar U.S. tricks in Vietnam, where native soldiers are dressed like the nationalist guerrillas, either to infiltrate and kill the nationalists, or to commit atrocities in their name — an attempt to "win the hearts and minds" of the population. The Scouts atrocities follow a pattern of committing such atrocities particularly in areas where the guerrillas are known to have popular support. The unit is also known to be responsible for numerous assassinations and kidnappings of leading nationalists, almost certainly including the recent murder of Jason Moyo, a leading nationalist largely responsible for keeping the Patriotic Front coalition together.

British Foreign Secretary Antony Crosland aired his suspicions of the claims by denouncing the massacre as "horrific ... *whatever its origins.*" (emphasis added). More frankly, the Italian daily *Il Messaggero di Roma* headlined their article on the incident "Seven missionaries killed: Provocation by the Racists?" (See reprint), and the East German radio station *Stimme der DDR* compared the atrocity to the Glewiz incident, Hitler's contrived Polish border incident by which World War II was started.

## Gandhi, Despite Party Crisis, Launches Pro-Growth Electoral Platform

Indian Food and Agriculture Minister Jagjivan Ram resigned from his cabinet position and membership in the ruling Congress Party on Feb. 2, announcing that for the last 18 months he has silently disagreed with Prime Minister Indira Gandhi's economic and political policies. Ram's resignation and subsequent decision to join the undifferentiated non-communist Opposition, the Janata Front, in the campaign for the March 16 national parliamentary elections, has completely changed the character of the upcoming voting a mere ten days after Mrs. Gandhi announced the relaxation of the state of emergency so that they could be held.

The electorate, 80 per cent rural and 20 per cent urban, has been given a choice of either voting Mrs. Gandhi's ruling Congress Party back into office — based on her personal public commitment that all misuse of the state of emergency decrees against the population by right-wing circles in her party will be rigorously punished — or voting into existence a Janata Front government whose only unifying quality has been a violent anti-Gandhi campaign which has slandered the prime minister personally and presented no viable economic policy for the country as a whole.

Although Ram's resignation came as a surprise to the western media, the Communist Party of India (CPI) has warned since last September that right-wing circles led by the landlord and business alliance of the Birla family — the major funders of the Congress Party — had mounted a concerted effort to force the party rightward, into economic policies acceptable to the World Bank. To accomplish this, the CPI warned, various internal crises had been provoked inside the Congress Party, with the Birla group using Sanjay Gandhi, the prime minister's son, to build a personality cult, and Birla-initiated attacks on the socialist faction of the Congress Party.

### *Election Prospects*

Mrs. Gandhi had intended the election campaign period to be a battle between her party's program for "peace and progress" and the non-Communist Opposition's call for decentralization, ruralization, and zero-growth. But the electoral prospects of all parties have radically changed with Ram's resignation. For the Congress, the immediate need is to prevent further major defections, under any pretexts. The Congress has never polled more than 40 percent at Lower House polls in previous elections.

The non-Communist Opposition front is composed of such unlikely campaign allies as the Communist Party of India-Marxist, the Hindu revivalist Jan Sangh, the landlord and big business based Congress-O, the rich

farmer party, the Bharatiya Lok Dal (BLD) and the Socialist Parties, who have never previously run on a common platform.

Mrs. Gandhi has observed that the "Opposition is a hodge-podge that would disintegrate at the first touch of office," bringing chaos and confusion to the country.

The major unknown in the present electoral campaign is the Communist Party of India (CPI), which has at best polled about 10 percent of the votes and is the only party to enter the electoral campaign period having delivered on its economic programs. The perception of the trust the electorate could place on the CPI has not gone unnoticed by either the Congress or Mrs. Gandhi herself; reliable sources indicate that in at least three states the two parties will form electoral alliances against the Opposition. The electoral alliance has repeatedly been sought by Congress leaders in such states as West Bengal, which holds a large heavy industrial worker constituency and is allotted 42 seats in the lower house.

### *Ram Resignation*

In his resignation letter, Ram used New York Times-authored slanders against Mrs. Gandhi for "destroying democracy," carefully mixed with legitimate grievances about the party's failure to implement Mrs. Gandhi's 20-point economic program, which includes lands reform and peasant debt moratoria as its primary features. Ram emphasized repealing the state of emergency, and a halt to its use against democratic forces, a legitimate demand. Secondly, Ram charged that "the 20-point economic programme has virtually been pushed to the background thanks to emphasis on certain new programmatic points and through a whole series of concessions granted to vested interest while denying the working class their rightful claims. In this connection, it is necessary to visualize the grave consequences of the manner in which land reform has been relegated to a secondary position and the way the rule of law for all practical purposes has yielded place to rule of men."

Ram fails to answer critical questions which would give his charges more credence. One is posed by Mrs. Gandhi's question: First, why as a senior member of the cabinet, and one who was well briefed on the reasons for the imposition of the state of emergency, did Mr. Ram remain silent for 19 months? Second, as Food and Agriculture Minister, and Political Committee member under whose jurisdiction land reform and peasant debt moratoria lie, why did Ram fail to make his accusations earlier?

The final question Mr. Ram will have to answer for the electorate: why, with allegedly legitimate grievances

and with backers who are both leftists and socialists, and who all vigorously supported Mrs. Gandhi against the internal disruption operations of an admitted recipient of Ford Foundation funding, Jayaprakash Narayan, has Ram now agreed to an electoral alliance with Narayan?

#### *Congress Response*

That Ram and the Janata Front can emerge as even a half-credible threat to Mrs. Gandhi's government and its 19 months of laudable economic achievements directly addresses numerous political shortcomings in Gandhi's own policies and a basic inconsistency between her pro-growth economic policies and the delaying tactics of the Birla grouping that ostensibly continues to back her. Unlike the decisive actions she took in June 1975, when a state of emergency opened the road to the 20-point economic program, for the past eight months Gandhi has counted on political stability to avoid confrontation with all those in her party who have failed to implement her programs.

With the election scheduled for March, Gandhi now faces a total destruction of the economic gains of the emergency period in the hands of the Birlas who are pushing for a zero- to negative-growth "Brazilian miracle" economy for India unless she takes resolute action against them.

The current political impasse is further complicated by the fact that Mrs. Gandhi's son, Sanjay, has been built up as the rising star of Indian politics by the Birlas, who have used him to launch their programs and promote his own personal ambitions through the Youth Congress. While the Western press accusations that Mrs. Gandhi is grooming Sanjay for a "family dictatorship" are absurd, a psychological soft spot in her dealing with Sanjay has played a role in Congress internal politics and in the election itself. Most significant in this has been the role of the family planning campaign, where Sanjay has launched compulsory sterilization as a major Youth Congress program. The coercive actions of this program, as have been documented by *New Age*, the CPI's weekly, have never been endorsed by Mrs. Gandhi herself, but have become a rallying point of the Janata Front.

#### *Gandhi Initiatives*

Mrs. Gandhi's determination to address all election issues frontally has already begun to place great pressure on the right-wing of her party. Officially releasing the Congress electoral platform on Feb. 8, Mrs. Gandhi pledged that India's foreign policy initiatives to "work for a new world economic order, for the extension of détente and the creation of an Indian Ocean zone of

peace" are the top priorities of her government — all priorities that will clash with the positions of the Carter administration and sour business contact as well. The Congress platform then commits the country to integrated industrialization and the application of science and technology to agriculture to remove the dire poverty of 80 per cent of India's population. Gandhi reiterated this decision by stating: "World peace will be achieved only when the disparities between developed and developing countries are resolved through a new world economic order."

On both domestic and foreign policy, Mrs. Gandhi has expressed her intention to run a campaign that highlights the agreements her party has with the CPI. On domestic policy, the platform characterizes family planning as a "voluntary movement" where no compulsory measures will be permitted. Minimum wages for both agricultural and urban workers will be enforced.

The final party candidates list contains few Youth Congress leaders, a move by Mrs. Gandhi to curtail the actions of this group. The *London Financial Times* reports that West Bengal chief minister Siddhartha Shankar Ray was given a free hand in composing the Congress slate for his state. This is another blow at the Birla group, which, along with the World Bank, has been trying since last December to bring down Ray, their staunchest critic.

With these announcements, the Congress has come closer than ever before to an alliance with the CPI, even though it still holds back from an open endorsement of such an electoral arrangement. Carrying a swing vote in its pocket, the CPI has in turn offered its support to the Congress around specific programmatic issues, taking the Congress to task for failures during the past 19 months. In an executive committee statement, the CPI termed the Ram resignation a serious development and a product of Congress misuse of emergency powers, through the sterilization programs, violation of democratic institutions and "the misuse of the machinery and resources of the state to build up a personality of no official status," Sanjay Gandhi. The CPI has urged the Congress to meet with all "left and democratic forces" and to lose no time in remedying the situation, particularly in measures that have affected the working class and peasantry. The strategic decision by the CPI executive is to give Mrs. Gandhi the option to move into an alliance with them to destroy the Birla forces and curtail Sanjay's actions as well, two necessary measures if the Congress is to stop supplying the CIA-funded reactionary Janata alliance with fuel to bring down Gandhi at the polls.

# Fukuda: Limited Resources Mean An End To Growth

*The following is excerpted from Japanese Prime Minister Takeo Fukuda's opening speech to Japan's parliament Dec. 31. The speech is a polemic against economic growth and a direct attack on these Japanese business leaders and politicians who have stressed the need for high-technology growth in order to free Japan from its dependence on the United States. The Japanese Trilateral Commission's speech bares a marked resemblance to U.S. Trilateral Commission member Jimmy Carter's "Fireside Chat" call for "conservation" for a "permanent energy crisis," and unity and sacrifice by the American people.*

## *Era of Change*

Three years ago I stood at this podium as Minister of Finance and stated that the time had come for great and clear-cut changes to be made in the running of the country's economy.

In January of the following year, 1975, as director-general of the Economic Planning Agency, I stated that it was a time when the government, business and individual households, should all cast away the dream of a return to high growth and recognize the need for a radical change in our way of thinking about the nation's economic life.

That was when our economy was, as a result of the so-called oil shock, in the throes of abnormal inflation, and our society was in a crisis situation of great social confusion.

However, it was not only in response to this crisis that I expressed myself in that way. It was out of a sense of deep apprehension about whether, in this age of limited resources, Japan could really continue on the path it had come.

In the 30-odd years since the end of World War II, the world has attained remarkable economic growth and prosperity, aided by peaceful conditions and advances in science and technology. This led to the emergence of the so-called mass-consumption society, with its philosophy of "Let's produce, consume and throw away."

During these years, humanity has been looting nature's precious resources, so that we are now at a point where some of them are expected to disappear from the face of the earth in the not too distant future. Moreover, with the expected doubling of the present world popula-

tion by the early part of the 21st century, it is clear that the demand for natural resources will be far greater than at present...

## *Spirit of Cooperation*

Reflection on the history of the human race impresses on us the fact that the advance of material civilization has created unlimited desires. But, as I have already mentioned, resources are limited. Resolving these mutually conflicting propositions — desires are unlimited, resources are limited — represents the fundamental task facing us in today's world.

This problem involves more than the material aspect. It involves a rethinking, so to speak, of the life style of people, of the very mode of modern civilization.

A society in which the people have become accustomed to rapid growth and drunk with their prosperity, one which is supported by a mood of "All is well if only goods and money are plentiful and I'm all right," must now be relegated to the past ...

I have received strong requests for substantial tax cuts, which I have given serious consideration. However, upon considering the limitations on natural resources and the international environment concerning this problem, I have come to the conclusion that we should switch over from our former way of thinking oriented toward large expansion of consumption to one oriented toward improving the quality of the people's livelihoods...

Of fundamental importance to our nation's foreign policy is the Japan-U.S. relationship which has sustained postwar Japan's prosperity and security. Whether in politics, economics, or security, our relations with the United States are singularly important...

There is no change whatsoever in my government's basic policy for firmly maintaining the Japan-United States Security Treaty. At the same time, it is only natural that we should endeavor to build up a foundation of our own defense capability...

In order for Japan to ride out these stormy days, I also appeal to the people of the nation to shun the trend of the times, marked by greed for material gain and selfish desires. Through the solidarity of our people, which transcends differences of generation and social status, let us endeavor to create on Japanese soil a truly stable and civilized society worthy of the trust and respect of all the countries of the world.

# Brazil—West Germany Demand The Right To 'Energy Independence' From The Trilateral Commission

The Brazil-West Germany agreement for a sweeping nuclear power development program in Brazil has emerged as a key battle in the Western European and Third World fight for the right to energy and economic development independent of the dying Dollar Empire. The extreme pressure tactics employed by the Carter Administration to force a renunciation — or severe dismembering — of the development pact has been met with unprecedented vocal opposition from the U.S.' two major "junior partners," Brazil and West Germany.

The Carter administration is using the issue of Brazil's refusal to sign the Non-Proliferation Treaty — and the general "protection" against nuclear proliferation — as a pretext for establishing complete U.S. control of world energy supplies and, with it, control over subject national economies. This crusade for "non-proliferation" has been denounced by European and Latin American press alike as a totally bogus issue. The International Atomic Energy Agency (IAEA) approved the deal after working out a special set of "safeguards" with Brazil, and an official spokesman for the West German government pointed out in a press conference this week that, contrary to the Carter Administration, both the Ford Administration and Soviet representatives to the IAEA had characterized the BRD-Brazil deal as a "model agreement" in terms of safeguards for technology transfer.

The importance of this treaty in terms of the strengthening of European relations with the Third World and European initiatives toward the establishment of a new monetary system is widely recognized by press outlets and political spokesmen throughout Europe. The weekly German magazine *Der Spiegel* warned Jan. 31 that "If Bonn fulfills American wishes and breaks the export agreement, they run the risk of not only damaging their prestige in Latin America: they degrade themselves in the eyes of the Third World." Capitulation to U.S. strongarming would threaten "the ability to establish Bonn as an alternative to Washington among 'Yankee-tired' Latin Americans," *der Spiegel* warned.

• As in West Germany, the great majority of Brazilian political forces — including the opposition party MDB and both rightist and nationalist military layers — are united in demanding that Brazil adhere to the terms of the nuclear program. Despite their acceptance of Wall Street austerity measures over the past years, the

Brazilians have drawn the line at the nuclear program, lambasting U.S. "interference in the sovereign affairs" of Brazil and accusing the Carter Administration of "showing its imperialist claws, by humiliating and subjecting Brazil." One congressional deputy warned Washington that "Brazil and West Germany are free and sovereign nations — not two colonies of the U.S."

Through its attempts to break the Brazil-German deal, the Carter Administration has awakened a strong reaction within Latin America which could derail the whole gamut of Trilateral Commission economic and political policies toward the Americas. Most important is the case of Argentina, which, like Brazil, has not signed the Non-Proliferation Treaty and is far more advanced in nuclear technology and "know-how." Argentina has one reactor (natural uranium-heavy water) in operation, providing 10 per cent of the country's electrical energy requirements, and the government has proposed the construction of a regional enrichment facility for the export of enriched uranium fuel.

The Argentine military magazine *Estrategia* dedicated 100 pages of its latest edition to developing the importance of nuclear energy for the development of Latin America and the Third World as a whole. Rejecting the provocative zero-growth propaganda that warns of the "dangers" that Brazil wants only to build atomic bombs, *Estrategia* presents "united front" proposals for cooperation with Brazil for energy and economic development, which severely undermine the potential for success of the Rand Corporation-scripted regional war scenarios pitting Argentina and Brazil against each other as the continent's "axis" powers that form the basis of Carter administration South American policy.

### *Westinghouse, U.S. Lost Out*

There is, no doubt, a special resentment felt by Brazil towards the Carter Administration, since Brazil first approached the U.S. to provide them with full nuclear technology and was sharply rebuffed. Westinghouse, one of the major reactor producers in the world, won the contract to build the first Brazilian reactor in 1972 at Angra dos Reis, to be fueled with enriched uranium supplied by the United States. Brazil had already deposited advance payment for the first shipment of enriched uranium when the U.S. broke its contract without explanation in July 1974. This probably cost Westinghouse future contracts, and provided a further impetus to the Brazil-West German cooperation developing since the late 1960s.

### *A Unique Agreement*

The Brazil-West German nuclear agreement is unique in the world, representing the first instance in which a highly developed country transfers the technological "know-how" required for an underdeveloped nation to build and operate a complete nuclear energy system. The program — which lasts 15 years and represents an investment of about \$15 billion (at current estimates) — will provide the technology and training for construction of up to eight 1,200 megawatt light water-enriched uranium reactors, fuel processing facilities, and the development of Brazilian heavy industry manufacture of nuclear plant components. The planned reprocessing facility is at this point the lowest priority in the program, under contracts and financing agreements signed in July, 1976, a consortium of German banks led by Dresdner Bank and Deutsche Bank will provide \$1.7 billion for construction of the first two 1,200 megawatt plants scheduled for completion in 1982 and 1984. The British-Dutch-German consortium URENCO has contracted to supply the enriched uranium for the first two plants, representing the largest single URENCO order outside of the three member countries.

The primary entities involved in the intergovernmental agreement are the Brazilian nuclear holding company Nuclebras, and the Siemens subsidiary Kraftwerke Union (KWU) in West Germany. In the last month, KWU, the other German nuclear-related firms (involved in the Brazil program), and the Dresdner and Deutsche banks have formed a consortium which will facilitate the technology transfer to Brazil, and to other Third World nations in the future. For Germany, the Brazil deal alone could generate contracts for up to 300 German firms, and provide job stability for 13,000 KWU workers.

For Brazil, the deal represents the energy potential required to pursue policies of industrial and economic development in the next decades. Brazil has extremely limited reserves of oil, and increased oil prices since the 1973 "Oil Hoax" have contributed significantly to Brazil's massive balance of payments deficit and \$28 billion-plus foreign debt. Energy specialists are concerned, as well, that the nation's hydroelectric resources will be substantially taxed by 1990, and the cost of transporting that energy from untapped areas to the industrial centers is extremely high. Brazil hopes to have 10,000 megawatts of installed nuclear energy capacity by 1990 which could substitute for the import of about 100 million barrels of oil per year, a potential savings of close to \$1 billion annually. By 2010, nuclear energy could supply 41 per cent of Brazil's total energy needs. Brazil foresees the possibility, at some future date, of exporting both nuclear fuel and reactors.

The supply of uranium will surface as a potential problem in the future; experts estimate that Brazil's limited uranium reserves will last only until the late 1980s. While Brazil is rich in the mineral thorium, no economical process of converting thorium into a usable nuclear fission fuel has yet been developed.

Five jointly owned Brazilian-West German subsidiaries of the Brazilian nuclear holding company NUCLEBRAS — West German firms are the junior

partners in all five — were created to implement the technology transfer:

*Nuclep* (Nuclebras Equipamentos Pesados SA) is charged with developing the heavy nuclear components manufacturing base, with a capacity to produce one complete set of components by 1979. The plant, representing an investment of \$150 million, will be located about 50 kilometers from Rio de Janeiro.

*Nuclen* (Nuclebras Engenharia SA) will handle design and construction of nuclear plants, and has solid contracts for the first two reactors.

*Nuclei* (Nuclebras Enriquecimento Isotopico SA) was created to build and operate the first demonstration uranium enrichment plant employing the Becker jet-nozzle process (a variety of the centrifuge system). The plant is scheduled to begin operation, according to most recent schedules in the Brazilian press, in 1982 with capacity to provide enriched uranium fuel for two 1,200 plants.

*Nustep* (Trenndüsen Entwicklungs-und Patentverwertungsgesellschaft MbH), the only subsidiary based in Germany, is charged with development of the jet nozzle technology of uranium enrichment from an experimental to commercial stage. The subsidiary holds all patents and licenses.

*Nuclam* (Nuclebras Auxiliar de Mineracao SA) was created to handle exploration and mining for uranium in Brazil.

### *Emphasis on Training*

Brazil, unlike Argentina, is lacking in trained nuclear technicians, scientists, and engineers, and has undertaken a major educational and R and D drive. In 1975, Brazilian President Geisel signed a law setting up a 10-year training program to graduate close to 10,000 nuclear technicians and engineers at an estimated cost of over \$200 million. Groups of Brazilian engineers are being sent to Germany for two-years intensive "on the job" training working on aspects of the nuclear program, while 40 German engineers are beginning training programs within Brazil. The United Nations and international Atomic Energy Agency are jointly providing \$8 million for construction of a training center, and for other training programs for nuclear facility operations.

### *The U.S. Official Position: No!*

The Carter Administration and the Trilateral Commission policymakers behind and in it are determined to break this deal for "energy independence." A major focus of Vice President Mondale's whirlwind tour to Europe immediately following Carter's inauguration was to wheedle and threaten West German Chancellor Schmidt into breaking the deal. U.S. Secretary of State Cyrus Vance shortly afterward issued a call to Germany and Brazil to "freeze" the program pending "consultations" with the Carter Administration. According to the Argentine press, Vance may go to Brazil in March. The U.S. has simultaneously offered to supply Brazil with enriched uranium in exchange for agreement not to build its own enrichment and reprocessing facilities, an "offer" loudly rejected by Brazilian press and politicians.



The unofficial content of the U.S. opposition to the nuclear development program is nothing but the Trilateral Commission blueprint for eliminating new capital-intensive energy sources in favor of low-investment, labor-intensive sources. In the November, 1976 issue of the Council on Foreign Relations publication *Foreign Affairs*, Norman Gall presents the "alternatives" to the "too costly" Brazilian nuclear energy, matching the Rockefeller Brothers Fund feudal campaign for a "solar-energy economy" in the U.S. Gall suggests that "Brazil is in an excellent position to use the photosynthetic transformation of solar energy to produce liquid and gaseous fuels like alcohol, methane, and hydrogen which are light and easily transported." Scientists, he claims, "calculate that the biomass of the Amazon (jungle) can be industrially transformed into

methane gas at a cost competitive with the current prices of petroleum"!

While both the Germans and Brazilians have indicated a (perhaps only "diplomatic") willingness to talk with the administration, there is no sign at this time that either government intends to give an inch on the deal. As the secretary general of the Brazilian opposition party MDB put it, "the energy problem is the core of independence or submission of nations." The ouster this week of Brazilian nationalist Industries Minister Severo Gomez, and consolidation of a cabinet uniformly committed to meeting drastic IMF and Wall Street austerity dictates, however, create the conditions for a future compromise on the nuclear treaty by President Geisel, who has not yet taken a public stand in the controversy with the U.S.

## Argentine Military Magazine Backs Development Of Nuclear Energy

*Following are excerpts from three articles in the Argentine military magazine Estrategia of Sept.-Oct. 1976, supporting the development of nuclear energy supplies. Estrategia is published by the Argentine Institute of Strategic Studies and International Relations.*

*"Argentina: Nuclear Plan and Foreign Pressures (Proliferation Safeguards and National Security)"*

*by Retired Division General Juan E. Gugliamelli, leading Argentine military strategist.*

The peaceful use of nuclear energy occupies a fundamental place in the independent economic development of Argentina, particularly in its applications in the production of electrical energy. In effect, (atomic energy) allows the substitution, with advantages, of other thermal sources that use fossil fuels, as well as complementing in an optimal way hydro-electric resources. On the other hand, the possession of scientific and technological knowledge to build nuclear explosive devices for peaceful ends constitutes a potential security reserve that cannot be underestimated or negated. Thus arises the necessity to achieve the goals and plans programmed for the decade 1975-1985 and to not miss (the opportunity of) what appears to be a future demand: to enrich uranium and reprocess the fuel to obtain plutonium that will be used in nuclear centers that are projected (for operation) on a commercial basis in the future. Only in this way will we be in a position to cooperate effectively in the development of other countries and to participate in the regional and world markets as suppliers of nuclear materials and equipment...

It is appropriate to insist on a proposal formulated in an earlier work: to reach an accord with Brazil (for) information, consultation and eventual technical cooperation in the nuclear field that, among other things,

can determine security measures with regard to possible fabrication of nuclear devices, even though these may be intended for peaceful purposes.

*"Nuclear Energy in Latin America"*  
*by Jorge Sabato and Raul Frydman, leading Argentine nuclear researchers;*  
*conclusions to their detailed survey of*  
*"Nuclear Energy in Latin America."*

What we have described provides ample evidence of the legitimacy of undertaking nuclear electric programs in Latin America, based on the necessity of assuring medium- and long-term satisfaction of energy demand. Thus, despite what sometimes appears in the press of the hegemonic countries about fantasy-ridden plans put together solely for motives of prestige or status or to disguise nuclear armaments plans, these are serious and solidly based programs. A common objective may be discerned in the plans formulated by Argentina, Brazil and Mexico: the use of nuclear electric energy not only as a means to meet electrical consumption requirements, but also as a tool to promote the technical and scientific development needed to provide an autonomous capability to make full use of their sovereignty in nuclear matters.

... Both Argentina and Brazil have emphasized achieving control over the (nuclear) fuel cycle, keystones of any autonomous nuclear electric development process.

... These coherent and rational decisions run up against the firm opposition of the hegemonic countries which, on the pretext of impeding the proliferation of nuclear arms, try at all costs to prevent the developing countries from achieving complete control over reprocessing and enrichment techniques.

... It is thus evident that protests in international forums should be complemented by dynamic programs of cooperation between the developing countries. Only

through mutual and complementary efforts will it be possible to achieve future nuclear autonomy. There is much to be done in this direction in Latin America, where, until now, nuclear cooperation has been weak and has not gone beyond the first stages of what we have called the "first phase": exchanges of students and experts, collaboration and assistance in radiochemistry and its applications, as well as in nuclear physics, metallurgy, electronics, industrial uses of radiation, information, etc....

*"Argentina: Nuclear Policy"*

*by Rear Admiral Carlos Castro Madero,  
head of the Argentine Atomic Energy Commission.*

The development of a nuclear policy with a high national component has highly important benefits which we should point out. In the first place, the nuclear industry has a multiplier effect on other industrial activities. In effect, the high levels of quality needed for the efficient and safe functioning of nuclear installations require new materials and processes, better methods of *verifying* proper operation, new quality controls and guarantees — all of which are (then) available for application to the rest of industry, with the logical benefit of products improvement.

In the second place, the broad field of activities in-

cluded in the development of nuclear technology becomes an important focus of attraction for our professionals of almost all scientific technological disciplines. This would significantly contribute to solving the acute... "brain drain"... of recent years. On the other hand, it creates new jobs by developing new industries and expanding others.

*Folha De Sao Paulo Defends Brazilian Right  
to Independent Nuclear Development*

*The following are extracts from an additional in Folha de Sao Paulo published Jan. 27.*

If its worries are only of a pacifist nature, the Carter administration as well as the other members of the 'Atomic Club' can be reassured. The government of President Geisel is ready to negotiate additional protocols to the treaty considering all the safeguards necessary to convince the international community that Brazil will not begin a nuclear race in Latin America. Brazil never considered this and does not see any impediments to signing new accords definitively clarifying the question.

However if the North American goal is to put obstacles in the way of Brazilian access to scientific knowledge in that field, President Carter should count on unexpected difficulties in the relations between the two countries. Brazil is not going to let go of what it considers its right, and it will use whatever means it can to defend it.

# USLP Presents Vote Fraud Evidence To Congress

The U.S. Labor Party presented evidence of the Jimmy Carter-Trilateral Commission vote fraud conspiracy in the 1976 elections to a Senate subcommittee this week, and in the process smoked out a leading Senate opponent of Constitutional government and the principles enunciated by America's Founding Fathers.

The subcommittee was the Constitutional Amendments subcommittee of the Senate Judiciary Committee, and the senator was Sen. Birch Bayh (D-Ind.), the subcommittee chairman and sponsor of a proposed constitutional amendment to abolish the electoral college.

Testifying before a subcommittee hearing on the amendment Feb. 1, USLP spokesman Richard Cohen urged the senators to abandon the proposed amendment, and instead launch a full Congressional investigation into the Carter vote conspiracy (excerpts from Cohen's testimony follow). Presenting the senators with a sheaf of detailed evidence stemming from the unsuccessful court actions by the USLP and other conservative, Republican, and constitutionalist forces to block Carter's inauguration, Cohen quoted liberally from founding father Alexander Hamilton and the *Federalist* to back up his points.

Cohen's testimony and evidence were met with a series of evasions and slurs by Democrat Bayh, who startled observers by delivering a direct attack on the Founding Fathers and the Constitution, and even offered the surprising proposition that election fraud is inevitable under any system of choosing the President.

The senator's reaction to Cohen's presentation of the role of the Rockefeller family and the Federal Election Commission in the vote fraud scandal was one of skepticism. "Do you mean to tell me that a Republican Vice President, a Democratic presidential candidate, and the non-partisan Federal Election Commission got together to steal the election?" Bayh demanded. "Does the Trilateral Commission say they're out to take over the world, or is that your analysis?" the senator pressed. "That would be anybody's analysis given the facts," Cohen answered.

Bayh expressed "surprise" at the USLP's citing Hamilton, since, the Senator claimed, Hamilton was an elitist who "held the masses in disregard. In response, Cohen pointed to Hamilton's important role in fostering U.S. industrial development and voiced his own surprise at the slur against the Constitutionalist leader by Bayh, a representative of the industrialized state of Indiana.

Bayh, whose subcommittee has oversight over all proposed Constitutional amendments, also tried to maintain that the Constitution, as drafted by the Founding Fathers to include provision for the Electoral College,

actually encourages vote fraud! His reason: because large states command a high proportion of electoral votes, candidates are especially tempted to try to steal their votes. "Vote fraud can come under any situation," he added, dodging the charges of Carter's vote theft. "Who knows, even the Labor Party could get involved."

Following are excerpts from testimony by U.S. Labor Party spokesman Richard Cohen before the Constitutional Amendments subcommittee of the Senate Judiciary Committee, Feb. 1, in hearings on a proposed Constitutional amendment backed by the subcommittee's chairman, Sen. Birch Bayh (D-Ind.), to abolish the electoral college.

The Founding Fathers, in their deliberations represented in the United States Constitution, set forth the method of selecting the President of the United States embodied in the institution of the Electoral College. Far from being archaic or outdated, the reasons for which the Electoral College method was created are even more valid and pressing under today's circumstances.

The U.S. Labor Party opposes any attempt to abolish the Electoral College or to weaken its functions, for reasons which we will elaborate below. The deeper issue raised by this question before us now is the need for Congress to assume responsibility for restoring the integrity of the electoral process in this Nation.

We urge that the Congress demonstrate its own commitment to restoring the American people's faith in Constitutional processes by launching a full and immediate investigation of the flagrant abuses of the electoral process which were perpetrated during the 1976 presidential elections. These abuses, including widespread fraudulent voter registration practices, vote-stealing and election-rigging, must be rooted out, their perpetrators punished, and officials who were put in office through such practices removed from those offices.

....

There is no more appropriate place to open this discussion than by reference to the conceptions elaborated by Alexander Hamilton, writing under the name of Publius, in No. 68 of the *Federalist* papers. Hamilton argues that:

It was desirable that the sense of the people should operate in the choice of the person to whom so important a trust is to be confided....

It was equally desirable that the immediate election should be made by men most capable of analyzing the qualities adapted to the station, and acting under circumstances favorable to delibera-

tion, and to a judicious combination of all the reasons and inducements which were proper to govern their choice. A small number of persons, selected by their fellow citizens,...will be most likely to possess the information and discernment requisite to such complicated investigations.

Hamilton's reasoning was that the Electoral College, selected of persons best qualified to select the President, would at the same time provide the best possible insurance against manipulation of the electoral process — an extremely timely warning even today:

Nothing was more desired than that every practical obstacle should be opposed to cabal, intrigue, and corruption. These most deadly adversaries of republican government might have been expected to make their approach from more than one quarter....

....

Had Hamilton's warnings been more closely heeded, it can be said with certainty that James Earl Carter would not now be the President of the United States.

The selection and grooming of Carter as a presidential candidate by the Rockefeller cabal and the Trilateral Commission was followed by the most massive vote fraud and electoral corruption in all American history....

The manipulation of the electoral process through "cabal, intrigue and corruption" is also evidenced in the partisan operations of the Federal Election Commission on behalf of the Carter campaign. At the same time that the FEC was allowing hundreds of thousands of dollars to pass through into the Carter campaign under such

dubious rubrics as "Get out the vote," the FEC has chosen to illegally withhold over \$100,000 in primary matching funds from the Committee to Elect Lyndon LaRouche, and has now begun a systematic campaign of harassment and intimidation of contributors to the LaRouche campaign....

It is actions such as fraudulent voter-registration drives and the use of the Federal Election Commission for partisan purposes which demands the attention of a Congress concerned to restore integrity to the electoral process....

...At a time when an illegally-elected President now occupies the White House, a President who already owes his loyalties not to the people of this Nation but to a small cabal centered around the Trilateral Commission, the Rockefeller Foundation, and the New York Council on Foreign Relations — this is no time to further undermine the Constitutional processes, thus in effect sanctioning the gross manipulation of the electoral process which already threatens the foundations of this Republic.

We strongly urge that the Congress take the following immediate steps as a means of demonstrating to the American people its commitment to restoring the integrity of the electoral process.

- (1) That a full investigation of the 1976 elections now be undertaken, including in particular a review of evidence submitted to courts and to Federal prosecutors or Grand Juries.
- (2) That an immediate investigation as to the use of the Federal Election Commission for improper and partisan purposes be undertaken.
- (3) That Congress pass legislation insuring that no dilution of the electoral franchise is allowed to continue to occur through such practices as "post-card registration" or "same-day" registration....

**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**