
**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

- 1 Saudi Oil Fields — Target Of Mideast War
- 2 Open Letter To Shimon Peres
- 4 Israel Readies Nuclear Strike
- 6 Arabs, Europeans Mobilize For Peace
- 7 Red Sea: 'Scenarios For War'

NATIONAL

- 1 Senators Call For Investigation Of Carter Coverup On Vote Fraud
- 2 The Impeachment Of Jimmy Carter
- 5 — Press On Carter's 'Imperial Presidency'
- 7 Nixon Lifts The Watergate Albatross
- 8 Senators Grill Schlesinger On Energy
- 9 FEF Lawsuit Worries White House
- 10 Italian Paper: Americans Dislike Schlesinger Plan

ECONOMICS

- 1 Special Report — London Economic Summit
- 4 Banking
- 5 Special Report — State Of The New York Banks
- 8 World Trade
- 9 Foreign Exchange
- 9 Business Outlook

ENERGY

- 1 Nixon's Energy Policy

SOVIET SECTOR

- 1 Czechs Attack 'Carter Doctrine'
- 2 How Soviets Achieved A Fusion Sputnik

MILITARY STRATEGY

- 1 U.S. Defense Leaks: Soviet 'Superweapon'
- 2 — Excerpts Aviation Week

EUROPE

Italy

- 1 — Italian Communists Head For Split
- 2 — IPS Terror Control Exposed

France

- 3 — The French Military Goes Psychotic

West Germany

- 7 — SPD Energy Conference Backs Schmidt
- 8 — 'Brandt Era' Comes To Close

MIDDLE EAST ECONOMIC SURVEY

- 1 Turkey — Economy Collapses
- 6 Egypt — Which 5-Year Plan?
- 11 Arab Monetary Fund Formed

AFRICA

- 1 Angola On Alert
- 2 Carter Bids To Split Front-Line States

ASIA

- 1 Japan
- 2 Vietnam

LATIN AMERICA

- 1 Latin America Takes Aim At The IMF
- 3 Development Policy — Carribean, Venezuela

LAW

- 1 Pushing Drugs Through The Courts

BOOKS

- 1 Open The Arbatov File

Executive Intelligence Review is published by Campaigner Publications, Inc.,
231 West 29th Street, New York, N. Y. 10001
Single issue price: \$5.00 (U.S.)
Subscriptions by mail: \$225 for 1 year (52 issues)
\$115 for 6 mos., \$60 for 3 mos.
Address all correspondence to: Campaigner Publications, Inc. P.O. Box
1972, GPO New York, N. Y. 10001

EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief
Nancy Spannaus

Managing Editors
Linda Frommer
Don Baier

Production Editor
Deborah Asch

U.S.A.—Konstantin George • **Economics**—David Goldman • **Energy**—William Engdahl
Science & Technology—Morris Levitt • **Soviet Sector**—Rachel Berthoff • **Military Strategy**—Paul Goldstein
Europe—Vivian Freyre • **Middle East**—Bob Dreyfuss • **Africa**—Douglas DeGroot • **Asia**—Daniel Sneider
Latin America—Robyn Quijano • **Law**—Felice Gelman • **Press**—Fay Sober

IN THIS WEEK'S ISSUE —

Top Middle East experts see an **Israeli** "breakaway ally" **strike** against **Saudi oil fields**...including the probable use of **atomic weapons**...as the most likely scenario for a new regional war. In this week's **International Report**...

***U.S. Labor Party Chairman **Lyndon LaRouche** warns...in a dramatic **open letter** to Israel's Premier **Shimon Peres**...that such action will result in the **thermonuclear annihilation** of both the **USA** and **Israel** by **Warsaw Pact** forces...no matter what **Rockefeller** says...

***U.S. Defense Secretary **Harold Brown** **cheers** on Israel's "breakaway" **hawks**...

***An assessment of Israel's internal situation...and the inside story of **how Israel got the bomb**...

***The **flashpoints and scenarios** for manipulating the Arab nations into war...

***The **Mideast Left's uphill battle** against the war danger...

* * *

Do the **Soviets** have a "**superweapon**" which can nullify the U.S. **ICBM** strikes? Our **Military Strategy** report reprints the meat of the **Aviation Week** article on the **USSR's** beam technology...explains the article's real

political significance...presents the candid reactions of scientists and the European press to this "**sputnik of the '70s**."

* * *

Czechoslovak press charges the **Carter Administration** has returned to the military **blackmail** of the **Truman Doctrine**...the toughest statement yet from the **Soviet Sector**. Plus the **Soviets'** own account of the **R and D** policies which produced the **beam weapon** breakthrough as a **spinoff of fusion-related science**.

* * *

"**The Crash of '77**"... The **London summit** could be a bigger **fiasco** for **Jimmy Carter** and his **Trilateral Commission** mentors than the **Moscow SALT** talks. Our **Economics** report forecasts the infighting...tells you what the **European press** is saying...features a **documentary report** on the delicate condition of **Rockefeller's New York banks**...announces **LaRouche** will head **private bank to replace IMF**...

* * *

The U.S. **Congress** is just beginning to add up the **Middle East** situation and the panic at **Chase Manhattan**...and the answer could spell **Watergate** for the entire **Carter Administration**. **Lyndon LaRouche's** U.S. political

forecast in this week's **National Report** sees **Carter on his way out by fall...**and LaRouche, Reagan, Rumsfeld or Ford in the White House by early 1978.

* * *

Senate catches Carter in **vote fraud coverup...**Federal Judge warns White House, **FBI** on harassment of Fusion Energy Foundation...**Nixon** forces **back in action...**U.S. regional press attacks new **"imperial Presidency."** The **"Cartergate"** mood is building...see **National Report**.

* * *

A new perspective on Watergate...our **Energy** report reappraises **Richard Nixon's** forward-looking **energy policy...**and what happened to it as the scandals unfolded...

* * *

Italian Communist press bares **government report** citing **Marcus Raskin** of the Washington, D.C. Institute for Policy Studies as **Europe's top terrorist...****Eyewitness report** as West Germany's Social Democrats debate energy...the end of the **Brandt** era in Berlin...LaRouche analyzes the **French military psychosis...** see **Europe**.

* * *

75 percent devaluation for Turkey...50 percent for Egypt...those are the IMF target figures for two of the world's "worst cases." Our **Middle East Economic Survey** cuts through the paper crisis...tells you what's sound, what's needed in both countries. Plus a special report on the newly formed **Arab Monetary Fund**.

* * *

Angolan troops mobilized to repel **Brzezinski**-authored invasion...**Brazil** backs CIA mercenaries...**Mondale** trip designed to **split** Africa's front-line states...The Carter Ad-

ministration could turn all of **Africa** into another Vietnam.

* * *

A **Japanese military** delegation in **China...**a renewed effort by Washington's puppet **Fukuda** to open a **second front** against the USSR in **Asia**. Plus a report on the U.S. "concessions" to Vietnam — and why the **Vietnamese** are unwilling to pay Carter's price for normalization.

* * *

Mexico's **College of Economists** has decisively **rejected** the **IMF's** monetarist policies...equating monetarism with **Nazi economics**. The **Mexican government** is backing them up...with support from **mass worker demonstrations** against austerity in **Mexico City, Peru and Colombia**. Our **Latin America** report has the story...along with the full text of the **Latin American Labor Committees' draft economic program for Venezuela and the Caribbean nations...**a model approach for those forces straining to stop the continental slide into fascism and **Rand-scripted regional wars**.

* * *

Coming in through the **back door...**the White House program to **legalize drug addiction**. See the special report prepared by the Labor Organizers Defense Fund on **"Pushing Drugs Through the Courts"**...in this week's **Law** review.

* * *

Georgii Arbatov, Rockefeller's top agent in the Soviet Union, is no cloak-and-dagger boy. Arbatov's agency is advertised in his own book, **The War of Ideas in Contemporary International Relations...****Criton Zoakos**, Director of Intelligence for the National Caucus of Labor Committees, **takes the Arbatov line apart** in this week's report in **Books**.

INTER-
NATIONAL

NATIONAL

ECONOMICS

ENERGY

SOVIET
SECTOR

MILITARY
STRATEGY

CANADA

EUROPE

MIDDLE
EAST

AFRICA

ASIA

LATIN
AMERICA

LAW

BOOKS

Saudi Oil Fields No. 1 Target In New Mideast War

An Israeli attack on the oil fields of Saudi Arabia and possibly Iraq is the centerpiece of a move by the National Security Council to set into motion a Rand Corporation scenario for a Middle East war, according to informed sources.

The scenario may include the actual or threatened use of Israel's confirmed capacity for atomic warfare.

The intention behind the activation of such a crisis is to provide a suitable international political-military crisis, including a contrived energy shortage resulting from the destruction of all or part of the oil-production capacity of Saudi Arabia and Iraq, to ram through the energy program of Carter and Schlesinger over domestic and foreign opposition.

The activation of the Middle East war scenario is a live application of the discredited Schlesinger Doctrine for a "limited nuclear war." There is no doubt, according to informed observers, that such a scenario would leave the Soviet Union no alternative but to respond by unleashing World War III — despite delusions of Arab and Israeli circles and the U.S. Administration to the contrary.

Although there are several variants simultaneously operative in the building showdown in the Middle East, in every case the strategic focus is the Persian Gulf, the powerhouse of world oil output. "The primary scenario is for an Israeli invasion of Saudi Arabia, with the United States interceding on the side of Saudi Arabia 'against' Israel," said an informed West European source. He stated that Israel has recently received large quantities of highly sophisticated communications equipment from the U.S. for use in support of long-distance military action, and he cited the fact that General Mordechai Gur, the Chief of Staff of the Israeli Defense Forces, has four times in recent weeks named Saudi Arabia and Iraq as "confrontation states" in the war with Israel.

The idea of sending U.S. armed forces into the Persian Gulf has been under discussion since Henry Kissinger first raised it in early 1975. At present the U.S. move into Saudi Arabia would be based on pretended opposition to a "breakaway" Israeli action, possibly in the context of the outbreak of a general Arab-Israeli war. Robert Tucker, a defense consultant who authored numerous scenarios for invading the Arab oil fields during 1975, commented in an interview last week: "Sure this scenario might work. But it would depend on the world being convinced that Israel was acting independently and that the U.S. was acting in good faith."

Alternate Scenarios

Alongside the primary threat of an Arab-Israeli showdown including Saudi Arabia, a number of variants are

being put in place.

First, Egyptian President Anwar Sadat, who is said to have placed Egypt into a firm alliance with the Dayan-Interpol forces in Israel, has volunteered his country's armed forces as a strike force against neighboring oil-rich Libya, or possibly even the Persian Gulf itself. Speaking at an Alexandria rally, Sadat accused the Soviet Union of seeking "to impose itself as the guardian of the Arab oil fields," and threatened action against the

U.S. Defense Secretary Claims Soviets Threatening Oil Fields

In testimony before the House of Representatives select energy committee, U.S. Secretary of Defense Harold Brown stated unequivocally that the U.S. foresees a Soviet threat to Middle East oil fields, and linked the threat of a military conflict in the Persian Gulf to Carter's energy program. Said Secretary Brown:

"In the event of some future confrontation, the Soviet Union might be able to restrict access of the Western world to its essential oil supplies to a degree of severity and duration greater than any embargo by the oil producers."

Brown added that the U.S. must therefore reduce its dependence on the Persian Gulf and develop strategic stockpiles of oil reserves of 1 billion barrels. "We cannot be in a position where we must accept a continuing vulnerability to arbitrary supply disruptions and price changes."

USSR. "Informed sources know that the strategic goal of the USSR is to effectively control Libyan oil." To "protect" Libya, Sadat has massed Egyptian troops along the Libyan border.

Libyan President Muammar Qaddafi, in response to the growing war threat from Egypt, denounced Sadat as "a CIA agent who was recruited by the Americans during his trip to the U.S. in 1966." A military clash between Libya and the much stronger Egyptians could easily demolish Libya's immense oil production and provoke a milder, but still serious, world oil shortage for Schlesinger.

Second, France — who has assumed surrogate responsibility for policing Africa for the NSC — has

massed a huge armada of naval forces near the Persian Gulf and the Red Sea off the coast of Somalia. At least 18 warships carrying scores of "intervention jet fighters" on a combat-ready status are floating in the Indian Ocean, waiting for possible trouble in the Red Sea near Ethiopia and Somalia when the French colony Djibouti gains independence May 9.

The outbreak of a planned regional crisis on the Horn of Africa could quickly spread into the Middle East, especially if Israel's naval access to the Indian Ocean via the Red Sea becomes threatened by some combination of neighboring Arab states.

Third, sources report that the Shah of Iran might be encouraged to launch a military attack on the Arab Gulf States. The Shah has already declared that should Saudi

Arabia increase its oil production it would be an "act of aggression" against Iran. Secretary of State Cyrus Vance will arrive in Iran on May 11 for private meetings with the Shah and Iranian officials, before a meeting of CENTO.

A former U.S. ambassador to the Middle East said yesterday that the Saudis were well aware of these possibilities, including even a U.S.-Israeli-Iranian attack on the Arab states of the Gulf. "The Saudis feel that for anyone to consider such a policy they would have to be mad — but they know that someone in the U.S. is indeed considering such options," he stated. "Numbers of Saudi officials, knowing that World War III would probably result from such an act, and that at least the oil fields would be destroyed, have told me, 'You know, we're not too sure of their sanity.'"

Expert Sees 'Israeli Military Operation In Persian Gulf'

The following is an assessment of the Middle East situation from a well-briefed West European expert on the Middle East.

What is being prepared now, I feel, is an Israeli military operation in the Persian Gulf. The primary scenario is an Israeli invasion of Saudi Arabia, with the U.S. interceding on the side of Saudi Arabia "against" Israel. There are variations on the basic scenario, the secondary ones involving Iraq, but the Saudi-Israel-U.S. scenarios are primary.

My assessment is based primarily on the following little-noticed fact of Israel's materiel acquisitions. Two years ago, Peres sent a weapons acquisitions team to the U.S. under the auspices of the under-publicized U.S.-Israeli Joint Weapons Commission, which purchased supersophisticated communications equipment from U.S. companies. I ask myself why a tiny little country like Israel would possibly need such sophisticated equipment, and conclude that only long-range military operations would fall under the aegis of such equipment. You should note that this equipment was one of the first sets of material actually delivered to Israel in recent shipments.

What I am saying has seemed to many an exaggeration and over-pessimistic and I myself have been inclined to think twice — until recently. Three other key factors lead me to think that I am right, no matter what others say:

1) The way the U.S. energy crisis is being handled by the current administration is one factor.

2) Israeli Chief of Staff Gur has no less than four times in recent weeks alluded to Saudi Arabia as a confrontation state against Israel, based on Saudi weapons build-up. To me this is nonsense, because the Saudis, for their own particularly paranoid reasons, are more concerned with the Shah, who is crazy, and with Iraq, which terrifies them, than with Israel. But the way it will work is that Israel will publicly made big noises about the Saudis' being the command and control center for Israel's Arab enemies, therefore necessitating Israeli operations against them. You will have, then, an Israeli strike across the Red Sea, then into the Gulf; then the U.S. will come to the rescue of the Saudis. What is then interesting is — What will the Soviets do?

3) Some leading people in Israel, and I include Peres, and some of Yadin's key backers, actually believe that there is something to be gained in fighting against the U.S. I know very well about the breakaway ally operations. Among Peres' considerations — and keep in mind that he is a total opportunist — is that if Israel were to invade Saudi Arabia, then, in a further new "settlement," the U.S. would openly accept Israel's position on the Palestine question "in return for" Israeli "concessions" in withdrawing from Saudi Arabia.

Open Letter To Shimon Peres

The following statement was released May 1, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.

The use of Israeli nuclear weapons in behalf of David Rockefeller's effort to cut off the world's Middle East petroleum supplies has the strategic logic of the French "force de frappe." It triggers virtually immediate thermonuclear war — in the course of which it is certain that two Soviet thermonuclear warheads in the five-to-

twenty-five megaton range will descend on Israel.

I shall be most blunt. This is no time to waste words or obscure clarity by observing the pleasantries of traditional diplomatic cretinism. You know that I know what you in fact represent, and you know that my knowledge is based on the very best quality of political intelligence. You also know that I have attempted to save Israel before, and that I will do so again. You also ought to know that I can not save Israel if Israel herself is determined to commit national suicide. Therefore let us

Speak plainly and publicly.

I shall therefore now summarize the situation, shall outline the scenario you must seriously consider, and shall propose to you an alternative which corresponds to the real interests of Israel.

The Situation

We in informed positions in the United States know that your government is at the moment a de facto pawn of Messers. David Rockefeller, Mr. Rockefeller's Zbigniew Brzezinski and Mr. Rockefeller's Cyrus Vance. You and I know that the Soviets know this, and regard the Israeli government of the moment as an integral sub-unit of the forces deployed by Brzezinski's U.S. National Security Council.

We both know — and we both know that the Soviets know — that your government's posture in the Middle East, like Israeli intelligence complicity in Interpol-linked terrorist and related "wetwork" operations, has nothing in fact to do with any real interest of the Israeli nation and people. Israel's government hence the nation of Israel, is in fact a captive pawn of Mr. David Rockefeller and his apparatus.

We know that the reason for the blackmailing of former Premier Rabin and the blackmailing against Abba Eban are key included features of a Rockefeller operation aimed at putting you, Moshe Dayan and others firmly in place in command, because Mr. Rockefeller's friends regard you — rightly or wrongly — as their personal puppets.

You and I know, and each knows that the other knows, that the reason for the present Middle East crisis is that the Rockefeller and allied interests are bankrupt — hopelessly bankrupt, and that for the moment a section of the House of Rothschild and its friends, financially trapped in the same financial mess as the Rockefellers, are complicit in aspects of the Rockefeller global game. (Hence, the unfortunate shift of posture of the United Kingdom's Mr. Owen on the Africa issue.)

You know that Rockefeller has a three-part game plan.

The Rockefellers and their associates have cornered a significant part of USA and other coal reserves. They have gambled on their ability to cut off a major portion of the world's petroleum supplies, thus forcing the government to pour about a trillion of dollars into the wasteful, inefficient, highly-polluting business of coal gasification.

The Rockefellers also hope to improve their position by creating raw materials shortages. Hence, those aspects of the current Africa caper. A raw materials shortage would repeat the 1973-1974 petrodollar advantage on a much-enlarged scale, especially if combined with a massive petroleum price-rise made possible by constricted supplies.

You also know that Rockefeller is committed to an immediate thermonuclear showdown with the Warsaw Pact. The objective of this — on the condition that the Soviet leadership capitulated, which it will not — is both to force the Warsaw Pact to discard its war-winning posture and capability, and to break the will of every nation in the OECD and Developing sector, thus, Rockefeller intends — as the Trilateral Commission and other Rockefeller and allied agencies have repeatedly insisted — to impose Nazi-modeled IMF austerity on the

world, to squeeze out industry, agriculture and populations, as the Nazis did at Auschwitz and similar "primitive Bauweise" establishments.

You know that the Middle East operation is under the joint direction of Zbigniew Brzezinski and James Schlesinger and that the target is the gulf.

You know this, you know that I know this, and you and I know that the Soviets know this, as do most of the informed circles in the OECD countries.

The Middle East Scenario

Let us now look once again, more closely, at the scenario into which you are threatening to launch Israeli forces.

The planned scenario is, as we have all known since late 1974 and early 1975, that Israeli is to launch a "theater-limited nuclear-tinged" attack according to the political mode specified by the Rand Corporation's "breakaway ally" scenario. Although the operation is scheduled to be under the direct control of Zbigniew Brzezinski et al., the White House, the major news services, and your government will maintain the pretense — with suitable gestures to aid this thin deception — that Israel has acted contrary to the will of the U.S. government.

This arrangement is supposed to give Mr. Rockefeller's associates a variety of diplomatic strategic options vis-a-vis the Warsaw Pact command, and to manipulate the U.S. Congress.

Since you, Moshe Dayan and other relevant Israeli military officials are not fools in military matters — unlike the Vichyite strata among French officers — you know what must happen to Israel if Israel uses a single nuclear warhead against Arab nations with which the Soviets have certain agreements. Therefore, you would not tolerate the adventure being proposed unless you had been duped into believing that the Soviet response is somewhat inoperative.

Therefore, your behavior crucially demonstrates that you are operating upon Rockefeller and allied assurances to the effect that Mr. Rockefeller's Mr. Richard Barnet and certain Vienna-linked conduits have an official control within the Soviet-Warsaw Pact command. On this point, it must have occurred to you — if not, I suggest you consult with Mr. Abba Eban on this matter — that David Rockefeller is psychologically unstable, and that Messers. Brzezinski, Schlesinger and Cyrus Vance are in effect clinically insane. Are you willing to stake the existence of Israel on the obsessive wishful delusions of such bankrupt bankers and their adlebrained *Heinzelmaennchen*?

Consider a few military facts known to you.

First, although the United States' military forces have the capability of delivering a hideous penalty against the Warsaw Pact (between 20 and 30 percent of the Soviet population casualties), the United States does not have a war-winning capability against the Warsaw Pact. As the sick Mr. Schlesinger has stated the point, among others, Rockefeller strategic policy is based on bluff — the so-called "aura of power." Moreover the facts are so well-known that the Soviets know that the matter is a bluff.

Second, on the Warsaw Pact side, there is a marginal general-war-winning capability. This is only marginal, but represents a force that will be used whenever a

threat to vital Warsaw Pact strategic interests exceeds the threshold represented by the penalty. I am certain you agree, contrary to the lunatic strategic "utopians" of the U.S. A. and the French Vichyte, there is no such entity as an absolute deterrent, but only a balance of thresholds against vital strategic interests.

In the same connection, I am certain that you and your relevant associates are professionally competent respecting the past twenty years' history of Soviet and Warsaw Pact military doctrines, posture and capabilities. I am certain that you and other relevant Israeli military specialists can project yourselves for a moment or longer into the outlook of the Soviet military command. I strongly recommend you once more look at the proposed Israeli action through those Soviet and Warsaw Pact eyes. Forget what the wishfully deluded creatures of Mr. Rockefeller tell you, throw away the Rand Corporation print-outs. *Think for a moment independently.*

Up to that point, the implications should be clear to you. Now, let us turn to the scenario determined by those and related facts. This will involve one element of method which may be unfamiliar to you — unless you have studied the published relevant writings of my associates and myself. If anything is unclear for that reason, be assured I will promptly answer any questions you put to me in that connection

If Israel launches nuclear attacks, an immediate Soviet thermonuclear attack is not probable. Rather, the following "reversed Schlesinger" scenario typifies the thrust of the pattern.

First, Israeli occupation of the Middle East, jeopardizing the gulf petroleum supplies of Western Europe, Japan, and North America, will not be tolerated. So, any effective Soviet action will operate in an environment of widespread potential sympathy.

The first condition put before you will be that Israel

must surrender and turn over responsible officials for international Nuremberg-code proceedings as war criminals. Otherwise Israeli will be destroyed.

Second, because of the qualitative strategic considerations, the Soviets could not tolerate a U.S. thermonuclear umbrella over Israel for those circumstances. If the U.S. attempted to enforce such an umbrella, World War III would erupt directly and between 160 and 180 million U.S. civilian casualties would occur during the first day. Certain U.S. military forces would continue to operate, but the United States would be "dead" as a functioning nation. Israel, of course, would be wiped out in the same action.

For the world, the best way out of the predicament would be to turn you and other responsible Israeli officials over to Nuremberg proceedings.

The Alternative

The problem is: How do we get you and Israel out of Mr. Rockefeller's hands?

What you require is support against Rockefeller, Brzezinski et al. Europe and Japan are your natural resort.

You should immediately approach a suitable figure such as President Tito of Yugoslavia to intercede.

If you block a Middle East war, the Warsaw Pact will be in Israel's debt on that account, as will Western Europe and Japan. Provided you will then agree to act toward the Arabs along the lines proposed by the Mapam and others, we can extricate Israel from this ugly mess, and proceed to attend to Israel's monetary and economic problems.

You have available to you among mature political persons in Israel's life, the resources to determine for yourself the absolute competence and propriety of both what I have said and its implications. Stand up like a man, as I have proposed, and you will have given your life a quality of meaning which will not soon be forgotten.

Israeli Gov't Readies Preemptive Nuclear Strike

Two Syrian MIG-17s flying over the Israeli-occupied Golan Heights were fired on last week, reports the Israeli military command. The incident was the first such occurrence in more than three years and is a clear statement of intent on the part of the Israeli military to launch a pre-emptive military operation against the Arab countries. Such an action would trigger an almost immediate U.S.-Soviet thermonuclear showdown.

Internally, the Israelis are preparing for war. The Carter-backed Israeli government is now in the hands of the extreme militarist forces around Moshe Dayan and Shimon Peres, now acting Prime Minister since his moderate predecessor Yitzhak Rabin was forced out of office last month. According to the April 30 *Washington Post*, Dayan is advocating that Israel deploy its nuclear arsenal. Israeli President Katzir, when asked about whether Israel would use the bomb, replied, "Let the rest of the world worry about it."

In a May 5 interview in the West German *Die Welt*,

Peres rebuffed Arab peace overtures and asserted: "The Arabs don't want peace." Peres also termed any U.S. "pressure" on Israel as "insulting and intolerable." Such talk opens the way for an Israeli military action which would appear independent of the U.S. *New Outlook*, a monthly linked to Israel's Mapam party, has warned that Israel is planning to launch a preemptive nuclear strike against the Arab states as part of a "Kissinger-style U.S. poker game with the Soviet Union."

The threats of nuclear attack follows a phony report that in 1968 a West German ship carrying 200 tons of uranium was hijacked by Israeli forces on its way to Italy. The uranium was then sent into Israel for the production of bombs at the supersecret atomic reactor in Dimona. The Dimona facility was built by the French with the assistance of CIA technicians in 1957, and is capable of producing several atomic bombs a year. Reliable sources report that Israel now possesses at least

'Any New Gov't Will Be War-Oriented'

The following is an assessment of the Israeli internal situation from a well-briefed West European expert on the Middle East.

The only way to understand the Israeli "break-away ally" scenarios is by understanding fully what is actually going on in Israel. Have no illusions about this — the situation in Israel is a pessimistic and gloomy one. Any new government, without any doubt, will be war-oriented.

First you have the Yadin phenomenon. All the dovish intonations that originally surrounded Yadin's Democratic Movement for Change have entirely dissipated. The Yadin group is now very hawkish, with the leadership composed of top generals, former heads of intelligence, very bad people like Meir Amit and Dan Tolkovsky, who is extremely hawkish. Yadin will almost inevitably play a big part in the next government. Although it is not being publicized, people in the Likud opposition bloc have been talking about making Yadin premier in a government if they form one, because Likud head Menachem Begin is sick and Ezer Weizmann doesn't have the popularity. But Weizmann, who is a super-hawk, could become defense minister in such a government. This is ominous.

The second, hardly better, but more likely

scenario for Israel involves a government of a minority Labour Party headed by Peres, with recruits from the liberal wing of Likud and from the Yadin group. Here too it is not to be excluded that Yadin will become premier.

Peres likes Yadin because he is a fellow military man, and Peres sees him as not so ambitious as Dayan. Peres himself is totally ambitious, so he would prefer Yadin to Dayan as a partner. Anyway, Dayan has lost a great deal of credibility in the past two years.

All this is tied into the way Rabin was gotten rid of. The CIA at one time or another did give money to Rabin, Eban, and others. But now, the U.S. — CIA forces to be exact — has decided to get rid of Rabin and smooth the way for the hawks.

The only hope for Israel, pre-Peres, was that some people were pushing for a dove government comprised of the center-left of the Labour Party, Mapam, the communist Party Rakah, and Shelli. Rakah would get the Arabs to back up a mass-based-type government. Rabin and the people around him would have gone for this, for opportunistic reasons of their own, and maybe this too has a bearing on why Rabin was eased out of the way.

15 deliverable nuclear bombs, and the New York *Daily News* this week warned of a possible "Nuclear Entebbe."

"Season of the Generals"

To remove all obstacles to war, the Peres faction is moving swiftly to liquidate traditional elements from both the military and the Israeli Labour Party. Last week, the Comptroller's Office issued a report attacking the Israeli army as corrupt, inefficient, and unprepared for war. Peres, formerly defense minister, used the Comptroller's report, to build a climate for war, and responded by reporting on the extent of Israel's war preparations. Since the October 1973 war, armored personnel carriers have grown 1000 percent, tanks and aircraft by 100 percent, and manpower by 40 percent, he claimed. In addition, Israel has amassed a 21-day arms stockpile, in contrast to the nine-day stockpile in 1973.

According to the French daily *Les Echos*, Israeli military analysts are worrying about an "Arab arms build-up" and the possibility that the Arabs might attempt to force an "imposed solution" to the Middle East conflict through "military action." Joseph Churba, former Middle East intelligence chief of the U.S. Air Force, bitterly attacked moderate Israeli Chief of Staff Mordechai Gur for underestimating the Arab war threat, while the *Jerusalem Post* accused Gur of being "out of step." Gur is considered close to moderate Rabin.

The continuing financial scandals centered on the

ruling Labour Party have seriously weakened the party's chances in the May 17 elections. The chief beneficiary is Gen. Yigal Yadin's Democratic Movement for Change party, a pseudo-progressive technocratic formation that last week won the support of Aharon Yariv, former Director of Israeli Intelligence from 1964 to 1972.

Possible fightback from the Rabin forces was evidenced last week when Labour Party General Secretary Meir Zarmi, a Rabin supporter, circulated a letter accusing Peres of excluding him (Zarmi) from Central Committee meetings and party gatherings.

JDLer Kahane Fomenting West Bank Riots

Arab strikes and demonstrations have broken out on the Israeli-occupied West Bank. Last week several Palestinians were killed, as curfews were clamped down on five towns. At least 66 leftists linked to Iraqi-backed organizations were arrested by Israeli police.

The riots were triggered by Jewish Defense League founder Meir Kahane, a known operative of the National Security Council who is a leading proponent of extremist demands for Israeli settlements on the West Bank. Peres is also a vocal supporter of setting up West Bank settlements.

How Israel Got The Bomb

Israel is in possession of tactical nuclear weapons and it has had such weapons since the 1966-68 period. At that time, under personal authorization from President Johnson, "very limited-range theater nuclear weapons" were conduited to Israel through U.S. bases in West Germany, according to informed sources.

This debunks the wild story put into circulation last week at the Salzburg anti-nuclear conference that the Israelis came into possession of a nuclear capability by stealing 200 tons of uranium in 1968.

According to the sources, President Johnson authorized the conduiting of the weapons to Israel under strict stipulation that they be stored in facilities jointly guarded by Israeli and U.S. agencies and that the weapons would not be used without joint approval from the Israeli government and the U.S. Pentagon. This agreement was violated during the 1967 Arab-Israeli war at which

time, in the context of an Israeli assault against an Egyptian tank unit, Israeli military officials requested the firing of tactical nuclear weapons. The purpose of the firing was to clear out the Egyptian tank unit and pave the way for a direct Israeli drive on Cairo. The terms of the U.S.-Israeli agreement were that the weapons could only be activated in the context of a total threat to the existence of the Israeli state, a situation clearly not represented by the Six Day War.

This Israeli request was picked up by monitors on the U.S.S. *Liberty*, then stationed off the coast of Israel. As a result of the intercepted transmission, Israel ordered its ships to sink the *Liberty* in an attempt to prevent the request from being transmitted back to the U.S. where steps would be taken to prevent the nuclear strike. Although the *Liberty* was hit, the message was conveyed, and the nuclear weapons were not used.

Arab, European Left Mobilize Peace Offensive

The Algerian official daily *El Moujahid* this week warned that "the total cancellation of Third World debt" is urgent to avoid nuclear war. The newspaper condemned the International Monetary Fund for its efforts to impose "dictatorships" on Third World governments to collect the debt.

The Algerians' frankness is part of a programmatic peace offensive by the Palestinian Liberation Organization, and the Mediterranean and Middle Eastern Socialist and Communist parties. The pro-Soviet alliance of Libya, Algeria and Iraq supports the effort.

Libya's President Muammar Qaddafi this week reaffirmed the need for an Arab Common Market to facilitate economic growth, a proposal simultaneously put forth by the prominent former Egyptian Communist Party member Lutfi Kholy. Libya's Foreign Minister Abdulsalam Jalloud and Algerian Prime Minister Houari Boumedienne, in talks in Algiers this week, jointly denounced "colonial and imperialist offensives in Africa" which they linked to the unravelling situation in the Mideast. A similar delcaration emerged from a meeting of a delegation of Iraq's ruling Arab Ba'ath Socialist Party with Algeria's National Liberation Front.

A joint Italian Communist (PCI)-Socialist Party (PSI) delegation met a few days ago with PLO chief Yasser Arafat and PLO Foreign Minister Farouk Kaddoumi in Beirut. Enrico Manca, a member of the PSI's directorate, underlined the crucial link between peace in the Mideast and Mediterranean development through the establishment of the new world economic order, and affirmed the European socialist movement's willingness to back the PLO's efforts to achieve a Mideast peace.

The PLO also made public, meetings it had with the

Israeli Communist Party (Rakah) in Prague in early May. It is expected that PLO representatives will meet with members of Israel's left-leaning Mapam next month during a conference in Malta on Mediterranean socialism which will also be attended by Algeria, Libya, the Cypriot Communist Party, and Yugoslavia. Mapam, a member of the Labour Party ruling alignment, has been most forthcoming in its support for a Palestinian state.

PLO's Kaddoumi Condemns U.S. Cold War Posture

"Israel will go to war on one or more of several possible pretexts," said the PLO's Foreign Minister Farouk Kaddoumi in the Lebanese *Monday Morning* magazine. "Regardless of the military strength of Israel, the fifth war will be better for the Arabs than was the fourth war because the Arabs also have friends who will supply them with the arms they need at the appropriate time. It will not be the last Middle East war, nor the next to the last."

The U.S., he said, "wants to set the continents ablaze.... Looking at recent developments in the Arab world, Asia, Africa, Europe and Latin America, we cannot conclude but that the United States has chosen to wage a new cold war." Kaddoumi demanded the immediate reconvention of the Middle East Geneva Convention.

After what the *Financial Times* termed "intensive" talks between Arafat and Saudi King Khalid and Crown Prince Fahd, in preparation for Fahd's upcoming talks with Carter on the Mideast, Arafat, accompanied by Kaddoumi, departed for Warsaw.

The PLO is also showing new signs of expanding its support for liberation movements in Latin America. In an unusual meeting recently, Arafat extended his support to the Argentine guerrilla movement, the Montoneros. Like the Third World nations of the Mideast and Africa, Argentina has also come under the destabilizing gun of Rockefeller's banks.

Egyptian Left Calls for Arab Common Market

Representatives of Egypt's left National Progressive Union and Nasserists met in Rome this week and denounced the regime of Egyptian President Anwar Sadat. Among the participants of the meeting was Lutfi Kholi, the former editor of *Al Talia*, the newspaper of the Egyptian Communist Party; Khalid Moheiddine, the chairman of the National Progressive Union (NPU); and a journalist from *Al Ahram*, Mohammed Sid Ahmed.

Moheiddine called for the creation of a front of workers, socialists, intellectuals, and the "productive" national bourgeoisie against Sadat, and announced that the NPU now has 100,000 workers. He called for closer Arab links with the Soviet Union and for the establishment of an Arab front of progressive states and parties.

Kholi warned that the current situation in the Mid-

east is growing more dangerous because the U.S. is seeking to gain direct control over the Arab oil fields in the Persian Gulf. He called for an independent Arab Common Market, "not like the fake one pushed by the USA, but a real one whose purpose would be to use revenues from oil exports for industrial development."

Syrian Communist Party Statement On Sadat

The situation on the Egyptian-Libyan border is worsening. The Egyptian authorities threaten to undertake military action against Libya, with their press and radio broadcasting false reports against Libya, its political system, its policies in the Arab world and in Africa as well as against the friends of Libya and above the Soviet Union and the Socialist community.

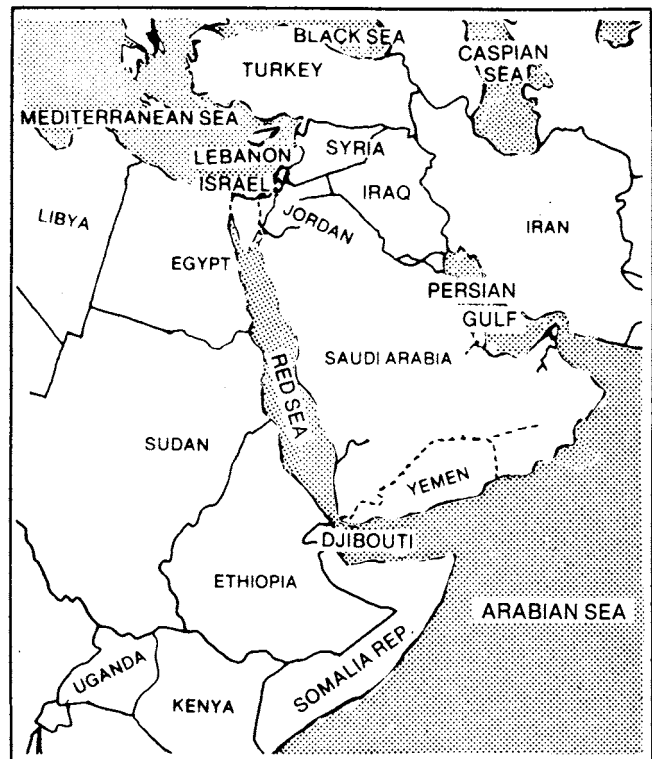
The leadership of the Communist Party of Syria condemns the efforts of the Egyptian authorities to undertake some kind of military action against Libya and calls on the governments of progressive and national liberation forces of the Arab countries to take measures without delay against the danger.

Red Sea: 'Lots Of Scenarios For War'

A possible trigger that could set off a Middle East war is the unsettled situation in and around the Red Sea and its crucial passageway, the Bab el-Mandeb straits at the mouth near the Indian Ocean. A number of sources indicated this week that should the crisis along the Red Sea reach its peak, the Arabs might be provoked into closing down the Bab el-Mandeb straits to Israeli shipping, which in turn would provide Israel with a pretext for going to war against the Arabs — including Saudi Arabia — to break the blockade. In 1967, the closing of the Straits of Tiran near Israel touched off the Six Day War and Israel's preemptive strike.

The political chances for such a scenario to occur are discussed below in a series of interview with experts on the area. It should be kept in mind, however, that there exist a number of possible variants on this basic theme. A source close to Zbigniew Brzezinski's National Security Council put it succinctly: "There are a thousand scenarios."

The central idea regarding this possibility revolves around the upcoming independence of the French colony of Djibouti, nestled between Ethiopia and Somalia near Bab el-Mandeb. Together with the unfolding civil war in the Ethiopian province of Eritrea — where nationalist guerrillas backed by Egypt and Sudan claim to be close to achieving "independence" — the Djibouti situation could provide a handle by which Brzezinski and Co. will destabilize the entire area. What provides the dangerous



aspect in the situation is that unbridled Arab nationalism, manipulated by the NSC and Interpol, could easily lead the Arabs into a foolish anti-Israeli adventure in blockading the Bab el-Mandeb.

On May 9, a referendum is scheduled to take place in Djibouti as the first stage of that territory's gaining independence from France. But the French, who have emerged as the policeman for Carter's Africa throughout the continent, have assembled a massive deployment of naval and air force units off the coast of Somalia, and have doubled the size of the French garrison in Djibouti itself from 5000 to 12,000 men. Among the French naval forces are 18 warships, including aircraft carriers, and several squadrons of Mirage jet fighters in a state of combat readiness.

'Israel Worried About Red Sea — Might Hit Saudis'

The following is an interview with John C. Campbell, the Middle East specialist at the Council on Foreign Relations in New York:

Q: Would Israel consider an attack on Saudi Arabia if the Bab el-Mandeb straits were shut down?

A: I think Israel is worried about the Red Sea. They had counted on Ethiopia as an ally, and now Ethiopia is turning to the USSR. Israel takes the area quite seriously, and if the Bab el-Mandeb straits were closed down, since there is very little that they could do about it, they might consider taking action against the Saudis and other Arabs.

Q: Is Saudi Arabia a confrontation state with Israel?

A: If somebody went to war, Israel might certainly consider Saudi Arabia as part of the war. The distance to the oil fields is quite large, but in a military showdown there is no telling what might happen.

Q: Might the U.S. back the Saudis?

A: Israel does have a problem. There would certainly be dissuasion from the U.S. if the Israelis tried moving against Saudi Arabia. The fat would really be in the fire. If we *didn't* stop them, the Saudis would probably hold us responsible. If the Israelis were threatened, they might do it anyway."

'Israel Might Just Lash Out'

The following is the evaluation of a former colonel in the U.S. Army, who now works with a private research company that does defense contract work outside Washington, D.C.:

"The Israelis could blockade the Suez Canal in response to a closing of the Bab el-Mandeb straits. They might just lash out. Assume that — and this is far-fetched — the Territory of Afars and Issas (Djibouti) becomes independent, and then Somalia, which has claims to the area, takes it over. This would worsen the Eritrean situation. If the whole thing runs into trouble then the Arabs might seek a scapegoat — Israel — for their problems, and close Bab el-Mandeb.

"Israel of course would come screaming to the United States, saying 'You gave us guarantees!' — but the U.S. would say, 'We'll think about it.' So Israel's southern access would be closed, and the other Arab states would say, 'Tsk, tsk.' This crisis could even be linked to a breakdown of the Geneva Conference.

"Israel could not do anything militarily to unblock the straits, since it doesn't have the capacity — the distance is too great. Anything can happen. You name it. It's wild!"

'That Would Mean a World War!'

A former U.S. Middle East diplomat, well briefed on the current situation in the area, gave the following interview:

Q: Could the Arabs' closing the Bab El-Mandeb straits lead Israel to attack Saudi Arabia?

A: It might. But closing the Bab el-Mandeb straits?! That would mean world war. No one can contain a Middle East war. Who could close the straits? The Arabs would never do it. They know it would mean the end of the world.

Q: But couldn't the Arabs do it anyway, not seeing the wider consequences?

A: No, no, no, no. Never. They understand the situation very well. Including the Saudis.

Senators Call For Investigation Of Carter Coverup On Vote Fraud

Testimony on the Carter Administration's proposed Universal Voter Registration Act before the Senate Rules Committee last week brought to light a suppressed Justice Department report which flatly contradicts Administration claims the bill will not lead to an increase in vote fraud. Initial attempts made by Deputy Attorney General Peter F. Flaherty to invoke executive privilege to withhold the Justice Department memo from the committee led Senators to call upon the Senate Judiciary Committee to investigate appearances of a cover-up. The entire affair has raised the spectre of Administration perjury involving both Attorney General Bell and Vice President Walter Mondale in earlier testimony before the House Administration Committee.

The Suppressed Memo

The memo which Sen. Griffin requested be released to the Senate Rules Committee was written by Craig Donsanto, in the Justice Department's Criminal Justice Division, on April 1 and was circulated in the Justice Department well in advance of Attorney General Bell's April 6 testimony before the House Administration. Bell reported, under oath, that he had no knowledge of any evidence that the enactment of the voter registration would lead to fraud. The April 1 memo clearly warns that the bill could create a "tremendous potential for fraud" and states that it would be a "dangerous relaxation of what precious few safeguards presently exist against abuse of franchise."

The memo was eventually released, only hours after Flaherty had invoked "executive privilege" and was used in the next day's hearings before the Senate Rules Committee as evidence of a danger of institutionalizing vote fraud. While Sen. Strom Thurmond (R-S.C.), member of the Senate Judiciary Committee, testified against the bill, reading from a telegram written by Thomas H. Henderson, Jr., chief of the Justice Department's public integrity section of the department's criminal division. The telegram, sent to all United States attorneys, warned that "We recognize that election-day registration may increase the opportunity for election fraud." Senator Griffin charged that the Attorney General had obviously known of the first memo when he testified before the House Committee. He further charged that as the White House had actually written the bill and yet Bell was testifying in its behalf, that serious questions are raised about the usual separation between the White House and the nation's top law enforcement agency. Sen. Allen (D-Ala.) took the attack still further, by terming the testimonies of both Flaherty and Bell as

"highly irregular" and calling for the Senate Judiciary Committee to look into the matter.

These events in the Senate have already led Rep. William Frenzl (R-Minn.), of the House Administration to hold a press conference calling upon his committee to "reconsider the bill" and withhold further action until the Justice Department answers questions that had been left open. Frenzl made the statements just one day after the House Committee had voted to recommend the bill to the full house, by a vote of 17-8. He declared that "The raising of executive privilege in the Senate Rules Committee raises questions regarding the independence of the Justice Department and the White House and indeed calls into question the openness of the White House. What appears to have been a mere blunder (by Flaherty—ed.)... is much more serious..."

Frenzl further reported the chronology of Justice Department testimony before the House Committee, where further evidence of a Justice Department stall on the question of vote fraud and its subsequent cover-up were outlined. The Congressman from Minnesota described how Bell had been "unable to answer questions" posed by the Committee regarding the bill and the possibility of it leading to fraud; Bell was told to provide the answers to those questions for the committee. According to Frenzl, that response was not made until "a month later" and only after events in the Senate committee "forced" that response to be made. This, Frenzl further reported, occurred just one day prior to the House Administration Committee's vote on the bill. He declared that since the committee "in all innocence" had voted on the bill without full information, the bill should be reconsidered pending further fact-finding work.

Both Frenzl and Griffin had additionally pointed out that yet another Justice Department memo exists which concerns the bill and both indicated that the appropriate committees must review its contents. The second memo deals with the interrelationship between the proposed Carter legislation and the Voting Rights Act.

What's Being Covered Up?

In testimony presented before the Senate Rules Committee on May 6, Jeffrey Steinberg of the U.S. Labor Party, and retired Col. Thomas McCrary representing the National Committee for Fair and Honest Elections, detailed the reasons for the Justice Department and White House cover-up concerning the memos, and called upon the committee to either defeat or table the bill until a full investigation has been made into the vote fraud

which occurred in the 1976 general elections which resulted in Carter's election. Steinberg presented his expert testimony as a chief investigator of fraud in the state of Ohio after the elections and reported that the use of "easy registration" laws had been used by the Carter campaign to wilfully change the outcome of the election. Steinberg's testimony had been preceded by that of the Ohio Assistant Secretary of State who reported that the Ohio Senate on May 5 passed an on-site registration bill; he stated that its passage would increase the "danger of fraud".

Were the Congress to undertake the measures outlined by Steinberg, Senators Griffin and Allen, and Rep.

Frenzl the magnitude of the resulting investigations would make the Watergate affair small in comparison, making impeachment proceedings virtually inevitable. The fear of many Congressmen who already have thought in terms of "watergating" the Carter Administration, that of being left with Walter Mondale as the next U.S. President is overcome by pursuing the vote fraud issue. Mondale was the prime author of the Universal Voter Registration bill and engineered the campaign to "vote early and often" on November 2; he would thus be subjected to both impeachment and criminal proceedings.

The Impeachment Of Jimmy Carter

The following statement was released May 3, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr.

Unless the Carter Administration puts across its fascist "energy policy," which is now improbable, or unless a thermonuclear showdown with the Warsaw Pact erupts this spring or summer, which is still a grave possibility, the impeachment of the Administration of Jimmy Carter should begin no later than the autumn of 1977.

Admittedly, for the moment many of the U.S. congressmen who will be pushing that impeachment would deny such a possibility at this moment. Some of those congressmen are discreetly studying the idea of impeachment. Others, especially among Democratic Party congressmen, simply have not thought through the chain of circumstances which will lead them into the pro-impeachment camp. The Congress is not prepared to begin the impeachment of the Carter Administration at this moment. Under the conditions we have indicated, it will be prepared to undertake impeachment by no later than this fall.

The past weekend's news story reporting Jimmy Carter's claim to have sighted a UFO should be seen as an advance warning of events to come. Some forces in the USA are committed to building an "Impeach Carter" movement. Others are using the growing corridor rumors about impeachment as a threat, attempting to intimidate the Carter Administration into making certain adjustments in its policies and performances. The thought of impeachment is accelerating within the USA. It has not yet reached the "threshold" at which actual impeachment efforts will be launched within the Congress.

The Geometry of the Issue

Imagine David Rockefeller's Carter Administration as like a drunken crowd of revelers driving a rattletrap automobile down a backwoods road in Georgia swamp country. As the party careens forward, mile by mile, it is approaching a place where the road suddenly drops off

into swamp quicksand. As the drive continues, the swamp is closing in on the narrowing strip of dry land on which the crooked road is located.

There is a way in which the party might avoid falling into the swamp. There is one very dangerous side road, running over a broken-down bridge. The weight of the car and its besotted passengers is more than enough to break that bridge. Below the rotting bridge is quicksand. It is barely possible that a skilled driver might negotiate that side road, and might negotiate the bridge also so as to reach the opposite side before the bridge's collapse occurs.

That side road and bridge are thermonuclear confrontation with the Warsaw Pact.

We have the following alternatives to consider. The party might get over the bridge — which is virtually an impossibility. It can run off the end of the road it is traveling, into the quicksand. That is the point it will reach no later than this fall. It might also run off the road into the swamp at the side. The driver is irresponsible, and the party is drunken. The dilapidated vehicle might lose a wheel — the maintenance is horrible — and run off the road into the swamp. The wreck they are driving might simply break down. Chase Manhattan is bankrupt and the IMF is non-functional.

That image emphasizes the point: although no exact predictions can be made, the situation itself determines a range of alternatives, a situation which is predictable as a whole in that way. Every alternative but general war brings an impeachment to the Carter Administration.

There is a formerly famous American tale, "The Deacon's One Shorse Shay, Built to Last for One Hundred Years and a Day..." That miracle of apocryphal, nineteenth century, "value analysis" methods of carriage production engineering — according to the tale — collapsed on schedule. If the deacon had been drunken, or a UFO sighter, a catastrophe might have occurred before the end of the allotted span of time. The allotted span built into the design of the Carter Administration is much, much shorter than the deacon's pride and joy. About nine months, barring earlier abortions, should deliver the U.S. from the Carter misconception.

Watergate and Cartergate

It is most useful to compare the "Watergating" of Nixon with the looming Cartergating. There are connections, parallels, and differences.

According to this writer's knowledge, the "Watergating" of Richard Nixon was projected by Rockefeller circles no later than 1970, at the time the "Pentagon Papers" hoax was cooked up. The front end of that frame-up of Nixon was conducted by the "liberal-radical" neo-Fabian apparatus of the Rockefellers and their Rothschild-linked allies, with the aid of insiders in the White House (e.g. Henry Kissinger) and other aspects of the executive branch.

Nixon was not "Watergated" so much because of anything he did after 1970, except as his administration was "profiled" and manipulated into postures and actions advantageous to the Watergaters.

In the course of this Rockefeller-linked operation against the Nixon Administration, two results were effected of decisive importance for the coming Cartergating. First, the ordering of the presidential succession was altered, and that ordering institutionalized in the course of the resignation of Vice-President Spiro Agnew and President Nixon's resignation. Second, the institutionalization of the machinery for impeaching a president in this new way, "Watergate," is today the institutionalized model by which the Congress (mainly) ousts an unwanted president. Therefore, one should think not so much of the kind of impeachment process which would have been thought of before 1972, but of some sort of "replay" of the "Watergate" process. Hence, one should think of Cartergating.

There is one other feature of the "Watergating" of Nixon which must be kept in mind. At the outset of the elaborate neo-Fabian frame up of Nixon, beginning 1970 (or, perhaps earlier), the Rockefellers and their allies knew and were dedicated to their objective. The Rockefellers and their allies wished to have Nixon out of the way, in order to make a cold coup d'etat against U.S. constitutional government — to which Nelson Rockefeller contributed his personal desire to become president.

One cannot impeach an existing government of the United States unless one is committed to the goal of establishing a replacement government of some definite character and policy objectives. That was the neo-Fabians' advantage over the conservative ("Whig") alliance behind the Nixon Administration. The conservatives resorted, from 1968 onwards, to defensive, parliamentary tactical countermaneuvers — a "Maginot" policy, rather than sighting enemy vulnerable strategic targets and going for them with a counteroffensive. Rockefeller was willing to wipe out the "Whigs," but the Whigs were unwilling to go beyond a few forays against Rockefeller's neo-Fabian auxiliaries, refusing to counterattack against Rockefeller itself.

This latter point is crucial to understanding the element of time in the Cartergating process. What causes the American "Whig" coalition to hesitate to assemble itself and act is the lack of agreement on positive alternatives. They have not agreed upon a leadership. They have not agreed yet upon the ABCs of a program. That deficiency will need a process, probably over

months, before the majority of the electorate is assembled into a striking force to effect the Cartergating and install a new executive.

The difference between "Watergate" and Cartergating is that President Nixon was set up to be ousted. The Carter Administration itself has already provided the necessary grounds for its impeachment.

In reality, Jimmy Carter himself will be impeached because of the American electorate's perception of Carter's psychological history and condition. The Carter Administration — as distinct from Jimmy Carter as such — will be impeached because it is worse than incompetent in dealing with the present world depression. These issues may not figure prominently in the formalities of the Cartergating proceedings, but they will be

"The question isn't so much if Carter should be impeached — but when and how he should be impeached..."

— Aide to a leading Eastern Democratic Congressman

the key issues in the minds of the electorate out in the streets.

The electorate will approach the Cartergating in this way. They will say, "we wish to be rid of Jimmy Carter and the Carter Administration. What are proper, legal grounds for accomplishing this?" There are ample legal grounds for impeaching the Carter Administration. Those legal grounds will be pursued because the leading industrialist, trade union, and allied forces representing a majority of the electorate wish to be rid of the Administration.

The LaRouche Candidacy

At the moment — apart from certain leading figures in the U.S. Congress — there are the following mentionable candidates for the president to serve out the 1978-1980 remainder of Jimmy Carter's term. Conservative Republican Ronald Reagan, former Defense Secretary Donald Rumsfeld, this writer — and, former President Gerald Ford. Former President Nixon will also be a factor in the situation, although not a candidate. It will be the growing discussion of the LaRouche candidacy which will shape the Cartergating process as a whole.

The Cartergating will be based on an "American Whig" coalition of the following elements. Sociologically, it will be composed of industrialists, trade union forces, farmers, and scientific and engineering professionals, with a certain section of the U.S. banking community included. In terms of political parties, it will include the majority of Republicans, conservative ("Whig") Democrats, a majority of independent conservatives, and the U.S. Labor Party.

The program of this American Whig coalition will be 1) the U.S. Labor Party's energy program. (2) (At least in essentials) the U.S. Labor Party's Third National Bank and related economic and financial reforms. (3) Restoration of constitutional republicanism according to the intent of the U.S. Constitution as defined during the American Revolution over the 1763-1828 period. (4) A U.S. foreign policy based fundamentally on U.S. self-

“When you see a duck and you see the eggs, you can assume the duck laid the eggs.”

— a far west Republican Senator on the relationship between the Carter Administration and the Middle East war threat

interests as a major technological power in global industrial progress.

Among the conservatives generally, the question will be posed: “How can we obtain the benefits of a LaRouche presidency without LaRouche as President?” Ronald Reagan and Donald Rumsfeld will come prominently into view as the two foremost alternatives outside the Congress. If the Whig Democrats and trade unions “buy” Reagan, the effort would be made to build a U.S. Labor Party program around a Reagan presidency. For reasons obvious to U.S. insiders, Donald Rumsfeld is more easily “sold” to trade unionists and Whig Democrats than Ronald Reagan — fewer old issues to fight out. However, if Reagan were significant and prominent in ridding California of Governor “Zen Buddhist” Brown, Reagan would have a bit of a political steamroller in his favor.

For various reasons, some will still think of President Ford. Most notably, development of the facts of the massive 1976 vote fraud — showing Ford the legitimate winner — coincides with the fact that very few people dislike Gerry Ford.

As the pattern of the recent Pittsburgh conference held by the Fusion Energy Foundation and others shows, the LaRouche candidacy is being kept below the threshold of broader public attention so far by a massive arm-twisting and outright blackmailing campaign against industrialists, trade unionists and others. Once the Rockefeller machine's ability to terrorize is reduced, the LaRouche candidacy will begin to come very much into the open.

The Carter people deployed around Pittsburgh were most conscious of this, denouncing the Pittsburgh conference — among other things — as an effort to launch the impeachment of Carter. Although that was not the goal of the Pittsburgh conference, the Carter people's obsession with their fear of a developing LaRouche candidacy showed in their exhibited paranoia concerning the Pittsburgh affair.

In any case, small but increasing numbers of informed persons within the U.S. are thinking of LaRouche as U.S. president for 1978, 1981, or 1985, or at least the stalking horse for whoever becomes president on those occasions. For the present, a growing number of people are pronouncing a LaRouche presidency as “unthinkable.” They find it necessary to assert that more frequently.

What weighs increasingly on the minds of those thinking things through is not whether they would give the U.S. presidency to LaRouche, but whether they can reach their U.S. policy objectives without LaRouche. The Nixon and Ford cases are on some minds in this connection. Nixon blundered and Ford capitulated under circumstances in which LaRouche would have massively counterattacked. An army must sometimes choose between a leader it personally prefers and a leader who will give them victory. They are afraid that Reagan lacks certain of the qualities needed and might be manipulated into tactical and strategic errors as Nixon and Ford were. That consideration is the basis for Donald “Halowe'en Massacre” Rumsfeld's attractiveness to some.

For the moment, the growing idea of the LaRouche candidacy is itself the stalking horse for whoever becomes president in fact in 1978. How this process will unfold remains to be seen.

What American Whigs would find most agreeable is a new global arrangement in which LaRouche heads up a new international monetary system and some less frightening figure occupies the U.S. presidency.

If the International Development Bank were under the direction of a political-policy-making team of persons such as Mexico's Luis Echeverría, LaRouche, and perhaps Hungary's Fekete, with a strong team of professional bankers, scientists and engineers staffing the bank's operations, the alternate American Whig in the White House would view himself as having the best of alternative possibilities.

Such matters will develop as they develop.

In the meantime, provided we contain the Middle East problem and neutralize the Africa mess, Carter's side-road to global hell is cut off, and the Cartergating will then proceed painfully but agreeably in effect. Under those circumstances, whichever American Whig occupies the White House next year, the world will be safe, and we shall get out of the present damned world depression.

U.S. Press On Carter's 'Imperial Presidency'

Chicago Tribune, May 4, "Earl Butz Blasts Carter Energy Plan":

Former Secretary of Agriculture Earl Butz charged Tuesday (before the National Liquid Petroleum Gas Association convention meeting in Chicago -ed.) that President Carter's energy proposals threaten to transform the United States into a 'no growth' society.

'It is true that we need to conserve energy as the President says,' Butz said. 'But we also need government policies that encourage exploration for and drilling of, new sources of oil.'

'Carter talks a lot about the need to conserve, but I wish he also talked about making it profitable to seek new oil sources and sink new wells.'

'One way Carter could encourage exploration of new energy sources, is to put a 'halter' on the Environmental Protection Agency (EPA).'

'We shouldn't have to spend ten years preparing environmental impact statements before turning a shovel,' he said. 'We don't need the EPA to regulate us.'

Chicago Tribune, May 4, "Warn Atom Fuel Limit May Hurt Energy Supply":

'The United States may sacrifice energy resources in vain if it follows President Carter's policy and limits production of bomb-grade nuclear fuel,' a U.S. industry spokesman (Edwin Wiggins, senior vice president, Atomic Industrial Forum -ed.) said Tuesday (at the Salzburg, Austria International Atomic Energy Agency conference on nuclear fuel cycles -ed.).

Wiggins challenged Carter's policy... 'The President appears to be asking the United States to forego an essential element of its energy future in an effort to influence other countries to take comparable initiatives,' Wiggins said.

'Since we have no reason to believe that other countries will be persuaded that these are logical steps toward halting the spread of nuclear weapons, it leaves us with no other conclusion than that our domestic sacrifice will be for naught.'

Chicago Tribune, May 3, "Mr. Carter, Meet Congress," by nationally syndicated columnist, Father Andrew Greeley:

It might be a good idea if Jimmy Carter read the Federalist Papers. The United States of America is governed by three institutions, not just the President... I can see little difference between the Nixon imperial presidency, in which the president tried to govern without Congress, and the present one... You accomplish change in this country not by opinion polls but by getting legislation through Congress.

President Carter does not seem to realize this elementary fact. Nor does he seem to have grasped that Congress was elected by the people, too. Indeed, most of its members were elected by far more votes in their own districts than he was...

Congress is not the Georgia state legislature. The

bizarre notion that he can force Congress into cooperation by appealing 'over their heads' to the people merely demonstrates Carter's ignorance of American Constitutional history and political reality...

(Carter's) tax program is already in trouble. His energy and anti-inflation programs are going to be torn apart. The men whose help he needs most are spoiling for the chance to cut him down to his constitutional size. They do not like him; they do not trust him; they think he and his staff are inept, if not downright dumb...

We are in for four more hard years. The American people don't deserve it.

Detroit News, May 3, "Disputed Data May Peril Carter Energy Program":

The Carter Administration could be in danger of turning off the public... by basing its program on figures that are being criticized as exaggerations or falsehoods.

This is the feeling of dozens of environmentalists, scientist, industry officials, Congressmen and federal energy personnel — experts as well as politicians — surveyed last week.

...The President's Council of Economic Advisers, White House sources say, also was puzzled at Mr. Carter's assertion in his April 18 fireside chat that, 'Unless we act, we will spend more than \$550 billion for imported oil by 1985...'

'We've asked the White House for data to back up that figure,' said a member of the Senate Energy Committee, 'but so far we've had no response.'

'It's an incredible figure — particularly when you consider that it's about 20 percent more than the current federal budget, and the nation imports only about \$40 billion worth of oil right now.'

... 'Speculation as to the Administration's motivation probably is pointless,' said Rep. John Dingell (D-Trenton, Mich), chairman of the House Energy and Power Subcommittee, which will consider part of the energy package. 'We've requested the pertinent information needed to make an intelligent judgement from them repeatedly and repeatedly we've been stonewalled.'

'The Administration has dangerously over-estimated uranium reserves and under-estimated oil and natural gas reserves, in an attempt to hard-sell its energy package,' said Rep. Mike McCormack (D-Wash), chairman of the House Energy Research Subcommittee.

Los Angeles Herald-Examiner, May 3, "Carter Energy Program Is A Flop":

Most of the reaction so far to Carter's energy program resembles an elaborate modern version of the minuet, with great courtly and formal gestures considered necessary by all the participants...

The trouble with this kind of obeisance is that it might lead the casual observer to conclude that the U.S. finally does have the beginnings of a sensible national energy

policy — whereas in reality, the emperor is still stark, shivering naked.

...The program is an active disaster when it comes to the genuinely central task of increasing U.S. energy supplies...In reality, Carter's program will discourage energy exploration, retard energy development, and foster the very energy shortages he decries.

Chicago Daily News, May 2, editorial, "Not-So-Ingenuous Yankee":

The very roots of (American) ingenuity (its research scientists, inventors and engineers -ed.) ...are withering for lack of nourishment...In blunting its technological edge, Americans may lose something else: a robust future...Even if problems facing today's society are solved, tomorrow's problems will be festering beyond the ability of today's technology to cure them. That cure will depend on the technology of tomorrow, which depends on the research and development of today.

New York Post, April 30 "An Energetic Dissent," by nationally syndicated columnist Joseph Kraft:

Precisely because he says out loud what other people only think...Gov. Edwards (D-La) is worth listening to on the subject of President Carter's energy package. He doesn't pay lip service to the package as many officials and executives in this part of the world do...On the contrary, Edwards is an energy dissident, opposed to the package in root and branch...

Edwards points out that the Carter package has no incentives for nuclear power, and that many plants are now tied up in litigation by environmentalists...Edwards claims companies will not invest millions of dollars in opening new coal mines when the stuff can't be burned because of rigorous clean air standards. He asserts that strip mining restrictions pose a big obstacle against development of Western coal.

Edwards is not prepared to let his state 'be drained' of its energy resources because other states refuse to accept offshore drilling or strip mining or nuclear plants... 'That may sound provincial to you,' he said. 'But we'll rejoin the Union when New York does, and California and West Virginia.'

I hope Gov. Edwards is not right on the energy question. But his view...express the price we may have to pay if the Carter program cannot be made to work.

Detroit News, April 29, "Flaws Seen Lurking in Energy Plan," by nationally syndicated columnist J.F. terHorst:

To my knowledge, the President has not publicly identified Roger Williams and Martin Luther as two of his principle advisers on energy policy. Surely, that is merely an oversight, because there is much more theology than geology in his national plan for conserving oil and gas.

Well, the profligacy of man is a sin of the flesh, and as recognizable in the Baptist traditions of Jimmy Carter as in the Lutheran background of Schlesinger. And sin, when not repented, cannot be condoned.

From that shared premise, it was only a logical hop to the central doctrine of what now stands as Carter-Schlesinger energy policy. If Americans will not turn

away from the sin of gasoline waste, then as surely as crime must have its punishment, the President will tax the hell out of them...

If the President is serious about saving us from energy perdition why did he reject...a booster for public transportation...? On this as on other points, we have heard the President's trumpet but we are uncertain about the call.

Kansas City Star, April 28, "Carter Foe Discounts Energy Crisis":

There is no energy shortage as set forth by President Carter, Leo Scanlon, a worker for the U.S. Labor Party, said in an interview...

The U.S. Labor Party came to national attention last year on the eve of the general election when its chairman and presidential candidate, Lyndon H. LaRouche, Jr., bought a half hour of prime time television and castigated Carter, predicting among other things, a nuclear war within six months if he (Carter) were elected.

'There are adequate supplies of fossil fuels...and nuclear energy,' said Scanlon. 'The shortage Carter talks about means the shortage of available reserves, not known reserves. Turning reserves into available reserves is a matter of technology.'

'Instead of conserving energy, we should have a crash program to develop high temperature technology and nuclear fission and fusion,' he said.

The Carter Administration has halted...the development of breeder reactors as a possible source for generating energy.

'Carter's policy...is a financial policy. The guts of that policy is to enforce domestic austerity...It's a way of stabilizing the lower Manhattan banks like Chase Manhattan, which are technically bankrupt and need bailing out.'

'It is similar to Hitler's (policy in) Germany in the 1930s, which was deindustrialized and labor intensive to prop up the debt...'

Scanlon said expressed fears that terrorists could steal nuclear fuels or wastes and build a bomb were a 'hoax.'

Charlotte Observer, April 28, editorial titled, "Palace Guard; Is Carter Now Isolated?":

White House press secretary Jody Powell's behavior these days reminds us of some of those white folks who, during the early days of the civil rights movement, would attempt to convince reporters that everything was just fine, just fine. To prove their point they would ask some poor black if everything wasn't just fine, just fine. Yes sir boss, sure is.

...We hope both the President and his press secretary will do some serious thinking about the direction of the Carter White House. Mr. Carter has some tendency toward arrogance and self-righteousness, qualities not unknown in previous Administrations. But Mr. Powell's irreverent humor had tended to ease that. Now, however, he is sounding rather like the latest version of a palace guard. The guard and the guarded ought to take seriously what other White House folk...are saying (about Carter's self-consoling isolation).

Pittsburgh Press, April 22, "Pro-Nuclear Groups Hit Carter Plan":

Two pro-nuclear groups have taken bitter exception to President Carter's energy plan.

Dr. Morris Levitt, national director of the Fusion Energy Foundation, termed the Carter policy, 'The first step toward deindustrialization of the United States.'

And the Concerned Citizens for the Nuclear Breeder stated flatly that 'The cancellation of the breeder reactor development program proposed by the President will have a disastrous effect on our country's future energy supply.'

Levitt, in Pittsburgh yesterday to promote an energy and technological development conference at the William Penn Hotel next Friday, also stated: 'We can have as much energy, at reasonable prices, that we need if we are willing to develop the technology.'

By banning the use of plutonium, Mr. Carter has

knocked out 99 percent of the available nuclear power, Levitt said. And the President has refused to recognize fusion energy as the power of the future despite being advised of very recent fusion research breakthroughs, Levitt charged. 'The President cannot be unaware of testimony before Congress that we are now at a 'break-even' point in fusion research,' he said.

...Levitt described the Fusion Energy Foundation as a 'high technology think-tank for the pro-fusion development segment of our society.' The concerned citizens group is a 'community group of people within the nuclear industry and others supporting nuclear development,' according to its president, Thomas Galioto, a Westinghouse employee.

... 'Development of a commercial U.S. breeder industry will in no way increase nuclear proliferation,' Galioto said. 'Carter is using the breeder reactor as a political football at the expense of our country's future.'

Nixon Lifts The Watergate Albatross Off Conservatives

Richard M. Nixon dished out more than he took in his nationally-televised May 4 confrontation with interrogator David Frost, once and for all lifting the Watergate albatross off the necks of American conservatives.

The show attracted 57.2 million viewers, an historic record for a TV interview. The filmed interview was carried by the Westinghouse Broadcasting Corporation, having been rejected by the financier-controlled networks, CBS, NBC and ABC.

The former president's reemergence onto the national political scene through the interview elicited cries of alarm from the New York financier-controlled press such as the *New York Times* and the *Washington Post*. Nixon's successful appearance has only served to force the impression of the weakness of the Carter Administration and its Trilateral Commission backers.

CBS' judgment on the interview was expressed frankly: "Frost was like a weak softball pitcher who kept lobbing pitches to Nixon who kept batting them out of the ballpark for a home run."

In the course of the interview, Nixon did manage to drop some political bombshells. For the first time, he let out his knowledge that "there may have been a conspiracy to get me," describing the months of Watergate as "a five-front war with a fifth column." While not making himself perfectly clear, Nixon did directly allude to "some Republican, some Democratic circles," and to "CIA shenanigans" which "haven't yet been told" — all part of the conspiracy. Informed circles recognize these statements as references to the Rockefeller private political intelligence networks inside the major political parties, the intelligence community proper, and the Nixon Administration itself (i.e., Nixon's Secretary of State Kissinger, adviser Alexander Haig, et al.).

Nixon's comeback to the position of at least a factor in

American politics comes in the context of a general political shift which finds traditionalist-conservative forces, including "the Nixon faction," increasingly confident and active. Nixon's and Ford's former Secretary of the Treasury, William Simon, went public in the past week to endorse fusion power against the Carter Administration's no-nuclear energy program. Early this week, former Vice President Spiro Agnew, himself an apparently finished Watergate victim, issued a public statement saying, "I've got information that will allow me to be elected to public office in the future." By contrast, Vice President Walter Mondale was forced into making a public apology to Gerald Ford for demanding that Ford quit criticizing Jimmy Carter's economic program.

A Trick That Didn't Work

The Trilateral Commission expected that in an interview Nixon would come off as badly as he had during his last weeks in the White House. In March, David Frost and his research assistant, James Reston, Jr., of the *New York Times*, were given the green light by the Rockefeller circles to film an interrogation of the ex-president, in the full expectation that the well-profiled "broken man" would be finished off, and thereby contribute to the consolidation of the fraudulent Carter presidency.

But Nixon refused as he put it "to grovel." Seizing the initiative from his startled inquisitor, Nixon not only deftly demonstrated that the Watergate charges brought against him were half-truths and fictions, but (correctly) insisted repeatedly that his single serious failing was not to have contained and destroyed the political opponents of his presidency for the overriding good of the country.

Nixon also got in some cracks at the expense of the

Rockefeller puppet Carter, citing his own accomplishments even during the "Watergate period," and fresh détente initiatives with the Soviets, including "the first breakthrough in moving toward, not love, but at least not war in the Mideast."

The Trilateral Commission was left with a scheduled film interview damaging to their factional position. When Westinghouse, representative of industrial layers, decided to go with the interview, the Rockefeller crowd began to behave like cornered rats trained to push a "Watergate lever" to obtain sustenance. Suddenly, front-page banner headline stories appeared in the *New York*

Times and *Washington Post* ("leaks" from Reston, Jr.) screaming tales of "New Tapes" and "Nixon Linked to Watergate Scheme." Readers were told "Nixon Pockets One Million in TV Deal," and *Times* reporter Anthony Lewis led a pack of personal characterizations of the ex-president as "that dreadful creature."

Most humorous of all was the skewed judgment rendered by psychiatrist David Abrahamsen, politely referred to as the author of a 'psychological study' of Nixon, who proclaimed that the interviews represented proof that Nixon was plotting to takeover the American presidency and establish a dictatorship.

Senators Grill Schlesinger On Energy; Congress Slaps Carter Domestic Policy

At hearings of the Senate Energy Committee May 3, Republican Senator Harrison Schmitt bluntly told presidential energy advisor James Schlesinger that the Administration's energy program "reminds me of the old fairy tale about the emperor's new clothes." Charging that the Carter-Schlesinger program is based on "wishful thinking" and incompetent science, the New Mexico Senator, a former astronaut, declared, "We're an energy growth economy, always have been and always will be."

Schlesinger's repeated attempts to rebut Schmitt's pointed criticisms were silenced as Schmitt interjected, "You're wrong from any scientific standpoint." Torpedoing the Ford Foundation-authored myth that conservation must be the primary feature of a comprehensive energy plan, Schmitt scored the Administration's view that the nation's research and development capability can have little or no effect on solving the energy crisis, when in fact fusion power development offers unlimited energy supplies.

The rough handling that Schlesinger suffered from Schmitt and other Energy Committee members in yesterday's confrontation is characteristic of growing Congressional stubbornness toward the entire range of Jimmy Carter's policies. Last week both House and Senate rejected the Administration's budget for fiscal '78. Then May 2 the House Appropriations Subcommittee on Public Works voted unanimously to reinstate 17 out of 18 water projects the President had demanded be cut earlier this year. Smarting from these Congressional blows, Carter told newsmen May 4, "I intend to press curtailment of such water projects until the last vote. I am very determined to carry forward the proposals I have made to Congress." Of his current relationship with Congress, Carter said, "The sleeves are rolled up and the gloves are off."

Criticism Mounts

Carter's threat served only to encourage further Congressional resistance. On May 4 the Senate Rules Committee forced an Administration spokesman to admit

that the President's electoral reform package would increase vote fraud. The same day, the Senate Agriculture Committee gave final approval to agricultural price supports, which were substantially higher than the Administration's proposals. An Agriculture Department official publicly speculated that the White House may veto the legislation.

Carter also came under fire in Congress for his welfare reform package, with both Democrats and Republicans charging that no systematic and equitable overhaul of the welfare system could be accomplished with Carter's pledge that it would entail "no higher initial cost than the present system." Without facing up to higher costs, said Rep. Graddison (R-Ohio), "I don't see how we're going to build up the support we need." Rep. Charles Rangel (D-NY) charged, "It now seems clear that the needs of the poor are not a clear priority of this administration." A key feature of Carter's scheme to "hold down costs" is the establishment of forced work projects for the able-bodied unemployed, a work or starve alternative, opposed by pro-growth advocates of both major parties.

The across-the-board rout of Carter's credibility in Congress prompted both the *Washington Post* and the *New York Times* to rush to the President's defense with hysterical condemnations of the Congressional leadership. The *Post* charged May 3 that Senate Finance chairman Russell Long (D-La) is like an airport traffic controller who refuses to allow Carter's legislative proposals to land in Congress, while the *Times* accused House Majority Leader Jim Wright of listening to his constituents, "behaving more like the Congressman from Fort Worth than his party's floor leader."

"The Trouble with Democracies"

At his Senate appearance May 4, Schlesinger inadvertently fueled Congressional ire by highhandedly predicting a depression crisis "akin to the 1930s" within 10 years if Carter's energy program is not quickly made law. Schlesinger began his testimony with a quotation from former British Prime Minister Winston Churchill:

"Make no small plans. They hold no magic for the souls of men." Schlesinger continued, "And another British Prime Minister, also of the 1930s, once said that 'the trouble with democracies is that they will not recognize the truth of a situation until they are right up against it.'" (Schlesinger was quoting Neville Chamberlain, who is most famous for his "policy of appeasement" toward Hitler.)

Other members of the Committee joined Schmitt in taking issue with every aspect of the energy plan: the stand-by gas tax; the impossibility of coal conversion given strict environmental standards and the exorbitant costs of capital formation; the emphasis on conservation rather than incentives for oil and natural gas production. Queried repeatedly on the Administration's failure to invest in fusion power, Schlesinger replied, "We're giving it \$600 million a year. We won't have it for 40 or 50 years. (Fusion researchers project a 1980s timetable — ed) At \$600 million a year, that's a substantial investment."

The same day, the Congressional Record was filled with anti-Carter attacks by U.S. Representatives. Illinois Reps. Derwinski (D) and Crane (R) both charged that the Administration's estimates of dwindling natural gas supplies are false, noting ERDA assessments of a 1,001 years' supply of natural gas waiting to be tapped. Rep. William Whitehurst (R-Va) inserted projections of a 500-year supply of oil prepared by the Superior Oil Company, while Rep. Olin Teague (D-Tex) described Carter's nuclear non-proliferation policy as a study in "how not to end nuclear proliferation."

Rep. Steve Syms (R-Id) compared the irrational fears which Carter has raised about the development of nuclear power to the benighted prejudices of the Middle Ages, when men maintained the world was flat even after Columbus proved it round by the discovery of America. If the nation follows Carter's course, Syms con-

tinued, the U.S. will plunge into a "Dark Ages" like that which overtook medieval Europe as a result of such superstitions. Failure to develop nuclear power will spell the end of civilization, he warned.

A Naked Imperial Presidency?

"Carter's Energy Program A Flop" the Los Angeles *Herald Examiner* concluded yesterday. Reaction to the plan "resembles an elaborate modern version of the minuet, with great courtly and formal gestures," the Op-Ed said, but "in reality the emperor is still stark, shivering naked." From the industrial heartland, a column in yesterday's *Chicago Tribune* commented, "It might be a good idea if Jimmy Carter read the *Federalist Papers*." Instead of conducting a "Nixon imperial presidency," Carter might learn that "you accomplish change in this country not by public opinion polls but by getting legislation through Congress." The newspaper added suggestively, "We are in for four more hard years. The American people don't deserve it."

CORRECTION

In the *Executive Intelligence Review* No. 18, of May 3, 1977, the Allegheny Electric Cooperative and the Pennsylvania Rural Electric Association were erroneously included among the sponsors of conference on Energy and Technological Development held in Pittsburgh, Pa. who declared the meeting an "extraordinary success." By the day of the conference, in fact, the only sponsors were the initiating organizations, the Fusion Energy Foundation and the Three Rivers Coalition for Science and Industry. The other two groups were not present at the event, which took place on April 28.

White House Worried By Fusion Foundation Lawsuit

The Carter Administration indicted itself before a court of law in Pittsburgh, Pa. May 4, during a hearing on a civil suit brought by the Fusion Energy Foundation against presidential energy advisor James Schlesinger and the FBI. The suit charges harassment and sabotage of an April 29 conference on Energy and Technological Development in Pittsburgh which the FEF cosponsored with several other organizations. Attempting to use the court to cover up its illegal activities against the FEF and its supporters, the government compounded its problems by refusing to agree to a consent order to prevent harassment against the organization.

Federal Judge William Knox was amazed at the U.S. Attorney's refusal to cooperate, since the consent order would include no statement or implication of FBI wrongdoing. "What has the Bureau got to worry about?" Knox asked.

The FEF is presently seeking an injunction against

White House-FBI harassment of upcoming energy conferences in New York and Chicago, as well as substantial monetary damages. On April 29 Judge Knox granted the FEF a temporary restraining order barring further FBI activities against the Pittsburgh conference.

"I'm not sure the government appreciates the full importance of this case," the judge told U.S. Attorney Barr at the May 4 hearing.

FBI Argues Its Rights

Barr argued that the FBI has every right to investigate the FEF given what he called its "personnel overlap" with the U.S. Labor Party and the National Caucus of Labor Committees — two groups already under Bureau investigation. The Labor Party was acting through the FEF, Barr maintained, to "harass" the FBI with this legal action. Judge Knox incredulously asked how Barr could maintain on the one hand that the FBI is an "inno-

cent victim fallen prey to harassment by the FEF and U.S. Labor Party, and on the other hand that those same two organizations were the target of FBI investigation.

After Judge Knox listened to a repetitive government cross-examination of FEF director Dr. Morris Levitt on the connections between the three organizations, he commented, "It seems that the FBI is so eager to investigate the FEF that it has taken advantage of courtroom proceedings to pursue its investigation. After a day of hearings dominated by government-initiated back-and-forth, Judge Knox had to delineate rules of evidence from the bench to allow FEF witnesses to present their case.

In several hours of testimony, Dr. Levitt established the scientific credibility of the FEF, discussing its publications, conferences, and tours by energy experts. Levitt then described the contents of the FBI's 1976 operation against the FEF's first major conference and its supporters. The documents released through the Freedom of Information Act, Dr. Levitt said, showed that, for example, the FBI contacted a member of Commonwealth Edison in Chicago who later did not attend the conference after he had spoken to the FBI. The FBI also sabotaged for a full year the publication of the FEF-sponsored International Journal on Fusion Energy by disseminating slanders on the Foundation.

Next, Pittsburgh FEF coordinator Scott Brody testi-

fied about his personal knowledge of the "daisy chain"-like dropout rate of confirmed conference participants who cancelled their commitments immediately before the conference was to begin. Eleven out of 14 participants finally dropped out of the conference, and since that time, Mr. Brody said, he had been unable to communicate with these individuals.

Following the Levitt-Brody testimony, U.S. Attorney Barr moved to quash the FEF subpoena of Pittsburgh FBI agent Bill Martin, the local coordinator of the operation against the FEF acting on orders from Schlesinger and FBI headquarters in Washington.

Nevertheless it appears likely that Martin will be called to testify. Judge Knox informed Barr of the questions the FEF, and the court, will pose for Martin. They include Martin's personal knowledge of and activities around the FEF and the Pittsburgh conference, Martin's personal knowledge of other agents' activities around the Pittsburgh conference, and his personal knowledge of orders received from Washington on such activities.

After hearing the government's argument for dismissal, Judge Knox ruled further hearings and decisions on all motions for May 17. Until that time, the judge instructed, the government must "keep on its toes," implying that further FBI harassment of upcoming FEF events will do serious damages to the government's case.

Schlesinger Plan Disliked By Americans, Says Italian Pro-Gov't Paper

The following article by Ugo Gaudenzi appeared May 1 in the evening newspaper of the industrialists' Il Fiorino, which is widely regarded as expressing the views of the Andreotti government. The article refers to memorial resolutions for the development of nuclear fission power, but it is actually fusion which is meant, with the exception of Pennsylvania's resolution which calls for the development of the fast breeder and fusion.

The tug-of-war between the Carter Administration and the vast area of American public opinion continues to be strongly critical with respect to the Schlesinger energy policy. An opinion poll carried out by the *New York Times* and CBS-TV network has ascertained Carter's popularity has dropped eight points in the first 100 days of his Administration. When inaugurated the poll showed 72 percent favorable response; today it is at 64.

Besides this, yesterday at Pittsburgh a well-attended first conference on the energy alternative, promoted by the Fusion Energy Foundation, took place despite hard pressures to sabotage the event. Pittsburgh, the capital of Pennsylvania steel, therefore became the dynamo of opposition to the Carter program of containment of nuclear development.

Already on April 26 the Pennsylvania House of

Representatives, on the basis of a proposal by the Democratic Rep, Ivan Itkin, voted on a favorable resolution for the development of nuclear fission power. To date there are five states in the USA who have expressed their disapproval of the Schlesinger plan — which is already contested in Europe at the European Economic Community level by professionals — technicians and scientists of the nuclear sector. Among these, Pennsylvania and Illinois have requested the Congress to ratify an alternative energy policy which hypothesizes the development of energy through a system of nuclear fission — a method which was condemned by Carter on April 20.

The Pittsburgh conference, which was attended by independent American organizations, besides pointing to the development of the present systems of nuclear reactions as the only way to expansion of the energy capacity, denounced the counteroffensive launched in the past few days by the supporters of the Schlesinger plan in order to block technical and political criticisms of the government program.

In particular, James Schlesinger called for a series of "mini-seminars" organized by ecologist Barry Commoner and Weinstein, a member of his staff, linked to the American Jewish Committee and engaged directly by

Carter to organize the public in favor of the conservation program which has been proposed by the White House.

"Electrical energy generated by atoms is for the U.S. and for the world one of the major energy resources and above all if one takes into account the oil problem and the necessity to preserve to the utmost the currently existing supplies," affirmed a Sunday morning editorial in the Hearst-chain paper of Los Angeles and Seattle. William R. Hearst concluded, "Then why do we abandon an experimental road?"

Tough anti-Carter criticisms for his program have even come from William Simon who spoke of the Schlesinger plan as a catastrophe for the American people. This statement was made last week the day before the first public attack on the electoral reform project being put forward by Jimmy Carter. The attack came from ex-president Gerald Ford.

On April 27 the *Detroit News* violently lashed out at Ralph Nader and the Washington Administration, denouncing the coercive methods proposed by the President to limit energy consumption: "Germans, Japanese, Russians, everyone is proceeding rapidly in the development of nuclear capacity to make up for the lack of oil resources."

With the success of the Pittsburgh conference by the promoters of a system of nuclear fission, there is a harsh battle shaping up between the American government and the broad opposition to halting of energy projects. Democratic, Republican, USLP, scientific foundations, industrialists and parts of American public opinion already openly condemn the energy policy of President Carter. The Schlesinger plan is therefore the first real roadblock for the new American president.

The construction of nuclear plants is in fact an imperative obligation for the general increase of energy consumption necessary for the economies of the major industrialized countries, in particular for those countries lacking in raw materials and petroleum resources of their own — such as Italy, Germany, France and Japan. The development of thermonuclear fission power is crucial above all to prepare the way to the development of fusion power, the famous *JET* (Joint European Torus) project carried out by the EEC which represents at the same time the major potential for energy resources as well as the cleanest energy without environmental risks. And this is what the seven big countries of the West will speak about at London on May 10-11.

Mexican Daily Calls For Fusion 'Manhattan Project'

The April 20 edition of The News, Mexico City's English-language daily, alerted the U.S. business community in that city to the rational alternative to Jimmy Carter's recently announced energy program. Excerpts from The News calling for the crash development of controlled thermonuclear fusion power follow:

President Carter's controversial energy conservation program now faces the big test. He told the American people that the U.S. is confronting "a crisis as serious as war."

Will they buy that? Future generations everywhere will need the oil that's left in the ground — for some 70,000 different petrochemical products — and to lubricate every wheel that turns, this latter likely ad infinitum . . .

But to meet the crisis as though it were war? In that case, recalling World War II, another 'Manhattan Project' to crash-develop alternative fuel sources might be more viable than a carrot-stick taxation cure. Yet nothing of that magnitude appeared in Carter's program. A Manhattan Project for a breakthrough to nuclear fusion of seawater's hydrogen might end any need for sacrificing life style. The use of the laser in this process was tested at Los Alamos, N.M. on March 30, 1976. Near simultaneous reports from Moscow and Los Angeles told of successful separation of combustible hydrogen from H₂O to cheaply heat a home or fuel a car. A "Muscovich" model has been test run. From Bonn (Nov. 12, 1976) Volkswagen was reported readying a model that would burn coal-derived methanol — three times cheaper than gasoline.

Economic Summit Will Be A Bust For Carter

SPECIAL REPORT

Public statements of the six foreign leaders who meet with Jimmy Carter in London May 8 and related commentary in the European press make clear that Carter has no chance whatever of accomplishing his primary objectives for the meeting. In particular, the Europeans have set forth in blunt terms that they will not make the effort to put together the \$16 billion facility through the International Monetary Fund that the IMF managing director and the Carter Administration want to stop the eruption of a payments crisis by no later than the third quarter of this year. In addition, the Europeans and Japanese will utterly repudiate the Administration's demand for a world limit to developing the fast-breeder nuclear reactor; the only open question is how politely they deliver this message.

As far as the European and Japanese input is concerned, all indications are that the meeting will turn out a grotesque non-event, and descend to haggling over the second-order effects of the financial crisis (e.g. protectionism) without coming close to a discussion of the crisis itself. It appears that European governments are refusing to face the issue of a Eurodollar market collapse, as a British senior statesman complained May 5 in the *London Times*:

"It would be scandalous if the present tense situation were to deteriorate into a panic liquidation endangering the international monetary and banking system; yet there can be no doubt that the present 'sound' policies, totally dominated by the fear of inflation, inexorably lead to catastrophe." The writer is Lord Balogh, senior economic advisor in the 1964-70 Wilson government. He calls for the creation of massive new official financing resources, saying, "I doubt whether \$40 billion would be sufficient to quench the possibility of a confidence crisis."

Although the majority of the British, West German, Swiss, and Italian financial community shares Balogh's doubts, the West European governments will take virtually no action whatever at the summit. An editorial commentary in the May 6 *Handelsblatt* congratulates the Schmidt government for having avoided two dangers: the first, that the Carter Administration would succeed in imposing reflation on the world economy in the form of the \$16 billion Witteveen facility and accelerated money supply growth in home economies; the second, general debt moratoria in the Third World. *Handelsblatt*, the leading West German business daily, cites the \$1 billion emergency fund for the Third World that the European Community finance ministers proposed as a viable compromise solution, and hopes Carter will agree to it.

The Debt Crunch

The Witteveen facility, like the Henry Kissinger "safety net" plan and related schemes, is dead. West Germany will stick to the position it put forward at last week's meeting of the International Monetary Fund's Interim Committee, namely that its reduction of its payments surplus to a bare 6 percent of previous levels (first quarter 76 to first quarter 77) enables West Germany to claim that it has done its share already. In addition, West Germany — which also imposed this policy on the EEC finance ministers — will only "accept" the Witteveen facility if OPEC gives half. But the Saudi finance minister ruled this out in an interview May 4 with the Washington press corps, insisting that his country could not afford to invest funds long-term because it was a "poor country" with no other resources, and required this money for development. The Japanese have offered an insulting \$500 million to the IMF, against the several billion dollar contribution IMF managing director Witteveen asked them for.

As Balogh warned, the Eurodollar market's death sentence has been passed. The schedule of defaults over the next several months includes:

- 1) Peru will default on over \$200 million in debt-principal payments during the third week in May;
- 2) Argentina is currently defaulting on some credits owed to European banks;
- 3) Zaire's creditors will fall out over the country's \$8 billion and upward foreign debt at public and private creditors meetings June 5 to June 8;
- 4) Turkey, with \$6 billion in foreign debt, will run out of reserves by the end of May, and the Bretton Woods institutions are cutting off disbursement of previously allocated funds in hope of enforcing on Turkey an austerity program Turkey cannot possibly accept.
- 5) Leading political forces in Mexico are gearing themselves to face a default on over \$3 billion in debt-principal payments coming due during the Third quarter, rather than accept an IMF austerity program.
- 6) Brazil can only avoid default this year by running down its \$6.2 billion foreign exchange reserves, according to a recent published analysis by *Business International*, and common knowledge on Wall Street; but a significant rundown of Brazil's reserves is predicted to be an unmistakable signal that the game is up for the Third World's largest debtor.

Some observers, e.g. Princeton University professor Peter Kenen, believe that the danger of defaults and capital flight exceeds the LDC debt danger to the monetary system.

Trade War on Agenda

Informal conversations with senior European government officials and exhaustive reading of the European press leave doubt as to the extent to which

European governments understand the problem. One European central banker attending the IMF meeting in Washington, who believes that a series of defaults will empty the Eurodollar market of \$50 billion in deposits in two days, insists that European governments understand nothing of the process. Probably the main economic topic for discussion at the summit will be protectionism, since the governments perceive economic reality through the grid of employment and output statistics, which in some cases, e.g. Britain, will probably determine how long they can remain in office. Since the decline in world trade is anticipated by protectionist measures in key sectors such as steel, the governments bump into the threat to their exports under the guise of protectionism. For this reason some international bankers are anxious to maintain the charade, e.g. Baron Guy de Rothschild, who said, "The danger is not financial collapse, but trade war," in an interview this week.

But the mask of solvency has dropped. In Basel, Switzerland, officials at the Bank for International Settlements (BIS), the central bankers' bank that officially monitors the Eurodollar market, are glumly putting the word out that the chain-letter game will not make it through the next few months unless major new financing is available. But major new financing was virtually excluded from the range of possibilities by the shambles at the IMF meeting. According to BIS officials, a full third of the \$82 billion in officially reported bank loans to the Third World (only a portion of the total) are fictitious lending, never paid out to the borrowers. This is the margin of loans made to refinance previous loans! "It is an absurdity," one official muttered.

The Atlanticists are horrified. "The Administration has utterly botched the whole financing question," says Kenen, a former Kennedy Administration monetary official. "I used to be placid about the debt situation, but not any more. What worries me even more than the Third World is the northern Mediterranean rim, and France. We're going to have fun and games this year."

Even Leonard Silk of the *New York Times* has published a mock version of the expected final communiqué from the London meeting, predicting that the seven heads of state will endorse Carter's austerity program for countries with economic problems, "unless they bring a note from their mother or their Prime Minister."

Alternatives Under Discussion

Throughout the financial community, panic is running just below the surface. Texas oil money is now going directly into gold and other refuges of last resort, and southwestern bankers are talking with their West German contacts about the timing of the expected Eurodollar collapse and how the Arabs could be persuaded to join Western Europe in a new gold-backed monetary system. One of the seven members of the Federal Reserve's Board of Governors is warning Fed Chairman Arthur Burns that when the crunch hits, the Federal Reserve will not possibly have the funds to prevent the New York banks from collapsing.

London, Frankfurt, Rome, and San Francisco bankers are closely studying a recent proposal by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., to create a privately based international bank that would assume

emergency central banking functions in advance of a collapse. (See *Banking* below)

Some pressure on the summit has been brought to bear, however, by Saudi Arabia. In an interview with the *Sunday Times* of London May 1, the Saudi finance minister demanded that the summit find some means of relieving the Third World debt burden and speed transfer of technology to the Third World. In addition, the minister said, the Saudis want increased exploration for conventional energy sources and a program for ensuring stable earnings to primary commodity-producing countries. This would have bearing, the minister added, on Saudi deliberations on the oil price question when the Organization of Petroleum Exporting countries meets following the late-May reconvening of the North-South dialogue in Paris.

The West Germans, at minimum, rate the prospect of a demand for general debt moratorium to be a serious threat. *Handelsblatt* and the *Frankfurter Allgemeine Zeitung* of May 6, the country's two leading business papers, both warn that unless some form of compromise is reached on the debt question the debt issue may get out of hand at the North-South talks. But there is virtually nothing on the conference agenda, let alone the Europeans' \$1 billion emergency fund, that could possibly meet the Third World's (or the Saudis') requirements.

On the issue of nuclear energy the Europeans are entirely clear about what they want. British Prime Minister Callaghan and West German Chancellor Helmut Schmidt both made several statements over the past week rejecting Carter's proposed limits on development of the fast breeder fission reactor and international sales of reprocessing equipment, and, according to press accounts, the Japanese prime minister Takeo Fukuda, will stick to his guns on the nuclear power question.

The World Looks Toward The London Summit

Daily Telegraph, May 5: "Nuclear energy experts from sixty nations, including Britain and the United States itself have condemned Carter's decision to ban the nuclear fuel plutonium. The feeling among more than 2,000 government officials and scientists attending a conference at the U.N. International Atomic Energy Agency in Salzburg, Austria was that the ban would not only disrupt their own energy programs, but might also bring about the very nuclear proliferation it was designed to avert.... Dr. Robert Allardice, assistant director of the Dounreay fast breeder establishment in Scotland, stated that if the American ban remained in force, the industrialized countries would have to give up 20 year's development of uranium-plutonium breeder technology and start again from scratch.... Government spokesmen from West Germany, France and Japan and other countries told the conference that their countries would not abandon plutonium technology because their lack of uranium made it a vital source of energy."

Financial Times, May 5 editorial: "The (Carter) proposals as they stand are clearly unacceptable to the United Kingdom and to other industrial nations, since they seem to imply that the development of the nuclear power industry outside the U.S. will be effectively controlled by the U.S. government.... It is not realistic to hark back to the days when only the Americans (and perhaps the Russians) had the necessary technology and the resources to exploit nuclear power, nor is it reasonable to impose an American solution on the rest of the world."

Financial Times, May 4: "The Prime Minister (Callaghan) made his opposition to the Carter plan clear in the Commons when he confirmed that the nuclear issue, already a source of serious disagreement between the U.S. and its major allies, would 'come to the surface' at the conference. 'With the growing shortage of fossil fuels over the next 20 or 30 years, we would be closing our eyes if we entirely ignored the developments of the nuclear age.' Mr. Callaghan told MPs yesterday: 'We need a careful period of discussion with the United States about the whole question and the proposals they have put forward.'"

The Times(London), May 5: "Strong support for the development of nuclear-powered electricity generating stations was given yesterday by Mr. Frank Tombs, the head of Britain's Electricity Council. He told a meeting in London that the world had come to live with plentiful supplies of energy, and the aspirations of the developing world had also to be recognized. 'Abandonment of nuclear power would place the peoples of the world in an energy-deficient economy.' ... No credible alternative existed, and for nuclear energy to have any prospect of meeting the demand, decisions should be taken now...."

Le Figaro, May 5: "United States protectionism is hyper-trophied with, as a dubious moral justification, the demand for an equality of sacrifices which does not take into account the given disparities (between the economies of different nations — ed.), as illustrated by the will of the Americans to obtain the dismantling of European agricultural production, with an excess of agricultural exchanges with the EEC amounting to \$4 billion a year.... In the second place the summit will have to deal with the problem of resorting to nuclear energy which would not just utilize one-fiftieth of the fuel used, like natural uranium, and this contrary to what President Carter, hostile to resorting to plutonium and fast breeder reactors out of fear of proliferation, desires.... Let us just say that serious confrontations should be predicted."

Paese Sera, May 3, by Paris correspondent Giorgio Fanti on West German Chancellor Helmut Schmidt's role at the London summit: "Schmidt's concerns are not only the monopolized nuclear supplies that Carter will stress, but also the tendency to give to big international economic bodies like the IMF and World Bank effective control of the economies and finances of the West...."

La Repubblica, May 4, editorial by Barbara Spinelli:

"What will be discussed at London ... is the redefinition of global relations between Europe and America (and between America and Japan) that Carter wants to see actualized along the lines of a new and permanent 'trilaterality'...(Carter) will say that there is no solution to the crisis confronting the capitalist world today if the ills are not directly confronted. And the ills are clearly identifiable: They are the unrestrained vocations of Western societies of squandering energy.... On plutonium, the Americans are playing a heavy game, without sparing blows against European and Japanese technological development.... But the Europeans have the possibility of cutting out for themselves a margin of autonomy...."

La Stampa, May 4, by correspondent Renato Proni: "In Washington it is well known that Carter, at the London summit, will have a 'rival' (whom he has not yet met personally) in Helmut Schmidt.... The bases for a profitable collaboration between Carter's U.S. and the EEC can be thrown together only if Schmidt will find himself at least partly in agreement with the American President. The German Federal Republic is in fact the country most irritated with Carter's policies...."

Die Zeit, May 5, by Countess Maricn Doenhoff: "...one step too far in either direction and we collapse. Italy is plagued by inflation, the Left, students, ... France barely escaped a Pop Front.... If we are on the razor's edge, the coherence of the alliance must be the most important thing. However, under these circumstances, there can be no blows or even tensions between Europe and the U.S. This would be the last straw."

Sueddeutsche Zeitung, May 6, editorial by Manfred Schroeder: "...It is not only because West German Chancellor Helmut Schmidt supported Ford before the U.S. elections ... that Carter and Schmidt are opponents.... There is more behind both of them. Schmidt must have known that every single word is reported to Carter, so why did he go against Carter so hard at the Bilderberg Conference? The Brazil deal would have developed in the same way with Ford. Schmidt fears that the achievements of détente policy are endangered by the human rights campaign.... Anyway, the London summit lasting one and a half days cannot create any solution to all these world problems ... but it can be a place for talking."

Frankfurter Allegemeine Zeitung, May 6, lead article headlined, "Dampened Optimism": "...Carter has been mainly general up to now. The Germans do not think it is fitting to come out into the open before the London Summit ... people can see that the controversy still remains...."

Frankfurter Allgemeine Zeitung, May 6, by Herr Grundinski, datelined London: "Carter and Schmidt are the main opponents at London, and the British are very tense. No one really knows how the two main opponents in the Summit will react.... Schmidt's 15 critical questions about Carter at the recent Bilderberg Conference are still in the open...."

Red Star (Soviet Union military daily), May 2: "President Carter delivered a statement to leaders of the information media in which, in particular, he said that May 7-8 in London there will be a conference of the leaders of several NATO countries and Japan. The President considers one of the main tasks of the conference to be the strengthening of NATO.

From J. Carter's speech it is clear that economic and financial questions will be discussed — that is to say, the problems which are the subject of the sharpest contradictions between the USA, Western Europe and Japan. In this regard, local political observers note that the

American Administration intends to try to soften these contradictions by making military questions the prime issue.

The President's statement says that at the London meeting the USA intends to set forth to the allies the American position on strategic arms limitation and on negotiations on this question with the Soviet Union. It also intends to discuss questions relating to the ongoing negotiations in Vienna on mutual force and armaments reduction in Central Europe which, as is known, have been stalled through the fault of the USA and certain of its West European partners."

LaRouche May Head New Monetary System

BANKING

The following announcement was issued on April 30 from Wiesbaden, West Germany, by International Caucus of Labor Committees European correspondent Laurent Murawiec.

Following a series of meetings between Labor Party representatives and bankers, industrialists, political figures and others during recent weeks, U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. has committed himself to head up a team of bankers and others to establish a new private bank. The institution to be established will serve as the vehicle for creating a new world monetary system replacing the International Monetary Fund.

The decision to resort to private initiatives was based on the following chief considerations.

The existing world monetary system is about to collapse. Key European bankers tend to concur in the rough estimate that a \$10 billion shortfall in second quarter payments will be sufficient to trigger a chain-reaction collapse of the IMF system. It is also agreed that major New York City banks and their foreign branches have a visible and unavoidable \$15 billion shortfall for this quarter. No solution will be found at the May 8 "summit," since no solution is possible within the framework of the IMF-World Bank-Eurodollar structure.

It is the estimate of those concerned that national governments of the OECD nations will not act to initiate a new monetary system until after the collapse of the Eurodollar market and complete breakdown of the IMF's operations. It is feared that unless some immediate alternative to OECD nations' government action is provided, the interval between a collapse and instituting of a new monetary system will be a protracted period of massive financial and economic chaos. Such chaos would unleash evil in relations among nations, and would probably damage the economic potentialities for recovery beyond repair.

It is therefore concluded that the only practicable alternative is the creation of a private bank, a bank constituted to assume the functions of an international central bank.

The proposed bank will be modeled on the Labor Party's *International Development Bank*. The institution will deal principally with either national banks or with special development banks performing national-banking-like functions for nations or groups of nations. Where such activity does not conflict with the institution's client relations with national banking institutions, it will also service industrial and private bank clients.

The new bank will purchase gold reserves, and will settle balances among its clients on a gold-reserve basis.

The new bank will provide credit only for delivery of tangible commodities and will extend intermediate-term and long-term credit only for industrial, extraction and agricultural capital expansion and improvements. Such intermediate-term and long-term credit will be granted only for those cases in which it is pre-established that the investment will be regenerative of tangible-wealth margins of national-sector absolute profit corresponding to efficient increases in the overall technological productivity of that national sector.

Under no ordinary circumstances will the bank issue credit for the purpose of directly or indirectly refinancing outstanding financial debts. In cases in which an insolvent nation or other bank client makes an appropriate financial reorganization, the bank will intervene to stabilize the client's productive output, and to provide capital for maintaining productive payrolls, necessary materials, and maintenance for this purpose. The bank will also act in support of clients in negotiating settlement of terms of financial reorganization.

The extent of the Bank's credit issuance will, of course, be limited by means available to it.

The principal purpose of the bank is to provide means for fostering "East-West" economic cooperation on terms suitable to a growing mass of high-technology exports of capital goods and related engineering services from the industrialized to developing sectors.

A special policy-feature of the bank is that the bank is opposed to the use of intermediate-term and long-term credit flows from creditor sectors to secure substantial profits on financial account from debtor nations. The proper function of a monetary system for industrialized and developing nations is to facilitate high rates of technological progress in both net-exporting and net-importing nations. The profits of national economies should

occur through the high rates of technological progress. Not only is that proper monetary policy, but it is the only acceptable basis for establishing a massive exchange of credits among capitalist, socialist and developing nations.

In making this commitment, Chairman LaRouche stipulated that his service to the new bank would continue only as long as he was not called to serve his country as President. In practice, the impeachment of the present U.S. Administration will most probably not be completed until Autumn 1977 or slightly later. The intervening months will therefore be adequate time for

establishing the new bank, and for building into the bank the elaborated policy-framework needed.

In releasing this information today, Chairman LaRouche emphasized that such an unusual advance announcement of pending actions was politically necessary. Although governments and other relevant institutions will not — with some few important exceptions — act to initiate a new monetary system now, it is urgent that they be informed of the nature and shape of developing alternatives, so that governments, bankers and industrial interests can begin adjusting their postures and financial positions accordingly.

EXCLUSIVE

What Carter's Summit Failure Means To The New York Banks

SPECIAL REPORT

As Jimmy Carter comes unsmiling out of the London Economic Summit of heads of state, with his attempt to organize European and Japanese support for some \$150 billion in Third World bank debt a complete failure, the New York bankers will be heading into the most traumatic days of their careers.

Less than one week previously, the same nations flatly refused to contribute to David Rockefeller's proposed \$20 billion slush fund at the International Monetary Fund; they repeated that refusal at 10 Downing Street. Neither will Japan and Germany in particular inflate their economies to pass the Third World an extra \$20 billion in commodity revenues as requested by the U.S. Treasury.

As a result, the estimated \$20 billion in Third World principal payments due between March and October of this year simply cannot be refinanced. They will be defaulted upon, along with perhaps another \$15 billion in interest payments due over the same period. The bulk of this default will fall squarely on the New York banks' some \$100 billion in Third World debt — poor odds for survival.

In fact, some U.S. regional bankers believe that it won't even take a Third World default or two to start the coming chain reactions. They say that the failure of any major bank to continue to simultaneously plug holes in the numberless dikes in their Third World, European, real estate, tanker, commodity and foreign exchange lending operations could trigger a bust directly at the bank level. In this case — with Citibank often cited as a candidate — bank depositors, especially the increasingly pro-gold Arab countries, would lose confidence in the bank and a series of others and begin unstoppable withdrawals.

This report will detail the dependence of the New York banks on, and the full extent of such speculative loans,

including those to the Third World, and pinpoint the nature of the defaults.

The Debt and the Dollar

The dependence of the New York banks' operations on speculative international lending, loans made to finance deficits and generally recirculate past debt obligations, is immense, as is show even by official figures. Federal Reserve figures for the top nine New York clearing house banks alone show that from January 1976 to January 1977, foreign branch deposits of these banks rose by nearly \$13 billion, while domestic deposits dropped by over \$7 billion, a net swing in favor of foreign operations of over \$20 billion. During that time, foreign deposits went from 48 percent of nine banks' *total deposits* to 55 percent, or \$87.84 billion out of their total \$161.3 billion deposits. The real figures, taking Swiss and other European banking estimates, put the total extra-U.S. lending of all New York banks on the Eurodollar and Bahamas market at something close to \$250 billion.

Similarly, international profits have been the decisive factor in the *earnings* of the New York banks, whose ability to at least maintain stockholders confidence as corporations is especially crucial now — one really sharp drop by a major bank stock could also blow the whole game. While the reported international earnings of the six largest New York banks rose from \$141.1 million in 1970 to \$611.2 million in 1975, for example, their domestic earnings slipped from \$465.3 million to \$407.7 million, or only 40 percent of the total. Citicorp, the largest New York bank, had a stupendous 70 percent of reported earnings from its international business in 1975, and there are estimates of 75 to 80 percent in 1976.

Furthermore, these foreign operations of the New York and other U.S. banks have critically undermined the U.S. dollar. During the period since especially 1973, debt caused U.S. agricultural and capital goods exports to drop precipitously to the Third World and, secondarily, to Western Europe and Japan as raw materials prices rose, leaving the U.S. with a merchandise trade

deficit of \$10 billion in 1976 and \$20 billion in 1977, at current annual rates. The U.S. trade surplus with the Third World of capital goods and agricultural products exported minus raw materials imports slipped from \$8 billion in 1975, the latest issue of Morgan Guarantee's *World Financial Markets* reports, to a deficit of \$8 billion at annual rates so far in 1977 because of the "acute and well known financial pressures" on Third World.

Since "expansion of U.S. exports to these countries... may not occur" because of the less developed countries' credit crunch, Morgan summarizes, the only way to avoid serious weakening of the dollar is for Japan and Europe to also run deficits by cutting down exports and stockpiling Third World commodity imports at 100 percent inflated prices. Then all currencies will be equally rotten, runs the argument. But Japan and Germany have already refused.

International Bank Debt: How Much is There?

The New York banks' own speculative international loans total \$250 billion. Some \$176 billion of this is to near-bankrupt borrowers already in or near default. The numbers need to be put in perspective to see their effect on the world banking system and economy; it is more the shaky base of an inverted pyramid than the tip of an iceberg.

The size of the total net world dollar credit sector is approximately \$820 billion, derived from highly conservative estimates of \$350 billion net Euromarket credits, plus \$150 billion net minimum Bahamas-Cayman credits, plus U.S. M-1 (the liquid U.S. domestic credit market), now at \$320 billion. Immediately, this puts the speculative Euro-Bahamas portion of the market at 61 percent of the total. (Common estimates for the totally unregulated and illegal Bahamas-Cayman Island bubble run to \$300-400 billion, bringing the speculative portion to 70 percent of the total.) *U.S. banks have at least \$350 of the \$500 billion conservatively estimated Euro-Bahamas total — or more than the U.S. money supply.*

Fully 71.4 percent of that \$350 billion, then, is crammed onto the books of the New York banks. Under these circumstances, the smallest default, the slightest failure to juggle dozens of holes in credit dikes smoothly, any noticeable fall in confidence leading to Arab or other withdrawals, even small ones relative to the particular bank or banks' total deposits, could topple the whole \$820 billion pyramid and the rest of world credit with it, short- and long-term.

...And Just What's Illiquid?

Third World Debt is the largest single explosive factor in the entire mess, now estimated by honest U.S. banking sources at over \$300 billion. Of this, some \$100 billion is owned to governments and international government agencies, and \$150 billion to commercial banks on the Euro-Bahamas circuit. *New York banks have at least \$100 billion of that.* As will be documented below in individual cases, most of these countries are close to bankruptcy in entirety, and are already in default on some 10 percent of their loans, in the average case.

OECD Debt: The total estimated published foreign

currency term debt (those over one year) owed to commercial banks by Turkey, Portugal, Italy, Britain, and France alone is \$109 billion, almost entirely in dollars. These are the major OECD (semi-industrial and industrial nations) so far identified as potential near-term defaulters. *New York banks have at least \$50 billion of that.* Outright defaults in this group would only occur in conditions of extreme (but quite possible) credit crunches from the banks' side, or extreme (heretofore undemonstrated) courage on the European's side. However, *capital flight* caused by a political collapse of confidence in all these extremely shaky governments is an immediate potential trigger for a bust.

REITS: The total outstanding loans to Real Estate Investment Trusts by U.S. banks is \$24 billion, much of it already defaulted loans by the banks' real estate investment subsidiaries which have been juggled onto the parent bank's books for cosmetic purposes. *New York banks have at least \$20 billion of that.* Bankers Trust, according to Federal Reserve sources, has fully 1.2 times its shareholders' capital sunk into REITs, while most other New York banks are into REITs by at least as much as their capital.

Tanker Loans: Total "endangered species" commercial bank loans to financially unsound or defaulted tanker and shipping companies amount to \$35 billion, according to industry sources. *New York banks have at least \$6 billion of that,* with Chase Manhattan, the bank that brought you the 1973 Oil Hoax, carrying an estimated \$2 billion in bad tanker loans itself.

Foreign Exchange, Commodity Speculation, and other obscenities too numerous to list add up to billions of dollars of additional bad risks on the books of especially the New York banks. World copper stockpiles alone, for example, amount to over \$3 billion, and if stockpiles begin to be sold off, their value could collapse to half that in a week.

Thus the most conservative estimates reveal the New York banks to be the proud possessors of some \$100 billion in Third World, \$50 billion in OECD, \$20 billion in REIT, and \$6 billion in tanker-related debt, all of it questionable at best, for a total of \$176 billion, or 71 percent of their entire Euro-Bahamas speculative paper.

How The Third World Debt Bomb Will Hit

The urgency of the Third World debt, as the most illiquid edge in the total situation, was underscored by officials of the Bank for International Settlements in Basel, Switzerland last week when they put out the word that, without the major new financing which was killed at the International Monetary Fund meeting, the \$20 billion in Third World principal payments coming due between March and October simply cannot be met. Already, according to the BIS, a full *one third* of bank loans made to the Third World are never paid out as cash to the borrowers, but go directly to refinance previous loans.

The accompanying table shows the major debtors, including OECD countries, in default situations. For just the countries shown, the total of debt servicing payments which cannot be met for 1977, plus additional jeopardized loans, such as already-defaulted loans of \$2 billion in Argentina and \$2 billion in uncollectable "hot money" dollar deposits in Turkey, comes to \$20 billion in defaults

Commercial Bank Debt And Coming Defaults - Third World And OECD Nations

In \$ U.S. Billions
End April, 1977

Country	Term Debt (Over 1 Year)		Short-Term Bank Credits	1977 Debt Service to Banks
	Total	To Banks		
Peru	5.	3.	2.	.7*
Mexico	27.	18.	14.	5. *
Brazil	30.	20.	10.	7. *
Argentina	0.	6.	4.	1. *
Chile	5.	1.	3.	.5*
Indonesia	16.	10.	4.	1. *
Philippines	6.	4.	4.	.5*
Rep. Korea	12.	6.	3.	1.
Zaire	3.	2.	5.	.3*
Egypt	20.	3.	1.	2. *
Algeria	8.	5.	5.	1. *
Subtotal	142.	78.	55.	20.
Turkey	5.	1.	2.	.5*
Portugal	3.	2.	1.	.5*
Italy	22.	20.	10.	3.
Britain	49.	45.	10.	7.
France	30.	30.	5.	4.
Subtotal	109.	98.	28.	15.
Total	251.	176.	83.	35.

* Debt service in this case cannot be met. The total unpayable debt service for these nations alone is \$20 billion.

unavoidable this year. The following are the major blowout situations:

PERU, although not enough in itself to bring down a bank, is first in line for a default, with an officially stated \$250 million in debts it cannot pay falling due next week. The country is not willing to accept the IMF's demands that it cut imports by close to \$1 billion — by 25 percent — and has threatened to declare a debt moratorium. While the IMF may finally cough up a few hundred million dollars condition-free to stave off the chain reaction default Peru could trigger, this would hold things

together for months only. In the broader context of the entire \$27 billion such bad debt the IMF has to juggle, Peru will clearly never be able to pay its total \$700 million in debt service this year.

MEXICO has an estimated \$5 billion in debt service payments due in 1977, \$3 billion in principal and \$2 billion in interest on current account. The New York banks have promised that if Mexico cuts its trade deficit from last year's \$2.85 billion to \$800 million this year (which can be paid by tourism receipts), the banks will advance the country \$5 billion in new loans to roll over the debt plus \$1 billion for oil development. But the Portillo government, backed up by economists politically linked to former Mexican President Luis Echeverria, is refusing to cut imports, running the same trade deficit as last year. Seeing this, the regional and European banks already in Mexico are in turn balking at joining the New York banks in the refinancing consortia, and the entire \$5 billion in planned rollover is headed for default.

BRAZIL's entire \$7 billion in 1977 debt service payments is spinning toward a similar default. Chase Manhattan and Brazil's other major New York creditors and foreign companies are pledged to \$8.5 billion in new loans and investments in 1977, down from over \$11 billion last year, but only on the condition that Brazil wipes out its \$2 billion 1976 trade deficit by speculative rises in the prices of coffee, and soybeans, whose combined exports were scheduled to bring in \$7 billion. But this month, as coffee and soybean prices weakened 20 percent because of the collapse of demand, estimates for Brazil's exports fell by as much as \$1.5 billion. Now the Brazilian press reports that corporations are selling out their Brazilian subsidiaries, and U.S. regional banks are reneging on loan promises. The entire \$7 billion in debt service refinancing is already unmeetable, and the faster the coffee price falls, the nearer crisis looms.

ARGENTINA and **CHILE** are already in default on at least \$3 billion in old loans between them, and have a combined debt service due of \$1.5 billion this year. The entire sum of \$4.5 billion must be rolled over — but it cannot be. At least \$1 billion in bad loans is still on the books of the New York banks from the \$10 billion bankruptcy of **INDONESIA's** state oil company, Pertamina, with another \$1 billion in debt service coming up. **ZAIRE**, as is well known, has already defaulted on \$1 billion and more is relentlessly coming due. In **EGYPT** and **TURKEY**, \$1 billion and \$2 billion of foreign banks' foreign exchange hot money deposits inside these countries respectively cannot be repaid by the Egyptian and Turkish companies which borrowed them (see *Mideast Economic Survey*), while additional unpayable debt service comes due. **PORTUGAL** has told the U.S. Treasury that without an immediate IMF loan to cover its payments problems, \$1.5 billion in trade and investment debt is in question.

U.S. Protectionist Threats Could Precipitate Trade War

WORLD TRADE

On the eve of the OECD summit in London, there is growing anxiety in Atlanticist ranks that the protectionist rumblings emanating from the Carter Administration and other quarters could backfire to the point of unleashing general trade war and wrecking the Atlantic Alliance beyond repair.

Among those who fear the imminence of trade war is the Baron Guy de Rothschild. At a press conference in New York on May 5 he said the most pressing international problem is the "coming trade war." The U.S. government is trapped in the "schizoid dilemma of unemployment versus inflation" and is increasingly seizing on protectionism to try to solve it. On the same day the lead article and editorial of *Les Echos*, the French financial daily, warned of the trade war peril and criticized unfair protectionist moves by the U.S. At the end of April *Les Echos* charged that the Carter Administration was using the protectionist threat against Europe in the same way that it was using the human rights campaign against the Soviet Union. *Le Monde* talked of the threshold of inflation and-or unemployment, after which everybody rushes to protectionism, "which would bring about the real depression."

The objective conditions for trade war undoubtedly exist in the present fragility of the OECD economies and their worsening balance of payments problems. The May 2 *London Times* article on the London summit spoke of three points of "structural crisis" — uncontrollable inflation, rising unemployment, and the gap between the "relative affluence of the industrial countries and the absolute poverty of the non-oil producing countries" — and ominously concluded that Carter and other leaders will try to solve these problems and fail, and the world's social and political structures will be "damaged past recognition and beyond repair."

The mood in Britain was captured by the *Daily Telegraph* on May 5 which gloated over the fact that, as of the end of April, U.K. reserves were at a record \$10 billion and commended the Treasury for its policy of stockpiling reserves rather than letting the pound sterling appreciate, noting that this policy has "given exporters the steady exchange rate they hanker after."

Carter Pulls The Trigger

In this setting, the immediate trigger point for trade war could be the Administration's recent protectionist threats, which are designed to bring the industrialized countries in line behind U.S. policies "voluntarily." At a Japan Society dinner in New York May 4 Treasury Secretary Michael Blumenthal admonished Japan to do more "to help out the poorer countries" by increasing its

imports of their manufactured goods. Blumenthal then attacked the Japanese slyly in speaking of the responsibility of nations to open their markets and avoid misaligned exchange rates as soon as they move from the Third to the First World. During the same speech Blumenthal said the U.S. trade deficit could run as high as \$20 billion this year.

The May 9 issue of *Business Week*, the publication which has become a chief mouthpiece for the Administration, laid out the crude strategy of Blumenthal and other economics officials: threaten Western nations with stiff tariffs and draw them into "orderly marketing arrangements". *Business Week* says Assistant Treasury Secretary for International Affairs C. Fred Bergsten regards "OMAs" — cartel arrangements limiting production and carving up shrinking markets — as the rational alternative to 1930s-style trade war.

In this vein, later this month the American Iron and Steel Industry, the lobbyist for the industry, will release a white paper which alleges that foreign — in particular, Japanese — dumping is undercutting domestic prices and profits. The paper calls for the convening of new multilateral discussions to rectify such abuses, presumably along the lines of the "voluntary" production and export quotas urged on Japanese steelmakers by Vice President Walter Mondale and U.S. Special Representative for Trade Negotiations Robert Strauss during their mission to Japan last month.

As a result of the Mondale-Strauss trip the Japanese have for the moment been persuaded to slow down their steel exports to the U.S. Even Japan's larger mills are said to be operating at 50-60 percent capacity. The U.S. is expected to try to solidify this untenable arrangement at the upcoming London summit.

However, the prospects for the sort of multilateral steel agreement the Administration is hoping to get are dim. On May 4 the OECD in Paris postponed its decision on a U.S. proposal to create an ad hoc group to investigate the problems besetting the world steel industry. And within Europe itself, the depressed steel industries are having immense trouble harmonizing their own relations.

On May 4 the European Economic Community Commission in Brussels decided to fix a minimum price on a number of steel products which are particularly in glut, over the protests of the British and the Italians. The British, who have been posting import barriers to protect their steel industry, say this will drag down their prices. The Italians have been underselling everybody else.

According to Viscount Etienne Davignon the imposition of minimum prices is a crucial step toward stabilizing and rationalizing the European steel industry. The West Germans, on the other hand, do not like such measures as the minimum price floor, but have now dropped all their objections to the plan.

Dollar Weakens Before London Summit

FOREIGN EXCHANGE

The dollar weakened abruptly in the latter part of this week against most Western European currencies as well as the Japanese yen. In the space of two days — May 4-5 — the U.S. currency dropped 2.5 pfennigs vis-a-vis the deutschemark. It also depreciated in terms of the Dutch guilder and Swiss franc in particular, and this general climate allowed the Belgian franc to hold steady despite an unexpected cut in the central bank lending rate of half a percent to 6.5 percent. The Bank of England was obliged to intervene to keep sterling from rising above the \$1.72 level.

The proximate cause of the dollar's new slide appeared to be the sheer volume of essentially non-investible dollars in circulation at a juncture of uncertainty and mistrust regarding U.S. policy. The *Journal of Commerce* even reported May 5 that an "avalanche of dollar selling" is anticipated for May 6, the last trading day before President Carter meets other Western leaders at the London summit. Traders around the world, at any event, quickly decided that the dollar confidence following Federal Reserve Chairman Arthur Burns' May 2 pledge to counteract inflationary dangers had been an unwarranted reflex.

At the same time, rumors have persisted that the London summit will see some sort of agreement to officially encourage the appreciation of the deutschemark and the yen, in accordance with U.S. demands for a reduction in the trade surpluses of West Germany and Japan. The new head of the West German central bank, the Bundesbank, Otmar Emminger, has repeatedly indicated that he would agree to a revaluation policy for the mark. It is quite likely that some realignment of the mark-dollar relationship will soon take place; there are two distinctly different forms this realignment could take.

The first, of course, would be a degree of appreciation of the mark, and with it probably the Dutch guilder, that would widen these currencies' spread against the others so far as to make the joint-float "snake" itself no longer viable, with immediate chaotic side-effects for sterling and the French franc as well. This has been the explicit hope of Wall Street banking strategists since they developed the "two-tier" policy of deflation for the

weaker Western European economies plus a combination of inflation and export curbs for West Germany and Japan. The *Journal of Commerce* claimed May 5 that it is widely believed that "the market can expect the break-up" of the snake very soon.

The second possible kind of realignment would involve the appreciated mark and guilder bringing the other snake currencies upward with them — a de facto devaluation of the dollar. This option would portend less damage to West German export competitiveness, since so much of its trade is with European partners; beyond this, the shifted relationship to the dollar would take on political significance.

Meanwhile, the mark has already reached the floor of the snake in terms of its Dutch guilder parity, burdening the rather strict central-bank intervention controls that have thus far sustained the snake's narrow fluctuation band. Market-watchers agree that the upward pressure on the mark this week was an operation conducted by a relatively small group of traders betting on a mark-yen appreciation. Given the atmosphere of skepticism toward the dollar, the maneuver had magnified effects. In one of the petty ironies of the markets, this operation, described by the Bank of America as an "essentially political" thrust on behalf of the trade- and snake-wrecking scenario, was fueled by reports of the improved payments surpluses of West Germany and Holland, as well as the 12 percent increase in Japan's letters of credit since last April.

Gold remained basically stable at a London price in the \$147-149 range. Swiss sources confirmed New York reports that various non-Wall Street investors in the U.S. have been liquidating portions of their dollar-denominated holdings in favor of gold. It was also notable that, at the Puerto Rico conference of the Bankers Association for Foreign Trade this week, the director of the central bank of Belgium, Cecil de Stryker, made a call for a return to fixed foreign-exchange parities and added that "the United States must accept discipline" with reference to the world inflationary threat. Officials at the New York Federal Reserve, while hoping that the London summit could force the deutsche mark up at the expense of the snake, confirmed that they see the dollar as gravely worrisome because — by contrast with what they described as the political questions affecting the lira and French franc — its fundamental economic position is so shaky.

Inflation Fears Depress Capital Spending Plans

BUSINESS OUTLOOK

Fears of an inflationary upsurge prevailed in the money markets this week, and continued to throw a large

damper over business plans for capital expansion.

The increase registered for March of the nation's factory orders by 5.2 percent and construction spending by 5.6 percent — is, in fact, a key index of the overall problem: an even moderate increase in U.S. economic activity requires a corresponding tremendous increase in money supply to finance and circulate the large

volume of debt built into U.S. prices.

Thus, the U.S. money supply has been charging ahead for the past five weeks as wholesale prices have risen at a 13.2 percent annual rate for the first four months of this year.

The wholesale price increases were the shock the heavily indebted economy had to pay for industry to find it profitable enough to build up inventories by \$7.5 billion in the first quarter, and to facilitate parts shipments, etc., for the March-April auto boomlet, itself financed by a huge increase in consumer installment credit.

As more money was needed to finance the price rises, money supply aggregates rose steeply: M1 increased by \$1.7 billion for the week ended May 4, while M2 shot up by \$2.1 billion, jumps of 22.2 percent and 14.1 percent respectively for the last four weeks, far above the Fed's target ranges.

In response to the steep rise in money aggregates for the week ending May 4, and fears of wider inflationary pressures if the economic expansion gets underway, the Fed raised the fed funds rate to an effective 5.25 percent by Thursday May 5, an increase of 50 basis points in one week.

This is only the beginning of a nasty cycle. The fears of a rise in interest rates will awaken fears of inflation — and hence increase inflation through anticipatory "pre-emptive" price increases, etc., with the predictable further leaps in money supply.

The lead *Wall Street Journal* editorial of May 5 substantiated this point, complaining of the "rational explanation" of inflation moving in tandem with money supply, which makes these virtually an identical phenomenon.

Inflation Shudders Hit Nation

The money markets were for the most part quiet this week in immediate response to the fears of hyperinflation, but with an air of foreboding hanging over more long-term decision-making. Increases of only 10 basis points took place for most market instruments this week. The important exceptions, which might be important to watch, are the rate for three month Treasury bills, which sold at 4.81 up from 4.52 the week before, and six month Treasury bills, which sold at 5.05, up from 4.84 the week before. The Treasury successfully completed a \$3.75 billion sale of securities, all of which is for refinancing, at "normal" interest rates.

Corporate bonds sold well, in a month that will see less than \$1 billion in new corporates come to the market. Most of this is accounted for by the fact that: a) most corporations have already restructured their debt, b) the short-term markets and the commercial paper market are more attractive to corporations than the longer-term markets (short-term rates are about 2 percent lower currently), and c) of overriding importance, according to most analysts, there is a lack of aggressive corporate financing for capital spending arising from corporation uncertainty over the Carter "no energy program," and the worrisome state of the dollar.

There is a sufficient flush of life and fire insurance and pension funds for the municipal and Treasury market.

In comparison to the Treasury's paydown of \$2 billion

in the second quarter, the Treasury must go the market for \$15 billion in the third quarter, and possibly a lot more if Carter's public works proposals — aimed at creating an increase in "make-work" employment — are passed by Congress on a large scale.

This latter prospect worried one Texas gold specialist who commented, "Our major concern out here is the new spending bills in the Democratic Congress." Commenting on the overall national inflationary tendency, he predicted that "gold will climb to \$170 to \$180 an ounce by the end of the year, as investors drop out of their positions in inflation-soaked dollars.

More ominous is the impossible financing situation confronting the weakest point of the U.S. banking system, the near insolvent New York banking majors.

Left to their own resources, the shaky New York banks lack the means to handle the financing at moderate interest rates — if at all — of some \$16 to \$18 billion in Third World debt due around the end of the second quarter.

Regional U.S. banks, whom the New York banks have arm-twisted into Third World loan syndications in the past, are moving out of such syndications in droves, particularly in the southwest, according to reliable banking industry sources.

The mere fear that the New York majors will be unable to refinance this debt — with the result of widespread defaults and moratoria — is sufficient to turn the existing liquidity flush into an illiquidity crunch.

Parallel to the inflationary fear surrounding the money markets, is the problem confronting industry. Exemplary of the problem is the by no means exceptional case of the country's steelmakers, who responded this week to the anticipated steady 7 to 9 percent increase in prices for the year, and the need to boost their lagging profits by announcing planned price increases of their own.

Allegheny-Ludlum, a major producer of stainless steel announced May 2 price increases on stainless sheet, strip and speciality strip which will take effect May 9. Allegheny-Ludlum's chairman, Robert J. Buckley, cited "severe competitive pressure from subsidized imports" for keeping steel prices below 1974 levels, while noting that the price of stainless steel scrap has risen 25 percent in the past 24 months (although overall steel scrap prices have been falling sharply) and also that energy costs have increased by as much as 45 percent for the steel industry for the last 24 months.

Edgar Speer, chairman of the board of the largest U.S. steel producer, also announced May 2 that U.S. Steel will take "under study" whether to raise prices, and that such rises may occur within the next 30 to 45 days.

The worries of the debt-bloated steel industry are that profit margins are paper thin: first quarter profits for the steelmakers were down by 93.1 percent over the same quarter last year. In response to these conditions, the steel industry is sounding the trumpet of protectionism, and threatening an all-out trade war, thus reinforcing the very same tendencies in Europe's depressed steel sector. President Carter's proposal to remove import quotas on specialty steel items, which were set up by President Ford, and worked with some degree of effectiveness, are thus viewed with alarm.

Watergate In A New Perspective

Richard Nixon's Energy Policy

To convince especially Republicans to rally behind the Carter Administration's anti-energy policy, Administration spokesmen and press conduits are claiming that Carter's program is really "a more developed version" of Nixon's energy policies. The key difference now, goes the line, is that Carter, an able strong leader, will be able to implement the program that the incompetent, crooked Nixon could not. James Schlesinger's assistants are leaking to reporters that "President Carter's energy program is the product of intense secretive work by a tight circle of officials who drew heavily on ideas and statistical models inherited from the Ford and Nixon Administrations," according to the April 23 Washington Post.

That Nixon and Carter's energy programs were the same is a boldfaced lie. Carter's program is aimed at massively curtailing energy consumption in order to shut down key parts of the U.S. economy, Nixon's policy was aimed at expanding energy production and consumption, an energy policy geared to expanding industry. Although he made compromises with the Rockefellers, Nixon refused to implement the deindustrialization energy program demanded by Rockefeller financial circles — the policy that Rockefeller spokesman Carter is now attempting to ram through Congress.

When Nixon finally proposed an overall energy program, he called for expanding offshore oil and gas production, increasing imports from fields largely controlled by independent producers, the building of superport facilities for these increased imports, and the expanded development of nuclear technology. Nixon was a spokesman for the independent producers, precisely those circles who would be destroyed under Carter's program. Nixon's programs to increase independent oil production directly challenged the Rockefellers' ability to dominate or politically blackmail countries through their control of world oil supplies.

In order to prevent this, a major mobilization of Rockefeller-linked environmentalist groups was organized to protest expanded offshore production, superports, nuclear technology development and so on. It should be no surprise that no-energy czar James Schlesinger's closest associate on energy policy, former Ford Foundation Energy program head S. David Freeman, toured the country in 1973 denouncing Nixon's program.

Nixon's First Energy Statement

On June 4, 1971 Nixon delivered his first energy message to Congress, declaring that the further development of the Outer Continental Shelf oil and gas deposits would be the cornerstone of his domestic energy policy.

Nixon officially ended the method of market demand prorating of the federal off-shore leases, which immediately opened up the offshore areas for massive exploration and production. The independents had publicly been demanding this action; Atlantic Richfield and Phillips Petroleum had just testified to the Senate Interior Committee on the necessity of expanding offshore drilling to provide the independents with new oil reserves. Nixon backed up his action with an Interior Department report which estimated potential offshore reserves of oil at 200 billion barrels and 850 trillion cubic feet of gas.

Such a large amount of oil in the hands of the independents threatened Rockefeller control over oil supplies, as well as threatening to bring down world prices. Almost immediately after Nixon's action, environmentalist groups were mobilized to shut down all offshore drilling. In 1972 alone, half the leases granted in the Santa Barbara channel were suspended because of court actions on suits brought by the environmentalists. Most of the leases granted off the Alaska coast were also postponed by court actions.

Although the offshore drilling provision was the most emphatic part of Nixon's first public energy statement, another key aspect of the speech was his discussion of research and development of new energy technologies. Specifically, Nixon called for the building of the liquid metal fast breeder reactor, a technique that is crucial for energy growth — and one that is to be shut down under the Carter program.

The Oil Import Quota Controversy

Although Nixon made his first public move to expand energy production in 1971, for the two previous years he had been discussing with independents the possibility of removing one of the major laws protecting Rockefeller control over international oil — oil import quotas. The quota on the amount of oil that could be brought into the U.S. was established in 1959, and was aimed at sabotaging the independents' expansion in the Middle East oil fields. The larger independents had just begun to expand into the area, and quotas would prevent them from exporting to the major market in the U.S.

Beginning in 1969, the independents began demanding that Nixon lift the quotas, or at least establish quota-free zones. In January of that year, Shaheen Resources demanded that a trade zone open for imports be established at Machiasport, Maine, an area where Shaheen planned a large refinery and port complex. Shaheen's request had special impact on Nixon — he had been their lawyer during the mid-1960s.

At the same time, Atlantic Richfield wanted to build a major superport at Machiasport to bring in the oil produced in their Alaskan fields.

A letter was immediately dispatched by the President of the American Petroleum Institute (also a chief executive of Standard Oil of New Jersey) to Nixon demanding a long review process before any such ports or trade zones were allowed. The leading environment protection organization, the Sierra Club, issued a report claiming that a superport at Machiasport would drastically damage the area. These actions, plus undoubtedly more covert pressure, succeeded in stalling any government action on the request.

The following year, two other companies again demanded that Nixon change oil import quotas so that they could develop major importing centers in Machiasport. King Resources, which was tied to the Nixon-linked Investors Overseas Corporation, had 3.3 million acres of land near Portland, Maine and wanted to build a major refinery-superport complex to import Iranian oil.

At the same time Occidental oil requested an exception to the quotas to allow them to build a Machiasport refinery and port for the Libyan oil which they were then just beginning to develop.

While the Nixon Administration debated what to do about the oil import quotas, the oil companies' plans for major port and refinery centers in Maine were in large part destroyed by protests from environmentalist groups and strict environmental protection legislation drawn up by then-Maine Governor Kenneth Curtis, now Chairman of the Democratic Party National Committee. Maine's Environmental Improvement Commission voted against the King Resources plan.

Although the Nixon White House stalled on any major change in the oil import quota program, Nixon began to increase the amount of oil imported in 1972. That year, Ashland Oil, Clark Oil and Standard of Ohio had all requested that the quotas be raised 250,000-300,000 barrels a day, while some smaller independents demanded, through the American Petroleum Refiners Association, increased imports of 250,000 barrels daily.

On May 23 Nixon announced an increase of 230,000 barrels a day. Two months later the same companies demanded another 200,000 barrels a day increase; in September, Nixon allowed companies to increase their quotas 10 percent. Only Rockefeller's Exxon Oil Company vocally criticized the quota increases. At a March meeting, a top Exxon official told Nixon's Oil Policy Committee that "there is no need for additional crude oil imports in 1972." In April, Exxon was saying that if there *had* to be a change in the quotas, then an increase of 100,000 barrels a day was sufficient.

Nixon's 1973 Policy

All of Nixon's hesitation to clearly detail and enact a sound energy program came to an end in 1973. In April of that year, Nixon issued his second energy message to Congress and outlined a program to drastically increase domestic oil and gas production, imports of oil and to develop new energy technologies, including nuclear. Nixon's program, if it had been fully carried out, would have provided a good basis for supplying the nation's energy needs while moving towards a fusion power-

based economy. Nixon's policy statement not accidentally coincided with moves by several European governments to expand their own energy supplies and free themselves from Rockefeller-controlled oil.

The major feature of Nixon's April policy speech was the elimination of the oil import quota, replacing it with licensing fees designed specifically to help the non-integrated companies. Nixon declared: "Today the Mandatory Oil Import Program is of virtually no benefit any longer: Instead it has the real potential of aggravating our supply problems." The Oil Imports Appeals Board was authorized to grant fee-exempt licenses to non-major oil companies, refiners and marketers who experienced hardships. Integrated companies could apply for such licenses but they had to prove "their willingness to supply established independent refiners with 1972 allocations of crude." The Board was advised to listen to appeals on decisions from the independent jobbers and marketers to ensure that they received adequate supplies.

William Simon, one of Nixon's main energy advisors, said at the time that "We have tried to confront as many problems as we could to help the independent segment adjust to the new economics of the oil industry."

The entire April 18 statement aimed at expanding U.S. energy supplies and strengthening the independent producers. Some key proposals were:

1. Tripling the Outer Continental Shelf lands being developed, beginning with an additional 10 million acres in 1975;
2. Completing the Alaska pipeline;
3. Giving a 7 percent investment tax credit for new exploratory wells;
4. Facilitating licensing and siting for deepwater ports for very large tankers — Nixon also proposed that the government assist in designing new supertankers to be produced in the U.S.;
5. Importing and constructing facilities for liquified natural gas;
6. Expediting the siting and licensing for light water reactors and providing money for establishing a commercial liquid metal fast breeder reactor;
7. Expanding fusion research with "the goal of an energy policy in nuclear fusion to achieve scientific breakthrough in fusion heating and confinement by 1980."

The statement also discussed coal gasification, geothermal energy, oil shale and solar energy, but the funding for these insane programs was limited and most of the money for new technology was put into nuclear energy. Nixon paid only lip service to conservation, noting only how a federal building was using advanced conservation techniques! To implement this program Nixon proposed a Department of Energy and Natural Resources.

A few days later William Simon, then head of the Oil Policy Committee, testified on Nixon's energy program, attacking the environmentalists for preventing needed production and lambasting the majors for creating shortages of oil affecting especially industry and agriculture. "We cannot afford to let crops go unplanted or unharvested for lack of diesel; we cannot let our vital industries close down. We should not let the independent seg-

ment of the industry be forced to shut down," said Simon.

Oil Embargo. Watergate Launched

Nixon's decisive April speech came at a major crisis period for his opponents. The international financial crisis was reaching its height, and the New York banks were in a very precarious position. Unless they could enforce a new round of looting, especially of European economies, the Rockefeller banks faced collapse. Leading anti-Atlanticist factions in Europe were coordinating a strategy to make Europe independent from the Rockefeller-run oil companies as part of a larger industrial growth policy. The Rockefeller-dominated oil interests could not afford to have an American President in any way aiding this European challenge. One of their immediate responses was to rapidly escalate the Watergate scandal into a major challenge to the Nixon presidency itself.

While Watergate was engulfing Nixon, these same Rockefeller circles launched the Arab-Israeli war and the ensuing oil embargo, gouging enormous financial re-

sources out of the European and U.S. economies. Nixon, put under tremendous pressure to act to alleviate the shortages and force Americans to cut consumption to make America "free from foreign energy blackmail," announced Project Independence, itself an attempt to make a deal with the Rockefeller circles. Nixon's Project Independence speech in late 1973 emphasized conservation, but at the same time provided for a \$10 billion, five-year fund for research of new technology; primarily nuclear investment tax credits were proposed for new oil and gas drilling.

With Project Independence, Nixon made it clear that he would not openly attack the financial circles behind the oil shortage hoax and Watergate. By January, Nixon was calling in his State of the Union message for a special energy act to restrict consumption and legislation to promote the Clean Air Act, the law which has been largely used since by environmentalists to shut down industry. As is well known, at every compromise of this sort, Nixon was hit with renewed attacks.

Czechs Attack 'Carter Doctrine' Of Blackmail And Subversion

Zbigniew Brzezinski, chief of the U.S. National Security Council and Jimmy Carter are using a combination of "military blackmail and long-term subversion" against the socialist states, charges the Czechoslovak daily Rude Pravo in the article printed below. "The Carter Doctrine," the article declares, is identical to the Truman Doctrine of "rolling back socialism."

Two Doctrines, One Goal — Yesterday Truman, Today Carter

The United States supposedly has a new political doctrine. This has been announced by the Western press, which describes the American President's attitude on the question of human rights as the "Carter Doctrine." This is not the first doctrine announced by Washington, and it probably will not be the last....

As is well known, President Carter is big on tradition. He says he is proud to be a part of it. Even before he entered the White House, he claimed that the United States' tradition of world leadership was preordained. In order to have strength for this task, he said, "it is time to undertake a new creative initiative in foreign policy, just as we did years ago following the Second World War." And as his model, he described the policy pursued by a "courageous President," by which he obviously meant Truman.

The fact that he harkens back to this tradition necessarily brings up the question of whether this "Carter Doctrine" is supposed to be another version of the Truman Doctrine, modified for present conditions....

When Truman announced it in March 1947, American propaganda told the world that "the USA must take over responsibility for the future of humanity." ... This was the signal for an anti-Communist crusade.... The Truman Doctrine later led to the strategic conception of "rollback," whose goal was "to force Communism back to its original borders," and "liberate" countries which had taken the socialist path after the Second World War. J.F. Dulles, who under Truman already exerted decisive influence on American foreign policy, had still more ambitious plans. "We must deal such powerful blows to Russia, that this centralized state disintegrates," he said in a speech in Detroit at the end of 1951.

By the first half of the 1950s, all the American imperialists' hopes ... of being able to implement an offensive strategy against the socialist countries "from a position of strength" had vanished.... And so, in the 1960s after the failure of every conceivable offense conception aimed at changing the borders of socialism, new conceptions began to take hold, directed toward an internal transformation of socialism's social and political system.

These are what produced the Carter Doctrine. The basic goal of the Truman Doctrine has remained unchanged; only the means of achieving them have changed. Nuclear blackmail has been replaced by ideological diversion, which is supposed to effect an internal transformation of the socialist countries into bourgeois states.

In the Pentagon in Washington and NATO's staff in Brussels, however, the strategy of intimidation with nuclear weapons has not been given up; but in Washington political circles it has been decided that the "inflexibility" of this strategy must be complemented with a more flexible political and ideological strategy. From this we can draw the logical conclusion: as imperialism's opportunities to conduct their battle against socialism with military means become more limited, the ideological confrontation becomes all the more pronounced.

Even before Henry Kissinger became Nixon's Secretary of State, he publicized the theory that "with regard to many not-too-stable countries, a radio station can be a more effective form of pressure than a squadron of B-52 strategic bombers." James Carter clearly is of the same opinion. This is demonstrated by his decision to significantly strengthen the network of American stations designed to "destabilize" socialist countries with their tendentious transmissions, and to double the funding for the Munich-based Radio Free Europe....

These goals were clearly formulated by Carter's closest advisor Z. Brzezinski as early as 1966, when he stated that the "East" must be opened up to "Western influences," so that "Soviet dominance of Eastern Europe becomes weakened," and that therefore the socialist countries must be "isolated" from each other. To achieve this, it is necessary to have a "free circulation of people and ideas," so as to be able to "politically influence the socialist countries." ... Just as Carter said during his election campaign that "Eastern Europe will never be a stable area until these countries achieve independence," his advisors had already described the nature of such "independence": "independence" from socialism, but dependence on capitalism.

Brzezinski, who hurried to Prague in June 1968 "in order to greet the process of renewal," learned one solitary lesson from the failure of this attempted counter-revolutionary subversion: it fails because people proceeded too quickly, and the leaders did not have sufficient patience....

This is the primary purpose of the support Washington is giving to various dissidents in the socialist countries. This is the actual content of the Carter Doctrine. So-called human rights are merely a transparent pretext.

The United States, however, has not been successful in its role as the world's policeman. The "world moralist" role which Carter wants to give the country is even less serviceable. He is not the first one to claim that "America's historic mission" entitles the United States to preach to the world. Over 50 years ago the following statement could be read in the American press:

"We are the world's greatest nation. Our government is the best.... As a population, we are the most intelligent, politically we are the most free, and socially the most progressive.... Our history is an epic of the triumph of

justice in this nation.... We have been called upon by God to use our example in order to purify and save the world."

If this reminds the reader of Carter's statements, he is mistaken. This is the statement of the Ku Klux Klan, printed in the American Journal of Sociology in January, 1925, and in truth the current President has nothing in common with this organization, except the invocation of the United States' "historic mission."

But one thing is beyond question: neither the past nor the present of the United States in fact gives its President the right to assume the role of "the world's moralist."

How Soviets Achieved A Fusion Sputnik:

'The Strategy Of Scientific Search'

The Soviet trade union daily Trud published the article, "The Strategy of Scientific Search," excerpted below, by Nobel laureate and leading fusion physicist Academician A.M. Prokhorov on April 28. The editors of Trud introduce Prokhorov as follows:

Leading Soviet physicist Aleksandr Mikhailovich Prokhorov is one of the originators of quantum electronics, for which he and Academician N.G. Basov were awarded the Lenin and Nobel prizes. Academician Prokhorov's path to science was not an easy one. He did not finish his graduate work at the P.N. Lebedev Physics Institute (FIAN), but went to the front (in World War II - ed.), where he was a scout. A.M. Prokhorov has remained a "scout" — in science. He created new types of lasers, which are used today in the most diverse fields: medicine, energy, metallurgy, chemistry.

Besides very intensive work at the FIAN, A.M. Prokhorov is an academician, secretary of the section of general physics and astronomy of the Academy of Sciences of the USSR, and the chief editor of the Great Soviet Encyclopedia.

Not infrequently a scientist, talking about his work, is asked: "But what does it do?" This question — and its forms are quite diverse — can be heard not only during popular scientific lectures, but also from representatives of industry and planning organizations, and its meaning is always the same: what practical use can be anticipated from a given scientific work?

This question is perfectly natural, since significant resources are expended for the development of scientific investigations. This, however, is often taken to mean that direct usefulness is practically the sole criterion of the value of any scientific research work.

Such an approach, of course, curtails the role of science in the development of human society. Of course research aimed at achieving important practical results should be recognized as timely, useful and worthy of support. But is the inverse also true? Does this mean that any research is useless if it does not bring a tangible practical result and if such a result is not even evident in the foreseeable future? . . .

Speaking of basic science, it should be recalled that

this is an inalienable component part of the scientific-technological revolution in our country. . . .

Acceleration of the development of atomic energy in our country is anticipated in accord with the resolutions of the XXV Congress of the Communist Party of the Soviet Union. . . . Where did this presently most important branch of the national economy have its beginning? Its inception was directly connected with research in nuclear physics conducted during the '30s of our century.

During the 1920s and 1930s various major scientific discoveries were made in this field, which fundamentally influenced our conception of the structure of matter. From the strictly practical point of view, the purely scientific results at that time were completely "useless." At the time, when discussions arose on the possibility of achieving nuclear energy, one noted scientist in the field of nuclear physics even stated: "The energy released from the splitting of the atom is exceedingly slight. Anyone who hopes that these transformations can become a source of energy is preaching nonsense." And only in 1939 did the possibility emerge of using the achievements of nuclear physics for the goal of energy production. . . .

There are two types of research work: basic and applied, and their effectiveness must be evaluated differently. Research is considered basic if it is directed towards elucidating the lawfulness existing in nature, and the main result here is new knowledge. And knowledge then is the foundation upon which are built both further scientific investigations and applied research, which has as its goal the use of known lawfulnesses in the practical activity of man. Therefore the criterion of practicality truly is the main one, but only in the evaluation of the results of applied research. In basic research however, strict planning is senseless, since the scientific discovery always appears unexpectedly, as a qualitative leap arising from the long accumulation of knowledge. And every discovery fundamentally affects not only the course of research work, but frequently also the activity of branches of industry.

The example of quantum electronics, which arose twenty years ago, is extremely instructive in this regard. Its genesis was preceded by basic research on the radio-spectroscopy of gases, which in turn was made possible

thanks to the rapid growth of radiolocational technology, which placed in the hands of physicists a powerful method for studying rotational spectra of gas molecules. This work was of great scientific interest, but again promised little from the point of view of useful application. It is no coincidence that industrial laboratories in the USA supported such research at first, but soon left off, and after this the work was concentrated solely in the universities.

In the Soviet Union, work on radiospectroscopy was conducted as basic research from the very start, at the P.N. Lebedev Physics Institute of the Academy of Sciences of the USSR. This research led to the creation of a molecular electromagnetic radiation generator — maser — the first quantum electronics device. Following the maser there appeared quantum generators of optical range — lasers. Once again discoveries revolutionizing entire technological areas arose as a result of systematic basic research. . . .

The most important scientific task today is the problem of controlled thermonuclear fusion, on whose resolution a significant number of scientists are working in many countries of the world. The achievement of controlled thermonuclear fusion reactions would open up practically inexhaustible sources of energy. And in this case too, basic research can bring success.

Basic research must be carried out on a broad front. The concentration of efforts on just one branch may give short-term successes, but in the long run it negatively affects the development of all branches of science without exception. Nevertheless one always finds impatient people hurrying to declare one scientific direction or another hopeless and unworthy of support.

I recall how during the development of quantum electronics, statements could be heard to the effect that optics as a division of physics had exhausted itself, and that therefore other directions should be developed. The creation of lasers led to a revolution in optics, and so no one says now that this branch has become outdated.

No branch of science should be shut down; it is possible and necessary to change directions in research. Arbitrary decisions in the area of basic research produce deplorable results; unfortunately examples of this exist. It is also very important to avoid an arbitrary approach in the choice of ways to solve concrete scientific tasks. For example, several means of solving the above-

Soviets Endorse Fast Breeder, Reprocessing

Soviet delegates to the recent International Atomic Energy Agency (IAEA) meeting in Salzburg, Austria and the nuclear suppliers' London Club meeting endorsed the development of fast breeder nuclear technology to help meet world energy needs. At the London meeting last week, according to the *Financial Times of London*, the Soviets countered the U.S. State Department's Joseph Nye with a policy document calling reprocessing and its plutonium by-product "facts of life."

In Salzburg, according to the French financial daily *Les Echos*, the Soviet representatives urged rapid development of fast breeder programs and announced that the European socialist countries will develop two new fission plants with nuclear reprocessing facilities.

mentioned problem of controlled thermonuclear fusion are under investigation. It would be the grossest error to throw all our efforts into one method, ceasing work in the other directions, since no one can truly say which direction is the most promising. . . .

The economic effect of introducing scientific processes also cannot be a sufficient criterion for evaluating the activity of a scientific collective engaged in basic research. How, in reality, can we evaluate in rubles the research which led to the creation of quantum mechanics and the theory of relativity, the fundamental basis of modern scientific and technological progress?

Basic scientific research is very difficult to plan and to evaluate on the basis of any standard scale. In order to avoid mistakes which would have extremely serious negative consequences, it is necessary to conduct broad discussion of scientific problems among the scientific public. Analyzing the activity of the collective engaged in basic research, results must be looked at over a sufficiently long period of time — say, not less than 5-7 years. Attention must be given to how they have affected the development of science as a whole, the acceleration of technological progress in our country. . . .

U.S. Defense Faction Leaks:

Soviet Fusion Work Yields 'Superweapon'

Circles within the Pentagon and U.S. military intelligence have moved to outflank Carter on energy and defense policy with the disclosure that the Soviet Union is on the verge of deploying a "directed-energy beam" weapons system. As reported in detail in the May 2 *Aviation Week*, a defense industry trade journal, such a weapon could completely disable any American ballistic missile-launched nuclear weapons.

The importance of the disclosure is not military; as with all seemingly military developments, the real impact is political and scientific. *Aviation Week* emphasizes that the energy beam system's development in the Soviet Union occurred as a by-product of their crash research program for the development of commercial fusion power — the research which the Carter Administration and its Rockefeller controllers are committed to end in this country.

The *Aviation Week* article identifies a deep, political split within military and intelligence circles in the United States, between a group around General George Keegan (the just-retired head of U.S. Air Force Intelligence) and the "establishment" of the military intelligence centered in the Nuclear Intelligence Board of the CIA — unnamed as the center of Utopian-Rockefeller military assessment.

Aviation Week quotes an unidentified intelligence official: "The one thing that General Keegan finds so pernicious about this whole thing is that CIA and other top U.S. officials scoff at the idea that the backward Russians can develop a technology that we have been unable to develop in the U.S."

The Political Question

The unwillingness and inability of the U.S. to develop the sophisticated technologies involved in the beam weapon is a political question precisely because these technologies are inseparably connected with energy and industrial development. The *Aviation Week* article correctly identifies this in the specific case of the relation between Soviet fusion scientist L.I. Rudakov's groundbreaking work on electron beam fusion and weapons development (a development on which this news service was the first to report).

To the extent that the pro-development military circles responsible for the *Aviation Week* story recognize and publicize the interconnections between the U.S. military disadvantage, Carter's no-energy-no-technology policy, and Schlesinger's "bluff 'em-bomb 'em" foreign policy will the political potential for defeating Carter be realized.

Jimmy Carter Says...

The Soviet Union is "many years away" from developing a weapon that could neutralize United States missiles, Jimmy Carter said in response to the revelations by Major General Keegan in this week's *Aviation Week and Space Technology*. The President, who earned his military credentials as a professional stoker on a nuclear submarine, told a convention of the American Society of Newspaper Editors, "We have no evidence that the Soviets have achieved any major breakthrough."

The Scientific Question

The question the *Aviation Week* article raises only implicitly is a scientific one: How could the Soviets, with a substantially less advanced industrial base, have realized technologies which are upwards of ten years ahead of the U.S.?

The clearest answer lies in the interaction between scientific research, development, energy policy, and weapons technology. A prime example is the case of what the *Aviation Week* article identifies as "flux welding," described as "a process which makes the bonded material weld as strong as, or stronger than, steel walls."

The nonexistence in the U.S. of this welding technology, in fact, was the basis for the assessment of some U.S. "experts" that the beam weapons system is *impossible*.

The problem is the following: To produce energy in sufficient amounts, quickly enough, to power a beam of particles traveling at near the speed of light, a pulse of electricity that contains the energy of 1,000 tons of TNT must be generated within a millionth of a second. The only existing means of releasing this amount of energy in such a short time is a nuclear explosion; but how can such an explosion be contained?

The Soviets have devised a large steel chamber in the shape of a dumbbell, with spheres on either end of about 60 feet diameter with 13-foot thick walls! To weld such a structure together is judged "impossible" by experts in the U.S., but the Soviets have developed a welding technology that can do it, called "explosive flux welding" in the U.S. and "cumulative explosion welding" by the Soviets.

Successful Policy

The history of this welding technology exemplifies the ingredients of a successful military, energy and industrial development policy. In the 1940s the Soviets were faced with the problem of devising a welding technology that could maintain the rail system in Siberia's intense cold.

One of the Soviet Union's foremost physicists, Mikhail Lavrent'ev, and his students began studies in heat transfer, shock wave propagation, and nonlinear hydrodynamics. As a result of their theoretical work in highly nonlinear effects, and some fortuitous experimental work, the Soviets found that a mixture of flux (cleaning agents used in welding) and explosives allowed for a rapid welding of large surfaces of metal and resulted in welds of extraordinary strength.

Contrary to common sense, the explosion of the flux does not push the metal surfaces apart — it bonds them together with greater strength than the metal itself!

Lavrent'ev continues to lead a large group in Novosibirsk which is studying the problems of materials and welding. It is this expertise which has allowed the Soviets to progress at an extraordinary rate in the fabrication of very large vacuum vessels in fusion research and to build the "impossible" reaction chamber for a military application.

Energy research and industrial development are key in every one of the technologies necessary for building the beam weapon that Keegan warns about.

In an editorial, *Aviation Week* blamed the "suppression of evidence of a massive Soviet research, development, and industrial push aimed at the goal of an anti-ICBM directed-energy weapon" on "smugness and intellectual arrogance." This is silliness. The blame belongs squarely on the shoulders of those who propose a halt to fusion and fission research, a halt to industrial growth, and destruction of creative science.

—Dr. Steven Bardwell

Aviation Week Magazine:

Soviets Push For Beam Weapon

The following are major portions of the article by Clarence Robinson, Jr. which appeared in the May 2 issue of Aviation Week, revealing the imminent Soviet deployment of a charged-particle "beam weapon system" which was developed as a spin off of Soviet research into fusion power applications. The sub-head of the article reads: "USSR developing charged-particle device aimed at missile defense, exploring high-energy lasers as satellite killer."

Washington — Soviet Union is developing a charged-particle beam device designed to destroy U.S. intercontinental and submarine-launched ballistic missile nuclear warheads. Development tests are being conducted at a facility in Soviet Central Asia.

The Soviets also are exploring another facet of beam weapons technology and preparing to test a spaceborne hydrogen fluoride high-energy laser designed for a satellite killer role. U.S. officials have coined the term directed-energy weapons in referring to both beam weapons and high-energy lasers.

A charged-particle beam weapon focuses and projects atomic particles at the speed of light which could be directed from ground-based sites into space to intercept and neutralize reentry vehicles, according to U.S. officials. Both the USSR and the U.S. also are investigating the concept of placing charged-particle beam devices on spacecraft to intercept missile warheads in space. This method would avoid problems with propagating the beam through the earth's atmosphere.

Because of a controversy within the U.S. intelligence community, the details of Soviet directed-energy weapons have not been made available to the President or to the National Security Council.

Recent events have persuaded a number of U.S. analysts that directed-energy weapons are nearing prototype testing in the Soviet Union. They include:

- * Detection of large amounts of gaseous hydrogen with traces of tritium in the upper atmosphere. The USAF-TRW Block 647 defense support system early warning satellite with scanning radiation detectors and infrared sensors has been used to determine that on seven occasions since November, 1975, tests that may be related to development of a charged-particle beam device have been carried out in a facility at Semipalatinsk.

- * Ground testing of a small hydrogen fluoride high-energy laser and detection of preparations to launch the device on board a spacecraft. Some U.S. officials believe the test of the antisatellite laser may be related to recent Soviet activities on a manned Salyut space station.

- * Test of a new, far more powerful fusion-pulsed magnetohydrodynamic generator to provide power for a charged-particle beam system at Azgir in Kazakhstan near the Caspian Sea. The experiment took place late last year in an underground chamber in an area of natural salt dome formations in the desert near Azgir and was monitored by the TRW early warning satellite stationed over the Indian Ocean.

- * New test site at Azgir under the direct control of the Soviet national air defense force (PVO Strany), commanded by Marshal of the Soviet Army General P.F. Batitskiy. Since the PVO Strany would be responsible for deploying a beam weapon to counter U.S. ICBM warheads, Marshal Batitskiy's role indicates a near-term weapons application for these experiments, U.S. officials believe.

- * Point-by-point verification by a team of U.S. physicists and engineers working under USAF sponsorship

that the Soviets had achieved a level of success in each of seven areas of high-energy physics necessary to develop a beam weapon.

* Recent revelations by Soviet physicist Leonid I. Rudakov during a tour last summer of U.S. fusion laboratories that the USSR can convert electron beam energy to compress fusible material to release maximum fusion energy. Much of the data outlined by Rudakov during his visit to the Lawrence Livermore Laboratory has since been labeled top secret by the Defense Dept. and the Energy Research and Development Administration, but it gave a clue to U.S. scientists that the USSR is far ahead of the U.S. in controlled fusion by inertial confinement (compression of small pellets of thermal nuclear fuel) and weapons based on that technology.

* Pattern of activity in the USSR, including deployment of large over-the-horizon radars in northern Russia to detect and track U.S. ICBM reentry vehicles, development and deployment of precision mechanical-phased-array anti-ballistic missile radars and massive efforts aimed at civil defense.

There is little doubt within the U.S. scientific or intelligence communities that the Soviets are involved in developing high-energy technology components that could be used to produce a charged-particle beam weapon, but there is a great difference of opinion among officials over whether such a device is now being constructed or tested in the USSR.

In increasing numbers, U.S. officials are coming to the conclusion that a decisive turn in the balance of strategic power is in the making, which could tip that balance heavily in the Soviets' favor through charged-particle beam development, and the development of energetic strategic laser weapons.

Most of the controversy centers on what tests are being conducted in an unusual research facility about 35 mi. south of the city of Semipalatinsk.

In the face of mounting evidence of Soviet efforts aimed at developing a charged-particle beam weapon for anti-ballistic missile defense, the Air Force's Scientific Technical Intelligence Committee (STIC) has scheduled a fall meeting to review new data.

The Semipalatinsk facility where beam weapons tests are taking place has been under observation by the U.S. for about 10 years. The central building at the facility is believed by some officials to contain a collective accelerator, electron injectors and power stores.

The building is 200 ft. wide and 700 ft. long, with walls of reinforced concrete 10 ft. thick. The entire facility, with its associated support equipment, is estimated to have cost \$500 million.

The test site is at the southern edge of the Semipalatinsk nuclear test area, and it is separated from other test facilities. It is surrounded by a series of security fences.

The total amount invested by the USSR in the test project for the 10 years' work there is estimated at \$3 billion by U.S. analysts.

The U.S. used high-resolution photographic reconnaissance satellites to watch as the Soviet technicians had four holes dug through solid granite formations not far from the main large building at the facility. Mine heads were constructed over each opening, and frames were built over the holes. As tons of rock were removed, a

large underground chamber was built deep inside the rock formation.

In a nearby building, huge, extremely thick steel gores were manufactured. The building has since been removed. These steel segments were parts of a large sphere estimated to be about 18 meters (57.8 ft.) in diameter. Enough gores for two complete spheres were constructed. U.S. officials believe the spheres are needed to capture and store energy from nuclear-driven explosives or pulse-power generators. The steel gores are believed by some officials to be among the earliest clues as to what might be taking place at the facility.

The components were moved to the nearby mine heads and lowered into the chamber.

Some other U.S. physicists believe the steel gores are designed for underground storage of unused nuclear fuel for a magnetohydrodynamic or closed cycle gas core fission process needed to power beam weapons or for storing waste products from the fission process.

One of the major problems in gaining acceptance of the concept within the U.S. scientific community was to convince high-energy physics experts that the Russians might be using nuclear explosive generators as a power source to drive accelerators capable of producing high intensity proton beams of killing potential.

Initially, some U.S. physicists believed there was no method the Soviets could use to weld together the steel gores of the spheres to provide a vessel strong enough to withstand pressures likely to occur in the nuclear explosive fission process, particularly when the steel to be welded was extremely thick. U.S. officials later discovered that the Russians invented a process called flux welding and had been using it for years in producing pressure spheres. The flux welding process, according to some U.S. officials, makes the bonded material weld as strong as, or stronger than, the steel walls.

U.S. officials, scientists and engineers queried said that the technologies that can be applied to produce a beam weapon include:

* Explosive or pulsed power generation through either fission or fusion to achieve peak pulses of power.

* Giant capacitors capable of storing extremely high levels of power for fractions of a second.

* Electron injectors capable of generating high-energy pulse streams of electrons at high velocities. This is critical to producing some types of beam weapons.

* Collective accelerator to generate electron pulse streams or hot gas plasma necessary to accelerate other subatomic particles at high velocities.

* Flux compression to convert energy from explosive generators to energy to produce the electron beam.

* Switching necessary to store the energy from the generators in large capacitors.

* Development of pressurized line needed to transfer the pulses from the generators to power stores. The lines must be cryogenically cooled because of the extreme power levels involved.

For several years, Air Force Maj. Gen. George J. Keegan, who until his recent retirement headed USAF's intelligence activities, has been trying to convince the Central Intelligence Agency and a number of top U.S. high-energy physicists that the Soviets are developing a charged-particle beam weapon for use in an antiballistic missile role.

Evidence was gathered by Air Force intelligence from a variety of sources, including early warning and high-resolution reconnaissance satellites, published USSR papers on high-energy physics and visits between Soviet and Free World physicists. In contacts with scientists deeply involved in developing components necessary for beam weapon application in both the USSR and the U.S., data was gleaned that clearly showed the Russians to be years ahead of the U.S. in most areas of technology, one U.S. physicist said. He added that it became increasingly clear that the Soviets were making a concerted effort to develop the technology in each area so that, if it was pulled together, a beam weapon and possibly related laser weapons could result.

All of the evidence that Gen. Keegan and his small team gathered about Soviet designs on charged-particle beams was presented to the CIA and its Nuclear Intelligence Board, which has so far rejected their conclusion that beam weapons development is evident.

Most of the evidence has been gathered over a four-year period and involved the entire spectrum of facilities for test and experimentation, research laboratories, power generation, electron injection, collective acceleration and beam propagation — all areas where the Soviet Union has outpaced the U.S., according to a U.S. official.

Some scientists and engineers refused to accept information that the installation at Semipalatinsk had anything to do with beam-generation tests or that levels of energy required for these experiments could be attained. And even if somehow the energy could be generated, it could not be harnessed for beam application, they said....

In recent public pronouncements, Gen. Keegan has taken the CIA to task for having rejected Air Force intelligence information about Soviet beam weapon development. He also has spoken bitterly about a number of top U.S. physicists who refused to accept even the possibility that the Soviets are involved in beam weapon development. Most of the physicists who would not accept the data were older members of the scientific community who had been involved in research and development from the early days of a project called Seesaw.

The U.S. attempted unsuccessfully to develop a charged-particle beam device under the project code named Seesaw. It was funded by the Defense Dept.'s Advanced Research Projects Agency but abandoned after several years.

A number of influential U.S. physicists sought to discredit Gen. Keegan's evidence about Soviet beam development. The general attitude within the scientific community was that, if the U.S. could not successfully produce the technology to have a beam weapon, the Russians certainly could not. "It was the original not-invented-here attitude," one U.S. physicist said. . . .

"One of the problems is that some U.S. intelligence officials and scientists have difficulty in understanding the concepts involved. The technology is simply beyond their comprehension," an official said. The facility at Semipalatinsk is an example, the official continued. It depends on how it is visualized. "This is a case where the experimental hardware is identical to the equipment necessary to destroy an ICBM. If they can generate the

charged-particle beam to test the device, and large amounts of hydrogen being burned there indicate they are, then they can generate for weapons use." . . .

"After 10 years of work at the site and after developmental testing of the beam for over a year, the only thing required is to scale the device for weapons application," he said. That could be accomplished by as early as 1978 with a prototype beam weapon, and it could be in an operational form by 1980, some officials believe. . . .

"The one thing that George (Gen. Keegan) finds so pernicious about this whole thing is that CIA and other top U.S. officials scoff at the idea that the backward Russians can develop technology that we have been unable to develop in the U.S.," one official said. "He (Keegan) admits that he could be wrong, but he is not wrong about the Soviets' will to produce such a weapon and about the national assets they are devoting to it."

"From all of this evidence we have a good idea of where the Soviets are in development and where they are headed with beam weapons and high-energy lasers. Not much has been done in this country since Seesaw," a U.S. physicist said. "But there is certainly a lot of new interest now within the scientific community. . . ."

U.S. Scientists: 'We May Not Catch Up!'

The following are some of the reactions from scientists, specialists in strategic assessment and the press to the revelation of the imminent Soviet "beam weapon" deployment.

Scientist, Livermore Laboratories

Yes, it is quite believable.

Gerald Yanos, Electron Beam Program Director, Sandia Weapons Laboratory (New Mexico)

Yes, the Soviets have in their literature said they have a water capacitor for storing high energies, and which operates under very high pressures. The U.S. has been unable to duplicate it.

Harold Agnew, Director, Los Alamos Weapons Laboratory

Yes, we are quite concerned.

Philip Morrison, nuclear physics, Massachusetts Institute of Technology; advisor, Pentagon; advisor, Democratic Party; Board of Directors, Federation of American Scientists

It can't be a beam. Yes, I believe they have the thermonuclear power system working, but it's not a beam, not a particle beam. I don't believe the Soviets are ahead in basic science, though you may be right that they are working in the right areas and we are not.

Die Welt (West Germany):

If what General Keegan says of the significance of the

Soviet breakthrough is true, this completely alters the Western strategic situation.

Dr. William Van Cleave, Strategic Studies, University of Southern California: Committee on the Present Danger

This is a very healthy development. I've just started reading the article and I am quite excited about it, having been in touch with General Keegan for some time. The scientific gap between us and the Soviets is now so enormous that I'm not sure we can make it up. But at least this will motivate us.

Dr. Stefan Possony, Hoover Institute for War, Revolution and Peace

If the Soviets get this thing deployed before we can develop something comparable, there exists the definite possibility that the U.S. could lose its retaliatory capability. There are several ways people will come up with to get around this sort of ABM, such as cruise missiles and so forth, but that stuff is a lot of crap. The technology is the key. We have a specific tradition of scientific incompetence in this country that goes back

thirty years to when these same scientists were saying that the Soviets could never explode an atomic bomb.

Paul Bracken, Military Research Analyst, The Hudson Institute

General Keegan was here recently talking about all sorts of classified things. Personally I think he's some kind of nut.

Alain Enthoven, Stanford University; former Dept. of Defense "whiz kid" under Robert McNamara

Take this stuff with a grain of salt. Although I've been out of the field for some time, I know the psychology of these things and most of them are scare stories.

Boston Globe, Editorial

Buck Rogers is back again campaigning for a bigger military budget.

Corriere Della Sera (Italian "newspaper of record")

The U.S. doubts the reports of this Soviet capability, but if anyone possesses it, it is the Soviets.

Italian Communists Seem Headed For Split

ITALY

The Italian Communist Party (PCI) is undergoing major internal factionalization which some observers believe may end in either an outright split, or, more likely, the expulsion of the group which until very recently dominated the party's policy. Included among the heads which just might roll is the party's general secretary, Enrico Berlinguer.

The issue of the current heated debate is the proposal extended by Christian Democratic Prime Minister Giulio Andreotti for the entry of the PCI into the government on the basis of a programmatic alliance for industrial development. The faction in the PCI which opposes this is the one currently taking its orders from U.S. Ambassador to Italy Richard Gardner, who also happens to be a member of the Trilateral Commission.

A joint PCI-Andreotti government would institutionalize the already close alliance between the prime minister and pro-development elements in the Communist Party leadership, particularly those with ties to the trade unions and public sector industry. This would define the fundamental political issues around which Italian politics are to be oriented — productive expansion of the economy versus acceding to the austerity demands of the big New York banks — and break through the artificial split between "left" and "right" which has kept pro-development forces in the various political parties divided since the postwar period.

It should be kept in mind that the Trilateral Commission was founded by David Rockefeller as a tri-continental policymaking body just to keep such developments from occurring among the U.S.'s advanced sector allies. Hence, Ambassador Gardner is now personally coordinating a mobilization of the "monetarist" factions in all the parties to ensure that the next Italian government will pay the debt at all costs. And this includes the PCI.

Over the past week Mr. Gardner met with the leading friends of the New York banks in nearly every Italian party. First came Aldo Moro, a former premier who has become Andreotti's main adversary within the Christian Democracy, and who trekked to the U.S. Embassy on the Via Veneto in Rome just before the weekend. Immediately afterwards, Moro stepped up his threats to split the Christian Democracy if Andreotti were allowed to proceed with the Communist Party alliance.

Gardner subsequently met with the head of the Republican party. The very next day, *La Voce Repubblicana*, the Republican party official newspaper, demanded that Andreotti resign.

For reasons of good appearances, Gardner did not

directly call Communist Party General Secretary Berlinguer to the Via Veneto Embassy. Instead, he met with Bettino Craxi, the secretary of the Socialist Party who has longstanding and notorious ties to the New York "think-tank" community of the Rockefellers. Craxi subsequently called Berlinguer out of a meeting of the PCI's main executive body, the Directorate, to convey Gardner's briefing and to "coordinate policies" between the Socialists and the Communists.

Counter-Attack

It is just this brazen manipulation which has sparked the trade-union and industry-based factions in the PCI into a fullscale counter mobilization which threatens to heave Berlinguer and his allies out on their ear.

Over the weekend of May 1, the usually reticent president of the PCI, Luigi Longo, authored an article in the party's official newspaper addressing Moro personally. Longo warned that the Communists would call the workers out into the streets nationally in order to block any attempt to disrupt the negotiations for PCI entry into the government on the basis of an explicitly *political*, and not merely "technical" programmatic alliance with Andreotti. (The Moro faction has adopted "technical" assistance as their formulation for the terms under which they would accept the PCI in the government — meaning giving certain monetarist-leaning PCI "economists" a berth in an austerity regime.)

According to press accounts Longo's article was also addressed to the Moro allies inside the PCI, such as Moro's old friend Giorgio Amendola, the godfather of the Communist Party's "technical" economists. The article appeared at the same time that the party Directorate was meeting to settle the issue of the Andreotti government alliance.

The Directorate's meeting deadlocked in a total factional split, according to a Milan newspaper, *Il Giornale*. Unable to issue a joint document, the 20 Directorate members announced the convening of an emergency session of the much larger party Central Committee May 12, together with a meeting of the PCI's Central Control Commission, the body which decides on such issues as expulsion.

The convening of the Control Commission, a stronghold for such party "Stalinists" as Ambrogio Donini, who in recent months has aired in the press certain longstanding issues of his pro-Soviet faction against the Berlinguer group, tends to corroborate press estimates that heads will roll at the Central Committee plenum.

The day after the Directorate meeting ended, the PCI paper *L'Unità* argued in its lead editorial that whoever attacked the notion of a PCI-Andreotti alliance was attacking the Italian republican state itself. *L'Unità* was echoed that day by the head of the foreign affairs section of the Christian Democracy, Giovanni Granelli, who is

also known as an ally of Andreotti. Writing in the Rome paper *Paese Sera*, which has unofficial ties to both the Socialist and Communist parties, Granelli attacked those who were attempting to sabotage the growing programmatic alliance between the Communists and the prime minister.

Referring to the first postwar government made

possible by collaboration between the PCI-led working class resistance and the Christian Democratic industrialists who had joined them in fighting the fascists, Granelli stated: "If the current crisis cannot be resolved by the forces that came out of the Resistance and formed the Republic and democracy, then we cannot talk about our chances for having any future whatsoever."

IPS Terror Control Exposed In Italy

The following are translated excerpts from an article, "Why There is Terror in Italy — The Blind Terror of IPS," published in the May 5 issue of the widely-read weekly *Giorni—Vie Nuove*, the magazine of the Italian Communist party-linked cooperatives. The article independently corroborates the evidence published beginning over a year ago by this news service, identifying the Washington-based Institute for Policy Studies and its "leftist" director Marcus Raskin as the main Rockefeller-financed control center for international terrorism, in collaboration with Rockefeller's Interpol — for both "right-wing" and "left-wing" varieties.

Italy has been subjected to an escalating wave of such terror operations, including in recent weeks the kidnapping and attempted poisoning of two nationally prominent Socialist Party leaders and the murders of several magistrates involved in investigating the terror. Until this time, however, no Italian press outside of direct NSIPS affiliates had identified the real international sources of the terror, and exposés had been limited at best to pointing a finger at the right-wing terror networks operated through Bavarian neo-Nazi Franz Josef Strauss, without indicating the Rockefeller IPS-Interpol hand behind these networks. In the first article of the current five-part series (see *EIR* No. 18), *Giorni Vie Nuove* revealed that there are two, increasingly warring CIAs — a traditionalist one, and a second "left" outfit which trained Italian students through Johns Hopkins University and the National Student Association, and sent them to Italy for terror and destabilization operations against the Communist Party. This week's part two pinpoints Raskin's chief collaborators and *modus operandi*, published for the first time anywhere, including how drugs are used by the Raskin networks to create terrorists.

It is clear from the way the exposé is written that it is based on information made available by Prime Minister Andreotti's allies within the government itself, as part of an urgent effort to free Italy from Interpol control. The information is "leaked" from a report by the office of Emilio Santillo, a close Andreotti ally who heads the national Anti-Terrorism Unit. The report has been submitted to the office of Italian Interior Minister Francesco Cossiga. Cossiga, Italy's top Interpol agent, has been linked in the press already to at least the coverup, if not the deployment, of terrorism.

For the non-Italian reader, a few further identifications are in order. General Vito Miceli was formerly a high-ranking officer of Italian Defense Intelligence (SID) against whom Andreotti instigated an in-

vestigation which led to his indictment for involvement in fascist terrorism. "Affari Riservati" (Secret Affairs) was a special investigative unit directly created by the CIA inside the Interior Ministry, which was officially dissolved recently for "dirty tricks" scandals but reportedly still functions under another guise. The Red Brigades and NAP are the most notorious terror gangs in Italy; Langley of course refers to Langley, Va. — the headquarters of the U.S. Central Intelligence Agency.

Why There Is Terrorism In Italy — The Blind Terror Of IPS

On (Interior Minister —ed.) Cossiga's desk there is a document on terrorism written by Russomano, the secretary of Santillo. There is no longer any doubt that Russomano's files contain names and indications which prove that behind terrorism there lies the CIA. But it is not sufficient to just name the CIA. Names have to be mentioned, and we are naming the names.

The man who for over ten years has been directing terrorism in Italy and Western Europe is Marcus Raskin of the Institute for Policy Studies, a private institution financed by Rockefeller, which for more than ten years has financed right and left-wing subversive groups operating in Western Europe. This organization, although not directly linked to the CIA, has received orders from the big brains at Langley to destabilize unwelcome governments, and the Honorable Andreotti is not welcome to the American fascists who have in Rockefeller and Kissinger their undisputed spokesmen.

Marcus Raskin is the man who created the Red Brigades, the NAP and all the other subversive groups. In practical terms this man in his 40s, who comes from the New York underworld, is accused of being the controller behind the blind terrorism of General Yarborough, ex-chief of underground operations of the CIA. IPS is linked to the principal American universities and interconnects with the secret services. It is divided into three sectors:

- (1) official security services
- (2) extremist groups
- (3) destabilization operations

The Italian Network

Marcus Raskin has a three-tier operation. The first is recruitment, the second is operations, and the third is the assassinations department which includes trained killers to assassinate inconvenient people. The first tier is controlled by Eddy Grevillz, who is very well known to Interpol. He is active and confident, comes from Lyons, and is a direct creation of Marcus Raskin. It appears that he lives in a locale in the area of Como in which Rockefeller has "cultural" interests. Investigators have established that he is the father of the Red Brigades.

How the Red Brigades Were Born

Between 1968 and 1969 Grevillz was in Trento where he became involved with the problems of sociology students. This was the University where Curcio and the other Red Brigades came into being. Grevillz also controls the drug traffic among youth. In fact, drug addicts are potential terrorists. Grevillz' men infiltrated themselves into the autonomist drug addicts and made drugs available to them. Later, they suddenly withdrew the drugs and blackmailed the youth, after which began the brainwashing which produces terrorists.

The agents of the criminal "case officers" (which means controllers in their jargon) obtain their (the recruits') loyalty by promising them drugs. This is why contact exists between the CIA and the criminal world. The ties between the CIA and Cosa Nostra are known. The CIA has also made a pact with the Calabrian *drangheta* (local criminal organization in the South-ed.) which in turn contracted to carry out kidnappings.

The complicity of the police is clear. Until some time ago, Grevillz had contact with the "Affari Reservati" and with General Miceli. Today it seems that Grevillz has close relations with the Viminale (Interior Ministry). The secret services have singled out all the responsible individuals but they are all untouchable people.

Erik Fulbright is the second man of the network, charged with using the terrorists politically. The orders come from Langley. The general headquarters are in the Rome office of a large multinational company (whose name we know).

Finally, the assassinations department is directed by Rene Polanski, a Pole who has been known to the police for some time. He gets his orders and carries them out without question.

This is the organization which directs terrorism.

The French Military Goes Psychotic

FRANCE

The following strategic assessment was issued April 28 by U.S. Labor Party Chairman Lyndon H. LaRouche.

The French military command, which has not led a successful war since Napoléon's retreat from Moscow, has, true to that tradition, volunteered France for a Rockefeller enterprise which competent NATO countries' military professionals — e.g., in the U.S. and West Germany — correctly regard as suicidal incompetence. President Giscard d'Estaing's African adventure, and the babbling attributed to certain French quarters in yesterday's *Frankfurter Allgemeine Zeitung* suggest that Michel Foucault might be heading up Giscard's military advisers.

Admittedly, apart from the Vichy tradition traceable to General Boulanger, France has also produced its Foch and de Gaulle. Unfortunately, on the record, the bunglers predominate until the point they have lost or almost lost a war.

We do not exaggerate France's dismal military record. The Prussian defeat of the Second Empire should have surprised no one. Louis Napoléon's earlier military successes were stage-managed set-ups, arranged for him by the House of Rothschild — who manipulated the finances, and hence the deployment of little Louis' adversary. But for *prima donnas'* interference into the German military command, Germany would have won the First World War almost as quickly as it defeated France in 1940. In both world wars, the most significant German advantage was the imbecility of the French command. The same French officer corps which lost the 1940 Battle of France degenerated still further in the

process of conducting — and losing — the Indo-China War. Algeria was not a war, but a bloated military occupation exercise, in which the overall quality of the French officer corps was degraded still further.

De Gaulle was the exemplary exception to this, the rallying-point for those officers who had actual or potential qualities of strategic perception. Unfortunately, competent military leaders are no longer in the saddle; the Giscard government, by weeding out

Debré Blasts Atlanticist War Aims

In a short statement on French national television May 4, Gaullist leader Michel Debré explicitly denounced NATO's war aims against the Soviet Union. Justifying his — and most Gaullists' — refusal of European political integration, Debré said: "We do not want a war with the Soviet Union decided by others. They will ask us to put our nuclear weapons on the Czechoslovakian border and thus to participate in their war. If we refuse, they will cut off all credit and blackmail us." Debré had not alluded to Atlanticist war plans since the 1973-74 "Oil Hoax."

actual and potential Gaullists from the key military positions, has put the bunglers back to command. The same French military faction which Prussia defeated in 1870, nearly routed in 1914, and crushed in 1940 — the Vichy tradition — is back in command and disposed to parody its worst bunglings and atrocities of the past.

Vichy is the tradition of Louis Napoléon. Then and now,

the generals of Napoléon the Little are distinguished by little minds. They are sometimes expert in tactics, but imbecilic in strategy. They are expert in military occupation tactics against striking French workers or ill-armed colonials. Some are expert in the tactical traditions of the SS Colonel Otto Skorzeny. Clausewitz is beyond their petit-bourgeois comprehension.

The actualities of war are too big for French petit-bourgeois tastes. Tactics, the *little* side of war-fighting, they regard as eminently French. Strategy is not French in their view; it is not little. Petit Vichy France, Petit-bourgeois France, will not tolerate anything which does not agree with its version of French preciousness in task.

Nonetheless, despite their tastes in the matter, such generals of little minds have stumbled into big wars. Indeed, some of them are sufficiently deluded to imagine that they are professionally qualified to conduct war. They prepare for and fight under the delusion that strategy is nothing but a linear extension of established French tactics. They regard war as the total expression of such tactics — and, incidentally, the most suitable climate for the professional career-advancements and ultimately larger pensions.

Consistent with their petit-bourgeois mentality, for them war is the ultimate in existentialist *gestures*. It is existentialist rage: *Attack!* It is exquisite posturing: *Maneuver!* It is the oedipal act of rape, or assassination of a hated sibling: *Destroy!* In fact, it is usually the ultimate existentialist gesture: *Suicide — rout!*

Such generals of little minds are organically incapable of understanding actual strategic thinking on either of its two levels. They are incapable of rising to the level of Clausewitzian conceptions. They are thus inevitably incapable of rising to the higher level, to the analysis of the political processes under which Clausewitzian strategic doctrines are properly subsumed.

There are three great modern traditions of military strategic thinking. The German Clausewitzian, the American “traditionalist” — rooted largely in the lessons of the U.S. Civil War — and the Soviet or Tukachevsky tradition. Charles de Gaulle belongs among those traditions, as do Tito and Giap. Members of those traditions have assimilated a doctrine itself shaped by the knowledge that war is not an extension of tactics, but is armed *political* struggle. In fact, the science of military strategy is in principle a branch of political economy.

It is from the standpoint of political economy that one's own and an adversary's *interests* and in-depth war-fighting *capabilities* are determined. Military capabilities are realized expressions of political-economic capabilities, and military strategic postures are shaped by interests and capabilities. From this standpoint, one understands many crucial points almost axiomatically. For example, there is no level of technological advancement which precludes a war being fought.

Giscard's African Adventure

Although President Giscard d'Estaing obviously has no competent understanding of strategy, he has made it clear that he is fully informed of the real nature of the Zaire operation. Giscard is not such a fool as to believe the nonsense being poured into the ears of credulous

RPR members.

Giscard has identified the SATO connection, the use of “force de frappe” in connection with French naval operations, and the “strategic materials” aspect of the caper. Giscard knows that he is part of the Rockefeller SATO operation of which I warned a nationwide U.S. television audience last November 1. Giscard has made it clear by public statements issued variously by himself, French military spokesmen, and others, that the primary objective of his Africa policy is to put a trigger on an early thermonuclear confrontation with the Soviet Union. He, and undoubtedly François Mitterrand as well, are informed that the African operation is complementary to the unleashing of the Israeli military in a “breakaway ally” caper directed at the Gulf States.

The subsidiary monetarist objectives of the thermonuclear confrontation scenario are to provide Rockefeller total control of Middle East petroleum and African mineral resources. (No doubt, Rothschild has been offered a piece of this action in return for blocking British and French opposition to Rockefeller's Africa and Middle East policy. If Rothschild believes that Rockefeller intends to keep any such promise, Rothschild has forgotten how monetarists think in the sort of fix Rockefeller is in.) The objective is to drive up raw materials prices, cut off major chunks of world petroleum supplies, and thus create a speculative bonanza for the Rockefeller interests. Rockefeller has virtually cornered the coal reserves market for the moment and needs hundreds of billions of dollars from the U.S. Treasury to bail him out with “coal gasification” schemes. An upward zooming of other mineral prices would reproduce the 1973-1974 petrodollar bail-out operation on a much-enlarged scale.

The Africa and Israel operation function vis-a-vis the Warsaw Pact nations as a sea-going variation of the MC 14-4 “theater nuclear posture” scenario known as the “Schlesinger Doctrine.” Instead of attempting the thoroughly discredited theater-limited nuclear confrontation with the Warsaw Pact in Central Europe, the Israeli and Africa operations propose to apply this theater-limited nuclear exchange to a confrontation with Admiral Gorskov's Soviet fleet.

At this moment, the first phase of the confrontation itself is coordinated directly out of Zbigniew Brzezinski's U.S. National Security Council. The known elements are: U.S. Atlantic and Mediterranean naval forces, the Interpol network and neo-Fabian network, “Special Forces” units, French forces including the French fleet, forces of the Republic of South Africa, various token African stooges to lend color and variety, the Israeli military, and probably British elements.

However, according to statements by Giscard and other official sources, and according to Israeli sources, the U.S. elements of the first-phase deployment will keep a low journalistic profile. In the case of the Middle East, Israel will act apparently without the consent of the U.S. government in launching war, and South Africa, in cooperation with France, will follow a similar, “breakaway ally” scenario. Giscard's extension of the “force de frappe” to French naval operations off the coast of Africa signals that France is intended to replace the role assigned to NATO as the initiator of the theater-

limited nuclear exchange with the Soviet fleet.

Such arrangements are subject to change, but this is the way the game is set up at this point. Changes in details of the scenario do not alter any of the essential strategic implications.

Two fundamental strategic facts are posed. First, the Soviet command will not, under any circumstances, accept a theater-limited nuclear confrontation in any guise or disguise. If they cross an indicated threshold for theater-limited confrontation, they will do so only as part of a launching of total thermonuclear war. This means that they will make such an engagement only under conditions they have opted for, what Soviet and Warsaw Pact doctrine terms "justified thermonuclear war." Second, the combined Middle East and African scenario are, as I warned a nationwide television audience last November 1, the strategic preconditions at which Soviet perception of interests requires total thermonuclear war.

Let it once again be clear what total thermonuclear war means. It means the immediate launching of total Soviet strategic thermonuclear throwweight available against the continental United States, producing Day-One U.S. civilian casualties in the order of between 160 and 180 million persons. It means a form of global naval warfare beyond even the ordinary informed military specialist's imagination. It means that every military target of NATO, France, and their allies will be transformed into radioactive rubble at the same time that the launch is made against the United States. It means not only nuclear weapons, but strategic and tactical biological and chemical warfare. It means ABC military "sanitizing" of Western Europe in the same way an Idaho potato farmer saturates a field before planting it. In the wake of that screen of atomic-biological-chemical warfare, mobile Warsaw Pact spearhead forces, trained and conditioned to deploy in an ABC-contaminated environment, move across Western Europe, reaching France within 48 hours — or as much of France as remains usable outside the piles of radioactive rubble.

This is the insanity with which the French military command is playing.

Granted, the penalty against the Warsaw Pact nations will be hideous. Perhaps 30 percent of their population killed. The military or political strategist who imagines that that penalty will prevent the Soviets from going to war is worse than an imbecile. When a nation's most vital strategic interests are at stake, it will go to war if it has a war-winning capability. *It has no other choice.* At such a point, there is no threshold which continues to operate as a deterrent. Moreover, the Warsaw Pact command has thought this through over a 20-year period, has developed a strategic capability which has only this unique function, and their thinking is absolutely sound.

What the Warsaw Pact penalty does do is to shape the Soviet attitudes towards those it regards as responsible for causing the war.

The strategic precondition for war is de facto control of most of the OECD countries and developing nations by a U.S. Administration with the Carter Administration's policy content and characteristics. The instant the Carter administration shows its hand in a replay of the Kennedy administration's confrontationalist postures, a massive internal alignment occurs in the Soviet Union, putting the command structure for "justified ther-

monuclear war" into place and operational. The first decisive further push, and the action starts. The combined Israeli and African confrontations represent more than sufficient "critical strategic mass" to set everything into motion.

Only a general in the Vichy tradition would be so stupid as to not recognize that.

"Systems Analysis Freaks"

We know very well that neither the Israeli military nor Giscard's advisors authored the actions involved. We know very well who authored the schemes and where the orders actually originated. The U.S. authors were not the U.S. general officer corps, and not the "military industrial complex." It was the Rockefeller-Rothschild crowd and their "systems analysts" — with strong emphasis on the anal in analyst.

"Systems analysis" reduces individual human beings to "units." This is system analysis jargon for human beings: "units." Given arrays of such "units", to each section of the "array", a psycho-profile is attached. On this basis, a "scenario" is constructed.

What all "systems analysts" overlook is the deeper implication of that very principle which they themselves stress as essential to the success of the "scenario": controlled environment. What happens when the control breaks down?

The inherent feature of all the scenarios now being deployed is that their deployment depends upon the included development which causes the breakdown of the Soviets' controlled environment. Each of these scenarios introduces a powerful sensuous element of the type which sets the "reality principle" into motion — most emphatically in the Warsaw Pact command. Once that threshold value is reached, the controlled environment breaks down.

The principle is elementary. A controlled environment is axiomatically a set of illusions imposed on those being controlled. These illusions are induced through the psychological principle of reaction formation. The crude "Mutt and Jeff" psychological warfare or police-interrogation technique is exemplary. Attempt to maintain that illusion in an individual or group which is in fact not under the physical control of the controllers, and at a certain point of pain or similar sensuous perception of reality, the victim will abreact, break out of the psychological environment.

Hence, to the extent that the Rockefellers do in fact have a powerful influence within the Soviet leadership — via New York City, Vienna, and so forth — the only implied consequence of that influence for the scenarios in progress is to make war inevitable. That is, unless the Soviets act to destabilize developing scenarios before they reach the critical point of confrontations, Soviet abreaction will be delayed until the point of war. Hence, war becomes inevitable.

A certain amount of coverup propaganda flowed from U.S. journalistic sewers after the abortive Vance trip to Moscow. It was suggested that an "inexperienced President" had bungled in his "style" of handling the matter. That is utter nonsense. It was a precalculated operation, driven to extremes by David Rockefeller's desperation and by a gross miscalculation on the part of the *top strategic systems analysis*. The Mutt and Jeff

game against the Soviet leadership broke down — Rockefeller's principal Kremlin ace-in-the-hole was destroyed.

These nominal cretins — the systems analysts — are going directly to the brink of general war on the basis of the stated and obsessive conviction that the Warsaw Pact command will give up vital interests as concessions made to avoid threat of general war. It is an imbecilic bluff, based entirely on the pre-calculation that the Soviets will abandon both their vital interests and their military posture under sufficient pressure. This is why they blackmailed Rabin into resigning and why they pushed France into the Africa adventure.

The whole lot are criminal imbeciles. We may be as near as merely days or weeks from the extinction of the United States, France, and Israel, in part, because of the criminal incompetence of the Vichyite French military command.

Alternatives

If the Vichyites and their cronies have any sense left, they will keep their dirty fingernails out of all sabotage projects aimed against the Belgrade Conference. There are significant numbers of us in the United States who are already determined that West Germany, Italy, and other relevant nations shall succeed in any efforts they launch to keep out of a World War II scenario. We happily observe that Giscard's action generates the preconditions for a number of Soviet moves toward such ends.

The West Germany military, which do not generally share the well-known incompetence of the Vichy

Debré: U.S. Monetary Policy 'Insane'

The following statement by Gaullist leader Michel Debré was made during his attack in parliament against the austerity program of French President Giscard d'Estaing and Prime Minister Barre and was carefully blacked out of all western press:

...The international monetary order, since 1960, has vanished. The only economic conference worth our attention would be one associating European nations, the U.S., the U.S.S.R., the Arab countries and Japan, and would endeavor to build a new international monetary fund and a new monetary order...More than ever, I must warn against the growing threat of a permanent economic crisis, embryonic since the U.S. decision to break all ties between the dollar and gold. I must warn against the policy of the U.S. Treasury — though blessed by Nobel Prize American economists — which condemns us to deteriorating exchanges and crisis...Internal inflation is due to our own errors, but is to be added to the insane monetary policy of the U.S., from Nairobi to Jamaica...It is paving our future with the blackest stones.

military tradition, have approximately the same perception of the strategic situation as the leading traditionalist professional military people and their cothinkers in the United States: such patriotic German thinkers are seeking a solution for their country in this mess — it would be intelligent Soviet thinking to aid them in that search. In Italy and in parts of Scandinavia, and similar situation exists, as also in Turkey.

First, as yesterday's *Frankfurter Allgemeine Zeitung* emphatically reminds us, the time is long past to terminate all vestiges of the post-war occupation of Germany. It is time for the Soviets and their allies to act bilaterally to end the Four-Power arrangement in Berlin and all other tainting of West Germany's rightful sovereignty. Such measures would function under condition that powerful positive cooperative interests were established among West Germany, Italy, and other nations with the CMEA nations. One obvious such step is a comprehensive energy development program, inclusive of fission and fusion programs.

The secret of such measures is this. If Rockefeller is blocked from getting his fascist "energy" policy and from precipitating war between now and the end of September, the collapse of the Rockefeller and allied financial power is inevitable. Once that occurs, the Rockefeller grip on the United States as well as other nations weakens rapidly. That means an end of the Carter Administration in relatively short order, and its replacement by a Whig majority-based government. That does not weaken U.S. military power. On the contrary, in real strategic terms, U.S. power is strengthened. However, it is the U.S. technological might that defines U.S. interests and power in the world. On the basis of such changes in the U.S. Administration, we can proceed to clean up the present world depression and launch a global development effort.

What we all need is devices for buying that time. We need to stall the danger of general-war-tinged confrontations for approximately another six months. That done, Rockefeller's power is virtually ended and things that need to be done can be done.

What is required to accomplish that stalling is a combination of unilateral, bilateral, and multilateral actions among forces which agree to oppose Rockefeller's fascist austerity ("energy") policy. They must aid one another in resisting Rockefeller pressure, threats, intrusions and related measures. Such actions will weaken the build-up of scenarios leading into confrontations and will accelerate the collapse of Rockefeller's financial power.

My article, "The Case of Walter Lippmann," will be given limited circulation in advanced-copy form later this week. I urge all who wish to prevent war — especially leading forces among the OECD, CMEA and developing countries — to study that document most closely, as a guide to the principled character of agreement and actions that will succeed for this purpose. If other nations of the world will act to block Rockefeller now, we in the United States — the U.S. Labor Party and other American Whigs — will use the time they give us to muster our forces, put our nation's house in order, and then demonstrate to them that their confidence in the anti-Carter majority of the American people was fully justified.

SPD Energy Conference Backs Schmidt, Bucks Carter

WEST GERMANY

COLOGNE, BRD, May 1 (NSIPS) — Leading functionaries from West Germany's trade unions, industry, and the Social Democratic Party (SPD) are now convinced that U.S. President Carter's energy programs, are, to put it politely, "less than democratic." This was the unmistakable consensus at the SPD's conference on "Energy, Employment, and Quality of Life," held in this Rhineland city late last week. Originally called together by SPD Chairman Willy Brandt in order to give a forum for such zero-growth advocates as former World Bank associate Erhard Epper and others, the conference was turned on its head by Chancellor Helmut Schmidt and his allies, ending in a rout for every species of such Naderite.

The centerpieces of the first day of the conference were addresses by Adolf Schmidt, influential head of the mining and energy union, and Prof. Mandel of the Rheinisch-Westfälische Elektrizitätswerke, West Germany's most important power company. Schmidt voiced full support for the government's nuclear energy programs: "I am explicitly for growth as the goal of economic policy... We know from experience in our own country and from comparisons of other industrial countries, that a growing national product without growing energy consumption is inconceivable. All scientific prognoses must proceed on the basis that this close connection will continue to exist in the future."

On the second day, Chancellor Helmut Schmidt explained that the principles of Bonn's nuclear policy have remained unchanged since 1972, when it was worked out in collaboration with Adolf Schmidt and one of the Chancellor's close industrialist allies, Ernst Wolff Mommsen. With this, Schmidt was implying that Rockefeller's managed oil crisis in 1973-74 did not alter this policy.

The environmentalist agents within the SPD nevertheless felt obligated to carry out their scripts. Horst Ehmke, just back from Paris where he probably met with his cohort François Mitterrand, unabashedly claimed that zero growth for the Third World "would not be a catastrophe." Erhard Epper went further to claim that industrialization in the developing countries was wrong, because of the "limits of private financing" for Third World customers "who cannot pay" for advanced West German technology.

The most passionate defender of the Rockefellers' bankrupt monetary system was Freimut Duwe of the RoRoRo publishing house. He argued that "previous development policy has led to a world-wide financial catastrophe for the majority of peoples and nations... The debt

is catastrophic!" This demagogic advocate of "labor-intensive" projects explained that "scarce energy releases human energy which we need for overcoming the technological imagination gap. Our hopes for paradise, for the fast breeder (and even nuclear fusion) produce an irrational attitude towards energy."

Juso Ploy Unsuccessful

Organizationally, these Carter agents had hoped to utilize last week's expulsion of Klaus-Uwe Benneter, head of the SPD's youth group (Jusos), in order to divide the party between "left" versus "right" positions, obscuring the real economic issues. Benneter was suspended by the SPD leadership for writing an article in which he not only attacked the SPD, but also claimed that the real "class enemy" is the opposition Christian Democratic Union (CDU) — which contains some of Chancellor Schmidt's most important industrialist allies. More than one SPDer at the conference privately admitted that Benneter's move was highly suspicious.

But Ehmke, Epper et al. have gotten nowhere with this maneuver. No mass exodus from the SPD has occurred, and the remaining Juso leadership has condemned Benneter's statements. When, at the conference, the vice president of the Naderite "Citizens' Initiative" group tried a similar ploy and attacked the Chancellor for having "lost the confidence of the people," he was hissed off the stage by an overwhelming majority of the SPD members present.

Industry Speaks Out

One industry spokesman had the courage to intimate that Jimmy Carter's energy programs are explicitly fascist. Klaus Barthelt of the nuclear firm Kraftwerke-Union, protagonist of West Germany's \$4 billion nuclear technology deal with Brazil, pointed out that Carter-style programs would force the "decoupling" of economic growth from the growth of energy consumption, "at the price of our freedom."

Barthelt went still further to attack the "systems analysis" view of the world upon which Carter bases his programs. "You could of course think of a considerable energy conservation if you took the standpoint that growth in electricity consumption is not necessary... The only question is how realistic the presuppositions are, how they can be realized and what their consequences are. But whoever makes such claims on the basis of systems-analysis theoretical constructions usually says that this strategy of energy conservation is achievable without losing jobs, comfort, and without massive economic disadvantages. Whoever says this must be either blind to the economic realities, or else he must really want something different than what he's saying."

West Germany's potential to assume a leading interna-

tional role in counteracting Carter's fantastic military scenarios was thrown into sharp relief by an interchange between a systems analyst from Essen, Klaus Meyer-Abich, and Karl Kaiser of the Institute for Foreign Policy. Meyer-Abich transmitted a veiled threat from Carter: West Germany ought to concentrate on domestic energy conservation, so as to reduce "the international conflict potential." "Will that really help?" was Kaiser's pointed response. "A Middle East crisis could break out Monday." He proceeded to argue in favor of the government's export of nuclear technology "both to secure the

nation's energy supply and as economic cooperation aimed at development and peace."

Contrary to past instances, most of the press and media have been open about the fact that Schmidt's policies are now hegemonic. In an American television interview Schmidt said that "The Federal Republic will sell its nuclear technology to anyone who wants to buy it." A West German radio station has stated flatly that "American and German energy interests are not the same."

— George Gregory

'Brandt Era' Comes To Close In West Berlin

The resignation this week of West Berlin Lord Mayor Klaus Schütz is the outcome of a long-seething confrontation between two factions in West Germany's governing Social Democratic Party for control of the city. The estimation of a number of informed observers is that Schütz's decision to resign, following a series of financial and mismanagement scandals, constitutes a decisive defeat for SPD chairman and former West Berlin Mayor Willy Brandt, and a victory for Federal Chancellor Helmut Schmidt.

The right-wing daily *Die Welt* called Schütz's resignation "the end of the Brandt era in West Berlin." It is well known that Brandt's international reputation, which soared with the 1961 crisis around the Berlin Wall, began under the personal sponsorship of Supreme Allied Commander for Germany, John J. McCloy, who was also a director for Chase Manhattan Bank. The Brandt machine in West Berlin has been committed to the use of the city as a source of provocations against the Warsaw Pact. Now, with the replacement of Schütz by Schmidt's man Dieter Stobbe, the likelihood that West Berlin will emerge as a major source of tension between NATO and the Warsaw Pact has been greatly reduced.

In a special feature on the city in the London *Sunday Times* May 1, the suggestion was floated that West Berlin become a center for negotiations on European-wide East-West trade. The Times reported that the Japanese as well as a number of Soviet Bloc countries are attempting to set up trade fairs there, and the Chamber of Commerce and the business community are very receptive to the idea.

Within West Germany's Social Democratic Party, the fight around Berlin is just one of a number of issues which have brought Schmidt and Brandt onto a collision course. Brandt is a firm supporter of the U.S. Carter Administration on energy, environmental and monetary policy, and is actively coordinating with the U.S. Administration to weaken Schmidt, who recently has been

thrust into the position of Europe's leading spokesman against Carter's international economic programs. At the same time that a large number of Italian newspapers predicted this week that Schmidt will be in an all-out fight with Carter at the May 8 western summit meeting, Brandt has been coordinating an extremist fringe of the SPD to topple Schmidt.

The Italian daily *Corriere della Sera* responded to the news of Schütz's resignation by reporting that "this Brandt-Schmidt dualism, which seemed destined to emerge from the underground labyrinth to which it had been long confined, has now surfaced to aggravate the SPD crisis." Schmidt, the paper asserts, "has crossed the Rubicon" and decided that he will consolidate his control of the party at all costs. If necessary, *Corriere* claims, he is willing to enter into a Grand Coalition with industrial-tied Christian Democrats, presently in the parliamentary opposition, to defeat his extremist opponents within the SPD.

SPD Business Manager Egon Bahr, a former member of the cabinet when Brandt was Chancellor, has made a number of efforts to undercut Schmidt on Brandt's behalf. Before Stobbe's appointment, Bahr went to West Berlin and attempted to rally support around another candidate, Juergen Wischnewski. The *Süddeutsche Zeitung* commented in an editorial that Schmidt made a mistake in appointing Bahr business manager earlier this year, since he is only an "operative" and has no base in the party.

The conflict between the chief figures in the party also includes a fight over legislation and judicial means to fight "terrorism." The regional daily *Mainzer Allgemeine Zeitung* allowed a potentially explosive leak through this week on the disagreements over terrorism. Recently, Chancellor Schmidt called together a conference of security and judicial experts from all parties to work out a joint policy on the terrorist threat. Brandt chose, according to the daily, to boycott the proceedings.

Turkey's Economy Collapses: IMF Demands Blood

TURKEY

Turkish Finance Minister Yilmaz Ergenekon arrived last week in Washington to receive dictates from the World Bank and the International Monetary Fund (IMF) on the austerity measures that the Turkish government must implement to resolve what the World Bank calls Turkey's "chronic and chaotic indebtedness." According to an official at Chase Manhattan Bank, the IMF has prepared a comprehensive austerity package for the Turks. The crux of the package is a 75 percent devaluation of the Turkish lira and a complete halt to all imports.

In commenting on the 75 percent devaluation, another New York banker affirmed, "Of course 75 percent. It has to be smashing to be effective...And they must cut all imports. If they don't, we will force them to

cooperate...We in the banking community are very worried about Turkey." Until the present, import cutbacks have largely been confined to consumer goods. Now, substantial cutbacks are being demanded in capital goods imports, seriously jeopardizing Turkey's ambitious industrialization program and expectations for a continued high level of overall national growth.

Ergenekon's arrival in the U.S. coincides with the most serious economic crisis Turkey has faced since 1970, when the IMF pushed through a 66 percent devaluation of the Turkish lira. Production ground to a halt during that period (see Table 1) and has remained depressed since then, never fully recovering. Less than one year later, the Turkish military took over to enforce the IMF's harsh measures.

The current situation is equally critical. According to the Turkish daily *Cumhuriyet*, "the collapse of the economy is inevitable." Last week, reserves plunged to an all-time low of \$490 million. With \$147 million of that

Table 1

Industrial Production In Turkey

(1,000 TONS)

	1965	1968	1970	1971	1972	1973	1974	1975	1976	CUMULATIVE CHANGE (%) 1976/75
PUBLIC AND PRIVATE SECTOR										
PIG IRON	500	910	1,034	879	1,135	896	1,200	1,197	1,383*	+ 27.2
STEEL INGOTS	581	1,109	1,312	1,118	1,442	1,163	1,458	1,450	1,330*	+ 0.2
ROLLED PRODUCTS	268	754	996	958	1,111	975	898	828	810*	+ 9.2
SEMI-FINISHED ROLLED PRODUCTS	---	---	---	1,232	1,539	437	592	555	1,105*	+120.0
CEMENT	3,240	4,728	6,372	7,553	8,425	8,943	8,931	10,850	11,674*	+ 13.7
COMMERCIAL FERTILIZERS	376	442	679	835	1,435	1,216	1,462	2,685	2,651*	+ 6.7
COKE	1,188	1,428	1,536	1,440	1,452	1,428	1,398	1,202	1,541**	+ 32.0
SUGAR	522	650	517	642	794	723	758	806	801*	+ 23.5
PETROLEUM PRODUCTS	4,206	6,154	7,039	8,590	10,230	12,532	12,686	12,346	12,064*	+ 6.9

SOURCE: TURKIYE IS BANKASI

* JAN.-NOV.

** JAN.-OCT.

amount in gold, and \$150 million mere letters of credit, the remaining \$192 million in liquidity is not even enough for two weeks worth of imports. The trade deficit was more than \$3 billion last year and is rising rapidly. In the first quarter of 1977, the deficit was close to \$1 billion, a 96 percent jump over the same period last year. Imports are up 12 percent for the first quarter over the first quarter last year; export earnings are down 38 percent. Remittances from Turkish workers in Europe — once Turkey's largest source of foreign currency — dropped by more than 30 percent in 1976 over 1975. Exacerbating the situation are \$2 billion in short term debt obligations resulting from "quick cash" convertible lira deposits extended to the Turks over the past two years and now falling due.

IMF Blackmail

For months the Turkish government has resisted carrying out the IMF's austerity recommendations. Earlier this year, a World Bank delegation visiting Turkey was summarily snubbed by Ergenekon, who had his representatives attending a meeting with the World Bank officials walk out of the talks in protest of the World

Bank's strong-arm tactics. Another meeting slated for several weeks later never came off due to "internal problems in the Turkish government." Sources close to the Turkish government revealed that the "internal problems" were Ankara's refusal to cooperate with the Bank. In retaliation, the World Bank has cut off funding for all projects in Turkey, as have the New York banks, and is linking the resumption of credits to Turkish concessions on Cyprus, just as Carter has linked the resumption of military aid to Turkish concessions on Cyprus. One of the projects cut is the Afsin-Elbistan dam, a cornerstone of the Turkish government's development plans for eastern Turkey.

With elections scheduled for June 5, numerous banking sources have admitted that it would be "political suicide" for Prime Minister Suleyman Demirel to go along with the World Bank. To buy off the Turks, the World Bank reportedly told Ergenekon that until the elections it will deal with Turkey on "a day-to-day basis" on the condition that Turkey abandon its pro-growth industrial policies and implement austerity once the elections are over.

According to one New York banking source,

Table 2
Achievements Of The Turkish Development Plans
(IN PERCENTS)

	FIRST PLAN 1963-67		SECOND PLAN 1968-72		THIRD PLAN 1973-77	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
FIXED INVESTMENT						
AGRICULTURE	17.7	14.9	15.2	12.2	11.7	---
INDUSTRY	30.9	31.1	34.1	37.1	45.4	---
TRANSPORT	13.7	15.7	16.1	16.7	14.5	---
HOUSING	20.3	22.3	17.9	20.3	15.7	---
SOCIAL SECTOR	9.4	8.1	8.5	6.2	6.4	---
OTHER SERVICES	8.0	7.9	8.2	7.5	6.3	---
TOTAL	100.0	100.0	100.0	100.0	100.0	---
SECTORAL GROWTH RATE						
AGRICULTURE	4.2	3.7	4.1	3.6	3.7	---
INDUSTRY	12.3	10.6	12.0	9.9	11.2	---
CONSTRUCTION	10.7	8.0	7.2	5.0	11.9	---
TRANSPORTATION	10.5	7.8	7.2	8.8	8.2	---
HOUSING	---	3.5	5.9	6.8	5.0	---
SERVICES	6.2	7.5	6.3	7.7	7.1	---
GDP FACTOR COST	6.9	6.5	6.8	6.6	7.5	---

SOURCE: FIVE YEAR PLAN REPORTS

Table 3

Turkey: Production Growth And Expenditure Of GNP

(PERCENTAGE CHANGE FROM PREVIOUS YEAR)

	1966	1969	1970	1971	1972	1973	1974	1975	1976
OUTPUT									
INDUSTRY	10.6	9.4	2.2	10.2	11.5	12.8	9.1	8.5	
AGRICULTURE	11.4	-0.1	1.4	13.1	-0.2	-10.3	10.3	8.9	
CONSTRUCTION	12.8	8.8	5.3	-4.5	7.2	9.9	7.7	8.7	
EXPENDITURE OF GNP									
PUBLIC GROSS FIXED INVESTMENT	19.7	9.1	3.4	-8.6	9.2	10.0	17.2	25.9	33.7
PRIVATE GROSS FIXED INVESTMENT	22.2	13.7	8.7	0.9	11.8	11.7	14.2	9.7	27.4

SOURCE: OECD

Ergenekon, as well as a delegation of Turkey's top businessmen and industrialists visiting the U.S. at the same time, were enraged by the linkage of aid to Cyprus and the demands that Turkey destroy its industry to pay off the New York banks. However, it remains to be seen whether or not the Turks succumb to the World Bank blackmail. Despite Demirel's willingness since he was initially installed in power more than 10 years ago to carry out World Bank-IMF policy, it is ultimately a political question whether the Turkish government — either under Demirel or opposition leader Bulent Ecevit — can rally the bureaucracy and population to accept a drastic curtailment in industrial growth, a founding principle of the modern Turkish Republic.

The Five Year Plans

The core of Turkey's development strategy is rapid state sector industrialization. Since the 1950s, despite recurrent attempts by Atlanticist forces either to divert Turkey's pro-development orientation away from industrialization toward traditional, unmechanized agriculture or to dilute it by emphasizing the need for labor intensive rather than capital intensive industry, Turkey has insisted on developing a diversified heavy state sector industrial capacity as the solution for its poverty and backwardness.

Turkey's three five year plans (1963-67, 1968-72, 1973-77) exemplify this orientation. Ironically, the notion of a "planned economy" and the five year plans themselves were formulated by the IMF to solve Turkey's large balance of payments deficit in the 1960s by pushing import substitution and export promotion, and by expanding the private sector light industries and dismantling the "inefficient" heavy industrial state sector.

During the First and Second Five Year Plans, 31.1 percent and 37.1 percent, respectively, of all investments were made in industry, surpassing the amounts

targetted in the plans. (See Table 2) The current Third Five Year Plan calls for 45.4 percent of all fixed investment to be channeled into industry. While the first two plans emphasized the private sector at the expense of the public sector, the Third Plan, as well as the Fourth Five Year Plan (1978-82) which will be announced later this year, focuses explicitly on the need for the rapid expansion of state sector industries. Contrary to the IMF's insistence that emphasis be placed on light, state sector manufactures and traditional, labor intensive agriculture, the Third Plan calls for the establishment of intermediate and investment goods industries and the application of advanced technology. The plan's major investment projects — all in the state sector — number approximately 200 and involve the expansion of the steel complexes in Iskenderun and Ereğli; a second petrochemicals complex; a new oil refinery and chemical complex in Tarsus; the expansion of nitrogen fertilizers and aluminium production; and an expansion of the automobile industry, which is now limited to assembly, to include the production of gears and transmissions.

In addition, three important new projects have been launched. In Sept. 1976, work on the giant Karakaya dam in southeast Anatolia was begun. The dam is being built by an Italian-Turkish consortium. Shortly after, work began on a Rumanian-financed oil refinery in central Anatolia. Significantly, the Rumanians will supply the foreign currency component of the refinery's total cost (approximately \$600 million), repayable in ten years at a low 5 percent annual interest. The third major project is the construction of Turkey's fourth iron and steel mill, which promises to be the largest single investment in Turkey's history. The mill, to be built in Sivas, is to be built by the Japanese.

These projects illustrate the scope of Turkey's industrialization drive. Much to the IMF's chagrin, the Third Plan calls for an ambitious 11.2 percent annual

growth rate of industrial output (Table 2). In 1973, the Turks managed to surpass that goal and achieved a 12.8 percent industrial expansion rate. Since then, however, the jump in oil prices, combined with the 1970-71 collapse of Turkey's production and the overall depression in worldwide economic activity, has taken its toll, and the annual industrial growth rate has dropped to an average 8.5 percent. (See Table 3)

While overall production rates are flat since the 1970 collapse, the output of individual sub-sectors increased dramatically in several instances last year. Based on production statistics available through October-November of 1976, pig iron was up 27 percent, semi-finished rolling mill products up 120 percent, cement up 14 percent, steel mill products up 52 percent (this will rise even more this year due to the opening of the huge Soviet-built steel mill in Iskenderun), and aluminum conductor wire up 163 percent. Electricity production and mineral production also increased, with hydroelectric power up 43 percent, iron ore up 25 percent, coke up 32 percent, lignite up 19 percent, and kerosene up 22 percent. (See Table 1 for some of these categories of production.)

Another Military Intervention?

Last year, in an attempt to bring down the trade deficit, consumer good imports were cut 26 percent. The cutback contrasted sharply with 1975, when consumption-type imports were twice as much as had been projected and were fingered as the reason for the shortfall that resulted in fixed capital formation. Predictably, last year's cutbacks did little to remedy the situation, since less than 5 percent of all imports are consumption items and more than 95 percent are either raw materials or investment goods, which the Turks refuse to cut. In commenting on the 12 percent rise in imports this past quarter, a New York banker fumed, "The Turks are proud. They keep importing and won't give up their damn development programs." On top of the trade deficit Turkey's foreign debt is more than \$4 billion excluding the \$2 billion short-term convertible lira accounts now falling due. (85 percent of this \$4 billion debt was incurred to finance the budget deficit!) While the amount is not particularly high compared to other countries and more than two-thirds of it is comprised of flexible government-to-government loans, the debt service ratio is rising and the grace period of many of the longer term debts is running out. In 1976, the debt service ratio was 10.6 percent; in 1977, 14 percent.

The situation is eerily reminiscent of the 1970-71 crisis. The high growth rate of the 1960s culminated in an acute foreign exchange shortage by mid-1968. Efforts were made to restrict investment to "real sources" (i.e., no consumption goods) and to raise the volume and variety of exports. Needless to say, currency transfers rapidly fell into arrears and inflation soared. In 1969, Demirel, on orders from the IMF, attempted to devalue the lira and impose a large tax hike, but there was such widespread opposition that his Justice Party split. The currency crunch worsened. Imports ground to a halt, as did production; the industrial growth rate for 1970 was 2.2 percent! In August 1970, a 66 percent devaluation of the lira was decreed. In March 1971, the military took power when it became clear that Demirel did not have the

muscle to impose the harsh measures against the Turkish population necessary for carrying the IMF's fiscal policies. The immediate effects of the 1970 devaluation, combined with the political instability resulting from three government changeovers, were devastating. Production fell, and a huge budget deficit amounting to 13 percent of total expenditures for the year occurred in 1971. In 1972, substantial cutbacks were made in investment expenditures, while the country was literally exported clean. Exports that year were 21 percent higher than the Second Five Year Plan guidelines, and slightly higher than what had been planned for 1973.

What's At Stake

Turkey's state sector enterprises are the centerpiece of the country's industrialization drive. The state sector enterprises number more than 100, contribute approximately 10 percent of the value added to the economy, employ 6 percent of the industrial work force, and account for one half of Turkey's factory production and the bulk of Turkey's heavy industrial output. The state sector virtually monopolizes steel, oil refining, electricity, fertilizers, paper, railways, air transport, shipping, and communications, and holds a major share in textiles, cement, coal, sugar, chemicals, and machinery.

Since the early 1950s, the IMF has exerted continuous pressure on the Turkish government to sell the state sector enterprises to the private sector, the first step toward their being dismantled. According to the World Bank, the state enterprises are "un-economic" and "burdened by social goals." However, the World Bank has admitted the near impossibility of their liquidation goals. In the words of a World Bank publication, "even a government such as the present (1969) Justice Party administration, which professes belief in the market mechanism and in the necessity of a vigorous private sector, is often unable to translate its policy intentions into action. This is due in part to the resistance of the civil servants on whom policy implementation, as distinct from enunciation, depends."

Turkey's long-term development plans envisage that by 1995 industry will account for 40 percent of the GNP and 52 percent of the work force. Currently, industry accounts for approximately 18 percent of the GNP and only a small proportion of the labor force — roughly 15 percent.

Iron and steel is the core industry. Three steel mills are in operation: the old Karabuk mill, the more recently constructed Eregli mill, and the just-opened Soviet-built works in Iskenderun. A fourth plant in Sivas will probably be constructed by the Japanese. That the Turks are committed to developing their steel capacity is attested to by the current Third Five Year Plan, which calls for a tripling of investment in steel and production over the previous plan. While the U.S. has expressed skepticism about building up Turkey's steel industry, the Soviets are offering considerable encouragement and are involved in the expansion of the new Iskenderun mill to 6 million tons. In addition, two more mills are under study. States Turkish Minister of Energy and Natural Resources Selahattin Kilic, "Turkey should have 20 million tons of steel production in five years. If it is

considered that Italy has 60 million, West Germany 60 million, Japan 110, the USA 120, and the USSR 135; forget about the USSR and USA, but Turkey can compare easily to Italy and Germany in respect to size and population and is going to have to greatly increase its steel production soon."

Large investments are also being made in Turkey's petrochemicals, chemicals, and fertilizer industries. The state-run Turkish Petrochemicals Industry Corp. (Petkim) is pursuing an ambitious long-term investment program to make Turkey self-sufficient in petrochemicals production. Turkey's main petrochemicals complex in Izmit, a second one in Ixmir,

and a third yet to be built form the core of the industry, along with two new nitrogen fertilizer plants, a major alkali complex, and a new boron products plant. The World Bank has strongly discouraged investment in petrochemicals and fertilizer production on the grounds that they are too highly capital intensive.

Other vital industries are cement and textiles, both of which have sizable private sector input and a high growth rate.

Mining is another key state-controlled enterprise. Turkey is one of the world's leading producers of chromite, boron compounds, lignite, copper, and aluminium. Bottlenecks in the production of coking coal

Top Banker: 'Turkey Must Cut All Imports, Devalue 75%'

A high-level official of a leading New York bank granted the Executive Intelligence Review the following interview earlier this week:

Q: The situation in Turkey looks critical. Reserves are reported to have fallen to \$516 million.

A: No, they have fallen even lower today. I have a report on my desk that says they are now just below \$500 million. The situation is truly devastating! What do you make of it?

Q: I think it looks like a repeat of 1970, when the trade deficit grew, production collapsed, and in August there was a 66 percent devaluation, to be followed in March by a military takeover. Are the New York banks and the IMF thinking in terms of another devaluation? I've heard that you have been calling for a devaluation of 50 percent or so.

A: Fifty percent — you mean 75 percent! Maybe even more, but 75 percent at least. It has to be smashing to be effective. That's how critical the situation is. We in the banking community are really worried about Turkey.

Q: The IMF wants Turkey to cut imports. But imports for the first quarter are up 12 percent over last year. Why? Is it because of the elections?

A: Partly elections, partly because the Turks are proud and won't give up their damn development programs. It's not just consumer items we want them to cut. They have to cut all imports — heavy industrial goods, capital equipment — the works! But they refuse to do it. They are really stubborn people.

Q: The Turkish Finance Minister was just here in New York along with Turkey's top industrialists. What happened?

A: We met with them. By "we" I mean the IMF, the World Bank, and the banks here in New York. We told them that we would view the situation favorably if the Turks would only make some concessions on Cyprus. We linked aid to Cyprus; Carter is doing that with the Defense Cooperation

Agreement. The Turks were offended. They didn't say anything; I mean they did not say no, they did not reject our offers, but they were angry. They just sat there and wouldn't reply to what we were offering. I think that the U.S. is being very smart to link Cyprus to these matters.

Q: What will the Turks do?

A: I don't have a crystal ball. But they won't break with us, I'm pretty sure. The situation will be resolved soon, I hope, after elections. The Turks may be forced to cooperate. They will be faced with a fait accompli.

Q: What do you mean?

A: It's hard to say until after the elections. I don't want to speculate until the elections. But as I said, we will probably have to force the Turks to accept our recommendations.

Q: Are the Turks asking for a loan from the IMF?

A: As far as I know, no. The situation is not at that point yet. Even if they do ask, they won't get more than \$250 million. People are very scared to invest in Turkey these days; they are just not willing to do it. Those short-term convertible lira deposits are coming due in the next several months, which adds a further strain. The debt itself is not a big problem; it's those deposits — \$2 billion. Most banks are willing to roll the things over, but I know a number of banks are pulling out altogether.

Q: What was the attitude of the Turkish businessmen and industrialists who were there?

A: Those businessmen and industrialists are politically quite important. All the big ones were here. They were as angry as the Finance Minister. Funding for 10 projects was cut by the World Bank. Essentially, all credit to the country has been stopped. The industrialists know that their firms are on the line, because if everything is cut, all imports and so forth, their industries will collapse like that. Anyway, it's only four weeks until the elections. I think the Turks will be able to hang on until then, and then we'll see what will happen.

are serious, and at least one million tons of coking coal per year have to be imported. Turkey places considerable emphasis on developing its mining industry. But, notes Kilic, "we do not accept foreign companies in the exploration stage for our minerals. For extracting and making plants to produce minerals and mineral products, we welcome them"

Another bottleneck is electricity. Turkey is now generating 18.3 billion kilowatt hours annually; in addition, 300 million kilowatt hours are being imported from Bulgaria. In an effort to expand consumption to 95 billion kilowatt hours, eight thermoelectric and ten hydroelectric power plants are under construction. In 1977, construction of 33 units that are both hydroelectric and thermal will be begun.

Which 5-Year Plan?

The Fight For Egypt's Economy

EGYPT

Egyptian President Anwar Sadat has in front of him an ambitious 1976-80 Five Year Plan for using \$12.9 billion in investments from the oil producing nations and Western capitalists to rejuvenate Egypt's stagnant industrial base and renew its capacity for development. The plan includes a projected \$20 billion investment in heavy industries such as petrochemicals, steel, aluminium, and in fertilizers and textiles.

The Rockefeller banks and the International Monetary Fund, however, have exerted constant pressure on Sadat since he came to power to squeeze the economy dry in order to maintain Egypt's debt payments. This high-powered campaign to collect Egypt's \$17-20 billion debt has included personal visits from David Rockefeller, Sadat's official economic adviser.

On the other hand, Egypt has a strong Nasserite faction in the military and in the state bureaucracy that is committed to the kind of industrial progress and development initiated under Nasser's rule. This pro-growth faction is not limited to Egypt. A number of industrial companies are anxious to invest in Egypt and have stressed the importance of increasing the consumer market within Egypt.

Although Sadat's capitulation to the New York banks ground Egypt's development programs to a halt, and disabled the state sector industries, Sadat has not devalued the Egyptian currency 50 percent as demanded; he has not reduced or canceled food subsidies; he has not instituted a rigid system of price controls — all part of the IMF version of the Five Year Plan.

For Egypt's New York creditors, the 1976-80 Five Year Plan is viewed simply as an instrument to extract Arab oil dollars and the investments of Western industrialists. To the Chase bankers, "development" is seen only in

The Turks are also interested in moving rapidly into nuclear energy. According to Kilic: "We started actively working for it in 1968, but we were blocked until 1975. Now we have practically finished all the preparations: the site is selected, the license is issued, an advisory firm has been hired, and, by the end of this year, we will put up for bid two of the elements, so that actual construction of our first nuclear power plant will begin at the end of this year." This, asserts Kilic, is but the beginning of Turkey's nuclear efforts; by the end of the century, an additional ten nuclear power plants will be in operation. Kilic has also noted that uranium exploration in mineral-rich Turkey has been going well. "It looks as though we are going to have good results and be able to supply all our future nuclear power plants' requirements."

terms of "Hong Kong"-local industries utilizing cheap labor, set up strictly for exports whose earnings would funnel directly into debt payments. To this end, Chase and other banks organized the U.S.-Egyptian Business Council, which along with the U.S. Agency for International Development set up an Investment Stimulation program to convince Western industrialists to invest in Egypt. The Business Council's December 1976 Report on Foreign Investment in Egypt informed potential investors that the Egyptian investment law (Law 43, "The Open Door") requires that all items produced must be exported, and stipulated that Egypt can't afford "import substitution" — domestic consumption of the goods produced.

The Egypt That Nasser Built

In 1967, Egypt was a more industrialized nation than it is today. Nasser's 1960-65 Five Year Plan, the model for the plan Sadat is now publicizing, called for a total expenditure of 1,697 million Egyptian pounds, with approximately one-third allocated to industrial and electrical development. As the accompanying table shows, the Five Year Plan was astoundingly successful, with production doubling and in some cases even tripling in a short time, reaching a peak around 1970. During this period, with Soviet aid, Egypt developed the most advanced infrastructure in the Arab community, the 1970 completion of the Aswan Dam for example), with a concomitant rapid development of its working class. The peasantry also began using fertilizers and machinery to increase agricultural production.

The 1967 Six Day War brought to a halt the plans of the Nasser government to continue a rapid growth economy, and by the time Sadat became President in late 1970, the idea of a Five Year comprehensive development plan was all but buried in the sand. Although much of the war costs were assumed by the Saudis and the Algerians, the war wiped out the most productive Egyptian oil fields, two old but still functioning refineries, and a vast tourist

income. The tourist losses amounted to about \$30 million a month, or half of Egypt's foreign currency earnings.

The U.S. put heavy pressure on Egypt after the war, calling in debts. Inflation rates hit 9 to 14 percent resulting in a collapse of investments. The wage levels of both industrial and manufacturing workers fell approximately 8-10 percent in the same period, never to recover.

Sadat's Destroyer Role

Sadat's political policies were weighted heavily toward maintaining the debt payments at the expense of infrastructure and productive capacity. By 1973, Sadat had reduced the foreign debt to a mere \$150 million from its 1969 figure of \$3.6 billion. At the same time, the movement of both raw materials and finished products ceased — and essentially no raw materials were imported for Egyptian industry.

Even more devastating to the economy, Sadat weakened and then abolished the centrally coordinated state-run General Organizations, for which he was rewarded with a large number of long-term loans. Essentially Sadat's regulations made the heads of state-run companies — basically heavy industries, petrochemicals, transport — responsible for planning on the local level. Law 64 and subsequent laws removed from the decision-making process the layer of trained engineers, economists and planners that had been part of the Nasser bureaucracy and opened up Egypt for speculative looting instead of planned investment. Sadat's rationale for this crippling legislation was more "private investment," and he called his policy the "Open Door."

In destroying the state sector's political and economic power, Sadat ensured economic chaos, fragmenting the planning process that had followed the Soviet model, and leaving decision making in the hands of less (or un-) experienced persons. Ironically, the New York banks are now attacking the remaining Nasserite bureaucracy on the basis of the chaotic muddle legislated for them by Sadat.

Sadat's Egypt, as a result of his policies, is in a state of collapse. Visitors report that the gains made after the postwar period have visibly eroded: the transit system (bus and rail), health care, the communications system no longer function; the housing shortage is so acute that people are sleeping on rooftops and on tombstones in graveyards. The new era of industrial development conceived of by Nasser and made possible by the Aswan Dam is falling apart because Sadat has cut back on necessary capital imports.

Overall, industry is running at most at 50 to 60 percent capacity — a dollar loss calculated at \$600 million back in 1973. By 1975, the industrial share of the GNP has dropped to 20 percent, the level of the early 1960s.

To compound the problem, Sadat's anti-Soviet policies have cost Egypt billions in hard currency outlays for raw materials and arms purchases made from the West. State companies, in particular, have had to scrounge for funds, and replacement parts for Soviet-built machinery. (About 137 industrial companies rely on Soviet technology.)

The Nixon Faction

While the Rockefeller financial interests maneuvered

to turn Egypt into the Hong Kong of the Mideast, other U.S. industrial factions were working toward investments in a development program along the lines Nasser had laid out. In June 1974, U.S. President Richard Nixon issued a joint statement with President Sadat on cooperation between the U.S. and Egypt for future developments at an estimated value of \$2 billion. The statement said that "American technology and capital combined with Egypt's absorptive capacity, skilled manpower and productive investment opportunities "would strengthen the Egyptian economy. The joint statement also proposed cooperation in the field of nuclear energy under agreed safeguards that would "make it possible for Egypt by the early 1980s to generate substantial additional quantities of electrical power to support its rapidly growing development needs."

The Western industrialists who backed this Nixon overture for development are the faction now fighting to push through an operational Five Year Plan based on development. Despite the chaotic situation of Egypt's economy, the specific firms have been able to work out investment deals that do not follow the Rockefeller ban on import substitution or the IMF conditions for the exchange rate. Goodyear and the Union Carbide, for example, won out over the banks on the question of import substitution (essentially this means that the goods produced by these firms cannot be sold domestically in Egypt.

The Union Carbide project is a joint U.S.-Egyptian venture, another arrangement that the IMF has tried to outlaw. Other companies, like Michelin, have compromised and agreed to make 50 to 60 percent of their products export oriented with the rest for the domestic market.

Despite the laws governing foreign investment that Sadat instituted, the Egyptian pro-development forces were able recently to battle through arrangements for 60 foreign business ventures, many of them joint ventures. The Egyptian official responsible for this success is Dr. Abdel Meguid, the head of the General Authority for Foreign Investment and Free Zones. Meguid was emphatic regarding the nature of these business deals. "They will produce machinery destined for the domestic market in Egypt," he said.

Domestic Consumption Key

The Sadat-Chase "Open Door" policy required investors to export all they produced in order to pay all their foreign exchange needs for materials, capital goods, etc. Furthermore it set up currency exchange regulations that if followed by the investors would actually force a 50 percent currency reduction within Egypt.

Alternatively, to get the Five Year Plan off the ground, Egypt's desperate foreign exchange situation (there is a massive trade deficit, largely because of the collapse of agriculture under Sadat), means that foreign investors have to bring in their own capital goods and materials to set up their plants. Even if they sell their products in Egypt, these capital goods for the first year and subsequent years have to be paid for out of the earnings the plant generates. The only way this situation will be viable in terms of Egypt's economic growth and the growth of the investing industries is if, as proposed in the Five Year Plan, the Egyptian government allocates the funds — via Arab petrodollar and other loans (reportedly

Egypt: Production Tables Of Main Industrial Sectors

UNITS: (TONS - THOUSANDS)

PRODUCTS	1957	1962	1963	1965	1966	1967	1968	1969
IRON AND STEEL	148.2	409.9	397.9	378.3	400.9	450.7	474.	487.
IRON BARS FOR WIRES	99.0	189.2	196.9	162.2	176.2	176.3	202.7	212.8
ALUMINUM SHEETS-TONS		94.	20.	289.	434.	323.	422.	570.
FERTILIZERS	425.7	779.4	754.4	906.	935.3	882.7	918.2	805.
CEMENT						1,929.		3,614.
SULPHURIC ACID	87.2	94.4	113.0	194.3	212.9	228.8	260.5	29.1
PAPER AND CARDBOARD	38.5	88.	94.9	106.0	110.3	91.8	115.9	122.0
COTTON YARN	8.6	121.0	122.0	138.8	142.5	158.5	157.4	162.5
COTTON TEXTILES	56.6	78.7	80.1	88.9	97.2	92.7	102.3	106.0
REFINED SUGAR	249.7	332.6	355.7	400.3	357.5	365.8	379.6	487.3
IRON ORE	245.1	460.9	489.0	507.0	440.1	422.8	447.2	460.3
TYRES - THOUSANDS						26.1	27.7	32.2
MOTOR VEHICLES						41.	158.	167.

SOURCE: EGYPTIAN INDUSTRIAL QUARTERLY BULLETIN.

Egypt: Investments In Various Sectors And Activities

(CURRENT PRICES - MILLIONS EGYPTIAN POUNDS)

TOTAL ECONOMY	1959-60	1960-61	1961-62	1963-64	1964-65	1965-66	1971-72 PROJECTED DEFLATED PRICES		
AGRICULTURE, IRRIG. EFFLUENT HIGH DAM	29.9	38.2	51.9	101.1	89.0	82.3	68.5	57	40.7
INDUSTRY, MINING, PETROLEUM	49.3	67.8	50.3	105.4	99.6	94.0	77.0	122	87.1
ELECTRICITY	6.2	5.6	6.3	35.6	53.2	61.1	50.9	20	14.3
CONSTRUCTION				4.6	5.2	6.8	1.2		
RESIDENTIAL HOUSING	31.1	119.1	37.8	37.4	30.5	47.5	39.5	21	15.0
PUBLIC UTILITIES	7.5	7.7	10.2	8.2	11.2	12.4	10.3		
TRANSPORT, SUEZ	35.8	74.8	71.2	45.1	49.3	53.1	44.2	15	10.1
INSURANCE ON TREASURY BUDGET									
OTHER SERVICES	12.0	18.4	18.4	27.6	21.7	19.2	16.	15	9.7
GRAND TOTAL	171.4	225.6	251.1	369.9	360.0	376.4	313.3	350	250.

SOURCE: EGYPTIAN INDUSTRIAL QUARTERLY BULLETIN. EGYPTIAN CENTRAL BANK REPORTS.

<u>PRODUCTS</u>	1970	1971	1972	1973	1974	1975
IRON AND STEEL	434.	433.	594.	566.	555.	
IRON BARS FOR WIRES	212.8					
ALUMINUM SHEETS-TONS	668.					
FERTILIZERS	835.	909.	859.	676.	831.	
CEMENT	3,656.	3,924.	3,822.	3,617.	3,265.	3,600.
SULPHURIC ACID	29.8	30.	28.	20.	31.	20.
PAPER AND CARDBOARD	124.9	144.	152.	149.	131.	
COTTON YARN	164.5	171.	179.	183.	169.	180.
COTTON TEXTILES	110.4	114.	116.	118.	120.	114.
REFINED SUGAR	546.8	675.	604.	634.	577.	660.
IRON ORE	451.	473.	427.	656.	673.	520.
TYRES - THOUSANDS	35.8	33.4	40.0	32.6	30.3	38.4
MOTOR VEHICLES	333.	500.	404.	421.	748.	964.

TOTAL ECONOMY	1973 DEFLATED PRICES		1974 DEFLATED PRICES		1975 PROJECTED DEFLATED PRICES		1976 PROJECTED DEFLATED PRICES		1977 PLANNED
AGRICULTURE, IRRIG. EFFLUENT HIGH DAM	56	50.4	52	42.6	90	67.2	46	30.7	148
INDUSTRY, MINING, PETROLEUM	148	133.2	230	189.	256	191.	138	92.	520
ELECTRICITY	30	27.	30	24.6	28	20.9	36	24.	100
CONSTRUCTION	5	4.5	10	8.2	}58*	43.3	}122*	81.3	230
RESIDENTIAL HOUSING	20	18.	36	29.5					
PUBLIC UTILITIES	23	20.7	29	23.8					
TRANSPORT, SUFZ	116	104.4	183	150.	198	148	110	73	400
INSURANCE ON TREASURY BUDGET					25	18.7	751	501	
OTHER SERVICES					46	34.3	32	21.3	
GRAND TOTAL	424	38.2	613	503	757	565	1,268	845	1,598

*CONSTRUCTION AND HOUSING COMBINED

the Gulf Organization for the Development of Egypt has already put up \$1.5 billion toward this) — to get the industries started. To make this possible Egypt must declare a debt moratorium.

The battle lines couldn't be drawn more sharply; thus the precariousness of Sadat's position as he tries to placate the development forces by waving his Five Year Plan — while he is still perched in David Rockefeller's back pocket.

A Review Of The Industrial Situation

Crude Oil and Gas

Foreign companies will spend \$422.2 million for exploration in 1977 compared to \$115.3 million in 1976. Phillips Petroleum and French and Italian firms are planning the first phase of an Egyptian petrochemical complex at Sidi Dreir near Alexandria. Union Carbide had proposed a polyethylene plant for the complex, but this idea has been shelved.

Iron and Steel

As late as 1972 Egypt was the third largest pig iron producer in the Middle East after Turkey and Iran, reaching an output of 555,000 tons in 1974. Egypt was also the second largest crude steel producer after Turkey, with an output of 290,000 tons in 1973.

Today, the only fully integrated plant in Africa and the Mideast, the Helwan Industrial Complex in Helwan, is producing at 50 percent capacity. If the Soviets had remained in Egypt, the plant would have been producing more than 78 percent of the steel Egypt needs. Now Egypt exports only simple reinforcing steel bars; (400,000 tons were produced in 1976) and it is planned to increase this to 1.2 million by 1980.

A second integrated plant with a 3 million ton output is being talked of for the northern Mediterranean coast. This plant would use natural gas for sponge iron reduction instead of using fuel-intensive blast furnaces.

Two projects for sponge iron production are under study, one for Helwan of 800,000 tons a year and one for Alexandria with a 1.6 million ton capacity. The latter would be a joint venture with Japan, West Germany and Brazil. It was initially envisioned that the Alexandria plant could be part of a steel mill complex, planned in 1975 to use Soviet loan money.

Aluminum

The Nag Hammadi works in the Nile Valley near Qina are Soviet-built and a first in the Middle East. The plant which completed its first stage in 1976 and has a capacity of 33,000 tons, operates on bauxite and alumina imported from India. When the plant is completed, its capacity will be 100,000 tons using six electrolysis units. One-quarter of the output will be for domestic use and the rest for export, largely to the Soviet Union for repayment. Britain has signed a contract to receive 10,000 tons.

This plant is extremely modern using advanced technology and could be easily retooled for aerospace production. Along with the Helwan complex, it is the center of any potential development plans for increased industrialization.

Fertilizers

Before the 1967 War, Egypt had two plants producing nitrogenous fertilizers in the Suez area. Both plants were destroyed causing importation at market prices and a disastrous reduction in Egypt's use of fertilizer. In 1974 Egypt produced only 831,000 tons compared to 1,055,000 tons in 1966. Egypt now uses 1.6 million metric tons of fertilizer of an optimum of 3.0 million metric tons. There are three functioning fertilizer plants now with more planned. The largest plant is in the Talkha complex, where Talkha I produces 380,000 tons a year of nitrogenous fertilizer. Talkha II is being built by the Kuwaiti Fund for Development and a much needed Urea plant is planned.

The Kima fertilizer plant at Aswan has a capacity output of 380,000 tons, its 1973 output was down to a mere 100,000 tons because the plant had no capital for necessary repairs. When improvements were made in 1975, production went up to 300,000 tons that year.

Another plant is being built at Abukir to be fueled from the Abukir gas fields, that will produce 520,000 tons of Urea fertilizer a day by 1980. Another massive plant is planned for Alexandria to be linked to the SUMED pipeline, with a planned output of 12 million tons a year. This plant could make Egypt an exporter.

A phosphorous processing plant is planned at the Qina complex in the Eastern Desert where fresh reserves are said to be 1 billion tons. Egypt does produce a large quantity of super-phosphate for local consumption, and a joint venture project with Romania is on the books which would produce triple-phosphate at a capacity of 369,000 tons a year.

Textiles

The industry is in a state of collapse. Most of the output comes from two large plants that are closed four months of the year because there are no replacement parts. There are about two dozen fully mechanized mills, but much of the weaving is still done on hand looms. Located in Alexandria and Cairo, the industry accounts for one-third of all public sector production and employs half the public sector labor force, some 570,000 people.

The IMF is heavily encouraging the textile industry on the labor-intensive Hong Kong model. Although this sector was the showpiece of the 1950s, producing enough yarn and cloth for local consumption in addition to being an export money earner, it is the industry most hit by the triage of spare parts. It has also been badly hit by the reduction in locally grown cotton.

Sadat's plan is to put this traditionally public sector back on its feet by offering shares to private investors and returning many factories to their original owners before nationalization.

Light Industry

There are many reports and plans circulating for small, labor-intensive manufacturing industries like shoe factories, simple chemical factories and powdered milk factories, most of which are to be directed towards the free zones. Honda is considering assembly plants for export and Fiat is retooling its plant for the new model Fiat 132. The Nasr Automotive Company, which produces the Fiat under licence, dominates car production in Egypt and supplies 40 percent of the local market. There are plans to increase production from 5,000 per year to 25,000 per year.

Arab Monetary Fund Formed; Seen As Opposition To Dollar, IMF

An Arab Monetary Fund was established by the Arab Gulf States April 15, just ten days before the scheduled meeting of the International Monetary Fund in Washington. The political significance of the new Arab Fund was underlined by Saudi Arabia's simultaneous announcement that it has dropped its longstanding opposition to the forming of the AMF to become the Fund's biggest contributor. The second largest contributor is aggressively anti-IMF Algeria.

Headquartered in the United Arab Emirates, the AMF has a capital of \$875 million and has 21 Arab states — including the Palestine Liberation Organization — as its members. It was immediately recognized by international financiers as an opposition body to the International Monetary Fund and the New York banks that determine IMF policy.

Informed sources say that Britain, West Germany, and the Soviet Union are watching the Arabs' moves closely and are ready to support this new development, an assessment that coheres closely with discussions now going on in certain European banking and industrialist circles regarding a new international monetary system outside the dollar sphere.

Saudi Arabia has also refused to cooperate with IMF managing director Johannes Witteveen's demand that the Saudis contribute \$5 billion to the IMF treasury, funds the IMF desperately needs to prevent the total collapse of the private dollar banking system. As *Business Week* reported April 18, this shift by the IMF's one-time traditional allies shows the Gulf State Arab bankers' determination "to stake out a place for themselves in international finance" and no longer be the "passive suppliers of recycled money to the private banks of the West."

At the beginning of this year four Gulf states — Bahrain, Qatar, the United Arab Emirates, and Kuwait — under the direction of Kuwaiti bankers, announced their decision to unite their currencies in the "Gulf Dinar." This represented the precondition for the creation of the long-discussed "Arab Dinar," and, further, the willingness of Middle East bankers to shape a new regional money market where Arab dinar bonds can be issued to foreign governments for a variety of development projects. The Arabs are demanding "a greater say in how their money is spent," *Business Week* noted, despite tremendous U.S. pressure on them to provide bailout funds to the Third World so that Chase Manhattan Bank, Citibank, and other New York banks can collect on their wildly overextended Third World loans. *Business Week*

adds that the Arabs remember how they "got burned in overseas investments in U.S. dollars and British sterling, when these supposedly hard currencies were devalued again and again."

Although the AMF is still in the beginning phase, "it cannot be refuted that the background to this project is political," Arab economist Omar Ismail wrote of "The future role of the proposed AMF" in *Euromoney*; it is a way for the Arab states to protect their economic interests.

Three Years of Organizing

Behind the formation of the AMF and the Arab dinar are years of organizing efforts by the governments of Kuwait and Iraq to develop the preconditions for a non-dollar new world economic order. Under pressure from its secretary-general, Iraq's Abdel-Al-Sakban, the Cairo-based Arab Economic Unity Council prepared the 1974 study for creation of the AMF. The same pressure led the Council to call for an expanded meeting of the governors of the Arab central banks to discuss the AMF plan, which was held in Baghdad in April 1974 and continued in Casablanca the following November.

At those meetings Saudi Arabia, bowing to demands from the United States and the IMF, refused to adopt the Kuwaitis' proposals to establish an AMF and base it on a unified Arab dinar based on gold. The IMF's Mideast Department has revealed that the Saudi governor was advised by IMF "technicians" to insist instead that the Arab financiers adopt the IMF's "funny money" Special Drawing Rights as the unit under which the AMF would operate. In the middle of 1975 the Kuwaiti Finance Ministry offered a compromise: an Arab dinar based on a "basket" of all Gulf currencies. But the Saudis refused this proposal as well.

The result was that the four Gulf states mentioned above agreed to form the Gulf International Bank, for investment in development projects inside the Arab world and for the working out of a formula to unite their currencies. This was the precursor of the just-formed AMF.

Thus the AMF is the result of the efforts of Kuwaiti and Iraqi financiers begun almost three years ago. It is being received very favorably by European governments, who, *Business Week* says, are considering applications for loans denominated in the Arab dinar, loans which carry lower interest rates than those being offered in Eurodollars.

Angola On Alert As NSC Prepares Attack

Angola has put its border troops on full alert, according to the Yugoslav daily *Politika*, as a broad spectrum of forces coordinated by the U.S. National Security Council (NSC) get set to launch an onslaught to topple the Angolan government.

The NSC operation includes South Africa, France, Brazil, an assortment of African puppet governments, as well as several mercenary gangs left over from the 1975 Angola war for liberation, which are being resurrected for this operation.

In a speech on May 1, Angolan President Agostinho Neto urgently warned of the dangers posed to Angola by the U.S.-backed mercenaries of the so-called National Front for the Liberation of Angola (FNLA) and the South Africa-backed UNITA, and announced that the activity of popular defense organizations will intensify and spread throughout the country to counter the attacks.

However, if the Carter regime is able to activate this full operation against Angola, it will at best, bog him down in a new "Vietnam" with little hope of victory. Carter's overall goal is to extend Trilateral Commission influence over all of Africa, and reducing Soviet influence in Africa to zero in the process. In mid-April the *Jerusalem Post* cited well informed sources who reported that Carter had ordered National Security Council chief Zbigniew Brzezinski and Secretary of State Cyrus Vance to begin taking concrete initiatives to counter Soviet and Cuban penetration in Africa.

Notwithstanding the array of surrogate warriors prepared to fight for the NSC, the Angolans and their Soviet allies have built up a sufficient and military basis for meeting this confrontation. *At this point*, for instance, the Warsaw Pact nations would have the hearty endorsement of many African nations if they had to escalate their aid in defense of Angola, and — unlike the Mideast-Red Sea situation — this would not by itself entail a thermonuclear showdown between the two superpowers.

Pretext Created

A supposed ambush of Zairean and French-transported Moroccan troops on May 3 in Zaire's Shaba province, which borders on Angola, is the latest development in preparing the pretext for a direct attack on Angola. Although no reporters are allowed in Shaba, the U.S. press called the event the "most serious battle" of the insurrection against Mobutu there. This sets the climate for "hot pursuit" raids on Angola which, according to the controlled Western press, harbors the Shaba rebels.

President Mobutu provided more grist for the Western war propaganda mills on May 2 when he broke off

relations with the German Democratic Republic charging that Warsaw Pact country with supporting the rebels. This follows an earlier break in relations with Cuba, and declarations by Mobutu that the Soviet Union is Zaire's "number one enemy." Mobutu is now hinting that he may break relations with the Soviet Union itself.

Egyptian President Anwar Sadat, who is acting as

FNLA Recruiting Mercenaries In South America

The National Front for the Liberation of Angola (FNLA) has been active over the last months organizing South American countries to support their effort to bring down the Angolan government. In March an FNLA delegation attended an Air Force conference in Paraguay asking the military representatives of Latin American countries for aid. In addition the would-be Foreign Minister of the FNLA, Hendrick Vaal Neto, just spent two weeks in Brazil organizing mercenaries for his anti-government operation.

Brazil at first refused to participate directly in operations against the Angolan government, not wanting to risk getting involved officially in a potentially disastrous war. Now, a different tactic is being followed: with the resurrection of the countergangs, Brazil is granting them belligerency status. Brazil can now serve as a staging area for diplomatic initiatives on the part of the FNLA, — such as weapons supply, recruitment of mercenaries, and other operations necessary for war against the Angolan government — without having an official combat status. The announcement of the phony Cabindan government was prominently reported May 3 in the Brazilian daily *O Globo*.

The cooperation of Brazil, France and South Africa in the anti-Angolan effort constitutes a functional SATO — an extension of NATO originally proposed by Rockefeller planner Henry Kissinger in the Trilateral Commission — without it being formally constituted. Said one Washington-based thinktank analyst this week: "1,000 good soldiers of fortune from Brazil, plus a good unit from the French Foreign Legion" is what is needed he said.

Carter's chief surrogate in the Arab world, this week sent 50 pilots and mechanics to Zaire to take control of the Zairean Air Force. This ensures a functioning air force capable of delivering scorched-earth attacks on Angola.

The full border alert in Angola was declared following an attack by the mercenary FNLA gang on the Angolan province of Cabinda. Oil production in Cabinda provides a large percentage of Angola's foreign reserves.

Another mercenary gang, the Liberation Front of Cabinda (FLEC), which operated in Cabinda during the Angola war, has just announced from Paris the creation of a secessionist provisional Cabinda government. This is the latest attempt to portray the Angolan government as unpopular and not in control of the country. Bernard Bory, describing himself as the "foreign minister" of the so-called FLEC forces, claimed that FLEC had driven Cuban troops from a key air base in Cabinda and sent them reeling in retreat. Bory made this comment after visiting the U.S. Embassy in Lisbon seeking aid and weapons. He said FLEC wanted surface-to-surface missiles to attack offshore oil rigs operated by Gulf Oil Company, in cooperation with the Angolan government. Bory claimed that FLEC controls two-thirds of Cabinda.

The French Communist Party daily, *L'Humanite*

charged May 4 that French and U.S. companies are behind FLEC, and added that "the proclamation of the puppet government could not have happened without the support and approbation of the French government."

This week, French President Giscard d'Estaing increased his commitment to the NSC's operation; ordering massive French naval deployments in the Red Sea-Indian Ocean area — within striking distance of both Africa and the Mideast.

No one is being fooled into thinking that Giscard is carrying out this activity on his own. The Algerian paper *El Chaab* charged this week, "The military interventionist policy of France in Africa has been planned in collaboration with Washington, in the context of the new world imperialist strategy. The mission which has been given to France is that of being the policeman of Africa."

On May 5 Angolan President Neto denounced the FLEC maneuver as a hoax, and asserted that the Angolan armed forces were in control of the entire Angolan territory. He added that this is not the first time that France has been involved in maneuvers to upset the peace in Angola and misinform international public opinion.

Carter Bids To Split Front-Line States With African 'Concessions'

Vice-President Mondale has been given responsibility to coordinate African policy for the Carter Administration. On his upcoming European tour, Mondale will meet with South African Prime Minister Vorster in Vienna on May 19 and 20, in order, according to Administration-leaked reports, to force concessions from the South Africa regime. These would include not only the granting of self rule to the occupied territory of Namibia, but also the abandonment of the apartheid inside South Africa.

Carter hopes to split the front-line African states over the question of the transfer to majority rule in Rhodesia, and has targeted Tanzanian President Nyerere and Zambian President Kaunda as the splitoffs. Using the supposed South African concessions as bait, Carter plans to get them to go along with his unacceptable solution of installing a U.S.-controlled regime in Rhodesia.

In the case of such a break-up of the front-line presidents, an array of agents inside and outside the Rhodesian nationalist Patriotic Front will act to ensure that the Patriotic Front will not remain united on the question of Rhodesia and U.S. participation. In addition to such long-time U.S. State Department agents in the Rhodesian nationalist movement as Bishop Muzorewa and Reverend Sithole, agents in the Front itself, such as Josiah Chinamano, a close aid of Front leader Joshua Nkomo, will push for cooperation with Carter.

A Public Relations Job

Some South African officials are reinforcing the idea that the country is responding to Carter pressure. Dr. Eschel Rhodie, secretary for South African Information Minister C. Mulder, in his annual report to parliament, said that only "imaginative, large-scale moves away from racial discrimination" can improve hostile foreign attitudes toward South Africa. Rhodie is a member of Vorster's ruling Nationalist Party. However, Vorster's comments following a recent meeting with representatives of the U.S., Canada, Britain, France, and West Germany on the Namibia question indicated that the reports of pressure on Vorster are only a public relations line. Vorster was happy that "the importance of our country in southern Africa is recognized," and added: "There has never been as much discussion in high places between South Africa and the western world as at this moment."

Chinamano, slotted to be Foreign Minister of Zimbabwe after a fraudulent settlement, spent the first three weeks of March in Washington, D.C. and New York, receiving much attention from Carter Administration officials. He talked to policy makers working with Brzezinski and Vance, and was warmly praised by the State Dept.

Japan Fishing For Military Links With China

JAPAN

Shinsaku Hogen, a top aide to Japanese Prime Minister Takeo Fukuda departed for Communist China on April 28 for the second time in less than a month on what was officially billed as a "private visit" but which, the Japanese press has publicly conceded, is aimed at ironing out the final wording of a Japan-China peace treaty which will include a China-sponsored "anti-hegemony" clause directed against the Soviet Union.

The Japanese decision to accept the anti-hegemony clause reflects the Fukuda government's decision to cooperate with the Carter Administration in establishing Japan-China military cooperation — for use not only as psychological warfare against the Soviet Union but to establish a capability in fact to present the Soviet Union with a credible "two front" threat.

To this end, three military or military-related Japanese missions are now or have just been in China.

Hogen's trip was the outcome of a month of factional maneuvering by Fukuda against Japanese business opponents of his China policy. Hogen, a long-time factional supporter and former Deputy Foreign Minister in the cabinet of Kakuei Tanaka is well known for his vehemently anti-Soviet stance. Before he was fired by Tanaka in late 1973 for trying to sabotage Japanese government negotiations with Middle Eastern countries during the height of the 1973 oil crisis, Hogen headed the anti-Moscow-oriented Soviet Affairs Bureau inside the Foreign Ministry.

Fukuda's sudden decision to break with the last five years of Japanese diplomacy — which has rejected the "anti-hegemony" clause — has nothing to do with consideration of Japan's strategic national interests. The policy now being implemented originated from the office of current U.S. energy czar James Schlesinger during his tenure as U.S. Secretary of Defense in the Ford Administration. It calls for the creation of a "Peking-Tokyo-Washington" anti-Soviet axis in the Far East.

This scheme was first advanced by Schlesinger in his trip to Japan in 1975 in his meetings with then-head of Japan's Defense Agency Michita Sakata. Today Sakata, the self-proclaimed "Schlesinger of Japan," is using his leadership of the ruling Liberal Democratic Party's (LDP) defense affairs policy group to work actively with Fukuda for the China alliance.

Hogen not only sees eye to eye with Sakata on China and the Soviet Union, but one Brookings Institution source recently noted that it was perfectly understandable for the Chinese to invite Hogen to Peking "since Hogen and Schlesinger have exactly the same views on the Soviet Union."

Revealing the prospect for Sino-Japanese military

cooperation, a group of five Japanese military specialists are now in China for a three-week tour which began May 2. The group, consisting of members of the Sea Power Study Group, is headed by Motomi Hori, former commander of the former Imperial Navy, and includes Noboru Nagai, former vice-admiral of the Maritime Self-Defense Force (MSDF), Hiroaki Asonuma, former rear-admiral of the MCDF and Eiichi Nagasue of the Democratic Socialist Party. The delegation will inspect Chinese naval facilities during its three-week stay in China, and will advise the Chinese concerning the Soviet navy in the Pacific. It has also requested to visit the army and air force units guarding the country's northern frontiers with the Soviet Union.

That the timing of this visit was a considered government decision is indicated by the fact that the Chinese had extended a standing invitation for such a visit in 1975 but the Japanese government only delayed permission for the trip until now.

The Fukuda government shift was first signalled in early April when it allowed a Japanese defense official to visit China on an official invitation for the first time since 1945. The official, Hisao Iwashima, an authority on American military strategy who is familiar with Soviet military doctrine as well, was in China from April 5 to 17. He viewed a Chinese army drill in Canton and discussed the Carter Administration, U.S. military strategies and Japan's defense setup with Chinese defense officials.

It has been made known in Japan that Fukuda will make the final decision on whether to send Foreign Minister Ichiro Hatoyama to Peking in June after Hogen's return. Hatoyama's visit will be to sign the "friendship treaty" with China.

Japan is now known to be moving to accept a Chinese request to decrease the interest rate owed the Japan Export-Import Bank on five-year deferred payments from 7.5 percent to 6.5 percent. 7.5 percent is the rate set by the Organization for Economic Cooperation and Development for long-term loans to the East bloc and China, but some member countries have already reduced their rates. The U.S. has heretofore opposed Japan's reducing the rate, but is now believed to favor the reduction of Japan's rate to China (not to the Soviets) in line with its own overtures to China.

According to the Kyodo news service, Foreign Ministry sources say that Japan was taken by surprise last summer by a Peking request for a top-ranking Defense Agency official to visit China. At the time, the Foreign Ministry turned down the request because it didn't want to provoke the Soviet Union, the sources told Kyodo.

Both because of Japanese Defense Agency-U.S. connections and because of U.S. defense commitments to Japan, any ties between China and the JDA represent Chinese ties to the United States.

This suits Peking fine. Their attempt to augment Japan-China relations is long-standing, and Japan's

sudden acceptance augurs to realize China's goal of forging an Asian anti-Soviet cordon around the Soviet Far East.

There has not been any sign of lessening anti-Sovietism in China, since the last October purge of four leading Maoists, but it has in fact increased in intensity.

The chief obstacle to direct China-U.S. military ties as desired by Schlesinger-Carter circles here is the sticky question of Taiwan. So far, the Administration, especially Carter's National Security Affairs Advisor Zbigniew Brzezinski, has operated on the belief that China could be offered some empty verbal formula that would come short of the abrogation of the U.S. defense treaty with Taipei as demanded by China. An interview given the *Washington Post's* Hong Kong correspondent by a top Chinese official and published April 29 expressed in clearest terms yet that China cannot accept any compromises on this question. Few observers doubt that if this matter can be resolved, Chinese-U.S. relations would become quite close, an eventuality that would subsume the current Japanese overtures.

Storm in Japan

Fukuda's moves have not failed to raise a storm in Japan. The faction fight within the Japanese government bureaucracy was so great that Fukuda felt unable to go through normal Foreign Ministry channels to make his China bid. According to a leak to the daily *Yomiuri's* Minoru Hirano, Hogen, a private citizen, albeit with close links to one faction of the Foreign Ministry, was chosen by Fukuda to prevent the mission being blocked by opposition within the Foreign Ministry.

Business circles regard intransigence on the question of fishing rights as a direct response to Fukuda's provocative moves toward China.

Since April 1, Japanese fishermen have been barred

from traditional fishing waters inside the USSR's new territorial limit because the Soviets have decided to link the question of even an interim fishing agreement to Japanese territorial concessions on northern islands occupied by the USSR after World War II.

The May *Yomiuri* reported that Shigeo Nagano, president of the Japan Chamber of Commerce and Industry, said recently: "Fishery is one thing and economic cooperation is another. Should a deadlock of the fishery talks affect the two countries' economic cooperation, the bilateral relations would be jeopardized root and branch."

At stake is the entire prospect for Japanese multi-billion dollar investment and development of Soviet Siberia, desperately desired by many major business leaders in Japan.

Another business leader, Toshiwo Doko, president of the Federation of Economic Organizations, the leading business group in Japan, was quoted in the *Yomiuri* article as holding the view that the only way to resolve the outstanding Japan-Soviet dispute about possession of the four Northern Islands taken by the Soviet Union in 1945 — an issue used repeatedly by anti-Soviet circles in Japan to block closer cooperation with Moscow — was to join hands with the Soviet Union to develop the Tyumen oil fields. His point is that provocation of the Soviet Union is counterproductive if Japan ever wants the islands returned. It is only in the context of close economic collaboration and a dropping of the formal issue that Moscow might someday give up its claim.

Nonetheless, for the moment, Fukuda is achieving his objective of wrecking Soviet relations and realizing his China caper. The business and political opponents of Fukuda have not been able to muster the clarity on the issues, nor the decisive alternate policy options, to make Fukuda's moves inoperative.

Vietnam Negotiations: U.S. Stalls For Concessions

VIETNAM

The first round of talks between Vietnam and the United States on normalization of relations between the two nations were concluded in Paris this week. The U.S. delegation, led by Assistant Secretary of State Richard Holbrooke, announced that the U.S. would not block a Vietnamese bid to enter the United Nations, while the Vietnamese delegation, led by Deputy Foreign Minister Phan Hien, promised to intensify efforts to provide information on U.S. servicemen still listed as missing in action in Vietnam.

Though acclaimed in much of the U.S. press as the dawning of a new period of friendly relations between the two countries, it was evident that "little progress" was actually made, in the words of the *Washington Post*. Central to this failure was the Vietnamese refusal to separate the question of U.S. responsibilities to "heal the

wounds of war" — i.e., supply reconstruction aid — from the broader political questions of normalization. The Administration's balking on the question of aid underscores that its initiative is no more than a ploy to force political concessions that the Vietnamese are neither willing nor prepared to make.

On May 3, the first day of the negotiations the Vietnamese Communist Party daily *Nham Dan* declared that U.S. aid for reconstruction was "an undeniable obligation" rooted not only in the 1973 Paris accords but in "international law, morality and human conscience." It charged that the U.S. refused to "abandon erroneous policy" in refusing to give economic aid. In a press conference following the talks Pham Hien said the U.S. had promised \$3.25 billion in reconstruction assistance and an additional billion or one and a half billion in "concessional aid."

The Vietnamese demand for aid defines the basis on which they seek relations with the U.S., that is in terms of broad and mutually beneficial economic cooperation. This was strongly implied when Pham Hien, at the press

conference shunned the term "war reparations" when it was used in a question by a French journalist. Hien said, "We never use the words 'war reparations.'" It is well known that many industrialists throughout the U.S. are eager to get involved in Vietnam especially before it is fully dominated by the Europeans and Japanese whose involvement is growing rapidly.

The U.S. refusal to lift even the trade embargo until after the establishment of relations, and its refusal to even discuss the question of aid are clear answers to the Vietnamese demands. The Vietnamese have made clear that the trade embargo must be lifted immediately.

The Administration's "no aid" position was backed by former Secretary of State Henry Kissinger. Speaking before the American Chamber of Commerce luncheon in Washington, D.C. last Tuesday he said, "It is absolutely absurd for the Vietnamese to say they have a right to U.S. economic aid." His remarks cost the Chamber \$5,000 although it is said that Kissinger wanted \$7,500 for the appearance.

The present talks, which are to resume in two weeks, parallel those going on with Cuba in which the Carter Ad-

ministration is seeking concessions by President Castro in return for normalization. Such concessions include a general retreat from the Cuban political and diplomatic initiatives made in Africa and Latin America. While Carter talks peace in Paris, he is busily trying to break up any regional detente from coalescing between the Communist states of Indochina and non-communist states of Southeast Asia including Malaysia, Indonesia, Singapore, Philippines and Burma. The primary vehicle for this is the U.S. backed military junta in Thailand where anti-Vietnamese provocations continue. For the last week Vietnamese refugees have been arrested through the North Eastern region of Thailand; an act that has drawn sharp attacks from the Vietnamese in the past. Also there are ongoing border provocations and subversive activities by the CIA-linked Thai military and police units aimed at Vietnam-allied Laos.

The Paris talks take place exactly two years after the U.S. defeat of April 1975 and nine years to the week of the initial Paris peace talks under the Johnson Administration. The top negotiators at that time were none other than Averell Harriman, a top Carter foreign policy advisor and Cyrus Vance, Carter's Secretary of State.

Vietnam Calls Aid From U.S. 'Undeniable Obligation'

Excerpts from Nhan Dan :

"The U.S. contribution to healing the wounds of war and to post war reconstruction in Vietnam is an undeniable obligation." It is not only rooted in the 1973 Paris agreement but in "international law, morality and human conscience...Vietnam made clear to the U.S. Presidential Commission last March that we are ready to look forward to the future, but it is impossible to completely separate the future from the past because the past has left a number of questions which if not satisfactorily solved will create obstacles to the normalization of relations between the two countries.

"We will give the U.S. information about the Americans missing in action and will satisfactorily settle the question concerning the remains of those known to have died in the war. Results obtained in

the process of investigation and research will be communicated to the U.S. as soon as possible.

"Vietnam has told the U.S. side that it is prepared to create favorable conditions for an American contribution to postwar construction in Vietnam....The U.S. side, however has not given any indication that it will abandon its erroneous policy. On the contrary it has spread slanders against the Vietnamese government's correct policy and does not say anything about its obligation and responsibility for helping to heal the wounds of war and reconstruct Vietnam, This is not right and is not in line with the professed desire of the U.S. to open a new dialogue, a new era in the relations between the two countries. To make the current dialogue successful, the attitude of the U.S. must suit realities and U.S. statements."

Latin America Takes Aim At The IMF

Over 1,000 eminent Mexican economists, in Mexico City April 26-28 for the second annual congress of the College of Economists, launched a broadside attack on the International Monetary Fund and its monetarist doctrines.

"Economic stagnation, promoted by stabilizing monetarist criteria, and in particular by the IMF, is an unacceptable option," the final resolution of the conference stated. The resolution, presented personally to Mexico's President Jose Lopez Portillo, called instead for "a mobilization of the population...behind a national plan for development" based on "the expansion of production, the creation of productive and justly paid jobs, and the strengthening of economic and social infrastructure."

The economists' congress highlights a growing resistance to monetarist dictates throughout those areas of Latin America not yet under total IMF control. This fight was carried by Mexico directly to IMF deliberations in Washington and is currently at the center of discussion at the annual ministerial conference of the UN Economic Commission on Latin America.

Mayday rallies in various points of the continent immediately demonstrated that there is a mass base prepared to take up the program outlined by the Mexican economists.

In Mexico itself, one million workers took to the streets

of Mexico City May 1 to demand higher wages if inflation is not curbed. Under Mexico's current agreement with the IMF, wages are to be kept to 10 percent increases; inflation is running close to 30 percent. Napoleon Gomez Sada, head of the giant trade union confederation, the Congreso de Trabajo, declared in his keynote address that workers were "the definitive force to move the Mexican Revolution ahead." President Lopez Portillo responded that indeed the worker sector has done its part to revive the economy and expand production, "now it is the turn of the business interests."

Equally impressive — and even more explicitly aimed at the IMF — was the Mayday Rally in Peru. Thirty thousand workers demonstrated, the largest popular rally held in the country in nine years. Peru's forced march toward a Chileanized economy was shaken up in mid-March by revelations that the IMF had demanded wage increases be held 35 percent below the inflation rate and that Peru submit to a virtual cut-off of vital imports. Rage over these measures fueled the workers' protest.

Eduardo Castillo, leader of the Communist Party-backed CGTP trade union federation, told the demonstration that "the government has decided to face the crisis by making concessions to the reaction and (to) the pressures of the IMF."

The anti-IMF labor ferment is significantly matched in

Monetarists Proposing 'Euthanasia For The Businessman'

The following are excerpts from the opening address at the Second National Congress of Economists, held in Mexico City, April 25-28. The address was delivered by the prominent Mexican economist Horacio de la Peña.

Modern monetarists...are considered defenders of the free enterprise system, of stability and order, which frequently is confused with social welfare...A common characteristic of all of them (monetarists), regardless of their origin, is that they think and act in German. Possibly this is due to the fact that it was Dr. Schacht who best applied their principles in Nazi Germany. Also he was the first monetarist whose success was rewarded by imprisonment. Others have received Nobel prizes....

The goal of the individual capitalist is expressed in monetary terms, the accumulation of financial wealth; on the other hand, the goals of society are expressed through real commodities and (society's) capacity to produce them...An investment can be good for the individual because of

the profits it generates, but this doesn't necessarily make it good for the society.

(The policy of austerity) leads to stability, but with a high level of unemployment and a zero or negative (rate of) growth...These results are incompatible with economic and social policy and confronts governments with an increasingly more serious problem of popular support, especially when reality demonstrates that austerity doesn't combat inflation or external instability but does reduce employment and real wages, and leads to immobility in the public sector. This has occurred in the United States, England, France, Italy, Switzerland, etc. In the case of Latin America the examples are tragic; from Argentina...to Chile...to Brazil. These countries have been loyal to the orthodoxy of stability (and) have obtained a greater instability without growth; and they have paid an additional cost: the loss of liberty and the democratic way of life.

In point of fact (the monetarists) are proposing euthanasia for the businessman...With defenders like these, the private sector hardly needs enemies.

'Moratoria On Foreign Debt And Petroleum For Development'

The following is a summary of a report delivered to the Second National Congress of Economists by Marivila Carrasco, member of the National Executive of the Mexican Labor Party (PLM). The report was summarized in the Mexican daily El Sol, April 26 under the above heading.

Marivila Carrasco led off her address with a denunciation of the genocidal policies of the International Monetary Fund which calls for reductions in public spending, wage freezes, financial autarchy, and the looting of natural resources for debt payment. Carrasco emphasized the dangers of such policies, using as an example the state of economic and political disaster in Chile, Argentina and Brazil, all victims of the same Friedmanite recipes intended for use on Mexico.

Regarding the much-touted phenomena known as "external instability" acting on the Mexican

economy, the PLM leader explained that this is "only the most obvious expression of a profound break-down crisis of the world economy, caused by the bankruptcy of the financial structures that have dominated the capitalist world since the Second World War." Carrasco then developed the concept of the law of capitalism known as the "tendency of the falling rate of profit," that gives rise on the one hand to a tendency toward monetary explosion and uncontrollable hyperinflation, and on the other, a paralysis of the expansion of real production. Carrasco explained that when these results occur "The centers of world financial power begin to demand and impose negative rates of growth on the indebted economies."

The spokeswoman stated that only debt moratoria and the exchange of oil for technology can put an end to these IMF measures which when implemented, invariably result in the destruction of economies and democracies.

parts of the Peruvian business sector. The National Commerce Confederation (CONACO) declared on the eve of the Mayday rally that "accepting the program proposed by the IMF would cause an economic, social, and political convulsion of unforeseeable consequences, and endanger the integral security of the State." The business group warned that "the IMF is pushing Peru against her will into a debt moratorium..."

In Colombia, 60,000 workers defied conditions approaching martial law to protest the devastation of the country's economy under World Bank "development" plans. The march, sponsored by the Communist Party-led CSTC trade union confederation, took place peacefully despite efforts by pro-World Bank factions to provoke violent outbreaks as a justification for an anti-communist pogrom.

"We Would All Be Dead"

Directing the attack on the IMF at the Mexican economists' congress was Horacio Flores de la Pena, Minister of National Patrimony under former President Luis Echeverria. In his keynote address, Flores de la Pena traced the historical roots of the IMF's modern monetarism "whose principles were best applied by Dr. Schacht in Nazi Germany." "Schacht," the economist assiduously noted, "was the first monetarist whose success was rewarded with jail. Others (Milton Friedman) have received Nobel prizes." The monetarist prescriptions for austerity in public spending "kill the sick man instead of curing him... We must not believe in present sacrifices for benefits in the long run, because in the long run we will all be dead," said Flores.

Congressman Armando Labra followed with a warning that IMF attempts to lower the federal budget below the amount approved by Mexico's Congress "would constitute a flagrant violation of Mexico's sovereignty." Labra and others demanded that the letter of intent

signed by Mexico and the IMF in January be made public.

Mexican Labor Party executive committee member Marivila Carrasco, an official participant in the conference, presented a detailed strategy on how to wage a successful war against the IMF. Mexico's \$30 billion debt is "the main instrument of blackmail," Carrasco said, and she called for Mexico to fight back with a "general moratoria on foreign debt payments." Carrasco's speech was featured prominently in the Mexican press.

IMF Interim Committee Meeting

The economists' congress was organized with a keen eye on the concurrent IMF Interim Committee meetings in Washington. Although President Lopez Portillo has not openly endorsed the anti-IMF mobilization, many in his cabinet are known to agree with it and he himself has shown an increasingly clear anti-monetarist commitment.

With the force of the economists' drive behind him, Lopez Portillo ordered an astonishing about-face in Mexico's position in the middle of the IMF committee's deliberations. The statements of Finance Minister and IMF apologist Rodolfo Moctezuma Cid at the beginning of the week amounted to a servile "What's good for the IMF is good for Mexico."

According to Mexico City press accounts, Moctezuma was called back from Washington early. The remaining Mexican delegation in Washington released a communique strongly reminiscent of the international posture of former President Echeverria. As reported in the Mexican daily *Excelsior* April 30, Mexico will reserve its vote on IMF missions of "technical supervision" until assured that "national objectives and sovereign decisions of member countries are respected," taking into account "the interests not only of other member countries but of the world economy as a whole."

The Mexican statement also demanded that any new funding schemes must represent additional funds for real development beyond "recycling" (refinancing) of old debts.

IMF Controversy At ECLA

The swelling anti-IMF sentiment in sections of the continent has factionalized this week's ministerial level meeting of the UN Economic Commission on Latin America (ECLA) in Guatemala City.

The IMF representative at the conclave was hit May 1 with charges that his institution was serving as a "financial policeman" against Mexico. His "rebuttal" took the form of a recitation of IMF interference in Mexico that fully supported the charge! Among other revelations, Julio Gonzalez admitted that the IMF "recommended" as early as 1974 that Mexico devalue its peso because ambitious government expenditures for development projects were creating "disorder" in the public accounts. Gonzales then warned that the current IMF program for Mexico would mean "at least four years... of austerity policies."

The draft document to be considered by the ministers as a petition addressed to the ongoing North-South dialogue in Paris calls on the U.S. (to be represented at the forum by U.S. Ambassador to the UN Andrew Young) to "accept the fact that present international relations are unjust and that a New World Economic Order is essential." Mexico and Peru have insisted that ECLA's technocrats go beyond monetarist statistical indices to include "social indicators." These countries are reportedly concerned that ECLA's statistics fail to reflect the devastating effects on the labor force of the IMF-sponsored "shock treatment" in Chile.

In counterpoint to the defensive postures of the IMF and its defenders at Guatemala City, the representative of the Comecon told the assembled delegates that no economic crisis or debt problem stood in the way of increased trade and cooperation with the socialist bloc.

'IMF's Economic Stagnation Unacceptable'

The following are excerpts from the principal conclusions of the Second National Congress of Economists:

National development is a task that is everyone's responsibility, which can only be achieved through a mobilization of the population for the interests of the majority.

National and popular interest demand — as the only option — socially shared development based upon democratic participation...and an intransigent defense of independence and national sovereignty....

This is not a rhetorical statement on social justice. Salaried workers and the millions of unemployed and underemployed cannot continue to carry the weight of inflationary stagnation which only helps a minority.

In the words of our Constitution, the increasing participation of the State in the economy is imperative and unquestionable....

Economic stagnation favored by monetarist-stabilization criteria, sponsored in particular by the International Monetary Fund, is an unacceptable option....

Lev Lukin added that Comecon was pleased by "the way in which Latin America is becoming aware of the importance of increased trade with the socialist countries," and stressed Comecon's support for the demands of a new world economic order. During the week he met privately with delegations from most of the 32 countries that are participating in the sessions.

Energy And Industrial Policy For Venezuela And The Caribbean

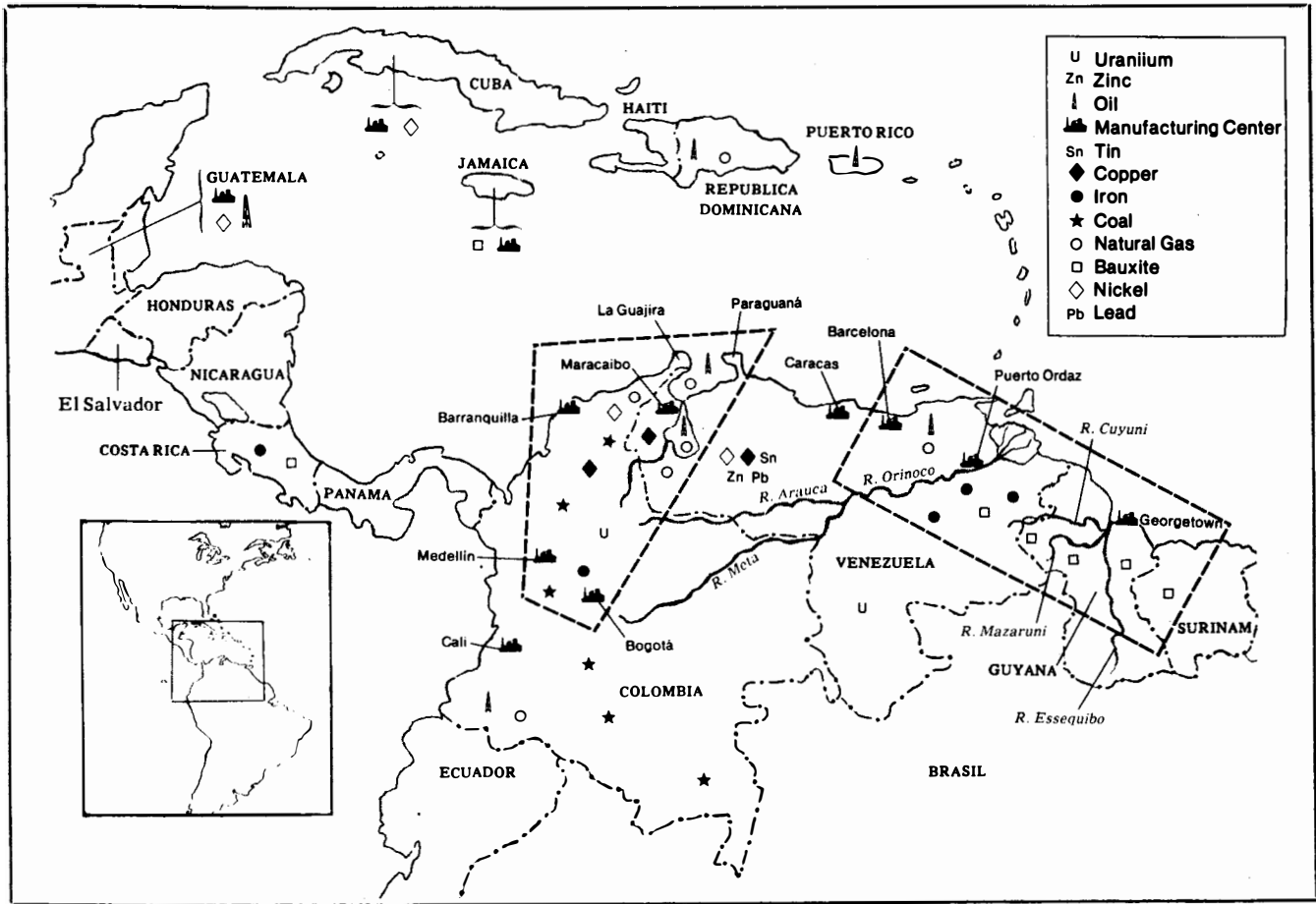
The following is the complete text of a draft economic program for Venezuela and the Caribbean Region released by the Latin American Labor Committees (CLLA) last month.

Introduction

Developments surrounding the Current Mideast tour of Venezuelan President Carlos Andres Perez have made it clear that Venezuela has assumed a leadership role in the Third World for establishing a new world trade and monetary system, admirably continuing the momentum generated by the administration of former Mexican President Luis Echeverria. Perez's diplomatic efforts

and public pronouncements during the past six months have consistently defended the developing sector's right to industrial development and access to the most advanced technology, in the face of the most malicious onslaught of a Carter Administration intent on destroying every trace of scientific progress worldwide, in a futile effort to save the dying IMF monetary structure. As Perez has insisted, the task is clear: without the New World Economic Order, "there is no possibility for the development of our countries, not for the large countries of the region nor for the rich of the region."

Perez and his allies within the government and among pro-progress industrialists have gone further: they have indicated in outline the appropriate policies required for attaining this objective. Spokesmen for this tendency,



such as Carlos Acedo Mendoza of the powerful Mendoza industrial group, have identified their policy as one of productively investing Venezuela's vast "petrodollar" reserves into large-scale industrial projects, instead of unproductively freezing them in New York accounts.

This strategy has already run head-on into major factional opposition, both from the Wall Street White House in the United States, and its house-servants within Venezuela. Wall Street's objectives, made clear in the recent Rockefeller Commission on Critical Choices paper and the Pentagon report prepared by former Exxon executive Melvin Conant, are to seize total control of Venezuela's oil as a "strategic buffer" for the U.S. This would be done by including Venezuela and Mexico with the U.S. in a hemispheric oil cartel that would bust OPEC. As one source close to the Trilateral Commission commented recently, "We want to reinforce Venezuela's traditional marketing dependence on the U.S."

Within Venezuela, traitors such as Finance Minister Hector Hurtado are trying every trick to prevent Perez from withdrawing petrodollar funds from Wall Street for productive investment. Development investment is "inflationary," lies Hurtado, demanding instead that the Federal budget be cut and that investments be "pragmatically" slashed.

The forces around President Perez have countered this double subterfuge with an aggressive policy of cooperation with the EEC and the Comecon to diversify markets and technology sources, and by *expanding* productive investment programs and shifting still small amounts of

non-invested petrodollars from U.S. to European accounts. Simultaneously, Perez has rejected Hurtado-IMF demands for austerity and stated his unequivocal commitment to the development of "human resources" as the fundamental premise of all economic and social progress.

Although these Perez policies are coherent with the creation of a New World Economic Order, what is lacking in Venezuela is a concrete program that is both a plan for immediate implementation and simultaneously a link to the construction of a new international order. Most significantly, it must be a program around which to rally the Venezuelan working, peasant, and industrialist classes in support of the progressive policies of the Perez government.

The current official V Plan de la Nacion falls short on a number of counts. First, the V Plan is not regional. As President Perez himself stated in his historic April 13 address before 20 Latin American planning ministers, "We cannot constrain planning to the limits of our borders." More concretely, the entire Caribbean Region (including Central America, Northern South America, and the Caribbean nations as such) is one of the most energy- and mineral-rich areas in the world, "a potential that completely ignores political boundaries." Full realization of these capabilities is impossible with planning conducted on an exclusively national basis. Moreover, there is simply not enough labor power in Venezuela to even begin marshalling the existing industrial and energy potential. The population of the

entire region must be seen as a single, invaluable resource, and developed with that in mind.

Secondly, as mentioned above, the V Plan is not being used to *politically* mass educate the population towards an understanding of their role in the process of industrial development. The development of human resources cannot be limited merely to technical training.

And third, and most significantly, the V Plan is flatly *wrong* — by omission — on the crucial question of energy. It is time this issue was directly addressed.

The V Plan correctly seeks to replace oil as Venezuela's principal trade commodity with self-expanding industrial production. But the current policy of oil conservation is a Malthusian blunder that will only ensure Venezuela's continued dependence on oil and *prevent* the necessary industrialization. Since the world confronts a global problem of the depletion of fossil fuels, the single most critical imperative for ongoing world industrialization is guaranteeing the transition to a world economy based on unlimited *thermonuclear fusion power* by the late 1990s. This strategic consideration necessitates an enormous threshold of industrial activity by that time, in Venezuela and in the entire Third World, which in turn means the most rapid development of the Caribbean Region's tremendous non-nuclear energy sources as a transition to the fusion era. Depletion of oil is no problem — if this depletion is matched with rapid industrialization and development of new energy technologies. Critical in this effort will be Venezuelan leadership throughout Latin America in the development of continental fission power programs. The alternative to this, "pragmatic" as it may sound, actually means Zero Growth and economic collapse.

In light of these strategic necessities, the Latin American Labor Committee (CLLA) submits the following draft program for industrial and energy development of the Caribbean Region.

Doubling Oil Production

Within the "Caribbean Region" the so-called Northern Tier (Colombia, Venezuela, Guyana and Surinam) will become the regional focal point for heavy industry and energy generation, with Venezuela, given its relatively advanced infrastructure, playing the central role. Venezuela has both the ability and the responsibility of politically and financially organizing the entire region around an integrated plan, thanks to its crucial possession of oil and oil revenues. Its more than \$8.5 billion in foreign exchange reserves, plus its financial and trade channels to the EEC and OPEC, enable Venezuela to begin financing regional development projects and to trade its oil, which can be processed entirely in Venezuelan and Caribbean refineries, for capital goods. To adequately finance such a regional program, which would include developing the area's vast potential in steel, aluminum, and other raw materials-related heavy industries, the first priority is to approximately double Venezuela's present oil production.

The only serious obstacles to increasing output from the present 2.3 million barrels per day (bpd) to around 4.5 million bpd are political. Venezuelan production has fallen from a high of 3.6 million bpd in 1970, largely due to political sabotage by Rockefeller Standard Oil opera-

tives, such as zero-growth quack Juan Pablo Perez Alfonso. Perez Alfonso and his Malthusian co-thinkers not only lack the "daring and audacity" called for by President Perez as the requisite for progress; but like Jimmy Carter, they are rabid fanatics of deindustrialization in the guise of "conservation." (To date the zero growthers have yet to claim that if no petroleum at all is pumped it will last forever, but we expect them to reach this conclusion shortly.)

In fact, since the solution to Venezuelan and regional needs, once oil reserves are depleted, depends exclusively on industrialization and nuclear energy, which require massive investment *in the short term* of returns from oil exports, cutting oil production can only benefit those forces intent on keeping nuclear and other industrial technologies away from the Third World. The only way to ensure Perez' policy of reducing the nation's dependence on petroleum is to productively exhaust existing reserves as rapidly as possible. Leaving Venezuela's oil reserves in the ground is as foolish as leaving its financial reserves in Wall Street banks — there is no productive social use value in hoarding.

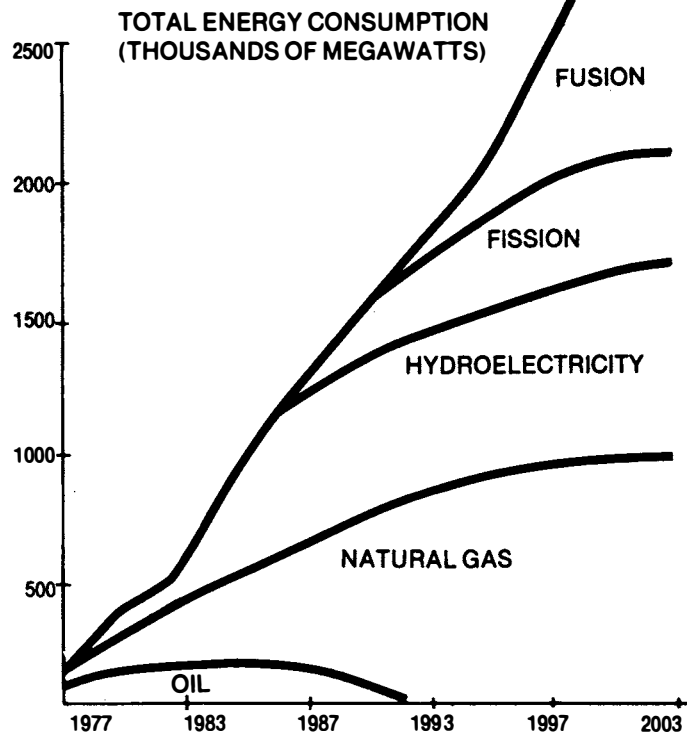
Exxon's hysterical denials to the contrary, a production rate of 4.5 million bpd of oil is geologically possible in Venezuela. The Ministry of Energy and Mines currently limits its definition of "capacity" at 3.5 million bpd merely due to the fact that vast amounts of natural gas associated with the oil deposits must be either flared or reinjected into the ground as the oil is pumped out. As a result, not only must oil output be held back, but Venezuela's huge proven natural gas reserves are being severely underexploited. At the present rate, the 1.1 trillion cubic meters in reserves in fields now in use will last 70 years. New deposits now being explored, such as the Gulf of Paria and the cretaceous zone south of Lake Maracaibo, would boost the total to 4.5 trillion cubic meters — which would last almost 300 years at current rates of extraction!

The obvious solution to this bottleneck is to minimize flaring and reinjecting by rapidly expanding natural gas consumption, gearing new industry for natural gas use and setting up a regional gas-powered electrical grid. A doubling of the present extraction rate of crude petroleum, possible within two years, would release an estimated 80 billion cubic meters of associated natural gas. Once harnessed, this gas will easily double current electricity consumption levels, with reserves lasting approximately 60 years. Until downstream industries are completed to receive such an increase in gas production, reinjection can continue, while existing oil installations allow petroleum output to rise to 3.5 million bpd within one year.

Natural gas can be piped, even under water, thousands of kilometers at relatively low cost with existing technologies. Within two or three years, under a high-priority program Colombian and Venezuelan natural gas, modestly estimated at over 5 trillion cubic meters in reserves, could be piped throughout the Northern Tier and eventually into Central America.

The simultaneous development of a regional petrochemical industry could have ammonia plants on line within approximately the same time frame, by taking advantage of the Caribbean's huge refining infrastructure. With the elaboration of natural gas into am-

This graph is a hypothetical illustration of the transition from present energy sources toward the eventual goal of fusion power in the Caribbean Region. Although it is not possible to predict precise quantities, the growth in energy output during the first five years will be based on immediate utilization of natural gas and hydroelectric potential. In two to three years, once a regional pipeline grid is completed and connected to industrial centers and generation plants, natural gas consumption could more than double. Hydroelectric projects, which take longer to install, would begin to come on line at the end of the first five-year period. Venezuela and Colombia alone have a shortrun hydroelectric potential of 75,000 MWe. Since most of the islands will be beyond the range of these two sources, the region as a whole must embark on a coordinated nuclear energy program, with fission reactors in operation during the second five-year phase. Although the "Northern Tier" countries will not have to rely as much on fission, they will also need reactors as supplementary energy sources and for providing the technological infrastructure crucial for the transition to fusion. Oil, which will be used primarily for export, will be gradually phased out as an energy source. Venezuela's presently known conventional reserves, at an extraction rate of 4.5 million bpd, will last approximately 12 years. However, the development of new extraction technologies would open up such areas as the 700 billion barrel Orinoco heavy crude deposits, and would, of course, alter the above transition "profile" significantly.



monia fertilizers, and with additional ammonia provided as a by-product of the region's steel potential (see below), the area will become one of the world's major fertilizer producing centers. Within five years, the region can be exporting millions of tons of fertilizers to major potential breadbaskets in the Third World, such as the Rio de la Plata, and to the advanced sector. Returns on these exports, in the form of agricultural produce and capital inputs, will spur further leaps in the Caribbean Region's industrialization.

Venezuela's nationalized oil industry infrastructure, the most advanced in OPEC, is readily suitable for vastly increased production. The domestic steel industry already supplies half of the annual needs in tubing for the country's 6,000-mile pipeline grid. Expanded exploration and drilling do not present significant technological or logistical problems. The country has by far the largest refining capacity, 1.5 million bpd, outside of the advanced sector, with the single 700,000 bpd Amuay refinery exceeding the capacity of almost every OPEC nation. Amuay and the Cardon refinery, both located on the Paraguana Peninsula, pump a combined 110,000 barrels per hour into port facilities that can serve 180 large tankers per month. By combining this potential with the enormous refineries of Aruba, Curacao, Trinidad and other Caribbean islands, plus the smaller facilities of Central America, the entire region has a total immediate potential of more than 4.8 million bpd, or roughly one-third the installed capacity of the U.S. and half that of the entire Comecon.

Minerals for Industrialization

The region's enormous, largely untapped mineral resources are tailor-made for providing a basis for integrated heavy industry. Our medium range objective is thus to convert the region into a major international center for the elaboration of these minerals into steel, aluminum, finished nickel, and other metals. These will, in turn, supply downstream manufacturing located in areas now equipped with rudimentary manufacturing infrastructure and skilled manpower, such as the Bogota-Medellin-Cali triangle in Colombia, the center coastal zone of Venezuela, central Guatemala, Cuba, and other Caribbean islands, as well as the advanced sector.

The mineral wealth of the Northern Tier, which will be the hub of basic raw materials processing, completely overlaps political borders. Specifically, there are two primary sites that are optimal for heavy industry concentration. The first, now only partially developed, is outlined by the immense veins of very rich iron and bauxite deposits extending from the state of Bolivar in eastern Venezuela, through Guyana, into Surinam. Venezuela's iron deposits, up to 2.5 billion tons of some of the richest and most easily mined ore in the world, have been surveyed right up to the Guyanese border, with every indication that this geological formation extends into the largely unexplored Guyanese Esequibo area. Similarly, the rich bauxite veins of Surinam and Guyana, which

together with Jamaica supply most of the West's bauxite, have been shown to include at least 164 millions tons of the mineral in eastern Venezuela.

Juxtaposed to this shared mineral potential is a single, enormous hydroelectric capacity resulting from the extreme dropoff of large rivers from the inland plateau to the coastal plain. The largest waterfalls in the world are located in this area. Venezuela has already marshalled part of this potential in the Guri hydroelectric complex, a natural source of energy for that nation's iron and steel industry. According to government plans, this complex will generate 9,000 megawatts (MWe) per year by the mid-1980s, the equivalent of one-half of the nation's total present electricity consumption. Similar projects must be rapidly undertaken on the Guyanese side of the border, particularly on the Mazaruni and Curuni rivers.

Power from such projects will be able to feed a one million ton per year aluminum refinery and related industries in Guyana, plus a steel complex on the Esequibo river, within five years. In eastern Venezuela, by rapidly investing the benefits from the huge volume of trade that will result from doubling oil exports, the government's current modest plan to increase steel production in Puerto Ordaz to 4.8 million tons per year by 1980-81 can be expanded to roughly 9 million tons without major infrastructural problems.

The potential for a center of basic industry in the west, involving the integration of Colombian and Venezuelan hydroelectric, natural gas, iron, and more precious metals, is even greater. The immense bituminous coal veins extending from northeastern Colombia into the Venezuelan state of Zulia, representing a combined total of some 15 billion tons in reserves, are the largest in Latin America, and can be easily converted to coke for steel furnaces. With the full exploitation of Colombian iron deposits, a potential 40-50 million tons annually with proper infrastructure, this zone could easily feed a steel industry producing on the order of 15 million tons a year by approximately 1985. The presently dilapidated Paz del Rio complex near Bogota, and the Maracaibo area in Zulia, where the government already plans to produce 5 million tons of steel per year within a decade, will be the central poles of this industrial zone.

Through the use of the Jordan steel process, which has the double advantage of being more efficient than conventional coke processes and producing large amounts of ammonia as a by-product, this zone will also be a major nitrogenous fertilizer supplier. By-products and inputs of the steel industry will be integrated with the large petrochemical potential centered around the natural gas deposits of the Guajira peninsula and southern Lake Maracaibo. These areas together can supply approximately 30 to 50 billion cubic meters of gas annually within three to five years. Additional energy will be generated by an integrated hydroelectric project in the Arauca and Meta basins, which are shared by Colombia and Venezuela.

This sector will also specialize in high-technology elaboration of more precious metals. Although exploration has barely begun, already significant deposits of copper, nickel, silver, zinc, cobalt, uranium and lead have been discovered in this section of the Andes, par-

ticularly in the Perija range along the Colombian-Venezuelan border. A 1975 survey revealed that Venezuela's undeveloped deposits of titanium, an extremely valuable metal used in the aerospace industry, are larger than those in the U.S. and Mexico.

A proposal for an integrated industrial Bogota-Maracaibo industrial corridor is not merely an economic necessity. Organizing internationally for such a plan is the only way to politically bury, once and for all, the Rand Corporation's scenario for manipulated border hostilities. As President Perez has noted, it is "a poorly understood nationalism" that leaves Latin America open to such manipulation: "Whenever we try to develop some form of integrated system, we want to take out a micrometer screw to measure what advantages have been gained by the other countries, instead of seeing what our own country has gained through complementarity with other nations."

Both the Bolivar-Guyana and Maracaibo-Bogota heavy industry foci will be coordinated with other development projects in Central America and the Caribbean. Guatemala has already begun to develop oil and nickel deposits, while iron and bauxite potentials are being explored in other Central American countries. Cuba's nickel is already highly advanced, and Haiti and the Dominican Republic have promising off-shore oil and gas fields. Jamaica's aluminum industry, which should be expanded to 2 million tons annually, will be integrated with plans for the aluminum output of the Bolivar-Guyana-Surinam zone.

Manufacturing

The elaboration of these processed raw materials into secondary products and consumer goods must also be planned on a regional basis. It is immediately obvious, for instance, that the Northern Tier will have a social cost advantage in the production of materials for construction. Steel beams and reinforcement, plus aluminum fixtures and panels, will provide the basis for sorely needed urban reconstruction and housing for most of Latin America. Colombian and Venezuelan cement, among the highest quality in the Third World, will also be expanded to meet regional needs, and eventually become a major export item. The region's enormous energy resources will make this relatively high energy-intensive product comparatively inexpensive, enabling expansion from a current combined capacity of approximately 8 million tons per year to 25-30 million in five years. Prefabricated housing, already exported by the Mendoza group in Venezuela, can easily be expanded even with existing technologies.

Auto is another sector that will be spurred by steel expansion. Colombia now has the most advanced forging and engine plants in the Andean Pact, but produces only 50,000 vehicles annually. Venezuela will produce 175,000 units by the end of this year, and is presently entering into Phase II of its auto program, which will develop plants for producing engines, gear boxes, and differentials. Under an integrated program, half of Colombian-Venezuelan capacity should be converted to tractor production, yielding some 90,000 tractors per year by

1980, to fill the chronic shortages of mechanization in the agricultural sector.

When this mechanization is combined with the region's vast fertilizer potential and the water control advantages resulting from hydroelectric projects, agriculture will be pulled out of its present intolerable backwardness. The Colombian-Venezuelan "llanos," and areas of Central America, present excellent potential for cattle raising in particular. Temperate-climate grains, especially wheat, will be imported from the Rio de la Plata as trade accelerates.

Trade and Financing

In sum, this program represents 5-7 years from its initiation a total potential yearly output of more than 30 million tons of steel, 5 million tons of aluminum, 5 million bpd of crude oil, 100 million tons of iron, 80 to 100 billion cubic meters of natural gas, 100 million tons of coal, several millions of tons of other processed minerals, and a wide array of manufactured goods produced throughout the region. To accomplish this, capital formation during the first five years must be at least double the rate now programmed under Venezuela's V Plan, to the tune of approximately \$15 billion per year. Imports will constitute the bulk of this capital formation.

As long as the U.S. continues under the anti-progress policies of the Carter White House, the Caribbean Region must turn to enormously expanded trade with the EEC and the Comecon. Moves in this direction have already been made by Venezuela, Jamaica, and Guyana, in particular, with Caracas becoming a center of attention for trade and cooperation missions from Great Britain, Italy, Japan, Czechoslovakia, the German Democratic Republic, and the Soviet Union during the past six months. These overtures must be quickly concretized into specific agreements.

Infrastructure is the most immediate physical constraint to both trade and development. Northern Colombia, despite its tremendous potential, is shockingly undeveloped. A single railroad connects the manufacturing interior to the coast, and all highway links in this area are unpaved. Port capacity is less than 4 million tons per year. The Esequibo region of Guyana is almost totally unexplored. Venezuela's iron and oil shipping terminals are excellent, but its remaining ports, especially La Guaira, are already severely congested.

Technology and equipment for expanding the region's ports several-fold can be easily obtained from the EEC and the Comecon. With the cooperation of an East German technical delegation, Venezuela plans to install prefabricated docks in two key ports within mere months. Under the V Plan, Puerto Cabello will be expanded with similar techniques to a capacity of 7.5 million tons annually, which is more than the total tonnage of Venezuelan imports during 1976. Technology for extremely rapid construction of roads and rail lines can be obtained from the British, Italians, and Soviets. The Czechs and Poles have already offered to help develop Venezuelan and Colombian mining, while Japan and the Soviet Union are obvious sources for heavy capital equipment, particularly electric turbines.

Production Potential Of The Caribbean Region

(per year)

	1977*	1983-85
iron ore**	20.0	100
coal**	4.0	100
petroleum (crude)***	2.5	5
petroleum (refined)***	3.5	5
steel**	1.5	50
aluminum**	1.0	5
natural gas (consumption)°	20.0	100
hydroelectric°°	10.0	75
cement**	10.0	30
labor force°°°	20.0	35

*present production

**million tons

***million bpd

°billion cubic meters

°°thousand MWe

°°°millions of literate adults as potential members of the industrial and modern agricultural workforce.

The above table shows estimated production potentials of strategic items on the basis of a regionally integrated, massive industrialization program, and its requirements for a minimally skilled labor force.

Given the continuous sabotage of Caribbean trade by Rockefeller-linked shipping multinationals, the rapid development of NAMUCAR, the integrated Caribbean-Central American shipping consortium, is a top political priority. Despite Venezuela's projected increase in shipping capacity to 645,000 tons by the end of this year (including 14 nationalized tankers), the region will not attain trade and marketing independence without expanding the NAMUCAR fleet with new ships from the advanced shipyards of Japan, Scandinavia, Italy, West Germany, and the Comecon.

A trade program as ambitious as this would, for most countries, be impossible even to consider before the institutionalization of the New World Economic Order, given the amount of financing it requires and the illiquidity of the current dollar system. Venezuela, however, with its large financial reserves and income, is excellently situated to kick off this regional program, while organizing internationally to create the new economic order which will pull into the area far vaster flows of transfer-ruble based credits. Immediate Venezuelan steps in this direction should include: 1) withdrawing all petrodollar deposits out of dollar accounts, and transferring these holdings into gold and politically stable currencies like the Italian lira; 2) organize the rest of OPEC to do likewise; 3) give full

political support to Third World declarations of debt moratoria.

In combination, these measures more than suffice to put an end to the long-suffering IMF system.

The Question of Labor Power

The chauvinist hysteria that is instigated by the Rand Corporation and its agents against the immigration of Colombian "illegals" into Venezuela is inimical to the national interests of both countries. The fact is that Venezuela does not have sufficient manpower to industrialize in the manner we have outlined. Excluding illiterates and the largely unskilled peasantry, Venezuela has an estimated minimally skilled potential labor pool of merely 2.2 million people — clearly inadequate for building this country into an industrial hub. Venezuela will immediately *need* millions of workers, not only from Colombia, but from Central America and the Caribbean as well. Industrial workers from the large Colombian cities of Cali, Medellin, Bogota, and Barranquilla, where literacy rates among urban adult males is almost 90 percent — among the highest in the Third World — and totalling almost 4 million men, will be essential in this process.

Simultaneously, the region's peasantry and unskilled

urban population must be integrated into the industrial proletariat region-wide, through massive literacy and training programs, and by freeing rural labor as agriculture is intensively mechanized. Millions of peasants will be absorbed by the enormous construction tasks outlined above as the first step in moving up through successively higher-skill occupations.

For the region in its entirety, the industrial program outlined above will, within five years, require a workforce totaling approximately 40 percent of the total population, or about 35 million healthy, literate, and at least semi-skilled workers. Presently, the potential total of urban, literate population ranging from unskilled to skilled is roughly only 20 million.

If the Caribbean Region is to survive the ongoing collapse of the dollar system, the first educational task in developing the remaining 15 million workers must be the immediate *political* education of the entire population on the need for regional development and how it can be accomplished. If President Perez, in particular, is to succeed in his struggle for development and free his country from dependence on oil, he must slice through the vicious pettiness of the opposition and the treason within his own party and cabinet on behalf of Rockefeller and the IMF by mobilizing the population around the kind of specific objectives we propose here.

Pushing Drugs Through The Courts

The following report was prepared by the staff of the Labor Organizers' Defense Fund.

The Carter Administration's policy of "decriminalizing" and legalizing narcotic drugs will result in the willful destruction of American labor power if it is not stopped. This pro-drug policy, which has been supported by Peter Bourne, Carter's candidate for chairman of the Drug Abuse Council, and the National Organization for the Reform of Marijuana Laws, is suitable only for a society which is committed to destroying its most valuable resource, creativity, in labor-intensive work.

A basic feature of American society has been the assimilation of higher levels of technological advancements and the corresponding up-grading of education of the population as a whole. Our Founding Fathers intended the policy of the federal government to foster this Idea of Progress, which they embodied in the U.S. Constitution. Carter's current drug campaign would scrap the principles of the Constitution, substituting in their place

"It appears that the use of marijuana . . . does not constitute a public health problem of any significant dimensions."

—Alaskan Supreme Court
Justice Rabinowitz

the lawless hedonism and mental stupefaction of a Clockwork Orange society.

The National Organization for the Reform of Marijuana Laws (NORML), in coordination with top advisors in the Carter Administration, is involved in a planned national effort to legalize marijuana through carefully staged court cases and controlled legislative debates. NORML is the chief organizer for the Carter Administration's decriminalization drive and has chapters in all 50 states plus the District of Columbia, Puerto Rico and the Virgin Islands. NORML has filed numerous lawsuits challenging the constitutionality of the marijuana laws. State court actions are filed in Arizona, California, Florida, Illinois, Missouri and Pennsylvania with federal court actions filed in the District of Columbia and Tennessee. Lawsuits are in preparation in New York and Washington. While initiating these lawsuits, NORML has recently adopted an *amicus curiae* (friend of the court) strategy to intervene into already existing cases.

The present debate on decriminalization is a *controlled* debate. Since approximately 1971-1972, the state and federal courts have been used as a vehicle to legalize marijuana, with two main topics at issue. On the one hand, the courts have ruled that an individual has the constitutionally protected right to destroy his mind using drugs. According to the courts, this is a fundamental personal liberty guaranteed under the U.S. Constitution. The second topic under discussion is the classification of marijuana as a non-dangerous drug. Overflowing with "expert" testimony, court records appear to contain "proof" that marijuana is not dangerous and that in fact, it is less harmful than tobacco and alcohol. There is no adequate scientific data to substantiate this argument. Drug use, through social practice, has a qualitatively different effect on society than alcohol. One look at countries such as China and Turkey reveals the devastating effect drugs have on society and the intellectual advancement of its people. In fact, using the harmful effects of tobacco and alcohol as a metric for marijuana is comparable to a neurotic using a paranoid-schizophrenic as a metric for his own sanity. The question is not whether marijuana is less harmful than tobacco and alcohol but what effect any substance has on the mind.

Right to Privacy

In 1975 Alaska became the first state to legalize the private use of marijuana, through its Supreme Court, thereby setting a powerful precedent for decriminalization. Chief Justice Rabinowitz in his opinion (*Ravin v State*, 537 P.2d 494) stated that no adequate justification existed for states' intrusion into citizens' right of privacy by prohibition of possession of marijuana by an adult for personal consumption in the home. Thus, possession of marijuana by adults in the privacy of their own home for personal use is a constitutionally protected right. The decision was based upon the Right of Privacy contained in the Alaskan Constitution rather than the federal Constitution. Under the principle of dual sovereignty a state has the right to make and enforce its own laws separate from those of the federal government. This case was intentionally filed in state court, where the Department of Justice could not intervene, rather than federal court, and so, *Ravin v State* could not be appealed to the U.S. Supreme Court.

Chief Justice Rabinowitz's opinion declared:

It appears that the use of marijuana, as it is presently used in the U.S. today, does not constitute a public health problem of any significant dimensions. It is, for instance, far more innocuous in terms of physiological and social damage than alcohol or tobacco.

He added:

Tenet to a basic free society is that the state cannot impose its own notions of morality, propriety or fashion on individuals when the public has no legitimate interest in the affairs of those individuals.

The Court also stated that there was "no firm evidence" that marijuana use was harmful to the user or to society, and that "mere scientific doubts" cannot justify government intrusion into the privacy of the home. This court decision established a foot-in-the-door for other states' action — using the same arguments — to legalize marijuana possession and use, with the door open to legalize cocaine and other hard drugs in the future.

In *People v Sinclair* (387 Mich. 91, 17N.W. 2d 878 (Sup. Ct., 1972)), Justice T.G. Kavanagh's opinion rested squarely on the basic right of an individual to be free from government intrusions. He found the marijuana possession statute to be "an impermissible intrusion on the fundamental rights to liberty and the pursuit of happiness and to an unwarranted interference with the right to possess and use private property" ("private property": marijuana—ed.).

In *State v Kanter* (493 P. 2d 306, 311-312 (Sup. Ct. Hawaii, 1972)), Justice Abe, in his concurring opinion, applied the issues of state's control over a private individual to the issue of marijuana:

... and that the state may regulate the conduct of a person under pain of criminal punishment only when his actions affect the general welfare, that is, where others are harmed or likely to be harmed . . . the finding that marijuana is harmful to the user does not authorize the State under its police power to prohibit its use under the threat of punishment . . . the State must prove that the use of marijuana is not only harmful to the user, but also to the general public before it can prohibit its use. (emphasis added)

Cocaine Next?

The court issues are now branching out to encompass the decriminalization of cocaine as a non-dangerous drug, using the same arguments (from *Ravin v State*) that there is no proof that cocaine endangers the individual or society in any significant way. Justice Elwood McKenney's decision in the *Commonwealth of Massachusetts v Miller* determined that cocaine was irrationally and erroneously classified as a narcotic drug and that classification "results from generations of ignorance, from myths connected with the drug, and from blatantly racist attacks on cocaine users, all of which are now destroyed by reliable scientific data." (This "racist" accusation against science appears in numerous court cases.) The scientific data presented at this trial (brainwashing expert and methadone pusher Joel Fort was one of five people to give "expert" testimony) was a total sham. No witnesses were called by the prosecution to refute the testimony alleging that "scientific" research showed cocaine not to be harmful.

Included in the case was the judge's own "scientific" test of cocaine. McKenney took some cocaine into his chambers to test (presumably he snorted it) and then declared he had found nothing wrong with it!

Besides finding that people have "racist" attitudes toward cocaine, the court determined that cocaine and marijuana are acceptable recreational drugs. The court findings also said the state did not demonstrate that there was a reasonable relation between cocaine prohibition and any colorable public interest. The court suggested that "it would be less restrictive to treat cocaine separately from hard drugs and to use controlling mechanisms comparable to those used for alcohol consumption," i.e. age limit, etc. (The Massachusetts Supreme Court has recently reversed this lower court's decision).

NORML's 'Cover Story'

NORML's rationalizations for the legalization of marijuana are centered around four main arguments: (1) there are millions of people using marijuana despite the strict penalties involved; (2) last year over 1,000,000 people were arrested for possession of marijuana and this is an unnecessary burden on the courts and judicial system; (3) decriminalization of marijuana will "prioritize" police work toward areas of violent crimes and crimes against property; and (4) marijuana is not dangerous. Subsumed in these rationalizations are the notions of "victimless crimes" and the anarchist's right to his own folly as long as it doesn't harm another individual.

Jeremy Bentham was the originator of the notion of crimes without victims. Bentham, an English bankers' agent who can be considered a member of the first monetarist think-tank, wrote in the 18th century that a person who committed a crime against himself did not need to be punished because the person, after he accomplished the act, had already received pain and thereby punishment. Bentham's "philosophy" was that society has no interest in the development of an individual within society.

Directly associated with such arguments is manipulation of law enforcement officials. The courts using state laws have purposefully imposed harsh sentences for possession of a small amount of marijuana (at times harsher than those given for robbery, rape, etc.) thus creating the conditions which enable the Carter Administration and NORML to "enlighten" the population as to the "true properties and effects" of marijuana and other drugs. The propaganda against imposition of harsh sentences has justified severe austerity measures; the narcotics division of urban police departments throughout the country have been cut back to the bare bones, and local policy officials are now being channeled into accepting this phony notion of going after "real crime" instead of "arresting some pot-head" (whom a police officer otherwise instinctively dislikes for various sound reasons).

Other Proponents of Decriminalization

The push for decriminalization is also expressed in the Ted Kennedy-John McClellan "Criminal Code Report Act of 1977" to the U.S. Senate. This clean police-state S-1

rewrites the entire Title 18 U.S.C., the federal criminal code. This bill calls for the decriminalization of marijuana and calls for removing cocaine from the Schedule 1 (high criminal penalty) list of drugs.

Senate Bill 1 was reintroduced May 2 into the U.S. Senate for debate. McClellan is using the marijuana decriminalization section as a bargaining chip to win liberal support for the death sentence and generally tougher sentencing policies. This amoral debate is set up to pull conservative layers into accepting various provisions of the bill which they would normally reject, such as decriminalization, "in return" for harsher penalties for other crimes.

The most explicit push for decriminalization can be seen in the National Governors' Conference report of March, 1977. This three-volume study entitled: *Marijuana: A Study of State Policies and Penalties* was prepared for the NGC's Center for Policy Research and Analysis by the firm of Peat, Marwick, Mitchell and Co. The study was funded by the Law Enforcement Assistance Administration. The direction of the research was guided by an advisory panel which, in part, consisted of Professor Richard Bonnie of the University of Virginia School of Law and former Associate Director of the National Commission on Marijuana and Drug Abuse (Bonnie was responsible for most of the legal aspects of this study) and Peter Bourne, Special Advisor to the President on Drug Abuse (Bourne was responsible for the medical and scientific research contained in this report).

The study, proposed by Gov. Brendan Byrne (N.J.) in 1975, is for state policymakers. It purports to "review the medical, legal and historical dimensions of marijuana use and examines the range of policy approaches toward marijuana possession and use which state officials have considered." In actuality this report is a "how to" manual for state governors and legislators to begin marijuana decriminalization procedures.

Since the majority of the U.S. population is against decriminalization and "current political realities preclude enactment of a regulatory approach toward the availability of marijuana . . . in the immediate future" the report furnishes the state legislators and governors with a list of "dos and don'ts" on how to sneak marijuana decriminalization in the back door before anyone realizes what took place.

In Volume 2, chapter 5, "Guide to Policy Decision-making," is a "drafter's guide" for policymakers to decriminalize marijuana the quickest and easiest way possible. This chapter is the real guts of this "how to" manual. It discusses *all* the pitfalls other states had in their drive to decriminalize marijuana; every conceivable approach that has been taken so far, what the issues have been and how successful the arguments for decriminalization have been.

Carter himself has not only publicly advocated a reduction in the penalties of personal use but has also suggested that individual states, rather than the federal

government, are the appropriate jurisdiction to consider change. Carter proposes this to get the decriminalization measures through the back door and to sidestep the U.S.'s international obligations to control drugs.

In 1967 the U.S. signed the 1961 Single Convention on Narcotic Drugs which is the only international law

"Blatantly racist attacks on cocaine users . . . are now destroyed by reliable scientific data"

—Massachusetts Justice
McKenney

regulating marijuana. Its purpose is to limit the use and international traffic of marijuana and other specified drugs to medical and scientific purposes. Therefore, all traffic for purposes other than medical or scientific research is outlawed. As a result of this the U.S. government is obligated to prohibit cultivation and distribution of marijuana for non-medical purposes. The Carter Administration gets around the Convention by explaining "the Convention does *not* obligate a signatory to impose any sanction, criminal or civil, on consumption-related behavior, including possession for personal use." This rationalization may not hold up very well under attack so the report also explains that "even assuming that the Convention does require its signatories to make simple possession a crime, the individual states of the U.S. are not bound by the Convention to punish possession."

Therefore, the key to decriminalization of marijuana, due to international obligations, federal law, and current political realities, is through the back door via the courts and the state legislatures. This approach not only covers all the bases necessary to decriminalize marijuana but it gives the Carter Administration a credible cover by not *publicly* committing the federal government to the legalization of drugs.

Two quotes will suffice to show the totality of the court-state legislation operation. In Byrne's preface to the NGC report he says, "Even governors who have no intention of initiating action with their legislatures in this area may have to anticipate a court-mandated reevaluation of the situation."

Elsewhere in the legal section of this report, referring to the successful privacy argument in *Ravin v State*, "This solicitude for personal autonomy has gained enough adherents in the lower courts to make other *Ravin*-like decisions a distinct possibility if the legislatures fail to take action on their own."

Open The Arbatov File

The War Of Ideas In Contemporary International Relations

by Georgii Arbatov

Theories And Critical Studies Series

Progress Publishers, Moscow 1973 English
Language edition
317 pages, hard-cover

Mr. Georgii Arbatov is an "agent of influence," a species in the intelligence profession quite distinct from the espionage agent who, in the present world exists mainly in the popular imagination. However, when an investigative authority undertakes to look into the record of an "agent of influence", it is advisable to follow procedures applied in the past in investigations of simple espionage agents.

In both cases, the most crucial piece of juridical evidence is located in what the agent's activities and statements (including signed confessions) systematically conceal. We apply this method to Georgii Arbatov's special propagandistic and analytical activities as an "agent of influence" to demonstrate that he is engaged in such a systematic concealment of a crucial fact: that the synthetic "New Left" of the 1960s and early 1970s is the systematically controlled product of the Rockefeller-led financier faction of lower Manhattan.

Once we have demonstrated that, then the reader (or the appropriate investigative authority applying the procedure we recommend) is advised to regard the remainder of Mr. Arbatov's writings, analyses and propagandistic contributions either as fulfillment of his agent-assignment or as a classic "cover story."

The particular case to which we apply this procedure is, properly, Mr. Arbatov's major book, *The War of Ideas in Contemporary International Relations*, specifically its 1973 English language edition which, we are told, follows the autumn 1970 Russian language edition with only minor alterations.

"The War Of Ideas In Contemporary International Relations"

Mr. Arbatov's book is the product of unmistakable erudition. It is also very carefully stage-managed. It purports to give the reader, in its four, well-arranged sections, a systematic acquaintance with the institutions, agencies and methods of imperialist psychological warfare practices. However, Mr. Arbatov makes one crucial mistake: he focuses with obsessive exclusivity on the only one flank of imperialist propaganda

deployments, the so-called "right wing." There is a fine irony in the way in which Mr. Arbatov discusses such well known "right-wing" outlets as the Hoover Institute, the Foreign Policy Research Institute of Pennsylvania State University, the CSIS at Georgetown, the Research Institute on Communist Affairs at Columbia, Harvard's Russian Research Center, the Hudson Institute, etc. This fine irony is his admitted competence and depth of knowledge, which is also one of the grounds for his indictment.

Thus once Mr. Arbatov's expertise on United States affairs is established, it is no longer possible for him to credibly plead ignorance when he is called to account to explain the most important portion of his book, namely its omissions. And what he omits is that flank of imperialist psychological warfare deployments of most interest and concern for Soviet statesmen, namely the "Left wing" and "liberal" flank of subversive imperialist propaganda.

The book does not contain one single solitary word on the Institute for Policy Studies, the Brookings Institution, the Fabian Society and their associated agencies. McGeorge Bundy's Ford Foundation itself is given a world of commendation for being a "realistic force" eager to facilitate the "people's" revolutionary impulses. This systematic omission by Arbatov is crucial.

As everybody knows, the Institute for Policy Studies was established by John F. Kennedy's National Security Council. Its main assignment was to control and coordinate a wide array of pseudo-organizations, from the Weathermen, the October League and the various little "Marxist-Leninist" countergangs to the zero growth and environmentalist freak shows. In short, the entirety of what became known in the 1960s as the "New Left Movement." This NSC operation has included such projects as the manipulation of the anti-war movement, the civil rights movement and the launching of the drug and "hard rock" counterculture. The FBI and sections of the CIA have provided the controllers and deployment managers of the "New Left" etc. IPS has provided the "cover stories" and the "ideological" management.

This operation has systematically included the historical "Trotskyist" gangs operating under NATO intelligence, as well as the various terrorist projects such as the Symbionese Liberation Army, Black Liberation Army, Baader-Meinhof gang, "Carlos," Red Brigades and so forth. Full documentation of the command-and-control structure of this entirely contrived "New Left Movement" has existed in the public domain for at least four years as a result of the Labor Committees' and the Labor Party's investigative activities. However, it has been well known, long before our own discoveries among intelligence professionals both East and West.

The special reasons why the Soviet KGB has been

silent on this issue will be discussed below. In the meantime, with respect to Mr. Arbatov, two items are to be emphasized in this respect. First, he has known the Institute for Policy Studies personally since the founding of that group from 1963 — in fact most of his publicly recorded contacts with United States organizations have been with IPS, and particularly with Richard Barnet of IPS. So, the question arises: why is the erudite Mr. Arbatov remaining most silent about the U.S. National Security Council project he knows the most about?

Second, it is self-evident that the appropriate Soviet authorities, when they concern themselves with problems of imperialist psychological warfare, are properly concerned with the “left” flank of such enemy deployments and not the “right wing,” on which Mr. Arbatov focuses. The reason for such special Soviet government interest is obvious: any serious damage that has been inflicted upon the Soviet Republic from Kronstadt to Czechoslovakia 1968, has been the result of “left” or “liberal” subversion, not of “right-wing” propaganda. As everybody knows, “right-wing” propaganda is so discredited, it is not suitable for any sort of subversion operations almost anywhere in the world.

So, the question arises: why is the erudite Mr. Arbatov remaining most silent about the U.S. National Security Council project he knows the most about?

The reason why Mr. Arbatov focusses obsessively on “exposing” this impotent and ineffectual sort of “right wing” is because the assigned objective of his book is to whitewash and cover up the “left” and “liberal” psywar capability of the Rockefeller group.

Repeatedly in his book, Arbatov presents the “New Left Movement” as a genuine mass revolutionary phenomenon, albeit “young” and thus necessarily “confused.” “Youth actions have been shaking the entire capitalist world,” he informs us on page 112.

He goes so far in covering up imperialism’s “left” and “liberal” psywar capability that he makes the fatal mistake of attributing the 1968 Czechoslovakia events to “honest errors” of party leadership. On page 151 he informs us: “The activation of anti-socialist forces in that country in 1968 as a result of errors made by the former leadership of the party and the government was widely used by the imperialists in an effort to discredit socialism and prove that that system was incompatible with the interests of the masses and was encountering resistance from the people.”

We should take some justified pleasure in rubbing this blunder in Mr. Arbatov’s face: every intelligence officer worth his keep on either side of the dividing line knows beyond doubt that the “Prague Spring” was exclusively the creation of intelligence agencies, a classic inside-outside job under cover of Operation “Socialism With A Hu-

man Face,” which was fostered by Atlanticist agents in West European Communist parties and in the Czechoslovak party and government. It is an accident that a number of Mr. Arbatov’s “erring former leadership of the party and the government” have, since their flight from that country, taken up employment with precisely those types of imperialist psywar agencies that Mr. Arbatov’s book fails to mention?

But here, our dear Georgii Arkadyevich is treading on very thin ice: he ought to remember with cold chills that it was precisely the KGB’s colossal blunders around the 1968 events in Czechoslovakia which led to those minimal kinds of administrative adjustments which allowed the Intelligence Directorate of the Soviet General Staff, the GRU, to regain a modicum of professional autonomy from the blundering politicians of the KGB and repair some of the damage inflicted by Khrushchev’s General Ivashutin with his “reforms” of the early 1960s.

What Is the “Right-Wing Military Industrial Complex?”

Street-wise working class kids in any American town are very well acquainted with the expressive terms “Mutt and Jeff act,” “hard-cop — soft-cop routine,” “carrot-and-stick” and such other folk designations of day-to-day capitalist brainwashing folklore. Soviet leaders are unfortunately unaware both of these English idioms and of how extremely widespread psywar practices are in ordinary daily life in capitalist countries. They thus fall victims of cheap tricks that ghetto gang kids can smell from miles away.

In a recent conversation with a Soviet diplomat, Labor Committee officials were surprised to see the veritable identity crisis that diplomat experienced when it was explained to him that Paul Nitze, the “hawk” of the Committee on the Present Danger and his partner, the “dove” Paul Warnke of the U.N. Association, are engaged in such a “Mutt and Jeff act” at the expense of the Soviet leadership.

“You mean all this is... is... orchestrated?” the diplomat inquired with very visible alarm when confronted with the relevant documentation. His facial expression betrayed that special kind of sinking feeling in the stomach which accompanies the panic caused by one’s realization that the world around him is not what he thought it was.

Upon closer inquiry, it was determined that the cause of this sort of reaction was the fact that Mr. Arbatov’s “analysis” of American politics was hegemonic in the social environment of that particular diplomat.

The “Right-Wing Military Industrial Complex” is a myth which must be necessarily maintained in the course of imperialist psychological warfare operations because without it, the “Mutt and Jeff act” is impossible. As in any routine police entrapment operation, the “hard cop” is there exclusively for the purpose of guiding the victim into the embrace of the “soft cop.” Thus the embrace of Mr. Arbatov’s victims with the Institute for Policy Studies.

There exists of course, a marginal right-wing population in the West, the well known lunatic fringe. This is the product of the same imperialist financial interests, namely the Rockefellers and their associates who also

control and cultivate the "left wing" in precisely identical fashion. The specific *domestic* assignment of this right-wing fringe is to systematically entrap and neutralize Mr. Rockefeller's Whig opposition, the "conservative"-oriented traditionalist-industrialist, anti-monetarist interests.

Anyone who has studied the so-called American "right" cannot fail to observe that whenever anti-Sovietist "kookishness" and "war-hawkish" attitudes are pronounced, they are invariably there as a result of the presence of Rockefeller intelligence networks, or Rockefeller-allied Buckleyite intelligence networks.

Soviet observers, otherwise, cannot fail to observe that every positive American government move toward detente both during the Eisenhower and the Nixon Administrations was the result of initiatives of these anti-Rockefeller traditionalist-industrialist interests. And conversely, every war and every war provocation in United States history during the last sixty years, from Woodrow Wilson, to Franklin Roosevelt, to Kennedy, to Carter has been under Democratic Administrations, i.e., under a party in which the monetarist-Rockefeller faction has always maintained unchallenged hegemony.

Soviet observers also cannot fail to notice that until the 1917 October Revolution, this class of American traditionalist-industrialist forces had been the most iconoclastic, heretical, revolutionary bunch of voluntarists that ever hit the international arena. Until 1917, America was the synonym for revolutionary aspirations for the oppressed and persecuted the world over.

This was reversed only when the monetarist faction emerged hegemonic with the imposition of the Versailles Treaty, a subject conclusively treated in Lyndon H. LaRouche's *The Case of Walter Lippmann*. The point in short is that Arbatov's analysis has one crucial vulnerability: it fails to explain why every serious, genuine impulse for detente from the United States has come from anti-Rockefeller Republican initiatives and every single solitary war or pro-war initiative invariably emanated from the monetarist-Rockefeller controlled Democratic Party. American history proves Mr. Arbatov an unabashed liar.

Moreover, Arbatov's contention that the "war profiteers" and "Pentagon-connected industrialists" are the ultimate explanation of imperialism's impulse toward war, is a piece of charlatanery. Any competent Marxian economic thinker, especially since Rosa Luxemburg's analysis of militarism, has no difficulty identifying *finance capital* as the driving impulse toward war production, not the "munitions manufacturer" per se. A "munitions manufacturer" is not an authentic economic category in anybody's textbook. What occurs in a capitalist economy's capital-goods producing sector (Department I) that causes a shift away from further advanced capital goods has exclusively to do with financial processes under the control of monetarist financiers, and absolutely nothing to do with Department I capitalists.

When new advances and new technologies in the capital-goods producing sector begin to threaten the paper-profitability to finance capital of investments in old, already existing capital plant and equipment, then the secular tendency to produce weapons instead of new capital goods *is initiated by the financier faction*. This secular trend was established in the United States by

Franklin Delano Roosevelt as the only way out of the depression of the 1930s. And this secular trend has been systematically maintained by the same faction that put Roosevelt in the White House: the Rockefellers and their lower Manhattan allies.

The fact that in the course of the last thirty years of monetarist-fostered war economy many individual industrialists have been either born into a war-production oriented environment or have been corrupted into accepting it, does not create a "war profiteer" industrialist category in the science of political economy. The cause and the controllers of a militarist economy are the monetarist financiers, in our case the Rockefellers.

Anybody who is talking about a "military industrial complex" is either engaging in an effort to conceal and protect the Rockefellers from public scrutiny, or he is a dupe of others engaged in that effort.

It is not difficult to prove that Mr. Arbatov belongs to the category of those systematically engaged in concealing and protecting the Rockefellers.

Any competent Marxian economic thinker, especially since Rosa Luxemburg's analysis of militarism, has no difficulty identifying *finance capital* as the driving impulse toward war production, not the "munitions manufacturer" per se.

The Rockefeller Question

To the conscientious Soviet political intelligence officer laboring away at his desk on Dzerzhinski Square, the Rockefeller nexus is a crucial piece of the vast jig-saw puzzle he is attempting to put together. If he ignores that crucial piece, he is confronted with a grotesque and complex picture that will never make sense. If, on the other hand, he proceeds from the hypothesis that the Rockefeller-led faction of New York financiers is in fact the General Staff of modern imperialism, he will eventually be able to trace the threads of evidence from virtually every suspicious operation back to that General Staff, provided he is armed with rigorous habits of procedural method.

Such a hypothetical officer will not have any difficulty in eventually piecing together the entirety of the worldwide "Mutt and Jeff," "left" and "right" deployment of imperialist psychological warfare capabilities, all pulled by strings that end in the Rockefeller General Staff's hands.

From this standpoint, an experienced eye, scrutinizing Mr. Arbatov's book, will notice certain otherwise totally innocuous passages. Let me give some examples:

On page 232: "Although the imperialist bourgeoisie is making a considerable effort to con-

duct this struggle in a purposeful and organized manner, it would be naive to surmise that the changes in the tactics, means and methods of the political struggle are taking place in the same way as in the military sphere: that a kind of political General Staff, which draws up a common plan and issues orders in accordance with which various campaigns are launched, has come into being."

Or the celebrated gobbledygook on page 233: "Another crucial specific of the political struggle is that as distinct from the military struggle it is more difficult to make an immediate assessment of the real significance of an event, phenomenon or action — whether it is a pure victory or defeat, the price that has to be paid for it, the consequences it will have in the more remote future and so forth. In this situation phenomena, events and political actions may be assessed differently by the various groups of one and the same class: what seems like a victory to some groups may be regarded as a defeat by others." The Heidegger school of political science!

A most charming little piece of sleight-of-hand by this seasoned "agent of influence" strikes the wordy wise reader in the following innocuous paragraph on page 212:

"Subscribers to the respected journal *Foreign Affairs* who read in 1966 a learned treatise by George Carver defending the Johnson Administration's Vietnam policy were not told by the editors if, indeed the editors knew — that Carver was employed by the CIA."

That, "if, indeed the editors knew" was just a bit too perfect. The educated American reader is firmly established in his knowledge that if the "respected journal" *Foreign Affairs* is anything, it is the journal of the Rockefeller family's Council on Foreign Relations, whose main job has been to appoint the top officials of the CIA from the days of Allen Dulles to Admiral Turner! Mr. Arbatov not only knows this fact exceptionally well, but he happens to have met very frequently over the years with David Rockefeller, *Foreign Affairs* editor McGeorge Bundy and many others of the imperialist General Staff whose existence he denies. He met both within the context of the Council on Foreign Relations and elsewhere. Ironically, Adm. Stansfield Turner, the present Director of Central Intelligence, got his job as a result of a recommendation by William Bundy, the present editor of *Foreign Affairs*.

At any rate, the passages cited above happen to be a sly polemic against very specific schools of thought in Soviet leadership circles. In the years 1958-1961, there was a very heated public debate in the official Soviet press over the role of the Rockefeller family in controlling United States policy. The preponderant attitude in the flurry of articles on the subject during that period was that yes, indeed, the Rockefellers constitute some sort of "General Staff."

The clamor over the subject was decidedly extinguished when Khrushchev made his deal with JFK to sell

the anti-monetarist West European factions down the river.

Some Institutional Considerations

We are justified in claiming that such an obvious agent as Arbatov has been allowed to continue functioning mainly because of the highly anomalous situation that Nikita Khrushchev's "harebrained scheming" caused in the KGB. To put it in a nutshell, certain KGB operations, dating back to the late fifties-early sixties, have a vested interest in concealing the truth behind the "left" and "right" myths of imperialist subversion procedures. These "certain" KGB operations in turn enjoy the protection of top, Politburo-level Soviet leaders for an entirely different set of reasons on which we shall report in the third installment of this series. In the meantime, it would be a grave error to assume that the top Soviet leadership is protecting these blunders because it naively believes in the Mutt and Jeff routine. This is not necessarily the case.

The KGB however not only has fallen for these cheap tricks, but in numerous instances it has been entrapped into becoming an unwitting accomplice of the Institute for Policy Studies "New Left" fun and games. Since all the parties concerned know exactly what we are talking about, and the layman would only be distracted by excessive detail, we shall limit ourselves to identifying the more salient cases. We shall merely reference the 1971 IPS-instigated attack against the Labor Committees through the KKE's *Neos Kosmos* at a time when that magazine was being published in Eastern Europe, the Konstantine George case of 1973 and the assassination attempt on USLP Chairman Lyndon H. LaRouche, Jr., which was being prepared by IPS through the Communist Party USA, during the winter of 1973-74.

It is more cogent to report that a serious brawl took place between the relevant KGB and GRU officials when Soviet intelligence finally caught on to the fact that the entirety of the Communist Party USA is under the total control of the FBI and the State Department jointly. Despite the fact that this relationship between the FBI and the CPUSA has been ongoing since 1938, we are told that the KGB caught on to the fact only sometime in the early 1970s. Interestingly, the Intelligence Directorate of the Soviet General Staff, the GRU, made this discovery only recently, much later than the KGB. But the GRU made another discovery also: that the KGB itself concealed this crucial piece of intelligence from the Soviet General Staff. How very interesting indeed.

All crucial evidence indicates that as President Nixon's favorite saying goes, "all the trees in the forest are going to fall" when the causes of this piece of dishonesty by the KGB are systematically gone after. For example, take the highly instructive Nosenko-Oswald affair: One of the various Lee Harvey Oswalds that the FBI and then Attorney General Robert F. Kennedy had put into circulation in preparation of a "dummy" assassination attempt of JFK was in fact allowed entrance into the Soviet Union. There is no doubt that he was laundered through the so-called Security Division of the CPUSA, the State Department-FBI control point in that party which makes recommendations to the appropriate Soviet authorities on whom to issue visas and whom not to.

When Kennedy was assassinated, a wave of horror swept through the Soviet leadership and their immediate reaction was to order a thorough cleanup of the KGB's Seventh Division, the department responsible for clearing visitors into the USSR and travelers to the outside. The head of the American Section of this department, the man presumed responsible for direct dealings with the CPUSA Security Division, was a certain Mr. Nosenko who defected to the United States in 1974. It is from his published testimony that we know of the cleanup in the Seventh Division.

This particular vulnerability of the KGB, however, is symptomatic of a much worse disease: at least certain sections of that organization are highly vulnerable to imperialist "left-wing" subversion especially in the context of various developing sector "national liberation"

projects. The disease dates back to Khrushchev's establishment of the Patrice Lumumba Friendship University, which from the outset was taken advantage of by the Rockefeller networks which used it to launder penetration agents, many in a "double agent" capacity. It seems that each time the KGB tries to "play back" these double agents, it gets a black eye.

This state of affairs could at least in part account for the notorious shortsightedness and lack of insight of Soviet diplomacy toward the developing sector, including the systematic efforts throughout the year 1976 to dissuade a number of Third World nations from declaring debt moratoria. It also accounts for such secondary problems as the notorious blunders of Soviet intelligence personnel around their Mexican Embassy, for example, which the bourgeois press takes exceptional relish in reporting.

—Criton Zoakos
Director of Intelligence,
National Caucus of Labor Committees

Executive Intelligence Review

Press Service Bureaus

CONTINENTAL HEADQUARTERS

Wiesbaden BRD
62 W. Schiersteiner Str. 6
Tel. (06 121) 37 70 81

Mexico City
Apdo Postal 32-0229
Mexico, I. D.F. Mexico
Tel. (915) 546-3088

New York
231 W. 29 St.
N.Y., N.Y. 10001
Tel. (212) 563-8600

LATIN AMERICA

COLOMBIA — Bogota
VENEZUELA — Caracas

EUROPE

FEDERAL REPUBLIC OF GERMANY —
Bonn, Frankfurt, Hamburg, Dusseldorf
BELGIUM — Brussels
FRANCE — Paris
ITALY — Rome, Milan, Turin
SWEDEN — Stockholm
DENMARK — Copenhagen

NORTH AMERICA

UNITED STATES — Boston, Charlotte,
Philadelphia, Baltimore, Washington,
D.C., Detroit, Cleveland, Chicago, Den-
ver, Seattle, San Francisco
CANADA — Vancouver, Toronto,
Montreal

**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