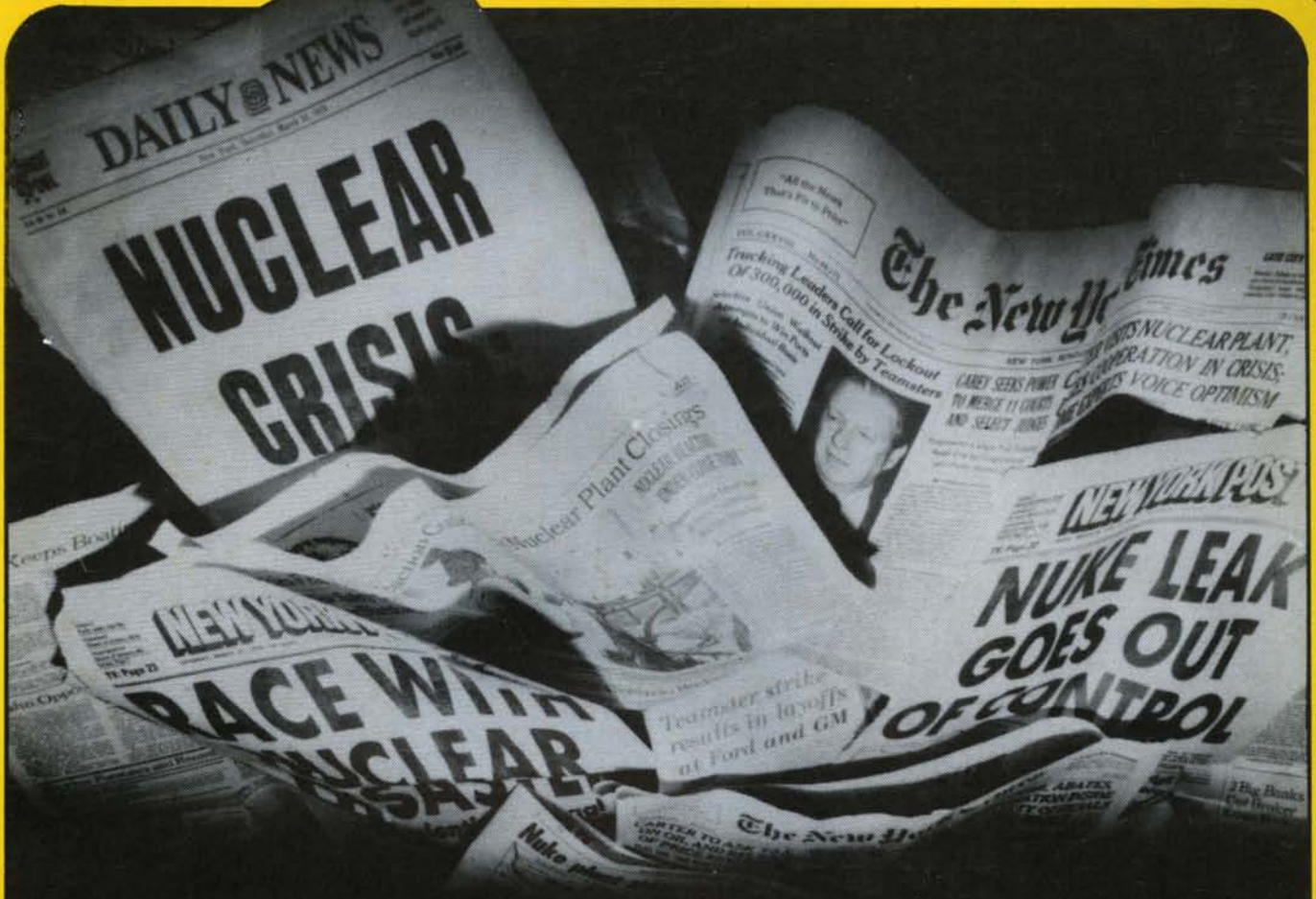


EXECUTIVE INTELLIGENCE REVIEW

THREE MILE ISLAND:
ODDS FAVOR SABOTAGE

April 10-16, 1979



Schlesinger's plot to shut down the U.S. economy

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW



Concurrent with its reckless "arc of crisis" foreign policy thrust, the Carter Administration has embarked on a domestic policy that is clearly aimed at a drastic slashing of U.S. productive capacity and living standards. Elements of the story: a strong odor of sabotage surrounding the breakdown of the Three Mile Island nuclear power plant in Pennsylvania, which has been used by both Administration and the media as the excuse for a violent campaign against nuclear power generally; intervention by the Administration into the Teamster-trucking industry master freight negotiations, to block a prestrike settlement; and new Administration efforts to promote energy austerity. At the center of Administration policy is Energy Secretary James Schlesinger, who is once again proving the wisdom of President Ford's decision to fire him as Defense Secretary in 1975. A full report on this developing economic catastrophe is featured this week in our U.S. REPORT. **Page 16**

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Ghosts of Schacht and Keynes

Carter Administration domestic economic policy is being paralleled globally, as John Maynard Keynes's successors at Cambridge unveil a program for world trade protectionism aimed at dragging the rest of the world's economies down to the level of anemic Great Britain. In this week's ECONOMICS package, you'll find reports on the alarming new dimensions to British plans to take over the U.S. banking system — and what this may mean for U.S. domestic credit patterns; a report on a developing international gang-up on the Japanese, which threatens to blow apart the upcoming Tokyo trade summit; plus signs that corporations are adjusting their investment and capital plans to correspond to the new program.

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NATO says IMF is a strategic issue

Does the International Monetary Fund have anything to do with NATO? Yes, was what NATO officials told West German Finance Minister Hans Matthöfer. It's part of the intense pressure on the Europeans to abandon their effort to replace the IMF with the new European Monetary System, which also includes antinuclear environmentalists, and the threat of the "oil weapon." Our EUROPE section this issue features a full report on just what that pressure is, and what is the European response. Included: the role of Robert McNamara, and a scandal surrounding the IMF's role in Zaire.

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**China abandons
heavy industry drive**

The full scorecard is in on just how far and fast Communist China is retreating from last year's ballyhooed crash industrial development drive, and the results are shocking. Staff sinologist Peter Rush reports in our ASIA section that, far from rescaling their breakneck capital construction push to more manageable and carefully planned levels, the Chinese are opting for quick-cash, light industrial exports — partly to raise money for military purchases. Warns Rush: it adds up to a brewing fiasco that portends new factional strife, and may lead to an economic disaster worse than Mao's "Great Leap Forward."

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**"Dissidents" —
the Teamsters tell
their side of the story**

Labor union "rank-and-file dissidents" — from the Steelworkers Ed Sadlowski, to Teamster "militants" — have little difficulty these days getting a hearing from the nationwide news media. But the views of the other side, the established union officials, often go unheard. This week's LABOR section begins a two part interview with Teamster official Lawrence McHenry, who delivers an illuminating defense of the Teamsters' policy on union democracy, and makes some telling arguments against the "militants' " claims that they do a better job of protecting unionists' wage gains and pensions.

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Part of the conditioning for war

Bhutto: 'a life for the liberation of mankind'

The man to whom Henry A. Kissinger pledged in 1976, "I will make a horrible example of you," died April 3. Zulfikar Ali Bhutto, the popular Prime Minister of Pakistan, was murdered in the dead of night by the military junta that overthrew him nearly two years ago, hanged on the pretext of a political crime of which Bhutto maintained to the end he was innocent.

Executive Intelligence Review mourns the loss of this great humanist leader, and urges renewed commitment to the cause of human progress he championed. In his memory we quote some final passages from "The Pakistan Papers," the powerful indictment Bhutto wrote from his jail cell of his barbaric jailers and their masters, published as a special supplement to EIR in January.

It is about time the General (General Zia-ul-Haq, the head of the junta) turned inward and looked into the deep well of crisis he has created in Pakistan. Let me make it abundantly clear. Let there be no mistake about it. Selfishness, ineptitude, and a heathen vendetta have synchronized to the flash point of a mortal crisis. The crisis that Pakistan faces today is far graver and more catastrophic than the crisis of 1971 (when the country was split and Bangladesh was created out of East Pakistan) If trouble and instability mar the future of Pakistan, it would be very dangerous to assume that none of the five neighboring states would not get sucked into the situation None of them can ignore it without peril to itself. Our beloved country can become a battlefield more devastating than Vietnam....

I shall conclude (the document) with the quotation with which Jawaharlal Nehru ended "The Discovery of India," the last book he wrote in jail before taking command of a free and democratic India. It is a quotation from Ostrovosky's "How the Steel was Tempered." It says:

"Man's dearest possession is his life, and since it is given to him to live but once, he must so live as not to be seared with the shame of a cowardly and trivial past, so live as not to be tortured for years without purpose, that dying he can say, 'All my life and my strength were given to the first cause in the world — the liberation of mankind'."

The most ominous consequence of the nuclear sabotage at the Three-Mile Island plant last week is reflected in a column of April 3 by the *New York Post* Editorial Page editor. Commenting on the effects of the "accident," James Wechsler concludes that "in the months and even years preceding this time of foreboding, some dignitaries and politicians have dared to tell us we must resolutely ponder the challenge of a fullscale nuclear war."

Indeed, the sequence of events orchestrated by James Schlesinger to shut down U.S. vital transport communications and energy supplies (see U.S. REPORT), cannot be comprehended except as part of the conditioning for an early thermonuclear war. Schlesinger, throughout his career as Defense Secretary and CIA chief, and today as Energy Secretary, has been an outspoken advocate of the military doctrine known as "tactical limited nuclear war."

Banking on the delusion that the Warsaw Pact would respond to a major provocation with "step-by-step" escalation of nuclear strikes, Schlesinger and his close allies Zbigniew Brzezinski of the National Security Council and Alexander Haig of NATO are creating the conditions for a world war that could break out as early as May.

Contrary to this insane thesis, the first nuclear assault on Soviet territory from any quarter, under conditions of confrontation, means immediate Soviet response with total thermonuclear war, including saturation ABC strategic bombardment of the principal logistical (and population) centers within continental United States. At the outbreak of war, probably 50 to 60 per-

cent of the U.S. population dies.

The judicial murder of Pakistan Premier Zulfikar Ali Bhutto this past week could provide the trigger for that war. Pakistan (which was given to Peking by Washington along with India, Taiwan and Southeast Asia during Vice-Premier Deng's February visit) may well attempt to divert attention from the hanging by deploying against Soviet-allied Afghanistan or detonating the nuclear weapons given to the junta by Britain. If such deployments were coordinated with a Peking invasion of Laos, Moscow would be pushed to stabilize Asia at whatever risk this incurred.

Similarly, if Israel — to whom the Carter Administration handed

over the Middle East and Africa under the "Camp David" terms — were to attack the forces of the Baghdad Conference, coming into direct conflict with Soviet ally Syria, then the USSR would be forced to act. Under any circumstance that the USA implicates itself in actions on the Soviet Asian borders that threaten the foreseeable defense capability of Soviet forces for future war, the Soviets view themselves obliged to nullify such developments at whatever risk might be involved.

If the U.S. then launched a "limited" nuclear strike against the Warsaw Pact, the world would be at full-scale nuclear war.

Chase Manhattan Bank **junketed to South America** this week to review the military dictatorships in Argentina and Brazil for inspiration on the "economic liberalism" the Mont Pelerin Society is pushing in the U.S. (See ECONOMICS).

Simon told a press conference in Buenos Aires on March 29 that the "free market economy" and "anti-inflation policies" applied for three years in Argentina "look so good that I would like to apply them in the United States." Argentina's **anti-inflation program** has cut living standards 60 percent and established some 50 concentration camps with an estimated 10,000 political prisoners. Manufacturing fell off last year by 7.9 percent, while inflation increased 9 percent to a **170 percent annual rate**. Still look good to you, Bill?

Sen. Ted Kennedy, coy 1980 presidential aspirant, may be the first candidate to have used **gasohol** (alcohol mixed with gasoline) as an energy source in a public appearance. At least, that was the diagnosis of some observers of Kennedy's April 2 appearance at the New York Council on Foreign Relations. (Teddy's Senate cohort Frank Church of Idaho recently advocated a petroleum-saving gasohol program for the United States on the eyebrow-raising grounds that "the Germans got themselves through World War II on it.")

Kennedy departed from his prepared remarks to advocate "diversification of energy resources" and conservation as U.S. energy policy after the Three Mile Island incident. In response to the usual question on whether he would run for President, Kennedy stammered, "I'm not running in any primaries, but if I did I hope I would be successful."

The inside word is that the boys at CFR have already picked red-nosed Ted for the Democratic nomination. However, as our last issue detailed, they have also selected NATO has-been Alexander Haig for the Republican ticket — and pre-rigged the game for Haig to win.

The Week in Brief

An official U.S. response—in the form of a **threat** — came March 30 to those European, Japanese and developing sector leaders who advocate a **new world economic order** as the only means to avoid war. Addressing the Northwest Regional Conference on the Emerging International Order in Seattle, Secretary of State **Cyrus Vance** scored discussions of technology transfer and global development as "**endless debates on sterile texts.**"

"The developing sector must recognize," warned Vance, "that making demands which the industrial nations cannot meet will produce international acrimony, not progress."

Vance, whose "dove" image nosedived between the visit of China's Deng to Washington and the Camp David war pact, praised World Bank schemes for raw materials extraction as the appropriate Third World policy. Deadliest of all, he announced that the U.S.-proposed agenda for the Tokyo summit of leading industrial nations is a program to harness "the vast energy potential of the sun, the wind, the oceans and other **renewable resources.**" The **original** Tokyo agenda was to initiate phase two of the European Monetary System by

adopting an international crash economic growth program centered on developing **fusion energy.**

Moscow put Cyrus Vance on notice that the "appropriate technologies" approach to the developing sector he outlined as U.S. policy is a matter of war. In an April 3 Radio Moscow broadcast, the Soviets stated that Vance's claim to a "new approach" for the U.S. toward developing countries is "**sheer propaganda.**" Vance's expressed policy, they continued, puts forth a U.S. role as a member of a "**Club of Strongs**" to subjugate these nations as raw materials suppliers forced to pay more and more for manufactured goods they cannot produce.

On April 2, the chief of the Soviet Central Committee Information Department, Leonid Zamyatin, charged that Vance's Deputy Secretary of State **Warren Christopher** had met with Pakistani representatives for the purpose of delivering arms to the mercenaries currently trying to overthrow the government of Afghanistan. The State Department has issued a denial.

Former Treasury Secretary William Simon and David Rockefeller of

Ghosts of Schacht and Keynes

British, Schlesinger carry out global contraction of production

Since John Maynard Keynes proposed it in 1931 and Hjalmar Schacht put it in action in 1933, the theory of national autarky economics has found little public currency — until April 4, when the *New York Times* made it the lead of its business section. The *Times* cited the views of Cambridge University economists Wynne Godley and Francis Cripps, grandson of Keynesian stalwart Sir Stafford Cripps, creator of Britain's postwar welfare state. Keynes' Cambridge successors propose, as a general prescription for industrial countries including the United States, to

1. Establish stiff, across-the-board import barriers.
2. Stimulate lagging domestic economies.
3. With stringent controls on imports, domestic economic expansion can be attempted without risking trade deficits, which would lead to inflationary currency devaluations, because government and private investment would have to go mainly to domestic industry."

For most businessmen, the Cambridge prescription is just wacky enough to distract attention from the fact that Energy Secretary Schlesinger and Trade Negotiator Robert Strauss are enacting this program, under their proverbial noses.

Is this an exaggeration? Several of the big American oil companies have already written off a large part of their foreign energy sources, a less than improbable reaction to America's foreign policy disasters in the Arab world. At the same time, some of the same companies took the Three Mile Island nuclear scare as the opportunity to unload their already-flagging commitments to the nuclear industry. In a long — and off-the-record — conversation with the *Executive Intelligence Review*, a "Seven Sisters" oil company executive responsible for all international oil procurement explained that all the international oil companies were retreating from their major international oil business, and predicted a \$1.50 gas price by the end of the year.

Earlier this week, the stock market signaled the leading implications of these corporate decisions, pushing coal stocks up to their first rally in years, and depressing nuclear and nuclear-based utility issues.

Ashland Oil is the only leading firm to unabashedly aim for the final destination of this route, divesting itself of some \$1.4 billion of its oil and petrochemicals holdings in preparation for a major move into coal (see Corporate Strategy). But Ashland's flamboyant public action only brought to the surface a program that is already far past the planning stage among the oil majors, including Conoco, which owns the nation's number one coal producer, Consolidated Coal; Occidental, which owns Island Creek Coal; and Gulf and Exxon, two of the world's largest proprietors of unmined coal resources.

Well-meaning propagandists for "energy independence" are seeding the public environment for the big move backwards, including former Treasury Secretary William Simon, who appeared this week on ABC television to promote "two hundred years of energy independence" through coal.

Why is this route attractive? By and large, it is not. The oil companies know what type of transformation for the worse the economy must go through to build in merely the transportation capacity to ship sufficient coal to make a dent in present oil consumption levels. The *Executive Intelligence Review's* computer-generated economic model (see this week's cover story) demonstrates that the economy's ability to grow is extremely sensitive to changes in the cost of energy, measured by the volume of capital goods required to produce energy. The problem is *not* that coal is more expensive than oil or nuclear as an energy source. Rather, in the absence of increasing oil and nuclear supplies, the capital-goods requirements of a shift to coal will gobble up all the capital goods industry's expansion capacity and then some. The consequences will resemble the 1973-74 situation, in which energy and related costs rose so fast that the economy otherwise contracted.

However, from the worm's-eye view, there is money to be made in this business. Big steel is the typical case (Part I of our Economic Survey on Steel appeared last week). Steel output is rising, largely due to the beneficial impact of the Administration's trigger-price system, to an extent that many economic analysts attribute the economy's hopes of avoiding a recession to this sector alone. In fact, if the general shift to a lower level of energy intensity occurs with its correlate capital invest-

ment requirements, steel demand will be huge. The only question that should concern steel planners about the proposed shift to coal is, will the steel requirements for producing more energy be met in sufficient volume to provide the required energy for producing more steel? The Schlesinger-Strauss policy may have produced one of the most dangerous mirages in American economic history.

The same faulty logic appears in the arguments of West German leaders who want to persuade their country to go slow on the export-financing side of the European Monetary System (see Europe). Last month, West German Science and Technology Minister Hauf issued a report calling for reduction of the rate of building nuclear installations to two per year, in favor of a heavy shift towards coal. And German Conference of Industry and Trade President Otto Wolf von Amerongen has identified the leading trade benefits that West Germany can expect from the China card to be Chinese coal. As in the American case, there are substantial "investment possibilities" within a framework of sagging West German exports. It would mean a "restructured economy" with a "shift away from consumption," in the recent expression of Hans-Jürgen Krupp, head of the prestigious German Economic Institute in Berlin. What these gentlemen propose to industry is not much different than Hjalmar Schacht's offer of 1933.

Praise from coal enthusiast Bill Simon for Argentina's economic model as a touchstone example of "free enterprise" during Simon's recent visit to Latin America brings an ominous tone to the entire matter. Under the bludgeon of James Schlesinger, Robert Strauss, and their Carter Administration Cabinet colleagues, and under the advice of Denis Healey's Cambridge thinktank, the world is moving in a direction that should scare the pants off the business community. Nations are being offered the chance to protect their least efficient industries by sacrificing their most advanced, or at least their most energy-intensive, ones.

—David Goldman
Economics Editor

London seeks merger

The announcement in the March 31 London *Financial Times* that an incoming Conservative Party government would "abolish exchange controls" signals a new phase in international banking strategy. The scale provision of official Bank of England dollar reserves to British banks and corporations, the British crown intends to finance sweeping new purchases of U.S. banking and industrial assets. Simultaneously, American banks will be offered deeper sterling access into the British domestic market — in effect the beginning of the merger of the two banking systems.

No benign takeover this of the backward British industrial economy by healthy, aggressive U.S. banks intent on enforcing American-style industrial progress, unfortunately. Rather, the merger's identifying characteristic will be the British System of decreased bank credit for capital formation and technology generally. In this country, British banks will consolidate a "British lobby" demanding high interest rates and credit restrictions by the Federal Reserve. In Britain, U.S. banks will be increasingly drawn into British modes of thinking — credit for real estate, government paper, and commodity market speculation, not technology.

Rush to buy

The removal of British exchange controls, which currently place a hefty 50 percent effective tax on British overseas shipment of dollars, is already expected by the London foreign exchange market. The "dollar premium" which Britons pay for scarce "investment dollars" has already fallen from over 50 percent to under 25 percent in the past three weeks.

The British government is further prepared to use its estimated \$17 billion in U.S. dollar reserves to back this "private sector" effort. Rather than buying U.S. Treasury bills, the Bank of England will place its dollars at subsidized rates with British commercial banks, enabling them and their clients to "buy America cheap." This policy was detailed during the first phase of the dollar crisis by the London *Economist*, wholly owned by Britain's Lazard Brothers merchant bank, in its Dec. 20, 1977 cover story, "Going Cheap for Christmas":

"American corporations are on offer this Christmas at clearance sale prices. Foreigners should rush to buy, especially those whose central banks have accumulated more dollars than they know what to do with... Britain (was) a much bigger net purchaser of U.S. Government paper this year than all of OPEC... It would be worthwhile for Europe to remove all remaining exchange controls against such takeovers, at this moment when American industry comes dirt cheap... The Bank of

with U.S. banking

England ... could painlessly make medium-to-long term dollar loans available from their reserves to the invaders of America, at the same rate of interest that is now earned by the central banks on their holdings of U.S. government paper."

Interdependence

The statistics on the already existing interdependence of the U.S. and British banking systems are alarming — again, not just the interdependence per se, but the fact that the banking principles on which the linkup is run are British principles. Federal Reserve figures show that foreign banks account for over 20 percent of all corporate lending done in the U.S., 35 percent in California, and 45 percent when it comes to New York. Fully half of these loans are held by British institutions, led by Barclays Bank and National Westminster. Total foreign bank assets in the U.S. — half of which are British — are over \$120 billion.

In Britain, some 25 percent of British domestic sterling lending is now done, in turn, by U.S. banks — because their international dollar business of financing world trade has slowed with the post-1973 evaporation of world capital formation.

These figures do not even include the U.S. banking business represented by an additional \$23 billion in U.S. banking assets just okayed by the Fed for purchase by the Hongkong Shanghai, Standard Chartered, and National Westminster banks.

And "in some ways, the real threat to American banks is still to come. *Until now*, the expansion by foreign banks has not been as dramatic as Americans like to make out," the London *Economist* warned in its March 31 International Banking Survey. For the new British banking wave will do more than buy U.S. banks — it will take over their domestic business. Foreign banks made some \$20 billion in loans to U.S. banks' corporate clients as of the end of November 1978. But, as exemplified by Barclays Bank's pending application to buy the American Credit Corporation of Charlotte, North Carolina, they intend to expand this business vastly by going for the small-to-medium corporate sector and the mortgage and consumer loan sector — the broad base of the U.S. economy (see Domestic Credit).

This is being done on the classic British model of dumping to get into a colonial market and then jacking up prices once entrenched. Foreign banks brought a net \$3 billion in Eurodollars into the U.S. in January alone; and since until recently they have not been required to hold reserves at the Fed these funds have been used, at savings of 1/2 to 1 percent, to undercut U.S. banks' lending rates. Since foreign bank *subsidiaries* still may be

exempt from reserve requirements under the Fed's pending review of the International Banking Act of 1978 (IBA), increasing numbers of U.S. corporations and homeowners and consumers may grow dependent on these cheap "made in London" Eurodollars.

Undergoing the same erosion is the clearing bank business of the major U.S. reserve city banks. Foreign banks in the U.S. had another \$20 billion in clearing facilities outstanding with U.S. and foreign banks here. The *Economist* reports that a major target of the "cheap dollar" dumping by the British is the clearing business of regional U.S. banks, who would be tempted away from their traditional ties to U.S. reserve city banks.

Once the British are entrenched and the larger U.S. banks weakened, however, their bargain-hunting American clients will be surprised to find them cutting back on the availability of Eurodollars in the name of fiscal conservatism. The major British banks are known, for example, to support Bank of England Governor Gordon Richardson's joint plan with Fed chairman Miller for wholesale imposition of reserve requirements on the Euromarkets, which would largely dry up that source of funds.

U.S. banks in the corset

U.S. banks in the London Eurodollar market, meanwhile, are being forced from the shrinking international markets into British domestic banking. In "American banks mark time overseas," the *Economist* Survey gloats that "Citibank, for one, admits that its Eurocurrency lending portfolio actually contracted in 1978." The London-inspired trend toward zero growth and labor-intensive programs in the U.S.'s developing sector markets has finally produced zero growth in borrowing for world trade.

"The big American banks are now ... increasing the amount of local currency lending they do.... Citicorp has already half of its overseas loans in local currencies," the *Economist* says. Aside from the fact that this means U.S. banks abroad are generally selling off the dollar for foreign currencies, it means in particular that they are getting into sterling, into the bubble in the British stock market and government debt market caused by the public relations promotion of North Sea oil.

Even there, they have not been doing all that well. The *Economist* reports that American branches in London have especially felt the pinch of the Bank of England's "corset" credit controls, and must tailor their lending ideas to suit the British monetary authorities. Not exactly an equal partnership.

—Kathy Burdman

INTERNATIONAL CREDIT MARKETS

Will tight Euromarkets squeeze out Third World borrowers?

Rising energy prices and tighter credit conditions in the advanced-sector countries have begun to drain liquidity from the Eurodollar markets, signaling the possibility of a renewed debt crisis for developing countries by the second half of this year. Except for the more extreme cases, such as Zaire and Turkey, the developing countries' debt problems have received little press coverage during the past year. This was because U.S. balance of payments deficits and a declining dollar

resulted in a substantial flow of dollars into the Eurodollar markets last year, creating a temporary "dollar glut" which permitted developing countries and other borrowers to raise enough credits to repay maturing debts and even to refinance old loans at somewhat better terms.

Although Eurodollar market conditions are still highly liquid at present, this trend may shortly reverse due to the effects of the London-engineered explosion in the

price of energy and energy-related raw materials, and an end to European and Japanese fueling of Eurodollar credit growth. The inflation spiral threatens to simultaneously 1) increase the overall demand for Eurodollar funds, by sharply increasing the trade and current account deficits of the non-oil producing developing sector as well as of many Eastern and Western European countries; and 2) reduce the supply of available funds, by inducing a heavy flow of Eurodollars back to the U.S. to meet a heightened demand for credit from increasingly cost-strapped U.S. corporations. This reflow back to the U.S. capital markets has, in fact, already begun, as international money managers seek to take advantage of higher U.S. domestic interest rates and the (temporarily) strong U.S. dollar.

Tighter credit conditions in West Germany and Japan could also compel commercial banks in these

DOMESTIC CREDIT MARKETS

High interest rates scoop away banks' business

What the U.S. banking system saw as a boon a year ago—Fed Chairman William Miller's high interest rate policy—has turned into a nightmare for money center and country banks alike. Both categories of banks are losing out on profitable commercial and industrial loans as a direct result of Miller's policy. A year ago when the large commercial banks were applauding Miller, they were blinded to the inevitable implications of his policy by visions of fat interest rate margins. This

prospect has now vanished, as corporate loan demand increasingly circumvents the banks for the commercial paper market—cheaper, unsecured IOUs that corporations issue to each other. High interest rates have forced corporations to liquidate capital investment plans, and they are putting out funds in short-term loans. Smaller regional banks have the loan demand, but they find themselves unable to compete for high-cost funds to meet that demand, and are literally turning

good customers away from their doors.

The only banks thriving under the current credit market conditions are the British and allied foreign banks which are now making big inroads into the U.S. loan market—both through their acquisitions of U.S. banks and through the stepped-up activity of their U.S. branches. British banks, in fact, are openly announcing their intention to fill the "gap" in the domestic credit markets that U.S. banks are currently too hamstrung to fill: loans to small and medium-sized American corporations, and consumer and mortgage loans.

The March 31 issue of the London *Economist* (see Banking) cited Barclays Bank's \$191 million bid for the American Credit Corporation of Charlotte, North Carolina—a finance company with consumer lending, factories, leasing and insurance interests—as the wave of the future.

"America is still in the middle of

countries to reduce their overseas lending and concentrate on meeting domestic credit needs. Last year, the West German and Japanese banks were responsible for much of the expansion in Eurodollar lending because they could obtain dollars readily from their central banks, which were accumulating them through foreign exchange intervention. The cost structure of the German and Japanese banks also permitted them to lend at lower margins than the U.S. banks. However, the dollar reserves of the Bundesbank and Bank of Japan are dropping off now as the central banks intervene to support their own currencies.

Heavy repayment schedule

The borrowing crunch could be aggravated by the fact that a large portion of the credits arranged in the immediate aftermath of the 1973-1974 oil price run-up happens to fall due this year, and many coun-

tries, particularly in the developing sector, will have to borrow to repay principal. Morgan Guaranty's analysts say they expect that new medium-term Eurocurrency bank credits could easily amount to \$100 billion in 1979. This compares with \$70.2 billion in such credits in 1978 and \$41.4 billion in 1977 — that is, more than doubling the volume of credits in two years! Morgan's estimate was based, moreover, on the assumption that oil prices will rise by an average of 20 percent this year, which could prove conservative.

Morgan also estimates that of the total \$100 billion in new Eurocredits which will be raised this year, \$45 billion must go toward debt repayment and refinancing (again, a conservative estimate). This means that only \$55 billion represents actual "new money" which will be available to countries to cover the increased cost of oil imports — much less to finance sorely-needed

Third World development projects.

The squeezing-out of the developing countries from the Eurodollar markets will force these countries to choose between 1) default (which could provoke chaos and panic on the markets and result in cutoffs of future credits to the defaulting countries); and 2) direct takeover of their economies by the International Monetary Fund, whose austerity policies will destroy the ability of these economies to recover and pay their debts in the future. The third alternative has been extensively presented by this publication: the establishment of an international development bank, under the aegis of the European Monetary System, which would finance long-term credits for capital goods exports to the developing sector and temporarily freeze or restructure large portions of the existing debt.

— Alice Roth

its biggest ever banking boom; loan demand increased by 15 percent last year," observed the *Economist*. "The International Banking Act, far from restricting foreign banks, in many ways has given them additional advantages. They have to choose a 'home state'.... but, having already gotten well entrenched in the major money centres, they could (cleverly) choose to establish their 'home state' in some more out-of-the-way spot, where they would be able to snap up local business from under the noses of less sophisticated local banks." The *Economist* noted that America's money center banks would love to capture some of this regional loan business for themselves, but U.S. banking laws forbid them from opening up branches or buying another bank or bank-related business in other states.

In an interview with *Executive Intelligence Review*, John Wilson, branch manager of Lloyds International in New York, named Barclays and National Westminster,

which hopes to acquire National Bank of North America, as harbingers of this move into the "hinterlands," but said that Lloyds International, which does wholesale banking business exclusively, will continue to concentrate on loans to major overseas corporations. Lloyds' domestic-oriented branch on the West Coast is already involved in mortgage, auto, and other types of consumer loans locally.

British banking strategy for the U.S. fits the problems of the regional sector—brought on by high interest rates—like the proverbial glove. In various polls over the last several weeks, regional bankers have complained that Miller's high interest rate regime has put them in a squeeze. The smaller regions have been loaning money to longstanding customers at one to two percent below the 11.75 prime rate rather than see them go bankrupt, and simply cannot afford to pay the going rates on certificates of deposit, Federal funds, and other instru-

ments for raising lendable money. The banks furthermore are losing deposits to local savings and loan institutions which are allowed to issue six-month savings certificates carrying interest rates a quarter of a percentage point higher than any commercial bank is permitted to offer.

Bankers Trusts' decision to move into the commercial paper market last summer is indicative of the current plight of the money center banks. Commercial paper outstanding increased from \$8 million at the end of 1964 to \$89.34 billion as of March 14. The reason for the greater attractiveness of this borrowing market is its lower cost—even with commission, insurance, and other charges figured in.

—Lydia Schulman

TRADE

Tories, Labour agree; war is our growth industry

This week the British-directed staff of the European Community released a 17-page confidential memorandum to the nine Common Market nations which calls Japan "a land of work maniacs who live in what Westerners think are hardly better than rabbit hutches" and thus cost-cut their exports. The EC memo gives Japan until the time of the June Tokyo Summit to change its export policies, and recommends that the EC nations abandon any real hopes of exporting to Japan and

instead turn to protectionist surcharges against Japanese goods.

On the U.S. side, from John Connally's own demagogic pledge in New Hampshire recently to make the Japanese "sit in their Toyotas eating oranges on the docks of Yokohama" to the decision by U.S. Special Trade Neogiator Robert Strauss last week to unilaterally suspend trade negotiations with Tokyo due to "Japan's intransigence," hostility to Japan's trade-oriented economy is becoming more openly

accepted. What American businessmen who give credence to these attacks on Japan fail to understand is that the key circles organizing the attack on Japan — notably Henry Kissinger, whose private business connections in addition to his routine freelance geopoliticking now include Goldman Sachs and British General Electric — are using the issue of Japan's trade balance to wreck growth in world trade. Kissinger hopes to have tension between Europe and Japan grow so intense that the upcoming Tokyo summit degenerates into vicious bickering between Europe and Japan while the U.S. sits in the middle playing both sides off against each other.

Kissinger will shortly be leaving for Tokyo along with Henry Fowler, the Goldman Sachs investment banker and co-chairman of the Committee on the Present Danger.

CORPORATE STRATEGY

Divest oil, push coal: following Ashland's lead

Ashland Oil is attempting to lead U.S. and other oil companies into Energy Secretary James R. Schlesinger's low-growth, high-cost energy program. The multinational's strategy is to sell off oil holdings, invest heavily in coal, and prove that they can make a windfall doing it.

With the depressed U.S. equities market, divesting assets and acquiring company stock on the market is a highly profitable operation in itself, and Ashland, which is controlled by Lord Cowdry, hopes

that this maneuver will help convince oil companies to pull out of oil.

Ashland announced last week that by the end of the year it expects to have sold \$1.5 billion worth of assets, including all its crude oil production capacity, and to have bought 15 million Ashland common shares. According to Ashland President Orin E. Atkins, "We can sell assets at 12, 15, or 20 times earnings and buy back our own stock at five to eight times earnings, and automatically pick up an increment of

earnings." Atkins also explained to the *New York Times* on April 3 that Ashland is moving into coal: "We will be expanding in the coal area. We're still convinced that one of these days the government is going to wake up to the fact that the only real indigenous energy resource we have is coal, and that it will get on with the show." Ashland in the last few years has emerged as one of the nation's major coal producers — it owns the Ashland Coal Company and has a 50 percent share in Arch Mineral Corporation.

The Department of Energy and the anti-energy media are doing their part to wedge oil companies out of the oil business and into coal schemes like that of the Energy Corporation of the Northeast (ENCONO).

There is every reason to believe that both oil and other corporations will go along with the Ashland-ENCONO strategy.

•EXXON, according to the Lon-

While in Tokyo Kissinger will push for Japan to drop its policy of promoting technology transfer deals with the Third World, especially Mexico, and instead adopt a policy of military rearmament. Kissinger, according to Japanese business sources in New York, will also push for Japan to stop making direct deals with Iran's National Oil Company.

The strategy inside Japan

Ironically, the country where the success of Kissinger's tactics are most apparent is Japan itself. Led by Prime Minister Masayoshi Ohira, who is personally weak when it comes to dealing with, especially, American pressure, the dominant mood in Tokyo is thus far to maintain a "good on economics, weak on politics" profile.

Last week, in a speech to Japan's Defense Agency, Ohira called for a

major buildup of Japan's military forces — an implicit threat against the Soviet Union. An increase in Japanese military spending, linked to a growing "NATOization" of Japan, has long been one of Kissinger's own recommendations as a way to increase industrial production in Japan while reducing the nation's exports.

At the same time, key sections of Japan's press have shifted their outlook on the European Monetary System, and are now denouncing the EMS as another example of European "protectionism." In a March 21 editorial headlined "EMS Cause For Alarm," the major daily *Yomiuri Daily News* attacked France's President Giscard d'Estaing for wanting to hold a development conference involving the EEC and the nations of Africa and the Middle East. "It is apparent that the EEC is bent on forming a large trading bloc with itself as the

nucleus," *Yomiuri* stated. "Under the circumstances, it might be wise for Japan to consider forming an economic bloc of its own." This, of course, is a remarkable statement coming from the leading liberal daily in Japan.

The recent protectionist assault on Japan, and Tokyo's all-too-predictable defensive reaction, has already put the Tokyo Summit on the road to failure. Whether Kissinger and the Carter Administration succeed in derailing the Tokyo meeting from the track of planning for world development, depends largely on how much longer business circles in the United States, Europe and Japan tolerate the line that Japanese exports are "the root of all evil."

— Kevin Coogan

don *Economist*, has for some time been divesting some of its oil holdings and picking up coal holdings, primarily in Latin America.

•In a discussion April 2 with *Executive Intelligence Review*, an oil company senior vice-president explained that his company is glad to get out of the nuclear business, and predicted that gasoline would rise to \$1.50 a gallon by summer. "You Americans," he said, "just want your cars to get you to church on Sundays, and you are going to have to learn to do without." This oil major has acquired large coal holdings in the last several years.

•Continental Oil, one of the nation's major coal producers through its subsidiary, Consolidated Coal, was one of the first public backers of the presidential candidacy of NATO General Alexander Haig, whose energy program is Schlesinger's.

—Leif Johnson

GOLD

Bullion price still rock-hard

Despite the rush into dollars last week, the gold price has failed to react and has continued to oscillate around the \$240 per ounce level. What happened?

Investors have pulled funds out the former "hard" currencies, the West German mark, Swiss franc, and Japanese yen, out of fear that these economies will be hurt relatively more severely by energy and raw materials price hikes than will the U.S. in order to take advantage of the higher interest rates on dollar-denominated securities.

At the same time, investors have maintained their positions in gold to "hedge" against continued double-digit inflation in the dollar sector, which could be exacerbated if President Carter's plan to deregulate domestic oil price wins acceptance from Congress. Gold's rock-hard stability reflects as well widespread recognition of the war danger, especially in the Middle East, where the barest hint of a conflict prompts large-scale hoarding of the metal.

—Alice Roth

COMMODITIES

U.S. Administration revives 'food weapon'

"How long will it be before the Western nations tire of paying tribute for energy?" commodities commentator Conrad Leslie harangued a Chicago audience last week, in a pitch for placing an export tax on U.S. soybean shipments to the members of the Organization of Petroleum Exporting Countries.

"We have to fight fire with fire," Paul Levinthal, a commodities analyst for Smith, Barney, told the April 2 *New York Times*, insisting that a U.S.-Brazil soybean cartel could readily be formed to control

world prices and supplies of the protein-rich beans.

Coming at a time when confirmation of rumors of a reduced Brazilian crop has at once strengthened prices and U.S. export prospects, the promotion of a soybean cartel is no mere price-hyping ploy.

The Carter administration is reviving the "food weapon" against both OPEC and key soybean consumer Japan. Promotion of the soybean cartel plan comes on the heels of the public revival of the Admini-

stration's proposal to set up a wheat producer's cartel, publicly motivated by Agriculture Secretary Bergland in February 1977 as a weapon against OPEC. "If we can do something about the oil cartel, fine," Bergland announced at the time. "I'd be willing to drop these talks with anybody when the oil cartel is dissolved. But until such time as that occurs, I don't intend to back down."

Stalled for two years by tough resistance from the grain trade and progrowth organizations such as the Farm Bureau, the scheme is back. According to congressional sources, a series of May meetings is set for officials of the U.S., Canada, Australia, and Argentina — the world's four major wheat producers and exporters — to hammer out the details at an executive level.

Senators Melcher, McGovern and Bellmon are telling "the farm constituency" that they simply want to set a minimum price for a bushel

FOREIGN EXCHANGE

Central bank dollar sales twist credit markets

The dollar has held strong in the currency markets for reasons which offer no advantage either for the U.S. economy or anyone else's. The most dramatic situation continues to be the depreciation of the yen: it closed April 4 at 215.10 to the dollar, compared with 208.30 a week earlier and 202.15 at the end of February.

Close to a billion dollars were

sold by the Bank of Japan to brake the decline on the single day of April 3; between the end of January and the end of March, Japanese central bank dollar sales had already totaled an estimated \$3.8 billion. This compares with an overall balance of payments deficit from October to February of \$3.1 billion.

Lesser but significant dollar sales persist on the part of the German

and Swiss authorities. The Federal Reserve, for its part, is reportedly doing little but accepting commissions for dollar sales from Japan and Europe.

The effect of these sales on the domestic economies in question has now come to the forefront. The dollar outflow helps crimp liquidity without relieving pressures for higher interest rates. In Japan, rumors are proliferating that the Bank of Japan will hike the discount rate from 3.5 to 4 percent. As finance ministry officials have insisted, this would add to banking and business problems without helping the yen. Interest-rate increases could hardly draw funds away from the high-interest dollar and sterling sectors, and they would certainly not counter an inflation threat based on energy-cost factors. The same is true for West Germany, which is less immediately on

of wheat — “like OPEC sets the price of a barrel of oil,” an aide to Sen. Melcher told EIR. Nothing fancy in the way of stockpiles or controls. The Administration, on the other hand, is trying to avoid the word “cartel,” according to these Senators’ offices, and wants something more “flexible” to meet the argument that cartels are bad in principle and fixed prices unworkable in practice.

Since Henry Kissinger tried to make food a weapon of American foreign policy, American agricultural and agribusiness leaders have strenuously opposed such schemes. With the propaganda lines that the “free market” will set the price while the cartel merely manipulates the commodity supply, the Administration hopes to get the old Bergsten package through in a form more acceptable domestically than the hard-cop Senatorial version.

—Susan Cohen

the defensive in the currency markets.

If the European Monetary System were fully operative and extending itself internationally, the Bank of Japan and the Tokyo dollar market would be absorbing *more* dollars, and placing them with commercial banks for the express purpose of low-cost, development loans. The political stabilizations and oil-for-technology deals achieved through such financing would begin to free Japan from both energy supply problems and the burden of paying higher oil bills in dollars worth more and more yen.

—Susan Johnson

BRITAIN

British opt for war production to boost sagging economy

Even before the dramatic March 28 confidence vote which ended the Callaghan Labour Government, the City of London had decided to cast its vote for the Tories in the event of a general election.

The City appreciates the fact that Tory leader Margaret Thatcher earned her “Iron Lady” tag by insisting on a military budget expansion which, like bar room Marxists, the Tories believe is “good for business” as well as for NATO.

On the overnight news that Thatcher had decided to go in for the kill and challenge Callaghan with a censure motion, stock market shares shot up to record-breaking levels. The *Financial Times* index of 30 leading industrial shares jumped 20 points, racking up the largest one-day rise since July 1975. The announcement of May 3rd elections added £4 billion to the book value of companies quoted on the London Stock Exchange, and boosted the index to 557.8, breaking all previous records.

What is less appreciated is that the “prodetente” Labour Party is openly committed to an identical economic program of defense industry growth. But, major strategic re-orientation is in store for the UK no matter who wins the May 3 vote.

On the day of the confidence vote which toppled Callaghan, the House of Commons was debating the Labour government’s proposed

defense budget. The Defense Expenditures White Paper presented by Labour Defense Minister Fred Mulley calls for a 3 percent increase in military spending in 1979-80, in line with pledges made to NATO last fall. The major portion of the \$17 billion defense program would be allocated to the reequipping of Britain’s armed forces. Of this 40 percent, nine-tenths of the contracts for arms development and production, would be guaranteed to British industry or to collaborative projects involving UK firms.

Five hundred million dollars would be spent in British shipyards building warships, nearly \$1 billion would be earmarked for production of guided weapons, missiles and torpedoes, and another \$1 billion would be allocated for Army systems and vehicles.

Many of the firms slated to receive a boost from the transition to war production are the same companies which Industry Minister Varley took sniffing for business in Peking last February—just days after China invaded Vietnam.

—Marla Minnicino

Schlesinger's plot to shut down the U.S. economy

Over the week of March 29 to April 5, the U.S. economy was hit by no less than three emergencies — the truckers' strike, the Harrisburg nuclear accident, and Jimmy Carter's declaration of new strict conservation and price-rising measures in the area of fossil fuels. These emergencies are part of one single clandestine conspiracy operating within the U.S. government, a conspiracy aimed at strangling and shutting down major sections of the U.S. economy, and putting its remnants under fascist, militarized control.

These charges are by no means difficult to substantiate. As we document below, there is sufficient evidence in the public domain to demonstrate that Energy Secretary James Schlesinger and inflation chief Alfred Kahn, with the connivance of Federal Reserve Chairman G. W. Miller and National Security Advisor Zbigniew Brzezinski, have deliberately provoked the national crises in trucking, oil, and nuclear energy. In each case, the predictable and intended result of the measures to "solve the crisis" will have the demonstrable result of shutting down large sections of the U.S. economy, starting with the most productive high-technology industries.

The Schlesinger-Kahn actions are not, however, merely an economic question. They have already activated an emergency control apparatus which has the power and stated intention to put the economy under military controls. This dictatorial apparatus has been a consistent feature of Schlesinger's program of preparation for "limited nuclear war" confrontation with the Soviet Union, a program for which he was ousted from the Ford Administration in the fall of 1975. It is also an intimate feature of the current platform of NATO Commander Alexander Haig, who has been chosen by the New York Council on Foreign Relations as America's next and last President, the President who will lead the country straight into World War III.

If anyone should fail to pick up the parallel in the Carter Administration's program to Nazi Germany, Schlesinger has kindly reminded them with his advocacy of economic autarky, Malthusianism, and Schachtian measures. Like Hitler, Schlesinger has taken his "theory" straight from the British oligarchy and its thinktanks. Unlike Hitler, he will not succeed in totally destroying the U.S. with fascism before 160 million of the U.S.'s citizens are obliterated in total nuclear war.

America's survival literally depends on the defeat of the Schlesinger-Kahn-Haig plot to shut down the economy.

Opposition to austerity

At the forefront of the fight against the shutdown-fascism scenario is the International Brotherhood of Teamsters, which has refused to accept the 7 percent austerity guidelines. As a union of nationbuilders, a force for technological progress, the Teamsters union is prepared to collaborate with industry in order to expand the economy. But the Teamsters will not lie down before a government program that will dismantle the transport system of this country and destroy one of its most skilled workforces through wage-gouging and cut-throat competition. For that stance, they should be supported by industry and labor alike.

Outside of the Teamsters, the resistance to the Schlesinger plot is scattered and intimidated, despite the fact that opposition comprises a full 70 percent of the U.S. population. Pockets of industry, particularly in the Midwest, have seen the promise of the European Monetary System, the plan put together by West Germany's Chancellor Schmidt and France's Giscard d'Estaing as a way of avoiding war through technology transfer to industrialize the republics of the developing sector. Most utility companies are appropriately enraged by the plan to force conversion to lower technology fuels in the tradition of the Smokestack Barons before them. They are

much in sympathy with the president of Dow Chemical Company, who called for the resignation of Schlesinger on April 5.

Debate is now raging among these industrial and other union forces over combining a drive to fire Schlesinger and stop austerity with support for the only spokesman for an American program of industrial expansion and link-up with the European Monetary System, Lyndon H. LaRouche, Jr. Unless this course is adopted, the hoked-up emergencies that hit the U.S. this week will lead rapidly to destruction far beyond what its architects are dreaming.

— Nancy Spannaus

I. The nuclear hoax

All nuclear safety experts except those contaminated by either a connection to the environmentalist movement or employment by James Schlesinger's Department of Energy agreed that the sequence of in-plant mechanical mishaps leading to the shutdown of the Three-Mile Island nuclear plant near Harrisburg, Pa. was so improbable as to constitute powerful evidence of human intervention — sabotage. In fact, the probability of sabotage is so high that the burden of proof lies with those officials and others who call it an "accident."

A detailed study published years ago, the Rasmussen Report, dealt with a hypothetical nuclear plant accident involving exactly the chain of events which took place at Three-Mile Island. The report concluded that the possibility of such a sequence of valve and system failures occurring "naturally" was .000006 — that is, one chance in 166,666. Dr. Rasmussen, when queried by phone, stuck by his report's conclusion.

What happened at Three-Mile Island could only have been sabotage.

The failure of a valve in a backup cooling system to open immediately after a valve in the primary cooling system also stuck closed, by itself, has a probability of .0001. Or: one time out of 10,000. Any such occurrence would have been possible only by deliberate human action. Furthermore, there is no explanation of why automatic safety backup systems relating to both primary and backup cooling lines were switched off, and why, given normal inspection routine, these extraordinary conditions were not detected — none of them, at any point in the sequence!

Add it all up and any investigation of the incident which does not take sabotage as its premise is suspect and intrinsically incompetent.

The security precautions of a nuclear plant are extraordinary. It must have been an "inside job," but one proceeding on orders from a very high level. How high?

The media extravaganza which ensued was of a type so distant from both general scientific fact and the immediate facts of developments that it suggests a high-level deployment to use the Three-Mile Island incident as the prearranged centerpiece of a campaign to permanently discredit nuclear power in general. The coincidence of the nuclear accident in time with release of a major motion picture, "The China Syndrome," depicting precisely that "meltdown" disaster which press claimed was about to happen at Three-Mile Island, and the coincidence of the accident in time with James Schlesinger's attempt to shut off U.S. oil supplies by creating an "oil shortage," where there is none, more strongly suggest the broader implications of discovering sabotage.

staffs of the U.S. Labor Party were joined by specialists from the Fusion Energy Foundation to develop the following statement of facts concerning the Three-Mile Island "nuclear accident."

What happened at the Three-Mile Island plant?

The reported sequence of misfunctions of cooling systems at the Three-Mile Island nuclear power plant, misfunctions that led to the sharp rise in the pressure and temperature of the reactor core cooling system, could have occurred only as the result of a high-level deployment of a coordinated sabotage team in the plant.

From the beginning of the incident, there have been conflicting stories of what happened from all the parties involved. Although these stories involved variations in the actual sequence of events (for example, which plant components went out at various points), it is clear that the various scenarios put forward by the experts involved equally improbable coincidences of a series of malfunctions.

Especially suspicious are reports that the components involved in the March 28 incident had not functioned properly on several earlier occasions in the first four months of the plant operation. If so, these would have been the most likely components for constant surveillance and prearranged backup procedures. All these scenarios not only cover up the overwhelming evidence of sabotage, but prepare the psychological climate for activating the full evacuation and militarization procedures accompanying a core meltdown scenario.

The best available reconstruction of the events at the plant, and some of the key unanswered questions concerning those events follow.

The steam turbine was automatically tripped when the main valve in the secondary flow system malfunctioned and closed, shutting off water to both of the plant's steam generators. At the same time, the emergency feed-water flow to the steam generators

failed to come on when another valve didn't open. These failures caused the primary system pressure to increase, causing a complete shutdown of the reactor.

Question No. 1: Why was the onset of the condition leading to the feed-water valve closing not detected and acted on earlier, and how could the failure of one valve be permitted to knock out two steam generators?

Failure of this main valve apparently cut off flow to both steam generators, an operating condition that should never have been allowed. However, cooling of the reactor could still have been easily maintained with the turning on of the emergency feed-water coolant flow pump. The valve on this back-up system failed to open and, therefore, left the steam generators with no water flow.

Following this, the steam generators boiled away most of the contained water and the primary reactor coolant system began heating up. This combination of failures of both the main feed-water flow valve and the

Congressional and other antinuclear spokesmen say shut the reactors

In the wake of the Three-Mile Island incident, congressional and other leading opponents of nuclear power have proposed a series of watchdog and regulatory measures which could spell doom for the U.S. nuclear industry. Amid an atmosphere fueled by headlines on nuclear catastrophe, radiation sickness, and evacuation, the threat of nuclear plant shutdowns — and energy shortages — looms large.

Here is a sampling of what some of the antinuclear spokesmen have had to say.

Rep. Morris K. Udall (D-Az.) said "The accident at Three-Mile Island is one of those triggering events that brings on a nationwide debate... I want the Congress to play a leading role in this debate and I want to hold hearings to find out what happened at Three-Mile Island and how it impacts the future role of nuclear energy in America."

After saying that he would seek an explanation from the Energy Department on the planned construction of 500 more nuclear plants by 1990, Udall continued: "Do we put these plants in the future in remote areas, do we build them underground? Should these additional nuclear plants be encouraged or discouraged? These are the questions, I want answers to." Mr. Udall said that he would hold hearings into the possibility of a repeal of the Price-Anderson act, which limits insurance claims to \$560 million.

Sen. George McGovern (D-SD) has told the press that he

will introduce legislation April 9 that will halt all licensing of nuclear power facilities until there is an independent review of all possible safety defects in nuclear reactors. He is backed by the antinuclear Union of Concerned Scientists.

Sen. Richard Schweiker (R-Pa.) said "We have seriously underestimated both the safety problems associated with nuclear power generation and our ability to cope with a nuclear emergency," in a letter to President Carter April 3.

Schweiker called on the President to create an investigatory commission to review the situation in Pennsylvania. He also asked that the 71 other nuclear reactors in the U.S. be assessed while "what role nuclear power generation should play in our energy future" is weighed.

Sen. Edward Kennedy (D-Ma.) also called for a review of nuclear power, but added the request that risks of nuclear weapons proliferation stemming from atomic energy also be evaluated. "The contribution of nuclear power is not insignificant, but let us take the time to re-examine whether it is centrally important.

... The events at Harrisburg will inevitably slow the momentum of nuclear power development. We should use this pause constructively to analyze key issues for the future."

Senator Gary Hart (D-Col.) has proposed that the

back-up feed-water flow valve, located in separate flow systems, is an almost impossible natural occurrence.

As a result of the inadequacy of this intermediate-stage cooling, the standard back-up procedure of periodically venting radioactive steam from the primary loop into a secure container was activated.

However, a relief valve that is supposed to close after short-term venting stayed open. There is a hydraulic valve available for an operator manually to reshut the valve, but this open valve was not detected or shut until sometime later.

Question No. 2: First, why did the back-up flow valve in the secondary line malfunction? Second, why was the open valve in the primary line not detected or closed?

The primary loop, already overloaded because of the breakdown of the backup secondary water line, continued to drain into a holding tank in the closed containment building. This lowered the pressure in the primary loop and also eventually caused overflow from the

down

government be empowered to take over nuclear facilities in case of an emergency such as that which happened at Three-Mile Island.

Illinois Gov. James R. Thompson ordered the state Commission on Atomic Energy to immediately review the seven nuclear power reactors housed in Illinois. Echoing his cohorts, Gov. Brown of California, Gov. Grasso of Connecticut and Gov. Carey of New York, Thompson admitted his reactions were the result of the problems at the Three-Mile Island power plant. He said it was a precautionary move, not a result of any problems at state nuclear facilities.

Rep. Ted Weiss (D-N.Y.) introduced legislation, HR789 to repeal the Price-Anderson act on Jan. 15 and is currently seeking Senate sponsors.

Rep. Hamilton Fish (R-N.Y.) has already introduced legislation that will adversely affect the nuclear industry, known as HR336. The Nuclear Energy Appraisal Act of 1979 proposes a five-year moratorium on licensing of new nuclear plants. While Fish is still searching for a Senate sponsor, the bill has 16 cosponsors in the House and is supported by the environmentalist group Critical Mass. Rep. Jeffords (R-Vt.) has called for a two-year moratorium on nuclear power until a major study or safety is completed.

holding tank onto the containment building floor.

As cold water was injected into the primary loop through the high-pressure emergency injection system which turned on when the pressure decreased to 1,600 pounds per square inch, it encountered the hot water already in the line. A vapor bubble probably formed. Therefore, some of the fuel rods were not properly accessed and cooled by water flow. Some rods partially melted, releasing iodine, xenon, and other radioactive materials into the primary coolant.

Then, despite the fact that there was leakage from the primary loop containing radioactive materials, pumping was initiated to transfer the overflow water from the completely radiation-tight and air-tight main building into storage tanks in the auxiliary building, which is outside the containment area. After the first tank in the auxiliary building filled up, flow was diverted to two other tanks. In that process, water spilled onto the auxiliary building floor.

At that point, radioactive gases came out of solution and began to vent out of the auxiliary building. When radiation was finally detected outside the plant, the full press scare went into motion.

Question No. 3: Was it known that the floor water in the containment building was radioactive? Were there any alternatives to pumping into the auxiliary building, such as restoring the steam line and closing the mainline valve?

Any competent investigation must answer all these questions and determine how the Three-Mile Island incident fits into Schlesinger's geopolitical war on the U.S. economy.

Why a meltdown can't happen

A U.S. Labor Party investigating team has concluded that the Three-Mile Island nuclear plant incident was — and still is — a coordinated attempt to deliberately play this event as a live version of the Columbia Pictures movie, "The China Syndrome."

A Labor Party spokesman said April 3 that the movie was designed and timed for release to maximally terrorize the American public against nuclear power by depicting the scenario for a fraudulent core meltdown accident scenario. "The media warned of a core meltdown straight to China. The facts are that no meltdown was about to take place and that any meltdown would have been contained within the reactor building."

The core meltdown scenario was hoaxed up following Nuclear Regulatory Commission spokesman Dudley Thompson's announcement that a gas bubble was detected near the top of the reactor vessel and that it had not yet been determined how it was going to be removed. Thompson said that *if* the gas bubble was large, it might be possible, *though highly improbable*, that upon depressurizing the primary coolant system below the current 1000 psi operating condition, the bub-

ble would expand downward and deny cooling water to some of the fuel. This, he implied, might cause further fuel damage or melting. From this, the press immediately extrapolated a core meltdown and a melt-through to China!

The facts

The facts are that a complete core meltdown could not happen in the Three-Mile Island case and that the "China Syndrome" can't happen in any case! The gas bubble at the top of the reactor vessel was simply broken up gradually by the primary coolant flows as the pressure was reduced in the vessel. This bubble was composed of hydrogen and the noncondensable fission gases Xenon and Krypton released during the fuel failures of the morning of the accident and was swept away from the area in which it was lodged, broken up by the turbulence of the primary coolant flow and then released from the coolant through the free surface in the pressurizers. The gas was broken up into bubbles much too small to cause any problems in the pump or in the reactor core.

The hypothetical scenario of a single big bubble expanding downward during depressurization in the face of an upward high velocity water flow is preposterous, incompetent, and purely propagandistic. However, even if such a hypothetical event could somehow occur it couldn't possibly result in the proposed core meltdown scenario. The reactor core has now been shut down for one week, with the power level down to a few tenths of a percent full power. Coolant temperature is being held constant at a low 280°F with the maximum fuel temperatures only a few hundred degrees higher. (The uranium fuel rods must reach a temperature of nearly 5000°F before they melt.)

If the primary coolant flow had been reduced or stopped by this hypothetical expanding big bubble, all the emergency core cooling systems would have automatically come on, forcing water back into the core and maintaining the cooling and the low fuel temperatures. Even if the fuel became uncovered with water for a short period of time during this transition from primary to emergency coolant flow, the temperature would reach nowhere near melting. Thus, there is absolutely no credibility to the assertion that the Three-Mile Island's plant core could have melted through the reactor floor buried itself in the ground, and begun to spill radiation into the Susquehanna River.

The radiation question

The radiation question has been used as a second bogeyman throughout the past week of this event. Although headlines raved about "Nuke Steam Clouds," "Nuke Plant Leak Continues" and "Radioactive Cloud Spreads," etc., the fact is that all releases of radioactivity to the atmosphere were preplanned, released through the normal waste gas stack, and were far below

permissible levels. All venting of fission gas has been through normal processes from the Auxiliary Building Radiation Waste System to the stack and then to the atmosphere. These facts are completely opposite to the media lies of uncontrolled releases at high radiation levels.

Maximum release rates for short time periods of 30 millirems per hour (mrems/hr) at the plant boundaries were measured with 3 mrems/hr and 0.3 mrems/hr at distances of 3 miles and 20 miles respectively. To put this into perspective, it should be noted that the amount of radiation in a two-second dental x-ray is 20 mrems, and that the Environmental Protection Agency requires evacuation of a site where outside radiation levels exceed 1000 mrems/hr or well over 30 times the levels experienced at the Three-Mile Island plant boundary.

Another way to look at the actual release rates is to compare them to those allowed for a worker at the nuclear plant. A plant worker is allowed a maximum of 3000 mrems/quarter year or 5000 mrems/year. This means that at the plant boundary a person would have to be exposed to the 30 mrems/hr rate for over 165 hours to reach the maximum permissible dose rate. At a distance of 3 miles it would take over 1665 hours to reach the limit.

The release of this radiation at the Three-Mile Island plant occurred only two to three times and for periods of less than an hour each time. Therefore, the *very maximum* dosage any person could conceivably have received at the site boundary, if he happened to be standing there during these releases, would be less than 100 mrems total! A person 3 miles from the plant might have received a maximum of only 10 mrems, less than the common dental x-ray.

Obviously all of this is far below the allowable dosages and presents no hazards whatsoever to the public. Metropolitan Edison officials reported that they planned one or two more fission gas releases from the plant but at even lower activity rates and time durations.

The latest reports from sources at the Three-Mile Island plant are that the reactor cooling system is completely stable, as it has been since the morning of the accident. It is operating in a shutdown condition at 280°F with one primary coolant loop and one secondary coolant loop/steam generator dumping the low decay heat load through the cooling towers. The gas bubble in the reactor vessel has been broken up and removed by slowly reducing primary system pressure and circulating the small gas bubbles through the primary coolant system and eventually taking them out through the pressurizer.

Plant officials intend to proceed to complete shutdown to atmospheric pressure and 280°F where they will switch over to the shutdown cooling system. They will then begin plans for entering the containment building and eventual inspection of the fuel rods.

The effect of nuclear shutdown

Should the Carter Administration, and most prominently Energy Secretary Schlesinger, succeed in shutting down the present nuclear capacity in the United States, it will have succeeded in shutting down 13 percent of total U.S. electric power production. It will also have succeeded in raising the cost of electric power generation. Nuclear generated electricity costs some 1.5 cents per kilowatt hour. If utility companies are forced to convert to oil, the cost will rise to 3.5 cents per kilowatt hour — more than double the cost and before the Administration effects its oil price hiking measures.

What is the present role of nuclear power in the nation's electric grid?

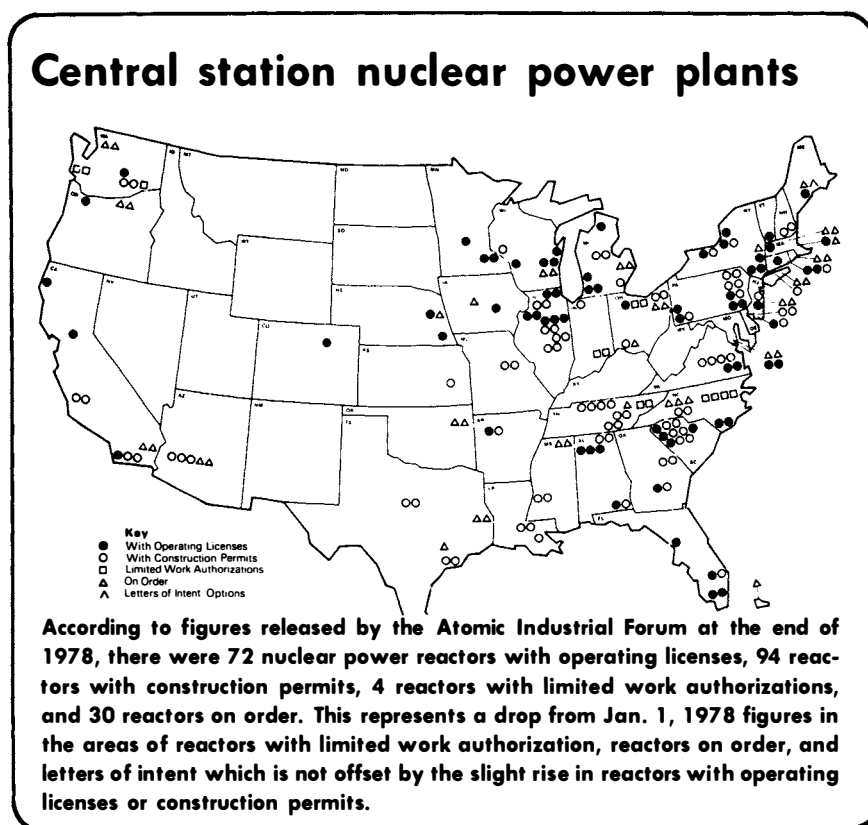
At the time when the manipulated shortages of oil make nuclear energy development even more urgent for the population, the state of nuclear development needs a sharp evaluation. There are, as of this writing, 72 operating nuclear power plants throughout the United States. This is by far the largest concentration of any country in the world. These 72 plants provide electric power to more than 25 million people and industry in the nation, largely clustered around the most heavily industrialized areas of the country, primarily the densely populated Northeast, which relies on nuclear to offset its dependence on costly oil imports.

New York State, which is already experiencing periodic power blackouts and brownouts, relies on nuclear power for 24 percent of its electric power. New Jersey, one of the nation's most densely industrialized states, gets 31 percent from nuclear sources. Illinois, which has the largest number of nuclear plants of any state — seven — relies on nuclear sources for 28 percent of electric power generation in that crucial industrial region. All of these plants are operated by Commonwealth Electric which services the northern third of Illinois, including Chicago. This region produces the bulk of the state's manufactured goods. Illinois leads the nation in agricultural exports and is the third largest in manufacturing exports, totaling

\$6.66 billion (in 1976) of which the Chicago region produces \$3.41 billion. Shut down Commonwealth Electric's nuclear power plants and up to 50 percent of the total electric power to the northern third of the state would be eliminated.

Similarly, Wisconsin gets 32 percent of its electricity from nuclear sources, South Carolina, 47 percent, and Vermont, nearly all. To shut down or even reduce nuclear development is a blueprint for economic disaster and social chaos.

It is useful to look at the consequences of a forced conversion of nuclear plants to the far-higher-priced oil generation of power. One average sized 1,000 Mega-Watt nuclear reactor, large enough to serve the total electric power needs of a city of some 600,000, generates the equivalent of 10 million barrels a year of oil. The total of the nation's more than 52,000 MegaWatts of nuclear power generation produces the equivalent of almost 500 million barrels of oil per year — \$8 billion in imports at present OPEC prices. In addition, the comparative cost of turning to oil from nuclear fuel is now



more than twice as great as uranium.

A spokesman for Consolidated Edison, which provides nuclear power from its Indian Point reactor to New York City stated that if that reactor, which is of the same Babcock and Wilcox design as the Three-Mile Island plant, is shut down and they run into supply shortages of oil, "then we've got nothing left." It was a temporary disruption of power from Indian Point in 1977 which led to a major power blackout for New York City because load sharing capacities were stretched to the limit during the peak summer season.

The gameplan

The immediate target of groups such as Ralph Nader's Critical Mass and their collaborators in Congress such as Sen. McGovern is to force the shutdown of all eight Babcock and Wilcox designed reactors now in service. This would come on top of the Nuclear Regulatory Commission ordered shutdown last month of five reactors in the industrial Northeast because of alleged computer error in earthquake resistance from the Stone and Webster built components. A spokesman for Critical Mass in an interview gloated that these 13 reactors would "be a good start" in shutting down the nation's nuclear capacity.

Let's examine what this impact would be. First, the Rancho Secol reactor of Stone and Webster design, which the antinuclear California Gov. Jerry Brown has called for closing, supplies energy to central California and the entire Imperial Valley agroindustry region. Their Davis-Bessie 1 unit near Cleveland has come under attack from Mayor Kucinich. In addition, the Indian point 1 plant mentioned, the two Three-Mile Island plants, and Oconee 1, 2 and 3 plants at Seneca, South Carolina provide a major share of their respective state's electric generating capacity. If the latter were knocked out, even temporarily, it would spell economic disaster for a major portion of the industrially booming sunbelt region.

The NRC shutdown of five Stone and Webster reactors including two in Virginia, one in Maine, one in New York and another in Western Pennsylvania may last for months. These plant closings, occurring right at the peak of the oil shortage scenario, stemming from the Iran crisis, forced those utilities to burn more than 200,000 barrels of oil daily. Schlesinger was at the time claiming a 500,000 barrel a day shortfall to justify massive conservation and rationing measures. The impact if all 13 reactors can be shutdown in the present period — will be more than 120 million barrels annually of added oil imports.

Another aspect is the impact on industry and agriculture of the loss of any of this nuclear capacity. Already the nation's power grid is stretched to the point of

blackouts in major sections of the country, especially the Northeast. During the nationwide 1977-78 coal strike, it was the ability of nuclear utility load-sharing that kept economic disaster from hitting the entire Midwest. Nuclear capacity gives electric utilities the margin to avert catastrophe by switching from coal or oil to nuclear, allowing them to sell excess during emergency periods, such as the recent one, to utilities with no nuclear capacity and unable to get adequate supplies of oil or coal.

Moratorium on developments

But consider the future perspective. Legislation is being introduced which attempts to impose a "moratorium" of from 2-5 years on all construction of new nuclear reactors. What would this mean?

The cost of one reactor is at least \$1 billion. Antinuclear advocates are talking about scrapping some \$100 billion of the most advanced capital goods productive investment in existence. In terms of only those jobs directly affected, at least 250,000 high-skill jobs in construction, engineering, and related areas would be scrapped. Given the present financial precariousness of the nuclear industry, a 2-5 year "moratorium" on nuclear construction or licensing will sound the final death knell for the world's largest and most experienced nuclear industry.

Last year, there was a total of only two new orders placed on Commonwealth Edison for nuclear reactors and these two were subsequently postponed. By comparison, in 1973, there were 41 reactors ordered. Before the Harrisburg event, Westinghouse, General Electric, and other leading reactor manufacturers stated privately that with the Carter Administration's policies toward nuclear energy they were 1-2 years away from closing down their nuclear plant production. This translates directly into 400,000 jobs lost in the nuclear power industry.

Far more damaging is the fact that once concentrations of such high-technology development, including contractors and thousands of highly specialized subcontractors, begin getting out of the nuclear industry, it is no simple matter to regroup and restart production of nuclear power plants. It is not a simple matter of turning on or off a light switch.

Chicago Bridge and Iron Co. built a \$30 million plant in Cordova, Ala. in 1974 to supply parts for nuclear plants at a time when industry growth projections were substantial. It closed in 1978 for lack of orders. "If this trend away from nuclear continues," said a company spokesman, "these subcontractors who are vital to the industry will be less able to respond if business ever comes back."

— by William Engdahl

II. The oil hoax

A careful investigation into the current so-called oil crisis reveals a pattern of political and economic manipulations by the same financial interests that rigged the 1974 oil hoax. British Petroleum and Royal Dutch Shell, along with their five U.S. multinational allies which comprise the Seven Sisters, have, since the Dec. 26 shutdown of Iranian oil exports, been manipulating the international oil markets to create an artificial shortage and upward pricing spiral.

There is no oil shortage. According to production statistics from the Organization of Petroleum Exporting Countries (OPEC) for January 1979, *the cartel more than made up for the 4 to 5 million barrel a day shortfall of Iranian oil exports*, a fact not reported by the U.S. press. Oil industry sources indicate that U.S. Energy Secretary James Schlesinger was personally responsible for pressuring the U.S. majors to share the nearly 2 million a day loss which the Iranian shutdown caused British Petroleum and Shell, thus *doubling* the cutback of oil imports to this country.

Under pressure from Schlesinger, the U.S. companies implemented the International Energy Agency sharing agreements when the official global shortfall of oil supplies did not necessitate such a sharing arrangement. First getting the U.S. oil companies to cut back their supplies to dealers by twice as much, Schlesinger then called them up to tell them it was their patriotic duty to cap their oil wells.

The pricing factor

As documented by the *Petroleum Intelligence Weekly* and the head of the International Energy Agency, British Petroleum and Shell, the North Sea oil producers, are the culprits behind the pricing spiral. They are carrying out large-scale speculation on the open (across the counter) oil markets.

A number of the more militant oil producing nations within OPEC responded as per London's profile and began to impose premiums (surcharges) on the price of their crude in order to undercut the "Western speculators." This led to a decision by OPEC last month to allow each member nation to impose premiums on particularly high grades of crude in keeping with the international market price. The decision by OPEC to

allow *market forces* to determine the future price of high demand crude amounts to letting the British Petroleum and Royal Dutch Shell set prices through their continued speculative apparatus.

This means that the price of gasoline, heating oil, and other petroleum products using high demand, low sulphur crude may soon go through the ceiling. Half of U.S. imports of oil are in the category of high demand low sulphur.

To date, Libya, Nigeria, and Algeria have attached up to a \$4.00 premium on the \$14.54 official OPEC price. These three countries reached a joint decision to impose such an enormous price hike following a closed door meeting with their largest non-OPEC competitor of light crude, the British North Sea producers. *Effectively, through sophisticated manipulation, London is responsible for driving up the price of the 4 million barrels a day of high demand crude which U.S. refineries use to make gasoline.*

Based on the most recent 9 percent price rise by OPEC, Schlesinger and Company are preparing to de-regulate the price of domestically produced oil to a level of \$16.00. This, in combination with a continued upward trend in OPEC prices, will drive many of the smaller U.S. refiners out of business. The initial impact of the artificially created domestic shortage in January plus the open market prices for crude of over \$20.00 a barrel threatened many small firms and resulted in across the board announcements of cutbacks in refining output by the majors.

Plenty of oil

Current estimates indicate that the OPEC producers alone have a sustainable producing capacity of nearly 40 million barrels a day (mbd). At present the cartel is exporting about 30 mbd. At the last OPEC meeting, March 26, Iran announced that it would increase its production from the present 3 mbd to over 4 mbd, an encouraging signal that Iran may soon become OPEC's second largest exporter again.

A number of the OPEC producers have made it clear that they oppose drastic price hikes, most importantly, Iraq and Saudi Arabia. But the same economic warriors in London and Washington that have been driving up oil prices are working with Israel to provoke an Arab oil producers retaliation through further price increases and production cutbacks. If U.S. Mideast policy does not change its present course, it is highly probable that OPEC may again take such initiatives before the end of 1979 which could make the 1974 crisis look mild by comparison.

— Judith Wyer

The effect of Schlesinger's oil hoax

If Energy Secretary James Schlesinger succeeds in pushing U.S. oil prices up, he will provoke an explosive inflationary spiral that will, by conservative estimates add 10 percent a year to the already existing 7 to 10 percent inflation levels built in by the last round of oil price increases.

This latest round in the pricing spiral will be achieved by Schlesinger through decontrol of the price of domestically produced light unrefined petroleum to the OPEC level of \$16.00. As in 1973-74, this oil price hike will act as a tax on U.S. industry and on the surplus needed for investment in capital formation and upgrading the labor force. Its effects will ripple throughout every sector of the U.S. economy.

As measured by an econometric model developed by the economics staff of the *Executive Intelligence Review* — using the 1973-74 oil price hike and adjusting for inflation and current production levels — Schlesinger's oil hoax will push unemployment up from 6.5 million to 12

million and industrial production down by an immediate 10-12 percent.

The 1973-74 model

The striking parallels between the present and 1973-74 necessitate an examination of what happened then to understand what Schlesinger has in store for today.

In the summer of 1973, the U.S. economy was, at first glance, in relatively decent shape. In fact, the economy was in a heated period of activity, which, although not entirely productive, was producing a large volume. Industry was building large inventories for the market. By 1974, the volume of inventories registered \$285 billion and the ratio of inventory to sales was at a high of 1.53.

The fourfold increase in the price of OPEC oil resulting from the October Middle East war put the brakes on the U.S. economy. The total cost to America for domestic and imported oil shot from \$26.3 billion in 1973 to \$53.9 billion in 1974, a leap of more than 100 percent. The \$27.6 billion increase in U.S. oil costs, although only 2 percent of the GNP for 1974, constituted nearly half of U.S. corporate profits and shoved the real rate of economic surplus sharply into the negative. This critical ratio, expressed as a ratio of social surplus (s') to constant capital (c) and variable capital (v) was negative 0.763.

January oil production figures show no shortage

In January, although Iranian production reached its nadir, net oil output of the non-communist nations — including both OPEC countries and non-OPEC countries — rose over January 1978. Figures compiled by Platt's Oilgram News show that most producers increased their output in January, more than compensating for the Iranian shortfall. Since January 1978 is regarded as a low production month, we also looked at oil production figures for the OPEC countries for January 1977, a more normal month, and for the entire year 1977, a more normal production year. These figures, too, show that January 1979 production by the OPEC countries as a whole, despite the Iranian cutoff, was comparable to the output in 1977.

*Includes estimates

**Includes estimates and all Neutral zone production

***Totals may not add due to rounding

!Source: Platt's Oilgram News, March 19, 1979

	Jan 1979 ¹	Jan 1978 ¹	% chg ¹
OPEC producers (millions of barrels per day)			
Saudi Arabia*	9.5	7.6	+25
Iran	.4	5.3	-92
Iraq*	3.1	2.1	+48
Kuwait	2.4	1.5	+53
United Arab Emirates	1.8	1.7	+ 6
Algeria*	1.2	1.2	—
Libya*	2.1	1.8	+15
Nigeria	2.4	1.6	+50
Indonesia*	1.6	1.7	- 6
Venezuela	2.3	1.7	+29
Other OPEC**	1.6	1.2	+33
OPEC Total***	28.5	27.6	+ 3
Non-OPEC Producers			
United States	8.7	8.3	+ 4
Canada	1.5	1.2	+17
Mexico	1.4	1.1	+26
United Kingdom	1.5	.9	+65
Norway	.36	.39	8
Other Non-OPEC*	4.1	3.9	+ 6
Non-OPEC Total***	17.5	15.9	+10
Total, non-communist nations***	45.9	43.5	+6

The oil price increase choked off the margin of social surplus and industries began liquidating their huge inventories. The U.S. economy went into head-long collapse, as vast stretches of the industrial heartland of the United States shut down and the unemployment lines wound around the blocks. The Commerce Department's industrial production index fell 8.9 percent from 1974 to 1975. At the same time, in 1975, the number of unemployed nearly doubled to 7.8 million, representing 8.5 percent of the workforce and consumer prices skyrocketed at 11.0 percent for the year.

From that point, the oil price increase, along with raw material price increases, built a 7 to 10 percent permanent level of inflation into the economy. Part of the inflation affecting the United States today arises from the 1973-74 oil price rise.

Replaying that crash again

This time, despite the failure of the Iran turmoil to produce an actual oil shortage, Energy Secretary Schlesinger is hell-bent to repeat the oil price increases of 1973-74—adding the shutdown of other energy sources, such as nuclear.

During this year, the increase of the U.S. oil bill be \$52.5 billion, which is nearly twice the \$27.3 billion size of the 1973-74 price increase. But, the effects will be worse, since the economy today is not twice as large as it was in 1973-74.

This latest oil price increase is premised on the assumption that imported OPEC oil will rise from its \$12.70 benchmark price to \$16.00 — with an additional shipping and insurance cost — and that domestic oil, because of decontrol, will float from its average composite price of \$9.50 to the \$16.00 per barrel OPEC price.

Consider what this \$52.5 billion represents as a tax on the economy. This figure is larger than all the real industrial profits of the U.S. when these profits are deflated and corrected for capital replacement costs.

Not only will the oil price increase wipe out industrial profits, but the real rate of surplus, as measured by the econometric model, will take a dive (see graph). If the model did not assume constant levels of productivity, the fall would be much worse.

The \$52 billion leap in oil prices represents an increase of nearly 70 percent, hence a 10 percent increase in the Consumer Price Index (correlating a 7 percent oil price increase to adding 1 percent to the CPI).

This will include developments such as paying \$1.00 per gallon for gasoline.

— *Richard Freeman*

III. Transportation sabotage

The current Teamster strike is the direct result of provocations by the Carter Administration: Chairman of the Council on Wage and Price Stability (COWPS) Alfred Kahn, Energy Secretary James Schlesinger, and National Security Council chief Zbigniew Brzezinski.

By turning the selective action taken by 300,000 Teamsters into a national lockout, Kahn, Schlesinger and their coterie hope to necessitate federal government response to the national shutdown of the trucking industry. The paralysis of the U.S. economy would then allow the Administration to neatly use the war-economy crisis management mechanisms of the Federal Emergency Preparedness Agency (FEPA) and the Federal Emergency Management Agency (FEMA).

Weeks before Teamsters Master Freight agreement expired, Kahn's council made no bones of its intent to provoke a strike that would damage the credibility of the International Brotherhood of Teamsters. Said a spokesman of COWPS regarding the Teamster negotiations: "I can tell you that whatever happens, this office and Mr. Kahn are not going to give in and say that a 12, 11, 10 percent a year wage increase would be okay... We have a commitment to hold the line and we have chosen the Teamster contract as our test... Sure there are other contracts that have pierced the guidelines... the Teamsters are our main enemy right now."

Frank Fitzsimmons's April 1 announcement of the strike which singled out the Carter Administration and the COWPS' meddling was on target. Trucking industry sources reported the next day that an agreement with wage increases in excess of 7 percent had indeed been in hand until Schlesinger and Kahn stepped in and sabotaged it. Kahn reportedly forced the industry's negotiators to adopt a tougher stance and at the same time refused to allow any increased costs incurred through providing an improved cost of living escalator to be passed along.

Not coincidentally, government spokesmen have revealed that Kahn is fully coordinating his action with Schlesinger, the Energy Department and the NSC. In turn, Kahn and his collaborators are alerting crisis managers with the DOE and NSC on the pattern of transportation strikes developing as a result of the 7 percent guidelines (see below).

There is strong evidence that Schlesinger, Kahn, and Brzezinski deliberately contrived to mesh the Teamster's strike with the energy austerity derived in part from the incident at Three Mile Island.

Push for deregulation

However, only one federal agency has taken "emergency" action so far: the Interstate Commerce Commission. The ICC's immediate response to the Teamsters strike was to move for defacto deregulation of the trucking industry — ostensibly to encourage non-union and independent truckers to continue working and fill gaps created by the strike. Both the union and industry have branded the ICC's actions as having the potential to trigger violence.

Sources have said that the ICC push for deregulation was advised by FEPA and made with the approval of the National Security Council. Moreover ICC officials have stated that they are fully committed to pursuing complete deregulation following the strike as well — regardless of what Kahn and his COWPS may promise the Teamsters of the trucking industry to induce them to settle near the guidelines.

— Lonnie Wolfe

The effect of the forced strikes

The Teamster lockout alone could shut down the economy.

While a selective strike by the Teamsters would have a serious but not paralyzing effect, the full lockout by the more than 500 companies affiliated with Trucking Management, Inc., the bargaining arm of the trucking industry, will throw approximately 1.5 million workers out of work by the lockout's second week and over 2.5 million by the end of four weeks, according to government estimates.

As one trucking industry analyst indicated, a strike/lockout functions like an ever tightening tourniquet on the economy. The first industries to have their production schedules disrupted are those requiring shipments of large numbers of parts, raw materials, components, etc. which require continuous resupply like auto assembly plants.

Although no authoritative figures are available — the government has refused to publish figures until April 12 — large-scale layoffs and short work weeks have already hit the auto industry. The next ratchet — the one that produces the million plus layoffs — occurs when the effects of slowdown in production in primary assembly industries like auto, begin to ripple back to feeder/supplier plants, etc. A third ratchet occurs when the suppliers of the feeder industries begin layoffs, including primary suppliers like the industry. This will begin sometime in the third week.

When the Teamster lockout is joined to other forced strike in rail, airlines, shipping, etc., the effects are multiplied.

If provoked violence occurs in any of the strike situations — violence which will be carried out by government-protected hit teams under the cover of terrorist-linked Teamsters for a Democratic Union/PROD, Inc., and independent truckers groups — then government crisis managers expect the whole shutdown process to speed up. "Industry will panic at the first signs of violence," said an official of the Federal Emergency Preparedness Agency. There will be 'panic layoffs'."

Will the trucking industry survive?

The trucking industry is likely to be a permanent casualty of the combined Schlesinger sabotage.

The industry is already in fragile financial condition. A prolonged strike will produce a significant number of bankruptcies, as cash poor companies become unable to meet payments to their creditors. While unwilling to make precise estimates, government officials agree that a strike of more than 2 weeks will produce such a result.

If the Interstate Commerce Commission (ICC) refuses to allow pass along rate increase covering portions of any contract settlement, as they have threatened, additional bankruptcies will occur.

More significant than the cost of a new contract, the Schlesinger-orchestrated hike in the price of fuel will devastate the industry. "We're going to be killed by a fuel price hike," said one industry source. "Our profit margins are so small already thanks to increased fuel and other costs, a new hike will send many of us packing."

Moves to deregulate

But the most dangerous threat to industry is the plans of inflation chief Alfred Kahn, Dan O'Neil of the ICC, and Senator Edward Kennedy (D-Mass) to dismantle the industry through "deregulation." Over the course of the last six months, the ICC, with the full backing of Kahn, has started the process. Kennedy's people, as well as O'Neil, view the strike/lockout as a stepping stone for further action.

On the first day of the strike, O'Neil issued a temporary emergency order effectively deregulating the industry. It's intent was to promote scabbing by non-union truckers and independents. "This is important," said ICC spokesman. "We are going to prove a deregulated industry is there for the offing..."

Under present law, the ICC regulates the trucking industry by setting standards, freight rates, defining and assigning interstate trucking routes. The regulatory "reform" now being proposed and implemented creates "competition" between underpaid, overworked independents and trucking companies whose employees are

under the protection of the Master Freight agreement.

Similar to the legislation of 1926 and 1931, which created U.S. commercial aviation, the intent of Congress in passing the 1935 Transportation Act was to create an effective internal transport system — not to “support” an industry for its own benefit, not to “regulate” a monopolistic monster in the interests of a vague “public” at its mercy.

One little-mentioned feature of ICC regulation of motor carriers is that operating authorities (route certificates) not only permit a trucker to service a particular route or pair of terminal points, but also *oblige* him to. Under conditions of Kennedy-style “deregulation” — especially “free entry” to routes of one’s choice — nothing would prevent any and all carriers from abandoning the less profitable runs altogether.

Just as a highway or education system “subsidizes” certain classes of users through disproportionate taxation, ICC regulations of free entry and rate setting ensure that smaller communities and smaller shippers have a motor carrier service that is affordable.

These smaller business communities are in no way marginal to the economy. Every major manufacturing industry, and high-technology agriculture as well, is served by hundreds of thousands of feeder plants, most of a size that could never guarantee a trucker a full “truckload” (TL) shipment. One need only think of the aerospace-electronics firms of Boston’s Route 128 and northern New Jersey, or the many parts and specialty plants that feed the auto assembly plants. The moment free entry and price deregulation go into effect, every carrier with an eye to survival would have no choice but ponding industrial base to create the outbound shippers and for communities where backhaul shipments were not plentiful.

For example, an auto manufacturing firm under deregulation would have no trouble finding cheap rates to ship finished autos, but the many small companies supplying parts will either have to pay higher rates, or worse, be unable to ship on schedule as service becomes less and less reliable. This potential bottleneck includes a multitude of small machine shops that produce many of the dies used by the manufacturer; similarly the hundreds to thousands of subcontractors supplying an airplane manufacturer with components and subassemblies, accounting for some 50 percent of the total cost of the aircraft. To this direct cost factor, add the disruption as parts do not arrive on time, and total cost goes up even further as assembly line processes break down. Thus, even if increased trucking costs on unprofitable routes are offset completely by corresponding reductions in long-haul traffic, a new increased cost to the economy, measured in finished goods, remains.

— Lonnie Wolfe

Government interferes in transport talks

As in the Teamsters contract talks, the major instrument of interference by the government in the peaceful settlement of transport disputes is the 7 percent guideline. Due to the density of contract talks, the government has now succeeded in causing strategic freight bottlenecks in air sea, and rail travel simultaneous with the trucking disruption.

Eighteen thousand members of the *International Association of Machinists* have shut down United Airlines, the nation’s largest commercial carrier. Kahn’s interference played a major role in provoking this dispute which has seriously begun to disrupt air freight.

Members of the *International Longshoreman’s Association*, who operate tugs, barges, and tankers struck all East Coast ports April 2 after rejecting a Kahn-induced contract offer within the 7 percent wage and price guidelines. The strike of 2,800 dock workers has the potential to seriously hamper shipping and energy supplies.

Conrail, the nation’s major rail freight carrier, could be hit by a strike if Kahn and the Council on Wage and Price Stability decide to reject a newly negotiated contract in excess of the wage guidelines. Any such strike would have disastrous effects on the economy.

A strike by railworkers against the *Rock Island Railroad* is also seen as highly probable. A strike against this line which handles key North-South links in the Midwest would hit freight shipments hard.

Flight attendants may also be forced to walk off their jobs at *Pan American Airlines* by April 7 if an agreement cannot be reached. Should the strike happen, Pan American would likely be shut down, which would prompt more chaos in air shipping.

A strike by 70,000 members of the *United Rubberworkers (URW)* against all rubber producers but Firestone is now seen as likely on April 21. Sources say that at the root of the disagreement are the increase petroleum costs for rubber processing, a side effect of the rigging of the oil markets, by the Administration’s austerity apparatus.

IV. The plan for crisis management

Without fanfare — without a word of coverage in any of the national media — the Carter Administration used the occasion of the March 28 “disaster” at the Three-Mile Island nuclear facility to institute a “crisis management” dictatorship within the White House and the National Security Council. Circumstantial evidence indicates that the newly mandated Federal Emergency Management Agency (FEMA) and the Emergency Management Committee (EMC) were the command and control channel through which Schlesinger, Brzezinski, and others organized the sabotage of the nuclear power plant near Harrisburg, “managed” the crisis that followed, and buried the evidence that pointed to the specific agencies and individuals responsible.

FEMA consolidates all federal disaster control, civil defense, and antiterrorist function under one super-agency subsumed within the National Security Council, and officially took up its presidential mandate on April 1. However, according to Gordon Vickery, the acting director of FEMA, the agency “jumped the gun” and began operations “last Tuesday (March 27 — ed.) when the incident began.” According to all public sources, the malfunction at Three-Mile Island II occurred on Wednesday morning, March 28, not Tuesday. Whether Vickery let slip with critical information or merely had his dates wrong, it is clear that FEMA personnel were on the scene, stage managing every policy decision and screening all information allowed to pass to the media.

The FEMA field crew was headed by Barry H. Evenchick of the Federal Disaster Assistance Administration, now a component of FEMA. In 1976, Evenchick was a member of the National Advisory Committee on Criminal Justice Standards and Goals, Task Force on Disorders and Terrorism. That committee, working closely with Richard Thornburgh, who then headed the Criminal Division of the Justice Department, issued a lengthy report which spelled out a series of RAND Corporation scenarios for largescale civil disorders and terrorist extravaganzas. He then drew the conclusion that complete crisis management powers had to be instituted to deal with the increasing likelihood of “high-technology” disasters.

An appendix to that report entitled “Terrorism and New Technologies of Destruction: An Overview of the Potential Risk,” said this:

Beyond the societal consequences mentioned, the question of panic merits attention because of the impact it can have on a community, both as an immediate phenomenon

and with respect to longer term consequences....

Of special importance to law enforcement and local authorities are those conditions that are most conducive to creating panic situations. Foremost, the threat must be sudden and unexpected, posing a danger that would be sufficient enough to cause immediate and intensive fear. Other factors contributing to panic are a population that believes there is a danger for which they are unprepared and which is beyond their capacity of normal behavior response to adequately treat. Elements of incomprehensibility or novelty increase the tendency to panic. Confusion with respect to the general situation and specifics, such as escape, avoidance and counteraction, directly impact on the likelihood of community panic.

(R.W. Mengel, The BDM Corp.,
*Report of the Task Force on
Disorders and Terrorism, page 449.*)

From Harrisburg, Evenchick maintained a minute-to-minute liaison with another FDAA official, Bill Wilcox. Wilcox, in turn, operated directly out of the NSC. This command structure, according to both eyewitness accounts and reports in both the *Baltimore Sun* and Associated Press on April 4 maintained total control over all information and manufactured what the U.S. population was told about the events at Three-Mile.

Had the sabotage scenario carried through to the mass evacuations motted by Gov. Thornburgh and the press, FEMA would have superseded all other federal, state, and local governmental bodies — with the exception of the Governor’s office — and assumed dictatorial control throughout the duration of the crisis.

What is FEMA?

The Federal Emergency Management Agency (FEMA) is a disaster management team within the National Security Council that, in the event of an “emergency,” would completely bypass all constitutional mandated institutions. It would be a quiet coup against the U.S. government unless it is countered immediately by congressional challenge.

FEMA’s intended role is belied by the fact that it was constituted as the result of Presidential Review Memorandum 32 (PRM-32), drafted last spring by Samuel Huntington with input from Zbigniew Brzezinski. Huntington was the author of a 1975 Tri-

lateral Commission report, *The End of Democracy*, in which he advocated the wholesale junking of constitutional rule and the institution of a technocratic dictatorship over the advanced nations. This, Huntington argued, is the only form of government capable of managing the ongoing string of crises brought about by the need for extreme austerity measures and the growing likelihood of strategic confrontation with the Soviet Union.

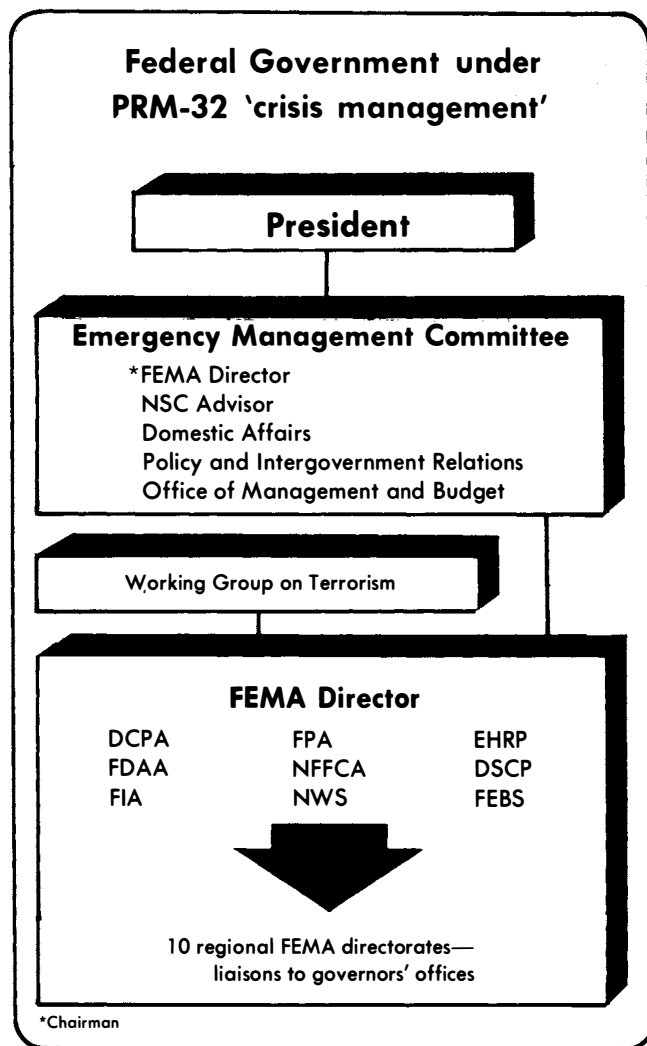
On June 19, 1978, President Carter and John McIntyre, Director of the Office of Management and Budget (OMB), held a White House press conference announcing the formation of the Federal Emergency Management Agency. Under special reorganization authority adopted by Congress in April 1977, FEMA gained "official" congressional approval 60 days later since Congress did not veto the proposal.

The creation of FEMA signified, among other things, that the Pentagon and the Joint Chiefs of Staff would be shut out of involvement in national emergency planning and implementation — including nuclear war! The director of FEMA, appointed by the President, maintains total control over all federal agencies involved in crisis management from his seat on the National Security Council.

Under PRM-32 and the June 1978 presidential order, FEMA assumes total control over the following agencies:

1. Defense Civil Preparedness Agency, formerly in the Department of Defense;
2. Federal Disaster Assistance Administration, formerly in the Department of Housing and Urban Development, mandated to assume all disaster control authority under the Disaster Relief Acts of 1970 and 1974;
3. Federal Preparedness Agency, formerly in the General Services Administration, responsible for designating all strategic stockpile programs;
4. Federal Insurance Administration, formerly in HUD;
5. National Fire Prevention and Control Administration, formerly in the Commerce Department;
6. National Weather Service, formerly in Commerce;
7. Earthquake Hazard Reduction Program, formerly in the Office of Science and Technology, the White House;
8. Dam Safety Coordinating Program, formerly in the Office of Science and Technology;
9. Federal Emergency Broadcast System, formerly in the Offices of Sciences and Technology.

In addition to these officially mandated components, FEMA is also authorized — through its status within the NSC — to participate in advance planning and crisis management of terrorism along with the Working Group on Terrorism of the Special Coordinating Committee of the NSC.



By the same presidential fiat, President Carter established an even more specific crisis management command structure within the Executive: the Emergency Management Committee. Chaired by the FEMA director, the Committee includes the National Security advisor (an appointed position that requires no Senate approval), the Assistant to the President for Domestic Affairs, the Assistant for Policy and Intergovernmental Relations and the Director of the OMB.

This signifies that Zbigniew Brzezinski, Stuart Eisenstadt, David Aarons, John McIntyre, and the yet-to-be-named FEMA director will dictate U.S. policy at every point of a national crisis. Based on the past performance of these individuals, the broad-based national security powers vested in the EMC and FEMA — and evidence of sabotage involving the agency team at Three-Mile Island — the past week's events signal the beginning of an officially mandated takeover of the U.S. government in preparation for World War III.

— Jeffrey Steinberg

NATO makes IMF strategic issue

Europe is told to subordinate the EMS—or else

The incident involving West German Finance Minister Hans Matthöfer and the NATO authorities reported elsewhere in this section of the *Executive Intelligence Review* is indicative of what is at stake in the successful establishment of the European Monetary System as originally conceived and described by the heads of state of France and West Germany. As this magazine has extensively documented, West German Chancellor Helmut Schmidt had over the past months repeatedly described the EMS as “the kernel of a new international monetary system” which would supplant the International Monetary Fund through a strategy of capital-intensive development for the advanced and developing sector countries. What Finance Minister Matthöfer was told in Washington this past month by ranking NATO authorities was that NATO would consider a threat to the IMF to be a threat to NATO itself; that IMF credit conditionalities are viewed by NATO as a military strategic issue.

Within certain boundaries, the current West German leadership has understood this relationship between economic and military policy for some time. It is a fact, for example, that the birth of the EMS can be dated specifically from the Brezhnev visit to Bonn in May of last year. It is a fact that West German Defense Minister Hans Apel came to the U.S. earlier this year to inform the U.S. Administration that his country would not tolerate the outright “lying” which Washington had been condoning on the sensitive question of the presumed threat represented by Soviet military capability aimed at Western Europe.

In the context of the ensuing heated debate inside NATO on this and related issues, it is also a fact that Chancellor Schmidt told a meeting of his party's parliamentary fraction that if forced to choose between the U.S. and Moscow, West Germany would have to choose Moscow. It was from this standpoint that the EMS founders shaped East-West trade as a significant component of the system, to function as the economic stabilizer of a detente policy.

As Kalfleche in *Le Figaro* documents for the case of Zaire (see below) IMF intervention into the affairs of a

country are always shaped by a very specific *political* purpose: the slanting of economic policy away from (EMS-type) technological development in favor of those entrenched political interests, foreign or domestic, who thrive through the looting of the country's natural resources — whether in the form of raw materials or labor. It is this status quo and the political elites which it services which are threatened by the successful establishment of the European Monetary System. When the Atlantic Alliance further identifies the maintenance of this system to be its specific concern — to the point of exerting considerable pressure on the leading NATO ally, West Germany — the time has come when NATO as it is currently structured must be re-examined and supplanted by a legitimate defense capability.

As Mrs. Sigerson documents in the accompanying article, a carrot is being thrown to Western Europeans in conjunction with the more naked pressure exercised by the NATO authorities; that is, the opportunity to buy up portions of the American economy itself, cheap. As she indicates, this is not a question of European participation in U.S. economic development, but an aspect of the strategy to rationalize the developed sector according to the model of Hitler's much-vaunted finance minister Hjalmar Schacht, often praised by Energy Secretary James R. Schlesinger.

The only solution at this point would be for the West European allies to counter-leverage the intense pressure to which they are being submitted. That means, primarily, dealing with the NATO issue squarely, which would at the same time represent a healthy intervention into American affairs given the proposed candidacy of General Alexander Haig for the American presidency. To put it bluntly, NATO, as an instrument of IMF economic warfare against the proponents of scientific and technological development, must be destroyed. Either this is done speedily, or the West European economies will themselves suffer irreversibly, as in the case of France which the upcoming issue of this magazine will demonstrate.

—Vivian Zoakos

German bankers bow to the IMF

The proceedings of the recent West German national Banking Conference, held March 26-28, reveal that Lazard Freres International and allied "Hofjuden" (court Jew) banker friends in Europe are in the midst of a full-scale power play to seize controlling influence over West Germany's huge private banking system.

Lazard and its friends are coordinating this push in behalf of the British monarchy, to aid Britain's drive to wreck the newly constituted European Monetary System. The Lazard-led clique which is conducting this campaign for the British are the descendants of the same continental European investment banking crew which created and nurtured Adolf Hitler's rise to power and gave Hitler the go-ahead to launch World War II.

Lazard and company are *not* attempting to accomplish the present coup underway in West Germany through a lengthy process of bank "takeovers," such as has been occurring in the U.S. through a veritable "British bank invasion" of depressed U.S. banking stock shares.

In West Germany, the Lazard coup is being conducted as a confrontation over proposed policies for the banking system.

The March Banking Conference proceedings demonstrate that Lazard has proposed to the major West German banks that they drop their support of the EMS; cease their efforts to salvage a number of Third World countries through EMS-backed international loans; and instead, hook up with the latest program of the British-controlled International Monetary Fund (IMF) for raw materials looting in the Third World and energy conservation in the advanced sector.

From the standpoint of the historical and political outlook of West Germany's leading bankers, the March conference can best be described as a major defeat for the policies to which Jürgen Ponto, the former head of the Dresdner Bank, devoted his efforts until he was murdered by the Baader-Meinhof terrorist gang in July 1977.

Ponto is most noted for his efforts to pull massive European investment into an African alliance for peace and development, which he proposed could be successfully carried out by collaboration between the governments of South Africa, Algeria, and French-influenced West Africa. Ponto's African Grand Design efforts made an indispensable contribution to the decision reached by Chancellor Schmidt and French President Giscard a year after his death to found the EMS.

The question which now needs answering is *why* have West Germany's leading bankers apparently agreed to dump Ponto's legacy, which aggressive implementation of the EMS would have brought to fruition, and instead strike a deal with the IMF — which opposed Ponto's every move — through channels run by Lazard Freres?

"Two-level" operation

In West Germany, the British operation to wreck the EMS has been run on two "levels": there is a military side to the operation, and a banking side.

Some time ago, two well-informed sources, one in West German government circles and the other in a major bank in another European country, reported in private conversations that West German Finance Minister Matthöfer had issued a crackdown on any public attacks or policy moves which would give the appearance that the EMS was formed in opposition to the IMF and its policies of global austerity.

Both sources emphasized that Matthöfer issued the crackdown under direct pressure from U.S. NATO officials. Matthöfer was told by these NATO officials that West German attacks on the IMF would be interpreted as open offense against the NATO alliance and would be handled accordingly.

One of the individuals known to have pressured the West German government in this way is World Bank head Robert McNamara, also former head of the U.S. Department of Defense.

In the early part of March, McNamara visited Bonn and Frankfurt for highly confidential talks. While he was there, a major conference was held in Bonn on "Third World development policy" under the auspices of the Evangelical and Catholic churches. The keynote speaker at the conference was Gamani Corea, head of the Geneva headquarters of the UN Conference on Trade and Development (UNCTAD) and a protégé of Britain's colonial foreign office bureaucracy since his school days at the London School of Economics.

McNamara's visit to Bonn and Frankfurt in connection with Corea's appearance was a brazen insult to Chancellor Schmidt, who at that moment was attempting to push the EMS into its first official implementation phase with Giscard. The two officials, directly or indirectly exerted pressure whose effect was to say to Schmidt: The U.S., Britain and the IMF can live with the fact that you succeeded in creating the EMS, but if you use it to seriously develop the Third World, we will consider your government a threat to the NATO alliance.

The Cleveland hoax

Had Schmidt had the support of West Germany's leading bankers and industrialists behind him, he could have weathered the storm of a confrontation with McNamara at that time.

However, under the influence of Lazard Freres, the core leadership of West Germany's major banks had already begun to have second thoughts about backing Schmidt on immediate implementation of the EMS. Under Lazard's influence, Dresdner Bank, Deutsche Bank and Commerzbank had already executed an about-face, and were going with the line that EMS development loans to the Third World will take at least two years to reach initial implementation stage.

In the period of November-December 1978, Lazard Freres, S.G. Warburg and Blythe Eastman Dillon launched a large-scale operation to convince West German corporate and banking leaders that powerful business interests in the U.S. wanted to use the opportunity of the founding of the EMS to promote European investment and joint ventures in North America.

To add credence to their role as unofficial "mediator" between U.S. and European businessmen, Lazard's rigged a number of publicity stunts. In December 1978, Lazard's partial West German subsidiary, a small Frankfurt bank called the Dausbank, offered the city of Cleveland a deutschemark-denominated loan at low interest rates, to save Cleveland from bankruptcy.

The Dausbank offer was covered in numerous U.S. regional newspapers. As Dausbank director Phillip Lynch, a spooky and pompous fellow who maintains a residence in Shaker Heights, Ohio, reported at that time, the purpose of the loan offer was to launch the "idea" of massive German investment in the U.S., although it was expected that Cleveland, the "test case" would probably turn the loan down.

In an interview, Lynch emphasized that Lazard was aiming to use the prospect of massive U.S. investment deals to convince West German bankers to liquidate their shareholdings in West German corporate equity.

Lazard's scheme to break up the traditional, airtight corporate equity arrangements in West German banking, through which the banks have traditionally "run" industry in behalf of policies of high technology export was openly discussed during the March Banking Conference.

Lazard's new German capital market

International observers were shocked, in fact, to learn that during the conference Bundesbank director Otmar Emminger, Economics Minister Count Lamsdorff, and Dresdner Bank chairman Hans Friderichs all proposed that the banks officially "limit" their industrial shareholdings to 15 percent of total equity per company—and that not a single whimper of protest was raised against this open assault against the key financial arrangement which allowed Germany ever to become an industrial power in the first place.

In this connection, Lynch's December remarks are revealing. Lynch stated: "There are vast amounts of funds around the world. Germany stands out among all

the capital markets. Frankfurt alone is headquarters of a quarter of a trillion dollars.... There are huge banks there — \$30-60 billion range.... You can't judge the German capital markets from the stock market, a mistake Americans tend to make. Let us say that from an Anglo-Saxon bias, the German markets are not impressive. But look at the debt area: insurance — the largest reinsurance group in the world is Munich Re.... The structure of the German capital markets has rarely been understood by Americans."

Now, Lazard's is proposing that these funds be brought into North America and be used to finance "raw materials development" (i.e., labor-intensive looting) under IMF direction in key Third World target countries like Argentina, Chile and Peru.

In North America, in particular, the investments under discussion are strictly those proposed by a Blythe Eastman Dillon prospectus for a "North American Common Market" — a program which focuses on dismantling U.S. high technology production particularly in the energy sector in favor of pick-and-shovel investments in coal and expensive domestic oil production.

Otto von Habsburg

It is impossible to understand how Lazard et al. could succeed in duping the entire West German banking community into dropping aggressive support of the EMS without reviewing certain kinds of "dirty laundry" about international relations between bankers.

It is clear that Lazard has been able to push this operation as far as it has gone because numerous "powerful" U.S. business leaders indeed support the sort of policy which the North American Common Market represents.

For example, David Rockefeller, whose leadership is belittled elsewhere, is known to have a very good reputation and massive respect throughout West German business layers. It is also known that at least 50 percent of Exxon Corporation's Rockefeller-run leadership has opted for the incompetent North American Common Market proposal.

West German bankers who accept Rockefeller's word on what is "preferred" U.S. economic policy and business opportunities should start using their own information to evaluate Rockefeller's qualifications to set the pace for U.S. national policy decisions.

For example, it is well known to the West German leaders concerned that for no fewer than 20 years, Rockefeller has had an obsessive and pathetic adoration for Count Otto von Habsburg, the deranged Austrian citizen who was recently rejected as a West German candidate for the European Parliament because of his announced intent to resurrect the Habsburg Empire. In West Germany, Habsburg's closest associate is neo-Nazi Franz Josef Strauss, a leading opponent of the EMS.

The policies the bankers are defending

In acceding to NATO and World Bank pressure not to break with the International Monetary Fund, West Germany's bankers have traded the development-oriented policies of the murdered Jürgen Ponto for systematic looting policies which have ruined countless developing sector economies in order to line the pockets of the same Rothschild-linked financial interests which are opposing the European Monetary System in the German financial community.

A case in point is Zaire, where *Le Figaro* correspondent Jean-Marc Kalfleche revealed in the March 16 and 17 issues of that publication, the role of IMF overseer Erwin Blumenthal (a West German, and the first IMF official to take direct control over a bankrupt country's finances) is to insure that the Belgian-Rothschild Union Minière mining corporation continues to be able to siphon off revenues from the Zairean treasury.

Kalfleche charges that "hundreds of millions of dollars (has failed) to appear in the coffers of the state," and that "Zairean and European interests — essentially Belgian, it must be said — would be significantly affected if one cut off this hemorrhage." The IMF-Union Minière milking operation, reports Kalfleche, deprives Zaire of between \$200 and \$500 million a year, "the second figure appearing more reasonable than the first, according to numerous experts." The latter figure is also greater than Zaire's current or estimated future debt service for any year. Part of the loss stems from Union Minière's monopoly on marketing of Zaire's copper, and their prepayment for copper for which they get what Kalfleche calls a "usurious" discount. Union Minière's Zairean partners also get a cut, with which they speculate on the black market in currency in Kinshasa.

But the tragedy of bankrupt Zaire goes beyond the IMF's current milking operation. Zaire, which now labors under IMF overseer Blumenthal to curb "profligacy" and ensure that it meets its foreign debt schedule even at the cost of starvation of elements of its population, in a case of a promising economy which was ruined in the years following independence in 1960, by following economic policies designed and guaranteed by the IMF itself, for the benefit of Union Minière and related financial interests.

In 1970, for example, the country's foreign public-

sector debt was \$310.6 million; by 1974 it was quadruple that, \$1.3 billion, and is now around \$3 billion. In 1974, however, the price of copper, Zaire's principal product, fell through the floor, leaving the nation with no means to repay.

At the same time, Zaire's formerly thriving commercial agricultural sector and its embryonic manufacturing sector have both collapsed, as has the country's infrastructure. At independence, the country had 80,000 miles of usable roads; it now has 12,000. Between settler-run plantations and smallholder farming, the country used to produce a surplus of food, but between 1970 and 1977, agricultural production increased a paltry 3 percent, for a *per capita drop* of 16 percent. In the last two years, the situation has worsened immeasurably — 1977's Gross Domestic Product declined 2 percent from 1976, and for 1978, the most optimistic expectation is that the decline may level off. Food inflation in the cities is now around 200 percent a year, with the poorest denizen's paying a month's wages for a week's supply of maize meal.

The IMF's latest "recovery" plan has compounded Zaire's difficulties. With its functionary Blumenthal in the key position in the Banque du Zaire, the IMF is trying to institute the following regimen: 30 percent of all foreign exchange receipts are to be transmitted automatically to the Banque du Zaire for deposit in an account in the Bank for International Settlements to pay back the overseas debt. Thirty-five percent may then be allocated to raw materials, spare parts, maintenance and the like; 33 percent to food and pharmaceuticals; 25 percent to services and other invisibles; 2 percent (two) to fuel both for electrical generation and transport; and 5 percent otherwise. The fuel allocation is a particularly murderous decree. Zaire's domestic food production has collapsed almost exclusively because of a lack of transport to get food to market, forcing peasants back to subsistence farming and leaving the cities dependent on imported food; the fuel allocation not only further exacerbates the domestic situation, it almost guarantees that what food is imported will not be transported to the consumer.

— Peter Buck

Energy battle lines drawn in BRD

Compounding the pressure on West Germany's Schmidt government, which made nuclear energy a cornerstone of the European Monetary System, has been a virulent environmentalist eruption against nuclear power in the wake of the Harrisburg reactor crisis in the United States. Mobs of hippies and youthful environmentalists have demonstrated at the planned Gorleben nuclear waste dump, while leading mass circulation press organs, such as the *Süddeutsche Zeitung*, ran headlines screaming, "Will the Harrisburg Reactor Explode?"

But the environmentalist outbreak against nuclear energy may be the stimulus that shocks the BRD out of its lethargy. While many of Germany's younger generation have been gulled by the antinuclear propaganda, energy austerity, such as that being proposed by Energy Secretary James Schlesinger for the United States, is no trivial matter here. Most of the adult population vividly remembers Hitler's forced labor from the Labor Service (Arbeitsdienst), austerity wages for coal miners, and concentration camp slave labor worked to death in coal gasification factories.

German advocates of nuclear energy are beginning to draw the battle lines around precisely this issue. Hans Mundorff, chief editor of the financial daily *Handelsblatt* explained the connection in his editorial "Nevertheless: Nuclear Energy" April 3. "One could, for example, dictate zero growth. That policy, however, could not remain limited to GNP, but would also have to be applied to the reproduction of mankind, which also occurs in geometrical progression. Do you want that? Do you want the gigantic bureaucracy which is solely responsible for controlling every form of growth, totally by itself and in policy-state style? Such a bureaucracy which would obviously have to be a supranational one, could not be established without war. . . . one could also increase German coal production to 200 million tons per year, which would of course presuppose slave labor for workers, the Labor Service."

The argument of the *Handelsblatt* editorial is being echoed by both West German government nuclear oversight agencies, and by the energy spokesman for the opposition Christian Democratic Union party, Dr. Karl-Heinz Narjes.

The Reactor Security Commission, which briefed the Cabinet on April 4, issued a release labeling the turning off of the Three-Mile Island cooling system by hand "a friendly-like human denial" of the automatic cooling system. It stated that without this direct intervention, things would have been better inside the reactor.

Narjes tackled the whole debate about nuclear safety head on in a release April 3, calling for unhampered continuation of nuclear construction in West Germany. The release stated that human intervention could not occur in West German reactors, which have enough automatic safety systems to make bungling human interference impossible.

And several daily newspapers, which were among the first to print scare stories about Three-Mile Island, and which enthusiastically covered a 40,000 antinuclear demonstration at the site for the Gorleben nuclear waste dump March 31, are now backing nuclear energy.

The April 3 *Bildzeitung*, the largest circulation daily in the country, ran a large article on page two headlined, "Without Nuclear Energy, It Doesn't Work: No Wind, Solar, Oil or Coal Energy can fit." The article detailed how rejecting nuclear energy in the BRD would mean "labor intensive jobs in coal" and 150,000 more coal miners to fill the demand for energy. "We will have to live with nuclear energy in the future — there isn't any substitute visible," the paper concluded.

Another daily, the *Frankfurter Allgemeine Zeitung* wrote on April 3 that it was the "human failure" that caused the accident at the Three-Mile Plant, not the nuclear plant itself. The *Zeitung* also moved to quash hysteria about radioactive contamination around the plant by reminding its readers that the plant had only been operating for three months, not long enough to generate significant amounts of radiation. Using an argument similar to the Reactor Security Commission, the *Zeitung* argued that the incident would not have been so significant if the cooling system had not been cut off.

Gorleben

The environmentalist demonstrations around the site of the planned Gorleben nuclear waste dump in Lower Saxony, which reached a peak March 31 as news about Harrisburg spread throughout the BRD, give a good idea of just who is controlling and financing the well-organized environmentalists' campaign.

For the last year or so, ever since the Federal Government has let it be known that the deep salt deposits under the farming village of Gorleben made that site the prime candidate for the dump, environmentalists, hippies, college dropouts, and a significant number of the same counterculture layers who support terrorism have been camping out around Gorleben in so

called "ecological villages." Their headquarters has been the basement of the country estate owned by Count Brockdorff, a leading environmentalist in his own right, who just happens to be the major landowner in the Gorleben area. When the considerable money and material aid that the Count has given the environmentalists has not been enough to help them get publicity, the Count uses his contacts in the Lutheran Church to gain further sympathy for their cause, for the Count is also one of the leading lay Protestants in West Germany.

It was not accident, then, that on March 31 seven special trains from nearby North German cities, 340 special buses and several columns of protestors rallied at Gorleben "Against a second Harrisburg." The medieval count, backward peasants, and proterrorist counterculture groups all joined forces against nuclear energy. Most of these dupes thought they were really rallying to spare the world a nuclear holocaust, but one of the CDU politicians who has been tailing the antinuclear movement, Richard von Weizsäcker, let the cat out of the bag in a statement to the April 2 *Zeitung*. Weizsäcker insisted he was against the Gorleben dump because "in a couple hundred years, after the third and fourth world war, no one will know any more that such dangerous material is deeply buried there, and this could have catastrophic consequences if a mine were sunk there."

As of this date, von Weizsäcker is the only operative in the BRD to admit that the danger of radioactive contamination does not come from nuclear reactors, but from impending worldwide nuclear war.

—James Cleary

'Ending nuclear power means slave labor'

An article by chief editor Hans Mundorff titled "Nevertheless, Nuclear Energy," in the March 3 Handelsblatt, the German business daily, is excerpted below.

... Harrisburg will give the opposition to nuclear power a powerful push. The antinuclear tracks we saw in Gorleben will get even longer in the future. The discussions about energy policy and growth in the political parties will be more "Epplerized."

But nothing is going to change in the following situation, despite Harrisburg: there will be no taboo on nuclear power, even if its peaceful use claims some victims. Even the auto motor hasn't been outlawed even

though it has cost hundreds of thousands of people their lives yearly, and gave the last World War its dimensions of mass population destruction. People have gotten used to the horror scenes on the highway. They pay the toll in blood without reservation for the comfort of motorization. They are also going to want to live with the risks of nuclear accidents.

Since the hostile use of nuclear energy, the atom bomb, is not banned, and will surely also belong to the conventional weapons arsenals of some barbaric states in a few decades, what sense does it make to pull ambulances with horses? To be able to continue to build tanks? The nation that forbids the peaceful use of nuclear energy today is going to see reactor towers on his neighbor's border and nuclear bombs in his depot tomorrow. The risk of this energy is worldwide, you cannot flee from it.

And even after Harrisburg, there will be no alternative to the question: if not on nuclear energy, then on what energy are our grandchildren going to live in the year 2010? Without nuclear fission or fusion—both forms of energy are risky — mankind, in its present and continuously expanding extent — cannot survive. Fossil energy stocks are going to be used up in a few decades.

Of course, one might theoretically extend the time period up to this energy gap. One could, for example, dictate zero growth. That policy, however, could not remain limited to GNP, but would also have to be applied to the reproduction of mankind, which also occurs in a geometrical progression. Do you want that? Do you want one gigantic bureaucracy with sole authority over every form of growth, police-state style? Such a bureaucracy, which would obviously have to be a supra-national one, could not be established without war.

One could also sop up the available fossil energy stocks to the last drop and outlaw nuclear energy. One could manage these fossil fuel stocks, rely on alleged social priorities, punish the waste of energy, as was done once before.... One could also increase German coal production to 200 million tons per year, which would of course presuppose slave labor work for workers, the Arbeitsdienst. What would be technically in terms of energy security would be lost in freedom. And instead of our grandchildren having to go without energy, it would only be our great grandchildren who would have to do without.

The SPD presented a discussion thesis on energy policy in March 1977. The insight formulated then is still valid today: "It hardly appears conceivable that things could come to a worldwide outlawing of nuclear energy...."

French nuclear plan unaffected, but...

Reacting to the incident at the Three-Mile Island nuclear power plant, French Prime Minister Raymond Barre declared April 2 that this was "A considerable event, more because of its psychological fallout than its technical aspects." He added that it would not lead "to putting into question the French nuclear program. We will not treat what happened lightly, but we must not draw premature conclusions... France cannot afford to do without nuclear."

While the French commitment to pursue the rapid development of nuclear-based electricity generation is unquestioned, the French have been put in a squeeze by the contrived oil shortage hoax. Although taking certain steps to ensure that the 1983 target of 50 percent electricity production through nuclear sources does not slip behind any further than it already has, the French government has been disastrously affected by the oil hoax, and is calling for a European-wide oil-austerity package.

Just back from a trip to Saudi Arabia, French Minister of Industry Andre Giraud — whose commitment to nuclear energy is a strong one — presided over the European Energy Ministers Council meeting March 27 and proposed: 1) reducing the rate of dependency on oil imports by 50 percent, 2) limiting global oil imports by 1985 to the level reached in 1978 with a 500 million ton oil ceiling on EEC consumption, and 3) reducing the correlation rate between growth in energy consumption and growth of GNP to 0.8 percent. Not surprisingly, British Energy Minister Anthony Wedgwood Benn described the session as "one of the most constructive Council meetings he attended in four years," according to *Le Figaro*.

The Ambroise Roux connection

This proposal is not only the result of muddled economic thinking at the top, but the fact that the Elysée Palace and President Giscard's ministers are surrounded

Le Figaro: nuclear foes are 'buffoons'

The April 2 edition of the French daily Le Figaro featured the following editorial by Max Clos. Clos gave his editorial the title, "Buffoons."

The Harrisburg accident has permitted the setting off of a formidable antinuclear campaign. There is nothing surprising in the fact that the ecologists have used this as an occasion to spread their whining. But for reputedly serious politicians and commentators to act like buffoons is more worrying...

Let us begin with one fact: the advanced industrial nations — and France among them — have no other choice but nuclear. To deplore this does not change anything with the fundamental facts. One can condemn the atom in the name of philosophical principles, but only on the condition of knowing what its consequences would be: a halt to economic development, a recession, and logically, a return to the prehistoric age. Goat's milk might be healthy as a food substance, but it is not a good substitute for oil...

Between now and the year 2000 ... our nuclear

program will ensure 20 percent of our global needs and half of our electricity production. This is an absolute minimum. From this standpoint, the choice is simple: the atom or ruin. Do the antinuclear people ignore the facts of the dossier, or do they just pretend?

We are assured that nuclear plants present dangers. This is true. But what source of energy, what technological progress does not. There have been neither dead nor wounded at Harrisburg. How many miners have been killed in the coal mines? Trains sometimes derail. Are we to go back to the stage coach? Beneath cities, gas lines explode. Should we heat ourselves with logs? Sometimes planes crash. Do you want to go on vacation in a canoe? Hydraulic dams holding back millions of tons of water can sometimes collapse. Should we go back to oil lamps?

There is no economic development without risk. There is no modern industrial society without dangers. The question is to control these risks and dangers. In the case of nuclear, nothing permits us to believe that they are not (under control —ed.) It is true that we are no longer in the domain of the rational, but in the vague world of fantasies...

There is no other coherent choice. Clamors will go up "demanding" that the French nuclear program be stopped. We have to know that France does not have the means to abandon, or even delay, the program.

by a virulent virus known as the "new economists" who are increasingly shaping their thinking. The "new economists" have brought the plague of Adam Smithian "adapting to the crisis" to France. The problem is compounded by the existence of a private network, centered around Ambroise Roux, President of Compagnie Générale d'Electricité (CGE), who also heads the energy commission of the powerful businessmen's association, the CNPF.

CGE is the fourth largest private industrial grouping in France with myriad shareholdings throughout electrical engineering and equipment, telecommunications and related sectors, giving Roux an important voice in the entire industry. In past weeks CGE has made major investments in the solar energy industry with U.S. companies. Recently, Roux was privy to a private strategy session on "world problems" with Henry Kissinger in France. His vendetta against the nuclear industry dates back to the early 1970s when the French government favored Creusot-Loire's adoption of a Westinghouse license for the original nuclear program, against a CGE-General Electric license.

It is well known, and was reported in the French press at that time, that Ambroise Roux became one of the main financial backers of Socialist Party leader François Mitterrand's unsuccessful presidential race against Giscard in 1974. Following the Harrisburg incident, Mitterrand was the first to speak up to call for a moratorium on nuclear plant construction, a parliamentary commission of inquiry and an Austrian-style national referendum on nuclear energy. The closely allied trade union, the CFDT, has been calling for a total halt to nuclear plant construction and the development of solar, wind, geothermal and coal power instead.

The government's objectives

The 1974 "Messmer plan" (named after Gaullist Prime Minister Pierre Messmer) called for more than 50 percent of France's electricity production to come from nuclear power by 1985. As a result of the courtroom and street machinations of the ecologists, that program is now an estimated one to two years behind schedule.

While original estimates called for 50 to 55 million tons of oil-equivalent nuclear energy production by 1985, that fell to 40 because of the delays, but was recently brought back to 45 as a result of government decisions to speed up construction of two nuclear plants, at Gravelines (two 900 Mw reactors) and Cattenom (one 1300 Mw reactor).

The 1979 budget of Electricité de France (EDF, the government-controlled electricity monopoly), out of a total of 22 billion francs, allocates 12.2 billion francs for nuclear, compared with 8.6 in 1978 and 6.3 in 1977.

— *Dana Sloan*

Britain eyes EMS as an austerity instrument

Since the first announcement of the formation of the European Monetary System, Britain has adopted various tactics aimed at stopping adoption of the new system entirely. But now, with the EMS officially in operation without Britain, a shift in emphasis is being discussed in British financial circles.

Sources in both London and Brussels have reported that Britain is now seeking some form of "associate status" in the EMS within a few months, to be able to turn the new monetary system into a replica of the International Monetary Fund (IMF). The EMS—under British direction—would then be rendered key instrument for heading off technology-intensive development of the Third World, redirecting the European economies back toward the British policy of zero-growth austerity.

The British outlook of "boring from within" the EMS was developed at a meeting of the Royal Institute for International Affairs (RIIA) last November, attended by top bankers and policymakers which included representatives of both political parties as well as the financial press. The meeting was addressed by Sir Jeremy Morse, chairman of Lloyds Bank and a former leading official of the International Monetary Fund who called on the government to take Britain into the EMS "for our own good and Europe's good." Sir Jeremy, also a former executive director of the Bank of England, said that the EMS could only work if European countries worked together to achieve "convergence" of their economies, meaning joint policies to cut inflation by curtailing growth. At that point, Morse emphasized the key role of the IMF's Special Drawing Rights in "rebuilding a better base for the world economy."

In sheep's clothing

The idea of Britain's joining the EMS had remained shelved for several months while London watched European developments carefully. Once the EMS had been successfully launched by the EEC heads of state at their February meeting, London decided to move in for the kill. Rumors began to circulate in Brussels that Britain would seek a share in the European Community credit program under which the less prosperous members of the EMS will be able to borrow at reduced rates. In case Britain decided to join, Healey demanded, Ireland and Italy—who are on line to receive interest rate subsidies—should be bumped if necessary to make room for the "more needy" British. This was to be Britain's first step in weakening the EMS: driving out the most

vulnerable members. According to the *Daily Telegraph*, if Chancellor of the Exchequer Healy carried out his threat to veto the EEC resolution granting special aid to Italy and Ireland, "these two countries (would) probably have to reconsider their membership in the EMS."

During the entire period of EMS policy formulation in Bonn and Paris, the British press kept up a barrage of attacks against Giscard and Schmidt, the cofounders of the System, while repeatedly warning that the role of the IMF must not be eclipsed by the new Fund. Although the European Monetary Fund — the credit-issuing facility which is an integral part of the EMS's structure — is "potentially a challenge to the IMF," wrote the *Economist* in September 1978, the two can "co-exist fruitfully." It is up to the U.S., which is the IMF's biggest member, added the *Economist*, to see that Europe's new monetary system is not a threat to America, the dollar and the IMF.

This same theme has been drilled home to Europe by Healey at every IMF meeting since the EMS took seed in Bremen last July. Perhaps the best exponent of the view that the EMS should be used to promote austerity in the advanced sector is Roy Jenkins, President of the European Commission. Jenkins, a former British Interior Minister, has been using his current Brussels post to proclaim the virtues of British-style monetarism and antitechnology policies. The EMS would provide a means of "central bank discipline" over the European economies, permitting governments to carry out needed "structural reforms," Jenkins has said repeatedly.

In the meantime, a major strategic reorientation is going on in British politics which will mean that whoever wins the May 3 election, sabotage of the EMS and a sharp veering toward war mobilization are on the agenda. The ability of the emerging European Monetary System to keep currencies stable and the included breaking of the historic link between the pound sterling and the Irish punt has only intensified the British determination to derail the EMS before it can become a principal international instrument for promoting industrial development.

It is no surprise, therefore, that the Royal Institute for International Affairs line has once again emerged. Last week, *Financial Times*' economics editor Samuel Brittan suggested a "transitional formula" for Britain's participation in the EMS which would be based on the wider 6 percent currency band. This would give sterling the opportunity to upset the stabilization scheme.

Within the Labour Party, Callaghan's close economic advisor Harold Lever—a participant in the November RIIA meeting—is calling for a reappraisal of Labour's anti-EEC stand, and a possible about-face on the EMS question.

Breaking the EMS nuclear policy

There is not the least possibility, however, that Britain

would surrender its sovereignty and become a loyal EMS member. In fact, the only basis for membership would be Europe's surrender to the kind of policies outlined by British Energy Secretary Anthony Wedgwood Benn at a recent EEC meeting. Benn came out strongly against the European program for nuclear energy development based on his previous argument that "technology is too dangerous" for the common people. Benn was also the first to pledge that his country would cut back its energy requirements by 4 percent and return to a coal-burning economy.

Should Conservative Party leader Margaret Thatcher become Britain's next Prime Minister, the *Economist* has already written her script. The March 25 issue urged Thatcher to make Britain a "full member of the EMS instead of hovering awkwardly on the sidelines." The reason: "a full member of the club finds it easier to bend the rules to its advantage than a semi-suspect outsider."

—Marla Minnicino

Jenkins tries to shoehorn Britain into the EMS.

The terms of British entry into the European Monetary System, as seen by the British, were covered in a speech by Roy Jenkins, President of the European Commission, excerpted here, that was delivered to the European Parliament on Feb. 13.

I hope that it will be possible for the Community, fortified by the creation of the European Monetary System, to play a more positive role in discussion of international monetary problems, I am in no sense suggesting a downgrading of the role of the International Monetary Fund. But within the Fund there is scope for a greater European contribution since economic and monetary policies are two sides of the same coin.... The European Monetary System can give a major thrust to our objectives, but it cannot become an isolated column too far in advance of the main army of economic advance....

On energy, we recently have a vivid reminder of the fragility of the technology on which our way of life is based. Large portions of Europe were paralyzed by deep snow and ice, entire regions were cut off; electricity supplies were stretched to their limits and beyond.... Many of our citizens were faced with a lack of means to keep themselves and their families warm. It is in just such a situation that our dependence on electricity, oil and coal and on other energy supplies is brought home not just to governments but to almost all the people of the Community.

Israel to move into Saudi Arabia

Report U.S. trains terrorists to attack oil fields

An invasion of Saudi Arabia's oil-producing areas as Phase II of the Camp David war pact has been set into motion by NATO and Israeli intelligence, according to informed Arab sources.

Information on the plan, gleaned by these Arab sources on the scene, confirms published reports that Energy Secretary James Schlesinger had prepared contingency plans to "protect" U.S. oil supplies, and comes after Defense Secretary Harold Brown's publicized trip to the Middle East during which similar plans were discussed.

As described by our sources, the plan, a two-step process, would almost certainly result not in guaranteed U.S. oil supplies, but in a shortage that dwarfs the 1973-74 oil crisis.

Under step one of the plan, a team of highly trained commandos posing as Palestinian radicals would destroy Saudi oil installations — an action that would then be blamed on the Soviet Union and Iraq. In step two, joint NATO-Israeli units would invade Saudi Arabia and seize control of the shattered oil installations.

Implementation of this shocking scheme — directed against one of America's traditional allies in the Arab world — is likely to come in the very near future, to sidestep what NATO and Carter Administration planners allege is a Saudi drift toward the Soviet Union. In fact, the Carter Administration's trampling on Arab concerns in the Camp David separate peace between Israel and Egypt has forced the Saudis toward a rapprochement with more radical Arab states, notably Iraq and Syria. A corollary of this is a trend toward normal — but by no means "close" — Saudi relations with the USSR.

How it works

The commandos who will carry out the operation to blow up the oil fields in Saudi Arabia — for which a successful test run occurred at the Abqaiq fields in 1977 — are Spanish-speaking Puerto Ricans and Mexicans who are presently being trained in Arabic language and Arab customs in order that they might impersonate Palestinian Arabs. Two training centers, one at the U.S.

military foreign language center in Monterey, California and the other in Europe, have been jointly established by NATO Intelligence and the Mossad of Israel, using CIA channels.

Coordinating at least part of the operation, sources report, is an infamous Israeli hit man, Zwy Aldouby. Aldouby, a professional killer, was assigned in 1978 to the project to assassinate U.S. Labor Party Chairman Lyndon LaRouche in the United States.

Recent NATO naval maneuvers by the U.S. and British in the east Mediterranean, with Israeli logistical support, are in preparation for the Saudi invasion, according to Arab sources.

The Seven Sisters oil majors, particularly including Royal Dutch Shell and British Petroleum, are deeply involved in the planning and execution of this operation. According to sources, Mobil Oil is also running part of the operation, in conjunction with the Washington-based Middle East Educational Trust, led by Mobil's Jack Hayes, Joseph Malone, and Hugh Auchincloss.

Showdown over Saudis

With the decision of Saudi Arabia to support the Iraq-Syria bloc in the Arab world and condemn President Sadat of Egypt for his deal with Israel, NATO and related policy planners are openly out to crush Saudi Arabia. Most upsetting to the London-Tel Aviv axis is the rapprochement between Saudi Arabia and the USSR.

"The real threat facing the U.S. is the subtle shift wherein the Saudis recognize Moscow and move into a posture where American intervention in the Gulf area becomes unthinkable, largely for purely military considerations," says NATO strategist Frank Barnett.

In recent weeks, Saudi Arabia has developed an increasingly close relationship with Iraq on security issues, beginning with a meeting between Saddam Hussein of Iraq and the Saudi chief of intelligence. According to Arab sources, the Iraqi air force has already begun to patrol Saudi oil fields and to prepare to guarantee Saudi security in exchange for Saudi political support for the Iraq-Syria axis against Sadat. This arrangement has shifted the entire geometry of politics in the Middle East.

With the collapse of the Shah of Iran and his replacement by the fascist Khomeini regime, the state of Iran has begun to disintegrate according to the so-called "Bernard Lewis plan" for fragmentation along tribal and sectarian lines. The chaos emanating from Iran, fed by British and Zionist intelligence services, is meant now to spill over into neighboring Saudi Arabia and Iraq.

According to Bernard Lewis, in an interview yesterday, it is expected that Arab terrorists from the Arab province of Khuzestan in Iran will launch actions against Iraq and Saudi Arabia to "protest" the Camp David treaty. It is this threat which may serve as a cover for the NATO terror squads and Aldouby to launch airborne raids on Saudi oil wells, possibly from Iran, but more likely from bases in Cyprus and the sultanate of Oman,

both of which are still virtual British colonies. The emirate of Dubai has also been mentioned as a source of such an attack.

Irresponsible threats to this effect were also issued just days ago by Hani al-Hassan of the Palestine Liberation Organization (PLO), now the PLO ambassador in Teheran, Iran. Hassan threatened that the PLO would very soon initiate terrorist activity against "American interests," saying that "the coming days will be days of hellfire and brimstone." Together with the activities of the PFLP's George Habash — who is an Israeli agent, according to one Arab diplomat — Hassan's reckless bravado only serves to aid the NATO-Israel plot.

— Robert Dreyfuss

'Saudis must feel Israeli threat'

Frank Barnett of the National Strategy Information Center gave the following analysis of the situation facing NATO and U.S. policy-makers regarding Saudi Arabia to an interviewer this week.

The real threat facing the U.S. is the subtle shift wherein the Saudis recognize Moscow and move into a posture where American intervention into the Gulf area becomes unthinkable, largely for purely military considerations. The Saudis, in this way, are playing a subtle game whereby a kind of nonformal Soviet umbrella could protect them, in the same way that Teng calculates that a nonformal American umbrella protects him against the Soviets. This will amount, in fact, to a *tacit* Soviet umbrella being thrown up around Arab OPEC, which will give the OPEC producers more leverage to do as they feel.

The problem in that area is simple now, especially if the above considerations prevail. On any given day, the Soviet warships outnumber those of the U.S., and the Soviets have their superweapon Backfire bomber, which gives them air superiority. This can't change unless we establish an extensive permanent Indian Ocean force centered around a carrier. But more important is the question of who has the power and the will to use force. It is *this* that will determine how the Saudis act. If the Saudis see the Soviets as having greater will to use force, then they will bow to the natural pressures of their internal Palestinian constituency and to the power of the surprising Syria-Iraq alliance, and will make a deal, in effect, with Moscow.

Under current circumstances, it is infinitely difficult for us to use the Israelis as our main, or sole, force in the

Mideast, because of the Arab frame of mind. And we have to worry about Sadat staying in power. So we must move toward a larger alliance: the Saudis, the Turks, and Jordanians with the Israelis and Egyptians, so that we put a U.S. umbrella over the oil. The way this could be done is to promise the Saudis not just protection from Iraq but more importantly, from the Israelis. This is the way NATO was formed: France and Germany were mutually suspicious, and both were suspicious of the Soviets, so the U.S. promised them protection against each other, and protection against the Soviets. We should be thinking in the same terms now, since we are now repeating the post World War II NATO process in the Middle East.

We should explore actively the Israeli-threat-to-the-Saudis possibility. It may not seem very live to us, maybe a 5 percent type of thing. But given the military contingency thinking now being done by all elites, Israel must be thinking in terms of this, and the Saudis must know this. And the Saudis have the paranoia-of-Zionism legacy from King Faisal; the Zionist spectre still haunts them. So, whereas we may see a 5 percent possibility in an Israeli attack, the Saudis see a 65 percent probability of an Israeli attack, and that 65 percent could be made to weigh over the 59 percent possibility of the Saudis recognizing the Soviets. We can give them a guarantee, and then we'll bring the Turks in through American and Saudi money and European/Southern tier pressure, prevailing on the Turks to act as they historically have been developed to do — a Middle Eastern power. This could be called a new Middle East pact.

China scraps heavy industry bid, shifts to light industry exports

The shift in Chinese foreign policy signaled by the invasion of Vietnam, it is now clear, was accompanied by an even more radical realignment of China's strategy for domestic economic development. In launching its war against Vietnam on February 17, China committed itself to a permanent war mobilization on its southern border to try to bleed Vietnam to death, and a mobilization of its northern and western borders in preparation for possible Soviet countermeasures.

Internally, China has turned away from a long-term, heavy industry-oriented effort to foster real economic development to a short-term, get-rich-quick mobiliza-

tion for light industry for export to be able to import the military and related goods needed to sustain its war economy.

To carry out the shift, Deng Xiaoping, leader of the dominant faction within China's Communist Party leadership, was forced to abrogate a barely two-month old truce with the faction led by Wang Dongxing, the former bodyguard of Mao Zedong, reached last December, because Wang's group apparently opposed some or all of the new policies. While Deng appears to have won out for the moment, and may even have purged Wang and his followers from the Politburo, Deng's own course is sustained not by popular approval, but only by Deng's support from the U.S. and Great Britain for his role in heating up the eastern portion of Zbigniew Brzezinski's "arc of crisis" destabilizations stretching from Vietnam to Afghanistan. Economically and socially, Deng is sitting atop a powderkeg, and cannot satisfy the desires of the Chinese population for a rising standard of living, and will stir up rising opposition to himself by his economic policies.

While not understood by many analysts, the key to the Chinese situation is the integral connection between the new active war policy, and already existing economic problems and the solutions adopted to them. All of the key economic and factional shifts were announced or presaged within a week of the invasion of Vietnam, confirming that all are linked in one overall factional package forced through by the Deng faction.

The underlying economic fact of life for China is that only detente with both the U.S. and the Soviet Union, and moves for region-wide economic cooperation and development with all of China's neighbors, would create the context in which China's own mammoth problems would become solvable. By taking the opposite course, China's leaders have doomed the country to enact merely one or another non-viable attempted solution. China's latest shift represents a change from an incompetently planned domestically oriented crash develop-

Capital construction cutbacks

Following are excerpts from a March 24 People's Daily editorial on the need to make sharp cuts in China's capital construction program. The editorial was titled "Make Adjustment in the Course of Advance, Advance in the Course of Making Adjustment."

We must resolutely stop construction on all projects lacking adequate hydrogeological, geological, engineering and resource information; we must resolutely stop construction on projects lacking proper design and technology; ... on projects lacking construction materials, equipment, funds and manpower; ... for which the supply of fuel, raw and other materials, water and transportation are not guaranteed and completed; ... on projects with backward technology and high operation costs.... Admitted partially completed projects are a waste, but ... halting or postponing construction of a number of projects will yield much less waste (than continuing them now)."

ment effort, to a World Bank-style, outwardly oriented export and austerity approach.

The dimensions of the crisis

The official revelations of economic problems published in the latter half of March confirm in full the estimations made in these pages three weeks ago (*Executive Intelligence Review*, March 13-19) that drastic cutbacks were being made in China's development program because of the failure of unplanned and chaotic efforts to realize a new "great leap forward" in the economy. An article by a reporter for Xinhua, China's news service, published March 22, said that "we are confronting an extremely critical problem; our current capital construction front is too wide and overextended. There are too many projects under construction.... The situation on the capital construction front at present is clear: to advance faster we must step back.... The overextension of the capital construction front has seriously affected the normal growth of our national economy."

The same report was elaborated and given nationwide prominence two days later in the form of an editorial in the party paper *People's Daily* (see excerpts

Abandon state investment financing

Part of China's economic reorientation involves replacing state investment allocations with bank loans. A March 24 People's Daily editorial declared flatly: "Bank loans should be used in lieu of state allocations in making capital construction investments." A March 13 People's Daily article discussed the shift in greater detail:

There should be a change in China's present capital investment system from direct government appropriations to contracted loans under supervision by the Bank of Construction. When a new project is to be built, the government would appropriate funds for the Bank of Construction, which would sign loan agreements with the building unit covering such items as rates of interest and the date of repayment.... (Up to now) capital funds have simply been handed over to building departments, and the recipients have never been committed to any form of economic responsibility.... Under the proposed system loans would have to be repaid on schedule with interest.... Such measures would help insure that the recipient departments spent the minimum funds to produce the maximum economic results.

below). Here it was revealed that China had embarked on several tens of thousands of projects, including over 1,000 large and medium-sized ones, within the year since the February 1978 National People's Congress had adopted the present seven-year development plan. The editorial said that construction on a large number of these projects must be halted immediately to avoid national catastrophe.

The editorial specified that the number of projects listed in the capital and construction plan formulated early last year "was large enough" already, but that in the latter half of the year still more investments had been made even though the progress of the planned large and medium-sized projects was already unsatisfactory. "Too many projects, too thinly spread resources, chaotic management and waste are still the major problems of the capital construction front" the article said.

On March 26, the prestigious Peking journal *Guangming Daily* discussed the overall economic problems frankly and in some detail. It said that since the February 1978 NPC meeting, a series of major problem areas had developed: 1) imbalances had occurred in distribution of fuel, power and raw materials in the economy; 2) disequilibrium had arisen between light and heavy industries and lack of coordination between them; 3) construction projects were being pushed beyond the country's financial and material resources; 4) there was an imbalance between agriculture and industry; and 5) the nation's finances and total economic capacity were in frail shape. *Guangming Daily* stressed the need to boost the supply capacity of coal mining, oil refining, power generation, transportation, and construction materials, indicating that these were the key bottlenecks in the economy.

The foreign exchange problem

The revelations cited above, while they do not directly reference China's foreign capital import program or its problems, provide the clues required to solve most of the outstanding mysteries that have puzzled western observers of China's economic travails. It is obviously no coincidence that the real rash of foreign contracts signed by the Chinese with western firms—contracts whose aggregate value reached at least \$16 billion in 1978 (not all for delivery in 1978)—took place between August and the end of the year—the exact period when domestic capital construction took off in a manner and scope way beyond China's ability to sustain. Whatever led to the latter, which is not entirely clear yet, obviously inspired the former as well.

The question most insistently asked, how will China pay for it all, has recently been answered: it won't. Apart from the well-publicized suspension of over \$2 billion in initialed contracts with the Japanese announced in February, the Chinese have also suspended down payments on over \$2 billion of goods already delivered from British, French and German firms. There is no question

New export orientation

China is now talking about exports of light industry and labor in order to raise badly needed foreign exchange. On March 18, Xinhua, the official news agency, wrote on the need to expand textile output for export. On the previous day, the agency announced that China was advertising its construction services abroad. Excerpts follow:

Textiles

...The foreign exchange earned by exporting textile products accounts for a quite large proportion of the total foreign trade output of the state. Expansion of textile product exports so as to accumulate even more funds for the four modernizations is a glorious task assigned to textile industry departments by the state. We must adopt all kinds of effective measures to turn out textile products for export.

Construction

A Chinese construction company was set up recently in Beijing to contract for construction work in other countries. The company has already begun service. The company ... will contract to do the entire job of surveying, designing, constructing and assembling, or any part of these. Contracts will also be made for the workforce only.

that China's foreign exchange reserves are very strained and must be at a minimum.

Finally, the question of how China went about deciding exactly what it would import has been answered: there was no centralized procedure, and import decisions were apparently being made with the same anarchy by the same decentralized units making construction decisions.

The net result ought to be a very sudden collapse of Western illusions that an unlimited China market merely awaited the enterprising firm.

However, not well grasped are the reasons for China's sudden retrenchment. While many questions remain unanswered, a big part of the solution to the riddle is oil. Since late 1977, China had spoken of creating 19 new oilfields to the magnitude of its Daxing field, which supplies 25 to 30 million tons per year, one third of China's production. China, and many westerners as well, considered that China's off-shore reserves could be used mainly for export to generate foreign exchange, and that a great deal of oil could be exported.

Exactly when China discovered this was not the case is still unclear. According to one U.S. oil drilling expert, China still seemed very over-optimistic about its off-

shore reserves as late as last August. In any event, the truth—that China's oil production for the foreseeable future will barely cover domestic needs, if that—must certainly have been recognized by November, when the economic crisis was already so severe as to demand a meeting of the party's Central Committee. Without oil, China's major security against which it had hoped to secure foreign loans evaporated. The import program had to be curtailed, and a new source of foreign exchange found.

The shift to light industry

The gamut of solutions to the above problems reached by the Deng Xiaoping faction fall under four headings: 1) suspension of work on all nonessential construction projects, 2) institution of an economy drive to conserve materials and avoid wastage, 3) putting great emphasis on light industry, especially for export, and 4) instituting a Yugoslav-type of "market socialism" to spur economic accountability and raise efficiency.

The economy drive was publicized nationwide in March 9 *People's Daily* editorial which said that a basic policy in China's socialist construction was to increase production and practice economy. The editorial said: "It is right to take pride in practicing economy; it shameful to be wasteful, and a crime to be corrupt." The degree of desperation attached to this makeshift campaign was revealed by a March 3 *Workers Daily* article on the subject that took the slogan "increase production and practice economy" to absurd lengths. It said that China must "use every means to build more enterprises with less manpower and material and financial resources," a call likely to lead to just the sort of wastage already decried in the construction field.

However, cutbacks and economy do not generate foreign exchange. To replace its once-expected oil revenues, China made a shift which may produce dramatic consequences for world trade in certain commodities: China will attempt to use its own vast pool of cheap labor to compete with the cheap labor of other developing countries in the form of a huge light industry export program, starting with textiles but encompassing a wide range of potential products.

A March 18 Xinhua article reported on an early March conference of the National Textile Industry Bureau Directors attended by people from textile units around the country (see excerpt below). The conference was called to "shift the focus of work" of the textile industry toward improving quality and quantity by practicing economy, but most especially with an eye to large-scale increase of China's textile exports.

This and other articles all represent implementation of the call made on February 24 to shift investment resources out of heavy industry into agriculture and light industry. A *Baltimore Sun* article reported that China is likely as well to compete with the light machinery exports of developing countries such as In-

dia, Taiwan and South Korea—with the advantage not only that its labor is much cheaper than that in all three countries, but that China can readily dump its goods below cost, if it chooses, to ensure its advantage. Should China carry out its new program as planned, a great many Third World countries are in fact going to feel a severe pinch from Chinese competition against their vital exports.

In the same vein, China recently announced that road and bridgebuilding teams would be available for foreign contract, or, if desired, just the laborers could be sent abroad. China apparently hopes to use its own coolie labor to compete with the Pakistanis, Indians and South Koreans now in the Middle East, for example.

Yugoslav model

Finally, Deng has proven that there was a perverse truth to former Maoist charges against him that he was a “revisionist” and a “capitalist roader,” by instituting a series of reforms that shift China from Mao’s labor-intensive rural communalism toward an Adam Smith-style market-determined course, closely modeled on Yugoslavia’s system which China has studied intensively in recent years. This was signaled in articles in March that called for an end to state appropriations for construction projects, and their substitution by loans from the State Construction Bank. This, it was argued in a *People’s Daily* article (see excerpts), would ensure economic accountability for funds allocated, and it was stated that between 1950 and 1977 in the province of Gansu that only 36 percent of the capital spent had increased the productive capacity.

Another article by Zhao Ziyang, a close ally of Deng’s and the province chief of Sichuan province, on March 13, argued that an all-embracing central economic plan does not work, that only major products and key branches of the national economy should be brought under a plan, and that the remainder of the economy should be run by the market mechanism.

The real significance of the faction fight

Underlying Deng’s reopening of the factional sore is the fact that the dramatic change he is introducing to the economy could very quickly blow up in his face. Despite all the fanfare about efficiency, there is no guarantee that his new plan will work any better than previous plans. Much of the rhetoric about economy and efficiency, for instance, sounds very reminiscent of innumerable Maoist campaigns from before 1976. As last year’s capital construction fiasco revealed, China has a very poor capacity for effective economic planning and resource allocation, and despite repeated calls to study western management and “to do management work well,” its weakness in this department will remain for a long time to come.

Moreover, shifting to light industry incurs a very severe long-term penalty, by skewing domestic produc-

tion to export needs in a classic underdevelopment pattern. China will find that it is sacrificing long-term healthy development for immediate profits that depend on the vagaries of the export market.

Worse yet, the decentralized “market socialism” a la Yugoslavia will encourage, as it has in Yugoslavia, every centrifugal force in the country, and the degree of anarchy that now characterizes the Yugoslav economy will be replicated manyfold in diverse China. Indicative of what is in store was revealed by articles (see excerpts) from two provinces attacking peasants who had begun disbanding the work teams, the lowest unit of China’s collective system in agriculture, in response to the loosening of former Maoist controls. The teams were being broken up into small groups based on family or ancient clan ties, revealing just how much of the old China lies close beneath the surface of contemporary, “socialist” China. This problem can be expected to spread uncontrollably under the new regime.

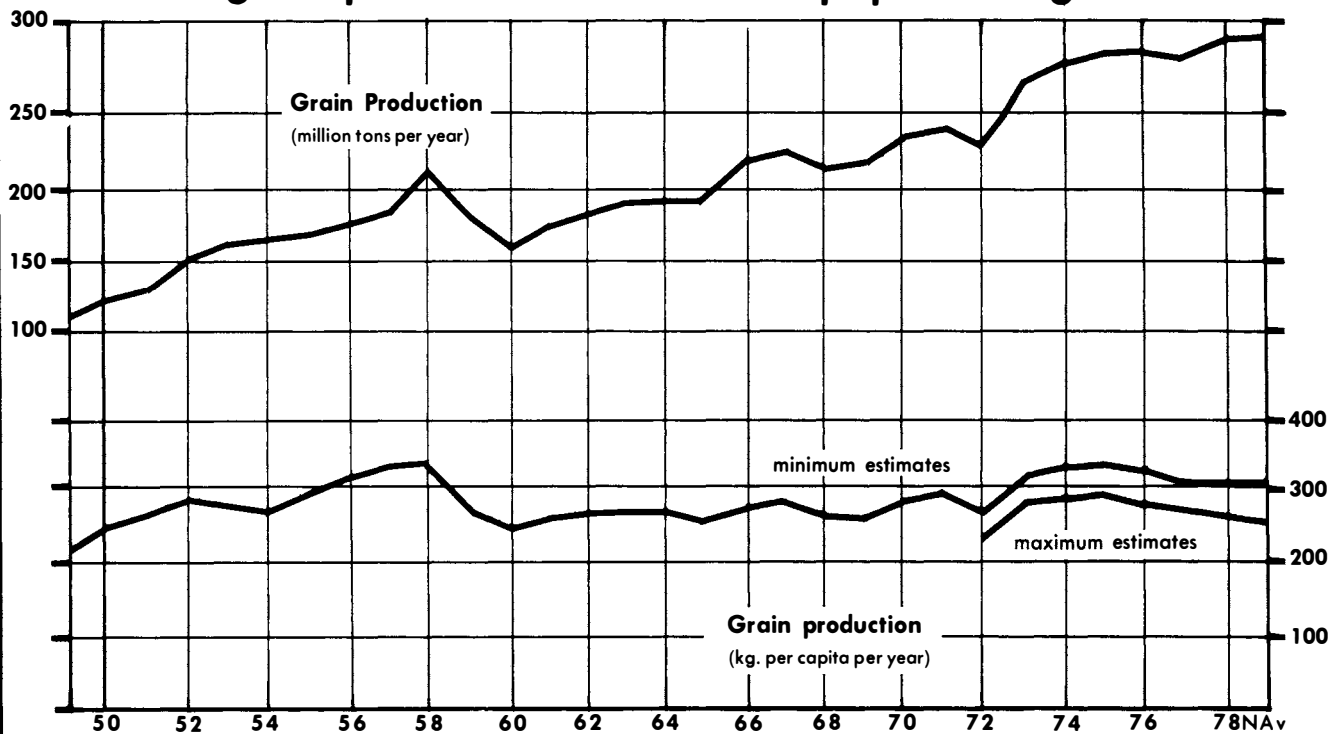
Finally, the Chinese population has been lied to, bamboozled, cajoled and brutalized by the Maoist regime for too long to ever again take promises at face value. China’s workers and farmers will only cooperate for economic construction if there is tangible, rising material reward in it for them. But Deng’s program is incapable of providing more than a token increase in living standards for decades. The bottom line is agriculture, which is nominally the focus of the shift away from heavy industry, but which in reality is getting very little concrete attention. There has been indication of significantly increased allocations to develop agriculture. As the chart indicates, China has not increased even its grain production as fast as its population since 1957, but without increasing agricultural out-

Market mechanisms to regulate the economy

On March 13, Xinhua reported that the party leader of Sichuan province, a crony of Vice-Premier Deng Xiaoping, had urged the establishment of market mechanisms to help regulate China’s economy. Excerpts follow:

Sichuan’s top party leader suggested recently that there must be elements of a market economy within a planned economy.... Experience shows that an all-embracing plan alone does not work. It sometimes hampers the development of the productive forces.... Major products and key branches of the national economy should be brought under a plan, but for the rest there can be indirect control through the market economy.

China's grain production falls behind population growth



China's grain production since the mid-1950s has been highly erratic and, since 1957, has failed to even keep pace with population growth. The population figures used for the per capita calculations were compiled by Foreign Demographic Analysis Division of the Bureau of the Census after exhaustive research and statistical analysis. In the absence of an official census in China since 1953, these figures are more accurate than the official Chinese gross estimates. The per capita figures used are the FDAP's most conservative estimates, which are certain to understate the population and therefore overstate the per capita figures. Thus, since 1953, the true per capita figure must be somewhat less than that indicated. For 1972 through 1979, the FDAP's maximum estimates are superimposed, giving a bottom range for per capita production. The grain figures are in accord with figures put out this year by China.

put substantially faster than population growth for many years running, any substantially enhanced standard of living for its population is impossible. China may have been dazzled by the South Korean and Taiwanese success in moving from light to heavy industry exports, but it seems to have missed the fact that high and rising agricultural productivities were what really made the whole development programs possible.

For all of these reasons, there is a fertile field, which can only become more fertile over time, for a popular opposition to Deng, his faction, and his program. It would seem that Deng sought to eliminate the existing anti-Deng faction led by Wang Dongxing preemptively before it could capitalize on existing and future discontent.

Certainly the coincidence of a renewed campaign against the former Maoist leader Lin Biao, who died in 1971, and the "gang of four" who were deposed one month after Mao's death, in October 1976—a fight that was supposed to have ended by Jan. 1, but which Deng's

faction revived in *People's Daily* on Feb. 16—and the start of the invasion of Vietnam the next day, Feb. 17, is not accidental. While the war had several rationales from Deng's standpoint, it definitely seems in part to have been a factional maneuver to bolster Deng's prestige (assuming China won), especially with the military, and probably to put the Wang group on the spot. It is likely they even opposed the invasion.

It is now almost certain that a decisive factional battle has already been fought, with all indications pointing to a Deng victory. Several rumors said Wang and four Politburo cohorts, General Chen Xilian, Wu De, Chen Yonggui and Ji Dengkui, have variously either been purged from the Communist Party, arrested, dumped from the Politburo, or demoted to pure figureheads. One report said Wang was accused of holding a meeting to plan moves against Deng—a highly plausible charge which may indeed have served as a pretext to remove Wang. None of Wang's group has been seen in public since early March, while Deng and several of his allies

have appeared often. But so far, there is no official word on the Wang faction's status. However, since people close to Deng have recently received high posts, and since the entire policy being followed at home and abroad is Deng's, there is little doubt that he, in any event, has won this round all the way.

Even if the Wang group loses its toehold in the Politburo, however, there are certainly a great many people in the party and the army who believe that Deng is abandoning socialism. Party Chairman Hua Guofeng, close to the Wang group himself, is still the party chairman, though he is likely to have suffered as well during the last six weeks. In fact, it appears likely that he may have been made the scapegoat for the madcap construction binge because of his calls last summer for "a new great leap forward" and for more rapid economic growth. But he can always become a pole for anti-Deng forces to rally around. China seems far from free of its perennial factional problems.

In fact, Deng's move in mid-March to quash the wall-poster movement clearly reveals his own insecure position and fear that the "democracy" movement could readily be used against him—as indeed it already has to a limited degree.

Furthermore, there is bound to be widespread opposition to Deng's foreign policy which now is nothing but naked force against not only Vietnam but all of Southeast Asia. China's support for Egypt has cost it any influence in the Arab world, and China is, practically speaking, locked into the London-Washington-Jerusalem axis that is trying to bring down the rest of the world in a holocaust of economic crisis, instability and war. If this axis is defeated, China's Deng will find his future highly problematic as well.

— Peter Rush

Problems of demaoizing

Judging from Chinese provincial radio broadcasts, many Chinese, particularly peasants, are quite ready to return to China's backward, family and clan-based pre-Mao ways, a further obstacle to China's economic plans. Portions of two broadcasts follow.

From Hunan province

However, certain deviations occurred in a few places. For instance, some places split up the production teams ... into work groups according to clans and families, with "father and son" groups and "Huang clan groups" appearing.... Such groups established ties with each other as they pleased, and there appeared strong men's groups, groups of old people and children, and groups of cadres....

From Guizhou province

Party organizations have helped ... to correct erroneous trends such as dividing up the land to go-it-alone, regarding the work group as the basic accounting unit, and demanding disbandment of the production teams. "Teams of brothers" and "father and son teams" appeared....

Colombia drug battle boils over

Financial leaders demand legal pot exports to the U.S.

The now-public debate over whether or not to legalize Colombia's marijuana traffic is one of the hottest issues in that country and one which is intimately tied to its political future. As the *Executive Intelligence Review* has previously reported, the current threat to constitutional government in Colombia and campaign of generalized repression directed by Conservative Party leader Alvaro Gomez and his military allies, has as its major purpose reorganizing Colombia's social and economic structure to function as a legalized drug economy.

Gomez's frequent and public calls for the legalization of marijuana as the basis for the country's new economic "bonanza" have now been joined by several other prominent Colombian spokesmen, among them the director of the large financial association ANIF, leaders of the coffee industry, the director of the national industrialists' association ANDL, and the president of one of the country's most prestigious banks, the Banco de Bogotá. In the case of ANIF, employees of that association admit they are receiving information directly from organizations like the Washington-based National Organization for the Reform of Marijuana Laws (NORML) and other representatives of Washington's "pot lobby" organizing for marijuana's decriminalization or legalization in the United States.

Although the technology exists to halt the traffic of marijuana leaving Colombia's Guajira Peninsula, easily and efficiently, as well as eradicate the weed itself, most of the prodrug spokesmen in Colombia and the U.S. insist that the drug traffic is "too big" to stop; that any attempts to repress it only make it more profitable to the drug mafias, and that legalization offers a viable solution. At a forum he recently sponsored in Bogotá, Ernesto Samper Pizano, director of the National Association of Financial Institutions (ANIF), argued at length that legalization could bring Colombia's marijuana traffic under control — by making it a government monopoly — and ensure a steady flow of "cannabis dollars" into the country for investment in "development projects." This of course assumes that the North American market will continue to "grow" steadily, thanks to the efforts of NORML, its advisors like Senator Jacob Javits of New York, and numerous other politicians in

Washington including Senator Edward Kennedy, Senator Charles Percy, and Congressman Benjamin Rosenthal of New York, among others.

Samper's strained arguments hide some simple facts: the connections of individuals like Javits and Kennedy to organized crime and drug networks are well documented, and their stand in favor of drug proliferation is easily understood. Similarly in Colombia, entities like the Banco de Bogotá, the Banco de Colombia and other financial or industrial groupings which have endorsed legalization, are also suspected of involvement in the drug trade.

Drugs and dictatorship

In his protest over the negative effects of illicit drug trafficking on the formal economy (legalizing drugs would ease these effects, he argues) and "concern" for poor peasants who are "repressed" by the antidrug program of Liberal President Julio Cesar Turbay, Samper is speaking for those political forces who stand to benefit financially from a legalized "free trade" in drugs. These are the same factions who have sanctioned widespread repression of the population at the hands of the military, imposition of increasingly harsh austerity, and encroachment of constitutional rights by military justice.

Since a legal drug economy could only be imposed by force in Colombia, the qualitative escalation this past week of repression, and particularly the arrests of leading members of the Communist Party — in Colombia, a mass-based organization one of whose major roles is the mobilization of the membership of Turbay's Liberal Party in defense of democratic rights — means that the threshold for an actual coup attempt in the country has been significantly lowered. Alvaro Gómez returned from a trip to Chile last week lauding the "advances" of that country's economy and calling on Colombians to "have the courage to take risks" in the area of "free trade." The Forum on Democratic Liberties, held in Bogotá on March 30-31, detailed innumerable cases of torture, assassination and expanding repression — especially in rural areas — attributed to the military under the command of right-wing Defense Minister Camacho Leyva.

This is the background behind the forum sponsored

on March 15 and 16 in Bogotá by ANIF director Samper. For the last several months, the youthful financier has worked closely with NORML in a major publicity campaign favoring marijuana's legalization. The forum was to have been the culmination of the drive in which Samper provided the justification for legalization through a carefully orchestrated and "objective" discussion on "The Myths and Reality of Marijuana." Although antidrug spokesmen like Colombia's attorney general Gonzalez Charry, and representatives of the U.S. Drug Enforcement Administration (DEA) were invited, Samper also included spokesmen from NORML and the drug magazine *High Times* to give "expert" advice on how the U.S. population views the drug problem. Dr. Norman Zinberg, an early advisor to NORML and advocate of the use of psychoactive drugs for "recreational" and medical use, was also invited but did not attend.

No human rights on drugs

But, reports *Executive Intelligence Review's* Bogotá correspondent Carlos Cota, who attended the forum, it did not quite turn out the way Samper planned. Instead, the forum turned into a demonstration of deep sentiment against drug legalization and a drug-based economy by Colombian citizens. On hand were representatives of the Andean Labor Party (PLAN), a fraternal party of the U.S. Labor Party, who evoked an excited response from members of the forum audience with presentations detailing Samper's close relationship

to NORML and U.S. political factions associated with Sen. Kennedy. Other members of the audience charged that Samper's call for legalization of drugs was a violation of human and constitutional rights. And several attendees began their own discussions on the establishment of a Colombian Antidrug Coalition.

Says Cota: "It appears that, in Colombia, the opposition to drugs could become integrally linked to the growing opposition to human rights violations and the role of the military. Following the forum, the Communist Party's weekly *Voz Proletaria* reported on the ANIF forum and emphasized that any attempt to legalize marijuana it would be 'the same as a military coup'."

Also significant is the coverage given the PLAN's antidrug organizing and its support for the Colombian government's antidrug efforts in the leading Liberal daily *El Tiempo* on March 16. The paper reported on the PLAN's opposition to ANIF and other financial groups favoring drug legalization, and took particular care to include the Labor Party warning that "an economy based on drug trafficking means the end of democracy, as it can only be enforced by the military." The article also included the PLAN's discussion of the creation of the new European Monetary System and its denunciation of the "appropriate technology" policies defended by the World Bank and the International Monetary Fund which "promote a state of permanent backwardness in the countries of the Third World."

— Cynthia Rush

ANIF head: why Colombia should grow more marijuana

The following are excerpts from a statement by Ernesto Samper Pizano, director of the National Association of Financial Institutions, calling for the legalization of marijuana in Columbia. The statement was issued prior to the March 15 and 16 forum on drugs sponsored by Samper in Bogotá.

Consumption in the United States

...the problem in the United States is becoming less and less of a problem. Fifteen years ago five out of every 100 people said that they knew someone who used to smoke it, today 70 out of 100 say so without fear.

Millions of North Americans whom it is said we are corrupting, spend \$360 million a year for the consumption of a few marijuana cigarettes a day ... they have decriminalized the consumption of marijuana in eleven states of the Union; it is no longer a crime but

merely a misdemeanor, like illegally parking your car.

The marijuana economy

It is no mystery to anyone that the Colombian economy is facing a complex situation which could bring about the collapse in its activities during 1979 and symptoms of recession next year. The reduction in the price of coffee will represent for this year and in respect to foreign income... a fall of \$650 million; it is difficult to believe that this decline can be compensated by greater amounts of untraditional exports or through services, whose growth today is virtually stagnant.... We are confronted with a painful energy crisis due to the shortage and high cost of fuel, of which we will import close to \$420 million worth in 1979... new justification to consider a more just treatment of the marijuana economy.

Colombian Communists against drugs

The Communist Party of Colombia (PCC), facing heavy armed repression, has undertaken a campaign to prevent the legalization of drugs in that Latin American nation, a proposed measure which the Communists have linked to the threat of a military coup. In this fight, every American should support the Communists with more than a sympathy derived from dislike for drug-pushers.

The Colombian Communist Party, although a "third party" by comparison with the two major Conservative and Liberal parties, is a principal reason that the people of Colombia today are not ruled by a military dictatorship, like most of Latin America. For this reason, forces in the Colombian government and armed forces who are committed to establishing a military government, and who are committed to using a military government as an instrument for planned collapse of the nation's productive agricultural and industrial economy, have made the Communists the first target of a bloody wave of repression that could crush Colombia's tenuous republican tradition.

The repression, which has even begun to leak into the U.S. press, does not find the PCC utterly defenseless.

Nearly \$1.4 billion entered Colombia from the sale of marijuana last year. The distribution of this income prompts one to consider the effects of marijuana on the general economy.

If marijuana had been legalized, and even supposing that such legalization produced strong effects of lowering prices and decreasing the market — which if I am not mistaken is what is wanted now with the ongoing repression campaign (against drug traffickers — ed.) — the government would have been able to get direct or indirect taxes totaling close to 6 billion pesos this year, a little less than what it is costing us to repress the activity. Colombia needs the pesos that it is losing by not legalizing marijuana and that it is laboriously spending to avoid legalization to repress it ... This is an irrefutable economic truth, not a value judgment.

A hard-line, pro-Soviet Party with a basic cadre force of 10,000, the PCC has a mass base among the urban wage-earning class signified by Communists occupying leading positions on the National Labor Council which includes Liberal and Conservative unionists as well.

The PCC is not now, nor has it ever, wielded its forces in a quest for a "Dictatorship of the Proletariat." The party's slogan is "Democracy Not Despotism" and it has acted according to that slogan. In large measure, the survival and effectiveness of the prorepublican factions of the Liberal Party—including Colombia's current president Turbay—have depended on the PCC's willingness to enter into "united fronts" with them to stave off the rapacious aims of a latifundist oligarchy—a major limiting factor in Colombia's economy—and attached elements of the armed forces. This catalytic role the Communists have played in preserving Colombian democracy and realizing whatever capitalist development Colombia has experienced (at latifundist expense) makes them the key to human rights and human opportunities in their nation.

It is a harsh fact that the Carter Administration, as it throws mouthfuls of human-rights rhetoric in Latin America's direction, is shipping more arms to the Colombian military during this wave of repression than to any other Latin nation.

If the Colombian CP is crippled or destroyed, Colombia's Liberal Party will soon collapse as a force independent of the latifundist oligarchy. If Colombia's CP is destroyed, the latifundist-military oligarchy will strangle industry and agriculture, as it legalizes marijuana (and cocaine) for a transition to an economy pouring drugs into the United States. That is the IMF's prescription for Colombia to generate foreign exchange.

If this occurs in Colombia, the direct impact on the USA will be measurable in terms of our own decay, as the effects of Britain's "Opium Wars" against China were measurable.

What the Communists say about drugs

The following are quotes from two articles carried in the PCC's weekly newspaper, Voz Proletaria. The first is by Constanza Vieira, daughter of PCC secretary general Gilberto Vieira:

Colombia has been submitted, for several decades, to the administration of systematic mass dosages of con-

centrated militarism. Yearly 18.6 billion pesos are invested in repression... It should not surprise us therefore that at the recent symposium called by ANIF, alongside the praise for the "bad weed" there was frequent praise for that other drug traffic: that of the growing war budget... Thus the unbridled cynicism of the ANIF head emulated the brazen language of the man from Washington. But both aim to convert Colombia into an object, either for their profit or for longer term plans. It is necessary to say no to the enthronement of drugs, whether they are called marijuana or they are called high military costs. The weed has become the pretext for sowing the country with military detachments, from which the kapos of the mafia, linked to the military kapos, make their fortunes...

This second article is by Manuel Cepeda, central committee member of the PCC and editor of Voz Proletaria:

Today, the Association of Financial Institutions, ANIF, again put its cards on the table. And all those sectors of the press which for some dark motive support the legalization of marijuana, published (ANIF chief) Samper Pizano's position in quotes and without comment, like a spoiled brat of the bourgeoisie who is allowed to blabber...

And we can only think how it is possible that a military power with the sophisticated technology of the United States cannot prevent the traffickers from violating the air space of that nation and can at the same time permit ships loaded with the weed to violate its territorial waters?... Is it not that in the North American administration there are also interests..., that there are links between the mafias and the monopolies? Why did a representative of the U.S. government who came to Colombia last July categorically insist that there were no prolegalization lobbies in his country while at the (ANIF) symposium the existence of the National Organization for the Reform of Marijuana Laws (NORML) was denounced, an organization which lobbies for the suppression of antimarijuana laws in the U.S., and which has as its best defenders the Zionist representatives in the gringo Congress?

Capacity exists to shut down smuggling

It is a well maintained myth among certain U.S. government circles and the prodrug lobby in the U.S. that the flow of drugs coming from Colombia and other Latin American and Southeast Asian countries is so large that it is physically impossible to stop. The solution, according to this myth, is to create a legal U.S. market, so that the government will presumably have the incentive to set up an effective monitoring machinery.

The fact is that with off-the-shelf systems currently in use by U.S. military intelligence agencies, a radar net could be deployed along the gulf coast of the U.S. which could monitor every ship movement into U.S. territorial waters. On this kind of radar net, the so-called "mother ships" which load marijuana onto smaller craft for smuggling past U.S. customs authorities would stand out like sore thumbs. A serious crimp could immediately be placed on these large-scale drug smuggling operations. In the case of a country like Colombia, where nearly all of the daily traffic departs from a 120 mile coastline off the Guajira province, the entire coast could be efficiently monitored with only a few units, and air and ground traffic could be picked up from as far as 90 miles inland.

The system in question is Grumman aircraft's Mohawk equipped with Side Looking Aerial Radars (SLARS). This system, used extensively by the U.S. during the Vietnam War, is currently still in use by military intelligence agencies and is used for aerial reconnaissance as well as in support of an array of ground-mapping missions including mapping of forests, rivers, etc. It is estimated by qualified sources familiar with the system that apprehension rates of drug traffickers moving across U.S. borders or into territorial waters could be increased by at least 40 percent. Moreover, this would not require that the American taxpayer pay increased costs, since the system is fully operational and would require merely an executive decision to order the coordination necessary between the military agencies currently operating the system and civilian law enforcement agencies like the Drug Enforcement Administration.

—Sixto Mendez

ENERGY

Arden House plotters claim Mexico has no oil

A bizarre Big Lie campaign concerning Mexico's vast oil finds is making its way through the boardrooms of America's oil majors and top levels of the Anglo-American policy establishment.

The whispers run as follows: "Mexico doesn't have the oil it says it has. The oil that exists is of rotten quality. The much-touted development programs based on projected oil revenues are therefore a pipedream."

This astounding story is now making its way duly into public channels, and the *Executive Intelligence Review* can report the following summary details of how the plot to say Mexico has no oil is being run.

We pick up the thread at an early March energy conference held at the Harriman family's Arden House, situated in Mt. Kisco, New York. At this meeting — possibly one of several of its kind — international deployments to manipulate the world energy picture are set. Top priority: bamboozle the U.S. into believing it must impose austerity as the only solution to a fictitious "energy crisis." Special focus: Mexico is not all it's cracked up to be. Its oil is low-quality, and there are big problems in getting it out. Attendees included selected representatives of the international press and executives from the major U.S. oil and gas companies.

Within the week top executives at Aramco are reliably reported to be spreading the line through national and international networks.

Then on March 21, an Agence France Press wire published in Mexico reports a warning from an anonymous "New York oil company official" that Mexico has been overstraining its oil reserves. The same day *Petroleum Intelligence Weekly* moots the possibility that Mexico won't be able to meet "15-25 percent" of future contracts due to "temporary" problems of supply.

On March 23, Dr. Robert Mabro, director of the Middle East Center of St. Anthony's College, Oxford University, pops up with a study denigrating the worth of Mexican oil estimates. Mexico's continuing upgrading of its oil estimates is "pure propaganda," designed to induce "the international banking community to continue to provide credits to this highly indebted country." His study is covered in the two West German newspapers, the *Süddeutsche Zeitung* and *Die Welt*.

Four days later the reliable Mexican political columnist, Manuel Buendia, charges in the pages of Mexico's *Excelsior* that "there appears to be an international campaign developing to discredit Pemex," the Mexican national oil company. He cites sudden international reports of Pemex's alleged inability to fulfill future contracts, and singles out a late March Julia Preston article in the *Nation* magazine which attempts to portray Pemex director Jorge Diaz Serrano's announcement last November of the giant Chicontepec field as a fraud.

What's going on here?

Your eyebrows are raised. At least they should be. The reliability of Pemex's oil figures goes unquestioned in knowledgeable energy circles.

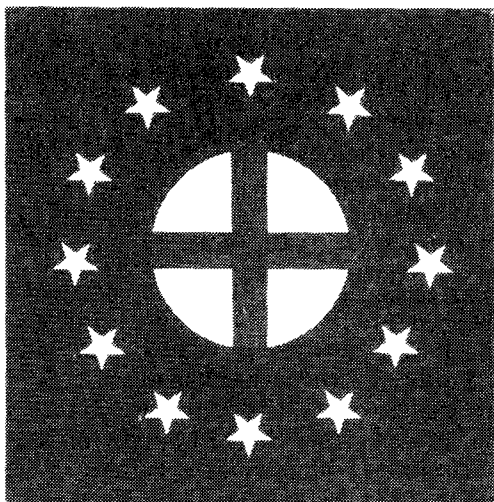
So what's going on here?

A quote from Dr. Mabro's study helps to clarify the matter. Wrote the British intelligence specialist, "Mexican oil is a disaster. Its mere existence on America's front doorstep is delaying lasting and effective energy savings in the U.S." That is, the U.S. population recognizes that the vast supply of Mexican oil, part of a pattern of worldwide energy developments, renders moot the energy austerity scenario being thrown by Schlesinger, and Co., at the U.S.

But even more important, the British-Arden House Big Lie campaign is designed to deflate the intense interest on the part of energy-consuming countries to sign development package deals with Mexico, under which Mexico's oil and gas are traded for advanced capital goods and other technology. France is in the forefront of this push. From the Asian side, there is Japan. And within the U.S., there is considerable interest among export-oriented industry and some energy firms in such a policy.

If Mexico doesn't have the oil it says it has, then one must ask oneself why the United States is presently trying to twist the arms of the Japanese and Europeans into backing off from development deals with Mexico. According to highly placed Japanese intelligence sources, Henry Kissinger and Goldman Sachs investment banker Henry Fowler are presently en route to Tokyo with the message to stay clear of Mexico.

—Tim Rush



Symbol of the Pan European Union

In this section

This week's Counterintelligence report presents Part 3 of our serialization of a lengthy exposé of Otto von Habsburg and the Pan European Union that will be released in pamphlet form by the European Labor Party in West Germany. The pamphlet, *Are the Goals and Activities of Otto von Habsburg and his Pan European Union Unconstitutional?*, was prepared as a report to the Special Party Convention on the European Parliamentary elections of the European Labor Party held in Bonn on Jan. 28. The convention approved a slate of candidates for the June 10 elections headed by the party's Federal Chairman Helga Zepp-LaRouche.

Parts 1 and 2 traced the Pan European Union back to its founding in the 1920s and 1930s, the explicit geopolitical content of the policies of its founder Count Richard Coudenhove-Kalergi, an admirer of Hitler's fascist movement, and the continuation of those policies by Habsburg. Through his European networks, Habsburg organized for a postwar PanEurope of the Regions, preferably including the restoration of the feudal Habsburg Empire. Our report this week continues with a delineation of Habsburg's international network organized around Habsburg's Center for Documentation and Information in Madrid and the Mont Pelerin Society.

Who is Otto

Part 3 of an ELP exposé of what's behind

Otto von Habsburg's international friends

"You can really tell a man by the company he keeps" is an apt proverb describing Otto von Habsburg. He would never be caught dead publicly advocating coups against sovereign nations or the legalization of marijuana, but his associates within the Center for Documentation and Information in Madrid, hailing from such countries as the United States, the Federal Republic of Germany, the Republic of Mexico, and Colombia, are doing just that.

Several weeks before this pamphlet was written, West German Chancellor Helmut Schmidt attacked von Habsburg as politically "immature" and a potentially bad representative of West Germany in the European Parliament. Habsburg advocates a one-man dictatorship in times of national emergency and the death penalty, both of which are unconstitutional according to the West German Basic Law. Habsburg has also been attacked by West German Social Democratic parliamentarian Axel Wernitz, a member of the Interior Committee of the West German parliament, because Habsburg was illegally and surreptitiously granted West German citizenship by the state of Bavaria so he could run in the June 10 elections to the European Parliament as a West German "conservative" candidate. According to both the laws of West Germany and Austria, the land of Habsburg's birth, dual citizenship can only be held in exceptional cases — and Habsburg is not one.

Archduke Otto has also been ridiculed by another West German Social Democratic parliamentarian, Bruno Friedrichs, following the Archduke's appearance before the West German Federal Army, the Bun-

von Habsburg?

his Pan European Union

deswehr, where he posed as a legitimate politician dedicated to the West German republic. Friedrichs said that no man advocating a one-man dictatorship and the death penalty has the right to pose as a legitimate politician before West German troops.

All of these attacks were correctly aimed at, first, defeating Otto's selection as a West German "conservative" candidate to the European Parliament and, then — if necessary — defeating his campaign for the June 10 elections. But no one has yet realized that the international "company" that Otto keeps makes him and his anticonstitutional statements in West Germany look mild by comparison.

Habsburg's associates are now organizing the legalization of narcotics and coordinating the "cold" or "hot" coups against constitutional governments that will force a new feudal dark ages on the globe. That is the goal of most of the membership of the Center for Documentation and Information that Habsburg heads, and of its overlapping economic policy-making institute, the Mont Pelerin Society. Who are Habsburg's notorious associates?

Alvaro Gomez Hurtado: A leading Colombian oligarchist and publisher of *El Siglo* and *Sintesis Economica*, Alvaro Gomez Hurtado has been calling for the legalization of marijuana since at least August 1977, and supports various "shoot to kill" orders against public demonstrations. His father, Laureano Gomez, Colombian President from 1950-1953, organized the genocide and murder by torture of at least 300,000 leftists and liberals during the civil war known as "La Violencia" from 1948-1957 — a war to bring back the colonial feudal empire of Habsburg Emperor Charles V.

Although Otto could not publicly reward Laureano for committing the same crimes that Heinrich Himmler had, he did reward Laureano's son with membership in the Center.

Leon Degrelle: This Belgian "Quisling" was a leader of the Rexists in the 1930s and 1940s until his membership in Himmler's Waffen SS forced him to seek asylum in Spain in 1945. In 1953, Konrad Adenauer revealed the fact that Degrelle was in contact with the anti-Constitution conspirators around Werner Nauman in North Rhine Westphalia. Nauman was Josef Goebbels State Secretary for Propaganda. In 1959, the weekly *Der Spiegel* reported that Degrelle was one of Habsburg's leading contacts in Madrid, despite his claims to being antifascist.

Andres Marcel Sada: A student of Baron Ludwig von Mises, Sada was one of the founders of Habsburg's Mont Pelerin Society. In addition to being a member of the Center for Documentation and Information, Sada leads the "golpista" (coup) wing of the reactionary Monterrey group of businessmen in Mexico. On April 1, 1976, Mexican President Luis Echeverria denounced over nationwide TV a secret Monterrey "golpista's" meeting as "the hooded ones" and "Christians who are not Christians.... Also in the last century," Echeverria added, "some bad Mexicans... went to bring us an Austrian Emperor from the House of the Habsburgs."

William F. Buckley, Jr.: The self-proclaimed ringmaster of American conservatives, Buckley meets with Habsburg at the Madrid Center at least three times a year. Despite Buckley's American cover as a proponent

of "law and order," he has been advocating the legalization of marijuana since 1972.

Habsburg and Walter Lippmann

Habsburg's personal metamorphosis from the pudgy, aristocratic fop whom his widowed mother, the former Empress Zita, kept in girls' dresses as long as possible, to his present day leadership of a collection of putschists and drug dealers holding membership in the Mont Pelerin Society, the Madrid Center, the "Black International," the Knights of St. John of Jerusalem, and the Knights of the Golden Fleece, took place under the auspices of Austrian Count Coudenhove-Kalergi and American Fabian Walter Lippmann during World War II.

This cooperative arrangement was simple enough: Coudenhove-Kalergi provided the international contacts he had acquired through his founding of the Pan European Union in the 1920s, while Lippmann provided American backing and American exiles for the Count's sycophants, among whom numbered Otto von Habsburg. By the time the Count died around 1970, Otto had become president of the Pan European Union, a post he holds to this day.

By 1938, it was obvious to both Coudenhove-Kalergi and Habsburg that they could never hope to create an aristocratic restoration in Europe. Although Coudenhove-Kalergi's Pan European Union enjoyed the protection of Hitler's Director of the Reichsbank, Hjalmar Schacht, and of the *London Times* and Winston Churchill, it was clear that the British were counting on Hitler to destroy the Soviet Union first, before orchestrating the restoration of the Habsburg Empire in Europe.

Habsburg himself was thoroughly hated throughout all of Europe. He was a grim reminder of the misery the Habsburg family had brought to Spain and the Danube basin. His popularity had reached a low when, in 1935, the Austrian fascist dictator Schuschnigg, whose army had murdered hundreds of workers in the February 1934 massacres, offered to return confiscated Imperial Habsburg property and investments in Austria to Otto. Habsburg refused, suspecting that he would never live the scandal down if he accepted. But certain members of his family insisted that it was Habsburg tradition that family property came before blood.

During Hitler's forced annexation of Austria in 1938 the Anschluss, Otto wrote for *The New York Times* and *Le Petit Parisien* protesting the rape of Austria. When Hitler retaliated by ordering his SS to kidnap Habsburg, he began to acquire a new reputation as an "antifascist." He sought asylum in Paris, where he was immediately spotted by the American Ambassador and Lippmann confidant, William C. Bullit. Although Bullit was considered the "State Department socialist" be-

"Habsburg's associates are now organizing the legalization of narcotics and coordinating ... coups against constitutional governments that will force a new feudal dark age on the globe. That is the goal of most of the membership of the Center that Habsburg heads"

cause of his support for the Bolshevik Revolution, his marriage to John Reed's widow, and his selection by President Franklin D. Roosevelt as the United States' first Ambassador to Moscow, he immediately took Otto under his wing and arranged for his entry to the United States. For the time being, Bullit was to be Habsburg's controller until he had proved ready for bigger projects under the direction of Coudenhove-Kalergi and Lippmann.

It was Bullit who arranged for Habsburg to meet with Franklin Roosevelt in March 1940 and at a Quebec conference organized in 1943 by MacKenzie King, where Habsburg also met with Churchill. Otto has tried to make much of these meetings, arguing that he convinced both Roosevelt and Churchill to support an Austria independent from Germany after the war. But there is no indication that Roosevelt ever wanted anything else but a free and independent Austria after the war.

One meeting that Habsburg does not too frequently mention is his meeting in October 1942 with U.S. Under Secretary of State Sumner Welles, also arranged by Bullit. Although Habsburg claims that he merely stated how the Südtirol German language ethnic region of Italy must be returned to Austria, he does not say that Sumner Welles was advocating both a partition of postwar Germany into three independent rump states and "an economic federation in Eastern Europe, similar to the Danubian federation proposed in 1919." This Danubian federation, of course, was the foot-in-the-door for the restoration of the Habsburg Empire that both Habsburg and Coudenhove-Kalergi supported.

In addition to meeting government officials in Washington, where Otto kept an office staffed by his brother Felix and his personal adviser, Count Degenfeld, Habsburg went on several speaking tours through-

out America arranged by Bullit. Habsburg whistled through small-town America and graced businessmen's luncheons and ladies' society clubs with the presence of an anti-Hilter Archduke. These engagements netted Otto favorable publicity in the small-town American press. Even major American dailies wrote favorably that the son of the last Austrian Emperor was now a democrat. During his second tour, in February 1941, he spoke in over 80 towns.

The only political mistake Habsburg and Bullit made was to call for an Austrian Legion in the U.S. Army to be composed of refugees who would fight for Otto's Austria. The idea was that the U.S. taxpayer would foot the bill for equipping a special Austrian brigade that would occupy Austria after the war and more or less install Otto as the military governor. This Austrian Legion even existed on paper in the U.S. Army for three months beginning November 1942, until both a lack of volunteers — less than 20 refugees would give their lives for Otto — and Russian objections killed that project. However, it continued to be a good joke among Austrian refugees in the United States.

Despite this political blunder, Otto was accepted by Coudenhove-Kalergi in 1942 as his closest collaborator. It was apparently the right time for Otto to move into the circles around Walter Lippmann which would later form the Mont Pelerin Society.

The Origins of the Mont Pelerin Society

During the early part of World War II, while Habsburg was lecturing in America, Count Coudenhove-Kalergi was setting up what would become the Mont Pelerin Society and the Center for Documentation and Information at his Research Seminar for European Federation at New York University in New York City. The sponsors for the Research Seminar included William C. Bullit, Eustach Seligman of the Jewish Seligman financial family, Henry Morgenthau, Sr., whose Morgenthau Plan called for the deindustrialization of Germany, and John W. Davis. Although Davis is not as well known as the other three major sponsors, he was a top investment banker connected to the House of Morgan and other British banking interests. He earned his place in American history by insisting that the Royal Institute of International Affairs' New York branch be called the Council on Foreign Relations "because that way people won't think it sounds British." Lippmann was one of the founders of the CFR, whose members and lectures included Davis, Bullit, and Morgenthau.

Coudenhove-Kalergi also organized the precursor to his Pan European Union while in exile at New York University, called the Pan European Conference. The Council of the Conference included Austrian Baron Ludwig von Mises, who later founded the Mont Pelerin

Society, José Antonio de Aguirre, the former Prime Minister of the Autonomous Basque Republic, Fernando de Los Rios, the former Minister of Justice and of Foreign Affairs of the Spanish Republic, and Richard Schüller, the former Undersecretary of State of Austria. Other notables included Louis Marlio, a member of both the Institute of France and the Brookings Institution, and Arnold Zurcher, a New York University professor who was director of the Institute of Postwar Reconstruction.

In 1947, von Mises, together with another Austrian economist-in-exile, Friedrich August von Hayek, who taught at the London School of Economics from 1931-1950, merged their networks to form the Mont Pelerin Society. Von Hayek saw the society as a direct continuation of Walter Lippman's prewar economic organizing. Under von Mises and von Hayek an entire generation of North and South Americans would be taught how to apply Lippman's liberal, Manchester School economic theories. The most well-known application is the economic program Mont Pelerin President and Nobel Prize winner Milton Friedman would write for Chilean dictator Pinochet.

In the early 1950s, Habsburg set up in Madrid the Center for Documentation and Information — an offshoot of the Coudenhove-Kalergi and von Mises networks in Spain. He set up his Center in Madrid in order to avoid the publicity associated with the Mont Pelerin group. But the affiliation between the two became obvious as Mont Pelerin members would stop in Madrid to meet with Habsburg personally.

Aristocratic members of both groups were offered even more organizations to join. Certain associates of Habsburg, who were controlled from London, Canada or Israel, usually turn out to be members of the British Knights of St. John of Jerusalem (Knights of Malta), whose commander is Queen Elizabeth II of England. These are the "hooded ones" that Echeverria denounced in Mexico, and they largely overlap with members of the Mont Pelerin Society, particularly in Mexico. Although Habsburg is the commander of the rival continental Order of the Golden Fleece, a noble order under his personal control, he feels hostility toward the Knights of St. John of Jerusalem. Due to his lineage, Habsburg holds the title of King of Jerusalem, too.

The postwar expansion

Following World War II, Habsburg's network expanded to three international centers: the United States, Mexico, and Colombia. Our analysis begins with the most criminal of Habsburg's associates — the Gomez family in Colombia, which organized the torture deaths of 300,000 Colombians in the ten-year civil war, La Violencia.

Colombia: From 1930-32, Laureano Gomez Castro was Colombia's Ambassador to Germany. When he returned in 1936, he set up a newspaper, *El Siglo*, that openly supported Hitler and backed his persecution of the Jews. Gomez, in particular, praised Hitler for his "work ethic," which, sans praise for Hitler, is the stock-in-trade of the Mont Pelerin Society to this day:

"(Hitler) has proven that it is possible to wage a long, difficult, and immensely costly war without money. The Jews thought they could boycott Germany by removing all the gold and transferring it to the U.S. They were mistaken. The Führer has made a truly miraculous discovery: he has found that he and his people can get along on the work standard...."

During the Spanish Civil War, Gomez gave the following speech calling for a restoration of the Habsburg Spanish colonial empire at a closed door meeting of the Colombia Falangists:

"All Spain, coming forward as the solitary fighter for Christian culture, has taken the vanguard step of all nations of the occident in the reconstruction of the Empire of Hispandad in whose Falange we inscribe our names with indescribable joy....

... We are able to exclaim with a cry that comes forth from our deepest feelings — Arriba España, Catholic and Imperial!"

Gomez ended this speech with the fascist salute. The reconstruction of the Spanish Empire that he saluted was the Habsburg colonial empire. By 1942, *El Siglo* had received 100,000 pesos from the German Press Attaché in Bogota, Gottfried Schmidt, to build a new printing plant.

In addition to being one of the documented Nazi collaborators in Colombia during World War II, Gomez and his crew of Habsburg restorationists attempted two coups against the Colombian government — in 1939 and 1944 — before Gomez became President through blatant vote fraud in 1950. Once President, Gomez declared a war of extermination, *La Violencia*, against the "liberal heretics," an action that matches any atrocity ever committed by the Nazi SS. Gomez's followers were bound by blood oaths, similar to the initiation oath of the Knights of Columbus in Mexico today:

"(I promise to) disregard the age, sex, or station of victims... to cut open the stomachs and wombs of their women and smash the heads of the babies against the rocks and walls... to secretly employ the poison cup, strangulation, the sword, dagger or bullet without consideration for the honor, rank, dignity or authority of the persons, whatever their status in public or private life may be, such as I may be ordered at any time"

In their book, *La Violencia en Colombia*, German Guzman Campos and Orlando Fals Borda describe how Gomez's murderers, called parjaros, "made up a brotherhood, a mafia of disconcerting lethal efficacy" that killed liberals, leftists, communists, and peasants without mercy:

"At the hands of the parjaros, members of Liberal Party directorates and committees were killed, with great precision, with no respect for place or station, with no anticipation of punishment for their crimes...."

Despite the restorationists' claims of respect for the Catholic Church:

"... inside the parish church at Belen de Umbria, for example, a well-known citizen was shot to death while attending mass. The crime went unpunished...."

Women and children were also the specifically targeted victims in this deliberate re-creation of the Thirty Years War. Newborn babies of Liberal parents were thrown up into the air and caught on the ends of a dagger; pregnant women were killed by having their wombs ripped open, the fetus removed and sometimes replaced with a chicken; or the fetus was chopped to pieces or brought for the father to witness its destruction. Liberal women would be killed to insure no Liberal children would be born. Another practice by Gomez's Conservatives was to collect the ears of their Liberal victims as evidence of the numbers they had slaughtered.

The government's official statistics of those killed during *La Violencia* are 180,253. The actual figure comes closer to 400,000.

In 1952, as it became clear in Colombia that Gomez would have to go, his son Alvaro Gomez Hurtado began to build up a reserve power base internationally by becoming a founding member of Habsburg's Madrid Center, along with another European oligarchist, Italy's Amintore Fanfani. Alvaro Gomez Hurtado also took over the editorship of *El Siglo*, in which he frequently published Habsburg's articles on "free enterprise." Since both men were educated by Jesuits, it is not surprising that Alvaro Gomez has complained in his editorials that the "humanist" faction inside the Catholic Church has succeeded in imposing its world view of how man's creative powers are reflected in scientific and technological progress.

Since the Carter Administration took over the White House by vote fraud in 1976, which allowed another oligarchist, Zbigniew Brzezinski, the son of a minor Polish nobleman, to dictate American support for Colombian oligarchists, Gomez has been organizing for both a coup and the legalization of marijuana in an attempt to break the National Union Council (CNS). The CNS is a coalition of Liberal, Conservative, Catholic,

and Communist trade unions that are organizing to stop the austerity and militarization of the Colombian economy. To oppose this, Alvaro Gomez supports his brother-in-law, Justice Minister Hugo Escobar Sierra, and Defense Minister Luis Camacho Layva in their repressive laws against public demonstrators and in their imposition of the "emergency measure" of September 1978 which effectively institutionalizes military justice and martial law.

Alvaro Gomez himself is also leading the campaign to legalize the marijuana production in Colombia as the new "cash crop" that will allow the country to pay off its foreign creditors. In August 1977, Gomez wrote in *El Siglo*:

"Colombians must think very seriously about legalizing marijuana immediately.... First, because it will yield us foreign exchange. And second, because we have proven that to prohibit it, to help a country that is not interested in its promotion, is damaging to the morals of those charged with enforcing the law."

Although Gomez and his propagandists — such as the Jan. 29, 1979 issue of *Time Magazine* with the cover story, "The Columbian Connection" — would like to give the impression that Colombian farmers and peasants support the legalization of marijuana, the largest Colombian agrarian federation, FANAL, issued on Jan. 30 a condemnation of Gomez's campaign:

"Aware of the treasonous campaign being carried out by information services to create in Colombia a climate favorable to the legalization of marijuana, the National Agrarian Federation (FANAL) states:

1. In the name of the Colombian peasantry, FANAL rejects the dishonest campaign in favor of the legalization of marijuana and declares persona non grata and traitors to the country all those "denationalized" ones who try to promote the legalization of this harmful drug in the country. These "denationalized" ones are the same who are trying to impose a fascist regime in Colombia modeled on those of the Southern Cone in order to ensure their marijuana economy.

2. It is ridiculous and imbecilic to think that marijuana production benefits the peasant sector; it is inconceivable to think of replacing food production for the nutrition of the Colombian population, especially children, with a drug which is harmful to the health and to the morale of our population..."

Mexico: If Colombia is the best example of the genocidal crimes of the pro-Habsburg restorationists, then Mexico is the best example of how Otto von Habsburg's international networks, dating back to the colonial em-

"Habsburg was thoroughly hated throughout all of Europe. The Austrian fascist dictator ... offered to return confiscated Imperial Habsburg property and investments in Austria to Otto. Habsburg refused, suspecting that he would never live the scandal down if he accepted."

pire of his ancestor, Charles V, overlap with members of the Mont Pelerin Society and their students.

As President Luis Echeverria Alvarez stated in his public TV denunciation of the "hooded ones," there is perhaps no nation on earth more aware of what Habsburg oligarchical rule means than Mexico. It was the Habsburg Emperor Charles V, about whom Otto wrote a laudatory biography, who initiated the looting policies of the 16th century, reducing Mexico's Indian population from something over 12 million to less than 2 million people in the course of three generations. It was a direct descendent of Charles V, and a great-great-uncle of Otto, Maximilian of Habsburg, who was "installed" as "Emperor" of Mexico in the 1860s by the British-backed oligarchy, working through the French puppet, Napoleon III, to stop the Mexican republican Benito Juarez.

In the 20th century, it is the students of Austrian Baron Ludwig von Mises, the associates of Italian oligarchist Amintore Fanfani, and the traitorous Mexican networks loyal to the Buckley family of the United States that provide Habsburg with his circle of associates in Mexico.

Von Mises and von Hayek founded in Mexico the following societies as the basis for their Mont Pelerin Society:

* Institute of Social and Economic Research (IISE).

* Free School of Law. Founded in the 1940s by Gustavo R. Velasco, a personal friend of von Mises, the school has produced the core of the current gang of Mont Pelerin fascists in Mexico, including José Angel Conchello, leader of the National Action Party who openly acclaims the theories of Hjalmar Schacht, Hitler's central bank president.

* Institute of Iberoamerican Integration (III). This is one of the principal centers of recruitment for the paramilitary gangs deployed by the Mont Pelerin restorationists.

— to be continued

Congressional Calendar

Antinuclear crisis mongering strikes Congress

In the wake of the Harrisburg "nuclear energy crisis" a wave of antinuclear crisis mongering has predictably erupted in Congress. Item: Senator George McGovern (D-S.D.) declared at a joint press conference April 4 with the environmentalist Union of Concerned Scientists, that he will propose legislation next Monday calling for a halt to any further licensing of nuclear plants until a review of all safety defects in nuclear reactors is completed. A similar demand was made in the last several days by Congressman Jeffords (R-Vt).

Item: Moves are afoot to repeal the Price-Anderson Act, which limits liability in the event of nuclear accidents. If this were repealed the cost of insuring nuclear plants would be so prohibitive that it would shut down the industry.

The courts recently threw out environmentalist efforts to nullify the bill on constitutional grounds, so the environmentalists have shifted their efforts to direct congressional repeal or modification of the act.

Congressman Morris Udall (D-Ariz) announced April 4 that he plans hearings after the April 12 recess that will focus on the "future role of nuclear energy in America" and whether or not to repeal Price-Anderson. Nuclear energy is extremely expensive, he said, and "Price-Anderson understates those costs."

New York Congressmen Ted Weiss and Hamilton Fish introduced legislation Jan. 15 to repeal the Act, and hope that the sentiment generated by the Harrisburg

hoax will suffice to push it through Congress.

Enter Ted Kennedy

On the Senate side, Senator Ted Kennedy (D-Mass) told the Council on Foreign Relations in New York April 2 that it was time to "reexamine whether it (nuclear energy) is centrally important." The former Harvard cheating case told the assembled Wall Street moghuls that there were "global nuclear weapons risks" from wide use of atomic energy. Two days later, Kennedy used the pretext of the dangers of nuclear energy to call for top-down government apparatus to handle "crises." At hearings he held on April 4 in his Health subcommittee, Kennedy — whose inability to drive a car safely led to the death of Mary Jo Kopechne at Chappaquiddick — declared "we have now seen the darker side of technology." He demanded creation of an agency to deal with such crises. At the hearings Kennedy was supported by Pennsylvania Republican Senator Richard Schweicker who called for a "nuclear crisis management team." Even conservative Senators like Orin Hatch (R-Utah) and Gordon Humphreys (R-NH) echoed this call, demanding a review of U.S. civil defense capability in light of Harrisburg. Watch for quick Congressional action on these proposals.

A voice of sanity

A voice of sanity on the question of the Harrisburg crisis came from Congresswoman-elect Deborah Hanania-Freeman. Testifying before the House Appropriations Committee on public works, Freeman declared on April 4,

"You must realize that the combination of events leading up to the Harrisburg hoax and the proposed Department of Energy budget (which focuses on solar energy — ed.) conclusively demonstrate that the real meaning of the budget and its related policies is not merely a question of antinuclear versus a pronuclear policy but of a military footing for the enforcement of global austerity."

Fight on over Carter's Alaskan land grab

Last year's withdrawal of 121 million acres from potential productive use by President Carter and the environmentalist lobby, which includes Secretary of the Interior Cecil Andrus, is now the subject of a legislative battle between Congress and the White House. At stake is trillions of dollars worth of mineral resources accessible to even existing technologies. The intent of Carter, Andrus, et al. is to lock away this mineral wealth permanently.

The vehicle the Administration had chosen to institutionalize Alaskan backwardness was H.R. 39, introduced by Morris Udall (D-Ariz.), chairman of the House Interior Committee. The Udall bill would have locked up even more land and resources than last year's presidential decree ran into a stonewall in the Senate when it was first introduced. To avoid a deadlock at the end of the session, some of the Senators involved, including Washington Democrat Henry Jackson and Alaskan Republican Ted Stevens, worked out a compromise. But the compromise was buried by the threat of

a filibuster from Alaskan Democrat Mike Gravel, who said he wanted leeway for more development in his state than allowed by either the bill or the compromise version. Given Gravel's own track record as an environmentalist, some observers aren't sure of his motivations.

Clearly, the Carter Administration itself wants the compromise killed.

But the compromise has been revived and given the form of legislation, now before the House Merchant Marine Committee, as H.R. 2199, or the Huckaby Bill. It will be on the House floor by April 30-May 4. It would create a Federal Lands Management System in Alaska, including parks, wildlife refuge systems, forestry lands, etc. totalling 99 to 120 million acres. These acres, however, would not impinge on mineral-rich areas, and the bill includes provisions to ensure overland transportation routes necessary for removal of the mineral resources.

It was a major defeat for Udall as chairman of the Interior Committee when his own committee rejected H.R. 39 in favor of the Huckaby bill. The reasons are not hard to comprehend.

The Alaskan landmass, a continuation of the mineral-rich Rocky Mountains, has phenomenal mineral wealth-potential, almost totally unexplored to date. Considering the Prudhoe Bay oil discoveries, the known resources on the Canadian side of the borders, and on the other side of the Bering Straits in Siberia, it is estimated that Alaskan mineral wealth available for exploitation through off-the-shelf technology is on the order of trillions of dollars.

In voting down H.R. 39 and voting up H.R. 2199, the Interior Committee's majority was simply voting up an economic future for the state of Alaska. If the Huckaby bill 2199 passes the House at the end of the month, the prospects for passage in the Senate are very good.

As a result, Secretary Andrus has informed Jimmy Carter that all hope of keeping Alaska a primitive and frosty wasteland and denying the nation the benefits of natural wealth, depends upon the President. Andrus has recommended that Carter veto the Huckaby compromise if and when it arrives on the President's desk.

Such action would allow the Presidential land grab of last year to stay in effect. On the basis of existing law, Carter caused 56 million acres of mineral-rich land to be assigned to "National Monuments," and 54 million more to be placed "under study" for possible designation as a National Wildlife Refuge. Eleven million additional acres were taken away from the Forestry Department for "study" leading to ward their addition to the possible wildlife refuge system. Most of these lands were in the southeastern portion of Alaska.

Balanced budget in the pipeline?

With the endorsement of only six more states needed to call a convention to authorize a constitutional amendment for a balanced budget, the Congress is under pressure to prove its commitment to the balanced budget lobby being spearheaded by the odd coalition of conservative Republicans and California Governor Jerry Brown's

"liberal" Democrats under the direction of Aspen Institute board member Robert O. Anderson.

Notwithstanding the fact that implementing a balanced budget at this point would shut down the U.S. economy, Congress has taken several steps towards a balanced budget. After several weeks of Budget Committee hearings on the issue, Congress this week endorsed two proposals that require both Congress and the President to offer legislators the alternative of a balanced budget to any other proposed budget. On April 2 the House voted up an amendment to the debt ceiling legislation, introduced by Senator Russell Long (D-La), that calls on Congress to offer a balanced budget proposal for 1981 and 1982 by April 15. This is to be reviewed and voted on as the first nonbinding concurrent budget resolution of Congress May 15. Although this will then be reviewed and revised significantly before it is passed in September as a binding budget, the resolution shows Congress' eagerness to move towards a slashed budget.

At the same time that this amendment was adopted, Congress also passed a proposal by Senator Packwood (R-Ore) that requires the President when submitting his budget, to include another budget that is balanced, for Congressional review.

— *Barbara Dreyfuss*

'Dissidents': the union's side of the

IBT official Lawrence McHenry says Camarata would destroy the union

The following interview with International Brotherhood of Teamsters Local 299 member Lawrence McHenry, currently an IBT staff member assigned to the Central Conference of Teamsters, deals with local 299's recent decision to place Teamster "dissident" Pete Camarata on probation for his attacks on the union and its leadership. Local 299, based in Detroit, was the local the late Teamster leader Jimmy Hoffa hailed from.

Camarata is national cochairman of Teamsters for a Democratic Union, one of two highly publicized groups which are seeking to oust the national leadership of the IBT. He was placed on probation following a five and one-half hour hearing March 19, at which McHenry presented charges against the TDU official of violating the obligations of IBT membership, and seeking Camarata's expulsion from the Teamsters. Camarata was found guilty by the Executive Board of local 299 of inciting illegal wildcat strikes. Under the terms of his probation and final warning, Camarata will be expelled from the union following any further violation, according to the five-page decision issued by the board.

For three years, Camarata and his TDU grouping, as well as PROD, another opposition organization, have received heavy publicity for their attacks on the IBT leadership. Here, in Part one of the interview, McHenry tells the union's side of the story. Part two will follow next week.

Q: *Why were the charges brought?*

McHenry: The charges were brought because Camarata, by many methods, in person and public statements of his own and in publications, is connected with and responsible for, as far as distribution and dissemination, material that continually attacks, belittles, libels, and slanders the leaders of this organization. In areas of contracts, as far as obligations that we have to our members to go in and negotiate are concerned, he destroys their confidence in us. He slanders the leaders of the organization, which interferes with their ability to meet their legal and contractual obligations to the members of the union.

Q: *In particular, this contract? (The nationwide master*

freight agreement, which is currently being disputed —ed.)

McHenry: Yes. He has proven and admitted that he openly did this in 1976 through his publications, his meetings, his travels. One of the reasons he does it is to further his own political ambitions and those of others who are involved in TDU with him.

He has openly admitted to being an avowed member of the International Socialist Party at several of his meetings. At one meeting in particular, he invited and introduced a speaker from England, who, again, was with a labor organization there that was completely dominated by the International Socialists. There were witnesses produced at the hearing that said that listening to him speak left them with the impression that he again was calling for a strike unless the demands of TDU were met April 1. He was asked, what if negotiations were still going on April 1, and we are working under an extended contract with the proviso that any monetary gains will be paid back retroactively.

Who is TDU? Who are some of the mainstay people guiding TDU? It's not the Camaratas. It's not some of the poor people that really believe that's the answer, that follow him blindly. It's the Ken Paffs, the people up there on top. The Steve Kendricks that have the history of fanaticism, of emotionalism. It's the Steve Earleys, who was involved with Sadlowski (The United Steelworkers dissident —ed.), tracked back to taking grants from various foundations that have a history of employer related activity to destroy unions and deregulate the trucking industry, and probably succeeded in destroying the United Mine Workers.

That's exactly what they're out to do—that's the TDU. Peter Camarata is a willing tool that is being used on a pretense of democracy to really get out and destroy the Teamsters Union and organized labor as a whole, but the Teamsters Union mainly, because the Teamsters Union is the largest, most progressive labor union in this country.

The Ralph Naders—that on pretense are concerned about the consumers, and are probably more recognized right now by the so-called consumers of this country, the average old working Joe Citizen—are probably costing the poor slob a hell of a lot of money that he wouldn't

story

have had to pay if it hadn't been for Ralph Nader's "protection."

Q: *What's the difference between Camarata's view of democracy and "do your own thing"?*

McHenry: Camarata uses the phrase. As a matter of fact, when he was asked to define democracy, he found it very difficult to do. And the reason he found it very difficult to do, I find, is because he doesn't know the meaning of the word, he has nothing but contempt for it. He merely uses it, the phrase, as a part of the organization to which he belongs, because he feels it is impressive to the people, and will bring people to him.

Q: *How much of a following does he have in 1999?*

McHenry: I don't think Camarata ever had any following at all in 1999.

Q: *But the media leaves the impression that he is the major force outside of the union officers.*

McHenry: Isn't it funny that this guy has no problem getting major network coverage? Why? As far as I am concerned, people in major networks probably can be tracked in some way to the various foundations that he is getting funded by. To me they are just as involved as he is, and they are going to further in every way they can his efforts to destroy organized labor.

Q: *What about the importance of this finding on the ability of the Teamsters to negotiate a contract this next week?*

McHenry: I think it will — if it gets out to the people — show them in its truth and entirety, that they have been led down the primrose path by the Camaratas and that really they are jeopardizing themselves by furthering this type of thing in their contract negotiations. It will weaken this union in the negotiations with employers because it is rebellion from within and it doesn't even fit the word "union." Union means a group of working people banded together in a common cause, and that is what we are all about, really. And I think, if this is properly gotten out, if members learn from this what these people are really up to, and themselves not to be a

part of it, and fight against it as we have with the charges, it will strengthen this international union. We will be in much better shape as far as negotiations with the national master freight agreement or any other negotiations or as far as organizing of other people into our union.

It really bugs me to hear Camarata talk about members' rights. They do have rights—and there is no doubt there has been abuse of them, okay? But these guys prey on that, mislead people as to what their rights are, abuse their own rights and privileges and openly — I mean as far as the obligations and the objects of the organization, and what organized labor was formed for — and these guys turn it around and use it to further their own self-motivated positions or ambitions for positions.

Camarata, what he represents, is not only not to help the members, it is to completely destroy organized labor and to restructure this country. How in the hell can they be involved in furthering democracy? No way! I even asked him at the hearing: "What does it mean to you?" I said, "Perhaps 'democratic' or 'democracy,' these two words have a different meaning to me than they do to you. Just what do you think democracy is?" He said, "Well, uh, uh, the right to, uh, uh, as far as the contract, uh, uh..."

He really didn't understand what the hell I was asking. I don't think he has any idea what a democracy is other than a word for him to use on a pretense of doing something for members of his local union, or his international union.

Q: *It is a code phrase and nobody asks the right kinds of questions behind it.*

McHenry: It is like the next thing he will be using is apple pie, you know? Because he feels that this impresses people and appeals to them. And that is exactly what he is doing. Our rules, bylaws, constitution, our structure are recognized to be by the Labor Department and any other investigative branch, or branch of the United States government, as being the most democratic organization in organized labor. We are recognized. We are required to file our rules, the bylaws, the constitution, the structure—we are required to file it every year with the Labor Department.

In no way does it violate existing law; it parallels existing law, and even goes further than the existing law, permitting our members rights, freedoms, and areas that they can be actively involved in their union. It also sets up a set of rules that govern the people the same as we have laws in this country that govern people. What Camarata is saying is that he can any goddam time he wants to, you know, just tear the thing down.

Winpisinger stumps for Ted Kennedy

International Association of Machinists (IAM) President William Winpisinger is stumping the country, pushing a 1980 Presidential bid by Massachusetts Senator Ted Kennedy. Winpisinger, who has announced a formal break with the Carter Administration, has already appeared in several cities, speaking to "Labor action" groups, terming the policies of the Administration a betrayal, and hyping the Kennedy alternative.

At a recent event in a New Haven, Conn. suburb, Winpisinger, the most outspoken proponent of solar energy in the labor movement, refers to Kennedy as "the next President of the U.S."

IAM leaders in Iowa, under orders from "Wimpy," hold a "dump Carter" meeting in Des Moines and prepare a draft Kennedy apparatus.

Winpisinger is only one of several labor leaders known to favor Kennedy and to be leaning towards a draft Kennedy push in the Democratic Party. Others include Jerry Wurf of AFSCME, Glenn Watts of the Communication Workers, and Murray Finley of the Clothing Workers.

Doug Fraser of United Auto-workers is also known privately to be pro-Kennedy, but must remain impartial in public for now. The White House is said to trust Fraser, and to be open to his advice. Fraser is critical of the Administration, but won't openly

break. He sends letters to UAW local leaders instructing them not to join any dump Carter movement and to remain neutral for now; the talk is that the UAW would back Kennedy if he runs and local leaders work covertly for his cause. A UAW leader attends the IAM meeting in Iowa and warns against splitting the Democratic Party. Watts and Wurf also tell their people to back off, but give Wimpy room.

Wimpy seems pleased with being the labor point man in a dump Carter push. He boasts

**For coverage of
the Teamsters strike
see U.S. Report**

privately of a big coalition of solar power advocates, environmentalists, "poor people" and grass roots community organizations coming behind Kennedy "when the time is right." He is sure that the UAW will "come on board." A top staff member of the Democratic Socialist Organizing Committee is given a salary by Wimpy out of IAM funds to organize a dump Carter, draft Kennedy movement.

A fog in the steel union

Lloyd McBride, the president of the United Steelworkers, last

week endorsed a plan developed by Institute for Policy Studies fellow Gar Alperovitz for a "community buy back" of the now closed Youngstown Sheet and Tube facility in Campbell, Ohio. The plan put forward by the Ecumenical Coalition calls for the workers and the community to raise capital from sources including workers' pensions to purchase the plant from the parent LTV Corporation and to lobby for more than \$235 million in government-guaranteed loans to reopen and refurbish the plant. The union also agrees to waive seniority and other contract privileges and to approve a reduction in the overall plant workforce from 4500 to about 2600.

The plant, which would be called Community Steel, Inc., would be operated under the Alperovitz scheme by a coalition of workers, the community, and professional managers.

Some people in the steel union are reportedly disgusted by the action of McBride and the USW leadership. They term the Alperovitz scheme a form of fascism and point out that Alperovitz is part of the same Institute for Policy Studies crowd which created the no-growth, environmentalist Sadlowski operation inside the steel union; Staughton Lynd, one of the plan's biggest backers, was a key controller of no-growther Ed Sadlowski, the dissident McBride defeated for USW President in 1978.

These steelworker leaders, all of whom supported McBride, wonder when the USW will support a program to expand steel production.

— L. Wolfe

FACTS BEHIND TERRORISM

Nuclear terrorism back on the agenda?

Sources inside the United States intelligence establishment report that they view the last week's events at the Three-Mile Island nuclear facility as a mere prelude to more dramatic and deadly acts of nuclear sabotage.

This includes the activation of a scenario for "nuclear terrorism" authored for the Rand Corporation by "terrorist expert" Brian Jenkins (*High Technology Terrorism and Surrogate War: The Impact of New Technology on Low-Level Violence*, January 1975). In Jenkin's scenario, nuclear weapons-grade materials could be stolen by terrorists from a fission power plant, or a plant could be kidnapped and used to hold the population hostage against blowing it up.

As *Executive Intelligence Review* proved on technical grounds in our Feb. 21, 1978 issue, no mere independent terrorist or terrorist group could pull off such an incident without the complicity of the U.S. National Security Council and Department of Energy head James Schlesinger. But the Middletown, Pa. atomic "mishap" is unanimously viewed among serious scientists and professional law enforcement personnel as the result of a sabotage conspiracy.

The trail to the conspirators has been clouded by the orchestrated confrontation between environmentalist-terrorist groups and Mr. Schlesinger.

In reality, the antinuclear mafia inside the Administration hovers around the Energy Secre-

tary and interfaces the radical-environmentalist circles currently pushing the 1980 presidential candidacies of Ted Kennedy and Jerry Brown. Daniel Ellsberg, a crony of Schlesinger's and a fellow alumnus along with Schlesinger and Jenkins of the Rand Corp., runs an outfit called Mobilization for Survival.

Mobilization for Survival is coordinating a series of loud public relations events against nuclear energy to provide the climate for dismantling of the U.S. nuclear energy. Closing the circle, such a shutdown would be administered by executive fiat through the National Security Agency, the Dept. of Energy, and the newly constituted Federal Emergency Management Agency.

A sampling of recent "environmentalist" events grids closely with this sinister scenario:

Boston: Environmentalist demonstrations outside the home of the pronuclear Governor King are being led by Kennedy-affiliated members of the State Assembly of Massachusetts. One personal colleague of Kennedy's, State Senator Backman, gave a provocative speech equating "lies" about nuclear energy coming out of the scientific community with "lies" fed by the Administration during the Vietnam war. (Remember Daniel Ellsberg?) Gov. King is under pressure to drop all future nuclear plant authorization in the State.

Background facts: Similar provocative actions by state legislators

last year led to a riot at the State House in Boston, in which several legislators were brutally beaten and hospitalized. An internal document of the antinuclear regional group called the Clamshell Alliance discussed the necessity for acts of violence against supporters of nuclear energy.

Baltimore: The Revolutionary Communist Party (formerly Revolutionary Union), the American Friends Service Committee and the New American Movement have been organized as "environmentalist" under the overall direction of Mobilization for Survival, and have staged a disruption at the city council demanding that the city pass an ordinance forbidding the shipment of any nuclear material through the city lines. Additional actions are planned over the weekend directed at shutting down the Colvert Cliffs nuclear facility.

Background facts: The same institutions were involved in provoking riots during the winter 1979 blizzards. The American Friends Service Committee's involvement in terrorism includes the creation of the MOVE cult in Philadelphia, whose armed conflict with police there led to two deaths last winter. (EIR, Nov. 21-27, 1978)

Chicago: An antinuclear group calling itself the Bailey Alliance is operating in this area in league with District 32 of the United Steelworkers of America.

Background facts: District 32 of the USWA is run by associates of Ed Sadlowski, an unsuccessful "dissident" candidate for the union's national presidency whose backing comes from the Washington, D.C. Institute for Policy Studies. IPS, as this publication has documented at length, is the central coordinating institution for the "left" variety of international terrorism.

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT/NATURE OF DEAL	COST	FINANCING	STATUS
India from U.S.S.R.	2 giant canals for drought prevention	\$25 bn.	Over 15 yr. construction period	V
Yugoslavia from U.S. and others	Petrochemical complex at Krk, Yugoslavia for DINA Petrokemija (a joint venture of INA-Industrija & Dow Chemical)	\$1 bn.	Manufacturers Hanover Ltd., with credits from the "Ex-Im" banks of Holland, Germany, France, Britain	III
People's Republic of China from U.S.	Chase Manhattan will build China Foreign Trade Center in Peking	\$200 mn. plus	\$30 mn. initial credit	---
Republic of Korea from World Bank	Major project (dam, power plant, & transmission facilities) in the Han River basin	\$150 mn.	\$125 mn. loan	---
Romania from World Bank	Livestock, irrigation and drainage works	NAv	2 World Bank loans	---
Lufthansa from Airbus	25 Airbus A310 jets, with option for 25 additional planes	\$810 mn.	NAv	I
Societe Metallurgique with Irish Steel Holdings Ltd.	Joint marketing of a range of products	NAp	NAv	N

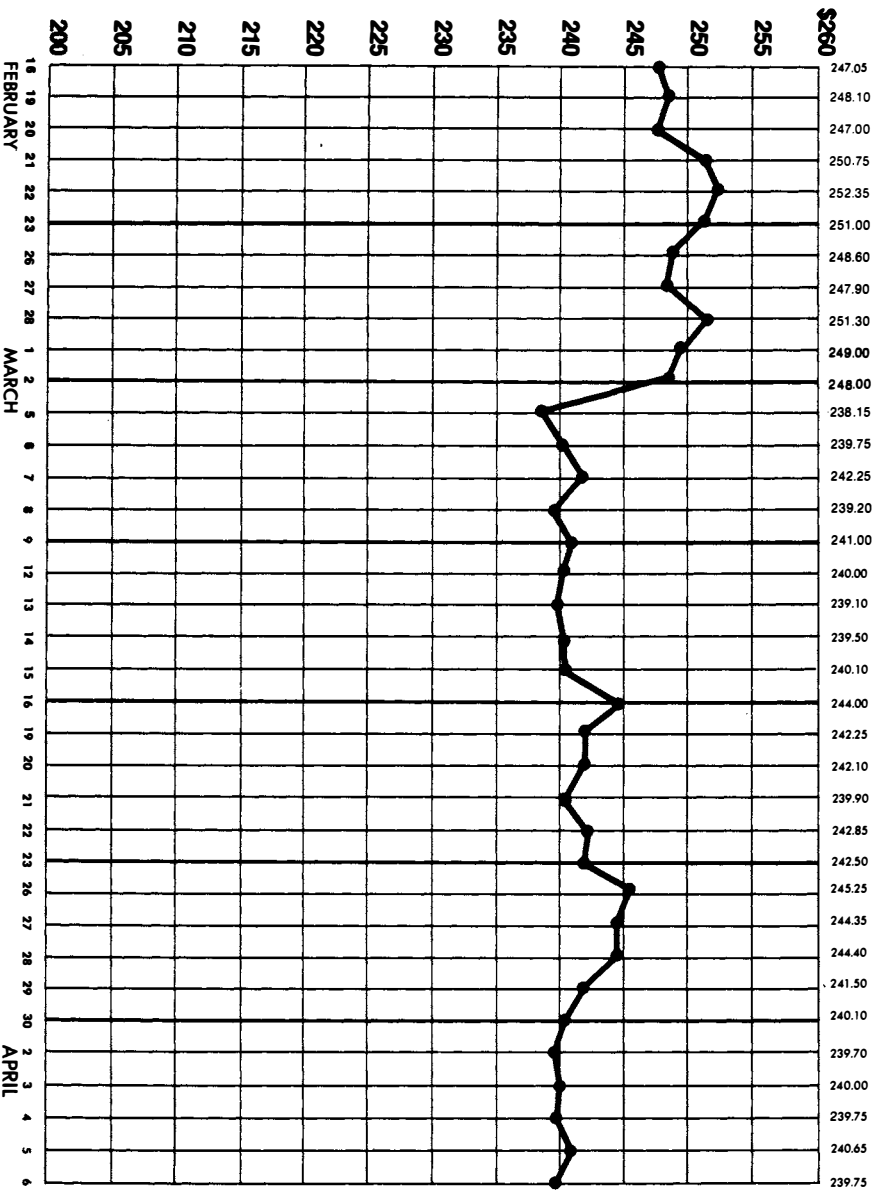
U = Undetermined
 NA_p = Not applicable
 NA_v = Not available

*Status:
 I = signed, work in progress
 II = signed, contracts issued
 III = deal signed
 IV = in negotiation
 V = preliminary talks

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Gold

London afternoon fixing



The Dollar

In deutschemarks. New York closing

