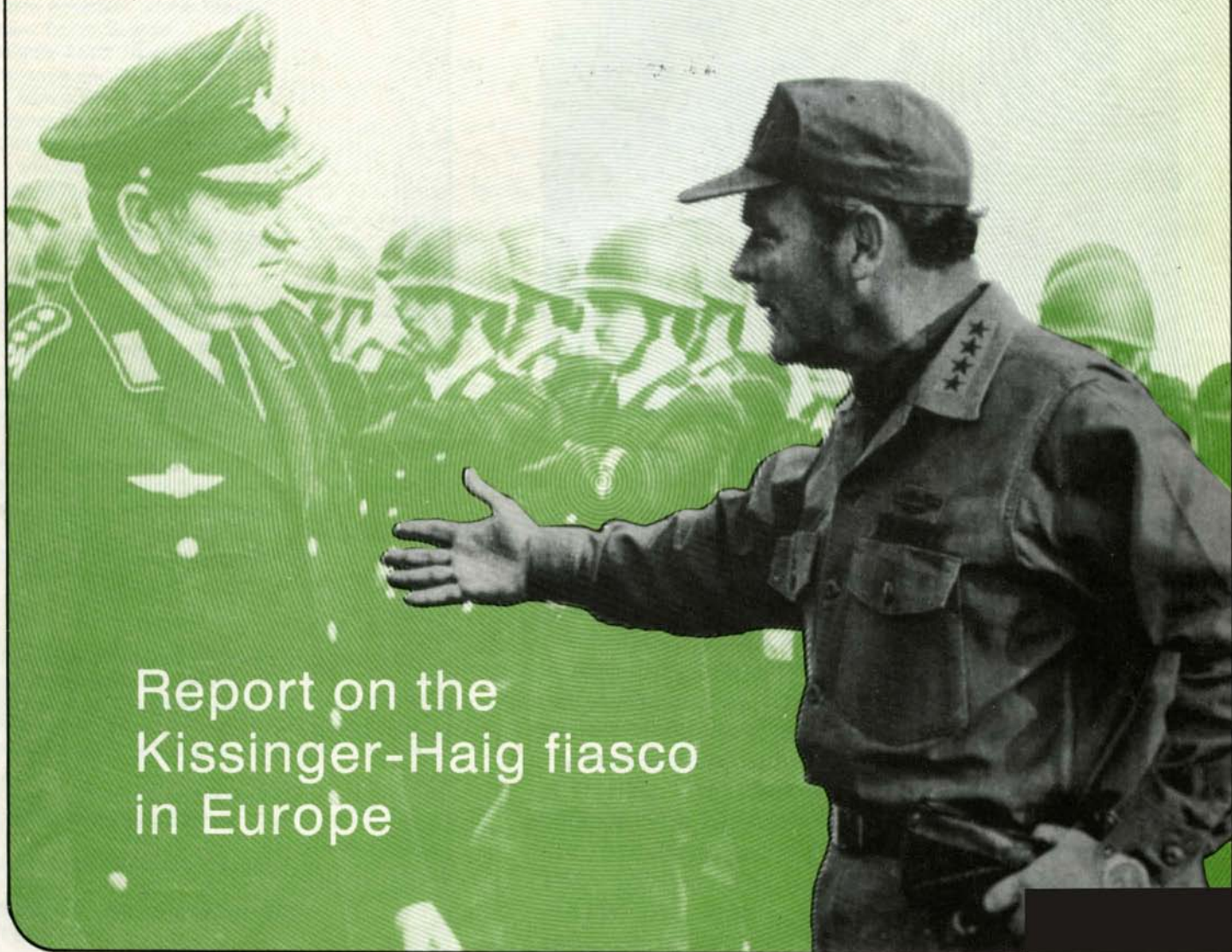


EXECUTIVE INTELLIGENCE REVIEW

Sept. 25-Oct. 1, 1979

NATO near split?



Report on the
Kissinger-Haig fiasco
in Europe

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW



NATO near split?

In 1975, then Secretary of State Henry Kissinger warned Europe that if it went ahead with plans to dump the International Monetary Fund, the U.S. would view this as a "national security issue." Last week, with prospective presidential candidate and protégé Alexander Haig in town on a campaign junket, Kissinger tried a repeat performance. But Kissinger's latest round of threats came in the wake of the uncompromising stance against "conditionalities" adopted by the Third World nations at Havana. The result: a deep new fissure in the NATO alliance, with Kissinger and the unfortunate Haig under fire even from such figures as McGeorge Bundy and Theo Sommer. The full story in this week's INTERNATIONAL report, featuring an analysis of what's going on by contributing editor Criton Zoakos.

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IN THIS ISSUE

Reserve role seems assured for gold

With the price of gold soaring to ever new highs, the metal's remonetization at this point seems assured. Leading off this week's ECONOMICS section, respected gold columnist Alice Roth reports on the division and disarray in the ranks of gold's foes—and, amid scrambling realignments, speculates on what options are left to the International Monetary Fund. Plus: a look at who's making money off the bankruptcy of Midwest railroads, a report on an international steel conference in Amsterdam, and a look at domestic credit policy. **Page 7**

20-sector analysis of U.S. economy

This week's ECONOMIC SURVEY is an exclusive report on the post-1969 performance of the U.S. economy, broken down into 20 key sectors, using Lyndon LaRouche's Riemannian computerized economic model. The results, presented in a series of computer-generated, sector-by-sector graphs and analyzed by Economics Editor David Goldman, will come as a surprise to followers of Gross National Product statistics, and for the first time pinpoint areas of growing weakness in United States' productive capabilities. **Page 33**

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Why the Third World listens to Fidel Castro

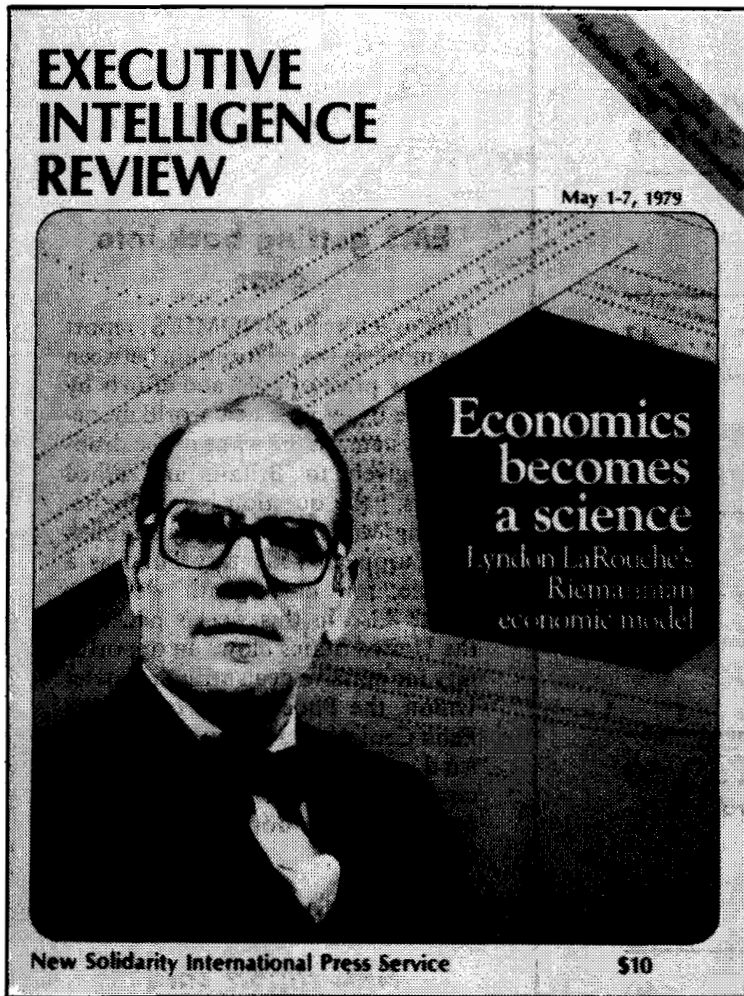
This week's THIRD WORLD section continues our exclusive coverage of the Sixth Nonaligned Summit Conference in Havana. This week: Latin America editor Dennis Small reports on his impressions of Castro's Cuba, and explains why other Third World nations look to Cuba as a model for development. Plus an exclusive interview with Nicaragua's new Minister of Transportation on his country's rebuilding plans, a look at the clash between Afghanistan and two new Nonaligned members, Pakistan and Iran, by Asia editor Daniel Sneider, and a report on the Bhutto award granted to Sneider.

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The Muslim Brotherhood and METO

Efforts to expand the Camp David agreement in the Middle East are picking up speed, and at the center is the Muslim Brotherhood, the secretive Islamic fundamentalist organization founded by British intelligence. This week's MIDDLE EAST report looks at the activities of the Muslim Brotherhood in the Middle East, and relates the organization's moves to Anglo-American efforts to establish a Middle East Treaty Organization. Included: why Britain wants Menachem Begin out as Prime Minister of Israel, and a report on the deteriorating situation in Iran.

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Holocaust in Cambodia

In the same month that a television melodrama commemorating the Holocaust of Nazi Germany is being broadcast through the United States, the holocaust that was recently carried out by the Pol Pot regime in Cambodia has gone virtually unpublicized.

Indeed, the same individuals and groups who insist that the memory of the Nazi holocaust must determine the identity of all Jewish citizens are the most active backers of the "China card." They support the Peking regime that plotted the extermination of three million persons in Cambodia by the Pol Pot clique.

Mr. Ganesh Shukla, editor of the Indian weekly *New Wave*, visited Phnom Penh from Aug. 15 to Aug. 20 and is now on tour in the United States, to bring the awareness of the unspeakable horrors committed there to the American population. In future issues, the *Executive Intelligence Review* will publish Shukla's account more fully. Now, we would like to bring two points that he stresses to our readers' attention.

The first is that the mere figure "three million dead" utterly fails to convey sensuously the crime that the Pol Pot clique committed—the worst since Hitler's. One must actually face the stomach-turning detail of the way in which the population was rounded up, with intellectuals and skilled workers singled out, barbarously tortured and then "disposed of," in the term used by official Pol Pot government decrees.

Secondly, and this is the urgent issue for U.S. policy, the extinction of the Khmer race that began under Pol Pot will continue despite the efforts of the new government that overthrew the Peking clique last January, unless emergency food and medical supplies are rushed to that country from the West.

To fail to do this will compound the complicity of a Washington regime that is already bloody-handed in the Kampuchean affair by the very fact of its alliance with Peking.

The issue is simply the American System of urban-centered industrial progress, versus the forces of organized evil that wish to impose a new dark age on the world. Any doubt of the deliberateness of the dark age policy is dispelled by the report of Mr. Shukla.

"What I saw and heard has left me benumbed," he wrote in *New Wave* on Sept. 2.

"Believe me when I say that of the seven million and odd Cambodians, at least one million have perished either through starvation, disease or physical exhaustion in slave labor camps called 'communes,' built like animal farms. Two million more people were hacked to death or bludgeoned to death and thrown into mass graves, wells, ponds and rivers.

"Among the four million survivors, the men-women ratio is one to

five. . . . These four million survivors, one million of whom are disabled, are refugees in their home land.

"In the countryside, people are roaming, not able to locate their villages and homes, eating whatever they can lay hands on—like leaves, wild fruits, small animals, cockroaches and insects.

"If food and medicine are not rushed to Cambodia, at least a million more Cambodians will perish in the next three months before the crop is harvested.

"The Khmer race is faced with extinction.

"Never in history have the rulers of a country committed such barbarous crimes against their own people as the Pol Pot-Ieng Sary clique against the Khmer race.

"Trained in Maoist theory and practice, they used Kampuchean territory as a laboratory. During the four dreadful years of their rule they waged a ruthless war against their people, against civilization, and against humanity."

—Nora Hamerman

The Week in Brief

The major East Coast news media will give extensive, favorable coverage to the violence of the antinuclear movement, including the planned Oct. 6 occupation of the construction site in Seabrook, New Hampshire, said a CBS News spokesman in New York Sept. 18. At a press conference launching the "Musicians for Safe Energy" (MUSE) Foundation—an agency for tone-deaf drug-rock celebrities—the CBS man assured Seabrook organizer Sam Lovejoy, an in-

dicted saboteur, that "we plan major coverage of this event from here on out."

Lovejoy outlined a plan to "make the nuclear issue the decisive issue in 1980, just the way McCarthy made the war issue decisive in 1968, by hitting the early primaries" in New Hampshire, Iowa, Florida, Maine, and Pennsylvania. "Anyone walking into Maine with a single pronuclear word is going to be in trouble," Lovejoy threatened. He did not name

names, but Ted Kennedy, referred to in terms of "anti-Carter Democrats," is the environmental terrorists' clear favorite.

The MUSE Foundation plans to stage drug-rock concerts to build for Seabrook and other planned violence. As part of the news media's pledge to support the violence, two MUSE board members, Jane Fonda and Tom Hayden, will be hosted on the NBC "Meet the Press" program on Sept. 23.

* * *

The European Monetary System has worked excellently, French President Giscard d'Estaing told a national television audience Sept. 17. Giscard stressed the role of Premier Raymond Barre, giving credence to rumors that Barre may be appointed as chairman of the European Monetary Fund (EMF), the long awaited phase-two of the EMS arrangements.

Giscard also stressed that OPEC, which will figure prominently in Third World development efforts of the European Monetary Fund, is not to blame for oil price increases, and that France was committed to developing nuclear power to provide 25 percent of all energy by 1985.

In an earlier interview with *Paris Match* magazine, the French President outlined two models of economy, one he called "the Swiss model" of sharing limited wealth, and the other the "German model" of capital-intensive production of new wealth. Giscard favors "the German model," which corresponds to the international purpose of the European Monetary Fund.

* * *

"Alexander Haig will not get the nomination of the Republican Party," declared presidential candidate Lyndon H. LaRouche, Jr. to a fundraising dinner in Atlanta, Ga. on Sept. 19. "The British have turned against him. ... The only potential opponents of Ted Kennedy in the presidential race are myself and John Connally."

As our analysis of the presidential campaigns have documented, the New York Council on Foreign Relations had a gameplan to make Haig a "GOP strongman" pitted against Kennedy in the 1980 presidential elections with Haig coming out the winner. But Haig and GOP national committee controller Henry Kissinger both gave speeches advocating tactical nuclear war in Brussels early this month. Now Europe threatens to bolt from NATO, prompting British ruling circles to view Haig (and Kissinger) as a liability (see INTERNATIONAL).

So, the CFR has shifted gears. "It's me against Connally," said LaRouche, whose campaign for the presidency is being viewed by political experts as the fastest growing, most viable campaign this nation has seen for years. Quipped LaRouche to the Committee for LaRouche sponsored dinner: Even the British now recognize that "if Haig were to lead a squad out to pick up cigarette butts from the barracks area, he would lose the war to the cigarette butts."

* * *

French right-wing gangster Jacques Mesrine is evading arrest through the protection of the "left" international terrorist network—according to the Sept. 16 *Le Figaro*. Captured twice for countless robberies and criminal activities, Mesrine has maintained relations with left terrorists since the time of his role as a militant for the "Prisoners Action Committee"—run by Tavistock historian Michel Foucault—an international network inside and outside prisons which is able to pull off "miraculous" escapes. Aided by this network, Mesrine has found refuge in London and other safe spots.

* * *

In a Northwest regional organizing build-up for the presidential campaign of Lyndon H. LaRouche, Jr., U.S. Labor Party candidate Brian Lantz finished second with nearly 5,000 votes in a Sept. 18 four-way Seattle city councilmanic primary. Lantz, who

won 32 percent of the vote in a 1977 Tacoma, Wash. school board race, ran on a 3-man slate with U.S. Labor Party candidates Pat Ruckert and Jim Duree.

All three candidates emphasized that at the core of their campaigns was LaRouche's presidential program, including the need to stop drugs, and economic initiatives for the region, such as the expansion of Seattle's port facilities.

In an interview following the primary, Labor Party spokesman William Wertz told *Executive Intelligence Review* that discussions were beginning with a number of local conservative candidates—who made it through the primary but face tough liberal opposition in November—to collaborate with the Labor Party on a program to ensure a victory for progrowth forces. He noted that discussion is in progress toward the formation of an independent voters league in the area.

* * *

If New York City's Controller Harrison Goldin has his way, New York will soon outshine San Francisco as the tourist mecca for gay rights advocates.

Following through on Mayor Koch's directive to "end discrimination against homosexuals," Goldin told a Sept. 18 meeting of the Greater Gotham Business Council that the city should promote its gay community as a tourist attraction. It's a "\$4 billion operation," he told the group of 200 investors and professionals who are professed homosexuals.

Goldin, who would probably back any racket—including legalized gambling—to increase cash flow to the banks that hold the city's notes, put it this way: "It might make sense—dollars and cents—to include the gay community in the national promotion of New York City as a tourist attraction."

The next day, some slightly embarrassed city officials were forced to explain to inquiring reporters that Goldin was not recommending that tourists be enticed to pour into New York to "gawk at gays on 42nd Street."

Fight over world monetary system splits Anglo-American ranks

With the world gold price soaring to ever-higher peaks, an expanded role for gold in the international monetary system appears assured. The battle over the future of the monetary system has now reached such a pitch that the Anglo-American financial establishment appears split over how best to cope with the reality of the European Monetary System (EMS) and its effective remonetization of the metal.

On Sept. 19, Robert Roosa, a partner of the New York investment bank Brown, Brothers Harriman,

GOLD

called on the Carter Treasury to halt its monthly gold auctions. Roosa told the *New York Times* that "gold still had an 'intrinsic value' in the reserves of major nations and that therefore 'we should not run our supplies down.'" On the same day, Treasury Secretary William Miller announced to the National Conference of State Legislatures that there were no plans to change the auctions and reiterated Treasury's view that gold's monetary role is on the wane.

Also on Sept. 19, the state-owned French radio station commented cryptically that such huge jumps in the price of gold have only been seen historically on the eve of the outbreak of a major war, but this time the war is being fought out "politically." The Paris broadcast went on to note that the U.S. Treasury's effort to demonetize gold had proved a colossal failure.

Meanwhile, Samuel Brittan, a well-known monetarist economist, predicted in a Sept. 20 *Financial Times* article the emergence of a group of "commodity-based" currencies, with gold only one of the commodities in question. Brittan's "commodity-based" system—echoing Sir George Bolton's earlier Bank of England scenarios—was one of several plans floated by key Anglo-American policy outlets in the last week in an effort to contain the EMS and redirect it as an agency for imposing economic austerity rather than, as key French and West German circles now see it, an institution through which to launch a world industrial revival.

According to a well-placed Belgian banking source, even such fixtures of the Anglo-American establishment

as the Federal Reserve's Paul Volcker are currently reconsidering a shift in the U.S.' antigold policy, but along the lines suggested by Brittan.

The latest leg in gold price spiral—that is, from \$350 on up—apparently was not orchestrated by Dresdner Bank, as before, but by British and Swiss interests who are desperately "bulling" the market in an effort to recoup heavy losses which they incurred earlier selling gold "short." A West German banking source identified Britain's N.M. Rothschild and Swiss Credit Bank as key forces in this "bull market" operation.

Two weeks ago, I hypothesized that West Germany's Dresdner Bank and its customers had achieved a significant "corner" in available physical gold supplies as of late August, and that this was triggering a mad scramble by gold "bears" to pin down remaining supplies to meet their delivery commitments. Rumors subsequently surfaced in the Italian press that both N.M. Rothschild and Johnson Matthey, another important British bullion house, had suffered severe gold trading losses. Other sources identified the Banque Crédit Suisse, Switzerland's third largest bank, as having been burned badly as a result of its short-selling activity.

This could explain why Crédit Suisse was so anxious to obtain gold at the Sept. 18 U.S. Treasury auction, where the metal sold at a record average price of \$377.78 an ounce. Crédit Suisse was the second largest successful bidder, taking 339,000 ounces out of a total 750,000. Bank of Nova Scotia was most successful, with 350,000 ounces, but, according to the West German source, the Canadian bank may actually have been buying on behalf of Crédit Suisse. Crédit Suisse and Bank of Nova Scotia were also among the four successful bidders at the Sept. 5 International Monetary Fund sale. Dresdner notably failed to bid high enough to receive any gold at either auction; having locked up considerable amounts at previous auctions at prices under \$310, Dresdner may be just sitting pretty.

The question still remains: How long can the gold boom last? Since the emerging new gold-based monetary system can only function if the gold price is reasonably fixed, we expect that Dresdner, and the European and Arab government interests which it rep-

resents, will soon attempt to stabilize gold at about \$350 an ounce. On the other hand, the Anglo-American camp, or some factions within it, may try to foment as much market turmoil as possible.

The remonetization converts

The new-found interest in gold among some Anglo-American circles was further underscored last week when a group of prominent economists released a report advocating a return to a fixed exchange-rate system and the repegging of the dollar to gold. The economists served on an international monetary advisory board to the Securities Group, a New York investment bank

'Commodity-dollar' alternative to gold

In an effort to coopt European motion around instituting a gold-backed monetary system, Financial Times commentator Samuel Brittan has floated a proposal for "commodity-based" currencies. Brittan aired this plan in an article entitled "Why Gold Still Glitters" in the Sept. 20 Financial Times, excerpts of which appear below:

A successful future monetary standard could be based on a variety of commodities. It cannot be long before some distinguished authority starts advocating a move to an oil standard. My guess is that money will be related to a group of commodities rather than just one or two, with perhaps rival monies related to rival commodity baskets.

In the meanwhile, the monetary aspects of gold will not be quickly legislated out of existence...

My guess is that if the boom does not puncture of its own accord, national authorities will intervene to "stabilize" the market. This could mean a stepping up of U.S. and IMF gold sales, with perhaps other countries joining in as well. Such sales have the special attraction of providing the U.S. with a noninflationary way of financing its payment and budget deficits and easing the pressure on the dollar. Once central bankers start operating in terms of upper and lower gold price ranges, on however informal and shifting a basis, we will be back on a rough and ready gold exchange standard. The standard may be broadened to include other commodities, but the experiment in purely paper currencies will be at an end.

formed in December 1978 whose senior partner is Charles Atkins of the London School of Economics.

According to the Sept. 17 *Wall Street Journal*, not all members of the advisory panel, which was chaired by Eugene Birnbaum of the SRI/Wharton World Economic Program, agreed that gold should be remonetized. The progold members of the panel, however, suggested that a repegging of the dollar to gold at current market prices would "set the stage for renewed confidence in the dollar." Gold remonetization, they added, would promote currency stability, encouraging foreign trade and domestic investment and bolstering "the productive efficiency of the world market economy." (A complete analysis of this report will appear in an upcoming issue of *Executive Intelligence Review*.)

This author can hardly argue with the above conclusions, but one must still ask: Why does a firm like Securities Group sponsor such a report? The answer may be that, as Brittan's piece shows, some British factions are toying with the idea of a restoration of the gold standard, modeled on the British-dominated pre-1914 system. In their scheme of things, gold would be used to impose austerity, to *destroy liquidity* rather than to *create more stable forms of credit* needed to finance industrial development.

Illustrative of this approach was the Sept. 12 *Financial Times* article which warned that the reserve-pooling mechanism of the EMS is creating excessive liquidity. In March of this year, the EMS was formally launched with the pooling of 20 percent of the participating countries' gold and dollar reserves. Valued at market prices, total gold reserves of EMS member countries (including the 80 percent not pooled) have grown from about \$91.1 billion at the beginning of this year to \$139.0 billion at present—a \$47.9 billion gain! What the British fear is that this newly created liquidity may be mobilized by the Europeans to finance expanded trade and development deals with Middle East oil producers and other developing countries.

The fall issue of the New York Council on Foreign Relations *Foreign Affairs* included a seemingly favorable commentary on the EMS authored by Citibank economist Harold van Cleveland. Van Cleveland proposes a "broadening" of the EMS to include the U.S., Britain, and Japan, but states that the foundation of the new system must be a protracted period of "monetary discipline." Moreover, a Washington source reports that, at the Sept. 15-16 Group of Five meeting in Paris, U.S. Treasury officials proposed that gold make up 20 percent of the basket of currencies included in the IMF's Special Drawing Right. Intended to counter French and West German plans to circulate the European Currency Unit (ECU) as a new gold-backed international reserve, the U.S. plan was met with scorn by European officials.

—Alice Roth

INTERNATIONAL CREDIT

EMS gets the jump on the IMF

The nine finance ministers of the European Community, meeting in Brussels Sept. 17, announced that the European Monetary System is functioning very satisfactorily and needs no "technical modifications." Specifically rejected was the much-ballyhoed realignment of EMS fixed currency rates. "The speed with which the ministers reached this conclusion, after only a few minutes of discussion, surprised observers in Brussels," wrote the London *Financial Times*.

These developments, plus the Nine's agreement to wind up the for-

mal review of the EMS ahead of time, signal that control over the pending Phase II of the system's evolution rests directly at the top, with West German Chancellor Schmidt and French President Giscard d'Estaing, who put the EMS together in July 1978 and activated it this March. Following successful Phase I currency stabilization, the question mark surrounding Phase II is not only the speed of full remonetization of gold, but the extent of efforts to direct Euroliquidity into industrial-development lending.

The Brussels meeting followed by one day a Paris conference of finance ministers representing the "Group of Five": the U.S., West Germany, Japan, France and Britain. The meet-

ing was a preparatory session for the annual International Monetary Fund conference to be held in Belgrade at the start of next month.

The *New York Times's* Paul Lewis embarrassed himself Sept. 18 by claiming that the Five had "agreed in principle" on creating a dollar substitution account to issue Special Drawing Right assets to central banks presently holding dollars; Lewis flatly lied that the proposal will succeed, something no one else, either pro- or anti-SDR, now believes. According to reports on the Brussels EC talks, even the lip service has faded. While Britain reportedly supported the SDR proposal, other finance ministers "expressed reservations" and confined themselves to a polite pledge to "keep an open mind"—while ripping up the "compromise" proposal of injecting a 20 percent gold component into the SDR.

—Susan Johnson

FOREIGN EXCHANGE

Sterling in the dumps

The disintegrating facts of British economic life, coupled with Britain's defeat in its effort to stave off a new role for gold in the world monetary system, account for the continued slide in sterling. When the Common Market finance ministers' meeting in Brussels ended Sept. 17 with no move to reduce Britain's EEC budget contribution or smooth its entry into the gold-based European Monetary System, the pound plunged in a few hours of trading to a low of \$2.12. This was more than 12 cents down from the beginning of the previous week and a full 20 cents down from the peak of \$2.32 which sterling reached back in July.

Although sterling had zigzagged by mid-week to \$2.16, traders predicted that it would continue to

erode against the major currencies, suffering especially from the switch into deutschemarks and gold. One Barclay's source commented that the Sept. 20 rise had nothing whatever to do with increased confidence in sterling, but simply reflected the dollar's weakness.

EIR predicted Aug. 7-13 that sterling's vulnerability would become apparent the moment Europe accelerated its moves toward activating a gold-backed monetary arrangement.

The *Financial Times*, for example, was taken aback at the speed with which EEC Finance Ministers decided that the EMS required no technical modifications and was working satisfactorily after its first six months in operation.

British Chancellor of the Exchequer Howe, seeking changes in Brit-

ain's net contribution to the EEC budget as a "condition" of Britain's entry into the EMS, was left muttering at the Sept. 17 finance ministers' meeting about "manifest inequity" when the meeting decided to put off indefinitely a discussion of the budget question. Although Howe said that the decision to terminate the EMS review early without realigning exchange rates would not affect his government's plans to examine the possibility of joining, Britain seems to be on the outs.

The U.K. economic outlook, has, if anything, gotten worse. Britain's balance of payments plunged £100 million (\$215 million) into the red for the month of August, with a cumulative deficit of £2.4 billion (\$4.76 billion) for the first eight months of the year. This is unquestionably disastrous, since the deficit was recorded at a time when Britain was supposedly near self-sufficiency in oil.

—Marla Minnicino

DOMESTIC CREDIT

Morgan retools Ted's economic program

What's Morgan Guaranty Trust, patrician Republican bastion that it is, doing advising presidential hopeful Sen. Edward Kennedy on domestic and international economic policy?

Teddy Kennedy has called up people at Morgan on a number of occasions lately seeking advice on various economic subjects, a senior executive at Morgan revealed to a journalist last week. The Morgan spokesman also commented that, to his mind, Kennedy and former Treasury Secretary Connally are the two presiden-

tial candidates capable of carrying through on the stringent "economic management" program sorely needed at present to maintain a strong dollar.

The internationally minded Morgan bank is concerned that the weakness of the dollar and the economic policy vacuum in Washington is prompting Europeans to scrap Anglo-American world monetary leadership and the International Monetary Fund and move ahead with their gold-backed European Monetary System. In the hopes of slowing down this drift, the people at Morgan are trying to regroom the flaky Mr. Kennedy as a tight-fisted monetary

and fiscal conservative—someone they hope would be attractive to the Europeans.

The Kennedy image had indeed gone through a remarkable transformation in recent days (related story: see U.S. section). In a column in the *New York Post* Sept. 19, titled "Teddy Edging Right," syndicated columnists Evans and Novak enumerated Teddy's recent 180 degree turns on the whole gamut of economic issues: Kennedy told Evans and Novak that he now approves of Carter's stringent credit policy; he's dropping his crusade against oil price decontrol; he favors increased defense spending; and he's for tax incentives for capital formation rather than a cut in personal income taxes.

As part of the retooling of the Kennedy candidacy, Kennedy's international monetary advisors are instructing him to favor the EMS as well as the monetary role of gold in his public utterances.

WORLD TRADE

Clamp steel output, conference demands

At the Metal Society International Conference in Amsterdam Sept. 11-14, Viscount Etienne Davignon, the European Community's industry commissioner, announced that European steel mills will have to undergo further intensive rationalization. "In Europe," Davignon said, "only a handful of firms are in the black." As expected, Davignon called for world cartel-type arrangements to enforce a restriction of steel production and set the tone for a bevy of pessimistic recitations about why the world steel industry can't finance or consider employing new technologies.

A British representative at the conference stressed that "we need higher world steel prices." This, he stated, is not necessarily to increase production, because "there will definitely be no major increase in world consumption." He added: "The main problem in the steel industry is to find other employment for laid-off steel workers." In response to a question on to increased productivity, a representative from U.S. Steel Corp. Mr. Bela Gold, commented, "I don't know whether new investment will lead to economic success. Besides, we all have no proven concepts on what determines productivity."

The low point of the conference came when various speakers—including Japanese spokesmen—told

the third world delegates present that they could eventually produce up to a limit of 25 percent of the world's steel output, but would have to do it through what was called "appropriate technologies," which is code for inefficient, labor-intensive steel processes.

America's stake in the conference was expressed by the fact that while American steel shipments were up during the first half of the year—53 million tons shipped—the downturn in the auto industry could have serious repercussions. Auto consumes 20 percent of all steel, and auto sales fell by 12 to 15 percent on average during August and early September. Thus, while U.S. steel plant capacity was up to a five-year high of 90 percent in the first half of the year, *Iron Age*, the leading reporting magazine for the iron industry, states in recent press releases that "demand for steel continues to weaken... and order rates are down."

U.S. steel producers are now

Squeeze on credit availability?

Another facet of the effort to conjure up the appearance of strength and responsible economic management in the U.S. is Fed Chairman Volcker's latest move on monetary policy: the record 11 percent discount rate. More interesting than the new hike in the rate itself on Sept. 19 was the reasons the Fed gave for doing it and the signs of a building fight over Volcker's strategy of high interest rates and monetary stringency.

In announcing the latest increase the Fed specifically said that its motive was to slow member bank borrowings from the Fed. Over the last month these borrowings have averaged almost \$1.1 billion per day—high, but still below the record levels set in 1974, when in the week ending Sept. 4 they averaged \$3.75 billion.

Banks go to the Fed's discount window for funds when the cost is below what they would have to pay in the federal funds market for over-

night, interbank loans. By bringing the discount rate in line with other short-term interest rates, the Fed is acting to limit the supply of affordable funds to its member banks.

"We're getting into the squeeze portion of Mr. Volcker's program," money market economist David Jones of Aubrey Lanston concluded last week.

As commentators noted last week, the vote raising the discount rate was unusually close—4 to 3—and revealed the growing split within the ranks of the Fed Board of Governors itself over Volcker's strategy. The opposing members, J. Charles Partee, a former member of the staff of the Brookings Institution, and Nancy Teeters and Emmett Rice, the two Carter appointees, are of a more liberal stripe. Until very recently, one would have expected Edward Kennedy to be in their camp.

In my last column I noted the eerie parallel between the high inter-

est rate policy adopted by the Federal Reserve in 1929 and what the Fed is doing now—on this fiftieth anniversary of the crash of '29.

It is important to underline the fact that even after the shakeout of the stock market, which took place over a period of a number of months, the world economy's plunge into the Great Depression was by no means irreversible. It could have been turned around at any time through policies of Rapallo-type East-West trade arrangements and industrialization of the colonial world.

However, the U.S. Fed, the Bank of England and allied world central banks kept their national commercial banks on a short leash by inching interest rates higher and higher, and precipitating a wave of bank collapses. This is what produced the Depression.

—Lydia Schulman

watching foreign steel imports move up slightly. This may lead American companies, headed by U.S. Steel, into bellicose demands on the U.S. government for tighter restrictions on Japanese and European Community Steel imports. In mid-August, the U.S. Treasury announced that it was not going to raise steel trigger prices during the fourth quarter. The weakening of the yen has meant that existing trigger prices, set when the yen rate was strong, would be too high. However, in the last two months, the relative shortage of steel led to a slight increase in steel imports, and U.S. Steel wants to make sure this trend is stopped. This is especially important, U.S. Steel recognizes, because in early September U.S. Steel raised the price of certain heavy steels by 4 to 5 percent and the price increases won't stick if foreign steel is plentifully available.

—Richard Freeman, New York
and Helmut Boettinger,
Amsterdam

BANKING

Marine Midland misrepresents takeover

On Oct. 17, Marine Midland shareholders will gather in the bank's Buffalo auditorium to approve or reject the new terms of the Hongkong & Shanghai Bank's proposed takeover of Marine Midland. Marine's management, which favors the takeover, is trying to keep stockholders in the dark on the full background of the vote.

For almost a year, the takeover has been blocked; New York State Banking supervisor Muriel Siebert withheld her approval this summer. She was partly influenced by the political ruckus triggered by the U.S. Labor Party's evidence that the take-

over would violate the national interest because of the HongShang's central role in financing and transshipment of illegal drugs. The Marine-HongShang response was to seek a national charter—under which the protakeover Comptroller of the Currency, John Heimann, could rubber-stamp the deal—and to raise the stock offer from \$30 to a still-low \$34 a share.

Marine stockholders, who hastily approved the initial offer, are being told in the "Notice of Special Meeting" dated Aug. 31 that the reason Siebert rejected the takeover was that the HongShang's initial offer for Marine's stock was too low—a complete misrepresentation of Siebert's motives and public statements.

—Richard Freeman

TRANSPORTATION

Making a killing on Midwest rail woes

There's much more behind the plight of two of the Midwest's major railroads than the usually retailed story of "overexpansion" and mismanagement amid dwindling customers. What is going on is a neat swindle that stands to net the perpetrators billions of dollars while simultaneously rationalizing U.S. transportation, disrupting food supplies and driving up the cost of energy.

The two bankrupt railroads are the Chicago, Milwaukee & Pacific

and the Chicago, Rock Island Line. Both have been placed in receivership, following years of financial losses in which the roads were reduced to rolling junkheaps with totally unreliable service. The Rock Island is a major carrier of grain and farm products in the central Midwest; the Milwaukee is the key line in Wisconsin and one of the two transcontinental railroads through the northern Plains and Mountain states. The Rock Island, currently shut down by a three-week-old strike, is on the verge of liquidation, while the Milwaukee is preparing to abandon 3,200 miles—or two-thirds—of its

track, including all lines west of North Dakota and a major line in South Dakota. Thousands of farmers throughout these areas will be cut off from rail service. Already, grain from the bumper harvest is beginning to rot in many locations.

The immediate beneficiary of the Milwaukee's rationalization will be the Burlington Northern, the old Morgan-Hill conglomerate, which will gain a monopoly in transcontinental traffic in the northern states. The Interstate Commerce Commission, with encouragement from the Department of Energy, has been granting the BN 30 to 40 percent rate increases for coal carriage. It is expected that similar grants will be given the Milwaukee Road once it is shrunk to its core system. Besides jacking up utility bills to industry and consumers, as coal prices are manipulated towards the rigged price of oil, the increased coal rates

AGRICULTURE

Agricultural research cutbacks: fiscal lunacy

Late reports indicate that, like many other nitty-gritty aspects of the 1980 federal budget, the agricultural research funding program is still locked up in House-Senate conference committee four days after the Sept. 15 legal deadline for final approval of the budget. Putting the agricultural research budget through the austerity wringer was never an issue—there is standing consensus for holding total research funding close to President Carter's recommendation, an

effective 10 percent cut. But Capitol Hill conferees have "agreed to disagree" about another matter—the *form* that the funding is to take.

At issue is the "competitive grant" program. The House version of the research budget would eliminate "competitive grant" funding altogether, while the Senate bill provides for a significant expansion of the program. And the Senate Agriculture Committee, according to a spokesman, is pointing the way to the "middle ground."

Established three years ago as a "free enterprise" complement to traditional agricultural research fund-

ing programs, the "competitive grant" program is the launching pad for an attack on the cooperative research and extension services associated with the nation's land-grant-college complex, the core of the agricultural research establishment in America. Initiated with Senator Justin Morrill's 1865 legislation and ratified by President Lincoln, it is the land-grant colleges and associated state extension systems which have acted as the backbone of scientific agriculture in America.

As *EIR* has reported, under the program federal agricultural research monies are siphoned away from the Land-Grant system and handed out to private institution-based researchers on a "competitive" basis.

The type of research deliberately targeted for this funding was described by one Washington observer as "pie in the sky" projects—"the kind of thing where some guy has a bright idea and no inkling whether

will mean a further shift in rail service toward coal and away from grain, thus hitting farmers from another direction.

Inside the operation

But this is only the front end of the ripoff. The man in the middle of the operation is none other than Henry Crown, the 83-year-old doyen of Chicago power brokers, reputed to be former chieftain of the old Crown-Lundheimer bootlegging mob and the controller of Al Capone's gang. Crown is the largest shareholder in the Rock Island Railroad. For years, he has used the Rock Island's losses as a tax shelter for funds going into speculative investments, while simultaneously diverting the railroad's cash flow from maintenance and capital expenditures.

Henry Crown, and the New York investment bank Goldman Sachs, each have 10 percent equity and a

controlling interest in a smaller railroad called the St. Louis-San Francisco Railway. In the coming months, the ICC is expected to rule favorably on the proposed merger of the St. Louis-Frisco

linton Northern. The merger will give Crown and Goldman Sachs the largest blocks of stock in the BN—and thus control over the largest grain and coal carriers in the nation.

The Rock Island, meanwhile, is to be sold off in chunks to various railroads at bargain-basement prices, and its operations drastically reduced. Again, farmers in the grain belt will be nailed. Henry Crown will get a huge carry-forward tax credit from the fire sale: sizeable investment tax and related credits for the Burlington Northern-St. Louis-Frisco merger; a 10 percent increase in the value of his St. Louis-Frisco stock after the merger of the Milwaukee Road he will buy for a song; and

a sharp jump in income from the BN's monopoly and higher rates. And the taxpayer will be hit with increased federal subsidies for the gutted Milwaukee Road as its own rates rocket upward.

Meanwhile, regions in the Midwest are fighting each other over the scraps. Senator Melcher of Montana is leading the western campaign to keep the Milwaukee's transcontinental service intact. He is attacking Wisconsin and Dakota interests for scheming to rationalize the Milwaukee so that they can keep a core system at the expense of his area. Similarly, the Plains states are pushing to shut down the Milwaukee's western lines to prevent the whole railroad from going under. But no one seems to have noticed Mr. Henry Crown and friends doing their dirty work once again.

—Steve Parsons

or not it might have anything to do with reality." Another observer was more direct: the program is a watering hole for the sort of nonproductive "sociological" and "behavioral" studies of farming and the farm population that are the stock-in-trade of environmentalist liberal academics at the schools lining up for the competitive grants—Harvard, Princeton, etc.

Senate sources indicate that the conference decision on competitive grants is critical, since the program is in its third year—the year when most of the grants reach full funding—as an "autonomous" program.

Significantly, the competitive grants were first set up as a kind of sub-program *within* the "special grants" program. The latter was established in 1956 to give the land grant colleges and state experimental stations the financial means to undertake work on specifically pinpointed, unique projects or problems. Three years ago, under a cost-

cutting campaign, the program was given a distinct status over and against "special grants" and the entire traditional agricultural research establishment.

A cut in funding at this point will permanently shrivel the program, knowledgeable sources say, while holding the funding at the 1979 level—the course advocated by the Senate Agricultural Committee's "middle-roaders"—will set a foundation on which it can survive. The Carter administration had recommended a doubling of "competitive grant" funding to \$30 million, and it was on this basis that it justified its cutback—and its withdrawal of support for state agricultural research, extension and educational programs.

Reduced cost-effectiveness

One of the ironies rightly pointed out by opponents of the competitive grant gambit was the fiscal insanity of the program. Despite the cost-cutters, the program stands to reduce

the cost effectiveness of federally funded agricultural research to as little as 25 cents on the dollar. Compared to cooperative research within the land grant and extension system, where administrative costs average a meager 3 percent, and compared even to administrative costs of 14 percent for research conducted by the Department of Agriculture itself, contract and competitive grant research carries an administrative discount of anywhere from 25 to 75 percent!

The Administration, which has already lopped \$50 million off the top of the agricultural research budget authority on cost-saving grounds, is giving a major boost to inflation. American consumers and farm producers, according to recent studies, stand to lose \$2 to \$6 for every dollar trimmed out of agricultural research budgets due to resulting higher goods costs and lowered farm productivity and exports.

—Susan Cohen



NATO near split?

Report on the Kissinger-Haig fiasco in Europe

We are publishing below excerpts of certain crucial statements and other documents which recently circulated in Western Europe but not in the United States. They are statements which are most representative of a profound, bitter political war which is taking place at all levels of NATO's political command structure. Alexander Haig's and Henry Kissinger's Center for Strategic International Studies at the Jesuit Georgetown University is pitted against an equally notorious NATO strategic center, the London-based International Institute of Strategic Studies.

During the first week of the present month, CSIS held an auspicious convention at Brussels, Belgium, where Messrs. Kissinger and Haig delivered the statements presented below. Their argument, part of the effort to revive the sagging presidential bid of Gen. Haig, was in essence this: Western Europe must rearm and deploy its own strategic nuclear capability against the Soviet Union because a) the "aggressive" Soviet Union has virtually developed strategic superiority and b) the "nuclear umbrella" with which the United States has protected Western Europe in the postwar period is no longer operative—has been virtually withdrawn.

London's IISS during the following week held its own annual convention in a Swiss resort and was addressed by, among others, Mr. McGeorge Bundy of

New York's Council on Foreign Relations. Both Bundy and the other IISS conferees engaged in a tough polemic against the policy proposed by Kissinger, Haig and the CSIS group. Mr. Bundy went as far as to reveal certain hitherto well concealed secrets relating to basic national security strategy in the 1950s and 1960s. The IISS basic argument was: a) there is no Soviet strategic superiority (a reversal of IISS's own annual estimates published two weeks earlier) and b) the United States "nuclear umbrella" over Western Europe still remains a fundamental, unaltered commitment and, thus, West European governments should not modify their defense postures.

In the next few days, a major war of words broke out in the European press. The chief editors of the Italian *La Stampa*, the Parisian *Le Monde* and the West German *Die Zeit*, published major prominent essays reporting on the fight between Kissinger and Bundy. With headlines approaching the sensational, IISS member Arrigo Levi of *La Stampa* informed the Italian public that a factional war over strategy has broken out at the top level of NATO. Himself, along with his colleagues in the rest of the European press, unhesitatingly took the side of McGeorge Bundy and went to great lengths to characterize Kissinger as "absurd," "incompetent," and suggest that he is a downright liar.

It was the first time that the former secretary's former friends cut his ego down to size—in very small bits.

So what is really happening in Europe?

The situation in Western Europe is much more substantial than a mere fight between two major strategic evaluation centers of NATO. The falling out among thieves between IISS and CSIS is simply symptomatic of the fact that the French and West German governments are taking a series of unprecedented steps to alter the world strategic balance in a way which displeases both London and Washington. IISS and CSIS merely reflect the bickering in Anglo-American circles over how best to respond to the challenge of the Continental System constructed by President Giscard d'Estaing of France and Chancellor Schmidt of the Federal Republic of Germany.

France and the Federal Republic are now in the final stages of dumping the International Monetary Fund and proceeding to establish a new world monetary system based on a series of industrial development agreements among the Franco-German European Monetary System, the major institutions of the Third World (Group of 77) and the Soviet Union. A similar attempt had been made by France and the Federal Republic in 1975, but it failed when then Secretary of State Henry Kissinger warned them that "any initiative against the IMF will be considered as a threat against the national security of the United States."

Now, finally, the strategists of the EMS have defined and adopted a military strategy to ensure the successful implementation of the New World Economic Order. Two days after Henry Kissinger demanded in Brussels a full scale nuclear rearmament of Western Europe, West German Defense Minister Hans Apel went on nationwide television to announce that the Federal Republic's national security policy is based on three factors: first, maintenance of the strategic parity between the two principal military pacts; second, increased emphasis on SALT II, SALT III, the MBFR talks and general disarmament and detente efforts, and third, a strategic commitment by Europe to industrialize and modernize the Third World.

The following day, a major piece of strategic analysis was published in the Parisian *Le Monde* by editor-in-chief and IISS member André Fontaine. Taking off from the just concluded Nonaligned Conference in Havana, Cuba, Mr. Fontaine, who represents a powerful body of opinion hitherto hostile to President Giscard, argued that the world at the present time is on the verge of

general thermonuclear war—more so now than during the 1962 Cuban Missile Crisis. He argued that this intense threat would persist throughout the 1980s unless the policies of Henry Kissinger are repudiated and unless the industrialized sector of the world undertook seriously to industrialize and modernize the developing sector. Fontaine, finally reaching agreement with the French president, identified the continuing economic disaster in the Third World as the principal source of world-war danger.

His proposal to counter the war danger was, in essence, an endorsement of Giscard's current strategy: Western Europe must lead the initiative to industrialize the Third World while the United States is unable to do so as long as its domestic political paralysis lasts.

Economic preparations and East-West issues

The willingness of Western Europe to break with NATO, if NATO does not break with its current policy of confrontation, can best be gauged by the depth of its economic preparations and the degree of coordination with the Soviet Union and the leading spokesmen of the Nonaligned Movement.

We are presently witnessing the last stages of the IMF's existence as an international lending and policy institution. Through a series of financial coups conducted by a coalition of French and West German banks and Arab dollar-holders, the European Monetary System has scooped up over 50 percent of world liquidity in reserve currencies and gold. The price of gold in the market reached the level of \$375 per ounce as a result of cooperation between German private banks, the Soviet Union and Arab depositors. The combined effect of the policies to concentrate world liquidity and bolster the price of gold, has been to virtually totally cut the IMF out of the lending business. It is no longer possible to propose IMF conditionalities and austerity, let alone implement them—and this state of affairs has been evident for at least two months.

So what is occurring during these last two months is the preparatory work in the back rooms, to put together a new world monetary system which will be able to finance the industrialization of the Third World. The economic resolutions of the Nonaligned Conference in Havana dovetail the West European developments with surprising complementarity. These resolutions will be brought to the floor of the United Nations General Assembly which opens next week. The possibility is now beginning to emerge that a majority consensus at the United Nations, composed of the Group of 77,

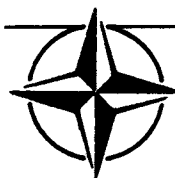
Western Europe, and the Soviet Union and its allies, might be able to suspend the charter of the IMF and the World Bank and establish a new world credit organization to finance Third World industrialization. A prerequisite for this is a further normalization of East-West relations on the European continent in matters of collective security and economic and cultural cooperation.

Such further normalization is very much in evidence. The principal reason why Kissinger and Haig were so strongly rebuked by the West German and French governments is that Kissinger and Haig now represent the main threat against this process of normalization. In all three principal nations, France, West German and the Soviet Union, there are powerful forces at work which, with each passing day, strengthen the impetus for further peaceful cooperation and normalization. This process was formally started with the historic agreements between Chancellor Schmidt and Soviet President Brezhnev in the spring of 1978. The policy was further strengthened by the agreements signed between Presidents Giscard and Brezhnev during the former's visit to Moscow this year. All three principal statesmen, Giscard, Schmidt and Brezhnev, have been strengthened very substantially in their domestic positions.

The intervention by Kissinger and Haig in Brussels was principally aimed at creating an international climate which would give certain "hard line" opponents of President Brezhnev the opportunity to gain the upper hand. Such a reversal of the domestic political situation in the USSR was then meant to be taken advantage of and exploited in West Germany and France to undermine the position of Schmidt and Giscard.

This strategy, so much reminiscent of well studied Jesuit maneuvers of past centuries, has so far backfired dramatically. The net effect of Kissinger and Haig's efforts has been an increase in the potential for NATO to split. Right now, the West German and French governments are working on a political timetable which culminates during the month of December, in which two major events will further clarify the world situation: the annual meeting of NATO in which basic conflicting concepts of what national security is will be clarified and, secondly, the scheduled East-West "European Security and Cooperation" ("Helsinki") Conference in Madrid, which will attempt to expand industrial, scientific and cultural cooperation on the basis of the Schmidt-Brezhnev and the Giscard-Brezhnev agreements. The government of the Federal Republic of Germany is presently anticipating the possibility of a "breakthrough agreement" on security with the Soviet Union which, observers believe, will probably include a spectacular final settlement of the Berlin question.

—*Criton Zoakos*
Contributing Editor



CSIS: prepare

Henry Kissinger: arm for tactical war

The following are the central portions of Henry Kissinger's speech to the CSIS conference in Brussels.

... My proposition to this group is that NATO is reaching a point where the strategic assumptions on which it has been operating, the force structures that it has been generating, and the joint policies it has been developing, will be inadequate for the 1980s....

The dominant fact of the current military situation is that the NATO countries are falling behind in every significant military category with the possible exception of naval forces where the gap in our favor is closing. Never in history has it happened that a nation achieved superiority in all significant weapons categories without seeking to translate it at some point into some foreign policy benefit. It is, therefore, almost irrelevant to debate whether there exists a Soviet master plan for world domination or whether there is some magic date at which Soviet armies will head in some direction or another....

I do not believe the Soviet Union planned Angola or created a deadline for the revolution in Afghanistan. But, all of these events happened to the detriment of general relationships. I would consider it a rash Western policy that did not take into account that in the decade ahead we will face simultaneously an unfavorable balance of power, a world in turmoil, a potential economic crisis and a massive energy problem....

Nostalgia for a missile crisis

... When NATO was created, the U.S. possessed an overwhelming strategic nuclear superiority ... for a long period of time we were likely to prevail in a nuclear war, certainly if we struck first and for a decade perhaps even if we struck second. We were in a position to wipe out the Soviet strategic forces and to reduce the counterblow to an acceptable level....

If we think back to the Cuban Missile Crisis of 1962, which all the policymakers of the time were

for a tactical nuclear war

viewing with a consciousness of an approaching Armageddon, one is almost seized with nostalgia for the ease of their decisions....

No one disputes any longer that in the 1980s—and perhaps even today, but surely in the 1980s—the U.S. will no longer be in a strategic position to reduce a Soviet counterblow against the United States to tolerable levels.... The growth of the Soviet strategic forces has been massive ... and the amazing phenomenon about which historians will ponder is that all of this has happened without the United States attempting to make a significant effort to rectify that state of affairs...

The change in the strategic situation that is produced by our limited vulnerability is more fundamental for the United States than even total vulnerability would be for the Soviet Union because our strategic doctrine has relied extraordinarily, perhaps exclusively, on our superior strategic power. The Soviet Union has never relied on its strategic power. It has always depended more on its local and regional power; even assured destruction for both sides is a revolution in NATO doctrine as we have known it. ... I have recently argued that the United States build a counterforce capability of its own for two reasons. One, the answer of our NATO friends to the situation that I have described has invariably been to demand additional reassurances of ... American military commitment. And I have sat around the NATO Council table in Brussels and have uttered the magic words which had a profoundly reassuring effect ... and my successors have uttered the same reassurances, and yet if my analysis is correct, those words cannot be true, and ... we must face the fact that it is absurd to base the strategy of the West on the credibility of the threat of mutual suicide....

... The European allies should not keep asking us to multiply strategic assurances that we cannot possibly mean, or if we do mean, we should not want to execute because if we execute, we risk the destruction of civilization....

A theater nuclear buildup

The second part of this problem is the imbalance that has grown up in theater nuclear forces ... Now, one reason we did not have a rational analysis for the use of these forces was for the very reason that led to the strategic theory of assured destruction. Let us face it: The intellectually predominant position in the United

States was that we had to retain full control of the conduct of nuclear war and we therefore had a vested interest in avoiding any firebreak between tactical nuclear weapons and the strategic nuclear weapons. The very reasoning that operated against giving a rational purpose to strategic forces also operated against giving a military role to tactical nuclear forces, and this was compounded by the fact that—to be tactless—the secret dream of every European was, of course, to avoid nuclear war, but ... if there had to be nuclear war, to have it conducted over their heads by the strategic forces of the United States and the Soviet Union.

Be that as it may, the fact is that the strategic imbalance that I have predicted for the '80s will also be accompanied by a theater imbalance in the '80s. How is it possible to survive with these imbalances in the face of the already demonstrated inferiority in conventional forces?

Therefore, I believe that it is urgently necessary either that the Soviets be deprived of their counterforce capability in strategic forces or that a U.S. counterforce capability in strategic forces be rapidly built. It is also necessary that either the Soviet nuclear threat in theater nuclear forces against Europe be eliminated (which I do not see is possible) or an immediate effort be made to build up theater nuclear forces. Just as I believe it is necessary that we develop a military purpose for our strategic forces and move away from the senseless and demoralizing strategy of massive civilian destruction for our strategic forces, so it is imperative that we finally try to develop some credible military purposes for the tactical and theater nuclear forces that we are building.

I know that my friend whom I admire enormously, General Haig, has done enormous work in improving the situation: nevertheless, I would be amazed if even he would believe that we can now say that our ground forces by themselves can offer a sustained defense without massive, rapid improvement....

Forget detente

... There is a tendency in the West to treat detente quite theatrically: that is to say, not as a balancing of national interests and negotiations on the basis of strategic realities, but rather as an exercise in strenuous goodwill, in which one removes by understanding the suspiciousness of a nation that otherwise would have no motive to attack. This tendency to treat detente as an exercise in psychotherapy, or an attempt in personal relations,

or as an effort in which individual leaders try to gain domestic support by proving that they have a special way with Moscow—this is disastrous for the West. And it is the corollary to the assured destruction theory in the sense that it always provides an alibi for not doing what must be done. ... We must have a detente, but the detente must be on a broad front, in the sense that all of the NATO nations must pursue comparable policies. ... The illusion that some countries can achieve a preferential position with the U.S.S.R. is theoretically correct, but it is the best means of dividing the alliance. The illusion that some subjects can be separated for individual treatment of detente, while conflict goes on in all other areas—that turns detente into a safety valve for aggression...

I know we have many alibis. We have the alibi that none of the things I said are inevitable because there is China. And we have the alibi that, after all, the Soviets have never stayed anywhere, and they're in deep trouble themselves. And we have the alibi that we can make such great progress in the Third World that all of this is irrelevant.

In my view the Chinese have survived for 3,000 years by being the most unsentimental practitioners of the balance of power, the most sophisticated and the ones most free of illusion. China will be an alibi for us only if we do what is necessary. China will not be on barricades that we refuse to man as the victim of the forces which we have unleashed: So certainly, we can have cooperation with China, only if we create a balance of power.

... And the final nostalgia—that for the noble savage—the Third World ... we're going to sweep them over to our side. I have to confess, I cannot give this an operational definition, or even what it actually means. As for the Third World nations, now meeting in Cuba, when I was in office I never read their resolutions, I regret to tell you, which is just as well because I might have said something rather nasty...

General Haig threatens West Europe

The following is the major portion of General Alexander Haig's speech to the CSIS conference in Brussels. General Haig spoke on Sept. 1, and began with an endorsement of Henry Kissinger's portrayal of "the changed strategic situation confronting NATO."

If it is to continue as an effective instrument in preserving the security of industrial democracies, NATO must adapt to these changes. Parochial concerns of member

states must give way to interests shared by all members. Moreover, a spirit of cooperation must be fostered at a time when serious decisions could be sparked by economic crises or lack of confidence in the national will of member states to perform their duties. Finally, despite the changed strategic environment, the United States continues to face the special responsibility of providing assertive but sensitive leadership within the alliance...

... Shifts in the military balance between East and West are not the only change in the contemporary environment that should create concern in NATO councils. Another factor is the heightened importance of the Third World to the West, both politically and economically. The growing dependence of industrial democracies on imports from volatile regions in the Third World—from the Middle East in the case of petroleum, or from southern Africa with respect to vital minerals—demands that the close attention of all NATO members be given to developments within those regions. If instability in those areas is sparked by internal conflict or external meddling, the spillover effects for the West could be disastrous. ...

China and NATO

... From the NATO perspective, an important actor of some influence in global politics is the People's Republic of China. While no match for the Soviet Union militarily, the People's Republic of China does provide an alternative, and frequently attractive, model of Marxist development to many Third World countries that has shattered any monolithic Marxist threat that might have existed in NATO's early years. ... The Chinese have also been one of NATO's staunchest supporters outside Europe in recent years. Chinese contacts with NATO members have increased tremendously, particularly in Europe. ... The advantages of the Chinese relationship will continue only if the Chinese leaders are convinced that ties with the West ameliorate their existing weaknesses vis-à-vis the Russians...

The emerging international environment is loosely clustered around three influential actors—the Soviet Union, the People's Republic of China, and the United States.

The foregoing changes in the international environment ... most significantly, changes in the central strategic balance between the United States and the Soviet Union, underline the growing significance of regional nuclear and conventional balances...

While the world is changing externally, the NATO alliance is also changing internally. The allies confront a gloomy economic prospect: low growth and rampant inflation. In part, the prevailing danger to economic security stems from energy dependence on the volatile Persian Gulf countries. As great trading partners and importers of OPEC petroleum, the members of NATO will be hard put to prevent their economic woes from impinging upon their political solidarity.

A threat to Germany

In addition, two changes within the alliance during the last decade must be highlighted: a novel sense of the limits of American power, and the growing strength of the Federal Republic of Germany...

Ironically, disenchantment with the United States may promote that European union which has been an American policy objective for decades. Recent movement toward some form of greater European integration, such as the European monetary unity, is a manifestation. Monetary union has been established as a goalpost along the road to closer political union, but the persistent weakness of the dollar forced the final European initiative, in the name of self-protection. Thus, we may be witnessing progress toward long sought European unity, but for reasons which cannot be a comfort to those with an Atlantic perspective...

Despite its growing influence, the Federal Republic of Germany confronts something of a dilemma. It remains difficult for the alliance to accept German leadership, especially when the FRG remains the most vulnerable and highly exposed member of NATO. Furthermore, a "revanchist" Germany is still a hardy propaganda staple in Eastern Europe. For this reason, the Schmidt government has been reluctant to maximize the influence it might enjoy. Rather, it has sought to work in concert with other European nations to resolve their common problems. The most active vehicle for these efforts has been a new "entente cordiale" with France through which the spectre of German dominance is diminished. But it has also prodded the Germans to discuss their options. If these options were to be seriously pursued in the future, the alliance could find the Federal Republic following an independent course that, in the worst case from NATO's perspective, would take it out of the alliance. Such a course would be extremely detrimental to the interests of the alliance and the Federal Republic. ...

NATO and Third World

In the past, NATO's sphere of activities has been limited by a barrier on the map: the Tropic of Cancer. ... At a time when the severe issues confronting the alliance are not contained within its arbitrary boundaries, this traditional attitude creates an inflexibility and artificial constraint on alliance action that will seriously impede its effectiveness in finding workable solutions. Fortunately, there is some evidence that attitudes are changing...

A threat to Europe

If NATO as an organization is unable to respond to these external changes, there is every reason to expect that the more influential members of the alliance will combine to see some resolution of important issues. Moreover, they are also likely to address European questions if they conclude that existing organizations

are incapable of dealing with them effectively ... The prospect of the creation of these "Great Power Directorships" is of fundamental concern not only to the smaller members of the Atlantic alliance, but also to the smaller nations throughout the globe. Clearly, a development of this kind would shake the structure of the alliance.

While permanent directorships are clearly detrimental, one should not adhere to the purist view that they should never be forged, at least for temporary crises....

Economist: the West has to counterarm

The following are excerpts of the London Economist's Sept. 8 editorial entitled "A call to counterarms," endorsing and elaborating upon the Kissinger-Haig policy.

... The Soviet Union has achieved by its past dozen or more years of rearmament, increasing its military spending in real terms by 3-5 percent ... a long-range nuclear striking force on the point of surpassing America's; a shorter-range nuclear force threatening to become predominant in Europe; and a nonnuclear or "conventional" armoury even better than NATO's in most respects than it already was that lopsided dozen years ago.

Last weekend a worried gathering of distinguished north Americans and west Europeans, meeting in Brussels, heard Mr. Henry Kissinger describe the consequences of this long spell of unchallenged Soviet rearmament....

Ever since the early 1970s a few rather lonely voices, including this newspaper's, have been saying that it was dangerous to let Russia go on building more arms while the west, under the lulling spell of detente, did not. Mr. Kissinger has now put his authority into a trumpet call for a new policy. The west has to counterarm.

Three holes to plug

This programme of counter-armament needs to deal with three emerging causes for dismay. First, and best known, the potential vulnerability of the United States itself. Let this be repeated as dispassionately as possible.

At some time in the early 1980s—the best guess is about 1982—the growth of Russia's missile force will, if nothing is done, reach the point at which it can destroy virtually all the Americans' land-based missiles in a surprise attack, together with many of their missile

submarines and nuclear bombers, by the use of only a portion of Russia's warheads. The surviving American submarines and bombers would still be available for a counter-attack, but they would be too inaccurate, or too slow, to destroy Russia's reserve of still unused warheads....

Second, and less generally realised, the vulnerability of Europe. It has long been suspected that NATO's armies in central Europe ... can probably fight for only a limited time—two days? a week?—before they will either have to use tactical nuclear weapons, or be overrun. The idea of using tactical nuclear weapons, however, begins to look increasingly implausible now that the Russians have caught up in these things too....

Nor can it be argued with any real assurance that this new weakness in NATO's defences can be made good by a threat to go one step further up the nuclear ladder....

Third, by extension from this, the vulnerability of areas important to the west in other parts of the world. Russia's dozen years of rearmament have equipped it with a fleet of transport aircraft and ships that can move chunks of its powerful army (or its Cuban and Vietnamese allies') to distant parts of the globe....

The western counter-arming that would rectify the odds would set out to do four specific things:

1. As soon as possible, to make some of America's land-based missiles invulnerable, by making them mobile.
2. To give America's nuclear force the ability to hit more of Russia's missile silos, so as to reduce the damage Russia can do to America.
3. To restore the balance of shorter-range nuclear weapons in Europe.
4. To strengthen the west's conventional forces, so that they have a better chance of holding off Russia's without resorting to the threat of going nuclear.

Get through the worst, and better will follow

Mr. Kissinger and a group of American senators are now calling on President Carter to increase America's defence spending over the next few years, as the price of their support for the ratification of SALT-2....

The difficulties of a policy of counter-armament should not be brushed aside. It cannot be left to the Americans alone: the European allies, the most obvious beneficiary, may have to contribute something too, over and above the 3 percent a year increase the whole of NATO has already promised. ...The counter-arming countries can console themselves with the thought that the need to counter-arm does not stretch out into the infinite future: it is a matter of getting through the particular problem period of the early and middle 1980s.



IISS: a limited

McGeorge Bundy: nuclear deterrent intact

The Sept. 11 editorial of the Italian newspaper La Stampa, by Arrigo Levi, was devoted to a report on McGeorge Bundy's refutation of Kissinger at the conference of the International Institute for Strategic Studies in Villars, Switzerland.

"The efficacy of the American nuclear guarantee for Europe will foreseeably be just as great in the future as it has been in the past," declared McGeorge Bundy, ex national security advisor for Kennedy and Johnson, contradicting in a categorical way the pessimism expressed by Henry Kissinger a week ago in Brussels.

Last Friday at Villars, Bundy gave the opening speech at the annual conference of the International Institute for Strategic Studies of London, the most prestigious strategic research center in the world. At the conference, which took place as usual behind closed doors, and whose theme this year was "The future of strategic dissuasion," 250 defense experts and policy-makers from the principal Western and Third World countries attended. Bundy's speech also signals his re-entry into public activity: in the last 10 years he has been president of the Ford Foundation; now he devotes himself to academic studies, but his return to political life is not ruled out.

Kissinger said at Brussels that the evolution of the relationship of forces in the field of strategic nuclear arms in favor of the Soviet Union makes the U.S. atomic guarantee to Europe no longer credible (the pledge, that is, to use, if necessary, strategic arms to stop a Soviet invasion), inasmuch as at this point this would be equivalent to "a promise of reciprocal suicide..."

To this speech Bundy replied, above all, with an analysis and an historic testimony. Even if the Nixon administration was the first to officially abandon ("to its credit") "the objective of strategic superiority, substituting that of 'sufficiency' and then that of 'parity,'" a substantial equilibrium between the two superpowers existed de facto since 1959-1960, in the sense that even then (that is, since the U.S.S.R. had a strong number of

war is lunacy

H-bombs and the means to deploy them on U.S. territory), the U.S. could not "seriously threaten war." America continued, it's true, to boast of its superiority, but this "rhetorical emphasis," said Bundy, served above all "as a reassurance to the American public." Neither Kennedy nor Johnson "ever thought they could use (the pretended numerical superiority) deliberately and credibly for a first strike," which would have provoked a disaster for America as well.

According to Bundy, it is therefore not true that only now the U.S. has lost, or is about to lose, nuclear superiority (it has 11,000 nuclear warheads against the Soviets' 5,000—which however are of greater power). Nor is it true, therefore, that the U.S. nuclear guarantee in Europe is becoming valueless. Bundy argued this conviction of his with great vigor: "U.S. strategic protection of Western Europe," he said, "is a classic case of doctrinal confusion and practical success. It has functioned, after all, for 30 years, and during 20 of those 30 years there was a substantial parity of reciprocal destructive potential. The long-term effectiveness of the U.S. umbrella is not derived from strategic superiority; it is derived instead from two other factors: the visible deployment of conspicuous American military forces in Europe, and the highly evident risk that any large-scale conflict between Soviet and American forces would rapidly and uncontrollably become a disastrous general nuclear conflict."

"It's true," Bundy continued, "that no one can claim to be sure that a large-scale conflict in Europe would reach the strategic nuclear level. But the essential point is the opposite: no one can know absolutely that this escalation would *not* occur. Even a small risk of a large-scale nuclear conflict is decisively too large. My conclusion is that marginal changes in the strategic figures do not in fact represent a threat to the U.S. strategic umbrella over NATO. This guarantee does not rest on numbers of warheads, but on a commitment that offers to the opposing party risks that are completely unacceptable and by their nature unforeseeable. Nor do I think that the real effectiveness of this deterrent is responsive to the highs and lows of European faith in any particular American president. The shield of Europe is the American nuclear "Triad," credibly upheld by 300,000 Americans in Europe."

Bundy recognized that one of the three elements of the "Triad," that of Minutemen land-based intercontinental missiles (the other two are the airborne missiles

and submarine-based missiles, which together represent more than 70 percent of the U.S. nuclear force: but only the Minutemen have the precision to hit Soviet bases accurately), will not remain valid "in the long-term" following the installation of new super-precise Soviet missiles. It is therefore right to "prepare" (with the probable adoption of new mobile missiles, MX which will be invulnerable.) But, Bundy still said, "The Soviet Union is not going to launch a first strike against the Minutemen: the Soviet leaders know that it is unlikely that America would passively accept the simultaneous destruction of eight nations."

Dominant opinion among the experts at the Villars meeting is that the strategic equilibrium among the superpowers is not in danger; but it is indispensable in order to preserve it, to reinforce the nuclear arms with European bases (but Bundy is not completely convinced) and to beef up "conventional" forces, which is in any case already under way. The constant displacement of the relation of forces, in all fields, in favor of the U.S.S.R., could however, break the political equilibrium more than the military (and this is the true fear of Kissinger), to the detriment above all of Europe; at least if adequate countermeasures are not adopted.

Theo Sommer: quit painting things black

Following are excerpts from a front-page article authored by Theo Sommer in the Sept. 14 edition of his West German weekly Die Zeit.

Deterrence is dead, Henry Kissinger announced at the beginning of September in Brussels. ... Deterrence is alive and well, it has functioned for 30 long years and will continue to function McGeorge Bundy answered...

McGeorge Bundy, who, as Kennedy's security adviser in 1962 was the manager of the Cuban Missile crisis, does not dispute the Soviet armament, and not the loss of the American advantage to a situation of parity (if a situation with 11,000 American nuclear warheads, as

as opposed to 5,000 Russian ones, can be called parity). But he warns about collapsing into panic because of it. The men, who in the loneliness of the situation room in the Kremlin or in the White House must make their decisions, know that atomic weapons are a unique species in themselves, that their limited use is very hard to control—and because of this they will be on their guard against wantonly pressing on the button...

In reality it is inconceivable that a Soviet head of state would give the command for a surprise attack against U.S. land-based missiles. Even if the improbable were to occur and all 1,054 U.S. land-based missiles were to be destroyed, there would still remain 656 Polaris submarine missiles with more than 6,000 warheads.

Similar doubts about painting everything black occur over the situation in Europe. The new Soviet SS-20 rocket and the Backfire bomber perhaps, in a surprise attack, can be deployed against important military goals in the west of the continent. But not without devastating wide stretches of territory and requiring millions of dead. Are the Soviets actually operating on the assumption that the American president will simply take this?

What this comes down to for America is that it cannot allow itself to hunt for a sacrificial goat. Twenty years ago there was a lot of hammering about a "missile gap" about which it later turned out, that although there never was one, it did lead to a hectic, forced buildup in American missiles. And then nothing else remained for the Soviets but to catch up with the Western superpower. The same thing is going on with the MIRV and the cruise missile: The Americans march on ahead, and the Russians follow....

Lord Mountbatten: ban tactical weapons

In a speech delivered May 11, 1979 in Strasbourg, West Germany, the late Lord Mountbatten of Burma, a member of Britain's royal family and one of the monarchy's closest policy-advisors for half a century, revealed his opposition to the "limited nuclear war" doctrines associated with Haig and Kissinger. Below are excerpts.

Do the frightening facts about the arms race, which show that we are rushing headlong towards a precipice, make any of those responsible for this disastrous course pull themselves together and reach for the brakes?

The answer is 'No' and I only wish that I could be the bearer of the glad tidings that there has been a

change of attitude and we are beginning to see a steady rate of disarmament. Alas, that is not the case...

... The Western powers and the U.S.S.R. started by producing and stockpiling nuclear weapons as a deterrent to general war. The idea seemed simple enough. Because of the enormous amount of destruction that could be wreaked by a single nuclear explosion, the idea was that both sides, in what we still see as an East-West conflict, would be deterred from taking any aggressive action which might endanger the vital interests of the other.

It was not long, however, before smaller nuclear weapons of various designs were produced and deployed for use in what was assumed to be a tactical or theatre war. The belief was that were hostilities ever to break out in Western Europe, such weapons could be used in field warfare without triggering an all-out nuclear exchange leading to the final holocaust.

I have never found this idea credible. I have never been able to accept the reason for the belief that any class of nuclear weapons can be categorized in terms of their tactical or strategic purposes.

Next month I enter my eightieth year. I am one of the few survivors of the First World War who rose to high command in the Second and I know how impossible it is to pursue military operations in accordance with fixed plans and agreements. In warfare the unexpected is the rule and no one can anticipate what an opponent's reaction will be to the unexpected....

I am not asserting this without having deeply thought about the matter. When I was chief of the British Defence Staff I made my views known. I have heard the arguments against this view, but I have never found them convincing. So, I repeat in all sincerity as a military man, I can see no use for any nuclear weapons which would not end in escalation, with consequences that no one can conceive....

... I regret enormously the delays which the Americans and Russians have experienced in reaching a SALT II agreement. ... I regret even more the fact that opposition to reaching any agreement which will bring about a restraint in the production and deployment of nuclear weapons is becoming so powerful in the United States. What can their motives be?

There are powerful voices around the world who still give credence to the old Roman precept—if you desire peace, prepare for war. This is absolute nuclear nonsense....



Europe: The Third World is the issue

Hans Apel: arms, talks and development

West German Defense Minister Hans Apel presented his ministry's "White Book" on defense policy Sept. 4. According to Deutsche Presse Agentur (DPA), Apel told a Hamburg press conference that "arms control policy must be accorded absolute priority." In a Sept. 11 TV interview monitored by our correspondent in the Federal Republic, Apel defined the basis of West German defense policy as consisting of three principles: maintaining military equilibrium, pursuit of disarmament negotiations with the Soviet Union, and the economic development of the Third World.

In answering questions from Winfried Scharlau of ARD Television, Apel elaborated his view of arms negotiations in more detail:

Q: *(In the white paper) you describe the powerful missile weapons which the Soviet Union has set up against central Europe and you speak literally of a strategic threat of a new dimension. Are you not thereby agreeing with the opposition (parties)? For can we not conclude from this that the (present government) has neglected something with respect to armament and security?*

Apel: I believe that you cannot argue this way at all. This white paper describes something, it is a balance sheet, which has been debated for quite some time in NATO circles. ... Otherwise it would be entirely conceivable that NATO is about to take decisions, envisaged for before the end of this year, to cope with this—let us set it in quotation marks—"missile gap" by a dual offer: serious negotiations on arms control ... (and) the offer to, the demand on, Moscow and the Warsaw Pact to eliminate the disparities on their part. Yet, in the event that the Warsaw Pact or Moscow are incapable of doing that, the necessity will be to make up for lost ground in NATO armament so as to restore an approximate parity of all nuclear capabilities.

Q: *How urgent are the measures that you described?...*

Apel: Time frames ... are delineated by technical hand-

icaps. I hope very much that the U.S. Senate will ratify the SALT II treaty. ... Then we could negotiate directly on the imbalances in the European sphere in SALT III talks, to begin in January/February of next year. NATO's decision should be that, if these negotiations fail, new weapons systems will be added. These will be ready for production in 1983 at the earliest. Thus a deployment in Western Europe is entirely inconceivable before that time. By that you can see that we have two or three years to test the serious will of the Soviet Union and to make perfectly clear that we prefer arms control over new defense efforts.

Q: *Isn't the massive Soviet armament a liability to those politicians in the West who are for detente and have worked for detente?...*

Apel: ... Detente policy can only work on the basis of a guaranteed defensive capability, and this also includes additional efforts by NATO, if necessary. ... This shows that the double concept of NATO works: defensive capability, yes; strengthening of the alliance, yes; but also constant preparedness for negotiations. And ten years of detente policy have been possible on this basis only, for detente policy must mean negotiating on the basis of equality, not subjugation.

Le Monde: Europe must orient to Nonaligned

On Sept. 12, the French daily Le Monde's European Affairs editor, André Fontaine, analyzed the "crisis" surrounding the revelations concerning Soviet soldiers in Cuba and asserted that the real strategic concern is the revolt of the developing sector against the lack of economic development assistance.

...The great strength of the U.S.S.R. nowadays...besides its armaments...is that the people of the Third World have become aware...of the reality of exploitation by U.S. multinational corporations; they are seeking to end this exploitation by all means...In this perspective, one is wrong to underestimate the outcome of the Havana Summit. Of course Castro did not obtain everything he wanted. Egypt was not ex-

pelled, the seat for Cambodia was not attributed to the pro-Vietnamese regime of Phnom Penh. But at 87 years of age, Tito had to come in person to defend the cause of nonengagement—towards the East or the West—to which he has devoted himself since Bandung...

It remains that the Nonaligned summit occurred in Havana, the capital of a country aligned in fact on the Soviet camp and that it is Cuba which for three years will preside over the conference. In spite of his alliance with Moscow, in spite of membership in the Comecon, in spite of the Order of Lenin recently given to his brother Raul, the majority of Third World countries continue to consider Fidel as one of them and not as the "puppet" of the Soviets to which Brzezinski thought he could reduce him.

The "diplomatic" advisor to President Carter should recall that a few years ago, Dean Rusk, then Secretary of State to Lyndon Johnson, was saying the same thing about the Chinese, and that before that, when Tito was creating trouble for the West over Trieste, he was thought to be manipulated by Moscow. In reality, he was criticizing the Soviets for their softness... Who says that the Lider Maximo is not leading the Kremlin leaders, whose dynamism, considering their age, doesn't

seem to be their dominant characteristic, rather than following them?...

In any case, if there is a "puppet," it is the fault of the U.S., which has thrown him into the arms of the Soviets. Cuba today is a poor but dignified country, despite of all its failures, and one which has become—as the magazine *L'Express*, one least suspect of pro-Soviet proclivity, recognizes—a paradise for children, if not for liberty. It is not the sight of Cuba that will prevent the delegates to the Havana conference from thinking that progress is there, but rather in the shantytowns, the ravaged countryside and the torture chambers of too many countries on the American continent. As long as the Western world does not succeed through a bold policy of redistribution of wealth, in showing that it is determined to give priority to the development of the Third World, instability, tensions, local and regional conflicts, the armaments race and thus the risks of war will only multiply. If not the U.S., whose eclipse phase will certainly last at least until the 1980 presidential election, couldn't one imagine that Europe, taking back in hand the destiny it carelessly handed over to the U.S., will do something to break the infernal circle?

The Muslim Brotherhood and METO

Secret organization key to expansion of Camp David pact

A scenario is shaping up for the Middle East among Anglo-American policymaking layers that, in the opinion of many observers, leads directly toward a head-on U.S.-Soviet showdown. That scenario runs approximately as follows: What is necessary in the immediate future is the expansion of the Camp David pact to include at least some other Arab circles. Mentioned most often in this context by spokesmen for the Council on Foreign Relations, the State Department, and increasingly even some leading Zionists, is some combination of West Bank and Gaza strip Palestinians and the Kingdom of Jordan. Such a development, it is thought, could lead to the establishment of a pro-NATO bloc of Arab countries allied with Israel: the Middle East Treaty Organization. METO's mission would be to freeze out Soviet interests and influence in the entire Middle East—girding the U.S.S.R.'s Central Asian underbelly with a belt of hostile states.

Already Oman, Sudan, Morocco, and Iran are leading candidates for joining METO. Syria, Iraq, and Saudi Arabia, along with Libya and Algeria, are immediately threatened with military action and Muslim Brotherhood-led fundamentalist revolt.

But to accomplish that goal, it appears as if the Israeli government of Prime Minister Menachem Begin, who opposes any form of rapprochement with the Palestinians, must be reorganized—without Begin—into a coalition bloc led by Ezer Weizman, Moshe Dayan, and Shimon Peres.

In the past few weeks, the situation in Iran has taken a dramatic turn for the worse. The inner core of the secret Muslim Brotherhood machine in Iran has seized power directly, and the entire Iranian governmental apparatus is now in the hands of British intelligence. Khomeini's Iran is being steered in the direction of leading an anti-communist revolt throughout the Middle East. Beginning with Khomeini for the first time; by the same token, some Western circles are arguing that it is the interest of the West to support the fundamentalist opposition to the Soviet influence in the area!

Together with the crisis in Afghanistan, the Iranian situation is being used as a rallying point for the mobilization of the Arab and other Muslim networks

of the Brotherhood. Eventually, it is this alliance that, Zbigniew Brzezinski hopes, will form the basis of the METO bloc.

Now, London and the Carter administration believe that it may be necessary to oust the discredited Menachem Begin and shift gears on Israeli policy, replacing Begin with a more "moderate" coalition that can strike a deal with elements of the Palestinian movement and the allies of Khomeini in the Arab world. This, they hope, can be erected on the cornerstone of the Egyptian-Israeli pact.

Iran: a coup in the Islamic Council

In recent weeks a cold coup has transpired within the secretive Islamic Revolutionary Council, the most powerful body in Iran's Islamic Republic. While Ayatollah Khomeini is still the number one figure within the Council and Iran's virtual dictator, a faction of political extremists, and allied religious clergy within the council, have become hegemonic and are currently determining policy in Iran. As a result, Iran is presently being governed by a junta every bit as brutal as that of Cambodia's Pol Pot or Chile's Pinochet.

Among the key figures in this political grouping are Ayatollah Khalkhali, known throughout Iran as the "blood judge," Ayatollah Montazeri, Interior Minister Mustaffa Shamran, Khomeini's economic advisor Abolhassan Banisadr, Said Ghotbzadeh, and Foreign Minister Ibrahim Yazdi. All of these individuals share common links to the British-organized fundamentalist movement, the Muslim Brotherhood, and also the common policy of subjecting Iran to a totalitarian Maoist-style form of government which they aim to spread through bloody insurrections to Iran's neighboring Arab oil producing regions.

Taleghani murdered?

A turning point in the recent developments in Iran was the sudden and mysterious death of the influential Ayatollah Taleghani Sept. 9. Just a week following his reported "heart attack," his son, a prominent leftist in Teheran, told the press that his father had been poisoned, an explanation for Taleghani's untimely death which the Kuwaiti daily *Al Qabas* also printed last week.

The death of Taleghani represents a profound lesson to the more moderate elements within the opposition that overthrew the Shah of Iran and backed Khomeini. Taleghani and prominent members of the National Front accepted Khomeini as a legitimate opposition figure thinking that they could make a deal with Khomeini. Khomeini's political track record since his collaboration with Ayatollah Kashani and the Muslim Brotherhood in the early 1950s which led to the overthrow of the republican revolutionary Premier Mohammed Mossadegh has shown that he has functioned only as a tool of Anglo-American neocolonial policy for the Mideast—a fact Taleghani and the Front could not deny. Moreover, Taleghani and his more moderate allies themselves have flirted with the Anglo-American-Zionist establishment which controls Khomeini.

Taleghani was considered by sources with inside information on the politics of the Islamic regime to be the only viable challenger to Khomeini's authority within Iran, and yet he was known to have backed away from a showdown with Khomeini. The respected French journalist Paul Marie de la Gorce wrote in *Le Figaro* Sept. 10 that following Taleghani's death the last vestiges of secular, prodemocratic opposition to Khomeini have disappeared. Taleghani was known to be working with the National Front and the National Democratic Front in building a coalition against the Khomeini program for theocratic dictatorship. Only following his death was it revealed that he was the head of the Revolutionary Council and had exercised a moderating influence over the body by keeping its members from criticizing the nominal secular government in Iran headed by Premier Mehdi Bazargan.

Taleghani's death is the culmination of a brutal crackdown on all forces opposing Khomeini which has been engineered by Ayatollah Khalkhali and his allies who have consistently played on the octogenarian Khomeini's paranoia and psychological weaknesses in order to enforce their tyrannical policies. Iranian sources confirm that as early as May of this year this extremist clique began to gain psychological control over Khomeini, a fact which was to a great extent responsible for the bloody public political executions of which Khalkhali personally took charge. Similarly, it was Khalkhali and Interior Minister Shamran who took full responsibility for the genocidal assault on Iran's Kurdish minorities, a policy which Taleghani was known to have opposed, rather seeking some kind of accommo-

Kuwaiti press accuses Iran of fronting for Camp David

In a groundbreaking commentary Sept. 17, Kuwait's *Ar-Ra'y al-'Amm* newspaper accused Iranian Ayatollah Mohammed Montazeri, an advocate of "exporting" Iran's revolution abroad, of "serving the Camp David plot by dragging the Middle East into the abyss of communal division, thereby enabling Cairo to play the rule of policeman in the region," according to an account covered by the KUNA Kuwaiti news agency.

The newspaper further said: "These threats not only serve the Camp David aims, but will also plunge the Arab area in bloodshed and communal strife, particularly the Gulf area where external forces would exploit the explosive situation and troubles to carry out their repeatedly declared goal of military occupation. . . . Montazeri's threats have a communal character, which implies the exploration of massacres and the pitting of the sons of one religion against each other."

dation with the restless minorities in Iran to avoid the very real threat of a partition of the country.

Next target: Bazargan

Within days following Taleghani's death, members of the Revolutionary Council launched their first public attacks on the cabinet of Premier Bazargan. Both Ayatollah Montazeri and Banisadr called upon the population of Iran to "uproot the Bazargan government." Bazargan, a long-time close political ally of Taleghani, has repeatedly attempted to resign because the Revolutionary Council's pervasive control in Iran, through the militant local Islamic Committees known as "Khomitehs," has made it impossible for his government to rule. As a result the Bazargan government has slowly been falling apart. Only last week the Education Minister resigned, and this week the Defense Minister General Riahi finally stepped down after numerous threats that he would do so.

This slow dismemberment of the Bazargan government at the hands of Khomeini and his extremist clique of advisors marks the end of any pretense of democracy by Khomeini's Islamic Republic. Following the Education Minister's resignation, the Council announced the nationalization of all private schools and universities within Iran and launched an unprecedented purge of Teheran University, the center of pro-Taleghani sentiment and one of the last holdouts of various leftist groupings which have been working with the National Front against the Islamic Regime.

In a parallel move, the last vestiges of freedom of the press within Iran were sacrificed this week with the Council's decision to confiscate the offices of the two largest dailies in Iran, *Kayhan*, which was until recently reportedly pro-Khomeini, and *Ettalaat*.

Bazargan, according to European press sources, has been unable to halt an ongoing purge of various of his ministries, a process which began in July when a "deal" was worked out between Khomeini's Council and the Prime Minister to merge the two bodies.

The Council of Experts, a body almost totally composed of pro-Khomeini Shiite Islamic clergy which was fraudulently elected two months ago to revise Iran's constitution, is making drastic changes in the document, erasing totally the power of secular government in Iran. European press sources report that the Council of Experts has elevated the power and authority of Iran's leading Ayatollah (grand priest) to a position superceding that of the newly created position of president.

It is no coincidence that Khomeini's band of mullahs and extremist ideologues released to the public their rewrite of Iran's constitution following the death of Taleghani and following the successful repression of Khomeini's opponents. Both Taleghani and the National Front were emphatically opposed to a pure theocratic system and supported establishing a republic along the lines of that fought for by the Iranian revolutionary leaders of the early 1950s Muhammed Mossadegh.

Phase two of Iran's revolution

Since Khomeini's takeover of Iran in February, U.S. based sources with an inside track to the National Security Council have predicted that Khomeini's stay in power would be blunted by a military coup, probably run by a "little-known pro-Islamic officer of Iran's now splintered military." The National Security Council, despite public statements to the contrary, in fact played a critical role in clandestinely backing the Khomeini takeover of Iran working closely through U.S. citizen Ibrahim Yazdi to achieve this goal.

Khomeini's regime is however, only a stepping stone to the creation of an even more repressive Islamic military government for Iran modeled on Pakistan's Zia regime which both London and Washington view will be the eastern counterpart of the western Egyptian-Israeli military axis that is to form the backbone of the long sought after Anglo-American dream of a NATO-linked Middle East Treaty Organization.

Khomeini and company have served their Anglo-American controllers in successfully cleaning out their opposition, which represented a balanced outlook toward both the U.S. and the U.S.S.R. as represented by Taleghani and the Front. Just prior to his death, Ayatollah Taleghani met with the Soviet Ambassador Vinogradov, and told the press that the Soviet Union had no role in provoking internal unrest in Iran, referring to the Kurdish unrest against Khomeini. Taleghani's

statements directly contradicted those of the anti-Soviet Khomeini and coincided with a strong anti-Soviet speech delivered by Foreign Minister Yazdi at the Havana Nonaligned Summit.

Earlier this month, Sayed Marei, a close confidant of Egyptian president Sadat predicted a general's coup in Iran, and in the same statement warned of the spread of Islamic fundamentalism to Syria and Iraq.

Ironically, Khomeini and his allies may soon find themselves in the same condition as Taleghani, the victims of their Anglo-American string-pullers in the wake of a London and Israeli backed military coup.

—Judith Wyer

The network of the Muslim Brotherhood

The takeover of Iran by the inner circles of the Muslim Brotherhood apparatus has given new momentum to the implementation of the so-called "Bernard Lewis plan," named after the Oxford University orientalist who, working in collaboration with British and Israeli intelligence, developed the Anglo-American program for balkanizing the Middle East along tribal, ethnic, and religious lines. From North Africa through Syria, Iraq, and the Arabian peninsula, the secret Muslim Brotherhood apparatus has been reactivated, as the following survey shows.

Although to the casual observer the pattern might not seem obvious, what is in fact happening is that the Muslim Brotherhood network is emerging as the skeleton of the proposed, NATO-linked Middle East Treaty Organization (METO), and at the same time, the governments which have so far resisted the METO concept—such as Syria, Iraq, Saudi Arabia, and so forth—have been targeted for destabilization by "Muslim fundamentalist" movements.

1. The Persian Gulf and the Arabian Peninsula

The most immediate threat to the stability in the Middle East arising out of the Khomeini regime comes from the substantial Shiite Muslim communities in Iraq, Kuwait, Saudi Arabia, and the Persian Gulf states. Ayatollah Montazeri, the newly appointed head of the Islamic Revolutionary Council in Iran, last week openly threatened all neighboring Muslim countries to "learn a lesson from the fate of the Shah." At the same time, Foreign Minister Ibrahim Yazdi, one of the leading

architects of the fascist revolt that brought Khomeini to power and a leading member of the Muslim Brotherhood, said that Iran is unable to prevent insurgents in the Arab countries from carrying out acts of sabotage and terror to bring about revolutions modeled on the Iranian putsch.

Since the beginning of September, both Kuwait and Bahrain have been hit by Shiite Muslim rebellions. In both countries, the personal representatives of the Ayatollah Khomeini were arrested by police for making subversive speeches in mosques, along with several hundred followers. In addition, direct connections were established proving that Iran's revolutionary komitchehs were involved in the trouble. The twin crises had been building up ever since the start of the Khomeini revolt in Iran. Recently, Iran's Ayatollah Rouhani—who has set up a secret network of intelligence contacts throughout the Arabian gulf states—reasserted Iranian imperial claims to the island nation of Bahrain, which has a substantial Iranian minority.

Meanwhile, further south at the bottom of the Arabian peninsula, another crisis is developing. For the second time in two months, the Sultanate of Oman—perhaps the world's most British-dominated nation, with all of its chief military and intelligence personnel still British citizens—sent a delegation to Qom, Iran, to meet with Ayatollah Khomeini. The Arab press has reported that Oman is seeking Iranian military assistance. Now, according to Arab sources, the United States and Great Britain are beginning to implement a large-scale military buildup, in secret, in Oman. At the beginning of September, a 12-man task force from the U.S. Department of Defense visited Oman to study the issue.

The consolidation of an Oman-Iran alliance is the first step in London's Grand Design for a Middle East Treaty Organization, eventually to align itself with the Camp David partners. To accelerate the scheme, the spectre of a Soviet threat to the oil fields of the Persian Gulf has been raised. West Germany's *Die Welt* reported on Sept. 9 that the Soviet Union was concentrating an alleged force of 40,000 soldiers, comprised of Cubans, Palestinians, Ethiopians, and Yemenese, in the tiny nation of the People's Democratic Republic of Yemen (PDRY). The charge, not substantiated, came only days before a trip to Ethiopia and the PDRY by Soviet Premier Alexei Kosygin. At the same time, the State Department charged that the Soviet Union was sending weapons, including Polish tanks and possibly advanced Soviet weapons, to conservative North Yemen.

A crisis either in one of the Arab gulf states or in the southern Arabian peninsula could easily provide the grounds for the deployment of Secretary of Defense Harold Brown's 100,000-man Persian Gulf "strike force" to secure the oil fields—possibly resulting in World War III.

2. The Assault on Syria

In Syria, mass demonstrations took place in several major cities last week in support of President Hafez Assad. The rallies were organized to demonstrate the population's rejection of the terrorist Muslim Brotherhood forces in Syria, which, in the past two years, but especially in recent months, have unleashed a wave of assassinations and violence.

In July, on the eve of a crucial state visit by Assad to Iraq, the Muslim Brotherhood assaulted a military training base in Aleppo and brutally massacred over 60 Syrian cadets. Since then, despite a nationwide crack-down against its leadership, the Brotherhood has managed to stage a series of incidents. Earlier this month, following sectarian violence provoked by an assassination of an Alawite minority leader, the port cities of Latakia and Tartus—the latter the location of a critical oil refinery—were put under curfew, and a brigade of 1,000 troops was rushed to the scene to keep order.

Last week, a Syrian intelligence colonel and five officers were murdered by the Brotherhood.

According to the London *Observer*, the situation in Syria is so serious that President Assad may have to resign. French newspapers have said point blank that Syria might become "another Lebanon." Although such talk is in fact wildly exaggerated, there is no question that an extremely dangerous situation has arisen, and Syrian sources have warned that the assassination of Assad himself cannot be ruled out. What is clear is that a basic threat has been mounted to the country that has become the focal point of opposition to Camp David. Last week, on Syrian television, the arrested vice-chairman of the Muslim Brotherhood stated bluntly that his orders were to disrupt Syria, carry out assassinations, and provoke a civil war.

Syrian Information Minister Ahmed Iskandar replied bluntly that the Brotherhood is acting as an agent for the Camp David axis.

3. Egypt, Sudan, and Saudi Arabia

Besides Iran, the other pole of the Muslim Brotherhood axis in the Middle East is Anwar Sadat's Egypt.

Last week, President Sadat held an unprecedented meeting, at a public dinner, with the head of the Muslim Brotherhood in Egypt. "I have no disagreements with you," said Sadat, elaborating publicly that the Egyptian government finds the Muslim Brotherhood useful. At the same time, an officially encouraged resurgence of the usually underground Brotherhood is taking place in Egypt, symbolized by the showing of the film "Alexandria: Why" in theaters in Cairo. In one of the film's scenes, Sadat is shown with former President Gamal Abdel Nasser going to visit Sheikh Hassan al-Banna, the founder of the Muslim Brotherhood—a scene which has reportedly drawn loud applause in Egyptian movie houses.

Immediately after Sadat's meeting with the Brotherhood, the French daily *Le Matin* reported that Egypt has agreed to send armed "volunteers" to fight alongside Muslim Brotherhood rebels fighting the Afghanistan regime of President Hafizullah Amin. That decision places Sadat squarely in the Khomeini camp, which, along with the Pakistan of General Zia, is the leading backer of the civil war in Afghanistan.

The crucial figure in the Arab world for the Brotherhood is shadowy Prince Abdullah of Saudi Arabia, the commander of the Saudi National Guard and one of the leading Anglophiles in the Saudi royal family. Abdullah is closely involved in funding the Muslim Brotherhood, including its exile networks in Western Europe.

In early September, Prince Abdullah and Crown Prince Fahd held a meeting with Iranian Minister of National Guidance Nasser Minachi, a close associate of Foreign Minister Ibrahim Yazdi. Although no details of the meeting were released, it is not unlikely that the Iranian visit was a feeler to the Saudis on joining the Khomeini-led *jihād*. Abdullah also plays a key role in Saudi internal security, and reportedly is considering an Egyptian offer to have Sadat's troops serve as the gendarmes of the Arabian peninsula. Already, Egyptian troops have been sent to Oman and Sudan.

Also in Sudan, the Muslim Brotherhood has just entered the government in a recent Cabinet shakeup there.

The role of Abdullah is critical in extending the METO idea. Most likely, Abdullah is the chief Saudi figure involved in the ongoing covert contacts with Israeli intelligence and Foreign Minister Moshe Dayan. And, last week, following an offer by Anwar Sadat to sell Egyptian arms to Morocco—despite the official break in relations between Cairo and Rabat—it was Abdullah who paid a quiet visit to Rabat, Morocco, to explore the Egyptian offer, and perhaps to finance it. After Abdullah's visit, King Hassan II reportedly accepted the offer. That would link Egypt to both Morocco and Oman: the core of METO.

—Robert Dreyfuss

'Weizman option' for Israel

If London policymakers have their way, Prime Minister Menachem Begin of Israel is going to be dumped and replaced by a British-backed government headed up by Defense Minister Ezer Weizman, Labour Party leader Shimon Peres, and Foreign Minister Moshe Dayan. According to one top American Zionist official, a Weizman-Peres-Dayan configuration will "transcend the usual party politics" and work for a deal with the Palestinians and Jordan, that is, Phase II of Camp David.

The intensifying governmental crisis in Israel and Britain's proposed "solution" reflects the intense political fight in top international Zionist circles over how to deal with the fact that the Nonaligned countries and nations of Western Europe are moving steadily toward recognizing and working with the Palestine Liberation Organization. European states and the Nonaligned group are seeking to undermine the Camp David framework as one which will lead to Mideast war, and pull together in its place a comprehensive and durable solution centered on the establishment of a Palestinian state.

The European-PLO connection was symbolized by the Aug. 13 arrival of PLO chairman Yasser Arafat in Spain at the invitation of the Spanish government. Arafat was greeted by favorable Spanish press coverage and held lengthy meetings with top Spanish officials.

The unprecedented welcome received by Arafat in Spain is paralleled by the steps being taken by the European Economic Community toward the PLO. At the EEC meeting of foreign ministers earlier this month in Dublin, a push was made to formulate a resolution calling upon Israel to "negotiate with the representatives of the Palestinian people, including the PLO." Attempts to block the resolution were made by the British and the Dutch. The EEC has already come out with a resolution backing the sovereignty and territorial integrity of Lebanon and condemning foreign—that is, Israeli—intervention there.

Two options for Britain

Hemmed in by Europe's overtures to the PLO and the "containment" policy against Israel, Anglo-American-Zionist strategists have two options. The first is to sit tight and continue to back the Camp David fiasco and

the deadlocked "autonomy" talks, a policy that will probably only exacerbate the current impasse, given the impossibility of coopting the PLO. It is an option that, in time, could lead to war.

The second option—the one favored by Britain—is to adopt a more "moderate," "pro-Arab" policy that can position Britain favorably inside the fast-developing Euro-Arab political axis being shaped by France and its European allies. This option was explicated in a Sept. 18 editorial in the London *Guardian* which admitted that Britain's strategy for the Middle East relied solely on undercutting the growing European-Arab axis for peace. According to the *Guardian*, the British are pitted against two factions in Europe. One, represented by France and Italy, wants a comprehensive peace-and-development alliance with the Arab countries. The second, represented by West Germany and Holland, is opposed to American refusal to deal with the PLO but is less ambitious in overall scope. Britain's counterposition, reports the *Guardian*, is to support a "deal" between Israel and "authentic representatives of the Palestinians"—a typically vague formulation that circumvents the PLO altogether and whose aim is to throw the whole Israel-West Bank-Jordan area into chaos and confusion.

To get their scenario off the ground, the British, in collusion with Anglophile Zionists, feel that Begin must be dumped and a seemingly softer-line government installed into power. A top New York Zionist, in an exclusive interview, insisted that Begin had outlived his usefulness and that Israel needed some kind of governing coalition involving Foreign Minister Moshe Dayan, Defense Minister Ezer Weizman, and opposition Labour Party leader Shimon Peres, all of whom, not accidentally, are now touring the U.S. and meeting with top Washington and U.S. Zionist Lobby leaders. Unlike Begin, whose rigid fanaticism on the PLO question has opened the door wide to Europe's peace initiatives, a Weizman-Peres-Dayan configuration is being viewed by London and its allies in Washington as the best vehicle for muscling in on the Europeans and making a deal with the PLO.

During their stay in Washington, back-room meetings were held to discuss engineering Begin's removal from power. According to one Washington insider, a "simple scandal could force Begin to resign within 10 days." In an attempt to give Begin the honorable option of resigning rather than provoke the bloody fight necessary to bring him down, the press is conveniently highlighting stories that doctors have ordered him to work no more than three hours per day.

Given Begin's documentable connections to international drug trafficking, gun running, diamond smuggling, and related activities (Begin befriended the organized crime king-pin Shmuel Flatto-Sharon, wanted in France for his involvement in financial swindles but

immune from extradition due to Begin's intervention), a "simple scandal" would be easy to pull off. The makings of one are already in the works: The Aug. 14 *Jerusalem Post* targets Begin for covering up organized crime investigations in Israel. "When was the last time the Premier asked for a progress report on the implementation of the Shinrom Commission report on organized crime?" the *Jerusalem Post* queried. The article then went on to attack Begin's right-hand man, Interior Minister Yosef Burg, who is heading up the West Bank "autonomy" talks ever since Weizman left the team—a signal that the Begin hard line on the Palestinian question is to be scrapped in favor of the liberal approach of Weizman and company. Finally, the *Post* links Begin and Burg to Agriculture Minister Ariel Sharon, whose uncompromising West Bank settlements policy is a chief stumbling block for the British Weizman plan. "Begin and Sharon have demolished the national consensus here and in the Diaspora," charged the *Jerusalem Post*.

The settlements policy is indeed the core issue, and Begin's inept handling of it is drawing criticism from all sides and portends his undoing. Last week, the

'The battle is over settlements policy'

The following is an evaluation by a U.S.-based member of the Israeli Likud Party of the significance of the recent dispute between Prime Minister Menachem Begin and the Jewish Agency over whether the Ministry of Absorption will be put under Agency control or kept under the Ministry of Housing, which is now headed by Likud Party parliamentarian David Levy. This dispute has been widely covered in the Israeli press and has led to acrimonious accusations from the Agency leaders that Begin was reneging on earlier commitments to them as to the fate of the Absorption Ministry. This is an important ministry in Israel since it controls the influx of immigrants from abroad and interfaces key Israeli intelligence activities in western and eastern Europe.

In the context of this analysis, the Herut-Likud source described the outbreak of potentially bitter faction fights throughout Israel, and the attempts by Defense Minister Ezer Weizman and Israeli nuclear-bomb strategist Yuval Neeman to capitalize on them in their bids to succeed Begin as Premier.

This dispute will have no effect at all on Begin's control over the Herut, which is the faction which

Israeli cabinet voted to allow purchases of West Bank land by Israeli Jews, a decision that enraged Deputy Prime Minister Yigael Yadin, who walked out of the cabinet session in protest threatening to pull his Democratic Movement for Change party out of the coalition. In addition, at a recent parliamentary meeting of Begin's Herut faction, the hard-liners led by Ariel Sharon won what the *Jerusalem Post* called a "unanimous" victory in affirming the construction of new settlements and the announcement by the government of a "master plan" for the West Bank that would formalize the process of establishing Jewish settlements into a long-term grand strategy.

A pro-Begin source in New York welcomed a recent Begin decision to put all control over the location of new settlements in the hands of the government, as a means of neutralizing the Jewish Agency, which had been trying to grab control over these decisions. If the British-dominated Jewish Agency had gotten the upper hand, this source stressed, settlements would be diverted from the West Bank to the Negev, and the Begin faction's dream to annex the West Bank would be seriously set back. Now, however, Begin's annexation

process is rolling along, and all deals are off in respect to the Palestinians.

The number one problem for the British in building up the Weizman option is the fact that Weizman and Dayan have no political base. According to top Zionist Lobby sources, the Sephardic community in Israel, traditionally pro-Begin, is being courted to become Weizman's base. To counter these efforts, Begin is working desperately to build up support from the Sephardim by favoring them on economic policy. The ongoing rabbinical dispute between the Sephardic and Ashkenazi Jews in Israel plays right into the Weizman effort. Last month the chief rabbi of the Sephardic community publicly asserted his conviction that if it is a matter of avoiding war, the occupied territories should be given up. The chief rabbi of the Ashkenazi community took the opposite stance. Although a laudable position, the Sephardic community is now being wooed by the British with the Weizman option, to pull them behind a "liberal solution" to the West Bank/Palestinian problem—a solution that will lead not to real peace but to a cosmetic facsimile of it.

—Nancy Coker

runs the Likud because it is the majority faction. The Herut is very much in the hands of Begin and even powerful people can't stand up to him. So the Jewish Agency dispute cannot in itself cause great problems in Israel—unless the government falls. If Begin were to resign, an issue like this could create all sorts of backbiting.

The problem with the Jewish Agency is simple. A very vital, absolutely vital issue is at stake: who will control the direction of settlements policy? Unless the government decides on the future of where the settlements go, the future will be very bad. We, the Herut people, want to strengthen Judea and Samaria [i.e., the West Bank—ed.], and also the area of heavy Arab population density in Israel, Galilee. The Agency, by contrast, wants us to settle the Negev, which we reject. This is a critical issue, which bears upon the whole future of what Israel will be.

The Jewish Agency wouldn't put settlements where Begin wants them; the Agency has its own policy. They have a top guy named Raanan Weitz who alarms me, and alarms Begin, since he publicly advocates the creation of a Palestinian state. Begin is aware of all this, and has no desire to turn to the Negev.

The Israeli situation could become very volatile internally. Begin could resign soon, or, possibly, the Liberal faction of the Likud could pull out. The

Liberals are extremely disaffected, since, on the one hand, they are being blamed for all the economic problems of Israel, and, on the other hand, they feel they are not being given the right to implement their own economic ideas. In this context, Neeman is scoring points with the Liberals. They are the key group which seems to be attracted to his appeals, they are looking to him as an alternative.

At the same time, Weizman definitely has popularity, and *thinks* he can be the next Prime Minister. He has ambitions, but he knows he can't fulfill them as long as Begin is around, and he cannot at present win any points *within* the Herut, which is all for Begin. What he is *trying* to do is to build a power base because of the dissatisfaction felt among the Oriental Jews at the country's economic problems, which is an obvious tactic since the Orientals are Begin's power base. But this is not working for two reasons. First, Begin is skewing economic favors, such as housing investment, *toward* the Orientals and *away* from the younger middle class, which is a Labour Party constituency. Second, the Orientals are most strongly appealed to on the basis of nationalism; they are the most anti-Arab constituency in Israel. To them, settling the Judea and Samaria area is more important than anything to do with the economy.

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20-sector analysis of the U.S. economy

Riemannian model shows sharp decline in capital-intensive sectors

The *Executive Intelligence Review* is pleased to release in this report a groundbreaking set of results produced by the computer-based economic model designed by Drs. Uwe Parpart and Steven Bardwell of The Fusion Energy Foundation. The present report is a 20-sector analysis of the post-1969 behavior of the United States economy according to the parameters of Riemannian economic analysis. Included in this report is a selection from a large group of computer-generated graphs describing the 20 Standard Industrial Categories (SIC's) as assigned by the United States Department of Commerce. The full results and additional applications of the disaggregated economic model are available from *Executive Intelligence Review* on a fee basis.

What the accompanying data establish—contrary to the standard wisdom of computer econometrics—is that the American economy has been in basic decline since 1969, despite the rise in so-called “real Gross National Product.” Further, the 20-sector breakdown demonstrates that the decline has been most acute among those SIC's which are capital- and energy-intensive. That is to say, the decline in the economy has been borne disproportionately by those sectors which should otherwise have been the most productive.

As stated in earlier presentations of the aggregate analysis of the American economy, the Riemannian model is unique in the following respects:

1) Rather than take as its basic measure of the

economy the Gross National Product, which is the net of all final sales in the economy, the Riemannian model employs measures based on the real output of tangible goods. The new model eliminates considerable “fluff” in the GNP figures by treating so-called service industries as an *overhead cost* charged to the goods-producing sector of the economy.

2) The model examines the way in which the tangible goods production of the economy is employed in economic reproduction, i.e., treats the factors in economic production *causally*. All other computerized models, prominently those of the Wharton School, Chase Econometrics, and Data Resources Inc., rely on correlations between disparate categories of economic activity. Such correlations are notoriously unreliable under conditions of major economic change, e.g. changes in labor productivity, introduction of new technology, changes in energy prices, and so forth.

The Riemannian model divides tangible output for the economy as a whole (or for individual sectors of the economy) into the following segments:

a) V, or “variable capital” in the classical-economic definition, or the portion of total output consumed by the goods-producing workforce (“factor cost”);

b) C, or “constant capital” in the classical-economic definition, or the portion of total output consumed as raw materials or maintenance of plant and equipment in all goods-producing activity (“user cost”);

c) D, or a designation for the total portion of

output not returned into goods-producing activity, including the consumption of all non-goods-producing activity, including the consumption of all non-goods-producing employees, military production, office equipment, and so forth.

The computer program converts this array of data into the following ratios:

a) *Alpha* is the ratio of the change in v to the change in c , or the change in the composition of capital.

b) *Delta* is the ratio of total surplus—the increase in $V + C$ over a given cycle of production—to V , or the incremental amount of V -type goods required to generate an incremental amount of surplus. The delta ratio is also the model's measure of productivity.

c) *Gamma* is the ratio of V to D , or the rate of non-productive investment in the economy.

The model then generates differential equations for these three ratios and solves them simultaneously for each sector. In the case of the 25-sector breakdown of the economy, the model simultaneously solves 75 differential equations.

This simulation of the economy permits the *causal* effect of changes in factor cost, user cost, productivity, or the balance between goods-producing and non-goods-producing sectors to be projected with great precision. The conventional econometric model merely adds up linear equations for a multitude of factors in order to obtain aggregates. It then abstracts what are generally arbitrary relationships between these factors and attempts to predict future behavior. The aggregate error accumulated through such additions almost always exceeds the range of prediction, making such predictions pure "fudge." By contrast, this method of differential-equation solving demands that the future behavior of each projected causal factor be consistent with the others. Statistical error does not accumulate; on the contrary, the model will fail to solve differential equations for mutually-dependent causal factors if one or more of these factors is wrongly projected.

Present model

The present disaggregate model of the economy is a *partial input-output model*. In brief, the model analyzes the reinvestible surplus of each of 25 sectors (of which 20 are shown below), as a moving average of the increase in total factors of production ($v + c$) on a year-to-year basis. The total surplus of the 25 sectors is then pooled (as a "Totals" sector). This surplus is then divided into two categories. The first category represents D , or the portion of surplus that is not reinvested into goods-producing activity. As noted, that includes the consumption of non-goods-producing workers, service industries, government, etc. The second part is reinvestible surplus, or S' . The total S' is then reassigned

back to each of the 25 factors according to a function based on the historical rate of growth of each sector.

The data employed are a modification of the Value Added series prepared by the Bureau of the Census, which contain the best-available breakdown of factor and user costs. The data employed in the accompanying examples are the most recent available from the Bureau of the Census, through the year 1976. Modification of the Commerce Department data to conform to the model's requirements, however, permits updating of the data to current months.

The notion of *pooled surplus* is a unique and critical feature of the disaggregate model. The most important factors impinging on investment decisions in individual industrial sectors are not made in those sectors. Global considerations which affect their capacity to reinvest include tax policy; Federal and State regulatory policy; labor relations; credit market conditions; energy and raw materials prices; and foreign economic policy.

For example, the Internal Revenue Service depreciation schedule determines to a certain extent how much of the total product of each industry may be exchanged for new investment goods for expansion. Industries of different energy-intensity are impacted differently by changes in the energy price. Industries of different capital intensity are impacted differently by changes in credit market conditions.

The disaggregate model permits the user to analyze the differential impact of such global developments on the surplus-generating capacity of each industry, and on the reinvestment quota available to each industry. Such global developments must be projected in terms of changes in the alpha, delta, and gamma ratios for each of the 25 sectors. In some cases, e.g., energy, such adjustments are not problematic (e.g., a rise in the price of energy constitutes a change in the alpha ratio, or the ratio of incremental factor cost to incremental user cost, of each sector based on its energy consumption). In other cases, e.g., government regulation, the impact of policy changes may be in dispute. However, the model is designed to allow the user the flexibility to explore many alternate hypotheses and arrive at a useable range of projections.

The graphs included in this report display the "free energy ratio" for the 20 SIC's as calculated by the Riemannian model. This ratio is the division of the total reinvestible surplus by the combined costs of production, or $S'/(C + V)$. Essentially, it is a measure of the economy's ability to generate new useable surplus.

Once arrayed in this fashion, the 1969-1979 data for the United States economy are instructive. The graph showing the total activity of the economy stood at a lower point in 1976, after the "recovery," than in 1969. The strong indication is that in terms of its capacity to produce new tangible output, the United States econ-

omy has undergone significant deterioration over the previous decade, apart from the disruption of the 1974-75 recession. This casts considerable light on labor productivity and other major economic problems.

Turning to the individual sectors, it is most useful to group them under two headings, industries which have held their own and those which have declined:

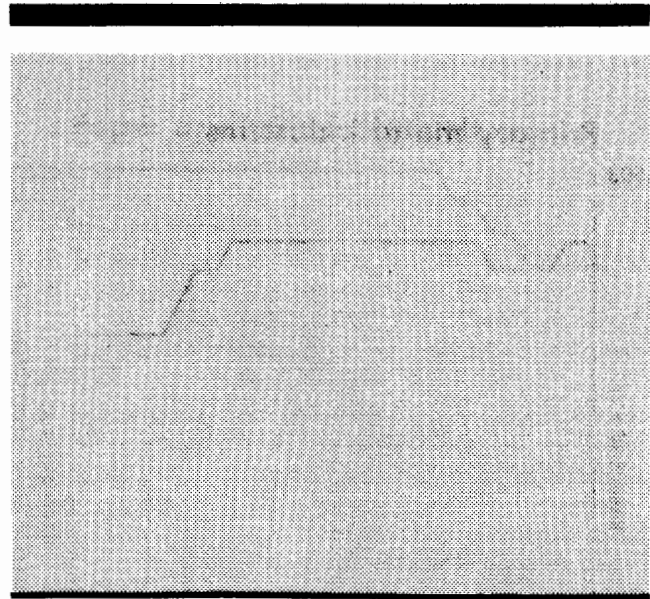
<i>Declined</i>	<i>Advanced or Remained Steady</i>
Agriculture	Textiles
Metals	Apparel
Rubber	Tobacco
Oil and Coal	Lumber
Chemicals	Stone
Food	Furniture
Paper	Printing
Transportation	Leather
Equipment	Metal Products
Instruments	Electronic Products
	Machinery

The trend is obvious: in terms of *reproductive potential*, the most capital-intensive sectors of industry have not merely lost competitive position since 1969, but are now in a significantly worse position than a decade ago. The least capital-intensive industries have more or less held their own, although there has been relatively little expansion.

That is, the underlying industrial base of the country has seriously eroded. The economy's underlying capacity to expand—measured by the “free energy ratio”—has been in continuous decline for the past decade. This is not the occasion to examine all the factors responsible for this state of affairs. However, it is worthwhile returning to the computer-generated graph displaying the “free energy ratio” for the total economy. The graph turns *not* at the point of the 1974-75 recession, but in 1973, at the point of the oil price increase. This would tend to suggest that the underlying growth potential of the economy cannot sustain itself under conditions of sharply rising energy prices.

That is the conclusion obtained from previous Riemannian Model studies of the impact of energy prices on the American and various other economies. Conversely, the model showed that a rapid realization of nuclear energy development would reverse the deterioration.

—David Goldman



Industries which have declined



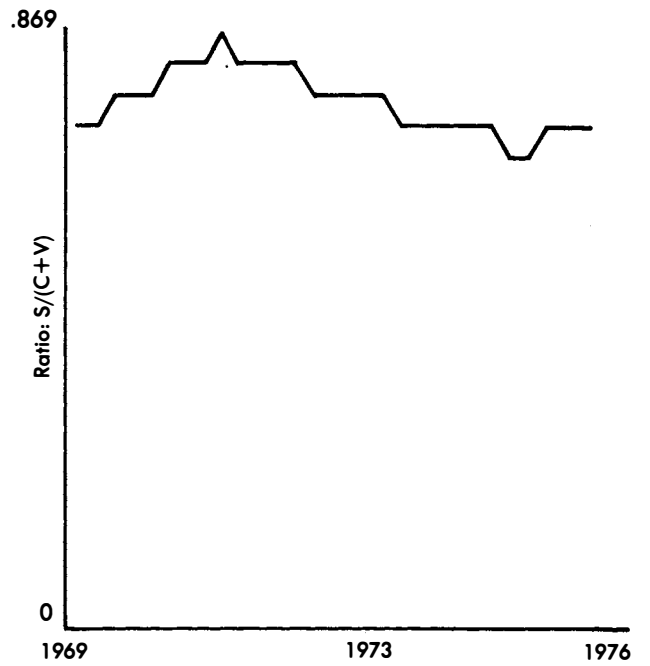
Agriculture



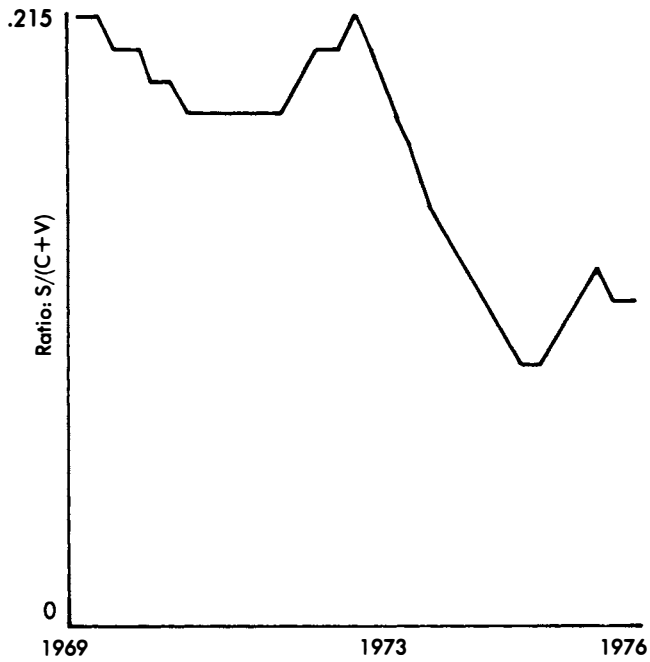
Primary metal industries



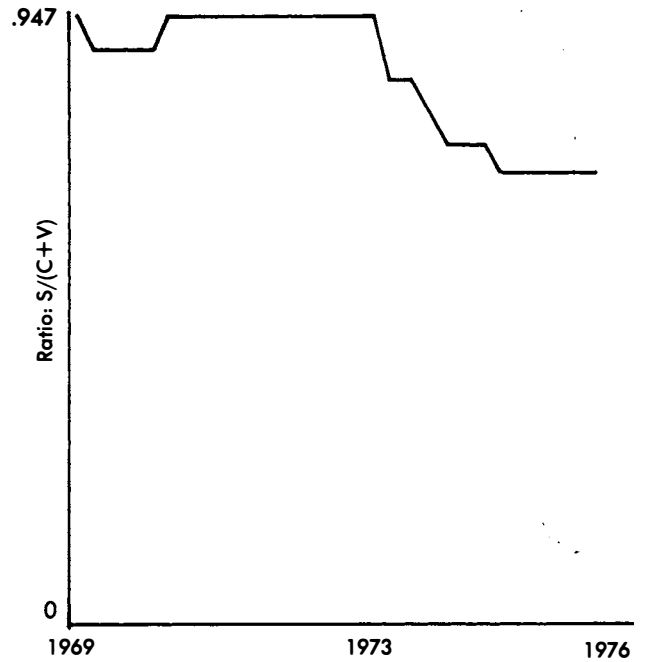
Rubber, misc. plastics products



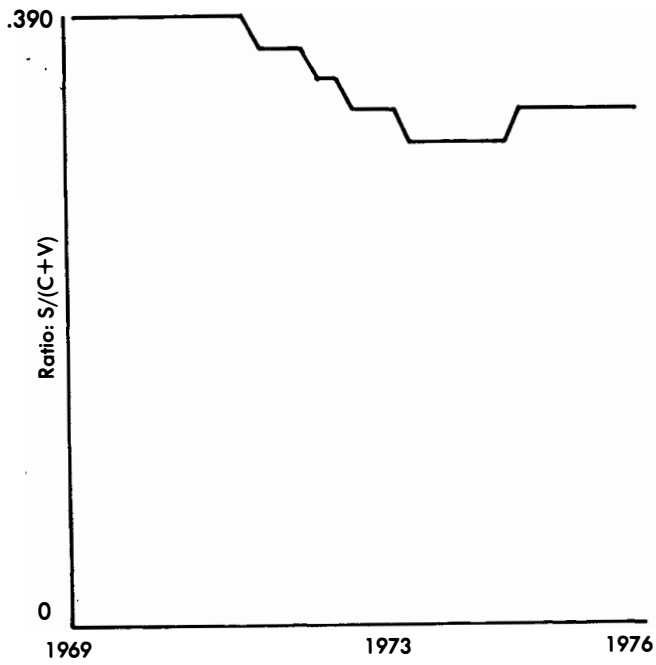
Petroleum and coal products (refining)



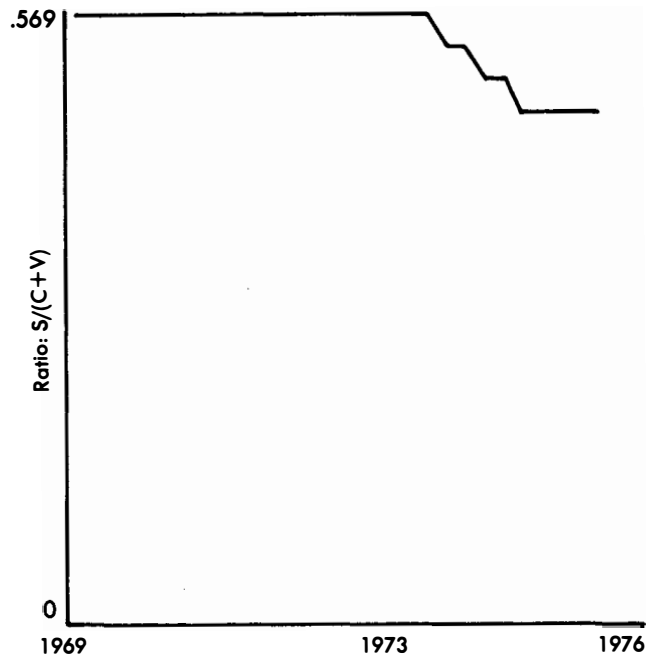
Chemicals, allied products



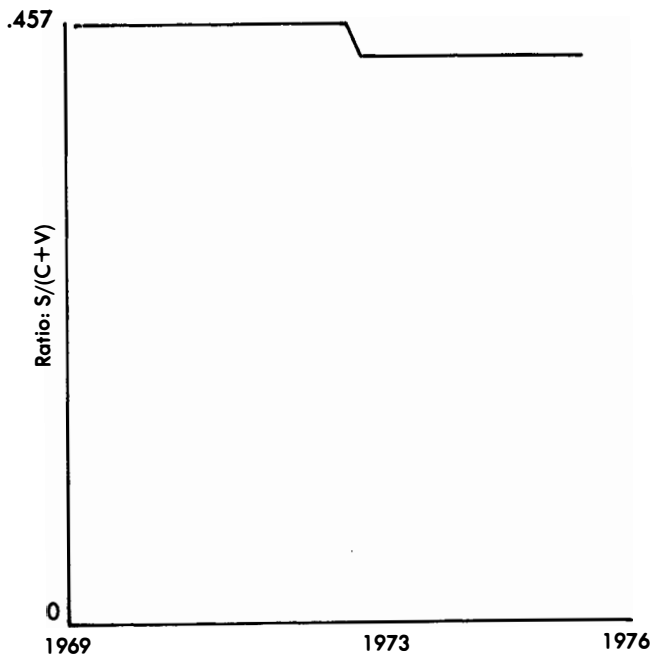
Food and kindred products



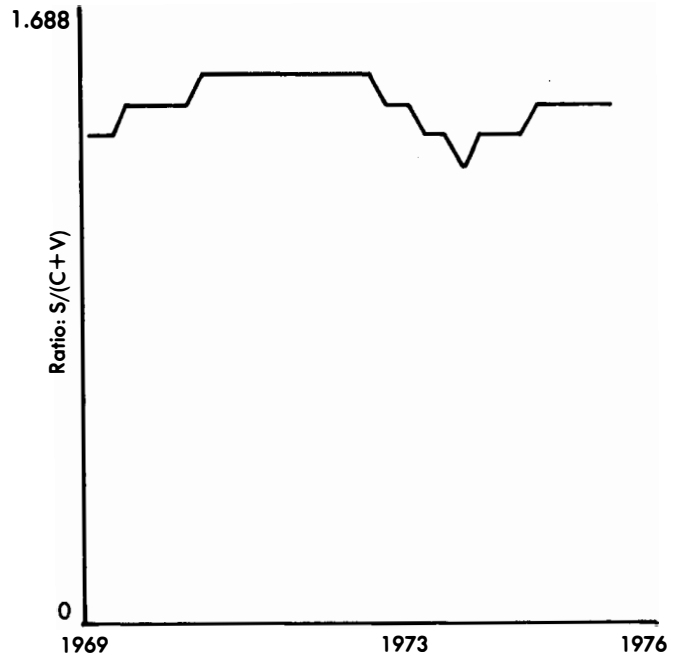
Paper and allied products

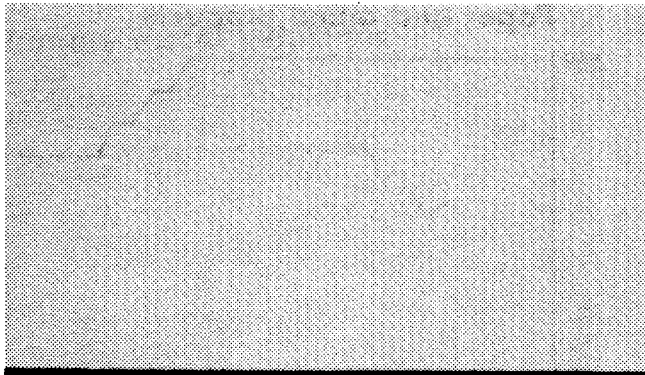


Transportation equipment



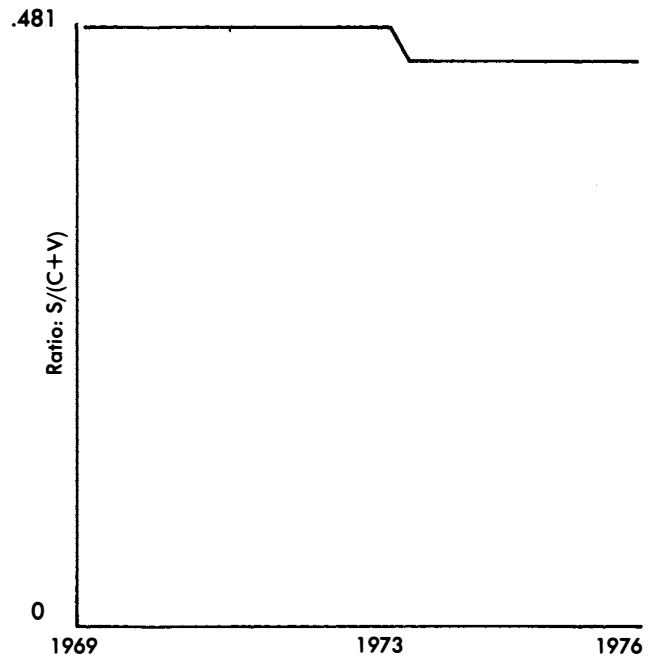
Instruments, related products



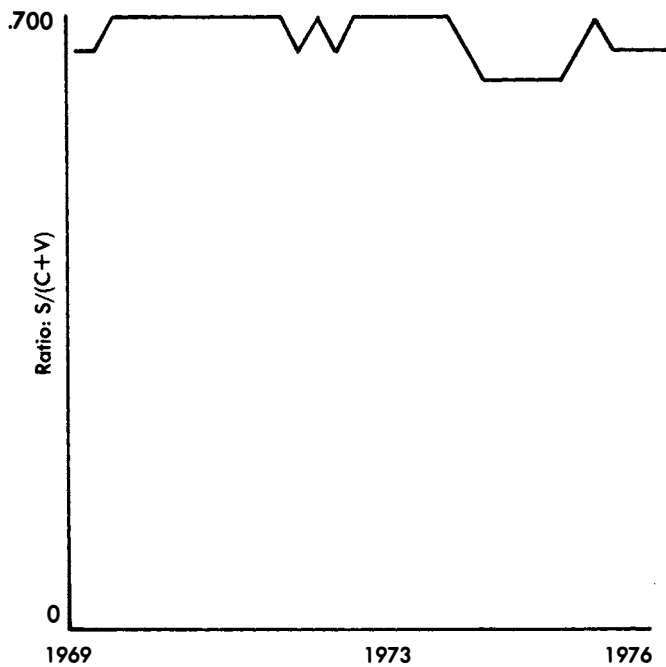


Industries which have remained steady or advanced

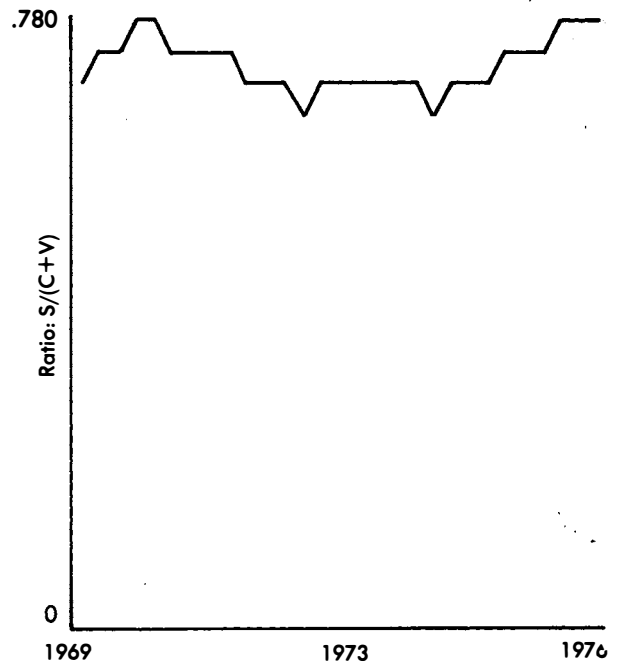
Textile mill products



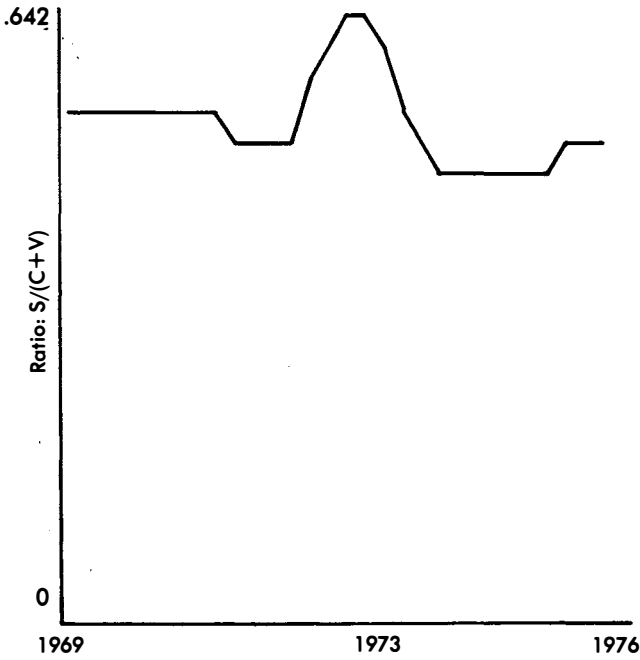
Apparel, other textile products



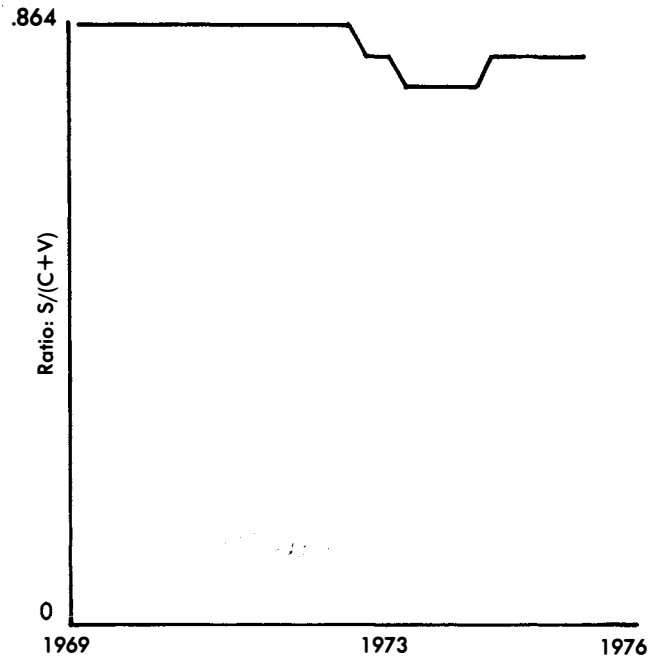
Tobacco products



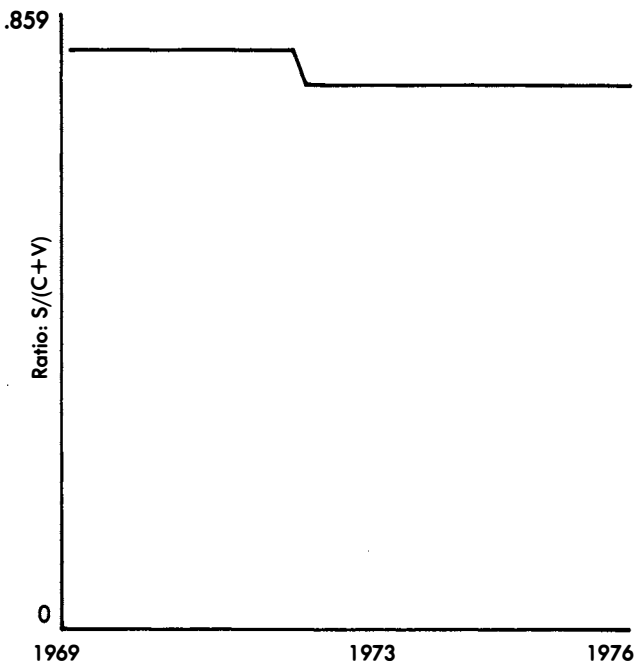
Lumber and wool products



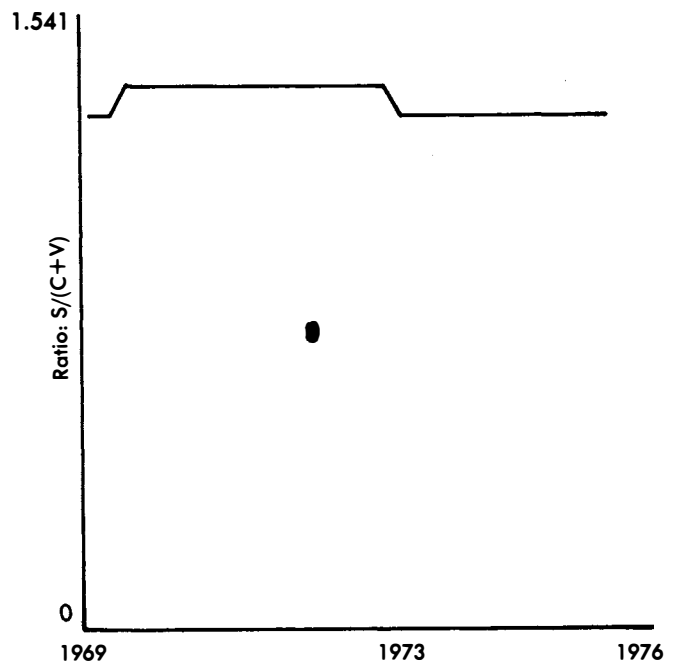
Stone, clay, glass products



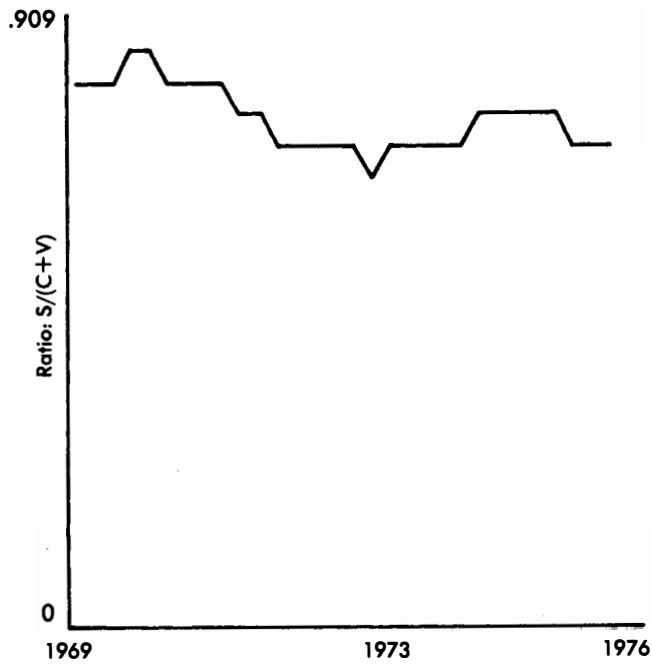
Furniture and fixtures



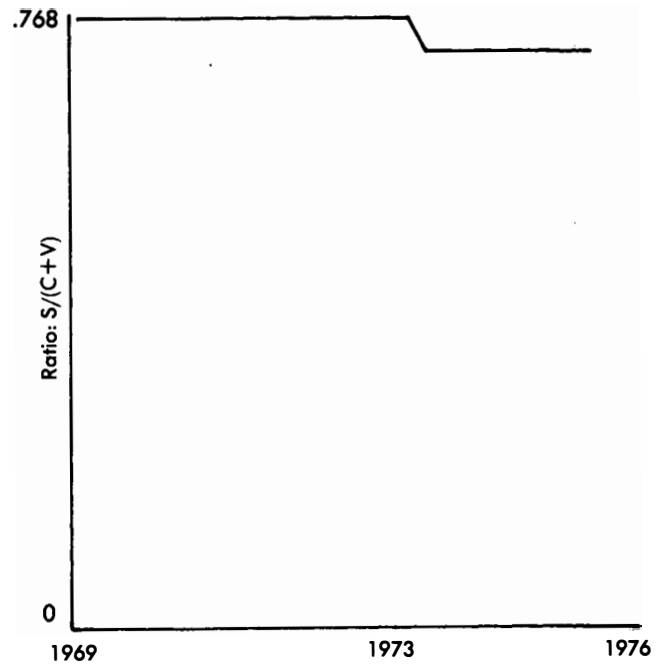
Printing and publishing



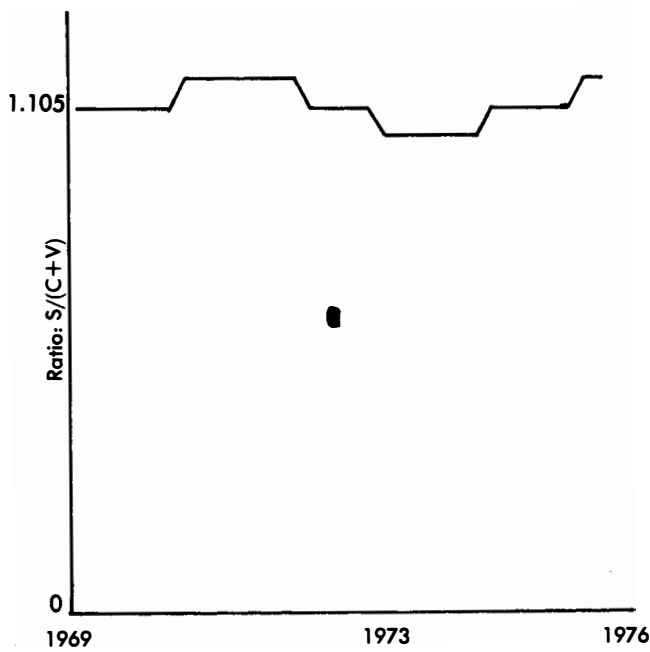
Leather, leather products



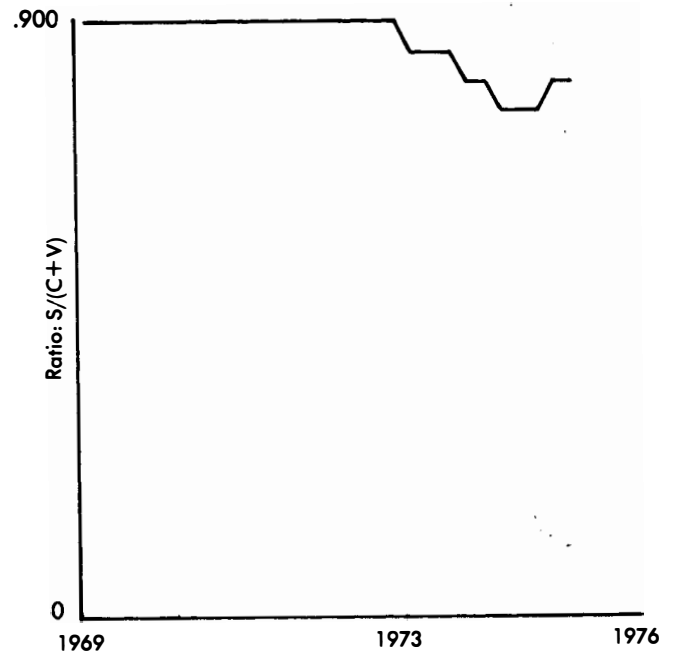
Fabricated metal products



Electric, electronic equipment



Machinery, except electric



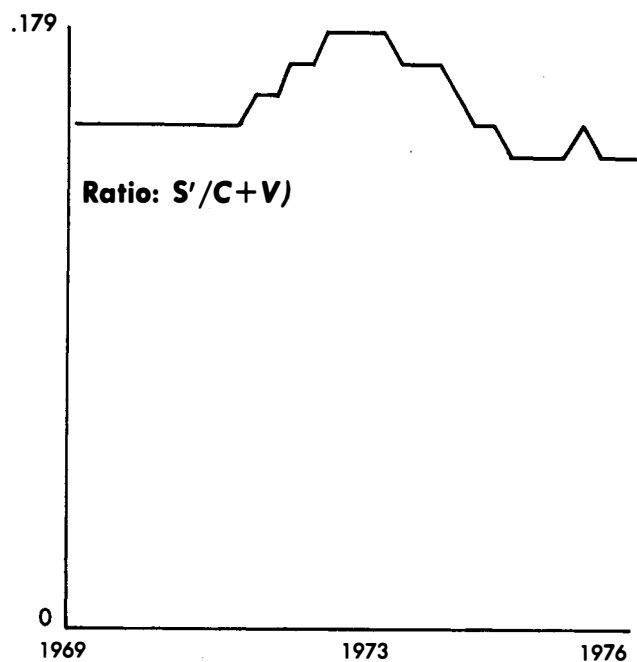
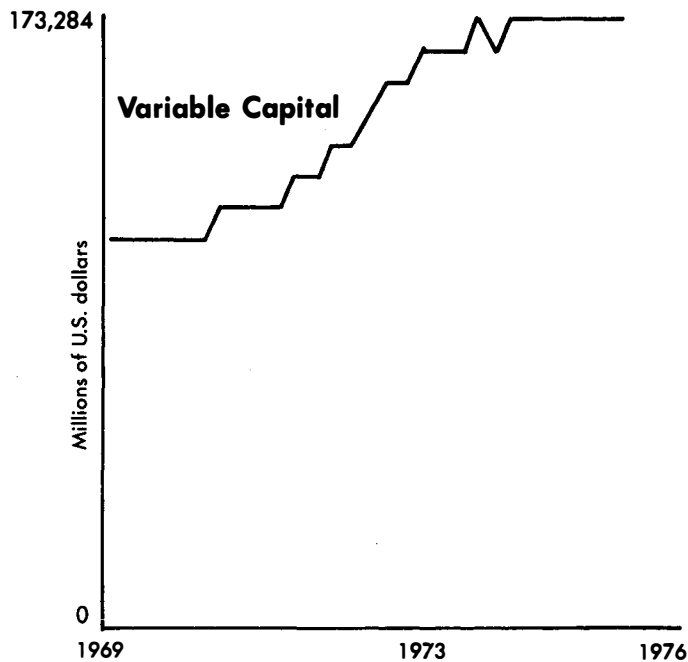
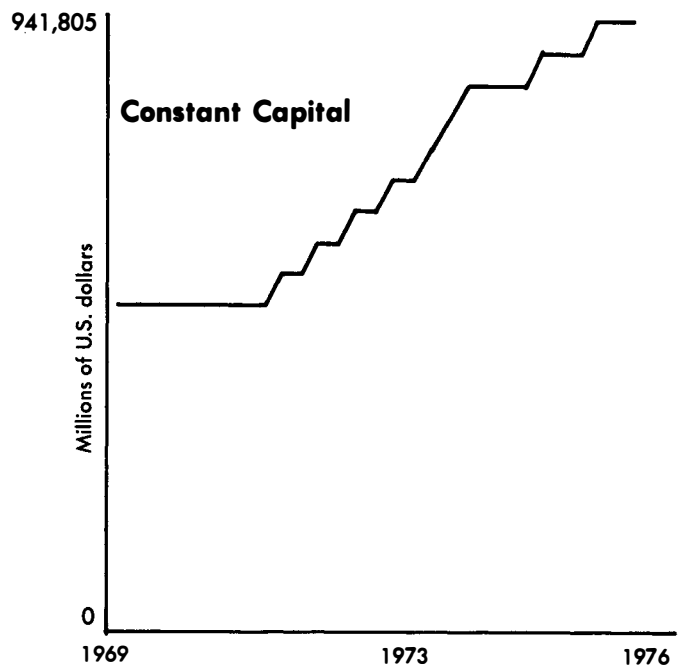
Aggregate U.S. Economy

The three graphs reproduced here are computer-generated measures of U.S. economic activity produced by the Riemannian economic model. These measures constitute an alternative to standard Gross National Product measurements.

The first graph shows the 1969-1976 behavior of variable capital (factor cost), or "V," equal to the total consumption of goods-producing workers. The second graph shows "C," constant capital (user cost) or the total consumption by goods-producing industry of raw materials and plant and equipment.

The data employed to arrive at these figures are current-dollar, inventory-adjusted industrial sales figures for the Standard Industrial categories as published by the United States Bureau of the Census, allocated according to the above considerations.

The final graph represents a moving average of the annual increment of $C+V$, or "S," divided by $C+V$. It is a measure of the growth potential of the economy in terms of tangible-goods output, and the Riemannian model's basic indicator. Note that although the nominal values of C and V rise in current-dollar terms, the reproductive potential of the American economy has been in regular decline since 1969.



Is Kennedy a viable candidate?

The Senator's supporters back off from a confrontation on the issues

In a stunning reflection of the weakness of Ted Kennedy's political standing in the key primary state of New Hampshire, the head of the Kennedy '80 Committee there last week called on the Senator to maintain a low profile until the Democratic National Convention so as not to be politically destroyed by other candidates. Kennedy '80 Committee head Murray Onigman declared that Kennedy should "wait until the convention [to announce] because then he could run against only one person, the Republican nominee." Otherwise, Onigman warned, Kennedy would be challenged on issues and policies by numerous contenders which "could cost him the election."

This assessment of Kennedy's political clout made by the head of one of New Hampshire's two draft-Kennedy groups, was covered Sept. 15 as a front-page story in the *Manchester Union Leader*.

The Onigman statement reflects a broad and well grounded fear that Kennedy cannot bear the light of public scrutiny on issues by the voters. Kennedy-allied candidates in both Hartford and New Haven, Connecticut were defeated across the board in primaries two weeks ago. Kennedy associate Joe Tumulty, a Boston Democratic mayoral candidate was heard to exclaim: "Geez, what happened? It was a total rout." Moreover, pointing to concern over Chappaquiddick and the Senator's dalliance with model Suzy "Chapstick" Chaffee, leading British newspapers have attacked Kennedy in the strongest terms as morally unfit to be President.

Kennedy is further plagued by the fact that he and his backers are on intimate terms with the organizers of an Oct. 6 demonstration at the Seabrook, N.H. nuclear construction site, which is planned to be a violent

occupation of the site. Around this issue in particular, Kennedy's backers up to the level of the New York Council on Foreign Relations very much fear a head-to-head confrontation of Kennedy with independent candidate Lyndon LaRouche, who has the most active and vigorous campaign apparatus of anyone in New Hampshire.

Fielding up to 40 full-time organizers a day, the Citizens for LaRouche apparatus has had a broad impact in shaping the climate in the nation's first primary state. And, over the past two weeks it has been feeding information to not only the electorate, but dozens of state law enforcement officials on the Kennedy connection to the terrorist activities planned at Seabrook.

The problem now for the Council on Foreign Relations Committee nexus running Kennedy is how to retool the candidate and reshape their campaign strategy to sell him. Thus, formerly outspoken proponents of an early and active announced Kennedy candidacy are suddenly switching their line. House Speaker Tip O'Neill, a longtime Kennedy family associate, who last week declared that Kennedy could not be denied the Democratic Party nomination once he decided to run, suddenly backtracked this week, even to the point of praising President Carter. Leading Midwest Democratic Party officials revealed that O'Neill's strong pro-Kennedy moves had made it hard for him to control Democratic Congressmen who fear losing elections if they run on a ticket headed by Kennedy.

Over the past several days numerous Democratic-Party linked columnists have speculated on exactly how "liberal fabian" Kennedy can be remolded for sale to

conservative electorates like that in New Hampshire. Syndicated columnist Joseph Kraft expressed the thinking of many in a column Sept. 13, declaring that Kennedy would have to shed his radical image or he would never get the nomination. New York financial analyst Eliot Janeway, closely tied to the Lazard Freres investment house, speculated that Kennedy would "become a hawk. He will move to the center." This image-making started in the Senate yesterday when Kennedy dropped his liberal opposition to a military buildup and instead voted to support an increase in defense budget funding.

The strong showing for the LaRouche campaign in New Hampshire is sending shivers throughout the Republican camp as well. Both John Connally and Ronald Reagan, who had not been expected to personally campaign in the state for many weeks, are both high-tailing it to New Hampshire this month.

Dirty tricks launched

While they are rethinking their campaign strategy for New Hampshire, the Kennedy camp is turning to dirty tricks operations to contain the LaRouche organizing. Leading figures in the Zionist-organized crime network that intersect the Kennedy camp are known to have threatened scandals against the *Manchester Union Leader* should that newspaper cover the LaRouche charges of Kennedy's ties to the terrorist anti-Seabrook groups. They are also trying to prevent adequate police preparations to handle the Seabrook demonstrations. At the same time key press conduits for the CFR, such as the *New York Times*, are completely blacking out the most active presidential campaign in the state in their New Hampshire coverage.

Other Kennedy connected figures are resorting to a line of slanders against LaRouche. One Manchester, New Hampshire man involved with the Anti-Defamation League of B'nai B'rith is telling people that "LaRouche is anti-Semitic. They are not dangerous now but if they get hundreds to their meetings they will be." All that the Draft-Kennedy group headed by Dudley W. Dudley can say about the most visible and alive organizing in the state is a lame protest that "LaRouche will not do well in the New Hampshire primary."

—Barbara Dreyfuss

Kennedy's Seabrook terrorism connections

Part of the evidence of Kennedy machine sponsorship of the planned, violent demonstration at the Seabrook nuclear site Oct. 6 is the following, which is being circulated throughout New Hampshire in a special report circulated by the campaign organization of independent candidate Lyndon LaRouche.

- In New Hampshire itself, Dudley Dudley, state chairwoman of the "Draft Kennedy" organization, was organizing for a fundraiser for the environmentalist terrorists—until last week. The fundraiser is still scheduled for late September, with one of the sponsors being the New Hampshire Energy Coalition, of which Ms. Dudley is a leader.

- William Winpisinger, one of the earliest public supporters of Kennedy's candidacy, is actively building for the Oct. 6 demonstration. Winpisinger, the president of the International Association of Machinists, organized the endorsement of the Kennedy candidacy by the Americans for Democratic Action. Through the Citizens/Labor Energy Coalition, Winpisinger is building for Seabrook. The featured speaker at the founding conference of the coalition was—Ted Kennedy.

- Morris Abram, the first Council on Foreign Relations member to endorse Kennedy, is a major funder of the environmentalist groups planning Seabrook.

- The Seabrook demonstration is being built by a series of LSD rock and roll concerts sponsored by the MUSE (Musicians United for Safe Energy) Foundation. The attorney for the foundation is David Lubell, who is associated with the San Juan Racing Association and the Shenandoah Corporation, both heavily involved in drug-related money-laundering operations of organized crime circles in the Democratic Party sponsoring the Kennedy presidential bid.

Congressional Calendar

Energy Mobilization Board meanders through Congress

The Energy Mobilization Board proposed by President Carter as part of his July initiative on synthetic fuels is under consideration by both Senate and House committees this week. The Mobilization Board is designed to speed development of synthetic fuel plants and other low-yield energy boondoggles, such as gasohol. A key issue which has not been resolved in either House is whether a waiver on state and local laws should be included to allow the Board to assure construction of facilities after it has been designated a priority project.

The House Interior subcommittee on energy and environment, headed by Rep. Morris Udall (D-Ariz.) reports that HR-4985 has passed out of the committee without the inclusion of the waiver provision. Committee staff members report that they expect speedier implementation of the priority projects if the states and localities have a voice in the program. Reportedly, the National Governor's Conference and Conference of Mayors are concerned that a bad precedent would be set if the federal government could preempt local and state laws. Undoubtedly subcommittee Chairman Udall, a staunch environmentalist, has no intention of interfering with the environmental legislation on the state or local level.

The House Commerce Committee reported their bill out of committee on Sept. 12, with a waiver on state and local laws. Their bill includes the synfuels proposals based on the President's "fast track" program. It is now in the Rules Committee to be scheduled for House action.

Action on the Senate side includes initial reports from Senator Henry Jackson's Energy Committee, that authority to waive the laws will not be included in their bill. Jackson said that a majority of the committee is opposed to such an action and that they will work on a proposal close to what the administration wants, allowing the board to intervene if local agencies do not meet deadlines imposed for reaching decisions.

Congressional sources report that the panoply of Senate and House bills for the Mobilization Board may be on the floor in a couple of weeks.

Gas rationing plan agreed to

A House-Senate conference committee reached agreement on Sept. 18 for a gasoline rationing plan. Leaders of the committee believe the new version will be able to pass both houses and an administration official attending the meeting said he thought the White House would accept the compromise.

The Committee voted to give

Congress the power to reject a rationing scheme once it is submitted by the President, which could in turn be vetoed by the President. Only a two-thirds vote by Congress could then override the veto. The compromise proposal also allows Congress to veto actual implementation of a rationing plan. In order for a rationing plan to be imposed, the bill states, there would have to be a 20 percent decrease in gasoline supplies, although the President could ask for a waiver on this. Now both houses of Congress have to approve the compromise proposal.

Senate recommends defense budget increase

By a vote of 55 to 42, the Senate voted Sept. 19 to permit annual increases of 5 percent after inflation in the 1981 and 1982 Defense budgets. The vote came on the second concurrent budget resolution and is not binding. This increase will have to be actually mandated in 1981 and 1982 fiscal year budget authorizations and appropriations.

Senate Armed Services Committee Chairman John Stennis (D-Miss.), who is hardly known as a dove, voted against the measure and suggested that it was more in response to the current turmoil over "Soviet troops in Cuba" than any real need for a \$25 billion increase in Defense spending. "These days will pass and this matter we're con-

cerned about now, will pass," Stennis said.

Democrats who have been most vocal in their objections to a Soviet presence in Cuba such as Henry Jackson (Wash.), Richard Stone (Fla), Robert Byrd (D-West Va.), and Daniel Moynihan (N.Y.) voted for the measure. So did Senator Edward Kennedy who is eyeing positions for the presidential race.

Support for paraquat use?

Representative Lester Wolfe, chairman of the House Select Committee on Drug Abuse, called for the "revision" of the controversial Percy amendment while speaking before the Senate Subcommittee on Criminal Justice. Sen. Percy's (R-III) amendment seeks to permanently cut off funding to all Third World countries whose drug eradication programs involve the highly effective method of aerial herbicide spraying.

The strongest statement yet from a congressman against the Percy measure, Wolfe's recommendation comes as Secretary of State Vance is deciding whether the Percy amendment will be implemented.

Representative Wolfe questioned the "supporting data regarding the health effects" of paraquat-sprayed marijuana, which he called "incomplete and misleading." Wolfe further explained that a

study group of scientists and representatives from the United Nations and the U.S. Department of Agriculture "recently found that marijuana sprayed with paraquat did no harm to humans."

"In fact, paraquat was determined by that group to be one of only a handful of herbicides that was safe," he said.

"I have requested that Secretary Harris of Health Education and Welfare re-examine the evidence." His request could take the final decision on the use of paraquat out of Vance's hands for the moment. He continued, "I understand that the executive branch is proposing a revision of the Percy amendment. "The degree of harm to the abuser, not users, if there is any, must be balanced against our public and national interest."

Drug crackdown possible

Meanwhile, Senator Sam Nunn, Chairman of the Permanent Subcommittee on Investigations, has just carried out a complete staff reorganization, apparently to "professionalize" and "tighten up" the investigative work of the subcommittee on narcotics trafficking, organized crime, and labor racketeering.

Commentators are not yet certain whether his efforts signal a serious attempt to track the interna-

tional network known as "Dope Inc." responsible for the multibillion narcotics racket, or whether the reorganization will result in the heavy handed "investigatory" tactics of Bobby Kennedy's Department of Justice in his "Get Hoffa" era.

A new staff director of the subcommittee, Marty Steinberg, has a background which should qualify him as more than familiar with top personnel in the Dope Inc. family. Steinberg was a prosecutor with the Organized Crime Strike Force in Buffalo, N.Y. the base of the mob-linked Jacobs family. As well, he was with the Organized Crime Strike Force in Miami, a major narcotics entry point into the United States as well as the home of Resorts International's Meyer Lansky. Steinberg has brought his own staff with him from Miami. The new staff seems to be familiar with the drug trade's critical component, money laundering, through offshore banking shells in Cayman Islands and elsewhere.

The staff reorganization comes at the same time that Sen. Joseph Biden (D-Del) began hearings on narcotics in the Judiciary Committee's subcommittee on Criminal Laws. A Biden staffer stated that this round of hearings is only the opening shot of a Biden-Nunn coordinated effort on international narcotics trafficking.

—Barbara Dreyfuss and Susan Kokinda

Why the Third World listens to Castro

Under Cuba's leadership, Nonaligned summit launches battle for development

In the two short weeks since the conclusion of the Sixth Summit of Nonaligned Nations in Havana, Cuba, major changes have begun to take shape in the Third World. Most visible has been the fact that the heads of state of two important Nonaligned countries are no longer in power. Nur Mohammad Taraki of Afghanistan was replaced by his powerful Prime Minister Hafizullah Amin on Sept. 17, and Agostinho Neto of Angola—the revered father of that nation's independence—died of leukemia after a long illness. These two nations play a pivotal role in the lineup of political forces in their respective regions and the power struggles that will emerge in these areas in the wake of the two leaders' disappearance from the political scene will have major strategic significance for the future of the entire Third World.

That future course, as the *Executive Intelligence Review* explained in last week's cover story on the Nonaligned Summit, will be largely influenced by the leadership of Cuban President Fidel Castro. In the "post mortems" of the summit now going on in every international capital, many officials are still scratching their heads in disbelief at the way Cuba's aggressive leadership placed the Nonaligned Movement on a firm war-footing against the International Monetary Fund and its depression-inducing economic policies. Many are wondering: Was it Fidel's "charisma" that won the Third World over? Or was it the case that Cuban representatives "abused their condition of host country" and "manipulated" the summit into adopting unpopular positions in the Economic and Political Committees?

More astute observers have noted, however, that Castro was in fact speaking for the large "silent majority" of Third World leaders; that he was expressing out loud what they only thought privately; and that he delivered an inaugural speech that most Third World

leaders wished they still had the moral authority to give without hypocrisy.

A critical element in establishing Castro's total credibility as an anti-imperialist leader in the eyes of the Nonaligned, was the Cuban nation itself. It was there for every visitor to Havana to see. Countless journalists and official delegates—of *all* political persuasions—expressed to this reporter their (often begrudging) admiration for what Cuba has accomplished in the 20 years since the "Fidelistas" overthrew the drug-running Batista dictatorship. It stood as a model to Third World countries like Nicaragua which, after years of austere dictatorship, are now plotting a course of economic development.

The idea of progress

Cuba, no doubt, had put on its "Sunday best" for the Nonaligned Summit. The Convention Palace and the logistical arrangements for the foreigners were well organized and ran smoothly. But even taking this into account, there is no question but that things have vastly improved in Cuba. The average Cuban is well clothed and adequately fed. Housing is more of a problem, with old houses and other buildings still being commonplace in Havana. But rents are fixed and quite low. There is full employment in Cuba, as well as a strong centralization of the economy in the hands of the state. The necessity of such an approach to achieve development, especially in a backward Third World nation like Cuba, is something that would be fully appreciated by a Charles De Gaulle, or our own dirigist nation-builders, Alexander Hamilton and Benjamin Franklin.

Indicative of this approach is the service sector. Most taxi drivers in Havana now work for the state, as salaried employees. One older driver told me that he had been working as a cabbie for 40 years. "Before the

revolution I drove my own cab," he reported. "If I got a flat or the car broke down, I was out for three or four days. Now the government maintains the entire cab fleet; they give me a good new car to drive; and I don't have to *hustle* for a living—now I just work."

Cuba places the highest priority on the education and training of its labor force. Thousands of university and other students are studying abroad in the socialist countries, in much the same way that foreign students come to the United States. Most factories have training or adult education programs which workers are encouraged to attend. One 40-year-old Cuban told me that he only completed grade school before the revolution, but that fortunately his youngest brother had gone to school after 1959, and was now studying veterinary medicine. He was confident that his own children would also become professionals.

This sense of self-improvement, that the next generation will always get further than ours, is firmly imbedded in Cuban society. The idea of progress, that was dominant throughout America before the drug and antigrowth plagues struck our nation, is now alive and well in Cuba. Despite visible shortcomings—such as the disturbing presence of rock music and disco—the Cuban nation has a sense of *purpose*. As one Cuban journalist retorted when informed of the Carter administration's latest threats to Cuba over the alleged presence of 3,000 Soviet troops there: "Why don't they just leave us alone so that we can develop our economy in peace?"

Politics

Most important of all is the sense of relaxed self-confidence that most Cubans display. There is a tremendous, universal sense of pride in their Revolution, and pride in the leadership provided by Fidel Castrol. Only a fool could at this point imagine that Castro could be overthrown from within Cuba.

Cubans are also intensely political, and surprisingly well-informed. Exemplary was a *Prensa Latina* dark-room technician ... who had an extended discussion with this reporter on the latest political turns of Guinea's Sekou Toure!

This is the Cuba that 1,100 foreign journalists and an equal number of foreign delegates saw. There is no question that Soviet aid has played an important role in helping Cuba's economic development—a fact which the Cubans themselves are the first to admit. But it is a nation committed to sovereign development, to industrialization, to preparing its labor force to absorb the most advanced technologies in all areas of economic activity—the very principles of the Nonaligned Movement itself.

This is why the Third World listens to Fidel Castro.

—Dennis Small
Latin America Desk

Nicaragua's Marengo: we're building a nation

Forty days after overthrowing the Somoza dictatorship, the new government of Nicaragua joined the Nonaligned Movement and sent a high-level delegation to the Havana Summit. The Nicaraguan representatives—including Junta members Sergio Ramirez and Daniel Ortega, and the Ministers of Foreign Affairs (Miguel D'Escoto) and Transportation (Dionisio Marengo)—were enthusiastically received by the other delegations and the press.

EXCLUSIVE INTERVIEW

In the eyes of many, Nicaragua's struggle to develop, its problem of overwhelming foreign debt, its desperate need for reconstruction aid, made it a microcosm of the general problem of the Third World, and special attention was paid to statements by Nicaraguan spokesmen.

Dionisio Marengo, Nicaragua's new Minister of Transportation and Public Works, granted the following interview on Sept. 7 to Dennis Small, Executive Intelligence Review's special correspondent to the Nonaligned Summit in Havana, Cuba.

Small: *Mr. Marengo, 41 days after the revolution, what can you tell us about the economic conditions in your country, the reconstruction process and what are the perspectives for the people and government of Nicaragua.*

Marengo: We are living through a fascinating process of social change in our so meagerly developed country, with our extremely dependent economy and with the very specific characteristics we inherited from the Somoza system in terms of the destruction of our productive capacity. The final offensive of the war against Somoza coincided with our planting season, causing grave effects on our harvest and resulting in an extreme diminution in our ability to earn foreign exchange from our exports, which are basically agricultural.

On the other hand, we inherited a country which had been completely sacked by the dictatorship, since all the credits obtained in the recent period were embezzled by the tyrant, his family and cohorts.

In this light, our main problem now is financial. The country's foreign debt is enormous, about \$1.6 billion. Of this, \$600 million was contracted as short-term loans at commercial interest rates by the Nicaraguan private banks. All these loans come due this year.

We believe that our strategic objective, the most important task we now face, is to get past this public debt bottleneck in order to get the reconstruction process into high gear and normalize our economic life.

We believe this will have to be done on the basis of direct negotiation with our creditor banks, who must necessarily understand our inability to pay, since we have no funds. We found the country with a net total of \$3.5 million of reserves. As I said before, productive capacity cannot be put back on line until next year, and we must now depend on donations made by friendly countries.

Above all, we are dependent on the willingness of the international community to join with us to restructure the debt by changing the present terms and conditions to long-term, low-interest ones. We think this can be done through sales of Solidarity Bonds, either by us or by the central banks of friendly countries through the Latin American Economic System, SELA. A motion for aid to Nicaragua will be presented here at the Nonaligned summit. We've talked with a number of our friends, including Mexico, about their promoting and serving as sponsors of the idea here and then bringing it up in the General Assembly of the United Nations, where we expect to get a receptive audience.

Without this solution I really don't know what we could do. We are completely submerged in this problem. We don't have working capital to put production in motion. It is a situation of complete bankruptcy. Our country is completely bankrupt without production capacity and indebted to the hilt. We would have to hand over our entire exports for three years to pay what we owe [this year]. This is the critical overview which we have. We are quite honest about this.

We are confident that if we manage to restructure the private debt we can mobilize our rich resources. We are a country rich in agricultural production, with some mining resources, fishing, and a very tiny industrial production, but we are going to move forward.

Small: *Then the money you obtain through these bonds would be invested in industrial, agricultural and technological development of the country and never again for the payment of the debt which was what happened previously?*

Marengo: Well, we would have to make a large enough (bond) issue to refinance our debts and use the remainder for investment. Of course, for the new programs we would have to resort to financing from the multinational institutions to which we belong, like the Inter-American Development Bank, the World Bank, the special aid funds like Venezuela's—the Venezuelan Investment Fund which operates through the IADB. We will also try to get funds from the U.N.-run petroleum aid fund for underdeveloped countries which has rarely, if ever, been used for Latin American countries. Consequently, we hope for the support at the United Nations of all friendly countries in obtaining these resources.

Small: *Isn't Nicaragua's problem a prototype of the*

general problem of the Third World? In this framework allow me to ask: Couldn't this concept of Solidarity Bonds be applied on a wider scale so that the entire Third World could have the necessary resources for its development?

Marengo: Of course. The case of Nicaragua is much more drastic and much more dramatic because there you see the problem in the extreme. But the problem of the Third World is identical, although to a lesser degree or with economies not so completely destroyed. Yesterday, for example, in the full session of the conference, Madagascar proposed to create a kind of nonaligned international monetary fund where the huge oil wealth of the petroleum producing countries could be channeled, instead of toward the commercial banks which (Madagascar) says immediately deflects it back toward Israeli aggressions against the Arab peoples. (We should) use (this wealth) for the member countries of the (Nonaligned) movement and for agricultural production to try to combat world hunger. Our delegation publicly supports this idea.

I think it would be really transcendental to be able to channel multinational or international economic resources toward the areas which most need them, thus reducing the gap between the great powers and our peoples. I think that if that doesn't happen, we'll end up in a world in chaos when our poor countries can't even pay their own debts. There are many interesting studies on how the process of indebtedness is irreversible, and which conclude that almost all countries will be hit by debt crises during the next few years.

Small: *One of the more specific proposals on this economic question has been that of Prime Minister Michael Manley of Jamaica. He spoke of a marriage between the raw materials and the energy resources of the various Nonaligned countries. Instead of a marriage, wouldn't a menage à trois actually be necessary in the sense that without the advanced sector's resources of capital goods, technology and industry, how would the development of the Third World be possible? In this regard do you see in the advanced sector of Europe, Japan and the U.S. more rational elements which would be ready to collaborate in the development of the Third World?*

Marengo: That is absolutely right. Even if the Third World could get a massive injection of money, of liquidity, if it doesn't at the same time obtain the human resources, the knowledge, the technological know-how, very little could be done with the resources. Even in the area of agriculture in countries like ours, if we do not tremendously raise the educational level of our population and of our own technicians we are going to be producing at a very inefficient level. I think that as these ideas are put into practice, the human element and the political element in the advanced countries will step forward, understand the new balance, the new

dynamic in the world, and change their present investment orientations to fit the new reality....

If this doesn't happen, the world will reach a moment of crisis, not only in financial terms, but in actual physical terms there won't be food for many peoples.

This movement can be a good pressure group and source of information to promote these concepts and go on developing our own technology. And I don't think that our technology is inconsequential, since we do have an intelligent population. What it has not had is access to education, to the generation of our own human resources, to technological advance.

There are many tendencies working now among the Nonaligned nations generating specific operative programs so that we don't just have a summit followed by three or four great pronouncements without creating specific secretariats on economics, transportation, education, and so on. One of the basic points must be to set up secretariats which will permit raising the technological level of our people and our technicians so they can speak as equals with those in the developed world.

Small: *One last economic question. Is the IMF compatible with this kind of new world economic order, or does it have to be completely replaced?*

Marengo: I would say that to replace the International Monetary Fund at this point is almost impossible because the political design of the capitalist system is quite self-centered. The IMF is no more than an enormous bank which regulates in the interest of the big industrialized countries and which would have to be completely reconceptualized. Instead of being an administrator of vested interests, it should be a totally disinterested administrator, which is guided not only by the profit motive, but by the concept of the development of all peoples. If the International Monetary Fund took this turn, then it could work. But if not, another separate monetary fund would have to be created, where this kind of utilitarianism (profit orientation) is exchanged for more real, more just concepts, (based on) international social justice.

Small: *U.S. Congressman Zorinski recently traveled to Nicaragua and spoke with some of your country's leaders. He spoke of the Nicaraguan Revolution as being like the Cuban Revolution and the Mexican Revolution and also like our own American Revolution. What does the Nicaraguan Revolution have in common with these three revolutions, and what would be the differences?*

Marengo: Well, I would say that every revolution has an underlying commonality, in the sense that they break with the established order; new values emerge, new positions in every arena. And in this sense, all the world's revolutions have been breaking (with the past) and advancing and moving toward new designs, to the

extent that the world has advanced.

At the same time, however, all revolutions are different from each other. No two revolutions are alike. The Nicaraguan Revolution is, from the political point of view, perhaps the most popular revolution since the French Revolution, in the sense that the entire population of our country fought the dictatorship: men, women, the old, children in every district. It was a war fought in the mountains, in the cities, in the factories, in the small towns; it was fought with some incredible acts of heroism, by a very poorly armed army, totally defeating one of the strongest armies in Central America.

In terms of the ideals of liberty and democracy, it has much in common with the American Revolution. That is, when the American English colonies declared independence from England, they established a set of values which are our values. In terms of nationalism, it is very similar to the Mexican Revolution. Sandinism is something that doesn't exist in other countries; there's nothing to compare it to. Obviously Nicaragua has anti-interventionist values, which in this case were anti-U.S., as it was they who were intervening at the time.

In the case of the Nicaraguan Revolution, there are some guerrilla tactics and some well-defined social positions which are similar to the Cuban Revolution. That is, our revolution is not the extremist revolution as it has been portrayed. And I don't know why the Cuban Revolution is associated with extremism, that's just semantics. We could find points of comparison with all of (the revolutions), but the Nicaraguan Revolution is definitely unique.

Small: *You have also received moral and political support from the Mexican Revolution. What similarities do you see between the two revolutions?*

Marengo: As I said, the agrarian nature of the Mexican Revolution—in a sense that the masses and poorest of the Mexican people fought basically for their right to the land—looks very much like our revolution in that the farm workers join the armed struggle in the mountains and in the countryside. Also, it could be that Sandino himself got many of his first ideas from his stay in Mexico. In this sense, there is a certain affinity: Now at the end of the struggle, Mexico adopted a very clear and belligerent position at the OAS (Organization of American States—ed.), for example, calling the question of nonintervention.

Probably what moved Mexico to adopt that position is the possibility of the intervention of foreign forces on our soil, and in that sense Mexico contributed their own values of noninterventionism, making our desires for nonintervention their own, and bringing them before the highest forum, taking all the consequences and adopting a very belligerent position against the U.S. proposal to create a Panamerican peace force.

Small: *Then the United States has no reason to fear the Nicaraguan Revolution?*

Marenco: How could it fear such a small, indebted country, without energy resources, without anything? I would say that the U.S.'s fears are fundamentally based on its lack of knowledge of the reality (of Nicaragua). To me it's inconceivable how the skilled political analysts of the State Department and elsewhere can't understand wars of liberation beyond their strictly military aspects. They gauge the force of ideas of a liberation movement in terms of how many tanks and guns are matched against how many tanks and guns, but they don't see the social emergence achieved for our peoples, on all continents of the world. And so we see the United States consistently allied with tyrants that are being overthrown or with deteriorating regimes. That's what happened in Vietnam, in Iran and now in Nicaragua: the United States backed Somoza up to the last minute and recognized the Sandinista Front one week before it took power. They dared to speak with (the Front) clandestinely, but they never realized that behind a vanguard—in this case Sandinism—are a people prepared to liberate themselves at the cost of their own lives.

Instead of fearing the Revolution, the United States should acknowledge it more and come to know our country better in order to adopt more meaningful and realistic international policy decisions. If they don't, they will remain isolated, their only power, the force of arms.

Small: *What can the United States do to help Nicaragua with its ideals of progress, development and industrialization?*

Marenco: Basically, the United States could easily give money on the one hand, and on the other could help us to restructure our debt. (Almost all of our debt is from U.S. sources.) Although for us our debt is monstrous, \$600 million is absolutely nothing for the economic strength of the U.S. Treasury. In fact, it's insignificant.

We are going to pay this debt. What we want is to find more adequate terms and formulas that will enable us to deal with the debt, to rehabilitate our economy. They can help us a lot with technology, technological assistance, with investments, especially in our industry when we establish our development plan, and by adopting a generous position of aid toward the new government. Up to now we sense a cautious attitude (from the U.S.), a fearful attitude, that doesn't make sense to us.

Small: *At this point, what are the priorities for development and reconstruction of the Nicaraguan economy?*

Marenco: First of all, the financial problem; this is at the center of everything. If this is not resolved, we can't make any plans. Afterwards, the key will be the agrarian reform project; to intensify and develop to the fullest our agricultural production capacity, which is the source

'Health, housing, and education are the tasks'

At a Sept. 7 press conference in Havana, Cuba, Sergio Ramirez, a member of Nicaragua's governing junta, gave the following answer to a question on what are the most important of the projects for national reconstruction now underway.

The process of Nicaraguan national reconstruction began by confronting what we call the emergency stage, which was directly determined by Somoza's war of aggression against the people, destruction of factories, of businesses, of housing, and starting, of course, with the loss of human lives. The war of aggression also meant an interruption in the harvest, thereby creating a profound shortage of food. Up until now, and until the year-end harvest of basic grains comes in, daily needs are 300 tons of food.

In this sense we have had to depend on international cooperation to feed approximately a million people; to provide vaccinations against polio and other types of epidemics to about a half million children; to improvise field hospitals where hospitals were destroyed, such as in the cities of Esteli and Rivas; and, in short, to reestablish a series of services which were destroyed in the last stage of the war or

of our natural resources and our obvious source of wealth. And then comes the agro-industrial question and the question of commercialization of our own agricultural resources, which is all our wealth.

Small: *What would you say about the financial aid received so far from the United States, from the European countries, and from Japan, that is, from the advanced sector?*

Marenco: The United States has helped with food. At the beginning they did it through the Red Cross, but now we've convinced them that it must be done through state channels, to prevent food aid from becoming something which creates parasites or causes our population to sit passively waiting for their food. Rather, it should be a complement to the other activities of reconstruction, cleaning up, (creating) order, which we need to do in the country. (U.S.) aid has been the biggest, but we don't believe it has yet been significant. That is, we believe that during the Managua earthquake (of 1972—ed.) much more aid was sent than what is arriving now.

which never existed in Nicaragua during the entirety of the Somocista period, such as, in particular, health services.

International aid was quite slow in the beginning. It has improved now in terms of its humanitarian aspect, but it remains at levels far below what are our real needs. Our needs are truly massive, above all in the areas of food and medical services.

Afterwards we have what we call the rehabilitation and reconstruction phase, for which international financial aid is also basic. Commander Ortega, in his presentation yesterday in the name of the Nicaraguan delegation, explained the breakdown of the financial necessities which we face in the upcoming months. They are also truly massive, above all in terms of the sharp deficit which we have in the balance of payments, the lack of liquidity on the part of the state, the lack of foreign currency to finance the import of raw materials and inventory, and, in short, (everything needed) to restart the Nicaraguan economy.

The principal projects of the Government of National Reconstruction in the next months, within its economic limitations, are going to be in the areas of health, education and housing. In the area of health, a massive vaccination campaign has already begun. Last Sunday, we succeeded in vaccinating all children between the ages of three months and five years against poliomyelitis—more than 400,000 children in the entire country. And this, in our terms, perhaps not in terms of other countries, is a truly

revolutionary achievement, because in Nicaragua children have never been vaccinated before.

Next February, the national literacy campaign will start. It will be called "Heroes and Martyrs of the Sandinista Revolution" and will mobilize the entire population into a massive literacy drive for all Nicaraguans. This campaign is currently in the preparatory stage. A census is being carried out, the personnel are being trained, literate young Nicaraguans will mobilize across the country in the same way the Sandinista army was organized during the war. There will be literacy battle fronts, the Carlos Fonseca front in the north, the Benjamin Celedon front in the south, and also a Rigoberto Lopez Perez front for literacy in the west.

And in housing, keep in mind that just in the city of Esteli eight out of every ten houses were made uninhabitable; in the city of Rivas, six out of every ten homes were destroyed by Somocista bombing raids; and in Managua, ten per cent of the housing was lost, especially in the southeast districts of the city. Since we nationalized all of the construction industry—not only construction companies, but those which produce construction materials—we are going to form construction material banks in different cities of the country, so that in each neighborhood the inhabitants themselves are able to do the reconstruction work, not just for the infrastructure of streets, parks, etc., but also for their own homes.

These, then, are the three main tasks which the government is engaged in at this time.

On the financing question, institutions like the IADB (Inter-American Development Bank—ed.) have reacted very well, very quickly. We still haven't seen a very dynamic reaction from the World Bank, but we hope to see it soon. The United States could play a very key role in the present International Monetary Fund as well as in the World Bank to facilitate the transactions which will allow our country to recover. I'm speaking of (loans for) the construction industry—which will most rapidly affect the generation of jobs and the standard of living of the population—and for the long-term programs to improve environmental conditions such as water, sanitation, roads, transportation, and infrastructure in general. In my opinion, this would be the way (for the U.S.) to involve itself in the Nicaraguan process.

Small: When I think about Nicaragua in September of 1979, what comes to mind is the United States in July or August of 1776, both having freed themselves from a colonial master. And I think about the state of mind of both peoples. What is the present state of mind of the

Nicaraguan people? What is the future they have before them?

Marengo: As I told you, the Nicaraguan willpower and excitement at this point is extraordinary. At the beginning of a fascinating process of social change, the people of Nicaragua are 100 percent behind their vanguard and their reconstruction government. Our limitations come from the outside, not from our own people. If we can overcome the external obstacles, our social dynamic will allow us to develop the country quickly, creating a rich nation, a prosperous one, a country full of liberty and justice.

We believe we can become a model of development for Latin America, a people brought together by an idea that has cost so much blood, (an idea) developed and elaborated by the joint effort of every honest Nicaraguan.

It can be a very clear example of an organized social revolution in Latin America, where all forms of struggle are combined to achieve the means for freedom, the power to build a nation. We're practically going to build a new nation.

Two 'revolutions' face off at summit

One of the sidelights of the recent Havana Summit of the Nonaligned nations was the "coming out" for the first time in an international forum of the "Iranian revolution." Following its withdrawal from the Anglo-American Central Treaty Organization (CENTO), Iran was admitted as a new member of the Nonaligned along with Pakistan, also a former CENTO member.

After witnessing the performance of the Iranian delegation led by Ayatollah Khomeini's strongman and Foreign Minister Ibrahim Yazdi, it can safely be said that the image of a great revolution in Iran which had been pushed so extensively throughout the world, has been exposed as a pathetic illusion. While numerous paeans were delivered by the heads of state present at the summit to the fall of the Shah of Iran, the reality of the bloody Khomeini regime was impossible to conceal.

The key to stripping the cover off the xenophobic "anti-imperialist" rhetoric which filled Yazdi's speech to the summit was a side drama which was lost to the attention of most of the people—delegates and journalists alike—at the summit. The drama involved three countries, all neighbors to each other, in that region—Iran, Afghanistan, and Pakistan. The summit found the "revolutionaries" of Iran linked up with the fascist military junta of Pakistan against the hard-pressed Afghan government, itself a product of a revolution in April of last year.

Afghanistan knows better than any nation the reality of the Iranian developments. For the past year, particularly since the fall of the Shah, Iran and Pakistan have been used as the base camps for an extensive effort to fuel an "Islamic revolt" against the new Afghan government. The Imams of Iran have issued calls for the overthrow of the Afghan government, calling it "anti-Islamic," while backing up their words with deeds, in particular, according to high level sources, training antigovernment guerrillas from among the minority Shi'ite Afghan population.

The Iranian role has been complemented by that of Pakistan, whose military regime is run by the Muslim Brotherhood's Pakistan wing—the Jamati Islami—and which has set up similar training camps inside Pakistan, where the more than 100,000 Afghan refugees

EIR's Asia editor wins Bhutto Memorial Award

Executive Intelligence Review Asia editor, Daniel Sneider, has been awarded the Bhutto Memorial Award in recognition of extraordinary efforts by this publication to save the life of the late Pakistani Prime Minister Z.A. Bhutto. The award was made public early in September in Syria when the late Bhutto's eldest son, Murtaza Bhutto presented a gold medal in appreciation of a similar effort by Syrian President Hafez Assad. Murtaza Bhutto announced that similar gold medals would be awarded to Sheik Zayeed of the United Arab Emirates, Libyan President Muammar Qaddafi and PLO Chairman Yasser Arafat. In the United States, besides Mr. Sneider, former attorney general Ramsey Clark and Robert F. Kennedy, Jr. will receive silver medals for their public pleas on behalf of saving Mr. Bhutto.

Ever since the July 5, 1977 coup d'etat that ousted Mr. Bhutto and put Gen. Ziaul Haque at the head of the junta, *Executive Intelligence Review* has identified Bhutto's ouster and his subsequent frameup trial and hanging as the carrying out of a threat made against him by Henry Kissinger in 1975. Kissinger had

warned Bhutto that he would make a "terrible example" of him if Bhutto pursued his goal to secure for Pakistan nuclear power development. Bhutto went further and linked nuclear power to the New World Economic Order efforts by the developing countries, prompting Kissinger's final orders to eliminate him.

Under Sneider's editorship, *Executive Intelligence Review* mounted a major campaign to mobilize U.S. public opinion to save Bhutto's life. Last December, we published Bhutto's own defense of his policies, and his own indictment of the junta for its frameup charges from his jail cell. Nowhere was Bhutto's last document picked up for publication as the junta published white paper after white paper to discredit the ever more popular Bhutto. *EIR* broke the blackout and a January 1978 special supplement entitled "The Pakistan Papers" was circulated extensively in the United States. Many months later, after Bhutto's death, other publications of this document have appeared. Today, the editors pay tribute to a great leader and thank the Trust which was formed to further Bhutto's goals for development in the Third World with a continued commitment to participate in this process.

there are being used as a recruitment base for terrorism. The Pakistani regime, which faces stern opposition from the popular Peoples Party of the late Zulfikar Ali Bhutto (who was murdered by the regime), has hardly concealed its backing for this effort while proclaiming it is only carrying out its humanitarian duty to the refugees.

The identity of the Iranian and Pakistani regimes was clear in the speeches of both Yazdi and General Ziaul Haq to the summit. Yazdi delivered an amazing lecture on the history of the "Iranian revolution" to the summit, its "Islamic character," full of attacks on the "cultural imperialism" of the West and on the alleged inability of "socialist scholars" and others to understand the true character of the revolution. Zia for his part began with a homage to Islam, to Khomeini, and finished the job with the only public praise for China to be heard at the Havana summit.

Breaking the spell

Afghan President Nur Mohammed Taraki, who was moved out of power by his Prime Minister Hafizullah Amin shortly after his return from Havana, made it clear that Afghanistan was quite uncomfortable with the admissions of these two pseudo-fascist states. Breaking the spell of the Iranian charade, Taraki diplomatically stated that Afghanistan had always wanted friendly relations with Iran and Pakistan, "although the April Workers Revolution in Afghanistan and the developments in Iran are substantially different in their nature."

The Afghan President made a statement in the beginning of his address to the effect that they would "not hesitate to mention the names of those countries and reactionary circles which are actively engaged in interfering in our internal affairs" but would not do so in order to maintain decorum in the summit itself. But he stated in a not so veiled attack on the admission of Iran and Pakistan that "some of the countries joining the movement as full-fledged members may have come after their disassociation from aggressive regional mil-

itary pacts (i.e., CENTO—DS) and alliances. The movement is therefore entitled to have, as a matter of principle, assurances with regard to such countries to the effect that they have no lingering military commitments with the major partners of these pacts (the U.S. and Great Britain—DS) against third countries."

Privately, high Afghan officials told this reporter of their strong opposition to the Khomeini fanatics who are labeled British agents within Afghanistan. The response of the Khomeiniacs themselves was equally sharp. Yazdi, in a poorly attended press conference, stated that he didn't think the Afghan revolution was a "real revolution." This reporter followed up that answer by asking Yazdi if he shared the opinion of top Khomeini mullahs like the Ayatollah Shariatmadari, who called for the overthrow of the Afghan government. Yazdi said that he knew of these views. Pressed if he agreed with them, Yazdi closed down the press conference with a brusque "no comment."

The Pakistanis were more low-key in their response. In fact, with Cuban mediation, Taraki met with General Zia in Havana in an effort to settle the problems between them, although no real progress was reported. However, the Pakistani junta leader was hardly prepared to face any real questioning on this issue. An interview with this reporter, whose views on the illegal nature of the regime are well known, was refused in favor of a pat interview with American and some Indian correspondents. In those interviews, Zia revealed his plans to virtually postpone the scheduled Nov. 17 elections in Pakistan, elections the Peoples Party is sure to win.

The views of the Pakistani population toward Zia slipped into Havana in the form of a strong protest from the Committee for Fair Elections in Pakistan, a group based among Pakistanis resident in the U.S., which called on the heads of state to suspend admission of Pakistan to the movement until the illegal regime is removed.

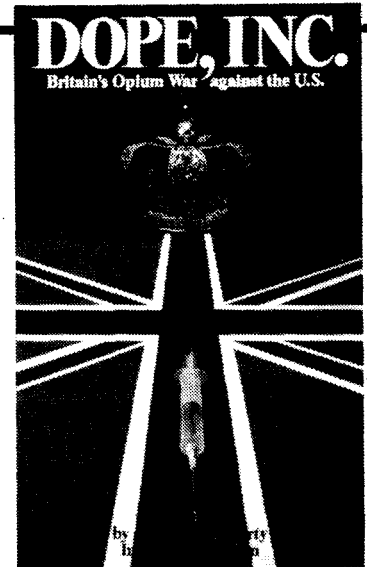
—Daniel Sneider
Asia Desk

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Lopez Portillo's report to nation: uncompromising fight for 'modernization'

"Modernization" of Mexico against all adversity was the theme of José López Portillo's third state-of-the-nation address (the *Informe*) Sept. 1, in which the Mexican president strongly reaffirmed his administration's commitment to carry out intensive industrial development fueled by the country's massive oil and natural gas resources. As a projection of administration policy and action over the next year, the President's report was unequivocal: "let us not relax in our efforts to further economic growth, ... we are not going to brake our momentum. That would signify a setback." In tone and content, the *Informe*, which is anticipated and closely followed by millions of Mexican citizens, was a sharp answer to opponents of Mexico's development strategy both within and outside the country.

Reviewing the nation's social and economic progress over the past year, Lopez Portillo announced the successful conclusion of phase one of his six-year economic plan: overcoming the "grave crisis, defined as inflation with recession..." Mexico is now at the second stage of economic "consolidation," "one where inflation persists, but with economic growth"; this two-year process of consolidation, if accomplished, he said, will open up a "stage of accelerated growth."

The president was emphatic in stating that inflation will be controlled not by repressing demand and cutting public spending—the economic deflation measures key elements of the private sector have called for to "fight inflation"—but only through "production, production, and more production." While reaffirming his government's policy of "Alliance for Production" with private business, he announced that strict penalties will be imposed against those who act to subvert the economy and national development plans—the "moneylenders, monopolists and unscrupulous middle men who have until now enriched themselves with impunity at the

expense of the poor and the government's efforts to relieve their poverty."

U.S.-Mexico relations

The *Informe* was a resounding "no" to pressures from the Carter administration for Mexico to shelve its oil-based industrialization policy and instead prioritize labor-intensive "employment" in the countryside. Although Lopez Portillo made no direct mention of U.S.-Mexico relations, which have suffered a sharp downturn in the last month as a result of Washington's provocative handling of the Ixtoc-1 oil spill and the gas negotiations,

We have shown ourselves capable of wresting our liberty from great empires and of preserving it ... day by day, living next to the most powerful country in the world.

he clearly defined Mexico's stand on many of the most important outstanding bilateral issues which will underlie the Carter-Lopez Portillo "summit" Sept. 28 in Washington.

- **Unemployment and Agriculture.** Lopez Portillo condemned "demagogic agrarianism that limits and bogs down production" and stressed that urban-centered industrial growth is Mexico's future. While emphasizing the need to increase agricultural output and improve transportation infrastructure, he flatly rejected the idea that agriculture will solve Mexico's unemployment problems—the policy pushed by Washington as the only way to stem migration of undocumented workers. He pointed out the "absurd paradox" of a simultaneous shortage of jobs and shortage of skilled labor, and said the only solution is economic growth and intensive manpower training programs and upgraded education services.

- **Oil and gas.** Mexico's oil and gas are its "exclu-

sive patrimony" and will be put to the service of national development. To U.S. pressures to buy oil and gas at concessionary terms, Lopez Portillo reiterated Mexico's stand on pegging gas prices and price increases to "the fuel that it displaces". The president restated his belief that a global solution to the energy crisis must be reached based on the concept that energy is the "common responsibility of mankind," a proposal he will personally present to the United Nations General Assembly Sept. 27.

• **GATT.** Lopez Portillo did not say yes or no to the question whether Mexico will join the GATT, one of the thornier issues in bilateral relations. But he did, in effect, lay out several conditions for entry: GATT must change to allow special treatment in trade to LDCs, in order to promote development; simple "freeing" of trade is harmful. And Mexico, he said, will never grant tariff concessions higher than those granted by other countries under similar circumstances."

Perhaps the most striking moment of the three-hour address, and the part which sharply expressed the tone of current Mexico-U.S. relations, was when the president addressed the domestic Mexican reaction that had been manipulated around the Ixtoc oil well spill. The combination of the recent attempts by Washington to hold Mexico liable for alleged ecological damages caused in the Gulf, and a long press and political campaign by "slow-growth" forces inside Mexico to "prove" that oil exploration and industrial development is harmful, was the motivation of Lopez Portillo's harsh denunciations. He attacked the domestic critics of Pemex and the Ixtoc accident as virtual traitors, using the metaphor of Malinche, the Indian woman who became mistress of Cortez the conquistador. And for the "outsiders"—a reference to Washington and other foreign media—"I reserve my most profound contempt."

The excerpts which follow are taken from the Sept. 2 issue of the Mexico City English-language newspaper, *The News*.

—Mary Goldstein

Jose Lopez Portillo speaks

For the first time, the new organic law makes the programming of activities a compulsory working system for the federal government administration. We already possess the programming procedures that will undoubtedly enable us to make more rapid and orderly progress and will at the same time, by means of the alliance, enrich the systematic programming of the concerted collaboration of the social and private sectors with the government. Furthermore, to the extent that resources are currently available to strengthen government finances, the state will be more easily able to assume its role as the guiding force in our mixed economy...

The grave crisis, defined as inflation with recession—the worst possible combination—has passed.

We are now at a new stage—one where inflation persists, but with economic growth. It is still critical, owing to the danger of a relapse, but it also presents the opportunity for consolidation. Inflation is a symptom of the economic disorder of the world in which we live. It is not a viable alternative—much less an objective. It is an evil which we must control...

We cannot afford to waste our energy and resources by applying a stop-and-go economic policy. We are fighting inflation by shaping strategy to our needs and adjusting the pace as we go along. That is why we consider the consolidation stage a transitional one, to continue until next year. By then, if we can complete this phase satisfactorily and eliminate the bottlenecks revealed by the evolutions of the economy, we shall enter upon a stage of accelerated growth, with inflation under control and declining...

Expectations of profit or progress on the part of certain groups cannot be increased if doing so means defrauding the legitimate aspirations of the majority sectors. We must recognize that although inflation growth has benefited some people, inflation has hit most of the population very hard. To consolidate is to share the burdens more equitably.

When in more difficult days we were just beginning our task, we declared that we were all in the same boat, because there were some who felt or wanted to be excluded. This is no time for deserters or mutineers. Let each one take up his duties and accept his risks. There must be no deviations in the route we chose then, and choose today. The government stands firm in this resolve...

The tremendous economic effort this country must make in order to achieve that goal cannot depend on

to his country

mere fleeting adherence, false solidarity, emotional whims, or easy profits won by grasping, but faint-hearted, stock market speculators. It must be a mature effort, made by upstanding Mexicans...

We are now growing at a rate four times greater than in 1976, which means that we have recovered, and have recently surpassed, our traditional growth rates.

The economic growth rate for this year is about 7.5 percent. Although insufficient in itself, this rate constitutes a precondition for resolving pressing problems, such as unemployment. If we have been unable to solve this problem with annual growth rates of 6 or 6.5 percent over a long period of time, one of the essential steps—and I emphasize—is to increase our rate of economic growth.

Public expenditure

The public sector had a budget for 1979 of more than a million million pesos—that is, 1,124,300,000,000 pesos—23 percent higher than the 1978 budget. Investment accounted for one-fourth of the total—37 percent higher than the 1978 investment and 113 percent more than the 1977 figure.

Among the sectors to which the largest amounts were allocated are the industrial sector with 136 billion pesos, or 46 percent of the budget; agriculture and livestock with 52 billion, or 18 percent; and communications and transport with 48 billion, or 17 percent. This demonstrates the congruency of the order of priorities of the action we have taken with regard to energy, food and bottlenecks.

Government investment, omitting decentralized state-affiliated enterprises, increased 38 percent compared with 1978, and private investment revived in an unprecedented way. Many of the projects launched under the two forms of investment have not yet concluded: their costs have been high and they have yet to show dividends. This natural lag accounts for some of the inflation.

We insist here once again that it is not just the salaries that the workers receive which distort the economy. The latter will not remain in equilibrium if there is an insufficient generation and supply of socially necessary goods and services.

... Progress is being made on improving the structuring of the public debt and on lowering its cost. A drastic reduction has been achieved in the short-term debt.

Development

Oil is our potential for self-determination, because it will make us less dependent in external financing and will improve our international economic relations, but that is not all. The possibilities offered by petroleum as regards its exploitation and processing, its triggering of new activities and its association with others, enable us to outline a sound energy strategy: to act on the basis of an assured demand for capital goods, and thus to expedite industrial planning together with its associated undertakings in transportation, human settlements, education, training, social development, and principally, in agriculture.

The industrial development plan, which is already being implemented, is the result of efforts to set short-term and long-term goals within a framework of macroeconomic and sectorial consistency, assigning priorities to branches of activity on the basis of the contribution each makes to the overall objectives.

The policy is designed to offer the country options in its progress and it is permitting us to absorb a large volume of manpower, to take advantage of our natural resources potential without neglecting the use of advanced technologies, to achieve a more regionally balanced industrial development as between regions, to stimulate the export and diversification of manufacturers and to leave the stage of indiscriminate substitution of imports behind us.

Petroleum policy

Our hydrocarbon reserves—the sixth largest in the world—have brought Mexico new responsibilities of a type we have not been accustomed to in the past. We have a nonrenewable resource that is real and valuable, one that everyone wants. It is the exclusive patrimony of the nation. This involves a commitment and an obligation to ourselves, but also calls for solidarity with other people in the world who are suffering the impact of an unprecedented energy crisis.

In the present disturbed market we have maintained a policy of solidarity with developing countries desirous of giving economic and social significance to their nonrenewable resources. We therefore sell and shall continue to sell oil abroad at the best price through contracts extending for appointed periods of time, whose terms can be periodically adjusted. We are interested in equitable relations and will therefore never

enter spot or speculative markets that further disrupt the world economy and would later have unfavorable repercussions on us.

Similarly we shall export gas after satisfying our domestic consumption needs. It will be sold as the clean fuel that it is and its price, subject to revision every three months, will be linked to the price of the fuel that it displaces. The actual price is of less concern to us than the principle involved, which is to give due value to our raw materials.

Mexico wants to think of itself as a country whose relations with the rest of the world are not restricted to petroleum but are broad and varied at every level and based on mutual respect and shared benefits.

It would be ironic if a country that needs financial resources for specific projects, many of them already drawn up, should have to become an exporter of capital and manpower because of its lack of absorbent capacity. The world offers tragic examples and Mexico is neither in a position to imitate them nor does it propose to do so....

What was anything but good news was the accident in one of the 150 wells drilled there: Ixtoc I. But perhaps the worst damage caused by the accident was not the oil spilled, or the gas burned, or the possible effects on the ecology, but rather some formless emanation rising from the depth of our national idiosyncrasies, and which should give us cause for thought.

In the depths of this flaming well, we Mexicans have seen ourselves reflected in Texcatlipoca's black mirror. All our lacerating fatalisms emerged, suspicious and self-destructive: our inability to believe in our prosperity; our lack of solidarity in the face of reverses; our mistrust of our own certainties; our willingness to believe foreign opinions and information. Malinche [i.e., traitor—ed.] emerged out of those depths, howling for human sacrifices to satisfy the god of fire.

But also, from the depths of the best there is within us came conscientious and hard working Mexican workers and technicians, supported by men of good will from many parts of the world, even at the cost of their lives, who refused to bow down to uncertainty, stood steadfast in adversity and together gave battle.

To these I express my admiration and my gratitude; as for the others, let them be forgotten together with those dark days. I prefer not even to recall the perversity of those who delight in misfortune and seek their own fortune in it. And for the outsiders whose twisted motives let their ambition and their envy overflow, I reserve my most profound contempt. ...

Rural sector

... It is true that agriculture will not solve our unemployment problems, but it is on its strength that the rest of the economy, which will provide jobs, depends....

This year, in which we celebrated the hundredth anniversary of Zapata's birth, we must reiterate our conviction that the agrarian reform is irreversible as an instrument of justice and perfectable as a system of production. We will carry it out. We are not trying to make an official cult of, or to monopolize, admiration for this hero. We know that his name is taken both as a banner raised in honor of all that has been done as a standard waved to indicate all that remains to be done. Such is the nature of exemplary men who, like Zapata, demand that we neither abandon innovations nor glorify a bucolic and demagogic agrarianism that limits and drags down production....

Our agricultural purchases abroad amounted to 24 billion pesos, while our sales rose to 42 billion pesos. With this positive balance of 18 billion pesos, campesinos contributed substantially—as they have for many years—in reducing the deficit in our country's trade balance caused by other sectors of activity and consumption.

Time and again, we hear that we import corn and wheat. But no mention is ever made of the fact that we also export cotton, coffee, cacao, strawberries, vegetables, fruit, chickpeas, and sesame, nor of the fact that our sugar, mean, and beans are smuggled out of the country. And the height of bad faith and manipulations is that grain imports are compared to oil exports as if these were the only two categories of trade. This is specious reasoning. If we don't want to distort the facts or to confuse urban considerations with rural ones, we must follow the rules of statistics and compare only those things that are comparable. I assure you: the balance is favorable.

Consumer safeguards

I would like to inform you today that we have now submitted to this honorable congress of the union a set of bills for amendments to various laws that increase the severity of sanctions against monopolists, so that those who buy up, conceal, or refuse to sell basic consumer goods or the raw materials required to produce them, will be penalized with fines from 2,000 to 250,000 pesos and prison sentences of two to nine years' duration.

Similar penalties are established for those who resell at guaranteed prices to public sector agencies agricultural products acquired at lower prices. Guaranteed prices are designed to benefit farmers, not to enrich middlemen....

Our action is not directed against businessmen as such, but rather against the money-lenders, monopolists and unscrupulous middlemen who have until now enriched themselves with impunity at the expense of the poor and of the government's efforts to relieve their poverty....

It must be stressed that a substantial share of the inflationary pressures on goods, services, and prices is being imported from the developed countries, or is caused by the attraction of the higher prices prevailing in such countries, as in the case of the United States, with which we maintain 70 percent of our trade relations.

... Certain simplistic views attribute our inflation to the money in circulation as a result of government spending; to wage increases; to the lack of initiative of state-owned corporations; to private credit; to agricultural production deficiencies; or to ignorance—according to the theory each represents: structuralist, monetarist, Marxist, psychological, sociological, neo-Keynesian, or Malthusian. In times of inflation, theories on inflation can themselves be inflated. The truth is that inflation is the result of the juncture of a number of critical causes. What is inadmissible, however, is to view any single argument or theory as a sin, so as to condemn the evil of one's choice. This only leads to the satanization of societies and eventually makes life a hell on earth....

Since we are orienting our economy toward export, we are studying the possible benefits of eventually subscribing to the General Agreement on Trade and Tariffs, better known as GATT. To that end, negotiations have a view to specifying conditions and advantages. These negotiations in no way imply a commitment on our part. Rather our intention has been to assess not only the well-known and oft-repeated disadvantages, but also from such membership as regards two of our basic objectives:

To open foreign markets to our present and future products through the elimination or lowering of trade barriers affecting the export of such products; and to influence and participate in the redefinition of the rules of international trade.

Mexico must make its voice heard. For this reason, and in order to defend its legitimate interests, it has participated in multilateral trade negotiations.

We expressed our hope that the considerations we personally expressed at the 1974 Tokyo round would be further defined so as to take into account the situation of the developing countries which, because they do not stand on an equal footing with the developed countries, will enable them to consolidate their development, inasmuch as mere liberalization would be prejudicial to their interests.

We would never grant tariff concessions higher than those granted by other countries under similar circumstances....

At our present stage of development, ... we are confronted by an absurd paradox: there is an unsatisfied demand for jobs and, at the same time, in every branch of activity—fisheries, shipping, specialized services—skilled labor which is not satisfied either. The key to

solving this problem lies in providing the necessary training.

A law making such training compulsory is now in effect. The state has the necessary agencies and operations systems. What the country now demands is a special effort on the part of the factor of production, to carry out an extensive worker training program in accordance with the law.

Education

A country's development is essentially measured by its people's opportunities to be informed, to learn and to teach; by their ability to produce; their freedom to judge the social and political structure in which they live, and the possibilities afforded them for transforming it. We are particularly aware of these considerations now that we are on the threshold of an economic boom....

When the next school year begins, 97 out of every 100 school-age children will be able to receive a primary education. We are at last about to realize a long-hoped-for dream.

... I propose broadening the concept of universal basic education to include ten grades—one year of pre-school education, six years of primary and three years of secondary school....

We shall soon request the authorization of this Congress to visit the highest forum man has established, in order to present a thesis that seeks, with realism and depth, to pose the problem of energy sources as the common responsibility of all mankind. We shall summarize much of what has already been said with regard to rationalizing the production, marketing, distribution and consumption of fuels, and to developing alternative and non-conventional energy resources by means of financing and transfer of technology systems....

The world we live in is in distress. Entire peoples suffer and undergo deprivations. Energy problems exasperate the powerful and are destroying the weak. Energy inflation and its attendant recession are becoming the chronic pathology of the democracies. Many former democracies are now ruled by dictatorships that repress, but do not control. All over the world, attempts at democratic reform are hemmed in and besieged by the economic crisis.

We must be aware of this fact if we are to understand what is happening to us and keep external pressures and tensions from being made worse by internal discontent and recriminations, which remedy nothing and only encourage those who delight in morbidity, provocation and malice to rise up with a great flap and commotion in a vain attempt to darken our horizon.

We have shown ourselves capable of wresting our liberty from great empires and of preserving it, and have cherished it, day by day, living next to the most

powerful country in the world. We have successfully exercised our sovereignty and self-determination as a nation.

...We have convictions and the willingness to act, and because of this and on its account, we must learn to tell the truth, and to be honest with ourselves. Any error—acknowledged and overcome—is better than the most pious lie. Let us not be afraid of the truth. Let us recall that in its effort to evade the truth, the Greek democracy corrupted its people by distributing largess and that the Roman Republic used the circus to degrade its citizenry....

Sometimes freedom of speech is confused with the needs of a free trade in information, which relies, legitimately, on selling news, publicity, and popularity. It therefore often happens that the right to information and freedom of speech create confusion when reality is distorted by exaggeration. The public is dazed by scandal, bewildered by sensationalism, frightened by alarmism, stirred up by the morbid interpretations. Fear is sold as news; blackmail extorts money; people are made famous for the sake of defaming them; clothed in prestige for the sake of stripping them of it; silence is paid for; lies are used as arguments, and slander becomes a way of life.

Behind all this an aberrant international structure has been raised. The information that is gathered on our developing countries and that is channeled back to us is managed by others. A single example will illustrate what I am saying.

Every year throughout the world, an average of 60 oil wells blow out, of which some 15 are at sea. At this moment, there are 10 wells out of control on land—seven in the United States, one in Canada, one in China, and one in Iran; there are three offshore blow-outs—one in United States waters, one off Singapore, and one off Iran.

It is clearly to be seen that information has been withheld and even distorted in Mexico's case. Abroad there has been bias; at home there has been acquiescence and connivance.

In spite of all this, we do not place any restraint on freedom of speech and on the press—not that we consider this a merit, but simply the exercise of our most profound conviction that it is for the good of our democracy. We prefer to run the risks inherent in the exercise of those freedoms, rather than to engage in flagrant provocation....

What must prevail over the allure of quick and easy profits and the temptation to adopt dogmatic positions is an authentic diversity of opinion and general adherence to the objective of developing the country, based on truth and conscience. This could become the basis

for renewed understanding of loyalty between the government and the information media. It would be an alliance for communication. The republic calls for it and the nation deserves it.

With every new day, let us take action to overcome the inequities that still exist among our people and to convert their felt needs into effective demand. But let us do so in high spirits and with a will to win and not just to analyze, criticize, contemplate and bewail what we have not done, or have done badly. Let us not hatch failure, but encourage hope.

Let us not relax in our efforts to further economic growth, which is a precondition and a prospect. We are not going to brake our momentum. That would signify a setback.

... Only through production, production, and more production can we effectively fight inflation. Having revitalized our economy, we must not be daunted by the magnitude of the task before us. We must not be distracted by the barking of dogs. Let us press on.

Let Mexico be reborn into modernity.

To modernize the country is to free ourselves once and for all from colonialism—within Mexico, by destroying the feudal sway of the caciques [bosses]; in the international sphere, by establishing relations that are not between equal human beings.

To modernize the country is to promote social development and above all, to intensify the action we take to give due value to our natural resources, and thereby to contribute to the rise of a new international economic order.

To modernize Mexico ... is to recover the time we lost, or could not gain, while we remained on the outskirts of the industrial revolution.

It is to organize our agriculture efficiently.

It is to promote a new scheme of industrial development, based on a consistent energy policy.

To modernize the country is, in brief, to fully and meaningfully achieve the objectives expressed by Morelos in "The Sentiments of the Nation," for those were the proposals that became the basic principles of our constitution.

Let us reaffirm ourselves as a people joined by common ideals and conjoined principles, by the integration of divergent viewpoints and by shared endeavor—as a people prepared to burst the shackles of inertia; to redeem the universality of our exemplary origins; to recognize our achievements and failures with honesty; to abolish the stigmas of incompetence, corruption and sloth; and to reach the threshold of the 21st century with optimism that is based on reason, doing our best together as a national democratic, representative and revolutionary republic.

New UAW-GM pact a feather in Fraser's political cap

The new tentative three-year contract between the United Auto-workers and General Motors is being viewed by labor and industry insiders as a feather in the political cap of union President Doug Fraser who figures prominently in the machine being put in place behind the 1980 presidential candidacy of Edward Kennedy.

As we go to press, members of the UAW's General Motors Council are meeting in Detroit. They are expected to approve the contract which was hammered out last weekend. The pact will then go before a special delegated conference in Dallas later in the week. Once ratified, the contract will become the basis for negotiations with Ford, which has given some indications that it will reluctantly accept a comparable contract. The UAW has said that it will work out a "special accommodation" with the financially troubled Chrysler Corporation.

While the details of the agreement have yet to be made public, preliminary reports indicate that the UAW leadership came away with most of what they were asking for—and certainly more than most people had expected without a strike.

Sources close to the negotiations report that the new contract, which is well beyond the Carter administration's wage-price guidelines, has the following features:

- Major increases in pension payments to retirees. This had been a demand of union negotiators and had been thought to be a stumbling block in the way of a settlement.

- Retention of the standard 3 percent Annual Improvement

Factor wage increase, plus an unspecified one shot, cost-of-living payment at the start of the contract period.

- An improved cost-of-living formula, which union negotiators claim will give workers 100 percent protection against inflation.

- A significant increase in the number of paid personal holidays.

An agreement that the company would recognize the UAW as the bargaining agent in all new plants, a move which in the past has been bitterly contested by General Motors. It is expected to open up the south to a UAW-led organizing drive.

Some labor for Kennedy

The contract is a rearguard action. It is by no means a contract which attempts to face or answer the fact of the continuing depression conditions confronting every autoworker and the auto industry itself. More than 84,000 autoworkers—more than 30,000 of them at General Motors—are laid off. With a curtailment of Chrysler's operations in the offing and with auto sales predicted to plummet, more layoffs are expected by winter.

What the contract is more successful in doing is in boosting Fraser's ability to act against the economic interests of his own union—as he has done in his stand against nuclear energy.

With William Winpisinger of the International Association of Machinists, Fraser is in command of a coalition of environmentalists, Naderite consumer advocates, and others who will become the street machine for antinuclear Kennedy's push for the White House.

The Oct. 6 environmentalist demonstration at the Seabrook, N.H. nuclear facility is the event that will give the movement a new look. On the one hand, plans have been set to make Seabrook the scene of "Europe-style" environmental terrorism. This will split the movement, sending the more moderate into a peaceful mass movement for which Fraser will be the most prominent spokesman.

Their day will be Oct. 17, a national day of protest against the oil multinationals. The protest is being organized by the Fraser-led Progressive Alliance and the Winpisinger-led Citizens Labor Energy Coalition of which Fraser is a director. Late last month, the same crew organized a 5 minute, UAW-sponsored work stoppage in the auto plants to send postcards to Washington attacking OPEC and the oil multinationals and supporting a program drafted with the help of Sen. Kennedy's staff and Ralph Nader.

Observers have termed the August strike a political show of force for Kennedy who reportedly has privately encouraged Fraser's actions.

Both the Progressive Alliance and the Citizen's Coalition are officially neutral on presidential politics, but spokesmen for both have privately admitted that they see their organizing as furthering a Kennedy candidacy.

Thus, Fraser was handed the GM pact to enhance this organizing effort. A long strike would have cost autoworkers—the majority of whom by no means back Fraser's antinuclear policies—dearly. It would have set up Fraser to take the blame for a strike-induced economic tailspin. Now the "class warfare" advocate can present himself as a labor statesman, negotiating the first auto contract without a strike in two decades.

—L. Wolfe

Soviet drilling technology stirs petroleum exposition

Participating in the show for the first time ever, the Soviet Union had a booth at the 18th International Petroleum Exposition held in Tulsa, Oklahoma the week of Sept. 10. Deputy Oil Minister Sokolov was in attendance to boost the exhibit by Machinexport, the Soviet trading organization for heavy equipment export.

The main attraction in the Russian display was reportedly the large turbodrill, the type used in nearly two-thirds of drilling in the U.S.S.R. According to *Oil and Gas Journal*, Sokolov reported that the drill had been successfully tested in Canada as well.

The popularity of the Soviet exhibit was striking not only because of the possibility that the Russian machines will become more widely used in the industry, but because it appears that the technologies shown were more advanced and sophisticated than expected. The Soviets' report that they have drilled a hole 31,700 feet deep, a world record, caused a major stir at the exposition.

A pattern of Soviet breakthroughs in drilling technology would undercut prognoses, offered recently by the CIA, among other forecasters, of stagnating and then precipitously declining petroleum extraction in the U.S.S.R. over the next decade.

The case of Soviet offshore drilling is similar. For years, it has

been taken for granted that the Soviets would depend on Western imports for significant expansion of their offshore operations, and purchases from British suppliers were under way since the early 1970s. This summer, however, work on the Soviets' own first deep water offshore rig was reported close to completion and ready to begin exploration in the Caspian Sea.

Oil officials on "fact and fantasy"

The trends in Soviet oil extraction were put in perspective by E. I. Vertel, a top Soviet fuel planner, in an Aug. 31 interview to the daily *Sovetskaya Rossiya*. He ridiculed the revised CIA estimates that the U.S.S.R. will face outright shortages of oil in the mid-1980s.

Vertel noted that while petroleum extraction is becoming more expensive for the Soviets, as the main fields are more and more concentrated in Siberia, the pace of yearly growth of oil lifted has been maintained and the Soviet officials are confident that it will continue to be.

Furthermore, the role of the Soviet oil industry has to be seen as part of a comprehensive energy plan involving both the U.S.S.R. and the Eastern European and Third World members of the Council for Mutual Economic Assistance (CMEA). Vertel said,

"The long-term program for the period until 1990, which has been worked out and is being implemented by the CMEA countries, is intended to solve precisely the energy problem. This program provides for ... the intensive development of nuclear power and the creation of equipment which will ensure the economical use of fuel and energy resources, high labor productivity and so forth."

As *EIR* reported in our July 17-23 cover story, "Nuclear Plants for Export," any drop-off in Russian oil exports to the Eastern European countries as a result of increased domestic consumption and sales for hard currency will be made up by nuclear-generated power and, in the interim, natural gas deliveries.

The Czechoslovak daily *Rude Pravo* opened another angle on area energy flows in an Aug. 22 commentary predicting that, while Eastern European nations must "export certain energy-yielding raw materials and energy to the non-socialist countries," they may also "import energy-yielding raw materials and energy from the developing countries." Most immediately, this refers to the growth of Czechoslovak, as well as Yugoslav and Hungarian, purchases of Middle Eastern oil delivered through the Adriatic pipeline now under construction. But the anticipation of more intermeshed East-West and North-South energy-centered trade is not limited to those deals, and reflects a Soviet sector policy priority that matches that of the West European and developing sector interests which seek an international economic recovery based on technology transfer for third world industrialization.

—Rachel Douglas

FACTS BEHIND TERRORISM

'Twisting slowly, in the wind'

Several weeks ago this column warned that the installation of Francisco Cossiga as Prime Minister might devastate Italy's anti-terror program, rescuing, in particular, the unworthy political careers of the leaders of the Italian Socialist Party who, as we and others have documented, were instrumental in fostering the terrorist Red Brigades and allied Autonomi movement. It was under Cossiga's tenure as Interior Minister, it will be recalled, that terrorism flourished to the point of successfully murdering a former Prime Minister, Aldo Moro.

Our fears have so far proved groundless: the tough Italian antiterror apparatus headed by General Carlo Dalla Chiesa continues to tighten the evidentiary noose around such PSI leaders as the party's general secretary Bettino Craxi, who was endorsed for the Italian premiership by the *New York Times* this summer, and southern chieftain Giacomo Mancini.

In the latest development, Franco Piperno, a protégé of Mancini who was arrested in Paris last month and is currently fighting extradition back to Italy, said Sept. 19 that he was innocent, but that if he were extradited for what he described as an effort to mediate with the Red Brigades during the Moro kidnapping, then Craxi must be named as an accomplice. It was Craxi, Piperno declared, who ordered him to seek out Red Brigade members and explore with them the possibilities of freeing Moro.

As with previous revelations concerning the PSI's role in the Red Brigades, Piperno's statement

has confirmed charges documented in two publications issued by the European Labor Party in Italy, "Who Killed Aldo Moro," and, unable to deflect the police investigation, the frantic PSI has decided to sue the ELP for slander, according to a two paragraph item in the Milan daily *Corriere della Sera* of Sept. 19. The Socialists' decision to sue, said PSI Milan spokesman Ugo Finetti, was made because of the ELP's "maneuver of presenting these vulgar attacks as never denied."

Among other items, the ELP documentation of the Socialists' support for terrorists had focused on the case of Piperno.

ELP evidence publicized

The Socialists made their move less than a week after the ELP made news in 20 daily papers all over Italy. Labor Party spokesmen had intervened in a Paris press conference held to generate sympathy for exiled Italian terrorists. The press conference boomeranged: three hours after it ended, one of the speakers, wanted fugitive Lanfranco Pace, was arrested by French police.

Pace shared the press conference podium with Marco Pannella, whose Radical Party espouses the cause of every imaginable social deviant in Italy; and Bernardo-Henri Levy, a former student leader in the 1968 Paris uprisings, who is now part of the French so-called new philosophers, a group of terrorist supporters around Jean Paul Sartre.

Pace called the press conference to announce that he intended to seek "political asylum" in France from the repression

against him by the Italian "police state." During the question period, the ELP asked Pace: "Who are the people in the Italian Socialist Party who are backing you and Piperno?"

Instead of answering the question, Pace froze, and then started screaming that the questioner was from the European Labor Party, and had been sent by Judge Gallucci, one of the Rome judges investigating the Moro case who has actively sought Piperno's extradition. The disoriented Pace even charged, incredibly, that Gallucci was a member of the ELP, and that the ELP were agents of the CIA.

The next ELP question was addressed to Bernard-Henri Levy. "Can you tell us whether during your personal meeting with Henry Kissinger, what kind of orders you received regarding the kidnapping and murder of Aldo Moro?"

According to the *New York Times* of May 13, 1978, Levy was visiting New York on that date and boasted that he had had breakfast with his "old enemy" Henry Kissinger and told him to his face what an enemy of the people he was.

Levy's response was: "I have no relations with Henry Kissinger. ... I can tell you about my relations with Marco Pannella, but I don't know Kissinger."

The European Labor Party then released a leaflet on the events, warning that Pace's slanders and lies were part of an assassination set-up against both members of the ELP and Judge Gallucci. Recently Gallucci further outraged the philoterrorist camp by refusing to release on bail three editors of *Metropoli* magazine (linked to Piperno and the Red Brigades) on grounds that they are being held on suspicion of fomenting "armed struggle against the state."

—Mary Sonnenblick

WORLD TRADE REVIEW

New Trade Deals

PRINCIPALS	PROJECT/NATURE OF DEAL	COST	FINANCING	STATUS
India from U.K. and France	Britain and France have offered financial and technical assistance to establish a 3.5 mn. metric ton steel mill at Mangalore.	\$3.5 bn.		Announcement of Indian Industries Minister during summer
Spain from W. Germany and U.S.	Spain breaks three-year nuclear halt by ordering construction of two nuclear power plants (2,950 Mw total), one to be built by Kraftwerke Union, the other by GE. When the two plants are completed, 35 percent of Spain's electricity will be nuclear generated.	—	—	Licenses granted
Ireland from Iraq	Ireland to get 500,000 tons/yr of crude (1/12 its annual needs) directly from Iraq.	Computed at OPEC rates		I
Greece from Soviet Union	Greece will buy 300 kilowatts electricity per hr. from USSR (transferred through Bulgaria and Yugoslavia).			I
Bolivia from OPEC	Agricultural, water and sewerage projects (OPEL special development fund loan to projects also supported by the EEC and the Inter-American Development Bank).	\$5 million	20 years with 4 years' grace at 3/4 percent above LIBOR	I
Update				
Republic of China from U.S.	Exim loan issued for 2nd phase of construction of integrated steel mill for China Steel Corp. U.S. companies in the project include a U.S. Steel subsidiary, Dravo Corp., Combustion Engineering, and others.	(\$1.8 bn.)	\$212.5 mn. Exim loan	

Abbreviations:

U = Undetermined
 NAP = Not applicable
 NAv = Not available

Status:

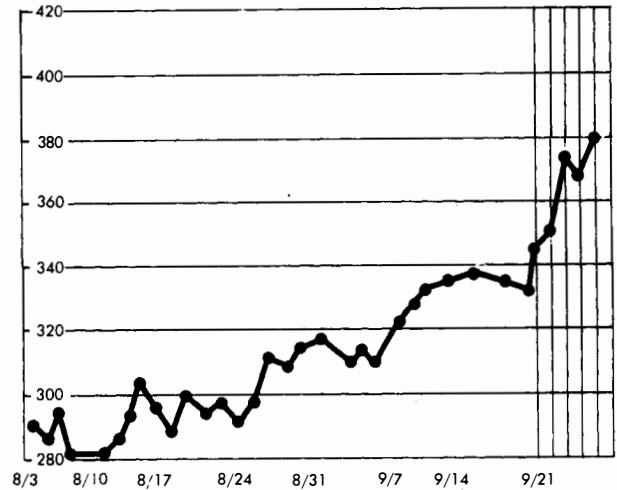
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

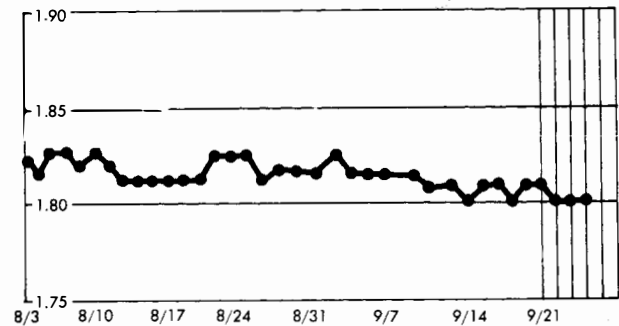
September 14	345.80
17	351.75
18	375.00
19	369.00
20	380.00



The dollar in deutschemarks

New York late afternoon

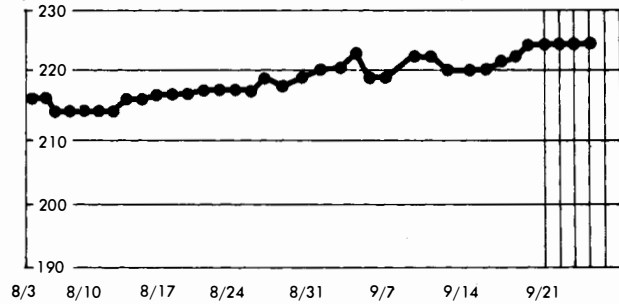
September 13	1.8143
14	1.8140
17	1.8099
18	1.8096
19	1.8020



The dollar in yen

New York late afternoon

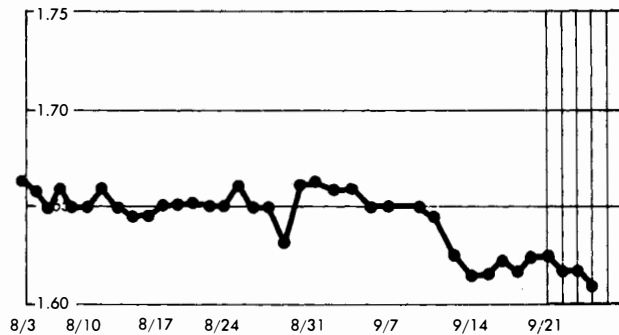
September 13	223.40
14	223.30
17	223.30
18	223.83
19	223.10



The dollar in Swiss francs

New York late afternoon

September 13	1.6370
14	1.6350
17	1.6270
18	1.6250
19	1.6155



The British pound in dollars

New York late afternoon

September 13	2.2010
14	2.1660
17	2.1590
18	2.1485
19	2.1435

