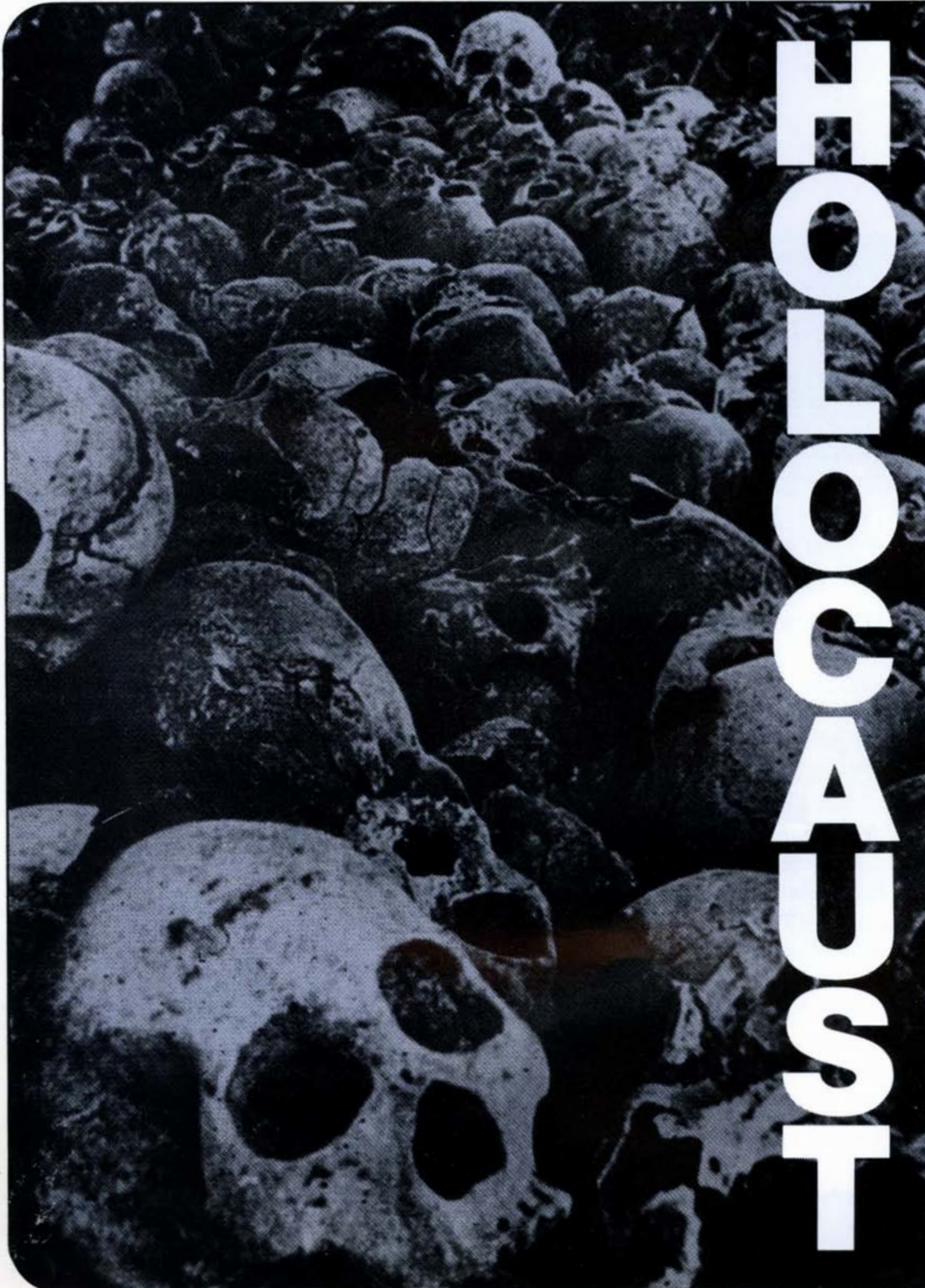


EXECUTIVE INTELLIGENCE REVIEW

October 2-8, 1979



**China and
Kissinger's
crimes
against
Cambodia**

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW



HOLOCAUST

This week's ASIA report tells the full, horrible story of the murder of nearly half the people of the nation of Kampuchea—Cambodia—and, what no other publication has yet reported: the international forces who helped install and maintain the bloody Pol Pot-Ieng Sary regime. Featuring on-the-scenes reports by Ganesh Shukla, one of India's most distinguished Asia correspondents, our package includes portions of the official report on Pol Pot's destruction of Phnom Penh and its inhabitants, and on his cruel regime's sponsorship by China. **ON THE COVER:** Our cover this week is one of the photographs submitted as evidence in the *in absentia* trial of Pol Pot and Ieng Sary for crimes against humanity. Note that all the skulls—in one of the many mass graves in Kampuchea—have been cracked. Pol Pot's victims were not shot, but were struck at the back of the head, one by one, and pushed into their grave. In this way, millions were "disposed of," without a single bullet being fired.

Page 18

IN THIS ISSUE

IMF will be dumped: France

What promises to be one of the most crucial sessions of the United Nations General Assembly was highlighted by French Foreign Minister Jean François-Poncet's statement to a press conference this week that the European Monetary System will eventually supplant the International Monetary Fund with a gold-backed, trade-and-development-based monetary system. This week's **INTERNATIONAL REPORT** brings you the highlights of the first days of the new U.N. session, including the important speech by Jordan's King Hussein, and excerpts from the speeches by Cyrus Vance, Lord Carrington, and Andrei Gromyko.

Page 31

The shape of the new monetary system

What's behind the wild upswing in the price of gold? This week's **ECONOMICS** report takes a look at the fundamental motion toward establishment of a gold-backed monetary system and its relation to some of the extreme fluctuations in various markets last week. Featured: analytical pieces by Economics Editor David Goldman and Gold columnist Alice Roth.

Page 7

EXECUTIVE INTELLIGENCE REVIEW

THIS WEEK

Cyrus Vance and the 'big lie' 5

ECONOMICS

The shape of the new monetary system 7
European-Arab gold deal in the making 8
Domestic Credit 11 International Credit .. 15
Transportation 12 Britain 16
Corporate Strategy .. 12 Agriculture 16
Trade 14

ASIA

Holocaust: Eyewitness report on
China and Kissinger's crimes
against Cambodia 18
I. Indian journalist tells of horror 19
• *Pol Pot's murder of 3 million*
• *Tuol Sleng: Graveyard of Kampuchean elite*
II. The story of one who survived 24
III. The destruction of Phnom Penh 26
The Chinese connection 28

INTERNATIONAL

IMF Will be dumped: France 31
France's François-Poncet:
EMS will replace IMF 32
Jordan's King Hussein: 'Peace and
development are the same' 34
Secretary of State Vance:
'Progress is not inevitable' 35
Britain's Lord Carrington:
Lament of an oligarch 37
U.S.S.R.'s Andrei Gromyko:
'The triumph of reason' 38

EUROPE

- The direction of French policy 39
The tradition of Friedrich List 40
*French political economy from Jean Bodin
to Charles Dupin—Part 1*

U.S. REPORT

- NATO Admirals send a message to U.S. 44

COUNTERINTELLIGENCE

- Kennedy and Seabrook 48
Ted clears the way for environmentalist violence

ENERGY

- Despite Carter, no 'breakthrough' 51

ECONOMIC SURVEY

- The Sudan's development potential
faces IMF destruction 53

SPECIAL REPORT

- Decriminalization: Kennedy campaign
plank in 1980 57
The politics of paraquat 58
Third World condemns easing of drug laws 58
Mexico's war on drugs 60

COLUMNS

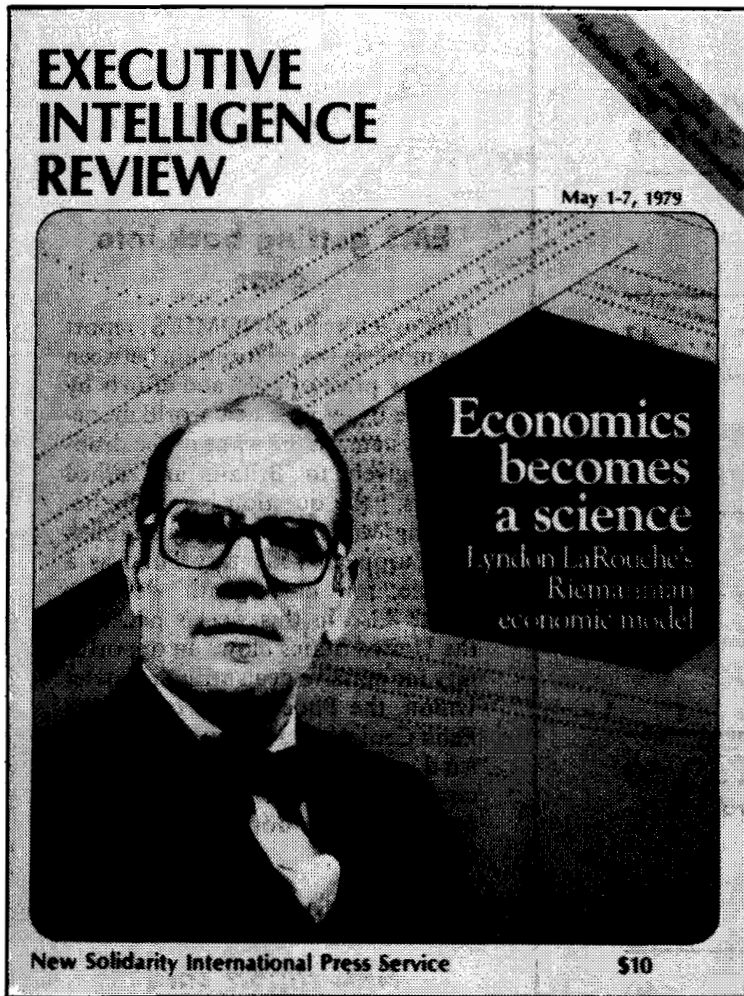
- Congressional Calendar 46
Labor Periscope 61
Energy Extra 62
Facts Behind Terrorism 63
World Trade Review 64

Kennedy and Seabrook

On the eve of the planned occupation of the Seabrook, New Hampshire nuclear plant, the Kennedy-machine dominated government of New Hampshire has paralyzed law enforcement preparations to protect the site. This week's COUNTERINTELLIGENCE report exposes the shocking absence of precautions in the face of the planned seizure by a crowd of radical antinuclear activists prepared for violence and trained by veterans of clashes with police in Europe. The focus is on the Kennedy role, and the nationwide media campaign that is drumming up support for the action. **Page 48**

IMF destroying Sudan's development

Third World nations lambasted the International Monetary Fund both at last month's Havana Nonaligned Summit, and now, at the ongoing United Nations General Assembly session. This week's ECONOMIC SURVEY, a look at the Fund's role in blocking and undermining the ambitious development plans of the Sudan, helps to explain why. As a result of IMF-dictated policies, a nation which could be a breadbasket for Africa could become a wasteland. **Page 53**



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Cyrus Vance and the 'big lie'

Since the cover story in this issue of *Executive Intelligence Review* was prepared for the press, reports have reached us confirming that the People's Republic of China, the regime responsible for the devastation of Kampuchea, is currently finalizing plans for an early invasion of Vietnam. Reliable sources report that China, following discussions with the Carter administration, timed a massive mobilization of troops to take place after the United Nations voted to seat the deposed Pol Pot regime.

Upwards of 500,000 Chinese troops are mobilized near the Vietnamese border, complete with artillery, tanks, and other equipment required for an invasion, according to the Helsinki-based World Peace Council.

In the plans of Washington and Peking, the new invasion of Vietnam will be "limited," designed mainly to force Hanoi and the Heng Samrin government of Kampuchea into a "compromise" with Pol Pot and Peking's other puppet, Prince Sihanouk. Impartial observers agree that no such compromise is likely. Far more likely is that the United States will be drawn as China's partner into a confrontation with the Soviet Union that could escalate into nuclear war.

It is thought that the strategy of a new Vietnam invasion was worked out in detail when Vice President Mondale visited Chinese leader Deng Xiaoping in late August. To cover up the secret agreements with Peking that could get the United States into a new world war, Cyrus Vance's U.S. State Department is complicit in the most massive campaign of fabrications against Vietnam since the Goebbels era. Vance in

his Sept. 24 speech to the United Nations stated that a Vietnamese "offensive" had "complicated" efforts to bring about a compromise. The "offensive," according to the Vance-linked *New York Times*, involves as many as 180,000 Vietnamese soldiers aiming to wipe out a purported "40,000 troops" under the command of Pol Pot.

In fact, qualified observers estimate that Pot's forces number at most 5,000.

Vance and Peking are also circulating the tale that Vietnam is placing preconditions before it will allow food aid to be delivered to the country—demanding that the international community work through the Heng Samrin government and thus legitimize Vietnamese troop presence.

In fact, as British journalist John Pilger wrote in the *New Statesman* this week, it has been the United States and China which placed preconditions on Vietnam and Kampuchea for aid.

Pilger shows that the Secretary of State has systematically lied to Congress and the American people on

this matter, by claiming that no requests for aid have been made.

Behind Cyrus Vance's legal arguments and claims of "concerned neutrality" lies a set of secret agreements made between Washington and Peking to allow China to dominate all of Southeast Asia and weaken Vietnam if necessary in the process. To further the aims of China, and to provoke the Soviet Union, which is committed to Vietnam through a friendship treaty, the United States withholds food and other aid.

There is thus no exaggeration in the statement that while the Maoists in Peking and their puppet Pol Pot must be held responsible for the murder of 3 million Kampucheans, the estimated 1-2 million Kampucheans now facing starvation are equally the responsibility of Cyrus Vance and the Carter administration.

The only way an effective aid program can be mounted to save the desperate survivors of the Holocaust our cover story recounts, is to immediately end all secret agreements into which the Carter administration entered with Peking on Indochina.

—Nora Hamerman

The Week in Brief

Mexican President Jose Lopez Portillo proposed the "adoption of a world energy plan that covers all nations ... [and] is binding on all," in a speech to the U.N. General Assembly Sept. 27.

Solution of the energy crisis, he emphasized, must be linked to creation of a new world economic order which promotes Third World development.

Among the elements of a world energy plan outlined by Lopez Por-

tillo were: rationalizing "exploration, production, distribution, consumption and conservation of present-day sources of energy"; intensified exploitation of "potential reserves of all types"; creation of financing and development funds for the Third World; and a "short-term system" to stop oil price speculation and resolve "the problems of developing countries that import petroleum." He proposed creation of an

international energy institute and a working group in the U.N. to prepare specific proposals.

* * *

The City Council of Cleveland, dominated by Democrats, has voted up a resolution to make marijuana possession a criminal offense again. The resolution passed unanimously, urging the Ohio state legislature to undertake "recriminalization" of the drug which it "decriminalized" in a previous session.

The move is viewed as a reflection of vast popular sentiment against all drugs, which has reached a peak in the Midwest as a result of the work of anti-drug coalitions in several states who will hold a convention to found a national anti-drug coalition Sept. 29 in Detroit. The text of the resolution refers to the activity of "national anti-drug coalitions."

Observers also think the City Council vote against marijuana could have presidential implications in 1980's race. The Cleveland council, representing largely black and ethnic urban residents, is viewed as a typically natural base for an Edward Kennedy presidential bid. But Kennedy advocates the legalization of marijuana, and has introduced legislation to this effect at the Federal level.

* * *

Former Italian Premier Giulio Andreotti has told his Christian Democratic Party supporters that an alliance with the Communist Party of Italy to battle terrorism is an immediate political necessity for the nation. Andreotti made his proposal in *Il Popolo*, the Christian Democratic newspaper, as a contribution to the debate over whether the party should align itself with the Communists or, as some advocate, the Socialist Party. The Socialists' leadership has been implicated in terrorism by the Red Brigades and other groups, with several figures high-up in the party under immediate investigation.

Andreotti called the fight against terrorism the "first line of defense of

the state," and praised Western nations' detente policies toward the Soviet Union as an important advantage of political leaders today over their predecessors. Italy can make a major contribution to detente, which it has not so far, said Andreotti, by an "alliance for a long breathing space" with the Communist Party.

In the past week, two terrorist assassinations have occurred in Italy, of a Fiat automobile executive and the well-known anti-mafia judge Cesare Terranova, a Communist Party member.

At the same time, police in Rome defused what may have been a major terrorist operation-in-the making when they spotted a man and a woman changing license plates on a car, and attempting to make it resemble a police car. A shootout ensued in which the man, whom press sources call the underground leader of the Red Brigades, Prospero Gallinari, was shot twice in the head.

* * *

The New Hampshire primary is "insignificant" and "overrated" said columnist Tom Wicker this week. Wicker penned his complaint in the *New York Times*. The outcome of New Hampshire's primary, argues Wicker, has little bearing on what actually happens in the presidential election.

New Hampshire's primary election next February, the first in the nation, has traditionally been looked at as an indicator of the national mood, and has often had a major impact on the national pattern.

Wicker, however, is not the only person suggesting that New Hampshire be downgraded from its current stature. The *Detroit News* in an editorial this week argues that New Hampshire ought not to be as important as it is, because it is not "a representative American state"—it has no women's liberation movement, no gay movement, and so forth.

The attacks on New Hampshire may reflect the partisan fears of the editors. Observers say that independent candidate Lyndon LaRouche, a favorite son advocate of nuclear

power and economic development, stands an excellent chance of defeating Ted Kennedy and others in the primary, including Ronald Reagan. Kennedy, whom Wicker supports, has little campaign organization so far, and Reagan, who planned no public appearances in his undeclared candidacy early in the campaign, has suddenly shifted gears and scheduled a Rotary Club luncheon in New Hampshire for next month.

* * *

Scandal and controversy erupted in the campaigns of presidential aspirants Teddy Kennedy and Governor Jerry Brown this past week. Kennedy, in keeping with his new presidential campaign image as a "conservative" dramatically met the test when he recently announced on the Senate floor that he had worked out a "deal" with Strom Thurmond and Attorney General Civiletti to allow the seating of Tennessee Federal judge Bailey Brown on the Sixth Circuit Court of Appeals.

Shocking both friend and foe alike, Kennedy asked that Brown be seated on the condition that he suspend—but not *resign*—his membership in the all-white University Club. This action resulted in a two-hour-long debate with Jacob Javits, charging Kennedy with selling out the black electorate. "What signal are we sending out to the black people of the United States?" The Senate overwhelmingly voted in favor of Kennedy, 83-12.

In the case of Jerry Brown, Oakland police last week arrested California State Court of Appeals Justice Paul N. Halvonick and his lawyer wife for possession of 323 marijuana plants and \$100 worth of cocaine. Halvonick was Brown's nominee for his post. However, Justice Halvonick—even though charged with felony and misdemeanor charges—may escape trial and prison. Under California State law he may instead choose to informally admit his guilt and then enter a "drug diversion" program for two years. He then could be given the option of keeping his \$65,000 a year job on the bench.

The shape of the new monetary system

At deadline, the American dollar stood at a year's low of 1.74 to the West German mark and 1.55 to the Swiss franc, following a strong late Wednesday afternoon attack on the currency. The continuation of this downslide is somewhat unlikely, given the success of Western European monetary diplomacy this week. European foreign exchange traders think a dollar support package may be announced the weekend of Sept. 28.

The short-term behavior of the foreign exchange market is influenced by factors which will be discussed

FOREIGN EXCHANGE

below. They are, however, overshadowed by the now-perceptible shape of a new monetary system which will replace the remnants of the Bretton Woods institutions. No less than this was revealed by M. François-Poncet, the foreign minister of France, at a Sept. 26 press conference at the United Nations (see INTERNATIONAL for transcript). In a precedent-breaking statement responding to a question from this publication, François-Poncet declared that the intention of the European Monetary System was to become the core of a worldwide gold-based monetary system which would replace the International Monetary Fund. He did not give a timetable for this. Judging, however, from the profile of the markets, events are now moving quickly.

According to numerous foreign exchange trading sources in New York and Frankfurt, the attack on the dollar began with a significant move from the dollar into sterling—which rose Sept. 26 from \$2.16 to \$2.19, and then on Sept. 27 to \$2.20. The occasion for the sterling rise was a rumor that the meeting of OPEC finance ministers concluding today in Vienna would decide to demand payment in sterling for at least some part of their oil exports.

After the Kuwaiti minister gave a statement widely circulated on European media Sept. 27 that the rumors concerning sterling oil payments were wholly without merit and that the OPEC countries would continue to

want payment in dollars, sterling began to fall. At midday on Sept. 27, the markets had quieted, waiting for additional news and a final communiqué from the Vienna meeting. Apparently, the major move into sterling had come from large oil companies.

However, the move into sterling had already provoked a significant flow from the dollar into German marks and Swiss francs, creating disorderly conditions on the markets. The Federal Reserve bought \$500 million on the afternoon of Sept. 26.

Much more important than the rise of the dollar as a factor in the markets, however, was the jump in the gold price to \$395 at the London afternoon fixing Sept. 27, and to over \$400 in later trading in the New York market (see Gold). The apparent basis for this rise is OPEC discussions concerning pegging the oil price to a currency basket including gold. Essentially, that means pegging the oil price to the European Currency Unit (ECU). One well-placed Frankfurt market source believes that the OPEC discussions (reports of which circulated widely in the financial press Sept. 27), the rise in the gold price, and an apparent Italian initiative to recognize the Palestine Liberation Organization reported over European wire services were part of a European Arab package.

Here is what is going on in the markets:

First, the most prestigious among commercial bank newsletters, Rimmer de Vries' *World Financial Markets*, published by Morgan Guaranty Trust, warns that current proposals to substitute some form of Special Drawing Right for the dollar as a significant step towards taking reserve pressures off the dollar are "going nowhere." The current plans—to be a major subject of discussion at next week's annual meeting of the International Monetary Fund in Yugoslavia—are a non-starter, de Vries argues, citing the problems of interest rates (the SDR currently bears only 80 percent of the average interest rate of the currencies that make up its valuation) and exchange risk. (The same themes were reiterated Sept. 26 by Commerzbank Chairman Robert Dhom in an AP/Dow Jones interview). De Vries' view jars markedly with the continued adherence to the

moribund SDR plan by American Treasury and Federal Reserve, as well as the *New York Times*, which reiterated the theme again in a Sept. 27 editorial.

What de Vries wants is a kind of gold-backed SDR! He proposes that the IMF *re-monetize* its gold stocks, worth \$30 billion at the market prices, to provide the required exchange rate guarantee. The problem in this proposal is, if the IMF is going to go to the trouble of remonetizing gold, why bother with the SDR in the first place. Even de Vries is not sanguine about the acceptability of this plan in Western Europe.

The question of dollar support operations is intensely problematic. Many American banking economists are now concerned that a further rise in interest rates would not only deepen the recession, but provoke dangerous and perhaps uncontrollable problems for parts of the credit system (see Domestic Credit). There had been speculation that with Bundesbank vice-president Karl-Otto Poehl's forthcoming accession to the presidency of Bundesbank, the Bundesbank might become more willing to accept a greater DM reserve role at the expense of the dollar, and to accept a further downward drift of the dollar. Indeed, the *New York Times'* editorial of Sept. 24, "A Leaden Foot on the Monetary Brakes," argued strongly against tighter money which traded off American economic ills for a temporarily stronger dollar. This position is also held by Rep. Henry Reuss, the chairman of the House Banking and Currency Committee. Bundesbank staffers loyal to Poehl say they are in basic harmony with this outlook, as opposed to the imputed "Volcker-Emminger" approach to tight money on both sides of the Atlantic.

However, in a Sept. 26 press conference, Emminger stated bluntly that "West Germany will not become the dumping ground for unwanted dollars." The viability of such a policy drift is strongly in doubt.

Well-informed economic commentators also believe that there is no basis to expect a short-term push for exports to have any effect. "Especially if there is a major legislative initiative involved," said a senior advisor to the U.S. Treasury, "there is no chance of anything happening." This view was also reiterated by a top-ranking Senate aide. "It's not just a matter of exchange rates or export credit, the aide said. "The U.S. economy is not in shape for an export drive."

The danger is one of panic and retrenchment in the United States. "We are moving from an era of multilateralism to an era of bilateralism," the Senate aide said. "We've got to start going big with Canada and Mexico."

—David Goldman

A European-Arab

World currency and gold markets were in a state of panic as of our Sept. 27 deadline, with gold trading at over \$400 an ounce in New York. The subject of the panic is the OPEC finance ministers' meeting in Vienna and the possibility that Arab oil-producing nations will join European Monetary System (EMS) members in initiating a new gold-based monetary system.

The manic sell-off of dollars was apparently precipitated by leading New York and London banks and oil

GOLD

multinationals as a last-ditch gambit to destabilize the EMS through a new dollar crisis. The dollar's instability is the major remaining obstacle to the success of the EMS.

Among informed financial circles, there is little question now that gold has been returned to "the center of the monetary universe." The state of mind of the Anglo-American faction jeopardized by the EMS is perhaps best exemplified by Morgan Guaranty economist Rimmer de Vries's hasty proposal that the IMF use its \$30 billion in gold holdings as "backing" for the proposed Special Drawing Right "substitution account." In reality, no continental European government will tolerate the use of the SDR as an alternative reserve currency, whether it has a gold component or not, because perpetuation of the IMF's severe austerity policies is seen as too great a threat to world economic growth and trade. What is under consideration is the creation of a gold-backed European "super-currency," perhaps through the further evolution of the European Currency Unit (ECU), or alternatively, a revival of the U.S. dollar based on the U.S. government's still substantial gold holdings.

The crisis among top policymaking circles in Washington and London was underscored by the Sept. 26 *Sunday Telegraph's* report that the U.S. Treasury is about to abandon its eight-year campaign to demonetize gold. According to the *Telegraph*, more than a cessation of the Treasury's monthly gold auctions is at issue. The British newspaper went so far as to report that the Treasury will oppose SDR substitution at the upcoming Belgrade IMF conference and will float instead a plan to promote gold's role as an international monetary reserve.

One-third of world reserves

What disturbs the Atlanticist grouping most is the

gold deal in the making

impact gold's steady appreciation has had on the world strategic lineup. For the first time in decades, the value of gold reserves held by the world's governments is approximately equal to world foreign exchange reserves (see table). The eight EMS member countries together control one-third of the world's monetary gold and one-third of the world's non-gold reserves. While the U.S., with \$94 billion in gold, is still the single largest Western-government gold holder, recent administrations have chosen to fritter away this resource in public auctions designed to prove that gold is "just another commodity"—and have lost billions in the process.

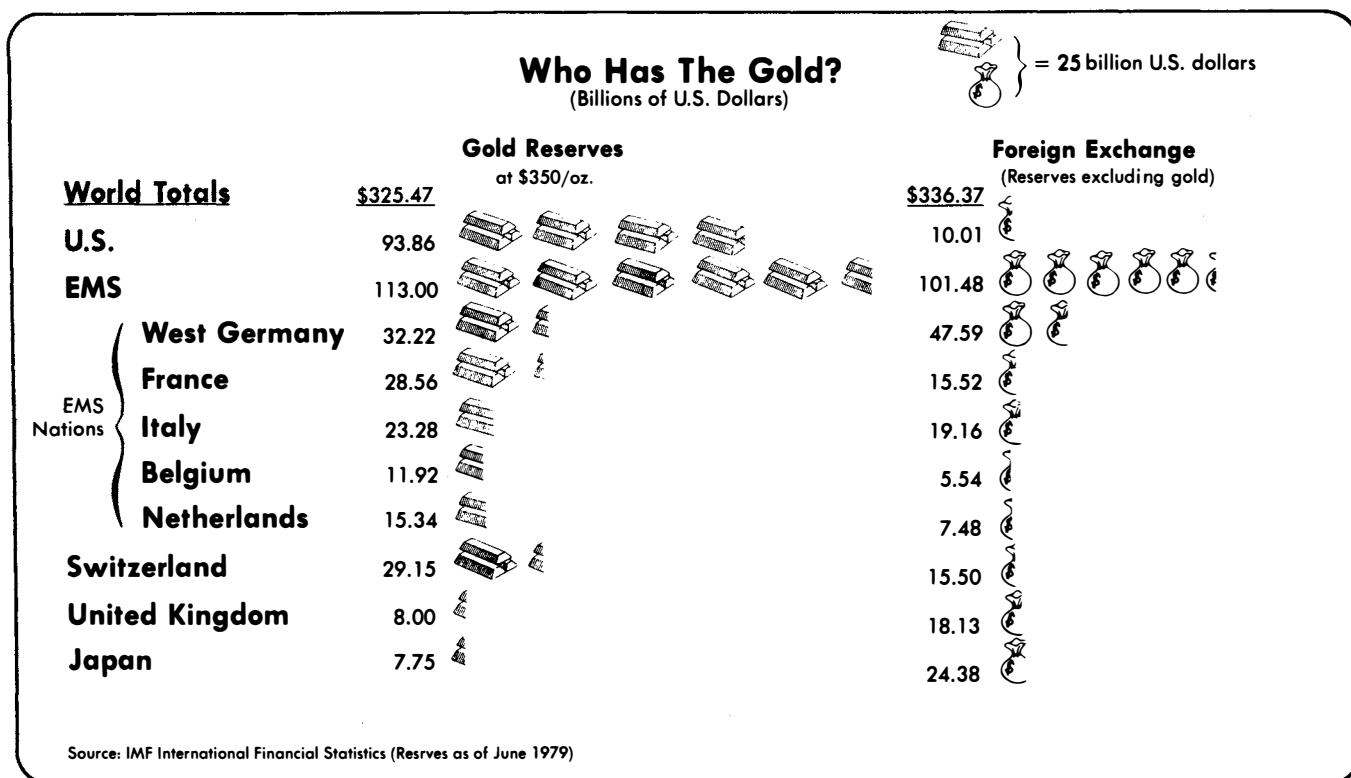
Business Week reported Oct. 1 that European central banks had recently purchased gold in a deliberate effort to "put the squeeze" on speculators who were selling short. This is the first public admission by a major U.S. news medium that more than just "private market forces" have been behind the gold price run-up. Although the international agreement that prohibited major central banks from increasing their gold holdings expired in March 1978, there has been an informal understanding that leading Western governments would avoid accumulating more gold. Not only are European governments abandoning their decorum on this score,

but recent developments indicate that they are attempting to actively police the gold market. Will the central banks next intervene in the present casino-like atmosphere to place a ceiling, as well as a floor, on the gold price?

Not a classical gold standard

Although the details of the emerging Euro-Arab gold arrangement are not yet clinched, our French and West German sources indicate that a return to the gold standard in the classical sense is definitely not under consideration. Rather, the plan is to use the liquidity created by the revaluation of European and Arab gold reserves to finance large-scale industrialization projects in the Third World.

Underscoring the difference between Franco-German gold policy and that of the monetarist Mont Pelerin Society, a source at the Rothschild-linked Banque Bruxelles Lambert remarked recently that Federal Reserve Chairman Paul Volcker is considering gold remonetization as a tool for imposing "monetary discipline." That is, the Fed would reduce U.S. credit growth in accordance with some formula establishing a fixed relationship between the number of dollars in



circulation and the quantity of U.S. gold holdings, a basic recipe for economic depression.

A classical, Mont Pelerin-style gold standard was also recently recommended as a possible policy option by an international monetary advisory board sponsored by the newly-formed New York investment bank Securities Group. Under a gold standard, their report states, "excessively expansionary or contractionary monetary policies would be countered by gold flows ... in actual practice, the disciplines imposed by the link to gold do a better job in controlling U.S. monetary conditions than a discretionary policy."

What the monetarists ignore is that the value of a given currency is not determined by the quantity of money in circulation but by the rate of growth of real tangible output in the national economy. Credit expansion is non-inflationary when funds are systematically reinvested in productive sectors, especially those employing advanced technologies which tend to lower unit costs. When government tax and credit policy favors productive capital formation, the investor has little incentive to resort to the gold window and there is no need to limit credit growth to the supply of gold.

Toward a rational gold price

Why is it that so many influential Western Europeans see gold's remonetization as a necessary precondition for the revival of confidence in world financial markets and for the promotion of world trade? The answer is that, unlike paper currencies, the price of gold must ultimately bear some relationship to the actual costs involved in producing the metal.

In June 1977, U.S. Labor Party economist Kathy Burdman conducted a study on the real costs of mining gold in South Africa in conjunction with a proposal by the party's chairman, Lyndon H. LaRouche, Jr. for a private International Development Bank. According to her 1977 report, "real economic costs are defined in terms of the necessary capital inputs and human educational development programs required to bring South African production up to the North American standards of capital-intensive mining. Specifically, this includes raising the abysmal wage of South African miners to \$18,000 a year... To put in new mechanization and train the entire 400,000-man workforce involved in South Africa's gold production will require a one-time international development loan of \$39 billion."

The report concluded that in order to cover the costs of such a mechanization and training program, the price of gold—then at \$140 an ounce—would have to be raised to about \$300. Since inflation in the dollar sector has risen by about 20 percent since the report was written, the real cost of gold today should be about \$360.

—Alice Roth

Press ponders gold's emerging monetary role

From the *Sunday Telegraph* (U.K.), Sept. 23: ... The real news from the American camp will be the floating of a new policy on gold as an international monetary reserve. In brief, the United States is moving to a live-and-let-live policy, 180 degrees from its historic drive to force gold from the centre of the monetary universe.

***Business Week*, Oct. 1:** In an effort to dampen the manic trading in the gold markets, several major Western European central banks have begun a program that aims to burn the speculators that have turned the gold market into a casino. Several weeks ago a number of large gold traders started selling gold short in the hope that they could get the price down and make profits on the decline. To prevent this, central bankers went into the gold market and bid up the price whenever it showed signs of falling. This squeezed the short-sellers, who lost fortunes in scrambling to buy gold at any price to cover their positions.

Losers weepers

Gold trading circles are abuzz with rumors about hefty financial losses thought to have been incurred by leading gold bullion dealers who sold short just before the recent price run-up. Here are some sample speculations which recently surfaced in the New York financial press:

From the *New York Post*, Sept. 26, 1979: The fast rise in the price of gold has started rumors that some major dealers here and abroad have misjudged the market and are hovering on the brink of financial disaster as a result...

But one of the firms mentioned, Mocatta Metals [New York affiliate of Mocatta and Goldsmid—ed.], one of the largest bullion dealers in the U.S. and Britain, flatly denied that it is in any difficulty.

***Barron's*, September 24, 1979:** .

At the same time, there's speculation that some banks that are financing the short positions may be drawn into the liquidity crunch by the billions at stake in the precious metals market if it continues its headlong advance. In that case, it could take the cooperation of the Fed to provide relief.

Fed ignores warnings on interest rates

U.S. interest rates are now at the critical threshold: one more upward nudge by the gentlemen at the Federal Reserve Board and rates shift from being negative—lower than the official rate of inflation—to positive.

As long as interest rates were trailing inflation, corporations, like consumers, tended to regard borrowed funds as “free” money. The most recent figures show that corporations are continuing to borrow at a near-record clip, despite the unprecedented 13.5 percent prime rate. Over the last thirteen weeks, short-term business loans expanded at a more than 40 percent annual rate at the large New York commercial banks.

The question on everyone's minds is whether Fed Chairman Paul Volcker will cut this borrowing short—and pull the plug on the U.S. economy—by pushing short-term rates significantly above the 13 plus percent annual rate of inflation.

This decision is being determined more by international political considerations than by the figures on the U.S. monetary aggregates.

There is no doubt that Volcker, who is a member of the Ditchley Foundation—a key Anglo-American policy making body—would like to impose a full dose of monetary “discipline” on the U.S. economy. However, international considerations may dictate otherwise at this time. Can Volcker afford to plunge the U.S.

economy into a prolonged recession at a point when the European Monetary System is fostering economic growth in Europe, and when the EMS partners are forging expansive trading relationships with the non-aligned and East bloc countries?

Policy differences

The *New York Times*, the daily outlet of the New York Council on Foreign Relations, is telling Mr. Volcker to go slow. “The Federal Reserve is hitting the monetary brakes too hard,” the paper wrote in its lead editorial Sept. 25 (“A Leaden Foot on the Monetary Brakes”—was this an uncomplimentary reference to the hefty six foot four Mr. Volcker?). The *Times* editorial board appears worried that “when the Federal Reserve tightens the belt so tight that the economy threatens to collapse,” the U.S. will be knocked out of the international political arena.

As of this writing, however, the Fed appears determined to pursue its high interest rate course—whatever the consequences. In his appearance before the Senate Banking Committee Sept. 28, Volcker defended high interest rates as a critical “anti-inflation” tool, and reportedly won the praise of Sen. William Proxmire. On Thursday, Sept. 27, the Fed tightened the Federal funds rate—reserves traded among banks—another notch; the target range is now between 11.75 and 12 percent.

Every financial market is expecting higher rates.

Within a 24-hour period last week, the March 1980 contract in the

Treasury bill futures market dropped a whopping 59 basis points. The T-bill market has been especially vulnerable because of expected heavy new issues to finance the growing Federal budget gap.

Corporate bond prices are dropping because investors are refusing to commit money to the long-term market when they think there are still higher yields to be had in the offing.

Shift to credit rationing?

Dr. James O'Leary and Thomas Synnott of U.S. Trust believe that Volcker's high interest regime has come perilously close to endangering the savings banks and other vulnerable sectors of the U.S. economy. Dr. O'Leary's concerns are especially noteworthy in that he sits on the board of Ditchley with Chairman Volcker.

“The Fed is close to the limit in the Federal funds rate,” Tom Synnott said in an interview last week. “We expect a move on reserves soon.” The thinking of the U.S. Trust economists is that over the next two to three weeks the Fed can be expected to shift its emphasis from an across-the-board tightening of interest rates—which could precipitate major savings banks and other bankruptcies—to a more differentiated squeeze on credit availability. Synnott said that one likely option would be for the Fed to reimpose reserve requirements on U.S. banks' borrowing from their Eurodollar branches.

The issuance of Eurodollar certificates of deposits has been a principal source of increased liquidity for the U.S. banking system since last November. At that time the Fed lifted reserve requirements on banks' Eurodollar branch borrowings to encourage the “repatriation” of dollars to the U.S.

Synnott speculated that the Fed will impose higher reserve requirements on the banks' *incremental* borrowings—borrowings over a selected base period—a move that would force banks to weigh marginal loans against the marginal increased cost of funds.

—Lydia Schulman

TRANSPORTATION

Fuel allocation targets the Midwest

"When deregulation came out, it was clear that small communities would be hit. But wait until you get a dollar a gallon on aviation fuel. You're going to see the Midwest absolutely raped! Cincinnati, Dayton, Toledo, Milwaukee—the middle-sized cities—they're going to be shut down!"

That comment comes from an insider at a leading Wall Street investment bank closely involved with the transportation sector. What he and other top strategists say they want to do is reduce transportation services

in the Midwest by 40-60 percent, and nationally by about 25 percent through a combination of deregulation, sharp increases in fuel prices, and fuel allocation. They cite not only the apparent overbuilding of transportation in the Midwest as the reason for the cutbacks—an "overbuilding" that will become more pronounced as the recession grinds down business—but "energy waste" in running "so much service." The reductions supposedly will generate efficiency. In reality, dozens of airlines, railroads, and trucking firms will face bankruptcy and drastic service cuts, blitzing the grain and industrial heartland of the United States.

DOE steps in

The linchpin in this operation will be a fuel allocation scheme run by Energy Secretary Charles Duncan—James Schlesinger's clone at the Department of Energy. The airline industry is supposed to be first in line for the treatment.

Airline deregulation has generated a temporary surge in air travel, as new and expanded firms spread into previously "protected" markets. Now, however, super-competition and rising fuel prices are beginning to take their toll: many of these firms are in trouble and face service cuts and takeovers by bigger carriers. Four major mergers are in the works; meanwhile, American Airlines is pulling out of Charleston, S.C., to name one case.

Increased fuel consumption by airlines is triggering the charges of "energy waste" from investment bankers—no doubt soon to be echoed by Duncan. "They're consuming an extra one billion gallons,"

CORPORATE STRATEGY

How Mr. Henry Crown derailed the Rock Island

Henry Crown likes to be thought of as a philanthropist—a man who lives modestly despite his great wealth, who donates millions to charitable organizations and universities. A businessman who, according to his *consigliere* Albert Jenner, refused to invest in tax shelters, finance companies, or anything to do with liquor.

The record casts a different light on Crown's devotion to the public weal. In his 83 years he has constructed a veritable empire of wealth, political leverage, and corporate control. "My objective is to make my net worth less at the end of any one year

than it was at the beginning." That is, net *taxable* worth. To this end, Henry Crown has pursued tax swindles, political blackmail, and corporate liquidations, without regard to regional or national consequences. The demise of the Rock Island Railroad is a case study.

In 1946 Henry Crown gained a substantial interest in the Rock Island by picking up a chunk of its defaulted bonds for a song, most of which he converted into common stock. Following the railroad's reorganization in 1948, for the next 15 years Crown did everything possible to minimize investment in equipment and maintenance, although railroad men like former Rock Island president Downing Jenks valiantly tried

to upgrade the line. In 1960 Crown forced Jenks's ouster and began bringing in financial hatchmen to run the railroad, its cash flow going increasingly toward nonrailroad and unproductive expenditures.

By 1962, Crown's systematic disinvestment put the Rock on the edge of unprofitability, and he attempted to break up and merge the railroad with the Union Pacific and Southern Pacific. At that point, his policy was to keep the railroad barely functional, just enough to convince the Interstate Commerce Commission that a merger would be viable. For 12 years, however, the ICC blocked the merger; by 1974 the railroad had deteriorated so badly that the UP was no longer interested. In 1975 the Rock went bankrupt and was placed in receivership.

A key part of the milking of the Rock Island was the appointment of Jervis Langdon as chief executive in 1965. A lawyer by trade, Langdon

wailed one banker. "An extra 226 million gallons were used in the first three months of this year. This could heat a quarter million homes during the winter. One coast-to-coast flight can heat a home for 32 years." This "waste" will be one rationale for fuel allocations, especially given any new disruption in oil supplies.

This is the clincher to the scenario. If jet fuel rises to a dollar per gallon or more, airlines will fall like mosquitoes hit with DDT. Only a handful of big ones will survive, and the Cincinnatis and Dayton's would be cut off right and left.

The airline scenario is merely the precedent-setting opening shot. Trucking and railroads are the real targets. Both industries are facing Congressional enactment of deregulation, spearheaded by Sen. Edward Kennedy. Both are targeted for fuel allocation and sharp fuel price hikes. The dry run was last June during the phony gasoline shortage.

Last June's rise in diesel fuel

prices and concomitant shortages took a sharp bite out of the profitability of regulated trucking carriers, and fomented chaotic disruptions by the independents. Many railroads were able to purchase only 60-80 percent of their requirements, a situation which helped push bankrupt railroads like the Rock Island and Milwaukee Road over the edge.

Rationalization

With its income falling even further because of the diesel fuel mis-allocation this summer, the bankrupt Rock Island has been unable to give its employees retroactive wage increases. This forced a strike of the Brotherhood of Railway and Airline Clerks a month ago—a strike which everyone knew could finish off the railroad for good.

In fact, that is about to happen.

As of deadline, it is expected that the Interstate Commerce Commission will order other railroads to take over the Rock Island lines, since the

railroad does not have start-up funds following a back-to-work order issued by a government emergency board. The next step will be liquidation, in which hundreds of miles of Rock Island lines will be cut back. Simultaneously a federal court has permitted the Milwaukee Road to abandon two-thirds of its trackage, including its northern transcontinental line. In both cases, thousands of farmers, communities, and industries will be stranded throughout the Midwest.

Charles Duncan and the DOE have further plans. Citing the "energy crisis," they have been pressuring the ICC to grant scores of coal rate increases to remaining railroads like the Burlington Northern—increases in the order of 30 to 50 percent. What this means is a marked shift—already underway—toward coal haulage and further service cutbacks for farmers and industry.

—Stephen Parsons

knew less about railroad management than a disgruntled Amtrak commuter—but was a director of North American Car Leasing Co., which has made a fortune off railroads through usurious leasing practices. Under the rubric of making the Rock Island more "service-oriented," Langdon increased the number of train runs and leased hundreds of cars. The policy did result in more revenues and cash flow that could be used elsewhere. But expenses shot through the ceiling, as the trains ran shorter hauls over increasingly deteriorated track. In the words of Rock Island's president, John Ingram, "I've heard of railroads making money running short, fast trains; I've heard of railroads making money running long, slow ones. But I've never heard of a railroad making money running short, slow trains."

With the Rock Island losing \$129 million during his tenure, Langdon

left in 1970 for bigger things: an appointment as trustee for the bankrupt Penn Central. When he became Penn Central president in 1974, the number of derailments in the first quarter climbed 94 percent over the number the year before, and losses totaled nearly \$70 million in that quarter.

Since the UP merger fell through, Crown has been screaming to sell the Rock Island for scrap. When the road began to turn a profit following the 1975 bankruptcy, Crown went into court protesting the attempted reorganization and demanded a fire sale of its assets—which would net him millions in carry-forward tax credits, to be used for tax-free investments in enterprises to be stripped down in a manner similar to the Rock Island.

Now, it seems that the philanthropic Mr. Crown will get his wish, and much more. Following a strike of its unionized employees, the Rock has finally gone under, and will in-

deed be broken up. Crown will not only get his tax breaks on the "losses." He will probably conclude a merger of his St. Louis-San Francisco Railway with the Burlington Northern—getting a ten-percent-plus stock appreciation, investment tax credits, and controlling interest in the profitable BN. Furthermore, with the Milwaukee's cutbacks, BN will be able to pick up Milwaukee track for next to nothing and will have a virtual monopoly in sections of the northern Mountain states. In addition it is getting huge rate increases for coal hauling.

Crown has that angle covered, too, and has for a long time. His coal interests in southern Illinois have long made Crown the biggest shipper on a major Rock Island competitor—IC Gulf—which stands to gain appreciably from the Rock Island's demise.

—Stephen Parsons
and Charles Leone

What's happened to U.S. exports... and what hasn't

This year's trimming of the U.S. trade deficit has been a source of complacency to liberal outlets like *Newsweek* magazine, which otherwise have nothing good to say for the Carter administration. A Sept. 25 *New York Times* editorial not only praised the export results of a cheaper dollar, but called for more of the same: "this country needs an even lower-value dollar to earn the foreign exchange with which to buy oil."

In fact, the classical currency-depreciation formula for boosting exports has proven no substitute for an actual export program equipped with appropriate external credit policies and domestic capital investment.

What has happened over recent months is that Europe and Japan have absorbed more U.S. manufactures. This was in fact partly influenced by the effect on export prices of dollar depreciation. More important, however, was the combination of armtwisted Japanese imports and Europe's industrial expansion, to the extent the latter has boosted demand for U.S. goods. Ironically—the West German case is the key—this demand was primed by Europe's own export growth under European Monetary System policies of financing members' own exports to the Mediterranean rim and the Third World.

Thus, instead of opening its own export boom, the U.S. derived some relatively marginal advantages vis-à-vis the deficit. Third World markets—the tremendous potential growth area—were in the main ne-

glected, as shown by the agricultural, much less industrial, export results described below.

The U.S. trade deficit for the first half of this year has diminished by \$7 billion by comparison with corresponding figures for January to July 1978. The projected trade deficit for calendar year 1979 still ranges from a whopping \$22 billion (on an f.a.s. basis) to over \$30 billion (on an f.a.s. exports and c.i.f. imports basis, the system used by the Europeans).

The principal increases in U.S. exports during the January to July 1979 period (by comparison with January-July 1978) were to the advanced sector nations, notably Japan and Western Europe. U.S. exports to the advanced sector during this period increased from \$46 billion to \$61 billion, a jump of 33 percent. Most noteworthy within this category were the EEC nations, whose imports from the U.S. jumped from \$17 billion to \$23 billion (an increase of 34 percent), for a \$6 billion improvement; Japan, whose imports from the U.S. jumped from almost \$7 billion to almost \$10 billion, a 47 percent increase.

EMS responsible, not weak dollar

What made the U.S. export increases possible was the relative stability of major world currencies afforded by the inauguration of the European Monetary System during the January-July 1979 period following successful European pressure on the U.S. in November 1978 to halt the erosion of the dollar by the creation of a massively upgraded U.S. Treasury currency intervention fund. Had it not been for these dirigist interventions on the part of the Europeans, international trade circumstances

would have deteriorated and the U.S. simply would not have had the customers for its exports.

Contrary to prevailing impressions, the U.S. export improvement came in the area of relatively high-technology industrial products, not farm products. U.S. food and live animals exports during the January-July 1979 period increased from \$10.5 to \$11.5 billion, a 9.5 percent increase, contributing a mere \$1 billion in new exports. Not only is this figure less than the rate of inflation during the same period—so that farm exports actually shrank in real value terms—but in fact food exports comprised the category of smallest contribution to U.S. exports of the ten major categories used in U.S. Commerce Department export statistics. Indeed, the second poorest showing in the Commerce Department figures comes from the farm-related "Beverages and Tobacco" sector (beverages are principally sugar), which measures a mere inflation-straddling increase from \$1.2 to \$1.4 billion of 14.8 percent, a minimal contribution of \$0.2 billion to the U.S. export picture.

In reality, the major contribution to U.S. exports comes the U.S.'s heavy and high-technology industrial sector, badly battered from the administration's environmental, human rights and antinuclear adventures. There was a \$7.5 billion improvement in U.S. machinery and transport exports (from \$32.2 to \$39.7 billion, a 23 percent increase from the first half of 1978 to first-half 1979), and a \$2.5 billion increase in chemicals exports (up 38 percent).

Sins of commission

More important, however, than what happened in the way of U.S. export improvement—for reasons largely despite the administration rather than because of it—are the exports that didn't take place because of administration policy:

- First, there are the exports that didn't take place to the underdeveloped sector. U.S. exports to the underdeveloped nations during the indicated period increased 17.5 percent from \$29.2 billion to \$34.4—aft-

er inflation, more like 7 percent, including armaments. It has been U.S. Treasury and State Department policy to sabotage high-technology exports to these regions. With a sane administration in Washington, this sector would be targeted for multi-billion-dollar expansion of U.S. sales.

• Second, there are the tens of billions of exports to the Soviet bloc that didn't take place. Commerce Department figures show a piddling \$800 million improvement in U.S. exports to "Communist areas in Europe and Asia," with exports increasing from \$2.8 to \$3.6 billion in the indicated period. The increase is almost entirely accounted for by U.S. exports to the People's Republic of China. Trade with the Soviet Union during the indicated period went from \$1.7 to \$1.8 billion, a 6 percent decline after correction for inflation.

• Third, the administration immediately lost \$1.6 billion in exports to Iran through covert State Department support for the toppling of the Shah. U.S. exports to Iran had been \$2.3 billion in the first half of 1978, but thanks to Cyrus Vance's protégé Warren Christopher, January-July 1979 U.S. exports to Iran plunged to \$693 million and may plunge further. Other billions (and ultimately tens of billions) have been lost to the U.S. through oil import price increases, that used the Iran destabilization as pretext. (The loss to U.S. exports from the State Department supported destabilization of Iran is even greater if one adds to this the \$20 billion nuclear reactor order the Shah had tried to interest the U.S. in accepting, which Cyrus Vance blocked in line with his policy of preventing the "Third World" from getting nuclear power.)

It is on the basis of these cumulative policies that the administration is now seeking congressional support for its trade-bureaucracy reorganization proposal, which would give vastly enhanced powers to the newly nominated Special Trade Negotiator Reuben Askew, Carter's pro-environmentalist "New South" protégé from Florida.

—Richard Schulman

INTERNATIONAL CREDIT

Dead ducks and new initiatives

In preparation for Foreign Minister Hans-Dietrich Genscher's upcoming trip to Cuba, the West German ambassador has held "intimate" talks with Premier Fidel Castro, according to the Sept. 24 *Handelsblatt*.

The lead editorial in the business daily reviewed a recent speech in which Castro said, "We shouldn't let all Western nations be thrown into one pot, there are different elements among them. We need friends in industrialized Western Europe. ... In short, the two "North" and "South" leaders are pursuing alternatives to the International Monetary Fund's credit blackmail against underdeveloped nations. The IMF policy was openly challenged under Cuban leadership at this month's summit of the Nonaligned movement in Havana.

Meanwhile West German and French Eurocurrency lending to the Third World, which has accelerated over the past year and a half, continues to free most borrowers from the need to submit to further IMF conditionality. As columnist Alain Vernay commented in the Sept. 24 *Le Figaro*: "Third World countries are increasingly attacking the IMF. ... The IMF has broken down."

An executive at Commerzbank, one of West Germany's leading international lenders, agreed in a Sept. 25 interview from Frankfurt that "Third World nations are becoming too proud to go to the IMF because that entails surrendering their national sovereignty. ... We strongly oppose restrictions on the Euromarkets; we have to continue our Third World lending; without it people there will starve."

During an international banking symposium in West Berlin Sept. 24, the issue of Eurolending restrictions

came up again. Citibank senior vice president and African specialist Irving Friedman insisted that "more lending facilities to help underdeveloped countries cover their balance of payment difficulties ... must go through the IMF," not private banks. Deutsche Bank chief Wilfried Guth upheld the IMF in principle but insisted that "strangulation of the international financial system and excessive difficulties for oil importing countries" cannot be tolerated. He further stated, "as far as I'm concerned, reserve requirements [to inhibit bank lending] are a dead duck; it doesn't pay to talk about them any more." "Fixing appropriate ratios to be applied to consolidated balance sheet figures," a second proposal for crimping loans, Guth termed "walking a tightrope."

At the symposium, Crédit Lyonnais president Pierre Brossolette, interestingly, called on the Group of Five leading industrialized nations to work out a set of principles on lending to the Third World. It is in fact clear that the ad hoc current system of Euroloans does not adequately meet either the Third World's need for long-term development funds or the advanced sector's need for high-technology export orders. As we elaborate elsewhere in this section, the question of Arab oil producers' orientation toward a new monetary system is integral to this problem. Commerzbank commented in the interview cited above that there are two ways the European Monetary System can strengthen its ties with the Arab world: 1) continuing to build up OPEC deposits with German and French banks, and 2) formal inclusion of Arab deposits in the EMS itself. At bottom, said the official, "what is needed is an international institution that can handle long-term credit to the Third World on a non-interest basis."

—Susan Johnson

BRITAIN

Bank of England: Full speed down hill

Even if British Prime Minister Margaret Thatcher's economic policies are leading to a near-term collapse of British industry, they must be pursued with renewed vigor. This is the studied opinion of the Bank of England, whose latest monthly bulletin documents in the gloomiest of terms Britain's economic situation, especially the liquidity crisis facing industry.

The bank's report warns that

British business faces a financial squeeze as crippling as that of 1974-75 because of waning demand, soaring labor costs, and the worst international competitive position in a decade. The bulletin adds that if the relative industrial decline of the U.K. is allowed to continue "it would seem only too likely to lead to growing impoverishment and unemployment in years to come." As a result, the rate of return on Britain's trading assets could skid this year to well below the rock-bottom 3½ percent of 1974-75.

The central bank is emphatic,

however, that there can be no change in the government's economic policies to ease the burden on industry. What the bank recommends is that the Tory government stick to its economic guns by insisting not only on tight money control and higher interest rates, but on lower wages and what it refers to as higher productivity.

"The room for manoeuvre in economic policy will, inevitably, continue to be circumscribed until inflationary tendencies have been substantially reduced. The first priority must clearly be to reduce inflation. Measures to increase demand would stand to be largely frustrated by a continuation of strong inflationary pressures, and could not be envisaged until such pressures have been contained, and until there is evidence also of improvement in the response of the supply side of the economy."

Since the Bank can see no alter-

AGRICULTURE

Farm credit: overhaul debated

Controversy over restructuring of rural credit is about to come to a head. On Oct. 5, hearings are set to begin in the Senate Agriculture Committee on S-1465, the Farm Credit Act Amendments of 1979. Sponsored by Agriculture Committee Chairman Senator Talmadge, the legislation would break new ground in giving the Farm Credit System "increased breadth and flexibility to meet rural credit needs," as a source close to the issue put it.

Since S-1465's introduction on July 9, the bill has provoked a storm

of question and protest from the American Bankers Association, spokesmen for the nation's private banking system, who will register their strong opposition to some of the proposed measures in testimony next week. But the initiative, the first serious revision of the 1971 Credit Act, could open new avenues toward solving some of the financial problems bedeviling farm producers, rural residents, and regional and rural banks alike.

The bill would enable the Farm Credit System (FCS) to do more to alleviate the credit squeeze in the farm sector—a squeeze which has left the small, rural private banks as desperate as everyone else. Long a critical institution in the growth and stability of American agriculture—it

now accounts for half of the non-real estate and 25 percent of the real estate lending to the farm sector—the FCS consists of four arms: the Federal Land Banks, the Banks for Cooperatives, the Production Credit Associations, and the Federal Intermediate Credit Banks. The FCS was originally launched by the federal government but is now a wholly member-owned institution.

Highlights of the bill include the following. It would:

- Lower from 80 percent to 60 percent the proportion of a cooperative's members that must be farmers to entitle the co-op to Banks for Cooperatives financing;

- Allow Banks for Cooperatives to finance agricultural exports which benefit a U.S. cooperative, including the provision of all financial services involved, such as receiving and holding credit balances from banks and borrowers and trading banker acceptances associated with interna-

native to grisly credit crunching but Keynesian pump-priming, the report reiterates that industry and labor will have to bear the consequences, as they have already borne the consequences of decades of disinvestment in capital-intensive productivity.

“The resolution of the difficulties facing the economy depends not only on economic policy,” warns the bulletin, “but—perhaps more than has been customarily accepted—on the reaction of management and the unions. . . . The future of some individual firms, and thus of the jobs they provide, could well depend on the willingness of all who work in them to cooperate in keeping down wage costs and getting better results as regards efficiency and competitiveness.”

The British central bank implicitly backs the Thatcher government’s “deindustrialization” policy, noting that “many companies could be con-

fronted with increasing pressure to cut back their industrial labor force and their investment expenditure.” This is the policy already being pursued by top British companies, such as the government-owned British Steel and British Leyland which have shut down large chunks of their operations under the guise of “streamlining.” Leyland announced plans last week to cut 25,000 of its 165,000 employees and close all or part of 13 plants over the next two years as part of a “slimming program.” Another of Britain’s largest companies, Rolls Royce, has lived up to the letter of Tory policies by locking the doors of its engineering plants rather than negotiate higher wages for its skilled workforce.

British Steel chief Charles Villiers told a conference of middle managers that they should “be bastards” when asked to accept “second best” standards from their workforce.

British Steel’s labor-cutting program, under the direction of Villiers, has succeeded in pruning the company’s workforce from a peak of 230,000 in 1974 to about 182,000. According to the *Guardian*, the Defense chiefs claimed that their department was akin to an independent conglomerate and all of its skilled industrial workforce, engineers, and scientists were necessary to maintain the country’s defense efforts.

Thatcher’s policy all along has been to triage industry and rely on a core of defense and electronics producers, exporting computer components and telecommunications equipment. What Britain is beginning to experience, however, is the impossibility of running a high-technology export economy when basic industry is a burned-out shell. Thatcher’s transatlantic admirers should take note.

—Marla Minnicino

tional trade, including the ability to make loans to associated parties when a member co-op stands to benefit;

- Authorize Federal Land Banks and Production Credit Associations to finance processing and marketing undertakings directly related to an applicant’s farm, ranch, aquatic operation, etc.;
- Allow Farm Credit System institutions to invest and participate in loans of other institutions;
- Clarify and reaffirm Farm Credit System exemption from state and local usury laws;
- Allow the Federal Intermediate Credit Banks, the discount banks for the Production Credit Associations, to discount the agriculture loans of other financial institutions.

The American Bankers Association (ABA) stated in its August *Agricultural Banker* newsletter that the amendments “would give FCS institutions further authority to lend out-

side the farm sector, resulting in continued encroachment on banking activities.” By all accounts, it is the qualitative aspect of the bill which the ABA is worried about, the potential scope for FCS involvement in export financing, processing and marketing generally, and related provisions.

What the ABA really fears, it seems, is that the FCS will simply absorb whole chunks of private rural banking. This was plain in the ABA’s stated preoccupation with the potentially precedent-making provision for Federal Intermediate Credit Bank discounting of *other financial institutions’* agriculture loans in their August newsletter.

The motivation behind the legislation reflects the fact that small banks simply cannot compete adequately for funds, even in some instances for the deposits of their own surrounding population—previously the sole source of funds—much

less for funds from the money-center banks, subject as such funds are to too-high and too-fluctuating costs and periodic squeezes. Over the first half of this year, borrowers have turned by a wide margin of preference to the FCS. Second, by a substantial amount to the Farmers Home Administration, the Farm Credit System’s outstanding loans jumped 11 percent compared to a 4 percent rise in those of commercial banks.

There is related specific reasoning behind many of the bill’s provisions—such as the need to finance Rural Electrical Cooperatives in rural areas where the number of practicing farmers is declining or proportionally low—but, as the Federal Farm Credit Board, which oversees the FCS, argues, the legislation is aimed fundamentally at creating the kinds of conditions that will enhance farm income.

—Susan Cohen

H O L O C A U S T

**Eyewitness report
on China and
Kissinger's crimes
against Cambodia**

For 35 years the world has remained horrified at the Holocaust that took place in Nazi Germany, the systematic murder of 6 million in the concentration camps and gas ovens of the fascists. For the past four years a horror equal to that of Hitler's Nazis has taken place in the tiny Southeast Asian nation of Kampuchea (Cambodia). Three million people, more than 40 percent of that nation, have been exterminated by the Chinese-created regime of Pol Pot and Ieng Sary, and hardly a voice has been raised in the world about it.

While some press have begun exposing the facts of the situation, there has been an international conspiracy of silence respecting the *international* forces and design behind the Kampuchean holocaust. And although the direct perpetrators of this horror were ousted in January of this year, the crime continues. On Sept. 21, the governments of some 71 nations voted to seat the criminals themselves as the "representatives" of Kampuchea in the United Nations, the organization created out of the defeat of Nazi fascism in order to secure a peaceful future for the world.

Who led Ieng Sary by the hand and offered him a chair among the community of nations? The leaders were our own United States government, the Chinese, the British, nations like West Germany, Japan, and Italy, the victims of fascism, countries like Chile, Egypt, Singapore, and Yugoslavia, who serve the Anglo-American-Chinese axis today.

The supporters of the Kampuchean Holocaust wrap themselves in the garb of "principle," the "principle of nonintervention, nonuse of force," the immoral claim that the role of the Vietnamese armed forces in saving the nation of Kampuchea from total genocidal extinction is the real crime. Do they now ask that the American men who laid down their lives to end the scourge of Nazism apologize for the "use of force"?

The evidence of what happened in Kampuchea is available for all to see and read—the records of the Tribunal held in Phnom Penh in August to try Pol Pot and Ieng Sary for the crime of genocide.

What happened in Kampuchea was not simply the murder of 3 million people. It was the annihilation of any form of urban culture, civilization itself—the purest form of the creation of a Dark Age since the days of the black plague of medieval Europe. The enemy of Pol Pot was first of all the cities and the educated, urban population, the industries, the libraries, the hospitals, the museums—every aspect of civilization that man has labored thousands of years to create was totally destroyed in Kampuchea.

In Pol Pot's Holocaust the "useless eaters" were the

educated cream of the nation, considered parasites because they did not produce rice, the only form of existence in a nation that became one huge concentration camp. While most of the some 2 million urban dwellers of the capital Phnom Penh were murdered—many in the forced march which drove the inhabitants out of city within three days of its “liberation”—the systematic butchery of the entire population did not reach its height until 1977-1978, some two years after Pol Pot’s gang took control.

Every single aspect of the genocide was planned, including those first horrifying days. It was planned from the days when Pol Pot and Ieng Sary sat in the Chinese capital of Peking at the feet of their masters, from Mao Zedong to Deng Xiaoping. Massive amounts of Chinese arms flowed in, used by the Pol Pot-Ieng Sary regime to conduct savage raids into Vietnam, where thousands of Vietnamese were butchered in much the same way as the Kampuchians were—not with bullets, but with axes, steel pipes, and bamboo rods. The “useless eaters” produced rice—millions of tons of it—which was stockpiled, along with the arms, as an increasingly emptied Kampuchea was made ready as an armed base for Chinese war against Vietnam.

The evidence is there—it cannot be denied. But it is not enough to know—even now the 4 million who remain are dying, with 1 million permanently disabled, all hungry, and the nation stripped of everything, even kitchen utensils. Cambodia, said one visitor, is a “complete zero.” The people are in shock, still living in terror that Pol Pot will come back. “If the Vietnamese leave,” one survivor told a visitor, “4 million Kampuchians will go to Vietnam as refugees.”

The crimes of this Holocaust do not rest then only with Pol Pot, with Ieng Sary, or even with their Chinese masters. They rest also with those who played “the China Card” and plotted to help China gain control of Kampuchea. Responsibility rests on Henry Kissinger and his deputy Alexander Haig, who set up Lon Nol (who preceded Pol Pot) and made their deal with Peking. The entire Anglo-American elite helped to create this Holocaust and now, with the same China Card in hand, plot to continue it, to cover it up, and perpetuate the horror.

In the following report, featuring the eyewitness account of distinguished Indian journalist Ganesh Shukla, we document the full scope of the horror of Kampuchea, and of its supporters.

I. Indian journalist tells of horror

From August 15 to 20, Ganesh Shukla, founding editor of the Indian weekly *New Wave* and a respected journalist from that nation, was in Kampuchea to attend the *in absentia* trial of former rulers Pol Pot and Ieng Sary for the murder of 3 million Kampuchians. For a number of years a staff correspondent and Southeast Asia editor of the *Patriot*, a prominent national daily, Mr. Shukla is highly regarded as a political commentator in his own nation, particularly among traditional Congress Party circles. He is currently on tour in the United States to dramatize the nature of the tragedy in Kampuchea. Following are two of Mr. Shukla’s reports from *New Wave*.

Pol Pot’s murder of 3 million

This first hand account by Ganesh Shukla of the devastation in Kampuchea was carried in New Wave, Sept. 2.

I was in Cambodia from August 15 to August 20. During my stay in Phnom Penh, I attended the trial *in absentia* of Pol Pot and Ieng Sari, visited orphanages, torture chambers, prisons, hospitals and parts of the capital. I also visited some places in the countryside and talked to people. What I saw and heard has left me benumbed.

I have no words to describe the tragedy that befell Cambodia on the day of its liberation in 1975, and in

the subsequent months and years till it was rescued from total genocide on January 7, 1979 by the combined armed forces of Kampuchean Front for National Salvation and the Socialist Republic of Vietnam.

I must confess that though I have not yet recovered from the shock which would overwhelm any living and sensitive human being, I have no reason to disbelieve my eyes and ears or the deep impressions I have brought from that unfortunate land.

Do not be shocked by what I report now. The tragedy is a thousand times more poignant than in 1971 when Indira Gandhi was prompted to order the Indian troops to save the people of Bangladesh from genocide.

The armed forces of the Socialist Republic of Vietnam have done a yeoman service to the humanity by rescuing the Khmer race from total extinction at the hands of the Pol Pot-Ieng Sary clique. I am using the term "extinction" with deliberation.

It was not my first visit to Kampuchea. I had visited Cambodia in 1965 and 1967 and spent several weeks there. I know, rather intimately, the land, its people, their customs and way of life. I had visited almost all parts of the country and spent hours admiring the splendour that is Ankor Vat, marking the pinnacle of Indo-Khmer civilization.

Then and now

Phnom Penh was at that time the most beautiful city in South and South East Asia. Now, it is a ghost city. Its inhabitants, once about 800,000 are nearly dead and gone. Their bones lie buried or scattered all over the plains of Cambodia. The miraculous survivors of Phnom Penh, as distinct from those who were forced between 1970 and 1975, to take shelter there from American bombing, may not be more than a couple of thousands. They have lost their identity. They are yet to be traced, screened and identified before they could be rehabilitated in their houses.

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 labour camps called "communes", built like animal farms. Two millions 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. Wherever you go, you see only women and children, naked or half naked, without a home, without food, without medicine, without anyone to care for them except the state which the outside world, except the socialist countries, refuses to help.

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

Indira Gandhi appeals for aid to Kampuchea

Former Indian Prime Minister Indira Gandhi made the following appeal to the Nonaligned summit in Havana last month, calling for world-wide aid to the people of Kampuchea:

"I wish to draw the attention of your excellency and of the other high dignitaries attending the Havana conference to the tragedy facing millions of surviving Kampuchean. It has few parallels in the long history of human suffering. Out of the four million survivors, reports indicate one million are disabled. The majority of survivors are women and children. Due to lack of food, clothes, medicine and shelter, due to disruption of economic activity, due to total absence of trained and technical manpower, including doctors, nurses, and teachers, and the total destruction of infrastructure, a human problem of vast dimension confronts the world community.

"Shocked by this tragedy and its human dimensions, I appeal to all heads of state or their representatives assembled in Havana to give utmost priority to the humanitarian aspect of the Kampuchean question and to organize worldwide relief and rehabilitation programs irrespective of their views on the political aspect of Kampuchea.

can lay their hands on—like leaves, wild fruits, small animals, cockroaches and insects.

Insect-eaters

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 had 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 the 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 civilisation and against humanity.

It did not begin on April 17, 1975 when the residents of Phnom Penh were tricked into believing that they should evacuate to escape American bombing. It had started earlier, even during the anti-U.S. resistance when Vietnamese soldiers along with Cambodian partisan units were busy routing Lon Nol's troops in one area

after another, thus leaving the Pol Pot-Ieng Sary clique to manage the affairs in the liberated areas. Old Communist leaders, cadres, skilled personnel, in fact, anyone having any link with the Vietnamese cadre were simply murdered in the forests. Those who had migrated to China and were considered inconvenient died of "heart attacks" in Peking hospitals.

First victims

The first victims of Pol Pot-Ieng Sary clique were the Communists themselves with a long record of resistance, mass work and mass education. No wonder that by the time the Pol Pot-Ieng Sary clique was hounded out of the country, the Communist Party of Cambodia had lost more than 80 per cent of its cadre and two-thirds of the Central Committee members.

A war against civilization could not be waged so long as there remained educated people, knowing foreign languages or people who had ever gone abroad. They were rounded up in thousands for "political re-education," taken to Tuol Sleng higher secondary school, which was converted into torture cells. Every modern and savage method of torture was used to force out confession of crimes from them. From Tuol Sleng prison, no one returned alive.

De-schooling

In Tuol Sleng, intellectuals, diplomats, party leaders and educated cadre, men and women of science and letters were tortured and then killed. The vast compound of the school is today a mass grave, of a people and a whole race.

It is in Tuol Sleng where Kampuchea's ambassadors to Vietnam, Egypt, Cuba and some other countries were tortured and killed. Their pictures are on the walls of the prison, as a chilling record of what man and a mad ideology can do to man.

There were more than 700 qualified physicians in Cambodia. Today there are less than 70.

More than one thousand Cambodian intellectuals responded to Pol Pot's appeal to return to the homeland to serve the people. Only 65 have survived.

Kampuchea is denuded of educated people. There are no teachers, no office workers, no cadre to man the civil and military services. Education had been abolished by the Pol Pot barbarians and the educated have been done to death.

The Maoist cultural revolutionaries were not content with the abolition of money and education. They abolished modern medicine and replaced it with the traditional system. There was no need, they crowded, for doctors or hospitals.

When a team of soldiers accompanied by a nurse reached one of the city's main hospitals, now called the

January 7 Hospital, they found nine decomposing bodies. This was the only "stock" in the hospital; there were some wild herbs too. Even the medical equipment had been destroyed as symbols of a degenerate system.

Today Cambodian hospitals have no doctors, no nurses, no medicine, no equipment. They have hundreds of thousands of the sick and dying, though.

Dead and doctors

The National Library has been ransacked. All the valuable books have been taken away. The rest were consigned to fire. The library was converted into a crockery store, and the university into a pigsty.

The National Museum too has been destroyed. All the rare relics of the Khmer civilisation were shipped out of the country. The rest were thrown into the courtyard. To please his masters Pol Pot declared that Ankor Vat temples were built not by the Khmers but by an ancient Chinese architect.

Buddhist monks were forced to disrobe and work in the fields. Pagodas were destroyed or turned into stores. Buddha's idols were thrown into rivers and fields.

The Cham nationality, which is mostly Muslim, has been nearly annihilated. They were barred from wearing their traditional dress or offering prayers. The fate of Chams was indeed the fate of other national and religious minorities.

Ending civilisation

The two thousand year old Khmer or Indo-Khmer civilization and culture had been destroyed. Had Phnom Penh not been liberated on January 7, 1979, it would, in another couple of years, have been covered with tropical forests and become the latest lost capital, the second Ankor Vat in Cambodia, or the symbol of a destroyed civilization.

Those who have escaped death and are now in Phnom Penh live as though in a dream. They move about as if in a trance, unsure whether the world around them is real or imaginary.

Pol Pot had turned Cambodia into a vast grave yard.

What Mao said

Congratulating Pol Pot on the liberation of Cambodia in 1975, Mao Tse-tung said:

"Comrades, you have scored a splendid victory. Just a single blow and no more classes. The rural communes with poor and middle peasants of the lower layer all over Kampuchea shall constitute our future."

True to Mao's behest, Pol Pot struck Cambodia like a lightning. He tried to turn Cambodia into a Chinese rice farm.

Tuol Sleng: Graveyard of Kampuchea's elite

This article, on the torture camp of Tuol Sleng in Phnom Penh, appeared in the Sept. 16 issue of New Wave.

The extermination camp of Tuol Sleng in Phnom Penh occupies an area 600 meters long, 400 meters wide. It is surrounded by a fence of corrugated sheets with barbed wires.

The Tuol Sleng prison used to be a school known as Lycee Ponhea Yat under the Sihanouk regime. Since 1970 it was known as Lycee Tuol Svay Prey....

Organization of Tuol Sleng

Tuol Sleng became an extermination camp at the end of 1975. This was one of the most important centers, if not the main center, for the torture and massacre of Kampuchean elite under Pol Pot. There were other camps which were to some extent dependent on Tuol Sleng, notably the camp of Takhmau, formerly a psychiatric hospital. ... All these camps were placed under the command of Tuol Sleng also known as "S 21", that is "security 21." They were directly under the Defense Minister of the Pol Pot-Ieng Sary regime.

The classrooms of this school were transformed into cells with the windows tightly barred. All the cells in the basement in the first floor of the four buildings were turned into small individual compartments of two meters long and one meter wide. In each classroom there are 18 such compartments. The second floor was reserved for collective imprisonment.

The prisoners were divided into three categories:

- the responsables, the high civil personalities.
- The military cadres.
- The workers, peasants, and soldiers.

These small cells were reserved for prisoners of the first two categories; prisoners of the last category were heaped up in the cells which were on the top floor of the building.

Treatment of prisoners

Almost every day the security unit dug graves of 4.50 meters long, 2 meters wide and 1.50 meters deep. These graves were reserved for the corpses of the detainees who were massacred usually at midnight.

The prisoners consisted of all strata of the Kampuchean people. *The civilians:* from simple peasants to ministers, among them were workers, technicians, intellectuals, professors, physicians, engineers.

The military: from soldier to division commanders; among them were all ranks of military units. ...

It is significant to note that women and children were also detained here. Among the prisoners were two Americans, one Australian, one Briton and forty Vietnamese. These persons were taken out of the prison in November 1978, and most probably exterminated.

From 1975 to 1976 the number of the detainees was one hundred. This number increased gradually year after year. And in 1977, the number went up to more than 1,200. In 1978 there were more than 1,500 prisoners.

The duration of detention was from 1 to 2 months, or from 3 to 4 months. The high cadres were imprisoned up to six months.

Torture

The prisoners who were detained in the small cells had one foot chained to the wall. Those who were detained collectively in the cell had one foot fettered to a long iron bar. Each bar, 6 meters long, could receive up to twenty feet.

While being imprisoned in their cells or compartments the detainees had to take off all their clothes, except knee-breeches. They slept on the floor, without mat and blanket.

Every morning at 4:30 they took off their knee-breeches so as to facilitate the search conducted by one group. After the search, there were half-an-hour gymnastic exercises, of course with one foot chained. Toilets were made on the spot in the metal or plastic boxes.

In every cell there was a regulation written on the blackboard.

(1) Speaking is absolutely forbidden.

(2) Before doing something, the authorization of the warden must be obtained.

(3) Prisoners must strictly obey the rules of discipline.

Consequently, while in bed, if someone wanted to move, he had to obtain the authorization of the warden. The detainees who transgressed the regulation would get from 20 to 30 lashes.

For showering, a water-pipe was put between the bars of the window. As soon as the prisoner just got a shower on his body, the water-pipe was taken away.

The prisoners who, by an oversight, upset the box of excrement or the can of urine had to gather all the filth, put it in place, and clean the floor by licking it with their tongues.

Denial and death

The torture of prisoners was carried out in the course of interrogations. They began by chaining the prisoners to the wall and to the table of the interrogator. The

motive of accusation was whether the prisoner had been an agent of the CIA or an agent of the KGB, or had some kind of relations with the Vietnamese.

If the victim denied the charge, the executioners went into action. They were mercilessly beaten. After some weeks, if those interrogated persisted in their denial the severity of torture increased. The Pol Pot men applied electric current to the wet body of the victim so as to intensify the electric shock. Further, they used either magneto-electric devices with high tension but weak intensity, or the domestic current of 380 volts. The electric wires were attached either to the foot or the tongue of the prisoner, or to his ears, fingers or his genitals.

Also prisoners were hung up by their feet. In this position, water, salt water or soap water were forced into their noses. There were other methods like crushing the fingers of the victim with a vise to the point that they could easily remove the fingernails with nippers. When the nails were pulled out, alcohol was poured there. There were also cases in which alcohol was poured into the eyes. Also needles were driven into the finger nails of the victims. And the prisoners were forced to drink urine, or salted water. Their heads were ducked into the box of excrement.

As a rule, prisoners who confessed as well as those who did not were all executed. Usually the extermination was carried out at midnight. They were taken away one by one with arms tied behind and eyes blindfolded, to a common grave which had been dug in the afternoon. They were taken to the grave. Then they were struck violently at the nape by an iron bar of one meter long. A certain number of prisoners had their throats cut. And more barbarous still, their bellies were disemboweled so that the torturers could get their liver and gall-bladder, which, as the Pol Pot men said, were used to make medicaments. Finally, the corpses were thrown into the grave.

In 1975 and 1976, five to six persons were killed every day. However, the tempo of massacre increased at the beginning of 1977 and especially in 1978, the year in which Pol Pot killed from 100 to 150 persons a day. Thus, from December 1975 to June 1977 the prisoners exterminated at Tuol Sleng and at Tokhmau numbered between 10,000 and 12,000 including children and new born babies.

On January 7, 1979, as they fled, the murderers, unable to wipe out all the traces of their heinous crimes, left behind piles of well-documented evidence.

Arriving at the camp, first of all one is impressed by the double or triple fence of corrugated sheet reinforced with barbed wires.

Building "A," which in 1978 housed the well-known prisoners, has in each cell a bed with iron fetters, a table, a chair. Blotches of congealed blood and clusters of hair remained on the floor. Ten soundproof cells were

"We have creatively and successfully applied Mao's thought to the realities of Kampuchea. For Kampuchea, Mao Zedong's thought is the most precious aid given by China."

***Pol Pot
July 1977***

used as rooms for interrogation of the well-known personalities.

In each small compartment there remain two fetters to chain the foot of the detainees. And the barbed wires still "decorate" the front of building "C."

There are seven bars in every window. One can find other evidence of torture: sticks, bamboo branches, cane tree branches, cocoanut branches, iron bars, whips made of electric wires, magneto-electric devices, field-telephone apparatus with buttons connected to domestic current.

There are cans of fish sauce, strings, heaps of clothes left by the dead prisoners; black military clothes, typical of the Pol Pot regime; civil clothes of men, women, boys and girls, sacks, cameras, belts, cans, mosquito nets and hammocks used by the army-men.

There are documents, lists of the detainees, lists of the exterminated, declarations of the interrogated, photos of the prisoners, and statements of the Pol Pot agents.

The number of prisoners who have survived the genocide at Tuol Sleng is very small. Up to now eight persons have been discovered, four of whom are children...

The common graves constitute one of the most convincing evidences of genocide by Pol Pot. The tortures, the massacres and the burials of prisoners were conducted within the compounds. The common graves have been found one after another. Up to now 19 graves have been identified. Many of these graves are on the western side of the camp. According to the witnesses, in general, each grave is four meters long, two meters wide and 1.50 meters deep. There are also graves of nine meters long and two meters wide. Each grave contains on an average 30 to 40 corpses.

The school is today a national museum of a grisly kind. It provides vivid documentary evidence of the Pol Pot regime's unbelievable barbarity.

II. The story of one who survived

The following is reprinted from the Indian weekly New Wave, Sept. 9.

This is the horrifying experience of Yasuko Naito, a Japanese married to a Cambodian diplomat, as told by herself before the Peoples' Tribunal constituted to hear of the Pol Pot-Ieng Sary clique's atrocities.

Yasuko Naito was born in 1932 in Tokyo, Japan, and was married to Ung Ieung, who was killed in the genocide. Her two children, Thomory and Thonony, born in 1958 and 1960, were also murdered.

I am Naito Yasuko, 47, of Japanese nationality and was born in Tokyo. My husband was Sothanlan, a diplomat working in the Ministry of External Affairs under Lon Nol.

On the night of April 17, 1975, many rockets were fired onto the city and nobody could sleep. At about 5 a.m., there was a lull in the shelling and we took our breakfast. Nothing was heard over the radio; we thought the radio station was attacked that night.

In the morning Pol Pot's tanks flying white flags rumbled into the city. The people lined up along the streets to clap their hands in welcome. We told one another, "At last, the war is over." My maid told me that a loaf of bread now costs 500 riels instead of 100 riels, and that shops were closing down. She suggested we should buy some and keep in store. I told her to buy eight loaves.

Looking through the window, I saw some Pol Pot soldiers, holding loaves of bread in their arms, and all looking very hungry. The radio then began to announce: "The Lon Nol government has been overthrown. The Khmer Rouge have taken over the city." This statement was made by Khieu Samphan. We were moved to tears spontaneously at this historic moment. We cooked our meal early and our lunch was over by 11 a.m.

'Run, hell is waiting'

Pol Pot's soldiers, using loud speakers, ordered people to get out, and fired at the houses having closed doors. For three consecutive days, the people had to register their names at Pepour and were told to leave the city immediately. The people brought with them only a few clothes as they thought they would return soon.

The soldiers urged us to hurry up. They said the

enemy was going to bomb the city. At that moment, in front of a goldsmith's shop opposite my house, I saw a man tied up to a big iron gate. He was screaming desperately. In reply to my question, he said he had refused to go because he wanted to wait for the return of his wife and the soldiers put him in chains so that he could stay there for good.

At the house of my acquaintance nearby, I heard the soldiers threatening people that they would seize everybody and throw them into the lorries if they did not obey the orders. Then we came near our house. Thomy, my second son, said he wanted to drop in to see what had happened. Earlier, on April 15, our nephew had suggested that we go to stay at their house, so we did not take lots of things with us.

Thomy, on returning said nothing had gone wrong at our house and some neighbors still remained there. We all stayed overnight at the place to see how things turn out. But my brother-in-law was worried, as he thought he might be driven out of the town with his little children in the night. So, we decided to dine early and went by car to Pephu before dusk. We brought rice, salt and kitchen utensils with us when we reached Pephu, a fish-breeding center. It was still early. On the following day, we caught some fish and salted them. There were so many mosquitoes that we had to buy three more mosquito nets, each at the price of 3,000 riels, some edible oil at 2,500 riels and six mats.

Leaving Pephu, we went along Highway 7. On our way, we met many patients who were driven out from the Calmette and other hospitals. There were patients who had been operated on only a few hours before whose cuts were still bleeding with swarms of flies around them. This sight made me think of a picture of hell I had seen somewhere. On the way, at one corner we saw a naked body of a man nailed on a door, with his chest inscription reading "enemy." Pol Pot soldiers standing nearby laughed and told passers-by to have a good look at the victim. We felt anxious about our future.

After spending a night outdoors, we were urged to walk. We came to a brick kiln, and there was a terrible stench. The next morning, some people found a number of corpses in the kiln.

The dead bodies had uniforms of the Lon Nol regime. Rumors were spreading that those families whose members had soldiers in the old regime were

killed by the Pol Pot soldiers. My eldest immediately burned his new khaki trousers.

My husband's brother wrapped up a nylon tent, a wool blanket and American tins and threw the package into the river. I turned my handkerchief into a small pocket, put my passport into it and hid it behind my back. From morning to night I had to push a cart carrying my husband and my child who was ill. After taking meal by the river side, I intended to get some water. Suddenly, people showed me dead bodies of soldiers floating in the river. Dozens of corpses were seen since daybreak.

“Hanoi ... squelched a fellow communist regime (Pol Pot) precisely for the sin of independence.”

***Henry Kissinger
Sept. 8, 1979***

Then we were transferred to Odong, allegedly to get some plots of land; a doctor, my acquaintance, who had secretly brought a syringe with him, gave my eldest son an injection. The doctor whispered into my ears, “I think he cannot make it.” About 3 p.m. on June 5, Thomory died of inflammation of the intestines. I buried him and carved his name on a tree trunk nearby.

We again left Odong, and came to a small village near Pepour as we had run out of food. We had to exchange everything for rice. A nice *saron* was exchanged for 25 tinfuls of rice. Soon, we had nothing more to exchange and became extremely anxious. Every day each family, big or small, was given three tinfuls of rice and a spoonful of salt. Here, we had to wake up at 4 a.m. and do all kinds of farm work, weeding, ploughing, transplanting....

On July 31, 1975, Thony, my second son, fell from a tree which he had climbed to pluck leaves for making a roof. I asked the village chairman to take him to the nearest hospital (as they did to a soldier 20 days before) but he refused. I went to get some herbal medicine and boiled it for him to take, but the herb was not effective. Two weeks later, my son died.

Then we went by buffalo carts to Tepentomo. Here we were given land and asked to set up our house on it. It was the second time we built our house. We had to ask other people to help as Thomy had gone and there were big trees to be cut down. My husband was made to transport trunks. Three days later, he returned with a long face. I was asked to do the job instead of him. Four days later the ulcer on my leg burst and I

experienced unbearable pain. Nevertheless I had to go on working until the wound on my foot festered. I got four months' leave.

Later, my husband was sick with malaria. He also suffered from diarrhea and malnutrition. His body swelled and he died on Dec. 19, 1975.

I became a widow. Six months later, I had to leave the place and my husband's grave for a new village called Mara. The villagers were very kind. They feared I could be killed for being a Japanese, they hid me in a Kampuchean family.

Here, I did farm work and served as a cook. The heaviest work was collecting animal dung. A group of ten women were required to clear two tons of dung every day. In early 1977, 160 people were given only 15 tinfuls of rice for each meal because of food shortage. Out of hunger, we had to eat green papaya fruit and all kinds of herbs.

On June 12, 1977, our village was cordoned off by about 100 Pol Pot soldiers and the villagers were told to stop working and not to move further than 50 meters from their houses. Five families whose members had once been to Vietnam to work, and another family, were called to prepare for a trip to Tomop.

They said goodbye to us and set off at 4 p.m. Half an hour later, the six buffalo carts which had carried them came back. The villagers were told that the six families were invited to get up and a truck was waiting for them at a place 300 meters from the village.

First massacre

On that day our village was plagued with the presence of blackclad men. We were followed everywhere we went, even when bathing. Everybody was in constant fear and the village was as silent as a church yard. There was a downpour at night and nobody could have a wink of sleep. Next morning, the Pol Pot soldiers came, returning hoes, spades and baskets they had borrowed from us. Traces of blood and human hair on these tools made us shudder.

During the next two months, there were three mass massacres of that kind. There were only 157 persons left including pregnant women or those having just given birth only two days ago. There were three graves. One for children, one for women, and another for men.

Those who were called on the second turn were people connected with the former regime: doctors, teachers, etc. Those who were summoned on the third turn were the people of over 30 years of age. I might be counted among those last ones and lived in constant fear.

On Jan. 17, 1979 I heard over the radio the liberation of Phnom Penh. All the village folk were elated. We would be able to return to our homes. We were freed from a hellish life and every body beamed with joy.

III. The destruction of Phnom Penh

The following are excerpts from the Investigation Report on the Pol Pot-Ieng Sary Clique's Crimes Against the Phnom Penh Population. The Report was prepared under the direction of Vandy Kaone, Doctor of Sociology, M.A., and Professor of Philosophy, for submission to the People's Revolutionary Tribunal held in Phnom Penh to try Pol Pot, Ieng Sary, et al., for genocide.

The first days of the arrival of Pol Pot-Ieng Sary army in Phnom Penh

On April 17, 1975, at dawn, the black-clad troops of Pol Pot's revolutionary armed forces entered Phnom Penh. Rudely awakened from their sleep by the shooting and B.40 explosions which destroyed public buildings, the Phnom Penh people came out of their houses to welcome them, applauding, jumping, smiling, so great was their joy. From time to time, these bursts of joy were interrupted by bomb explosions. Soon their jubilation was mixed with astonishment. Armored vehicles flying white pennants and carrying Lon Nol troops side by side with black clad men, passed along streets and avenues of Phnom Penh. They shouted in chorus: "It is peace. The war is over: no more fighting!" Following their example, the Phnom Penh people also waved white flags....

It was then that the order to evacuate the capital rapidly was given out under the pretext of avoiding losses in lives which might result from U.S. air attacks and the wiping out of remnants of the Lon Nol army. The ensuing bewilderment of the population was beyond description.

Furthermore, a few hours later, they discovered that those "black-clad" were cutthroats and looters. To their consternation, the latter opened fire on those who refused or were not prompt enough to comply with their orders. Others, armed with B.40s, began to ransack stores and civilian dwellings. There was no electricity at night. Phnom Penh became a dead city. No radio broadcast. From time to time, in the depth of night, explosions broke the ghastly silence. The following day, black-clad men grew still more numerous in streets littered with bodies of people recently killed. By noon-time, they started driving people out of their homes, threatening to destroy everything if the orders were not obeyed immediately. Volleys of AK.47s fired in the air

punctuated their injunctions.... all citydwellers must become farmers, only those who know how to plant rice have the right to eat and those who do not, have no reason to live. This accounts for the indirect killing of Phnom Penh people whose first trial was this hellish exodus during which more than 500,000 physically unfit met their death.

On the other hand, is not the devastation of libraries—among them, the National Library—and bookshops, and the systematic destruction of books the evidence of a deliberate effort to obliterate creative intelligence, culture, civilization, and the sciences? And this systematic destruction was carried out in accordance with a system, an ideological principle easily recognized by the world.

Right from the first day of the Pol Pot troops' arrival, the major part of the Phnom Penh civilian population saw with their own eyes how they destroyed, by B.40s, hospitals, surgical rooms, the Pasteur Institute. Patients were pushed away from their beds. Those who could not get up, nor walk, nor even move, were hauled together with their beds to the streets. Some of these were being given serum. Most of these patients died a few hours later.

On national highways along which the Phnom Penh people were driven to the countryside and outlying areas plagued with malaria, the living conditions were despairing: no food allowances nor medicines for a population deprived of everything. The sanitary conditions were shocking. Massive, dragged-out caravans of deportees, progressing at a snail's pace—one kilometer a whole morning, even whole day—trekked along aimlessly, from place to place, pressed on by the rhythms of intimidation shootings. Families then started being shattered: children got strayed off, wives lost their husbands. Moreover, they could neither begin nor finish their meals without being disturbed by these terrible rhythms.

Alongside this indescribable disarray, the "purge" of intellectuals began. For this purpose, Pol Pot resorted to a system of detection merely based on appearance. Those who looked like intellectuals, especially those who wore spectacles of myopia or presbyopia, were listed as suspects and could be arrested at once and sent to the security service. A great number of them did not return to their families. The intellectuals were all re-

garded and treated as outlaws and parasites. If a few of them managed to survive, it was because they had not revealed their real identity and had lived under disguise with borrowed names....

The purge of intellectuals practically began even as the Phnom Penh population was driven out of the capital city. It began simultaneously with the purge of the Lon Nol armymen. Pol Pot-Ieng Sary used a very simple yet unqualifiably infamous trick: dispatching vehicles equipped with loudspeakers to diffuse an urgent appeal that they needed intellectuals (professors, technicians, physicians) for the reconstruction of the country and former military men for national defense....

Those who walked along the Mekong during this long march through forests and swamps, were eyewitnesses of other killings: trains of corpses floating on the river, swept away by the current. This ghastly scene lasted several months on end.

The wretched plight of Phnom Penh people and intellectuals in deportation camps.

The population was divided into three categories. The Phnom Penh people belonged to the last one, i.e., "citizens" deprived of all rights, "war prisoners," in other words, the vanquished. They were called "new inhabitants" and treated as parasites.

The coercive system applied to the Phnom Penh population consisted in a kind of automation of men: interdiction from thinking, expressing anything contrary to the principles of the "Revolution," from maintaining inter-human contacts, from criticizing, from showing emotions and feelings, from moving from one village to another, and, from the beginning of 1977, eating and cooking (apart from boiling water) at home was also forbidden. Failure to comply with these orders to the letter amounted to thinking, and this mental activity was considered a guilty act. Any delay in implementing the order amounted to an act of rebellion liable to be investigated severely. If this continued, the suspects would be sent to "reeducation" centers and in a great many cases, it was capital punishment decided by the head of the cooperative. At home, especially at night time, husbands and wives dared not talk, lest spies and informers should denounce them. The husband would fear that his wife should let slip something about his former profession under Lon Nol, for many had lost their lives because of this kind of imprudence. He would fear that she should tell him of the petty larceny she had made the previous day (some fish, rice, salt, cassava, sweet potatoes or a few bananas for their children).

Angkar, the almighty Organization of the Revolution, always omnipresent, had its eyes and ears every-

where. It was The Terror personified. The victims, before being done away with, were usually sent away to fetch something. If in the evening, the husband did not return, his wife could be sure that he would never return. She should keep herself, above all, from crying or showing her sorrow during her working hours, for that would be regarded as an act of mutiny against the political line (Meakea) of the "Revolution," seriously endangering the "Revolution." The punishment varied with the degree of gravity: either being sent to a deportation camp located most likely in a malaria-infested area, or simply a clean disappearance. When there was public accusation, if the head of the cooperative did not mete out any punishment, he himself would disappear. Angkar was ubiquitous, indeed.

How were the sick Phnom Penhese treated? Under the Pol Pot regime, only those whose diseases were evident at eyesight such as wounds, influenza, etc. were considered as ill. Those who suffered from diseases of lungs, heart, liver, kidneys, stomach, in brief, from what was invisible, were regarded as fakes, lazybones, rebels and subject to a very close inquiry. Many of them disappeared. Those held to be hopelessly unfit were finished off and thrown into wells. Pol Pot's hangmen told their families there were so many such wells that Korean and Chinese advisers in Phnom Penh dared not drink Khmer water: they only drank coconut milk.

To the daily working hours were added extra-work called "socialist labor." Right after the midday lunch, everybody was harnessed to other jobs: planting vegetables, weeding, etc. At 1 p.m., as the bell rang, the ordinary work called "fundamental work" ("Kar Snaul") resumed. At 5 p.m., the "fundamental work" being suspended, they were shifted to "socialist work" till dusk. After a quick bath, they were allowed to dine. When there was too much to do, especially in the transplanting season, some had to work till 10 p.m., sometimes 11 p.m. Those women who had unweaned babies to nurse suckled them before going to bed, utterly exhausted. At 4:30 a.m., the dreadful bell resounded all over the village. All the Phnom Penh survivors, even now, still shudder when they happen to hear something resembling that sinister bell.

There were practically no days off. The so-called holidays were devoted to indoctrination, to brainwashing, if not to other work even harder than in week days. So, holidays were undesirable and even abhorred....

All this had its origin in Maoism and the political principles preached by the Peking leaders who wanted to turn Khmers into rice-producing machines which consume no fuel and not too much rice.

Spying organization and system based on the principle of "Angkar's omnipresence"

Judging from his coercive system, Pol Pot was firmly resolved to systematically wreck the former feudal and

capitalist society as well as the ancient Khmer family. The new society will be one peopled by automatons which he can handle at will. The division of the population into three categories was designed to sow dissension between Khmer citydwellers and other citizens. All relations between these three categories of "citizens" were forbidden, gatherings were absolutely banned, talks between two or more people closely spied on. Denunciation was encouraged with rewards. Children were taught to spy on and denounce their parents. In other words, Angkar made everyone distrust everyone else so that they entertain adverse feelings for each other. This famous Organization of Revolution of Pol Pot sowed panic and spread division among the population. The slightest manifestation of unity to oppose this policy was savagely repressed. In Koh Phâl, Kompong Cham, a general uprising started by Malyans ended up in a bloodbath: the whole village was massacred by Pol Pot.

Repression against old people, women and children

(a) Pol Pot did not want women to be with child, because they constituted the main pillar in agricultural production. Any request for a childbirth leave deemed

too early was very ill taken and the requester would see her daily ration severely reduced. Tormented by hunger, the expecting mothers would make up their mind to go to work again. If such indispositions as vomitings, fatigue . . . became too frequent, they would be sent to the hospital. They would implore their team leaders then to allow them not to go there. Their husbands would be authorized to see them only two or three times a month. . . . Very few men were given the favor to work in a village within reach of their wives. For this, they must work as servants to mighty people in the village. Those poor pregnant women lacked everything: no special diet indispensable for the on-coming baby's health, nor affection, nor comfort. Some of the husbands were driven to commit illicit acts in order to alleviate their wives' plight. . . . In many cases, the culprit simply disappeared: the penalty depended on the local authorities.

One month after delivery, the baby's mother must resume work. Any delay would get her frowned upon for lack of determination in her role as 'revolutionary.' It goes without saying that under such conditions, the newborn was far from having a good health. According to a study of Doctor Nuth Savocun on the matter, the intellectual future of Phnom Penh children born under

The Chinese connection

Among other items, the "Indictment of the Pol Pot-Ieng Sary Clique" for crimes of genocide for the August tribunal documented the role that China played in encouraging the butchery in Kampuchea. Following are excerpts.

... Deprived since the very beginning of all popular support, and faced with growing opposition by the people, they relied on the support of external reactionary forces, first and foremost the reactionaries in Peking in order to build up and maintain their dictatorial rule. At a press conference on October 3, 1975 in Peking, Pol Pot admitted that as early as 1960, he and his clique had relied on "Mao Zedong's works" to oppose the line of genuine revolutionaries and to impose their own reactionary line.

In the nearly four years of their rule (1975-1979) Pol Pot-Ieng Sary advanced their theory of "100 percent high-level Socialist Revolution" "the Revolution with big leaps forward, big progress, big marvels," with a view to "building a country without cities or countryside" which means in fact the abolition of cities, concentration of the population in collective cooperatives,

without markets, money, schools, postal service. All social and familial links and all human feelings were done away with. (Documents on the present situation in Kampuchea No 2.5.01). This line was encouraged and lavishly praised by Mao Zedong: "You comrades have won an amazing victory. You have got rid of all classes at one blow. People's communes in the countryside with poor and lower-middle peasants everywhere in Kampuchea, therein lies our future." (Talks between Pol Pot and Mao Zedong, June 1975. Archives of Angkar Party Central Committee—Excerpts from a pictorial: the People's Republic of Kampuchea.)

The Pol Pot-Ieng Sary policy of mass killings directed against many social strata, the policy of repression carried out in "people's communes," of atrocious internal purges and instigating conflicts with neighbouring countries ran up against the opposition of our people. World opinion also angrily condemned them, but the Peking authorities lauded and encouraged them as best as they could. Hua Guofeng declared: "You, comrades, are skillful not only in eliminating the old world, but also in building a new one and you have

the Pol Pot-Ieng Sary regime has been impaired for good, as well as that of those who are now below 15 years of age.

(b) The old people underwent a slow, piecemeal death: Angkar made them toil hard, disregarding their decaying health and physical force and gave them a starvation diet.

(c) "Children are the pillar of this new society," claimed the Pol Pot clique who, in fact, gave them some privileges over the adults and aged. These privileges, however, must be justified by their effective endurance in labor, the quantity and quality of their work. Angkar made them toil not only as hard as grownups, but even harder: they had to build dikes, cut ditches, open trails under the scorching sun, without flinching. Many succumbed from delirious fever and in their rare moments of lucidity were, nonetheless, aware that they were expertly exploited. Sent to build huge dikes in malaria-infested out of the way corners, every evening, they would cry silently in their huts battered by rain and storm, thinking of their parents, in particular of their mothers to whom they had no time to bid farewell before their hasty departure.... They wanted to send letters to their parents but could not because they did not know how to read nor to write.

Inhuman treatment of intellectuals

Phnom Penh civilians, especially intellectuals, were closely watched during working hours as well as in their daily life. They were considered undesirables, culprits, and so to speak, death convicts on probation. In Pol Pot's eyes, the intellectuals were the incarnation of the exploiting class and, consequently, corrupted beings by nature and evildoers. The authorities of every village, every khum, could dispose of them whenever they felt like. In Prek Krâk (Srok Stung Trâng, Kompong Cham), Mr. Chan, a former teacher, and many other civil servants including a former rummer, and large numbers of students, were, all in one day, killed with axes on boats ferrying them to the middle of the river. This crime followed an urgent order from the superior quarter noticing that intellectuals still infested the country. It applied to every head of a cooperative a quota of 15 convicts. This formal order must be executed under the eyes of the Organization inspectors.

Physical tortures were commonplace. They were made to draw ploughs and harrows in the fields in the place of buffalos and oxen, which, in the rulers' eyes, were more useful to the Revolution than those city-dwellers who ate much and sought to work the least possible. ...

won important victories in smashing the subversive and sabotage plot of enemies inside and outside the country."

In the course of his visit to China, Pol Pot also declared: "We have creatively and successfully applied Mao Zedong's thoughts to the realities of Kampuchea. ... For Kampuchea, Mao Zedong's thoughts are the most precious aid given by China." (Statement at the reception on September 28, 1977—Document No 2.6.04).

With Chinese aid, Pol Pot-Ieng Sary increased their repression of the people in 1976-1977. Witnesses said Chinese advisors were present at certain places where massacres took place (documents No 2.3.5.01; 2.3.5.02). But the more repressive they became, the more they met with popular opposition and were driven into an impasse. At a session of the Standing Committee in May 1978, they had to admit: "the situation is still bearable, but we have already suffered partial losses, if this continues we are threatened with collapse" (Document No 2.5.26).

Faced with this situation, they had to rely even more on the reactionary authorities in Peking. To help them rapidly increase their troop strength from 70,000 to 130,000, Chinese supply of arms and war materials, by air and by sea was stepped up.

Since 1978, parallel to Chinese open hostility to

Vietnam and with Chinese encouragement, Pol Pot-Ieng Sary intensified their war of aggression against Viet Nam (Talks between Chinese leaders and Son Sen, Pol Pot's Defense Minister, during the latter's visit to China in October 1978). ...

In a talk with Hua Guofeng in their September 1977 meeting, Pol Pot said: "In the present circumstances, if a powerful offensive is made by the revolution in Southeast Asia, this will result in an improvement of the situation and we will be able to resolve our problems. We have exchanged views and reached agreements with our Burmese, Malaysian, Indonesian and Thai friends. This is a very important political line. Although many complexities still exist, since we have Chinese support in the North and have achieved in the South unity, we have a strategic beacon which greatly encourages us. We feel now even more secure than before thanks to our Chinese friends." (Excerpts from Pol Pot's statement in the Kampuchea-China talks on September 29, 1977.)

After he was overthrown on January 7, 1979, Ieng Sary was repeatedly sent to Peking by Pol Pot to discuss with the Chinese reactionary authorities plans to oppose our people.

It was absolutely forbidden to keep and moreover to read books of the ancient regime.

On the other hand, if by inadvertence, an intellectual used some French or English term, he was jeopardized seriously. His parents and friends were then on tenterhooks, expecting the worst, till the Khum authorities sent for the culprit to dispatch him to an unknown destination from where he never returned.

Crimes perpetrated in Phnom Penh under the Pol Pot-Ieng Sary regime

The annual gross production of paddy in the 1975-1976 rice planting campaign is estimated at 3.36 million tons and the diet of porridge plus three months of cooked rice accorded to the less than 6 million inhabitants, gradually reduced to 5 million, is far below 1.2 million tons, for 1.2 million tons for 6 million inhabitants would amply cover the consumption at home with a yearly quota of 1 ton for every five inhabitants. Where did the remaining 2.4 million or at least 2 million tons of Khmer rice go every year? What kind of trade with China is this, with, as importation, two Chinese bicycles per village, even per district... The part allotted to the Khmer population in 1975-1976 is estimated at only 600,000 tons, i.e., 1 ton for 10 inhabitants per year; 500,000 tons in 1976-1977, and 400,000 tons in 1977-1978. And the Khmer population was steadily reduced from 6 to 4 million in a four-year period. The birth rate under the Pol Pot regime was insignificant, since often children were born only to die a few days later.

In 1976-1977 and 1977-1978, the exportable volumes varied from 2.14 million to 1.76 million tons, while according to documents discovered by us, China demanded at least 480,000 tons and at most 625,000 tons for 1977. Unquestionably, the difference constituted an important reserve to prepare for the big-scale offensive against Vietnam and Laos. Unfortunately, on his departure, Pol Pot brought along with him part of these stocks and destroyed the remaining part together with almost all the economic infrastructure. Phnom Penh people who came back home could see huge stores of rice burning for weeks. According to their estimate, those stocks of rice destroyed would suffice amply for the consumption of 4 or 5 million inhabitants at home for two years...

Accustomed to their despotic rule, the Pol Pot clique could not quell that smoldering rebellion of the population... A dangerous disorder impelled them to take other parallel measures: eliminate the "rough heads." These measures were far from being politically efficient but boomeranged instead: the orders were not carried out... By the end of 1978, the superior authorities, exasperated by their own powerlessness, ordered their cutthroats to massacre all the population. Realizing that more than 90 percent of the population were

waiting for the propitious moment to coordinate their actions with the Front for National Salvation, Pol Pot ordered to dig immense common graves all over the country and conduct mass-killings in every village. (In Prek Kâk, Kompong Cham, only seven families, deemed unconditionally faithful to the regime, were spared.) It was widespread terror. In every village, there were talks about a secret decision of Pol Pot: "They are going to replace the Khmer population by millions of Chinese." This was confirmed more and more with every passing day. In fact, those ditches dug everywhere began to be filled up with corpses. Most terrifying was that one dug in the Stung Trâng pagoda (Kompong Cham): over 5,000 bodies were buried there... In "DawnMoine" (Prêk Kâk village, Srok Stung Trâng), the instruments were discovered before the crime was committed and Chim, chairman of the Srok Committee, suspected organizer of crimes of this kind, was arrested by the local people already enjoying the protection of the Front of National Salvation. However, in other villages, those crimes were carried on at an accelerated tempo. The order was explicit: wipe out in time those people who were going to overthrow the regime with the moral support of the Front of National Salvation...

Prey Veng province is now almost empty: not a living soul. In the sewers of the market, skulls and bones were discovered: as a matter of fact, this market had been turned into a torture center under the Pol Pot regime.

Conclusion

... After more than three years, Phnom Penh has changed beyond recognition: heaps of garbage and rubble, rampant vegetation, destroyed public buildings, wrecked religious monuments. Water lacking, carcasses of vehicles littered the streets or lay abandoned in halls. Countless cars and trucks still usable disappeared. One wonders where they are gone. In libraries, books were scattered everywhere: more than half of them were lost or rotted in the gardens...

With a superhuman effort, the Government of the Front of National Union for the Salvation of Kampuchea has been gradually reactivating the public services: hospitals, ministries, and different public offices. Several thousands people are authorized to live in the city to take part in this task of reorganization. They are technicians and former functionaries called in, in urgency, for the purpose. Hospitals are still lacking in adequate equipment and medicines, especially antibiotics. Only a few factories have begun to hum... Almost all the means of transports and telecommunication are unusable, in brief, all the economic infrastructure is destroyed by the Pol Pot-Ieng Sary clique.



IMF will be dumped: France

U.N. the scene of battle over 'conditionalities' policy

In a press conference at the United Nations Sept. 26, French Foreign Minister Jean François-Poncet publicly acknowledged for the first time that the European Monetary System is slated to replace the International Monetary Fund, despised by the developing sector and its allies in Western Europe for its insistence on economic austerity—"conditionalities"—as the precondition for credit. The EMS is currently "a means of settling accounts between central banks," stated François-Poncet. "It does not," he continued in response to a question by the *Executive Intelligence Review*, "have as yet another dimension. But the objective is to give it such a dimension in the future."

François-Poncet's unprecedented directness about Europe's intentions to use the EMS as an agency for the development of the Third World in place of the IMF has defined what is emerging as a major fight at the 34th U.N. General Assembly. The issue—as it was in 1976 when Guyanese Foreign Minister Fred Wills called on the General Assembly to back an international debt moratorium—is the new world economic order. The difference between now and 1976, when Wills's call went unheeded, is the intensified commitment on the part of a number of key Nonaligned countries, in the wake of the recent Nonaligned summit in Cuba, to achieving in coordination with the industrialized West a new monetary system capable of supplanting the IMF. As one of the prime movers of the EMS, France is crucially situated in these efforts.

Both Britain and the U.S. Carter administration, backed by Peking, are determined to block the moves at the U.N. to consolidate both the new world economic order and a viable alternative to the Camp David Middle East "peace" fiasco.

This was evident from the start of the session. With the opening of the General Assembly, a raging fight broke out over the question of seating a the representative of the butcherous government of Pol Pot. At the heart of the issue was the new economic order vs. IMF question, with Pol Pot's bloody Dark Ages policies for Kampuchea reflecting not an isolated case of lunacy but the successful, to-the-letter implementation of the

IMF-style austerity dictates currently being demanded of many developing sector economies.

The two-to-one decision by the General Assembly to seat Pol Pot after long hours of heated debate was indeed a giant step backward by, in large part, the Nonaligned countries. Strongarmed by China, the U.S., and Britain, the Nonaligned broke ranks, with many abandoning the position that they had held at the Havana Nonaligned summit that the Kampuchean seat should, at minimum, be kept vacant.

Despite this setback, the fight for a reshaped monetary system is far from over.

Speaking on the second day of the General Assembly debate, Jordan's King Hussein gave a toughly worded—and widely praised—address that linked his rejection of the discredited Camp David accords and his search for a comprehensive settlement to "the cause of the new world economic order, the cause of détente, the cause of those who are struggling against colonialism and international domination, the cause of economic progress."

French Foreign Minister François-Poncet, in his press conference, threw Europe's weight behind King Hussein, lauding the Jordanian ruler's speech as "eloquent" and "forceful." François-Poncet backed up the specifics of King Hussein's stance by stressing the necessity of the inclusion of the Palestine Liberation Organization in a Middle East peace settlement.

European support on the crucial Palestinian question was originally brought up by Ireland's Foreign Minister Michael O'Kennedy, who also spoke on behalf of the European Economic Community. "In the view of the Nine it is necessary that [Security Council Resolutions 242 and 338] be accepted by all those involved—including the Palestine Liberation Organization—as the basis for negotiations of a comprehensive settlement in which all the partners will play their full part," O'Kennedy said.

Arab delegates, including the PLO, voiced their satisfaction with O'Kennedy's statements, which were blacked out of much of the U.S. press, including the *New York Times*. Irish spokesmen, who had briefed the

press on the significance of O'Kennedy's statements on the PLO issue, were angered by the fact that these statements were deliberately and systematically ignored by the *Times* and other papers.

Coming 24 hours after Secretary of State Cyrus Vance's speech, King Hussein's speech drew the battle lines for the General Assembly fight: new world economic order and Middle East peace. It was a sharp rebuff to Vance, who in his address had called upon Hussein to join the Camp David process. In his intense efforts to undercut the efforts to consolidate a new world economic system, Vance also expressed nothing but pessimism over the General Assembly's moves to

resolve international economic inequities and related problems, cautioning that "progress is not inevitable."

Vance's statements were echoed by Lord Carrington, Britain's Foreign Secretary.

Soviet Foreign Minister Andrei Gromyko stressed what the stakes are at the U.N. Focusing on the danger of war, Gromyko made it clear that the Anglo-American economic perspectives, the Camp David accords, and the use of the China card increase the danger of war. The world must have peace, he stressed, if the problems being addressed by the General Assembly are to be solved in accordance with reason.

—Nancy Coker

France's François-Poncet: EMS to replace the IMF

In his Sept. 26 address to the General Assembly, French Foreign Minister Jean François-Poncet made it clear that France is taking no back seat in international policymaking, particularly in the quest for the establishment of a new world economic order and a durable Middle East peace. Standing firmly behind the statements made before the General Assembly by Jordan's King Hussein, François-Poncet called for the involvement of the PLO in the peace process and appealed to Israel "to cease insisting on exclusions" and deal with the PLO.

Even more noteworthy than his speech was François-Poncet's press conference at the U.N., held just prior to his address. When asked by Executive Intelligence Review if Europe—in particular France—is working with the developing sector to consolidate the European Monetary System as a vehicle for the industrial development of the Third World and the dismantling of the International Monetary Fund, François-Poncet acknowledged that "the objective is to give it such a dimension in the future." This statement marks the first time that a European government official has publicly acknowledged that the EMS is indeed perceived by Europe as a key weapon to break the IMF's grip on the developing sector. Excerpts of the press conference and of François-Poncet's speech to the General Assembly follow.

François-Poncet began his press conference with the following statement:

Our priorities are very clear. One is poverty, which has become—is becoming—a major problem in the world of today.... This means a major challenge to the indus-

trialized and to the developed world. This challenge must be met.

Priority number two is energy—energy as a key to economic growth and progress. In that respect, I insist on what I consider to be a very important decision taken at Tokyo.... The industrialized nations of the world have committed themselves to base their future growth on energy that will not come from imports of oil. This is very important because we all based our growth in the past on greater amounts of oil purchased on the world market. The impact of this is that the remaining and hopefully increased production of oil can go to the developing nations who do not have, as do the industrialized nations, the technical and scientific possibilities to develop as quickly alternative sources of energy. For instance, my own country, as you may know, is engaged in a major program of development of nuclear energy, which will lead us in 1985 to produce 50 percent of all of our electricity from nuclear sources. And this enables us to forecast a fairly rapid growth without increase in oil imports. This means that there is a big step towards the beginning of a possible consultation between the industrialized countries and the developing countries.

In the question period following François-Poncet's introductory remarks, Executive Intelligence Review asked the following question:

At the recent Nonaligned summit in Cuba, the Nonaligned called for the speedy establishment of a new international economic system to replace the IMF. In this light, it appears that Europe's—in particular France's—efforts to remonetize gold as Phase II of the European Monetary System set the stage for cooperation between Europe and the developing sector for the establishment of a new monetary system centered around the EMS. To what extent is Europe, and France in particular, working with the developing sector to

consolidate a new monetary system committed to the industrialization of the Third World and committed to putting an end to the kind of austerity conditionalities demanded by the IMF? Secondly, in your opinion, what could the U.S. do to help facilitate the consolidation of the EMS as the vehicle for the industrialization and development of the Third World?

François-Poncet's response follows:

That is a very interesting question. I would say, one, we are indeed—you are right on this—dedicated to the industrialization of the Third World. And we are well aware that at this stage there are a certain number of financial blocks or obstacles on the road to industrialization. Some of those countries are heavily indebted. This is, I think, one of the major problems of the years ahead of us. Two, what can the European Monetary System do in that respect? Quite frankly, little as yet, if you are going to be serious about it. The European Monetary System is coming into being at this stage, as you may know. The ECU, which is the unit, is in use only between the central banks. It is a means of settling accounts between the central banks. It does not have as yet another dimension. But the objective is to give it such a dimension in the future. So, I am saying in regard to the vision that you were expressing that this might be the case; we will see; it might become the case. But I think today it would be unrealistic to say so.

Now, what can the United States do to help the EMS? One, wish it well! I understand this is the case and I'm happy that this is the case. I think it is a very reasonable attitude because the EMS is one of the elements that can stabilize the world economic system—not the only one—and of course it will be a big help if the stabilization of the dollar were added to it, because obviously the instability of the dollar has repercussions within the European Monetary System, not to the extent that it has created tensions that have disturbed or prevented the European Monetary System from working. And the important element since it has been created is that it works in a difficult monetary environment. I would say that it is already a first—maybe modest—but a first success.

The following are excerpts pertaining to the Middle East from François-Poncet's address to the General Assembly:

1. A review of the situations of crisis and tension that persist in the world shows that these fall into two categories. Some situations are linked to the process of decolonization of which they are an anachronistic survival. This is the case with Namibia and Rhodesia. Others result from military *faits accomplis* and should be neither endorsed by the peoples concerned nor recognized by the international community. I refer to the Middle East and Southeast Asia.

However, in all these instances, the crisis situation can be attributed to the fact that deeply rooted realities are being ignored or misperceived; that needed changes—needed because they are natural and legitimate—are being opposed or blocked; and that in some quarters the mistaken conviction that “might makes right” still persists....

On the subject of the Middle East, I come to a conflict that is quite different. It is as old as our organization. Thirty years have elapsed and with them how many hopes unfulfilled and paths vainly explored to find the key to peace!

My country makes no claim to define a new framework for negotiation or to devise some new procedural skill, after so many other countries. That is not where the problem lies: there has been too much passion and too much suffering to hope to be able to build peace on ambiguity.

Here again, what is needed is recognition of the realities instead of escape from them, tackling the problems, not evading them.

The realities in this case are:

- the right of the Arab states to recover their territorial integrity;
- the right of the Palestinian people to a homeland;
- and the right of all the states in the area, the Arab states as well as the state of Israel, to live in peace within secure, recognized and guaranteed boundaries.

These three principles form a whole. They cannot be dissociated without being forsworn; they are valid for all the parties concerned, including—as the Nine have just stressed—the Palestine Liberation Organization.

This presupposes that both sides make the effort to look the facts in the face: these two great peoples, the people of Israel and the Palestinian people, will not be able to postpone indefinitely the moment when they recognize one another. It will be necessary to enlarge the dialogue, to cease insisting on exclusions; all the protagonists must agree to talk to each other. Certain indications lead us to hope that the time is approaching. France is following the situation attentively and will make every effort to see these signs multiplied because they point toward the only real path of peace.

In speaking of peace in this area of the world, I also have in mind Lebanon, which has so many ties to my own country. In recent months Lebanon has been the object of attacks whose repetitive and excessive nature prompted the Security Council to convene. France condemns these attacks which strike at the unity, independence and territorial integrity of Lebanon. They affect the Force sent by the United Nations to the southern part of the country; they put in jeopardy the very existence of one of our organization's member states.

Jordan's Hussein: Peace equals development

Perhaps the most remarkable speech delivered at the United Nations thus far was that by King Hussein of Jordan. Not only did Hussein flatly and with no equivocation rule out his participation in the Camp David accords—a commitment that won admiring comments on the Jordanian monarch's speech by the Syrian and Palestinian delegations—but he also went a step further. Stressing "the substance of peace, not the form," Hussein concluded his speech by stating: "The cause of peace is inseparable from the new world economic order, détente, the fight against colonialism, and economic progress."

He outlined Jordan's belief that the improvement of relations between Western Europe and the Arab world was critical to resolving the overall crisis in the Middle East. That, he said, could only be accomplished by a comprehensive settlement that involved the entire world community, including the Soviet Union, and which took account of the Palestine Liberation Organization. Jordan and the PLO, he stressed, maintain excellent relations.

On the same day as his speech, Jordan established diplomatic relations with Cuba. More than anything else so far, the Jordanian speech and its implications underscored the extent to which the Anglo-American bloc has become isolated from the dominant international current. Excerpts of the official U.N. account of King Hussein's remarks follow.

There was a growing international conviction, even among the industrially and technologically advanced nations, that the world must rectify existing economic relationships and seek a new pattern of international economic interaction based on equity, co-operation and equal opportunity, continued King Hussein of Jordan...

Jordan was for world peace, he said. It stood for the new international economic order in all its manifestations. Jordan was viewing the entire world as an indivisible unit with regard to resources, aspirations, peace and the solution of problems, and for placing the resources of humanity at the service of progress and enlightenment for all mankind.

The cause of justice in the Middle East had been making continued progress, King Hussein said... "Western Europe is overcoming the effects of Zionist control both in the mass media and in national parliaments." The European mind had been opened to the realities of the situation in the Middle East and to the

aspirations and sufferings of the Palestinian people...

King Hussein of Jordan continuing said: "Until this very moment, no statement has been made by the Israeli government to the effect that Israel accepts the right of self-determination for the Palestinian people—even within a framework of reciprocal peace and security—or that Israel commits itself to withdrawal from the occupied territories in the context of a comprehensive settlement leading to mutual guarantees."...

Playing with words would not solve the problem, he said. Israel must withdraw from the territories it occupied in June 1967, must respect the right of the displaced Palestinians to return to their homeland and must stop its denial of the Palestinians' right to self-determination, including the right to establish an independent state if they so wished. Jordan, together with the other Arab countries, stood behind the Palestinians in demanding this right...

Continuing, King Hussein of Jordan said his country supported any sincere international efforts to achieve a just and comprehensive settlement, and had cooperated with such efforts, within its announced principles, from the very beginning. But the agreement between Egypt, Israel and the United States—the Camp David Accords—resulted in "what we perceive as contrary to our national interest, to the interests of the Palestinian people and to the interests of the Arab world."

He emphasized two points. First, the occupied territories were indivisible. They were all subject to the principle of the inadmissibility of the acquisition of the peoples' territories through the use of force. The West Bank and Gaza were no different from the Sinai or the Golan Heights. As the heart of Palestine and the homeland of the Palestinians, the West Bank was not subject to bargaining. There could be no meaning to any international settlement if it left the future of the West Bank and Gaza vague or applied to it a status at variance from that which applied to the other occupied territories. The "Israeli theory of autonomy" for the people but not the land was unacceptable.

Second, he said, Jordan did not accept the role of assisting the Israeli occupation authorities in the West Bank while Israel made daily claims to ownership of the land and refused even the possibility of the alleged "autonomy" eventually evolving towards sovereignty and independence for the people of the occupied territories within their own homeland. Jordan was not prepared to accept from the occupying authorities any vague international formulas designed to gain time while planting the land with settlements and postponing the difficult basic decisions through recourse to tactics aimed at preventing world public opinion from exercising moral and political pressure to end the occupation.

"I would like to emphasize," he said, "that the destiny and the future of this area cannot be decided in the absence of the concerned parties, foremost among

them the Palestinian people, or in the absence of the rest of the international community. Developments have led us to believe that the United States by itself cannot exert a constructive influence in achieving a just settlement and the establishment of a durable peace as long as its policy is committed to supporting Israel by all political and material means and by supplying armaments, while Israel persists in refusing total withdrawal and the recognition of the legitimate national rights of the Palestinian people on their national soil, as well as respecting the rights of all States in the region to live in peace and security.”...

King Hussein of Jordan, then stated: “If the Israeli forces withdraw completely, then the world community can arrange a smooth and lawful transfer of authority and responsibility to the people of the occupied territories—those living there now as well as those who belong there—through internationally recognized and voluntary means.”...

If the world community accepted those basic principles, which were indispensable for a just peace, then the way would be open for their implementation in a reasonable and appropriate manner. The Arab parties had in the past accepted the idea of an international conference in which the Arab parties would be represented by a unified delegation under United Nations auspices. During the past months, he had personally called for taking the problem back to the Security Council with the purpose of agreeing on a formula for implementing these accepted principles which should underlie a settlement. They were also ready to consider suggestions “from any quarter” with regard to the implementation of a just settlement, so long as they abided by the principle of withdrawal and an equitable solution of the Palestine question. The United Nations, its Charter, its flag and its successive resolutions, were the natural framework for the achievement of the comprehensive settlement.

The Arab countries today had sufficient confidence in themselves to consider all suggestions and ideas leading to a just peace. They were fully capable of consultations and co-operation among themselves as well as with the rest of the world for the achievement of peace. The Palestine Liberation Organization (PLO), through its international activities and announced positions in recent months, had proven that it wanted to participate, in the name of the Palestinian people which it represents, in steps leading to a just peace.

Jordan was cooperating in good faith with the leadership of the PLO and with the rest of the Arab countries.

“Our cause,” said the King, “is inseparable from the cause of the new world economic order, from the cause of détente, from the cause of those struggling against colonialism and international domination, from the cause of economic progress.”

Secretary Vance: 'Progress not inevitable'

In a speech that shocked many United Nations delegations for its blunt and unequivocal pessimism, U.S. Secretary of State Vance told the General Assembly that the problems facing the world may not have solutions. Rapid technological development—too rapid, Vance implied—as well as food shortages, the energy crisis, environmental problems, and the threat of World War III may overwhelm the human race in the next decade. Although “progress is possible,” intoned Vance, it is by no means “inevitable.” Ignoring the European and Nonaligned calls for reshaping the world monetary system, Vance sent instead an unmistakable signal. The U.S. will demand an expansion of the International Monetary Fund and the World Bank, he said.

On international diplomacy, Vance took a similar position of refusing to negotiate. He insisted that the discredited Camp David accords are the only basis for settling the Middle East conflict, for instance, and he said that the southern Africa crisis must remain in the hands of the British Government.

Again and again, Vance urged the delegations to be “realistic,” to dampen their expectations, and to avoid rancor. “We must resist the voices of international confrontation.... We must not react now in frustration, and unleash a spiral of rhetoric which can dampen rather than resolve our divisions.” But, said many delegates, Vance’s speech indeed creates legitimate grounds for frustration.

Mr. President:

We meet in this General Assembly on the threshold of a new decade.

It will be a time of complex challenge ... a period in which, more than ever, cooperative endeavors among nations are a matter not only of idealism, but of direct self-interest.

The decade now drawing to a close has been characterized by rapid change—far-reaching and fundamental.

- Awesome technological developments are all about us.
- The assertion of national independence has reshaped the political geography of our planet.
- Within nations, we see an accelerating rise in individual economic, political and social expectations.
- The unrelenting hostility of the Cold War has given way to a more complex relationship between East

and West, with elements of both competition and cooperation.

- The simple notion of a bipolar world has become obsolete. Increasingly there is a profusion of different systems and allegiances, and a diffusion of political and military power.

- The world economic order is also undergoing inexorable transformations. Many nations, formerly among the disadvantaged, now are achieving global economic power. Economic interdependence has become a daily reality for the citizens of every nation.

These sweeping changes have, for the most part, worked in constructive directions—changing lives for the better and opening new possibilities for collective effort and creative diplomacy.

But while these developments demonstrate that progress is possible, they by no means demonstrate that it is inevitable. I say this for two reasons.

First, in a number of areas, the pace of current progress is dwarfed by the scope of coming challenges.

The next decade will decide whether we have the collective wisdom and the common will to surmount a series of imposing and interrelated problems which must be dealt with in a comprehensive manner.

- The need to develop new forms of energy will pose a continuing challenge. We have entered the difficult transition from a petroleum economy to one based on other forms of energy.

- Even without this added burden, we face an imposing task in providing for the basic needs of people and in narrowing the combustible disparity between wealth and despair. The food shortage facing developing countries, for example, was 12 million tons in 1975. It could be 70-85 million tons by 1990, unless productivity rises sharply.

- We must strike a decent balance between the burgeoning demands of more people for a better life, and the inescapable reality of a fragile environment.

- Such prospects carry the seeds of future discord. As these seeds ripen, and the growth and spread of weapons continue, regional conflicts become all the more dangerous—in their toll of lives and resources and in the heightened risk of wider confrontation.

- And despite our emergence from the days of unrelenting hostility, the East-West relationship can deteriorate dangerously whenever one side fails to respect the security interests of the other.

Our ability to meet these tests depends on a second issue: Will we confront such challenges together, and benefit together? Or will we let adversity divide us, and thus conquer? I must be frank to say that I am not sure what the answer will be....

North and South have made progress on financial, trade and commodity issues—far more progress than has been acknowledged. Agreement has been reached on a sharp increase in the resources of the International

Monetary Fund. Lending by the multilateral development banks has increased. Expanded trade opportunities have been opened by the recently concluded trade negotiations. We have moved ahead on other matters such as international debt and a common fund for commodities. We should recognize such progress, and build on it....

Beyond the search for peace, a second responsibility we share is to be sensitive to the international consequences of our national economic decisions, and resist the temptation to solve our economic problems at the expense of others.

The imprudence of economic nationalism has been harshly demonstrated in the past. The world depression a half-century ago was spread, deepened and prolonged by a wave of protectionism. That memory has spurred us towards a new multilateral trade agreement intended to open markets and keep them open, even in a time of economic strain.

Today, let me address one of those issues which most clearly reflect the direct connection between national decisions and global consequences. That issue is energy. In almost no area is the need for common action more apparent or more urgent. It is an issue which now threatens to divide us, economically and politically. In a future of greater scarcity, these divisions could weaken the fabric of international comity which this organization embodies....

Until the 1970's modern industrial economies operated on two basic assumptions, which also governed relations between oil importers and exporters—that oil is cheap and that supplies are unlimited. Now all nations realize that these assumptions no longer hold....

To meet this commitment to a better life for all peoples, we must each strive to move the North-South dialogue beyond grand themes and on to specific cases—to priority areas in which practical development goals can be met. Let me discuss in this connection our efforts toward a goal we should adopt as a matter of simple humanity: that by the end of this century, no person on this bountiful earth should have to go hungry.

Last year, I noted that we must not be lulled by good weather and plentiful harvests into losing our sense of urgency.

Since then, poor harvests in a number of countries have substantially increased the international demand for food. This situation underscores the need to accumulate adequate stocks to support world food security....

If new global negotiations are to succeed, their participants must be realistic about the political and economic capabilities of each other. We must assign priority to those issues on which concrete results are possible. And we should avoid duplicating the work of existing institutions. In this way, the negotiations could help build a global consensus for action....

Lord Carrington: Lament of an oligarch

Unlike America's Cyrus Vance, Britain's Lord Carrington—although sounding the same themes as his U.S. colleague—spoke with the worldview of a seasoned British aristocrat. As the following excerpts show, with every sentence, his contempt for the United Nations itself and for the dozens of delegations from the Third World permeates his remarks. He ridiculed the U.N. as a "talk-shop"—in fact, he blurted, "That is what diplomacy is all about; 'jaw, jaw, not war, war,' as Winston Churchill said." In a rambling discourse that dwelt at length with the crises in the Middle East, southern Africa, and so forth, Carrington consistently sounded Cold War themes.

But Carrington was most explicit in opposing the thrust from the member-nations of the European Monetary System and the Nonaligned for a new world monetary system. "We must all guard against the creation of new bodies whose primary function is the exchange of rhetoric." The meaning of his remark was not lost on his audience. Even more than Vance, Carrington sounded the firm opposition of the Anglo-Americans to virtually the entire rest of the U.N. membership. Perhaps the Chinese and Israeli delegations applauded.

...I represent a Government which is determined to avoid mere rhetoric, both in what it says about its domestic policies and in the conduct of its overseas relations. Words count, obviously. But they only really count when they are linked to reality and when they can be translated into action. Sometimes when I read United Nations resolutions, I cannot escape the wicked thought that they are more inspired by rhetoric than reality. If progress is to be made in solving the world's problems, it will be by realistic discussion leading to realistic action. However glittering the oratory, it can only be a means to an end...

There were 51 founder members of the United Nations. Now there are 152. Last week we welcomed Saint Lucia, formerly a British territory, as the 152nd member. I congratulate the Government and people of Saint Lucia on their achievement of full independence. This near-tripling of the membership is largely due to the dissolution of the great colonial empires. The United Kingdom worked with and not against that trend. This month we mourned Lord Mountbatten, who was a pioneer of decolonisation. Since last year's General Assembly, besides St. Lucia, the Republic of Kiribati has achieved full nationhood. We look forward to Saint

Vincent joining them on 27 October. It remains our policy to respect the wishes of the peoples of our few remaining dependent territories. It is for them to determine their own future in accordance with the principles of the U.N. Charter. We shall therefore continue to give every support and encouragement to any of them who seek independence. Where there are difficulties, we will do our best to overcome them. In particular, we want to bring Belize to secure independence as soon as possible.

The dismantling of the British Empire has led to the creation of another institution which is often accused of being a mere talking shop. I refer, of course, to the Commonwealth. If you are looking for an example of how valuable a talking shop can be, you need go no further than the Commonwealth meeting in Lusaka two months ago. Talk there led first to greater understanding between the countries concerned and then to action to try to solve the problem of Rhodesia...

... the scale of the Warsaw Pact's military build-up is a matter of serious and legitimate concern to all other European countries. So far the Warsaw Pact has shown little willingness to allay these concerns in any practical way. So we on the Western side have no alternative but to respond. Otherwise the balance on which detente depends will be lost. Nor can we accept that detente should be a principle applied in Europe but ignored in the rest of the world. As I have already said, we are one world. Detente, if it is to work anywhere, must work everywhere. We in the British Government are ready to work for greater confidence, stability and real cooperation. But this must be a two-way process, with give and take coming from both sides. It is in this spirit that we will approach the CSCE review meeting in Madrid.

... I have spoken of the dangers of rhetoric. In this field of international economic relations, those dangers are perhaps at their greatest. We must all guard against the creation of new bodies whose primary function is the exchange of rhetoric. The first step has to be a substantial improvement in the state of the world economy. It is increased production, not words, which creates resources. And without increased production, how can there be transfer of resources from rich to poor, whether at home or overseas, through increased aid, trade and investment? So our first priority must be to bring about the right framework in which more resources can be produced.

This is why my Government has taken steps to cut public expenditure right across the board. This is inevitable if we are to put our economy in order and if we are to be able to help the less developed countries to achieve prosperity. We are no less concerned than others about the large proportion of the world's population that is unacceptably poor. Nor are we turning our backs on the North-South Dialogue, despite its frustrations...

U.S.S.R.'s Gromyko: 'The triumph of reason'

Unlike Western Europe and the Nonaligned countries, the Soviet Union's presentation of Sept. 25 by Foreign Minister Andrei Gromyko did not address at all the questions of economic and social development and, surprisingly, Gromyko did not even mention the just-concluded Nonaligned conference in Havana, Cuba.

But his speech was remarkable for its unrelenting emphasis on the theme that the world must have peace, and that the ever-present threat of nuclear war must be eradicated if the international community can proceed with its urgent tasks.

"The ancient Greeks," said Gromyko, "left us wise myths whose beauty lies in glorifying what is human in man." But today there are efforts to make man "despair of the triumph of reason." This was perhaps the sharpest attack that Gromyko could have made on the speech by Secretary Vance quoted above, for Vance, indeed, has tried to engender despair.

Although we do not have space here to present details, Gromyko went in detail through virtually every international crisis-spot and area in a thorough review of the world strategic situation since the signing of SALT II, with a special emphasis on the threat of the "China card" and the Middle East crisis. Excerpts follow.

... It is becoming a tradition in some countries to play out scenarios of military conflicts. Look, they say, that's how things are going to unfold. And estimates are made of the casualties and the number of cities to be swept away. Tens or even hundreds of millions of human lives are written off in those callous calculations.

The ancient Greeks, and not they alone, left us wise myths whose beauty lies in glorifying what is human in man. To no credit of our contemporaries, other myths are invented today which are designed to stupefy man with pessimism and make him despair of the triumph of reason. They depict war as something unavoidable.

There is no doubt as to the purposes for which these myths are invented and the policies which they serve.

What a huge number of spurious films, books, articles, and speeches of politicians and quasi-politicians are produced to make people believe the fictitious stories about the source of a threat to peace.

One example is the campaign launched with regard to Cuba, in the course of which all sorts of falsehoods are being piled up concerning the policies of Cuba and the Soviet Union. But the truth is that this propaganda is totally without foundation in reality and is indeed

based on falsehoods. The Soviet Union and Cuba have already so declared. And our advice on this score is simple: the artificiality of this entire question must be honestly admitted and the matter closed....

A considerable period of time has already elapsed since the question was raised about reaching an agreement on termination of the production of all types of nuclear weapons and gradual reduction of their stockpiles until they have been completely liquidated. In our days there is no more burning problem than that of removing the threat of nuclear war. Every reasonable person understands this. And it cannot be effectively solved without stopping the assembly line from producing an incessant flow of weapons of monstrous destructive power—nuclear warheads, bombs and shells.

As we have repeatedly stated, the Soviet Union is prepared to discuss this cardinal problem together with other countries and it is proposing that specific negotiations be initiated. All the nuclear Powers without exception are duty bound to take part in them.

It is sometimes said that termination of the production of nuclear weapons and their liquidation are too difficult a task. But can this be a reason for not starting the search for ways and means to resolve the problem? We are sure that reaching an appropriate agreement is not beyond the possible if States, and first of all the nuclear States, adopt a responsible approach....

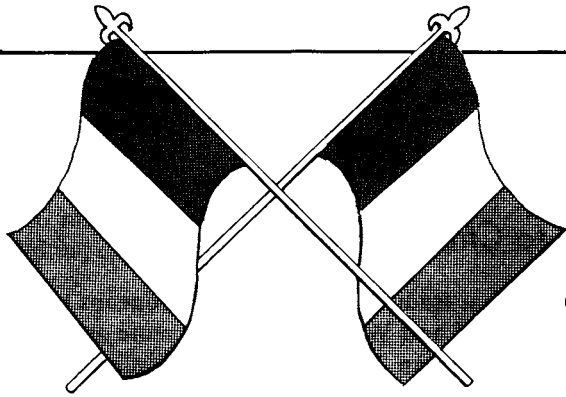
Today the basis for peaceful cooperation of States on the European continent is more solid than it was yesterday. Favourable changes have taken place in relations between socialist and capitalist countries in Europe.

Soviet-French cooperation is on the rise. There is a considerable degree of mutual understanding and agreement on major issues of European and world politics, and accordingly there is a possibility for the further development of fruitful cooperation.

The development of our relations with the Federal Republic of Germany has been following a positive trend. Both sides appreciate the mutual advantages of what has been achieved, recognizing that a good deal could yet be accomplished in the future. I should like to express the hope that there would be no move on the part of the FRG that would reduce such possibilities for the future, that would run counter to the line at peace in Europe and at easing international tensions.

We are interested in the consistent development of Soviet-British relations. We are hopeful that there is a desire for this in Britain, too....

What is needed in the first place to resolve any important international problem of a political, economic or other nature is an atmosphere of peace. And whether peace will be more durable or less stable depends to an important extent on the state of relations between the Soviet Union and the United States. That conclusion is objective and indisputable.



The direction of French policy

The article we publish here by Jacques Cheminade continues the series of background reports on France that began in *Executive Intelligence Review* two weeks ago with Laurent Murawiec's survey of the French *Nouvelle Droite*, or New Right cult. Murawiec demonstrated that the so-called New Right, which has received extraordinary publicity over the recent period, is neither new nor right in any meaningful sense of the term. He traced the movement's roots to pro-Hitler cultists in France during the 1920s and 1930s leading up to the Vichy regime, and demonstrated that the ideology of the New Right corresponds in every essential respect with that of its supposed antagonists, the New Left.

On Sept. 19, Murawiec's analysis received astonishing vindication when a group of New Rightists, belonging to a "Committee of Intellectuals for a Europe of Liberties," and including an editor of the New Right's *Figaro Magazine*, held a press conference in Paris in defense of the ultraleftist Franco Piperno. The New Right spokesmen denounced Italian authorities for seeking the extradition of Piperno, who is wanted for complicity in the murder of former Italian premier Aldo Moro by the Red Brigades. In so doing, the New Right of France turned words into deeds, openly joining with the New Left around the common credo of environmentalism, regionalism and terrorism.

The article below by Jacques Cheminade, an official of the French Finance Ministry, describes the industrializing and urbanizing tendency in French economic history which the New Left and New Right—as well as their forebears in the French Revolution—were created to destroy. Mr. Cheminade has brought to light the little-known names of Chaptal, Dupin and Monge as leading thinkers of the "American" System of government policies that deliberately foster high-technology growth—the background of the "Gaullist" tendency in France today. He presented a summary of these discoveries in an address to the Aug. 6, 1979 seminar on the 190th anniversary of the birth of the great German-American economist Friedrich List, sponsored by this publication and held in Frankfurt, West Germany. The next installment of Mr. Cheminade's speech will be published in the next issue of *Executive Intelligence Review*; in the first, printed below, our readers will become acquainted with the centuries-old tradition that lies behind French leadership in the drive to establish a new world monetary system, detailed elsewhere in this issue.

The tradition of Friedrich List

French political economy from Jean Bodin to Charles Dupin

We are faced today with a world situation in which a humanist Franco-German alliance is a matter of life or death for humanity. To succeed in organizing the world for a viable peace, such an alliance has to create a new, more advanced economic order primarily based on industrial development and the education of the citizenry for that purpose. This crucial task—our critical task—is the lesson of Friedrich List and his French predecessors that I am bringing to you.

The usual story told about economic science is that it started as a thing-in-itself, an appropriate category of science, with Adam Smith's *Wealth of Nations*. Such an assessment is a big lie propagated by the evil sponsors of Adam Smith, the Anglo-Dutch oligarchic, merchant-banking interests.

Opposed to Smith's notion of a world of "free traded" fixed values—a world bound to shrink and die—there is the *true science of political economy* from which sprang the Zollverein conception of Friedrich List. In absolute opposition to Smith's "stable" state of a merchant world, rationalizing the control and looting of the British monarchy's Bank of England over its Empire, List's method of political economy—the humanist method—starts from the process of creation, the power of mentation to produce new resources and enlarge its reproduction at a higher level, through the mediation of labor power developed as cognitive power. This requires high wages and high education for the population as a whole to assimilate and expand the higher conceptions of science embodied in a continuous generation of new industrial processes and machines. This is what List meant by naming "industrial education" the organizing drive behind his system.

Not only France and Germany were made as republican nations by the predecessors and successors of Friedrich List, but List represents the turning point at which the "American System," made for America by the European humanist tradition embodied by Alexander Hamilton, was brought back to Europe by the "German-American" Friedrich List. Given the horrendous situation in which the United States is caught today under the law of Adam Smith's followers, it is also an immediate task for us Europeans to cross the Atlantic again and intervene there, as our humanist predecessors did, armed with the tradition of Friedrich List.

That tradition instructs us Europeans to break with the IMF and World Bank and create as an alternative the European Monetary Fund, a monetary Zollverein. It instructs us to break with suicidal compromises, with the Maginot-line approach of self-defeating "European monetary stability," and to immediately base the EMF—cradle for a new world economic order—on the higher feasible ratio of labor power development. Our rule should be no more tolerance of genocide in the Third World, no more tolerance of economic collapse and predatory British monetarism, but a world ruled by the higher hypothesis of development. We have to generate the proper actions to bring that hypothesis into universal practice—East and West, North and South.

This primary goal requires *willful state intervention* to continuously advance science and industrial technologies, educate the citizenry for that advancement and forcefully lock out adverse monetarist interests.

In that fight, our enemies are the followers of the evil current centered around the Cities of Amsterdam, London and Lower Manhattan, represented in Britain's seventeenth and eighteenth centuries by William Petty, John Locke and Smith's master controller David Hume, and finally exemplified by nineteenth century genocide advocates Malthus and Darwin.

On our side, and hence its relevance, List's Zollverein conception is not a point isolated in world history. It is a key, further contribution to the secular greatness of the *European Grand Design* represented by Gottfried Wilhelm Leibniz and Jean Baptiste Colbert in the seventeenth century, as well as by other humanist currents mostly located around or within the government of France. The names associated with that historical force are those of Jean Bodin, Sully and Duplessis-Mornay in the sixteenth century, Trudaine the Elder and Forbonnais in the eighteenth century, Ferrier, Chaptal and Dupin in the nineteenth century. Lazare Carnot and Gaspard Monge were the two great figures who directly shaped the mental environment into which List was organized.

This view of French history may come as a shock for an even cultured German audience. I am aware that the German image of France—reinforced by some pre-De Gaulle events—is more that of an impotent Parisian intellectual babbling about destiny without moving one

inch to intervene. But I can tell you that the views I am developing provoke an even blunter shock in a French audience, because French history has been so much falsified by the enemies of humanism, the Anglo-American enemies of the Franco-German "American System."

Therefore let's look at how we Europeans plotted in the past to make the world work, so as to better plot, here and now, a crucial moment for the secular humanist conspiracy.

The higher hypothesis

It is clear from List's letters to Charles Ingersoll that it was during his first stay in France (1822-1823) that he grasped the method of humanist economics, later developed in the United States through his reading of Hamilton's 1791 *Report on Manufactures* and his involvement in the Mathew Carey-led Pennsylvania Society for the Promotion of the Manufacturing and Mechanical Arts.

The three explicit sources mentioned by List himself and his biographers are Ferrier's *Government considered in its Relation to Trade* (1805), Chaptal's *About French Industry* (1819) and his dialogue with Charles Dupin, author of the *Progressive Situation of the French Productive Forces* (1827) and hero of Edgar Allen Poe's *Purloined Letter*. Beyond such specific locations, the key point in List's education is the drive to achieve energy transformation at a higher level (i.e., negentropy) as conceptualized in an economic form by Leibniz, carried out in actual economic policies by Leibniz's associate Colbert and later further developed by the great Leibnizians Lazare Carnot and Gaspar Monge.

François Louis Auguste Ferrier defined himself as a nineteenth century "Colbertiste" and proved to be one in his polemics against Adam Smith and free trade. Both Chaptal and Dupin were leading figures in the *Carnot-Monge networks*, where they formed the economic policy-making and industrial organizing force behind the "American Party" of List's close associate Lafayette. In a broader sense, List was the advanced product of the secular fight of the prodevelopment tradition centered in France against the Malthusian evil of London and Geneva—Amsterdam.

This can only be understood from the standpoint of the higher political hypothesis: from the seventeenth to the nineteenth century, France was conceived by the European humanist leaders as their key potential base in connection with the American Republic. That base was organized around the conception of a centralized research and development institution for the production of a rising social surplus through the use of the most advanced industrial technologies and education of the population at the highest available level of science. This

conception was the basis for the creation of Leibniz's and Colbert's Academy of Sciences (1666), Trudaine's Ecole des Ponts et Chaussées (1747-1749), Monge's and Carnot's Ecole Polytechnique (1793), Chaptal's Society for the Promotion of National Industry (1802) and Dupin's classes to workers at the National School of Mechanical Arts and Manufacturing (Conservatoire National des Arts et Métiers, 1824). It is from the development of such types of *leading institutions* that the humanists derived the specific economic measures to be taken by the government of the nation.

Leibniz's Academy (Society) conception, as developed in his 1671 *Society and Economy*, is the kernel of the tradition assimilated by List. The Academy is the *source of motion*, a "virtuality" which embodies the process perfecting the world (in Leibniz's terms, transforming "potentiality" into "actuality"):

Thanks to the Academies (or Societies), which are research and development institutions equipped with manufactures and commercial companies of their own, monopolies will be eliminated, because the Academy will always put out a low and fair price on goods, and very often, those goods will become even cheaper because new manufactures will be built where there are presently none. In particular, the mercantile monopolies will be eliminated ... because the wealth of the merchant is much too great, and the misery of the worker too deep, a situation that Holland notably experiences, the motto of the merchants there being to maintain workers in poverty and hard labor. The Republic suffers from it, because even in the opinion of Aristotle, workers should form the most favored class. Nam mercatura transfert tantum, manufactura gignit (trade can only move what has been produced by manufactures). And why so many should be reduced to such a poverty for the good of so few? The goal of the Society will therefore be to free the worker from his misery...

The foundation of such a Society will make it possible for many Republics to correct a deep mistake which has consisted of letting everyone look for his food, either growing himself rich by ruining hundreds, or involving hundreds in his fall, people that had put trust in him and whose sustenance depended on him...

(In our Society) things will be very different: everyone will enjoy working, because everyone will know why he works. Nobody will be brought out of labor against his will, because nobody will work only for himself, but for the community as a whole... The companions will compete with each other in the workshops, and the masters will

perform the tasks requiring more cleverness. But no master will prevent the companion from becoming more intelligent and being a master in his turn, because this will inflict no loss on him.

Such an Academy (Society) is not a fixed institution, but a self-perfecting virtuality achieving itself in practice through continued generation of means to foster an accelerated economic growth.

Energy, in that sense, is not a static form, but is the invariant capacity to transform matter to higher orders with lesser action (energy density), as described by Carnot. Key to understanding this point is Carnot's approach to Leibniz in his *Reflexions on the Metaphysics of infinitesimal calculation*. Carnot shows that motion from one point to another cannot be explained in terms of a finite world, in terms of simple instantaneous velocity, as does Newton. Newton's view eliminates the notion of acceleration, and therefore presumes a world of limited resources where the transformations from causes to effects require the magical intervention of an omnipresent God. Man, in that conception, cannot be the source of motion, and his role is to let God's "invisible hand" establish the adequate "equilibrating mechanism." This is the oligarchical fiction of "stability" and "nonintervention" against which Carnot polemicalizes, the conception of Adam Smith's "invisible hand" and "free trade."

From the higher standpoint of Carnot and Leibniz, man should intervene through the proper institutions (Academy, Ecole Polytechnique) to actualize for social practice his self-perfecting process. Man, in that conception, realizes himself as a self-transforming particle, active labor-power. Machines, at differing moments of history, are the finite accomplishments of this transfinite process of "virtual labor."

This is to say that at certain moments in history, certain forms of production (i.e., technologies) embody the transfinite process of "virtual labor." The sector that List fought all his life to develop—coal mining, steel production, and railway construction as a whole process—was in that precise economic sense the most advanced of his time, the higher hypothesis of the same sort that nuclear energy represents today. It is not nuclear energy per se that is the higher achievement, but the fact that nuclear energy embodies the process of economic development as the most efficient form of energy production today. From that standpoint, it is extremely ironical to note that the first place where List stayed in America was in Harrisburg, Pennsylvania—not far from the Three Mile Island nuclear plant.

It is only from the standpoint of higher energy transformation that an economic science can be developed and successive, advancing types of machines be produced.

It is from that standpoint that Leibniz's Academy polemics are directed against the fixed notion of an economy advocated by Sir William Petty (1623-1687) and accomplished by the Amsterdam-London merchants. Petty locates the value of a commodity in the labor-time as a linear entity, represented by the manual labor of the peasant. The rule to generate wealth on such a commodity is to "pay cheap and sell dear," maintaining the wage of the laborer at the lowest possible level. In Petty's world, where man as a fixed object is defined by his individual greed, workers' motivation to work is conceived as hunger. This is the evil conception that Adam Smith picked up and developed through "economist" John Locke (1632-1704). It corresponds in physics to the Newtonian conception of the "finite limit" as opposed to Leibniz's and Carnot's achievements in infinitesimal calculation, based on points of energy transformation of "curving" linearities (acceleration).

The uncreative impotence of this evil is what Poe mocks in the *Purloined Letter*, contrasting Dupin's "poetry in mathematics" to the step-by-step, fixed-object by fixed-object, approach of the French police. The case of Dupin is epistemologically key in understanding the humanist tradition in economic science as derived from Leibniz and Carnot.

Charles Dupin was an 1801 graduate of the Ecole Polytechnique, Gaspard Monge's favorite student, and Lazare Carnot's protégé. His early scientific work was on infinitesimal geometry (with Monge) and notably on the problem first raised by Fermat and Euler of a sphere tangential to four others. He became famous at the age of 18 for his study on what is now known in mathematics as Dupin's cycloids and his approach to caustics, accumulations of waves of light energy. His explicit reference for that work is Leibniz and Bernoulli.

The point to be made here is that Dupin, as a Leibnizian, takes the self-evolving process as primary. He called his science "dynamics, the science whose object is to develop the production and application of driving forces." And it is from this standpoint, the same as Leibniz's, that he regarded the notion of *productive forces* as primary in economic science, a conception directly picked up in Dupin by Friedrich List. Dupin's definition of the French productive forces in 1827 is the following:

I name productive forces the combined forces of man, animals and nature, applied to the labor of agriculture, manufactures and trade.

Those forces don't stand still, they grow with the prosperity of people and decrease with its degeneration. I have tried to measure for our country not their present magnitude, but the velocity of their growth, velocity which must be the rule of all our hopes...

Those forces have not a purely material and physical action; their regulator, brake and motor are the spirit, the patience and the energies of man's will. Thus the reason of the people, as well as its morality, are intimately linked to and have necessary relations with the development of the productive and commercial forces.

The process to develop those productive forces is called by Dupin "industrial education", increase in the productive powers of labor. His definition of "the velocity of their growth" as the primary feature opposes Dupin to the British tradition at the most significant epistemological point.

The Zollverein conception

The key to List's Zollverein conception is that it is not "protectionism" as a static institution, but achievement of the best possible conditions at a given point to develop a national industry following Leibniz's rule for the Academy. It is "realization of the power to create wealth, which is much more important than wealth itself." It was undoubtedly the proper weapon for the higher hypothesis against the British System of imperial domination and dumping.

List emphasizes that "manufactures foster to a supreme degree the moral forces of the nation," and that their protection is justified by the industrial education of the nation when foreign competition tries to prevent its development. He therefore subsumes the particularity of a protectionist customs tariff at a given point of history to the higher hypothesis of a political Grand Design. Nothing is more opposed to a sectarian position: List does not oppose protectionism to the free trade cult, but outlines a necessary measure for the production of a higher social surplus. The Zollverein is the protection of the Academy conceptions against British malthusianism.

A similar approach to the problem of customs tariff was developed by Jean Bodin (1530-1596) at the General Estates of the French monarchy in 1576. After having stressed the necessity of foreign trade against the advocates of self-sufficiency delusions, Bodin treated "freedom of trade" as only a predicate of technological progress, therefore with no absolute value. Under the circumstances of the sixteenth century, Bodin argues that freedom of trade should be subsumed by the primary need to protect the developing French manufactures against the Genovese banking-houses and Habsburg looting. His proposition was to tax imports of manufactured articles when similar goods were produced in France, as well as exports of unworked commodities, so that "the increased value of the goods after they have been worked up will remain in the country

... The subject should gain more income in working up the raw materials, and the Prince should take the revenue from the export tax on unworked raw materials and commodities and invest it in new industrial ventures".

In this conception, protectionism is only justified by the development of national manufactures, and it should be imposed by the Prince if there is no other way to solve the problem of financial warfare from other nations, in particular dumping of manufactured products to prevent the industrial development of the Commonwealth. The solution in terms of international relations, beyond self-reliance and anarchistic competition, is to encompass international development within the framework of "broad alliances" between "sovereign republics".

This conception of protectionism for development—the basis of List's Zollverein—is absolutely opposed to the British-Dutch conception of protectionism for cash (collection of taxes on foreign trade for any imported or exported goods). In Bodin's and List's approach, the measures most agreeable to a given case are not invariant qualities of the Commonwealth; the fundamental law is the expansion and upgrading of the Commonwealth and its invariant feature (transfinite) is technological advancement.

The law appropriate to the Commonwealth of Nations, or Zollverein, should therefore foster the conditions for technological progress of the whole world. Bodin's approach to the question of creation is key to understand this. I will elaborate this point now because it gives the most accurate insight into the true sources of economic science: it is not the result of some inquiry on the pre-established laws of a market (exchange values), but on the contrary it derives from the very process of human creation. Bodin represents the true source of economic science as a representative of sixteenth century Erasmian networks who adduces the basis for political economy from the standpoint of the humanist ruler of a nation-state committed to perfect its members.

In his *Historical Method* (1566), Bodin locates *perfection in motion* as the primary quality of God, and thus breaks through the theological dilemma of "omnipotence against omniscience": "It is said that God," he writes, "in creating the world, would have produced in himself change, which is supposed to be contrary to living beings, the human individual intervenes as a creative mind whose task is to *lead*, and it is such a leading quality that makes history and changes the laws of the whole, bringing the rest of the world into advancement toward perfection, the very quality of God accomplished by an individual.

—to be continued

NATO Admirals send U.S. a message

Orient to high-technology export policy

The fourteen European naval admirals of the NATO command arrived here at the headquarters of Supreme Allied Commander, Atlantic (Saclant), U.S. Admiral Harry D. Train, early in September for a classified briefing on "NATO Maritime Security." Instead, they issued a virtual ultimatum to the United States.

Europe, they announced, no longer trusts the "strategic capability" of the economically declining United States. Unless the United States embarks with speed on a major industrial export-profile international development policy, they said, Europe, led by the Federal Republic of Germany, will be forced to bolt from the NATO alliance and reach an "accomodation" with the Warsaw Pact.

Observers at the meeting, which included high advisors to several 1980 U.S. presidential candidates, called this "the major underlying issue shaping the presidential campaign." Presidential hopefuls Senator Edward Kennedy and former Texas Governor John Connally were said accordingly to be hurriedly composing foreign economic policy positions which could "win the confidence of Europe in American leadership" in the fields of international and U.S. domestic economic growth.

Observers also noted, however, that U.S. Labor Party chairman and 1980 presidential candidate Lyndon H. LaRouche, Jr. had been the leading proponent of a "West German"-style export policy for the U.S. LaRouche's edge dates from July 1978 when he collaborated with West German Chancellor Helmut Schmidt and French President Giscard in the founding of the European Monetary System to finance U.S.-European cooperation in Third World development. "Kennedy and Connally are being forced by the Europeans to converge on the LaRouche program," a USLP spokesman stated flatly.

In any event, the European initiative appears to have sealed the coffin of the abortive presidential campaign of ambitious but intellectually overrated General Alexander Haig. Haig, along with his mentor Henry Kissinger, was solidly panned for his hard-line assessment at a September meeting in Brussels held by the Georgetown Center for Strategic and International Studies. But even earlier, despairing "Establishment" observers had begun to worry that Haig's inability to articulate a policy on any issue other than his stock,

"get-the-Soviets" speech, ruled him out as a viable presidential vehicle.

Saclant Admiral Train was blunt in his opening remarks. "Gentlemen, I cannot hide from you the deficiencies in the naval budget of the United States," he said, and went on to detail what observers characterized as the "strategic decline" of NATO's sea power. There has, over the past five years, been virtually no planning for the naval protection of NATO shipping and trade generally, Train admitted, so that "when the whistle blows" in the event of war with the Warsaw Pact the trade of the NATO nations would be crippled.

The European naval commanders were equally blunt in their response. "The navy of the Federal Republic, confined to the Baltic as it is, is a lake force and has depended on assurances from the United States," the West German admiral said. "Now we cannot trust these assurances. The United States and NATO must reach an accommodation with Moscow." Not only must SALT II be concluded immediately, he urged, but SALT III and further arms reductions must proceed as speedily as possible.

The West German delegate was strongly seconded by French Admiral Jacques Bonnemaison, who attended as an observer, although France is not integrated into the NATO military command. "The French are acting totally outside the alliance," one observer from Georgetown University's Center for Strategic and International Studies (CSIS) fumed.

The consensus of the European admirals was that the United States, in order to give Europe "a basis for remaining" in the alliance, must embark on a serious program to strengthen its international "economic clout," beginning with the kind of export program that will show a strong U.S. presence in the developing nations and stimulate lagging capital formation at home. "Norwegian ex-Minister of Defense Grieg Tidemann put it to me most clearly in Europe last month," the CSIS observer said. "Europe is not worried about short-term financial gains they get in beating America out of export markets when we are weak. They want us strong, and figure that if we export cooperatively we will increase the aggregate export market altogether. It's a strategic question."

Several continental European shipping industry

leaders, especially in Norway and West Germany, expressed the identical view, he said.

Campaign realignment

As a result, Eastern Establishment and Zionist lobby circles are quickly coalescing around a Kennedy/Connally race for the 1980 campaign. Think-tankers from the Georgetown Center for Strategic and International Studies and from the Johns Hopkins School for Advanced International Studies, who serve as advisers to the Kennedy and Connally camps simultaneously, acknowledged to this news service that they are preparing for a Kennedy/Connally race and will be directing policy for both "sides."

Said one Georgetown adviser in an interview this week, "Carter is out. He has failed on the foreign trade issue and on leadership. And the Europeans are scared silly of Ronald Reagan and his anti-Soviet crazy talk." A Johns Hopkins man elaborated: "Kennedy will be able to stop the European perception of declining leadership. He hasn't lost the imperial taste of his brothers. (He will) be perceived in Europe as a strong leader."

In a highly unusual move, the Treasury Department announced this week, on White House orders, that the "undeclared" Kennedy will receive Secret Service protection. Protection has not been assigned to any declared candidate, most notably, Lyndon H. LaRouche, Jr., whose official request for protection has been refused, despite Treasury Department officials' knowledge of the jeopardy his life is in from the same Permindex networks that murdered John F. Kennedy.

It should also be remembered that Kennedy is exempted by the Federal Election Commission from the strict \$1000 limitation on single contributors to his presidential campaign. The FEC declared earlier this month that since the "Draft Kennedy Movement" had filed under the FEC, it would not be held to the same rules as declared candidates.

As expected, the United Autoworkers hastily abandoned a standing policy of neutrality in the Democratic race to allow local and regional UAW sections to provide manpower and organization for "the candidate of their choice." This means Kennedy, as UAW president Doug Fraser bluntly pronounced the senator "the overwhelming favorite candidate among UAW members."

No sooner had the go-ahead been given than Iowa UAW head Chuck Gifford, who is also a member of the Democratic National Committee, announced that the Iowa UAW will begin campaigning for the Massachusetts liberal.

Bringing up the rear in the Kennedy parade is the noncandidate himself, whose vulnerability, despite all the hoopla over the polls, is demonstrated by the recent sweep against pro-Kennedy candidates in Connecticut. In an interview yesterday with the New York Times,

Kennedy effectively acknowledged that his strategy is to announce after November's off-year elections, to prevent tarnishing his campaign by association with local pro-Kennedy front men for drugs and organized crime who are destined to be turned out of office.

At the same time, a tremendous infusion of Kennedy and Connally money is being funneled into the Florida "beauty contest" primary, to detract attention from the expected forthcoming LaRouche upset in New Hampshire, a fear of which Kennedy bitterly complained in his own circle.

New trade proposal

Speaking as insiders, the Georgetown and Johns Hopkins policy planners said that a "new foreign trade proposal" will be the keystone for both the Kennedy and Connally campaigns. A group of leading figures from the Business Roundtable and Zionist lobby banking houses such as Kuhn Loeb have seized the issue of trade to highlight Jimmy Carter's disastrous performance in this area. The Kennedy and Connally point men also hope that loud cries for more trade will help counter the impact of Lyndon LaRouche's campaign platform for U.S. entrance into a new gold-backed European Monetary System and for a federal credit-fed export boom for the United States.

But scratch the surface of this new tack for foreign trade and one finds the same people who have orchestrated the near decimation of United States industrial exports.

First there is Connally himself, whose decision to take the dollar off the gold system in 1971 marked the beginning of the downward trend. Second, one of the unofficial project leaders for this "New Design" is Jimmy Carter's own campaign adviser Robert Strauss, the Special Trade negotiator who has declared war on America's trading partners. As one observer at Georgetown put it, "Strauss is working closely with us on our International Trade Project, and he'll still be around when Kennedy gets the nomination."

Another trade adviser is Fritz Kraemer, the obscure gentleman at the Department of Defense who "created" Henry Kissinger.

Sen. Lloyd Bentsen of Texas, who has demanded protectionism throughout his career, is also working with this new trend. Although he is being mooted as Kennedy's vice-president on the Democratic ticket, a Georgetown man explained that "Bentsen is very close to Bob Strauss. Of course, Bentsen and Strauss are very close to John (Connally) too."

Asked whether Connally's call for a protectionist trade boycott of Japan, and Europe's dislike of the man for his 1971 actions, would not hinder Connally's credibility, a Johns Hopkins man laughed, "That's not important. He can change his position overnight."

—M.B. Seidenfeld and C. Tate

Congressional Calendar

Senate Finance Committee finishes off Carter energy plan

The Senate Finance Committee took another decisive jab at Jimmy Carter's \$142 billion energy program this week by chipping away at the proceeds expected by the Federal government from its controversial windfall profits tax. As of Sept. 26, the Finance Committee had reduced the windfall profits income from the \$104 billion which the House wanted for the next decade to \$86 billion, and in the same stroke approved measures for a \$63 billion tax credit to promote energy conservation; the net is a mere \$23 billion.

Revenues from the windfall profits tax—which is designed to tap part of the profits the oil companies will make from decontrolled domestic oil production—were slated by the White House to be the prime source for funding of a synthetic crude program.

As a result of the complex of proposals and voting this week by the Finance Committee, there is no funding left for Carter's proposed Energy Security Corporation, which was to manage Carter's massive synthetic crude energy plan.

In a gratuitous move to rescue the shards of Carter's plan Senator Ribicoff called for a \$.25 levy on all domestic and imported oil. But that plan would only yield \$1.5 billion and according to informed sources would alienate foreign suppliers.

On other fronts the Finance Committee has approved amendments to exempt "new oil"—oil discovered since 1978—from windfall profits taxation, as well as de-

controlling heavy oil. These moves by the committee are widely read as backing for the major U.S. oil companies to launch a major exploration campaign within the U.S. using conventional extraction as opposed to the exotic tar sands, shale oil and synthetic crude schemes. The decontrol of new oil would act as a significant financial incentive to the companies to begin a major exploration drive.

In this context, the Finance Committee this week also passed a proposal to allow for a \$1 billion increase in taxation on old oil, a move which will hurt many smaller independent oil companies within the U.S. lacking the capital to invest in expensive "new oil."

House committee campaigns against pro-drug Carter decisions

When House Select Narcotics Committee chairman Lester Wolfe (D-NY) attacked the Carter administration for its cut-off of aid to Mexico and Colombia for their use of paraquat to destroy marijuana and opium crops, he was reflecting widespread support for the anti-drug efforts of those Latin American nations within the select committee. Wolfe delivered his attack on the administration, and especially former HEW Secretary Joe Califano, during Senate hearings the second week in September.

Georgia Democrat Billy Lee Evans, a committee member, now plans to hold hearings under the aegis of the Narcotics Committee on the paraquat decision—unless the administration voluntarily re-

verses its position. Behind-the-scenes negotiations are underway between the House Committee and the administration over the Califano decision. If those negotiations do not result in a resumption of U.S. aid to Colombia and Mexico for their paraquat programs, Evans promises to "turn up the heat" by holding public hearings.

Another member of the House Select Committee on Narcotics, John LaFalce (D-N.Y.) inserted a statement in the Congressional record on "Colombia's Marijuana Dilemma." LaFalce reported on an early spring trip to Colombia by himself and other committee members. He noted that some business and political leaders in Colombia, such as Ernesto Samper, President of the National Association of Financial Institutions (ANIF), support the legalization of marijuana in both Colombia and the United States. Speaking to the Bogota Chamber of Commerce, LaFalce attacked Samper's proposal, saying that support for legalizing drugs was minimal in the U.S., contrary to the impression Samper had communicated.

LaFalce said, "With active controls, the battle against marijuana smuggling is a difficult struggle, at best. With legalization of Colombian marijuana, we would be inundated."

LaFalce recently introduced legislation which would put certain illegal currency transactions under the investigative control of the Customs Department, thereby giving the Federal authorities a needed new weapon in the battle against "laundering" of dirty money, a key

by the United States in the early aspect of international narcotics trafficking.

MMcCormack reports fusion panel results

Mike McCormack (D-Wash.) has declared that an energy-producing fusion reaction could be produced 1980s, and an electricity generating fusion power plant can go on-line by 1995. McCormack, Chairman of the House Subcommittee on Energy Research and Production of the House Science and Technology Committee, was reporting the results of the committee's Fusion Advisory Panel report, issued Sept. 13. McCormack's committee set up the panel in order to offset the Department of Energy's misrepresentation and debridement of U.S. fusion research programs.

The panel findings stress three points:

"First, the Tokamak magnetic fusion research program has been highly successful in accomplishing its goals. On time, within costs.

"Second, present experimental data indicate that a demonstration of an energy producing fusion reaction in the early 1980s is almost assured, and

"Third, it is not to soon for the Department of Energy to plan a comprehensive strategy for bringing a Tokamak fusion electric demonstration plant on line by 1995."

McCormack has asked acting Department of Energy undersecretary, Dr. John Deutch to prepare a detailed program-plan to accomplish the recommended goals.

FTC held hostage by anti-environmentalists

The Federal Trade Commission (FTC), headed by a leading environmentalist, Mike Pertschuk, is in deep trouble on Capitol Hill, leaving it temporarily without funds to operate. Last May the House Commerce Committee inserted a provision in the FTC authorization bill that would allow the Congress to review any rules made by the Commission and veto them if they felt it necessary. The FTC has functioned to limit and roll back industrial expansion by its rulings.

Senator Harrison Schmitt (R-N.M.), who has been a strong advocate of the Congressional veto power over the FTC, declared that the FTC "legislates" much like Congress, but has not "had to worry about the wishes of the American people."

President Carter has warned that such a veto power over the FTC would infringe upon his own powers, and the environmentalist lobby in Congress is refusing to bring the authorization bill to the floor of the House. Similarly in the Senate, Senator Wendell Ford (D-Ky) is stalling the FTC authorization.

These backers of the FTC want to have money appropriated for the FTC, but bypassing the authorization bill with its veto provisions. However, the appropriations committee has refused to do this, leaving the FTC without any money to operate. Last week the House passed a continuing resolution for funding the FTC for 45 days, while

asking that the authorization bill actually be brought to the floor.

Trucking deregulation hot issue in Congress

The deregulation of the trucking industry is still a hot issue in Congress, although legislation is not expected out of committee until early next year. The Senate Commerce Committee, since returning from the summer recess, has held two days of hearings on the issue. Further hearings are expected. On Oct. 2 Transportation Secretary Goldschmidt will testify, and is expected to argue that deregulation of the industry will not severely hurt small communities, as studies show that it will. The Committee plans to start hearings in different regions of the country in October.

The Committee is focusing more immediate attention on the issue of railroad deregulation, which they hope to have out of committee this year. Senators Long (D-La) and Cannon (D-Nev) have commissioned the committee staff to prepare a report on a new railroad deregulation bill, using the material that was provided in hearings held last spring. Because there was severe criticism of the administration's proposed railroad deregulation bill, Cannon and Long want the staff to devise a new version by mid-October. The House Interstate and Foreign Commerce Committee held regional hearings on this issue in August and plans similar hearings soon in Georgia, Pennsylvania and other areas.

—Barbara Dreyfuss and
Susan Kokinda

Kennedy and Seabrook

Ted clears way for environmentalist violence

The Kennedy family has used its influence in the state of New Hampshire to avert any meaningful preventive action by law enforcement agencies against environmentalists who plan violent mass action in an attempt to occupy the Seabrook nuclear construction site next week. The state's liberal Democratic Governor Gallen and State Attorney General Rath recently made clear what they will do to guard against a "human wave" assault there Oct. 6—nothing at all.

It is already widely known that Kennedy-for-President figures nationally have been key to the organization and financing of the Seabrook demonstration. Now, Kennedy has intervened with state officials to ensure that the demonstrators are not impeded.

The intention of state police at this time, according to one official, is "to keep things cooled down." There will be no interference with the planned action until the violence actually begins, said the state police source.

Law enforcement hands have been tied despite broad knowledge that among the participants will be veteran professionals who organized a similar demonstration in West Germany, where mass violence of the type planned at Seabrook occurred. One of the West Germans, Win Cever, told a reporter that members of the "Boston Clamshell Alliance" who will spearhead the "human wave" assault were trained by their participation at the Brockdorf reactor site in West Germany, where scores of people were injured.

A document in the hands of state officials, circulated by Citizens for LaRouche, the campaign organization of presidential candidate Lyndon LaRouche, has documented the fact that upper-echelon figures in the Kennedy machine are behind the logistical and financial support essential to the demonstration. The purpose of the document is not only to prepare state officials and law enforcement agencies for what they will face Oct. 6, but to do what is politically possible beforehand to prevent serious violence by laying responsibility square-

ly at the door of the Kennedy machine figures named.

While state officials do nothing, New Hampshire citizens have a different attitude. The state's leading newspaper, the *Manchester Union Leader*, began to do what Lyndon LaRouche recommended during his last swing through the state: "Hit the Kennedy machine for its control over this." In an editorial Sept. 21, the Union Leader warned state officials of "Violence by Miscalculation." Of Governor Galen and Attorney General Rath, it remarked, "It is easier to get a response from the Clamshell Alliance than state officials."

The Kennedy connection

Ted Kennedy personally addressed the founding convention of the Citizens Labor Energy Coalition, one of the organizations that has been key to preparing for the Seabrook action. Moreover, Kennedy's speeches against nuclear power and his legislative proposals on this issue have been drafted by his energy advisor, Jim Kubie, who uses information provided by Vince Taylor. Taylor is a leading figure connected to the MUSE (Musicians United for Safe Energy) Foundation.

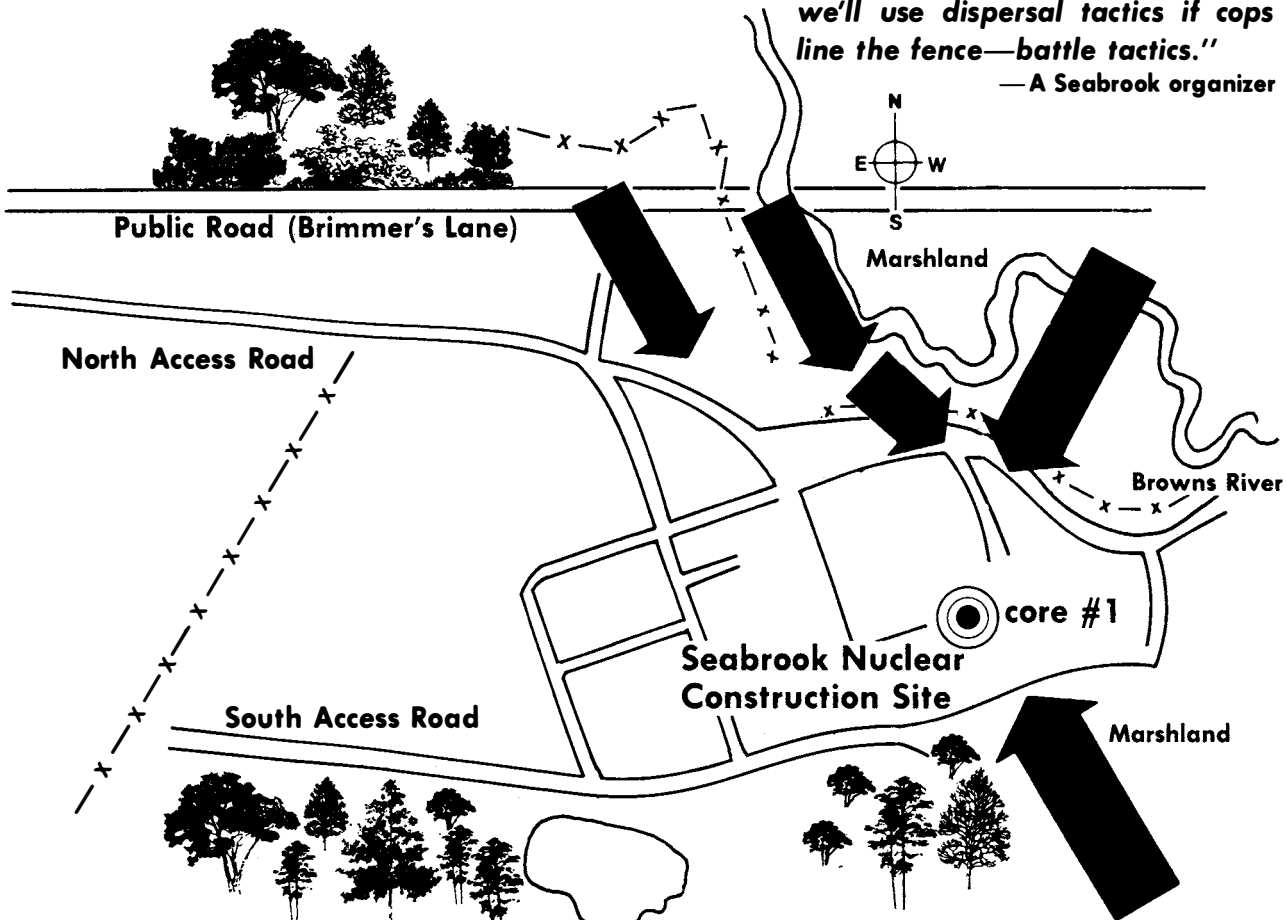
The MUSE Foundation has brought together a gaggle of rock musicians, Jane Fonda-Tom Hayden, and others to stage the drug-infested bacchanalian events that both raise the money and recruit bodies for the New Hampshire terrorism. The drug-rock recruitment combination which MUSE activities emphasize reminds one of the opium-besotted army troops the Chinese employ in "human wave" slaughter tactics, as in the recent adventure against Vietnam. Moreover, the Foundation's backers include prominent drug-linked mob lawyers, who also figure closely in the Kennedy-for-President circles. MUSE lawyer Sam Lubell comes from the law firm Cohn, Glickstein and Lubell, which also represents the San Juan Racing Association, involved in drug-related dirty-money laundering.

The leading agency of the "moderate" environmen-

Environmentalists Plan for Violent Assault On Seabrook Site Oct. 6

"We are going to have a mass fence takedown ... taking poles down in sections of 25, enabling 2-3,000 people to link arms and storm through. We are going to use flanking tactics from the right, left and center ... surround the police buses and let the air out of the tires. We're going to have fence cutters, gas masks and chemical spray to stop the dogs. If necessary, we'll use dispersal tactics if cops line the fence—battle tactics."

—A Seabrook organizer



"We are tired of civil disobedience. We don't have to recognize authority or the government. We are going to challenge them, and with 10,000 people, they would need the 82nd Airborne to stop us ... If the police get violent, we will try not to get violent, but..."

—A Seabrook organizer

talists is the Citizens Party, whose board overlaps heavily with the more "radical" MUSE Foundation. The Citizens Party presidential candidate is environmentalist Barry Commoner, who believes the most advanced energy technology ought to be charcoal. On the board is William Winpisinger, the president of the International Association of Machinists who engineered Kennedy's endorsement by the Americans for Democratic Action.

Financing both the Citizens Party and the MUSE Foundation are the British Rothschild-linked investment banks of the New York Warburg and Schiff families, the Stern Family Fund, the Samuel Rubin Foundation and the Rabinowitz Foundation. Another financial angel of the Seabrook groups is the Field Foundation headed by Morris Abram. Abram was the very first member of the New York Council on Foreign Relations to endorse Senator Ted Kennedy for president.

LaRouche says Nuclear power key 1980 issue

The following press release was issued by Citizens for LaRouche Sept. 24, from Manchester, New Hampshire.

"Why should we tolerate this environmentalist nonsense? We know that 75 percent of the American people support the development of nuclear power, that only 25 percent of the population does not want it. Let's put the question to a vote," said U.S. presidential candidate Lyndon LaRouche shortly after completing a tour of the nuclear facility at Seabrook, New Hampshire today.

Candidate LaRouche, in an interview and discussion with plant officials at the site, emphasized that the development of nuclear energy would be one of the main issues in the upcoming presidential race.

LaRouche, a New Hampshire favorite son who was born in Rochester, reiterated his campaign's commitment to nuclear power throughout the day, which included a Rotary Club luncheon, a brief interview on the evening news, and meetings with state and municipal officials. This is the candidate's second campaign swing through the state.

LaRouche also made an announcement, while appearing on Rochester's Channel 17, that he would enter the Democratic primary because he feels that Democrats who want economic growth and nuclear power need a candidate to represent their views.

Speaking to a packed house of Rotary Club members in his home town of Rochester, the candidate noted that the present international monetary

system has neared collapse. He explained that the governments of France and West Germany are now collaborating to put together a new gold-backed monetary system that could mean an age of prosperity for the U.S. "My task," LaRouche noted, "is to bring the U.S. into that new monetary system."

The candidate, whose campaign staff is currently the largest operating in New Hampshire, also stressed that nuclear power is essential to that new system.

"There are only two dangers coming from nuclear power," LaRouche said. "They are sabotage—like that which occurred at the Three Mile Island plant last March—and the problems of nuclear waste." The candidate noted that both of these could be overcome through development programs.

LaRouche emphasized that environmentalist spokesmen Barry Commoner and Ralph Nader "are liars" and that their sabotage of nuclear development is devastating the U.S. economy. The presidential contender also noted that besides the 68 nuclear plants currently operating in the United States, and the 120 new plants in various stages of construction, "the U.S. should have between 20-50 new plants a year."

LaRouche continued: "To revive the steel industry, let's build nuclear reactors. To revive the construction industry, let's build nuclear reactors. To boost U.S. exports, we must have nuclear reactors. Without nuclear power, the U.S. won't survive as a nation."

Despite Carter, no 'breakthrough'

The truth about the U.S.-Mexico gas deal

There are two diametrically opposed interpretations of the just completed agreement between the United States and Mexico for the purchase of natural gas. The Carter administration claims that conclusion of the sale is a significant "breakthrough" in relations between the two countries; then there is the Mexican government's view that while the agreement is important, it does not imply that Mexico's resources are at the United States' beck and call.

The agreement just reached in fact bears little resemblance to the pact tentatively concluded—and then blocked by then Energy Secretary James Schlesinger—in December 1977. The difference between the two can be attributed to the arrogant, heavy-handed negotiating tactics of the former Energy Secretary, who consistently argued that since "Mexico had no other use for its gas," it would have to agree to sell to the U.S. at bargain basement prices.

In the end, Mexico basically won its terms; the U.S. got only one-seventh the amount of gas originally offered. Mexico applied the rest to its domestic industrialization plans.

According to the December 1977 agreement worked out between Mexico's national oil company, Pemex, and six U.S. gas transmission companies, Mexico would have supplied the U.S. with 2 billion cubic feet per day at a price pegged to equivalent energy in terms of No. 2 heating oil imported into New York harbor. This formula worked out at that time to a price of \$2.60 per thousand cubic feet (mcf).

In the final government-to-government agreement, reached Sept. 19, some 21 months after Schlesinger personally vetoed the earlier agreement, Mexico will provide the U.S. 300 million cubic feet per day. This is barely one half of 1 percent of U.S. consumption. Contracts will be revised every 90 days, and can be terminated by either party on 180 days notice. Both conditions reflect Mexico's requirements. Finally, the price is tied to the price of other fuel imported into the U.S.—an escalator clause previously rejected by Schlesinger. The baseline level will be \$3.62 per mcf, with deliveries to start Jan. 1, 1980.

Another chance missed

The deal could have given the current administration one of its best opportunities to reverse the decline in U.S.-Mexico relations which has characterized Carter administration policy since the administration entered office.

The critical ingredient in such a turnaround would have been Washington's acceptance of an oil-for-technology framework in which the U.S. would back Mexico's high-technology industrialization strategy. Up to now, administration policy has been overwhelmingly committed to an "appropriate technology," labor-intensive focus which Mexico views as an attempt to keep the country as poor and backward as possible.

But, instead of tackling fundamental development issues, Carter and the major East Coast press blared self-congratulations that the deal was a "breakthrough" which betokened the unlocking of all of Mexico's enormous reserves to potentially being placed at the service of a heightened anti-OPEC campaign.

The *New York Times* for instance, stated that "Americans have reason to cheer. Unlike the Mideast oil that it will effectively replace, the Mexican gas will be effectively secure from terror or revolution." Not coincidentally, leading congressional sponsors of a North American Energy Common Market—an undisguised and threatening oil grab in Mexico's view—scheduled hearings on a Mexico-U.S.-Canada "energy summit" for the day before Lopez Portillo arrives in Washington.

The Mexicans reacted to the U.S. claim of a "breakthrough" with terse and blunt reminders that the deal implied nothing about future oil and gas exports. Stated Foreign Minister Jorge Castaneda unequivocally in a Sept. 23 *New York Times* interview, "On oil there is no basis for a special agreement.... We will use our energy, oil and gas, in accordance with our national interest and not as a supplier of foreign needs."

—Timothy Rush and
Carlos de Hoyos

Extended negotiations: How not to buy gas

June, 1977 The head of Mexico's national oil company (Pemex), Jorge Diaz Serrano, announced that Mexico "is eager to sell much more of its oil to the U.S." and proposed the construction of a gas pipeline from the oil regions to the U.S. border.

Aug. 4, 1977 A letter of intent for a gas deal was signed between a consortium of six U.S. natural gas companies and Pemex. The price according to the agreed formula was about \$2.60 per thousand cubic feet.

Oct. 22, 1977 Illinois Senator Adlai Stevenson III, in coordination with U.S. Energy Secretary James Schlesinger, called on Congress to veto a \$500 million credit package for Mexico arranged through the Export-Import Bank of the United States, \$360 million of which had been slated for construction of the U.S.-Mexico gas pipeline.

Nov.-Dec. 1977 Schlesinger increased pressure on both U.S. gas companies and Mexico to back away from the gas price formula, which he termed unacceptable. When neither complied, Schlesinger summoned Mexican Foreign Minister Roel and Pemex director Diaz Serrano to Washington Dec. 21 to inform them that his Department planned to veto the deal. The next day Mexico ended negotiations.

Jan. 25, 1978 Vice-President Walter Mondale visited Mexico in an effort to reopen discussion of the gas pipeline. He was told by President Lopez Portillo that the price "is not negotiable."

April 29, 1978 Lopez Portillo delivered an unequivocal statement on the natural gas negotiations, which stated that "Mexico has decided to use all its natural gas in the development of our country and if we export anything at all, it will be the fuel oil which we will substitute with the natural gas itself."

Dec. 7, 1978 Carter said that in his February trip to Mexico he expected "to conclude, hopefully, the continuing negotiations" on Mexican gas imports, which Schlesinger's actions had halted more than a year before.

Feb. 14-16, 1979 Carter's summit with Lopez Portillo in Mexico was marked with unrelieved banality and bad taste by the U.S. President. Newspaper

accounts highlighted Carter's performance as well as Lopez Portillo's sharp warning that U.S.-Mexican relations were in deep difficulty. Among the only accords concluded was an agreement to restart gas negotiations on a government-to-government level.

April 4, 1979 Gas negotiations resumed. Chief U.S. negotiators were Schlesinger lieutenants Harry Bergold of the DOE and Julius Katz of the State Department. The semi-official Mexican daily *El Nacional* defined Mexican policy in a blistering Apr. 11 lead editorial which attacked "Mr. Schlesinger's myopic ... arrogant and closed-minded attitude" and his "Big Stick" policies in energy negotiations.

Aug. 14, 1979 Syndicated columnist Joseph Kraft published an article that charged Lopez Portillo with bad faith in ongoing gas negotiations. Kraft related that the Mexican President, in a meeting with U.S. ambassador to Mexico Patrick Lucey, had agreed to a low price in exchange for U.S. concessions on migrant and trade issues. Kraft alleged that Mexico reneged on the pledge.

Aug. 16, 1979 The Mexican Foreign Relations Ministry issued a succinct five-point statement which declared all reports that Lopez Portillo had agreed to a specific price "entirely inexact." He likewise classified all reports that the Mexican President had agreed to link the gas price to other issues "absolutely false." The statement said that inability to "reach agreement concerning criteria" for pricing blocked an agreement, adding that "only small quantities" of gas would be available for export because of surging internal demand.

Aug. 29-31 Undersecretary of State Warren Christopher, chief U.S. gas negotiator Julius Katz, and NSC staffer Guy Erb flew to Mexico for hurried consultations with Mexico's Foreign Ministry. They returned empty-handed.

Sept. 19-21 Warren Christopher and team arrived in Mexico on an open-ended visit, charged by Carter to work out a gas deal before the Carter-Lopez Portillo summit. On Sept. 21, Carter announced that a gas deal had been reached, based essentially on U.S. acceptance of Mexico's terms for a pricing formula.

Sudan's development potential faces IMF destruction

For a little over a year, Sudanese President Mohammed Jafer al-Numeiry has been regularly acceding to the conditions imposed on his country by the International Monetary Fund, apparently in the hope that the Fund will declare him creditworthy and that he will be able to turn his country's devolution around on the basis of its enormous agricultural potential. Last year, the Fund ordered Numeiry to devalue the Sudanese pound by 20 percent and to slap a moratorium on new development projects, and he did so; this year, the Fund ordered him to transform his economy into a British colonial-style monocultural export-oriented economy, and he acquiesced.

This policy has not gone down easily with other Sudanese leaders. In mid-August, Numeiry fired or shuffled 10 top officials, including Vice-President and long-time ally Abdel Kassim Mohammed Ibrahim. The firings illustrated how far Numeiry is prepared to go in accepting the Fund's insistence on top-down control over the Sudanese economy.

The Aug. 11 firing of Kassim—one of the original junta of Nasserist officers who put Numeiry in power in 1969—is known to have resulted from disputes over economic policy: Kassim sabotaged Sudanese acquiescence to the IMF's austerity demands by granting wage increases to the railway workers' union, among other things. His replacement was Defense Minister Gen. Abdul Magid Khalil—whose reputation as a "tough, dynamic soldier," in the words of the *Financial Times*, was a signal to the population that Numeiry is prepared to crack down hard against those who try to fight his austerity program.

Victims of the Aug. 18 cabinet purge also included Finance and Economy Minister Othman Hashim Abdel-Salam—thought to be opposed to IMF diktats—the ministers of industry, agriculture, public affairs and communications and the attorney general. The latter post was filled by Hassan Turabi, leader of the British intelligence-run Muslim Brotherhood—which only last February held a demonstration in Khartoum, Sudan's capital, celebrating the victory of the Ayatollah Khomeini in Iran and calling for Numeiry to "go the way of the Shah."

The purge occurred against a background of strikes and student demonstrations protesting the ending of government subsidies on flour, sugar, petroleum and other basic commodities, which caused price rises as high as 66 percent when they were introduced in May. Railway workers struck for five days on the week of Aug. 13; students rioted in Khartoum on Aug. 8, 11 and 12; and for a time cotton farmers refused to plant this year's crop—the main source of foreign exchange.

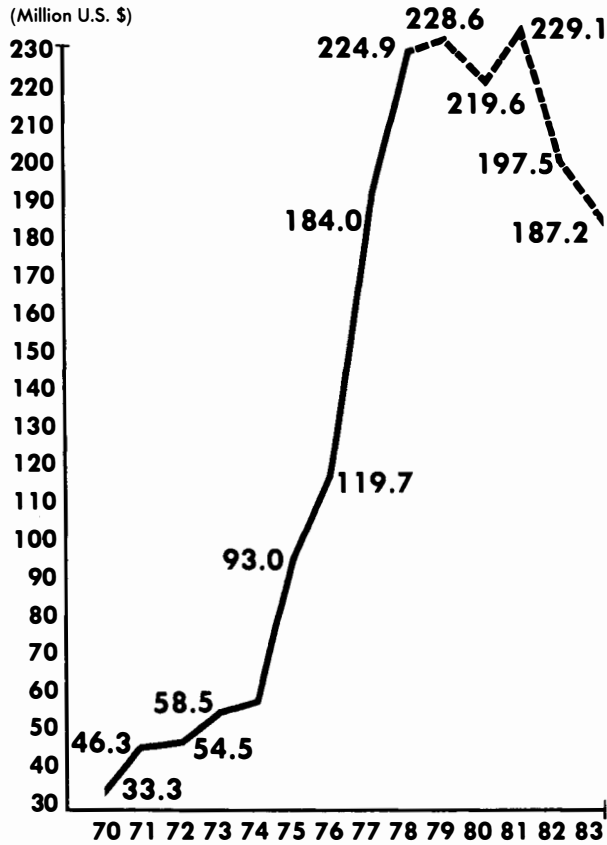
The August events illustrate Numeiry's desperation in accepting IMF conditionalities which, whatever Numeiry's intentions, are forcing the Sudan to abandon development plans which would make it a food producer of global importance, capable of feeding most of the Middle East and a good chunk of Africa. Instead, under the World Bank/IMF "Recovery" program, the Sudan is required to return to dead-end export crop production, growing cotton and peanuts.

For the moment, Numeiry appears in no position to resist. In the attempt to develop his country, he has contracted a reported \$5.5 billion in foreign debt and is hundreds of millions of dollars in arrears in debt service. His main Arab backers, Saudi Arabia and Kuwait, furthermore, have withheld the balance of payments aid necessary to keep Sudan afloat until its development projects start to turn a profit. If Numeiry did not knuckle under to the IMF, he would be able to get *no* credit, and the Sudanese population could very well starve.

Sudan's Potential

The concept in understanding the situation of the Sudan is the realization that *it is not Zaire*. The country has embarked on a massive development program of great promise, based on exploitation of the two great clay plains of the country, and on the White and Blue Niles which water them. It already has sizeable irrigated agricultural areas, some of which have been operating successfully since the 1930s; and any sane and competent economist would judge that the Sudan has run into *short term difficulties* that should have been foreseen and are readily solvable without derailing the development of the Sudan as a food producer.

Sudan Current Debt Service 1970-83



World Bank Projection

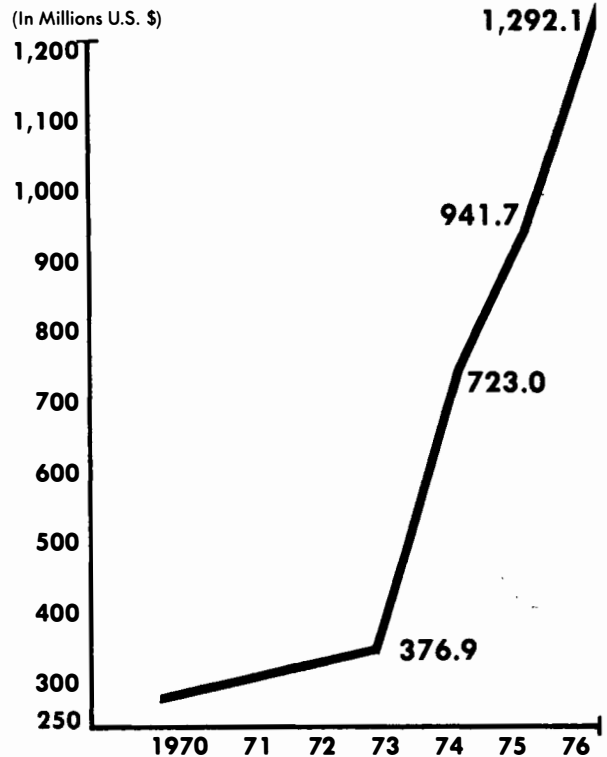
Sudan's debt, as well as its balance of trade deficit, was boldly incurred by the Numieri government in an effort to develop the country, one of the most potentially productive agricultural areas in the world. The projects conceived include reshaping the ecology of the Nile River, building the Jonglei Canal in the Sudd swamp. The World Bank and International Monetary Fund, by insisting on a moratorium on new projects as well as a devaluation and debt repayment schedule, is seeking to suck the blood of a healthy organism. With annual debt service payments steadily rising as a portion of total budgeted expenses and in absolute terms over the past 8 years, the World Bank's projected figures for 1979 through 1983 make clear that the bank—and the International Monetary Fund—are planning a credit cut-off, the only projected means for their accomplishing the indicated decline.

Sudan Debt Service Ratio



Sudan Total Debt

(Disbursed and outstanding public sector Long Term Debt—
Does not include short term trade debt or suppliers credits)



By the conservative estimate of the Arab Fund for Economic and Social Development—the Arab agency set up in 1973 to develop the Sudan’s potential, the Sudan could go from the current 1.3 million hectares of cropland irrigated by the Nile to 3.8 million hectares, and from 5 to 30 million hectares of rainfed cultivation, in the space of 10 years. Meat production over the same period could increase sixfold, from 450,000 metric tons to 3 million. Overall, the AFESD projects a rise in total output of vegetable products from the 7.9 billion metric tons of the 1972-73 crop year to 21.1 billion by 1985.

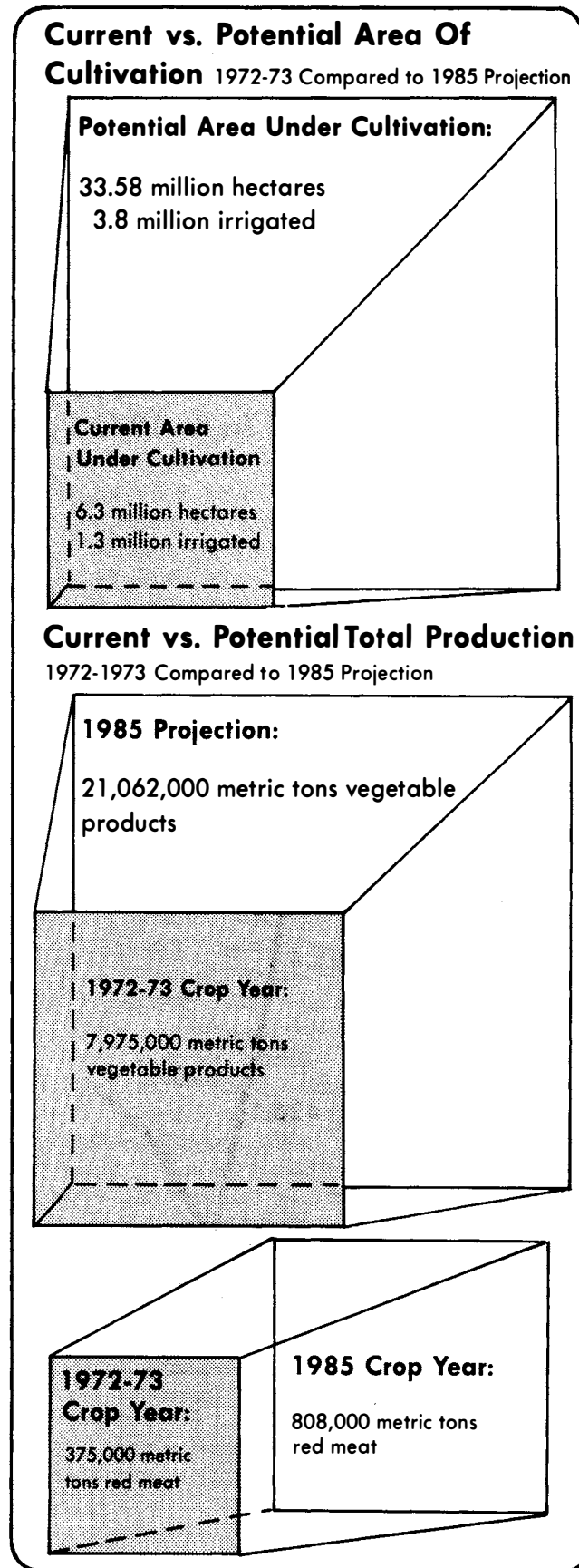
This plan takes into account a \$6 billion investment—which has not been forthcoming—and a program aimed solely at the Sudan. If the Sudan were taken as part of a “Nile Valley Authority,” the entire river, from its sources to the delta could be controlled as part of a project developing all of the countries along it, and making the whole far more productive than the sum of its singly-developed parts.

The bottlenecks

The problem of developing the Sudan—which the International Monetary Fund and certain Arabs attribute to inefficiency, mismanagement and corruption—is that it must be done comprehensively or it won’t work, and that such a development program necessarily requires a long lead-time. An efficient infrastructure must be laid down *around* and *within* the agricultural areas at the same time that the farms themselves and the irrigation projects feeding them are constructed. This requires a commitment over the long haul by the Saudis and other Arab backers, as well as planning, managerial and technical assistance, and capital goods from the industrial sector. Since the Mideastern governments and the governments of the European Monetary System—who are in principle committed to this kind of development strategy—are dragging their feet for a variety of reasons, the Sudan is left at the mercy of the IMF and the City of London, who are adamantly opposed to high technology development in any Third World nation.

The IMF’s commitment

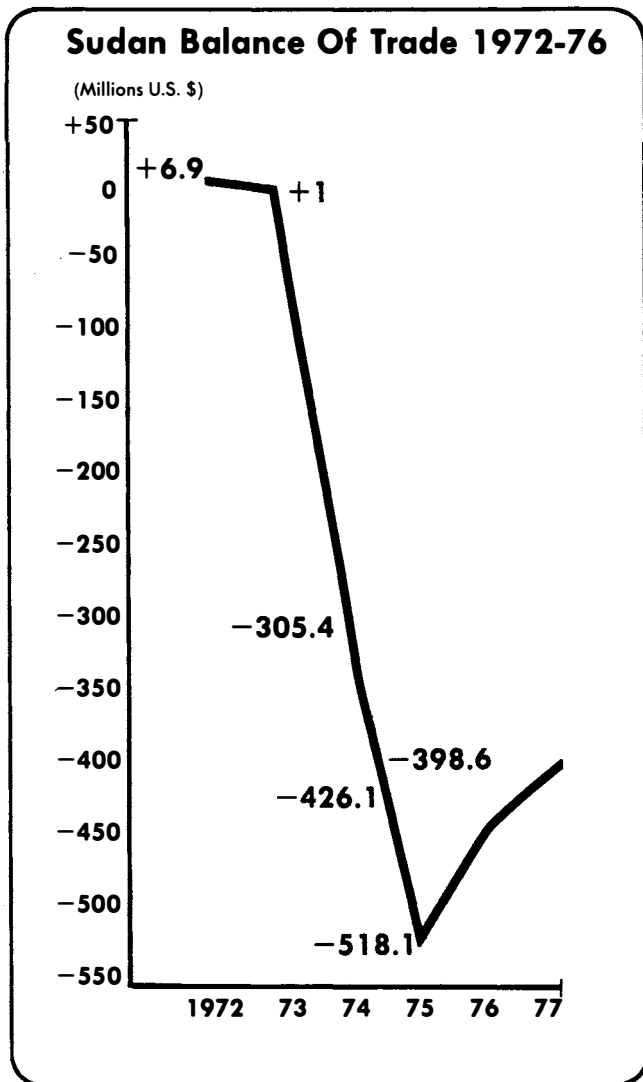
The Fund and the World Bank are committed to transforming the Sudan back to a British-colonial mode—a monoculture economy dependent on the City of London price of the commodity for their export receipts. To be fair to the Fund, it is actually allowing a duoculture economy: the Sudan agreed in May of this year to produce cotton and peanuts for export, and to actively discourage food production, even to the point of abandoning the idea of Sudanese self-sufficiency in basic foodstuffs, leaving the country doubly at the mercy of the Fund and London. To be doubly fair to the Fund, it claims that this strategy will only hold until the Sudan has paid back its \$5.5 billion outstanding debt. Last



Under Program of Arab Fund for Social and Economic Development

year the Fund claimed that the moratorium on new development projects would be temporary as well—and its was: they decided that the moratorium should become cancellation.

This is to be done, furthermore, without any significant expansion or development of the Sudanese agricultural sector. There will be some new irrigation developments, and old irrigation projects will be “rehabilitated.” Neither the bank nor the IMF, however, have made any commitment to serious development aid, and commercial sources of capital, according to both Bank and State Department sources, are uninterested in the Sudan.



In the May agreement, Numeiry pledged cuts in government spending, such as this summer's consumer subsidy cuts which caused the Aug. 8 rioting and had later to be rescinded—at least for now. In return for this agreement, which lasts for three years, Numeiry gets \$260 million—peanuts—provided he sticks to the “recovery program.”

In addition, Numeiry will meet with public sector and commercial creditors this fall to “restructure” the Sudan's debt. Under the restructuring plan, some hundreds of millions of dollars of overdue interest will be added to the reported \$5.5 billion in principal—now effectively in default—to come up with a new principal. The Sudan will then get a 3 year grace period and a 7 year repayment period, according to U.S. banking sources, and possibly some “new money.”

This will all be paid off if the cotton and peanut markets hold—an iffy proposition in today's turbulent world economy—and if intensive cotton production with no money for fertilizers and other inputs does not wear out the soil—also unlikely.

After some initial resistance to IMF demands in 1977 and early 1978, Numeiry appears to have totally acquiesced to the Fund. Besides lifting the commodity subsidies, this year's government budget removed land and water taxes from cotton production and slapped it on to wheat production.

Numeiry has also dealt swiftly with signs of opposition: Public Service Minister Karamallah al-Awad was forced out of office May 29, right after the price rises were announced, to be followed by Abdel Kassim and the other cabinet ministers in August. Numeiry also delivered a pitiable speech Aug. 14—after firing Kassim and before the cabinet purge—blaming “Communist teachers” for inciting the student demonstrations, backed by a nearby “atheist” state, i.e., Ethiopia. And he called on all employers to expose and dismiss any Communists in their employ. This is a reversal of one of his greatest accomplishments as President—the reconciliation between his own Sudan Socialist Union and the conservative Moslem Umma Party and the Sudan Communist Party, the largest in Africa and one of the largest in the Arab world.

Numeiry also begged his countrymen to “bear with me a little longer,” and promised a brighter future. This is a promise he will be unable to keep unless he gets out of the IMF straightjacket, and the Arab and European countries which should be supporting him make this possible.

—Peter Buck

Decriminalization: Kennedy campaign plank in 1980?

"The only thing that is needed to have (marijuana) legalization is the election of Kennedy ... I have been speaking to many people who are close to Kennedy ... I think he is the candidate who is most likely to put this through."

So stated Ernesto Samper Pizano, director of Colombia's largest financial association, ANIF, to an inquiring reporter last week. While Senator Edward Kennedy's presidential bid may be floundering in the United States, it is gaining in popularity among the drug-pushing networks of South America.

Samper Pizano, the foremost proponent of legalization in Colombia, is on a six-month visit to the United States where he is lobbying in Washington, D.C. and on campuses across the country for legalization of marijuana. Samper Pizano has frequently stated that "our proposal is to legalize on both sides ... it wouldn't be reasonable to legalize marijuana in Colombia and not do it in the U.S. ..." Samper's campaign is coordinated with the "pot lobby" NORML (National Organization for the Reform of Marijuana Laws), which will be sponsoring Samper's prodrug lectures in Washington, D.C. in November. He is also associated with the pornographic prodrug magazine *High Times* which carried an extensive article based on an interview with Samper in its current issue.

Campaign for drugs

Since Samper Pizano went public with his legalization campaign in Colombia last spring, interests tied to the drug-trafficking networks have surfaced on both the left and right. *Alternativa*, a counterculture paper linked to *High Times*, and *El Siglo*, the newspaper of Conservative Party chieftain Alvaro Gómez Hurtado, are no longer the only campaigners for a "free enterprise" drug economy in Colombia.

The head of the national industrialists' association, the head of the Bogotá stockmarket, the comptroller general of the country, a leader of the nation's powerful coffee federation, and leading columnists have all gone public with their prodrug affiliations. Perhaps most shocking, however, is the call by the president of the Colombian Senate last week for the formation of what he termed a "Latin American Common Market" to

coordinate the legalized production and sale of marijuana and cocaine. Senator Echeverri Correa asserted that the government's antidrug efforts were depriving Colombia of billions of dollars of drug revenues which could go toward "resolving the country's grave social and economic problems." His call also embraces the long-standing proposal by *High Times* for the formation of an Organization of Dope Exporting Countries (ODEC).

Decrim: 'a matter of principle'

The legalization drive in Colombia is coordinated with prodrug decriminalization allies in the United States. NORML has intensified its efforts to open the legislative pathways for legalization, especially focusing its efforts on enforcement of the so-called Percy amendment, which would cut off funding for drug eradication programs in Mexico, Colombia and elsewhere. Even more significant is the attempt by Kennedy's backers to revive the Senator's "Criminal Reform Code" proposal to federally decriminalize marijuana possession.

The invariant of prodrug lobbying in both countries is Kennedy, whose staff aide on the Senate Judiciary Committee has insisted that decriminalization is "a matter of principle" for the senator. The editor of Colombia's *Alternativa* magazine, Enrique Santos Calderon, wrote last week that "the day is not far away when production and sale of marijuana will be completely legalized in the United States. ... (We must) wait patiently for President Carter, or perhaps President Kennedy, to provide us the magic formula."

Colombia's former President Alberto Lleras Camargo, a longtime friend of the Kennedy family and one of the strongest influences behind the Bogota daily *El Tiempo* which has supported Kennedy's stand on drug legalization, has lavished praise on the British model of legalized "personal dosage." According to a January 1979 commentary by Lleras: "The problem of drugs does not exist in countries, like England, where they do not fight drugs and its control is handed over to doctors who authorize addicts to purchase their small personal quota at reduced prices from the pharmacies."

—Valerie Rush

The politics of the paraquat program

There is a political battle raging in the United States. The issue is drug eradication or decriminalization, and how it is resolved will have international repercussions.

The current fight is over herbicides like paraquat which were used successfully to eliminate the marijuana crop in Mexico (see below). The National Organization for the Reform of Marijuana Laws (NORML)—the drug lobby in the United States—has and continues to raise a hue and cry against their use. NORML claims concerns of health, human rights and environment as reasons to stop the program.

NORML's claims notwithstanding, paraquat and other herbicides have proven to be the most effective agent against drugs. Mexico's use of herbicides ended that country's role as a major exporter of marijuana and heroin. The same could be true for Colombia, now the main supplier of marijuana to the U.S. What NORML in fact complains about is that herbicide use will eliminate drugs from the street.

Closely coordinating with NORML on behalf of the \$200 billion a year illegal drug business are Senators Jacob Javits (on the NORML board), Charles Percy, and Edward Kennedy. Percy, in 1978, sponsored an amendment to the Foreign Military Assistance bill stating that no military aid could be used for drug eradication programs using herbicide spraying. A NORML representative has recently stated that they are indebted to Percy for the progress decriminalization has already made.

Undeclared presidential candidate Edward Kennedy is now backing a criminal reform bill that would, among other things, decriminalize marijuana on a federal level. (Decriminalization is merely an expediency; international treaty agreements forbid legalization.)

Even before Percy introduced his amendment, NORML was in court contesting the U.S. State Department's spraying program. Using information contained in a March 1978 special report issued by the National Institute of Drug Abuse (see below) that argued for marijuana's harmlessness and the dangers of paraquat, NORML argued that marijuana should be legalized and paraquat spraying banned. An out-of-court settlement stipulated that the State Department had to do an environmental impact statement on the Mexico program and other future programs. Until NORML was satisfied with the results of the report, all paraquat spraying programs would stop except for the Mexico program. Said one State Department official:

the paraquat issue "is just too hot to handle politically."

Then in July, Percy's amendment was passed unanimously, but with a rider stating that spraying programs could continue if the herbicide contained a "warning" agent.

Percy's amendment gives the Health, Education and Welfare Secretary the final say on the herbicide program. Using the NIPA reports, Joseph Califano stated before resigning that all financing for the Mexico paraquat program should be stopped. He advised marijuana smokers to use water pipes or bake marijuana brownies to avoid paraquat contamination.

At this point, the State Department was on the line to end the program.

Applying additional pressure, Congressman Benjamin Rosenthal of New York, an advocate of marijuana decriminalization, called for increasing U.S. drug aid to Colombia from \$3 million to \$16 million. Such generosity did not come without provisos: the money was earmarked for interdiction and not aerial herbicide spraying.

Third World condemns easing of dope laws

Following are excerpts from an article printed in the Sept. 22 issue of the Swedish daily Svenska Dagbladet, reporting on discussion which took place at a recent meeting of the United Nations International Drug Agency in Geneva, Switzerland.

The biggest Asian drug producers, the products of whose countries are flooding the black market in Europe and the U.S.A. have warned the Western countries (they will) work against attempts to decriminalize drugs. According to well-informed sources, the warning was given at a conference recently held behind locked doors at the United Nations International Drug Agency in Geneva...

The (results of) present developments in Western Europe and the U.S.A. toward legalizing cannabis is "to actively encourage and increase the illegal production as well as smuggling and other crimes in

But opposition began to emerge within Congress. For almost a year, local community groups and organizations, some of which have formed antidrug coalitions, have demanded an end to the illegal drug trade and a more extensive application of the herbicide program. On Sept. 29, representatives of these groups will be meeting in Detroit, Mich. to form a National Anti-Drug Coalition. Through lobbying efforts, legislative proposals and legal actions, these antidrug organizations have made their voice heard.

On Sept. 11, New York Congressman Lester Wolfe called for the "revision" of the Percy amendment. At Senate Criminal Justice Subcommittee hearings, Wolfe questioned the "supporting data regarding the health effects" of paraquat-sprayed marijuana which he called "incomplete and misleading."

Wolfe has called on Health, Education and Welfare Secretary Patricia Harris to "reevaluate" the scientific evidence in light of a recent study done by a group of i Abuse has sent a letter to Secretary Harris also calling on her to reevaluate the evidence.

NORML did not give in. The State Department and the herbicide spraying program are in the throes of yet another lawsuit filed by NORML. NORML charges that the State Department, Cyrus Vance, the Drug Enforcement Agency, the Department of Health, Education and Welfare, and the Agency for International Development have failed to implement Section Four of the International Security Assistance Act of 1978—the

Percy amendment. The suit bases its argument on the National Environmental Protection Act. Thus, if the State Department goes to court and loses, the U.S. government would be put under NEPA constraints for any future foreign aid policy decisions, not just in the area of drug eradication. State will probably go for another out of court settlement, agreeing to implement the Percy amendment.

What would be the environmental impact on Harlem (frequented by that ill-fated nephew of Sen. Kennedy) or any other drug-infested community if marijuana and heroin were eradicated? NORML explains in their lawsuit:

"... There may also be serious health dangers to the American heroin user from herbicide-contaminated heroin. Little research has been conducted to determine whether heroin contaminated with 2-4D is entering this country and what impact this could have on heroin users in the United States. There have been a number of instances when paraquat has been sprayed on poppy fields in Mexico. This may create an even greater danger to the heroin user. No tests have been conducted to determine whether heroin contaminated with paraquat is entering the country, and what impact this could have on the heroin user.

"The spraying program also has significant social and economic impact upon Mexico and the

connection to the drug trade in other parts of the world." This is asserted in a common statement by the national drug police agencies in the Far East.

The latest example of attempts to legalize cannabis comes from British Young Conservatives, the youth group of the present British government. They plan to introduce this issue at the annual party congress of the Conservatives in October....

Measures in the West toward decimalization of cannabis have created a large semilegal cannabis market, and the big economic profits in the market have attracted criminal suppliers who are trading with several kinds of drugs, among them heroin....

The new liberal view of cannabis shared by many Western governments is based on scientific evidence, or rather the absence of scientific evidence. "There is no evidence that continuous use of cannabis has any damaging effects on your health," it is asserted in a medical report from Great Britain....

The political pressure has increased in many Western European countries against following the line of the White House in Washington. There, the

principle has been accepted that possession of cannabis is not illegal, while not yet wholly legalized.... In its statement, the Far East drug police asked the special United Nations organizations to "ask all governments to continue their actions and not to encourage cultivation, use or trade of cannabis."

They noted that many countries still view cannabis consumption as "a serious crime with social and economic risks," and that some of them, contrary to the West, have recently increased the penalties. They regreted that the changed policy of the rich countries is encouraging the illegal drug traffic and is only increasing the work of the drug police in the rest of the world....

The background of the sharpened posture of the developing countries against legalizing drugs such as cannabis is the fact that they do not have the drug-fighting apparatus that is needed to fight the rise of the black market. This causes growing corruption and increases the use of violence in other areas of society, not necessarily directly connected to the drug traffic.

United States. In many remote areas of Mexico, marijuana and poppies are the sole cash crops for the population, and the spraying program endangers the social and economic existence of these populations.

Many Mexicans whose sole source of income has been destroyed by the spraying program leave their rural homes for the larger cities of Mexico or become illegal aliens in the United States.

"The spraying program has also reduced the supply of heroin entering the United States from Mexico. This has caused the price of heroin sold in the United States to increase, and the purity of heroin sold 'on the street' to decrease from about 6.5 percent in 1976 to below 5.0 percent in 1978, Environmental Impact Statement (April 1979) ... The increased price and decreased purity of heroin sold in the United States has resulted in increased robberies and other criminal acts committed by heroin addicts to support their habits.

"The addition of paraquat to marijuana con-

sumed in the United States constitutes Cruel and Unusual Punishment, in violation of the Eight Amendment to the U.S. Constitution. The severity of the health risk for paraquat bears no relationship to the seriousness of the offense of smoking marijuana, the program violates 'evolving standards of decency,' and it punishes the 'status' of being a marijuana user."

As NORML makes all too clear, there is little if any interest in the mental or physical health of the American population. The politics of paraquat hits squarely on the political economy of drugs. Eliminate drugs in Mexico, Colombia and elsewhere and the International Monetary Fund and World Bank are stripped of a source of cash from their Third World debtors. Eliminate drugs, and the \$200 million a year illegal drug business goes into bankruptcy, going a long way toward restoring America to its place as the world's industrial leader.

—Martha Zoller

Mexico's war on drugs

In 1972, Mexico superseded Turkey as the main supplier of heroin and marijuana to addicts in the United States, supplying, by 1974, 89 percent of the demand for heroin and 75 percent of the demand for marijuana. Today, as the current deputy director of the Mexico Drug Control program has assessed it, "there is less Mexican heroin in the U.S. and ... its purity is down to about 4 percent from 40-50 percent three years ago." In addition, Mexico is no longer a marijuana exporter.

That startling reversal is the result of a two-phase drug eradication program launched in 1974 by Mexico's President Luis Echeverria, with U.S. assistance.

Mexico's war on drugs, termed Operation Trize, first mapped out the targeted zones. Using ultra-modern detection equipment, perfected during the 1960s, photographic studies of the zones were made, detecting the location and size of the marijuana and poppy fields. The U.S. Drug Enforcement Agency began to train the Mexican Federal Judicial Police and antinarcotics personnel to be able to continue directing the drug eradication program once U.S. advisory assistance was no longer necessary.

These areas were then put under military control,

road blocks were set up, and the lands of the latifundist drug cultivators were expropriated. The poppy and marijuana fields were sprayed with 2-4D and paraquat, respectively. Paraquat was recommended and chose by the Drug Enforcement Agency as one of the few herbicides proven to have no harmful effects on personnel using it or on the soil.

Phase one lasted four months and netted the destruction of 14,000 acres of poppies.

Phase two began on May 10, 1975 with the launching of a 25-day reconnaissance by mission using U.S. aircraft flown by DEA pilots and crews, accompanied by Mexican Judicial Police spotters. An additional 9,000 square miles were brought under surveillance.

Operation Trize then moved in with herbicides to destroy, in 1976, 14,705 acres of marijuana fields and 32,284 acres of poppy fields; in 1977, 23,449 acres of marijuana and 45,90 acres of poppy; and in 1978, 9,794 acres of marijuana and 20,725 of poppy.

This is the sort of drug eradication program which the Anti-Drug Coalitions in the United States and Colombia have recommended for implementation in Colombia, a major source of drugs to the U.S. today. This is also the program against which NORML and their friends have initiated legal action.

Two Janes and two unions for Kennedy

Chicago Mayor Jane Byrne, who reached office with the help of the Kennedy family networks, will try to create a machine for Ted Kennedy's presidential bid by turning the city's entire municipal workforce over to Jerry Wurf of the American Federation of State, County and Municipal Employees (AFSCME). Sources in both Chicago and Washington report that AFSCME, a big supporter of Ted Kennedy, anti-nuclear "environmentalism" and urban austerity, will undertake an "organizing drive" in Chicago "as soon as Byrne gives the green light" by issuing an executive order granting full collective bargaining rights to city workers.

AFSCME officials and lawyers are now working with Mayor Byrne's people to draft that order.

In a related development on the labor front, United Auto Workers (UAW) president Doug Fraser, another big Kennedy fan, has given the go-ahead to UAW locals to "endorse the candidate of their choice and work for him." Immediately, Charles Gifford, UAW chief in the state of Iowa, undertook two actions: he invited Jane Fonda and Tom Hayden to address the state UAW convention next month; Fonda and Hayden are the leading organizers of the Oct. 6 anti-nuclear demonstration in Seabrook, N.H. that is planned to be violent. Then, Gifford announced that he would work for Ted Kennedy in the state's Democratic Caucus.

The Chicago AFSCME plan for Kennedy involves what one Wash-

ington source termed a Jane Byrne attempt at "drastic social engineering. ... She is trying to create her own machine." To do so, she must attack the real labor unions in the city—service employees and Teamsters—that were the base of the machine of former Democratic Mayor Richard Daley. Under Daley, there was an unwritten agreement that city labor, organized or not, would be paid at prevailing union-level wage rates. Ironically, if Byrne and AFSCME "organize" municipal workers, it is almost a sure-thing that wage levels will decline—among other things.

AFSCME has shown itself to be a collaborator of the worst austerity governments in major urban centers. In New York City, AFSCME's Victor Gotbaum not only contractually agrees to mass lay-offs and a dismantling of city services, but has donated billions of his union's pension monies to Municipal Assistance Corporation debt-pyramiding projects. AFSCME spokesmen already indicate that in Chicago, they plan to provide similar "responsible assistance to Byrne ..."

But the overriding immediate consideration in the AFSCME-Byrne scheming is the 1980 Kennedy presidential candidacy. "Jane and AFSCME have a basic identity of purpose ... we have a commonality of interest in getting Ted Kennedy into the White House. ..." A "strong AFSCME" in Chicago, using the phony registration and vote fraud

methods that union leaders used on behalf of Jimmy Carter in 1976, could give Illinois to Kennedy, an AFSCME spokesman indicated.

Meanwhile, UAW leader Gifford in Iowa was demonstrating his commitment to Kennedy by inviting Hayden and Fonda, the "green terrorist" leaders, to his convention. The UAW bureaucracy and President Fraser are at the center of the Kennedy election push. When the executive board voted to end the union's officially "neutral" position last week, they intended an immediate infusion of organizers and money into "draft Kennedy" efforts in Florida, as well as Iowa. The decision was reportedly taken because of the shrill cries of pro-Kennedy people like Gifford, who argued that the sorry state of Kennedy's campaign sorely needed "UAW muscle." Apparently, Kennedy's desperation outweighed Fraser's fear that an early endorsement would expose "non-partisan" activity by the UAW against the "Wall Street nuclear establishment."

Ironically, Gifford's invitation to Fonda and Hayden came at the very time that Kennedy and the leading supporters of Kennedy, who have financed and built support for the New Hampshire violence next week, have begun to publicly distance themselves from the Seabrook demonstration. But at this point, the link between Kennedy backers in the UAW and the green terrorists is too longstanding and explicit to cover up on short notice.

Tom Hayden himself is a creature who helped found the Students for a Democratic Society under partial UAW direction. The Fonda-Hayden tour has been billed in the Washington Post as a "call to arms" for the old SDS network. Hayden also belongs to the Progressive Alliance, an organization of "liberal" unions, Naderites and environmentalists the UAW spawned as a temporary waste-storage facility for the collection of forces that will comprise the Kennedy-for-President campaign.

—L. Wolfe

Saudis, Europe move against oil speculators

The Carter administration came under attack this week from European and Japanese oil ministers at the energy summit of the seven leading OECD nations that participated in this summer's Tokyo economic summit. What provoked the ministers was the Carter administration announcement earlier this month that it would extend the deadline of the controversial \$5.00 per barrel subsidy (entitlement) to U.S. oil majors purchasing crude on foreign markets at a higher price than domestic crude prices.

The subsidy program, which would have expired this month (it was initiated earlier this year during the heat of the oil crisis), was widely attacked by the French and German governments as an incentive to U.S. multinational companies to speculate on the Rotterdam spot market. Spot purchases, which under normal market conditions account for only about 5 percent of world oil trade, are across-the-counter transactions and, in times of shortage, are at prices far exceeding the OPEC benchmark price for crude. Earlier this year the majors, in part through the U.S. subsidy, were instrumental in dramatically driving up prices and disrupting European markets.

Since Carter's announcement to extend the deadline of the subsidy, spot prices have again begun to firm, according to the *Wall Street Journal*, Sept. 27.

As a result of the pressure on Washington at the Paris meet U.S. Energy Secretary Duncan announced that the entitlement will only be extended through October. According to one well connected oil analyst with a New York investment

house, the U.S. "ate crow" at yesterday's conference.

Saudi production increase

Timed with the Paris energy summit, the government of Saudi Arabia has announced it will maintain its increased production level until the end of 1979. In June, Riyadh announced a 1 million barrel per day (mbd) production increase over the official production ceiling of 8.5 mbd to increase world supply and hence force a drop in spot market prices. According to the *New York Times*, Sept. 27, the Saudi decision to extend the deadline for the 9.5 mbd production level arose out of the desire to continue to enforce pricing moderation and to be a clear signal to Saudi Arabia's OPEC partners that the oil giant will not tolerate another hefty oil increase at the December OPEC meeting.

The Europeans and the OPEC moderates have taken initiatives on yet another front aimed at further dampening the Rotterdam spot market. According to the *Washington Post* Sept. 26, the participants in the Tokyo summit informed the U.S. that purchase of foreign crude for the U.S. "strategic reserves" should be halted. At the same time the Saudis and other OPEC producers warned the U.S. against putting Middle East crude into the Louisiana salt domes, which have no pipeline or pumping facilities for recovering the crude.

The Iranian factor

Other reasons cited by various press sources for the Saudi decision to maintain the higher production level was the probability of another shutdown or dramatic decline in Iran's oil

exports. Last week the Revolutionary Council headed by Iran's theocratic strongman, Ayatollah Khomeini, conducted a full review of Iran's economy. According to the *Baltimore Sun* Sept. 20, one key issue under review was Iranian production and pricing policy for its crude oil.

The more fanatic members of the ultra-fundamentalist Council are said to be forcing a political showdown with the director of the National Iranian Oil Company, Hassan Nazih. Khomeini's son, reports the *Wall Street Journal* Sept. 27, is behind the drive to oust the moderate Nazih and replace him with either Ayatollah Rafasanjani or the head of Iranian Radio and Television, Said Ghotb-zedah, both cothinkers of Khomeini, and both said by numerous sources to be hated by the NIOC oil workers.

According to a well-placed Washington source, if such a change in the leadership of the NIOC comes about, there will be immediate strikes in Iran's oil fields in protest, shutting down Iranian production. Already Khomeini's son has begun a systematic purge of the lower levels of the NIOC bureaucracy.

A shutdown of Iran's output is considered by numerous oil industry sources to be sufficient to trigger another oil crisis similar to that experienced in 1979. As this publication documented, the intelligence networks which were behind the Iran destabilization and openly backed the strikes of Iranian oil workers—such as the Bertrand Russell Peace Foundation, the Transnational Institute and its sister U.S. organization, the Institute for Policy Studies—have direct ties to the Seven Sisters cartel of multinational oil companies through Anthony Wedgewood Benn, the former British oil minister from British Petroleum. However, the multis must realize that they were seriously discredited during 1979 and a replay would further damage their position internationally.

—Judith Wyer

FACTS BEHIND TERRORISM

French 'new right' backs Italian 'new left'

On Sept. 19, the "Committee of Intellectuals for a Europe of Liberties" (CIEL) held a press conference in Paris to denounce the Italian authorities' request for the extradition of Franco Piperno, a professor arrested in Paris on an international warrant. Piperno is wanted for complicity in the murder of former Italian premier Aldo Moro by "Red Brigades" terrorists.

The nature of the press conference, and of Piperno's new defenders, once again confirms that the "new right" of which CIEL is representative, and the "new left" of which Piperno and the Red Brigades are representative, have a common origin and ideology. The CIEL consists of Raymond Aron, vice-president of the International Institute for Strategic Studies, a NATO-linked think tank controlled by the British monarchy; Michel Crozier, a sociologist; Edgar Morin, a "mass communications specialist"; Jean-Marie Benoist, a sociologist; Jean d'Ormesson, a journalist for *Le Figaro*; Marie Antoinietta Macciocchi, a former Communist Party member; and other anti-communists, right-wing social democrats and Eastern European "dissidents." What has brought them together with the likes of "ultra-left" Franco Piperno is the explosive results of several months of French and Italian police collaboration in a crackdown on the interconnected networks of extreme-left, extreme-right, and organized-crime terrorism.

A most threatening development to the "right" and "left" was

the recent appointment of Maurice Bouvier, Central Director of the Judiciary Police in the Interior Ministry, to coordinate investigations into the activity of mobster Jacques Mesrine, France's most wanted man. Bouvier is the kind of policeman who knows who's really behind terrorism.

Commissioner Bouvier rose in police ranks steadily throughout his career, becoming famous for his 1962 probe of the Petit Clamart assassination-attempt against Charles de Gaulle. The President's car was riddled with machine-gun fire. Bouvier tracked down and arrested all the gunmen involved.

Permindex connection

Moreover, that investigation produced knowledge, not generally publicized, that the assassination attempt was financed and arranged from Switzerland by the U.S.-based Permindex Corporation. The logistics were organized by Col. Bastien-Thiry, with support from NATO headquarters in Brussels, where General Challe, a Secret Army Organization officer, was stationed. The \$100,000 funneled into the operation and overall command came from Permindex and Division 5 of the U.S. Federal Bureau of Investigation. The money was delivered by Maurice Brooks Gatlin, working under Guy Bannister of the FBI in New Orleans.

The Permindex Corporation was set up with the cooperation of British intelligence by U.S. and Canadian Zionist lobby organized-crime elements who overlap

with the Israeli intelligence agency Mossad (it is to be recalled that Piperno's "Red Brigades" fired Israeli-made bullets in the killing of 5 Aldo Moro bodyguards). FBI's Division Five was set up by British intelligence Major General Louis Mortimer Bloomfield, who also set up Permindex, and is the lawyer for the Canadian Bronfman Zionist family of liquor and drug-running repute.

What makes the Mesrine case key in further investigations is his known collaboration with the OAS in Madrid, and his position as the darling of the extreme left movement. The newspaper "Liberation" grants him interviews while he is in hiding, and the "Prisoner's Action Committees" organized by the notorious Michel Foucault, a psychologist trained at the Tavistock Institute of London, helped Mesrine in a jailbreak.

Adding to his long record of robberies and kidnappings for ransom, Mesrine two weeks ago hit the news when he shot and nearly killed a journalist, Jacques Tillier, who after working for the DST (French equivalent of the FBI) for a few years, began a career as an investigative journalist for the extreme-right weekly "Minute," and who had been following the Mesrine case.

The current investigations into the Permindex-OAS-organized crime connection should also lead to the trail of Jacques Medecin, Mayor of Nice and protector of the organized crime and gambling circuit in his area. Jacques Medecin is the protector of the "sewer gang" of bank robbers led by Albert Spaggiari—so named because their latest series of bank heists have been carried out by digging up through sewer systems to safe deposit vaults. Spaggiari is a former member of the OAS.

—D. Sloan

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
France/German Dem. Republic	Bilateral trade agreement. France and GDR will jointly produce machine tools in France for sale in both markets and to third countries.	\$1.47 bn over 1980-1985	France will arrange	Pact signed
Libya from Italy	Pirelli and three other Italian groups (Ceat, Telettra of Fiat, and Sirti) will build a 6,000-km-long communications network (telephone, telegraph, and television)	\$500 mn		Contract awarded
Netherlands from U.S.	KLM-Royal Dutch Airlines has ordered three Boeing 747s as part of \$2 bn investment program	\$208 mn		order announced by KLM chairman
Greece/Libya	New expansion of bilateral trade agreement. Libya is supplying Greece with one-third its oil, Greece has launched construction projects in Libya. Furthermore, an investment company has been set up to plan joint ventures, including possibly an ammonia and fertilizer plant	\$170-200 mn p.a.		Government agreement
Zaire from OPEC	Railway modernization project receives further credit issuance	\$157 mn	\$7 mn in credit (already committed: IDA, Saudi Fund, et al.)	Loan announced
U.K., Sweden, and Hong Kong from S. Korea	Hyundai Shipbuilding and Heavy Industries has won orders for building 5 bulk carriers: two for Shell International Marine (U.K.), two for the Salen group (Sweden), one for Tehhu Cargocean Management (H.K.)	\$150 mn		Contracts received
Mexico from U.S.	Mexicana Airlines has purchased two DC-10 jumbo jets for 1981 delivery	\$85 mn		Contract signed
Saudi Arabia from France	Renault will build a network of 23 truck service stations for the Saudi government	\$51.8 mn		Winning contract announced
Republic of Ireland from U.S.	Union Camp Corp. will build a highly automated corrugated container plant in a joint venture with Kerry Cooperative Creameries Ltd.	\$15 mn		

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

***Status:**

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

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Gold	September 21	369.00
London afternoon fixing	24	380.40
	25	376.70
	26	373.75
	27	395.50

The dollar in deutschemarks	September 20	1.7600
New York late afternoon	21	1.7630
	24	1.7665
	25	1.7668
	26	1.7612

The dollar in yen	September 20	219.40
New York late afternoon	21	222.30
	24	222.85
	25	222.70
	26	222.30

The dollar in Swiss francs	September 20	1.5680
New York late afternoon	21	1.5690
	24	1.5690
	25	1.5760
	26	1.5695

The British pound in dollars	September 20	2.1630
New York late afternoon	21	2.1680
	24	2.1630
	25	2.1615
	26	2.1975

