"vision" that the EMS will eventually supplant the IMF and become a mechanism for funding Third World industrialization. The European-Third World coalition deals such a blow to IMF authority at Belgrade that the London *Economist* characterizes the institution as "dead on its feet."

Oct. 26: At a top-level international bankers' conference held in Port Chester, N.Y., Treasury Undersecretary Anthony Solomon takes European governments to task for their reluctance to cooperate with U.S. economic policy. He charges that: "The U.S. continually hears European calls for stronger U.S. leadership in the economic area, and specifically in the monetary area, ... Yet when the U.S. does attempt to exercise leadership, there is frequently a notable absence of European willingness to follow." The Oct. 31 West German business daily *Handelsblatt* reports with disgust that one unidentified American at the conference had compared the present West German government leadership with Hitler! The conference is sponsored by West Germany's Friedrich Ebert Foundation.

Nov. 1: The Philadelphia World Affairs Council, a sister organization to the New York Council on Foreign Relations, holds a conference to brief top U.S. banking and corporate leaders on the "Committee of Thirty's" blueprint for world monetary reorganization. Speaker Robert Triffin proposes that, as a transitional step toward making the SDR the primary world reserve, a "multireserve" system be created, based on the emergence of several "regional" currency groupings. Praising the European Monetary System and its accounting unit, the ECU, Triffin calls for linking the ECU and other such "regional currencies" to the SDR, making the IMF the actual arbiter of world credit supplies.

Nov. 5: Speaking before House Banking Committee field hearings in New York City, Geoffrey Bell, executive director of the "Committee of Thirty" and a director of Britain's Schröder Bank, proposes that the leading industrialized countries not wait for further speculative attacks on the dollar, but provide now for an "orderly" diversification out of the dollar. He calls for the issuance of special investment instruments denominated in "hard" currencies, such as the pound sterling, deutschemark, Japanese yen, and Swiss franc.

Nov. 14: The Carter administration freezes Iranian assets. Geoffrey Bell predicts in an *EIR* interview that this step will encourage further currency "diversification" by OPEC dollar-holders who are now anxious over the safety of their own deposits. "The quicker we get through this transitional period and make the dollar *primus inter pares*, alongside the pound, the deutschemark, the yen, and the Swiss franc, the better," Bell says. Bell also stresses that Britain's pound sterling should once again assume a major role in world monetary relations because of its "petrocurrency" status.

—Alice Roth

Who planned the asset freeze

Sawhill concern is supply curtailment

Speaking Nov. 20 at a breakfast held for the Washington press, Secretary of Energy John Sawhill delivered some opening remarks followed by questions.

Sawhill: My concerns about the world oil situation and what we have to do to prepare—my basic feeling even before Iran—is that the world oil supply situation is very delicately balanced. Despite the very slow economic growth and demand probably remaining static, supplies are troubling ... because OPEC production is a questionmark. Saudi Arabia stepped up production but that is only temporary. So there is much production that could be curtailed.

And I am concerned about changes in the structure of the world oil market. Oil used to be sold on contract basis, but it is increasingly moving toward the spot market. This means further instability which has made the situation difficult to predict, and underscores the need for all industrialized countries to curtail imports of oil.

So at the DOE we have refocused our efforts on energy conservation, and the substitution of other fuels for oil. ... We do not know the implications of our cutoff of imports from Iran because we do not know if Iran will cut off production. But we must encourage conservation....

Q: *What kind of contingency planning is now going on in the Department of Energy?*

Sawhill: When I first came, I looked at the supply-demand figures and was very concerned that we did not have comprehensive plans—so, late October, I got underway an interagency task force to look at what to do about all forms of supply curtailment, all the way from a production cut-back by a producing country, to political terrorism in the Mideast. We have developed a number of options.

I intend to establish a special office in the DOE which has supply curtailment as its specific function. ... We also want to activate state contingency planning as rapidly as possible because of the situation in Iran.

Q: *If a big shortfall, say 20 percent, suddenly occurred, what sort of rationing plan is in the works and can be presented to Congress?*

'Crisis managers' take control

The Federal Emergency Management Agency—an agency which has up to now stayed in the shadows of U.S. policymaking—has taken over control of U.S. government economic policy. The emergence of the agency, known as "FEMA" by insiders, amounts to a takeover of domestic and foreign policymaking from the U.S. legislative and executive branches.

"We at FEMA had plans to freeze the Iranian assets two weeks before [Carter] did," FEMA's agent at the U.S. Treasury revealed Nov. 19. He took full credit for the massive U.S. freeze of $12 billion in Iranian dollar deposits in U.S. banks which has rocked the world financial community.

"I was on top from the beginning," said Randolph Kau, the FEMA man, who doubles as executive secretary for national security to Treasury Secretary G.W. Miller. The regular responsible Treasury authorities had nothing to do with it, he said. When the threat from Iranian Foreign Minister Bani-Sadr to pull all $12 billion of Iran's dollars out of U.S. banks came over the Treasury's international telex in the early hours of Nov. 14, Kau bragged, "the Treasury night duty officer called *me*. I called Secretary Miller and [Federal Reserve Chairman] Volcker personally. I handled it, from the top, by prior arrangement."

FEMA has come a long way since it crisis-managed the Three Mile Island nuclear "disaster" last spring.

The emergency agency was created as a "big brother" amalgamation of seven or eight federal emergency agencies, just before the Three Mile Island incident, and was given vast and dangerously unspecified powers to "coordinate all federal preparedness and response" to nuclear war, earthquakes, floods, terrorism, down to local incidents. FEMA was signed into existence without law, without congressional approval, by an unpublicized presidential Executive Order of which even few in Congress were aware.

Some Washington commentators noticed that Three Mile Island made a perfect test case for FEMA's trial run.

NSA: Freeze the assets

FEMA's next coup, Kau went on, is its "live contingency plan" to freeze the entire $100 billion net OPEC deposits in U.S. banks. Asked whether FEMA might

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Sawhill: It would take us three months to develop a plan for full-scale coupon rationing and submit it to Congress. ... My own feeling is that it should be a white market plan, i.e., people should be able to buy and sell coupons.

Q: *Could you give us more detail about the emergency planning structure you are setting up? What is the role of the Federal Emergency Management Agency? Are you working most closely with the Treasury Department on this?*

Sawhilll: I am in charge of these task forces. They are interagency, and FEMA is heading up one of the several task forces which I set up. The C.E.A., the Department of the Treasury, the Department of Transportation, and the DOD are also involved.

Q: *Are you now convinced that you cannot get a plan in place unless the crisis becomes more immediate?*

Sawhill: Well, it is hard to convince people that this is a problem that will be with us for a long time.

Q: *You mentioned your concern about the world oil market orienting toward the spot market, but over the last few months, the U.S. has taken at least two specific actions which, as a deliberate policy choice, moved major demand to the spot market. I mean the subsidy decision of late summer, which not only our allies screamed about, but which OPEC complained made it difficult for them to hold the oil price down; and the recent decision around Iran.*

Sawhill: I do not think those are moves that will increase pressures on the spot market. The reason for the increased use of the spot market is that the price is so much higher. The U.S. is not shifting demand to the spot market, but more and more countries are shifting to take advantage of the higher prices on the spot market.

Q: *But the producing countries do not make a profit from spot market sales, just the multinational oil companies. The spot market is determined not by the producers, but by demand which the U.S. moves have served to increase twice in the last few months.*

Sawhill: (No answer.)

'From the top, by plan'

Randy Kau, executive secretary of the Treasury for Security Affairs, is a personal secretary to G. W. Miller, and serves as the Treasury's representative on the FEMA Interagency Task Force. In a Nov. 19 interview he said the following:

Q: *Did you have a generalized contingency plan when Miller froze Iranian assets?*

Kau: Yes, of course there was a contingency plan....

Q: *How does it work? Clyde Farn-*

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freeze the rest of OPEC's money next, he said "Of course, we wouldn't be doing our job otherwise."

Such an abrogation of the dollar's role as a reliable, freely convertible medium for international exchange and trade would end the U.S. currency's role as an international reserve currency.

FEMA's up-to-the-minute intelligence on where all those billions in petrodollars are located, *EIR* learned, is coming from the supersecret National Security Agency (NSA), the joint intelligence venture of the Defense Department and the CIA which taps all world telecommunications lines.

"We didn't bother to rely on Newman," scoffed Kau, referring to Gerald Newman, Director of the Treasury Office of International Banking Activities, which has the formal, legal responsibility to provide the Treasury with that sort of data. "They think they're pretty important ... but they don't understand the foreign policy, domestic policy considerations here. There exists *substantially better data* [which] is classified on a national security basis, so I can't tell you from where."

The only agency capable of tapping into comprehensive information on deposits in *all* the international banks, New York and Washington banking communications experts say, is the NSA. Under the 1952 Executive Order—again, no congressional law—creating the NSA, it is forbidden by national security censorship to even describe the extent of powers of the NSA, let alone to find out how the NSA is monitoring those billions of dollars. Only the FEMA officer, in all of the Treasury Department, in fact, seemed to know how these decisions, on which the U.S. economy and foreign policy hang, are being made.

If the freeze of all $100 billion OPEC assets goes through as planned, Kau admitted, that will be the end of the U.S. dollar as the international currency. "You must understand that the mere mention of the possibility of freezing these assets drives people [i.e. Arab holders of the dollars—ed.]up the wall. If we were to admit to this, *it would collapse the dollar*," the Arabs would panic and begin massed withdrawal from U.S. banks to beat the freeze.

Of course, FEMA is deliberately leaking these rumors, hoping to panic the Arabs. Their efforts are aimed at wiping out the U.S. dollar.

"Contingencies"

FEMA is taking over more than mere monetary policy. The agency is asserting greater control over U.S. energy policy and the broad sweep of general economic policy that goes with it. FEMA is coordinating a new Inter-Agency Task Force composed of members of all the administration agencies and headed by Deputy Secre-

Who planned the freeze

Continued from page 11

sworth in the New York Times *says that night duty officer Joseph Hatfield ran off when he saw Bani-Sadr's $12 billion statement on the FBIS ticker, and called Miller and Carswell who handled it ad hoc....*

Kau: Bullshit! Hatfield called *me* and I called Miller and Volcker. It was handled from the top, by plan.

Q: *Was this done in coordination with FEMA?*

Kau: FEMA is only involved in things like nuclear war....

Q: *But I understand they're doing planning for a total OPEC oil embargo with John Sawhilll....*

Kau: Where did you hear that?

Q: *From FEMA. ... Are you the FEMA representative at Treasury on the FEMA Interagency Task Force?*

Kau: ... Yes.

Q: *Is your plan on the foreign assets coordinated with them?*

Kau: Yes, FEMA is involved in the overall planning. ... We at FEMA had this plan to freeze the Iranian assets two weeks before. ...

Q: *So you do have contingency plans together with Sawhill's group for dealing with OPEC's assets in the event of a total OPEC oil shutoff?*

A: We'd be negligent if we weren't planning for this but I must tell you people are going up the wall. If we were to admit to this it would collapse the dollar....

Q: *But what about the rest of your emergency mechanism? How does it work? How good is this data?*

Kau: Look, that information is classified on a national security basis, you'll have to talk to our FOIA (Freedom of Information—ed.) office.

Widen freeze to OPEC?

Stanley Sommerfield, director of the Treasury Office of Foreign Assets Control, said the following in an interview this week.

Q: *The Journal of Commerce says your licensing of partial movings of the blocked Iranian funds constitutes a form of exchange controls...*

Sommerfield: Certainly, this is nothing but exchange controls. Of course, it's selectively on Iran.

Q: *Do you have contingency plans to widen this to other OPEC countries in case they threaten to pull out funds from the dollar?*

Sommerfield: Do you think by any wild chance the Secretary of the Treasury was able to waltz into the White House on ten minutes notice tary of Energy John W. Sawhill. Sawhill, who is also FEMA's representative at the Energy Department, is planning "emergency contingencies" for a total cutoff of OPEC oil production and the consequent shutdown of the U.S. economy.

Sawhill told a Washington press briefing this morning that as part of FEMA's Inter-Agency Task Force which he heads, he has set up a "special office in the Department of Energy which has oil supply *curtailment* as its sole function." Sawhill knows whereof he speaks when he talks of crisis-managing a cutoff of U.S. oil supplies. He quit as head of the old Federal Energy Agency in 1975, after personally managing the oil embargo of 1973-74, because President Ford refused to implement his "tough mandatory conservation measures," he told reporters.

Sawhill's current "oil curtailment" scenario is a total cutoff of oil production in the Persian Gulf, due to terrorist attacks on the oil fields, blocking of the Strait of Hormuz at the mouth of the Gulf, etc. In his task force's recent report to Congress, "Oil Shortage Contingency Planning" Sawhill warns such an event could mean a world shortage of 12 million barrels of oil a day, producing a shortage to the U.S. of 4 million barrels a day or a cutting in half of U.S. available current oil imports.

To meet this contingency, Sawhill and FEMA are already planning "potential initiatives" ranging from hiking gasoline taxes to "full scale U.S. rationing" of gasoline, heating oil, and other oil products, to moving the economy onto a depression "four day work week."

Energy Secretary Charles Duncan, in a meeting with Sawhill of the 36 U.S. state governors Nov. 16 to discuss the report, called for the governors to immediately ready state-by-state rationing plans modeled on that of California in case these large-scale federal programs are not ready in time for such a Mideast oil shutdown.

Barring a terrorist or war-provoked shutdown of Mideast oil, Sawhill's report continues, what is in fact probable is a "substantial risk" that OPEC oil supplies will be cut by 3 million barrels a day in 1980 "because of an apparent breakdown of discipline in OPEC ... as the number of (oil) purchasers increases, price pressures are heightened and each new players seeks to assure supplies," which will cause OPEC countries to just cut their production to take advantage of the higher prices. "The events of the past year and current market trends have increased the probability of chronic or sudden interruptions of oil supplies in the coming months," the report concludes.

—*Kathy Burdman*

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and get that order signed? Of course we have been planning for these things in advance.

Q: *A FEMA spokesman says they have plans for an oil cutback by all* of OPEC.

Sommerfield: FEMA! FEMA is dumb! Who ever heard of FEMA! We tried to tell them weeks ago that we should be on any emergency task force. They didn't even bother to put us on their interagency task force. ... So the other night we didn't pay any attention to them. I'm in charge of blocking funds here. I was here in World War II; I have been blocking funds since I blocked the Chinese assets in 1950, Cuba in 1963, Rhodesia in 1968. What does FEMA know about blocking? I wrote the order, I had drafted it in advance, I went to the Secretary (Miller) and he went to the President and got him to sign it and then I had the authority. And we didn't need these fancy-Dan planners at FEMA to tell us what to do.

Q: *But isn't it true that people like Randy Kau and John Sawhill are making decisions?*

Sommerfield: Well, er, I wrote the order as I said and it was gone over by Kau and a team of Treasury lawyers and Justice, that's true ... But they had to come to me to implement it....

Treasury Coordinates with IMF, BIS

From the Treasury office of International Banking Activities, director Jerry Newman's deputy, James Lister, disclosed how the Treasury keeps tabs on international finance:

Q: *Do you monitor OPEC and other nation's reserve assets jointly with the BIS (Bank for International Settlements) and the IMF (International Monetary Fund)?*

Lister: Yes, we monitor through our computer all foreign reserve assets and all foreign liabilities to both U.S. banks and non-banks including manufacturing corporations. The BIS makes all its reports, public and private, to the New York Fed; we get from the New York Fed those reports, plus the New York Fed's own reports on the U.S. banks, U.S. and foreign liabilities and assets, plus other data on U.S. banks and non-banks' liabilities and assets with foreigners compiled from the Treasury Statistical Office under Dirk Kaiser. We have the only aggregate reports—Heimann (Comptroller of the Currency) just taps into the same Fed system to get the individual bank reports on national banks only. We just use the published IMF data; there is no special data.