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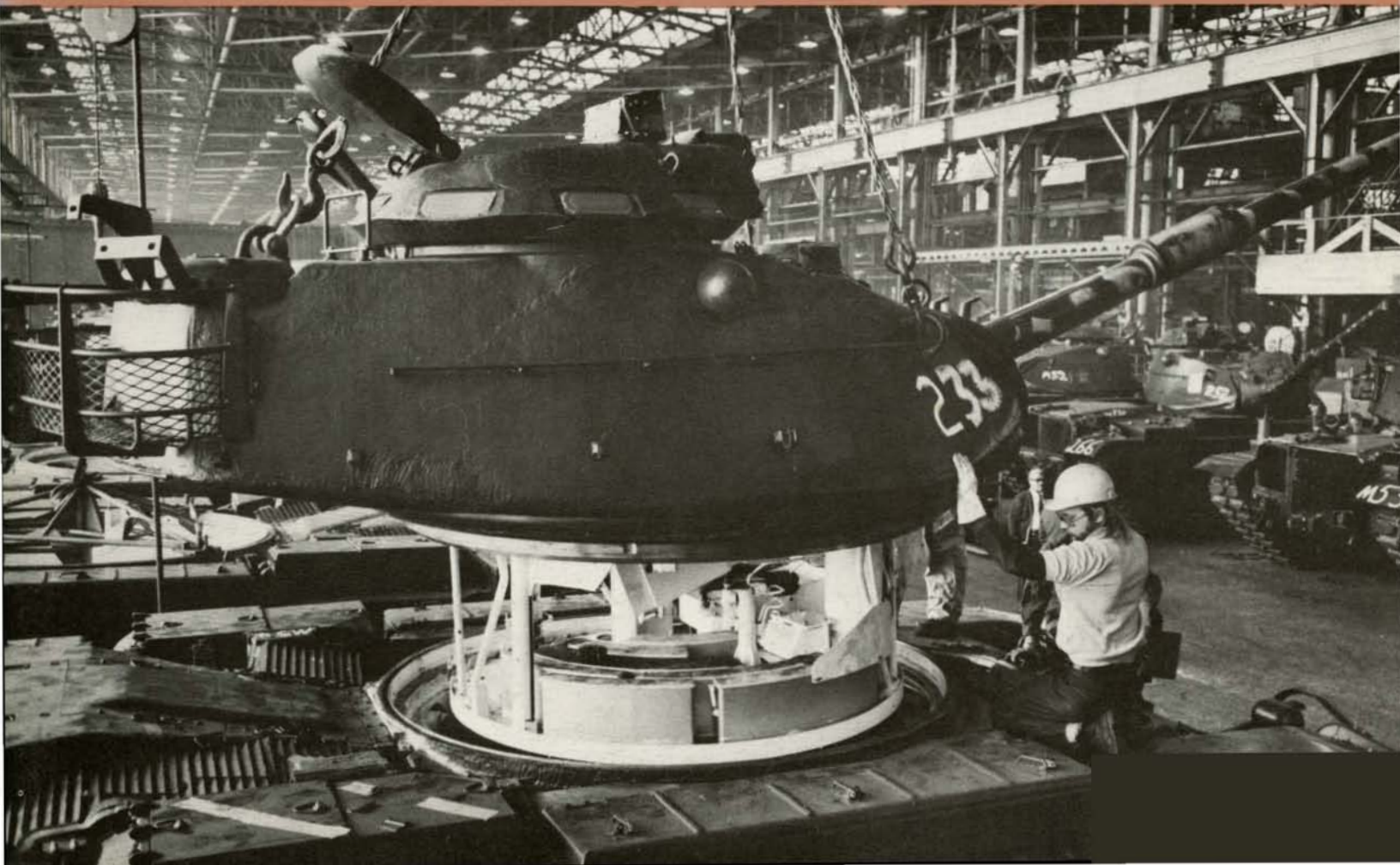
Executive Intelligence Review

Vol. 7, Number 5

February 5-11, 1980

Europe takes steps to save the world from Carter
The candidates assess the state of the union
Restoring America's power: McCormack's fusion bill

The erosion of U.S. military capability — part 2



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EIR

From the Editor-in-Chief

Last week, our Special Report examined the credibility of Carter's "doctrine" of confrontation with the Soviet Union in light of the reality of the U.S. defense posture matched up against that of the Soviets. The basic principle of that report was the inescapable link between military capability and economic capability. We are pleased to see that *Business Week* in its Feb. 4 issue also caught on to the secret in their own somewhat limited look at why the U.S. economy cannot sustain Carter's defense buildup.

This week our Special Report continues with the second part of our study, this time moving from the previous overview of existing military capability to an in-depth examination of the comparative economic and research and development capabilities of the U.S. and the U.S.S.R. Under the direction of Uwe Parpart, who directed the entire project, we begin with the results of our "Riemannian" econometric analysis of the effects of a military buildup on the U.S. economy. (The computer model was developed under the direction of our Contributing Editor, Lyndon LaRouche.) Economics Editor David Goldman reviews the results, which show why dreams of a military-based economic boom are in fact a nightmare. Dr. John Schoonover then takes a look at the "sorry state" of our military-industrial complex.

Perhaps the most devastating aspect of this situation—the collapse of U.S. defense research and development compared to the rapid advance of the Soviets—is the subject of an article by physicist Dr. Steven Bardwell. Finally we round out the package with a discussion of Soviet military capabilities and current doctrine by Susan Welsh. We intend to complete this report with a third part next week which will examine U.S. and Soviet military doctrine in detail.



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Next Week

The strategic significance of Gandhi's India

Indian voters turned out in overwhelming numbers last month to return Indira Gandhi to power. The mandate for her nation-building policies was unprecedented, and came at a time when global crises have lent an unprecedented significance to developments on the Asian subcontinent. Then, last week, France's Giscard, preparing initiatives to reform the world monetary system and preserve world peace, visited Mrs. Gandhi to conclude a "North-South" alliance around such issues. In its next issue, *EIR* presents an in-depth portrait of India's new role in the world, including exclusive interviews, an economic survey, and the history of Indian leadership of the nonaligned nations. Also next week, Part 3 of *EIR's* series, "The erosion of U.S. military capability," will present a thorough profile of the differences between U.S. and Soviet military doctrine.

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While the Carter administration shoots the U.S.A. in its own foot with trade embargoes, credit sanctions and related measures against the Soviet Union, America's allies—and in particular West Germany's industrialists—are quietly, but urgently signing trade agreement after trade agreement with the Russians, some of them unprecedented in scope. It's not just a matter of good business. It could keep the world from going to war...

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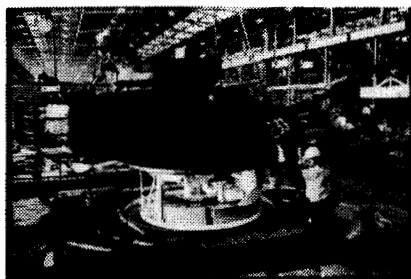


Photo credit: Fred Conrad/SYGMA

- 16 The erosion of U.S. military capability—part 2**
U.S. in-depth war-fighting capabilities have fallen far behind the Soviet Union, because of a massive erosion of U.S. industrial and research-and-development capabilities. Now, the president has issued a call to arms—arms that American “volunteers” can’t wield, that American industry can’t produce, and that are of the wrong type for use against the Soviets anyway.
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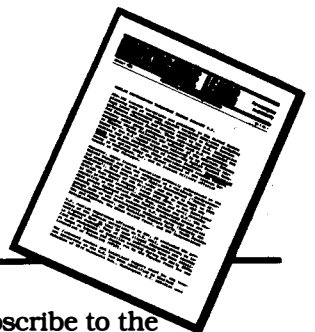
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INVESTIGATIVE LEADS

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Editorial Comment

by Nora Hamerman

Can Britain be saved?

One of the most intriguing developments of the week has been the emergence of a visible opposition to the Anglo-American collusion course with the Warsaw Pact in the headquarters of the Anglo-American alliance—London.

Former Prime Minister Edward Heath, who has been quite silent since Margaret Thatcher outbid him for the Conservative Party leadership four years ago, intervened into the Jan. 28 House of Commons debate with “some sharp criticisms of the government’s measures against the Soviet Union,” according to the British press.

Heath’s criticisms pursued a tack established some months back by the late Lord Mountbatten and in the summer 1979 conference in Switzerland of the London International Institute of Strategic Studies. Heath charged that the Thatcher government’s decision to break off high-level contacts with Russia, the abandonment of the Olympic Games, and the threat by London and Washington to militarily cut off Soviet access to Persian Gulf oil, merely “divert attention from what really needs to be done,” while arming of Afghan insurgents against Warsaw Pact troops is courting “grave danger.”

What needs to be done, Heath continued, is for the West to launch a global strategy—economic, political, and social, for responding to the Afghanistan situation—including economic aid to the non-aligned equal to no European country.

Mr. Heath’s remarks must be considered not merely in a British context. They follow soon after President Carter’s disastrous “State of the Union” address. They also follow the Jan. 20 and Jan. 27 nationwide television half-hour addresses on the world strategic situation by U.S. presidential candidate Lyndon LaRouche, who is emerging as Carter’s most serious rival for the Democratic Party mainstream electorate.

LaRouche detailed the evidence that Carter’s bluster against Moscow would lead to a confrontation in which the United States would either be forced to a humiliating backdown, or into thermonuclear World War III. And he traced the roots of the Carter administration’s policy blunders to Carter’s energy and monetary policies.

The significant feature of the Heath remarks is the implication that Britain could shift toward adopting the policy LaRouche proposes—restoring the West to healthy economic development through a new gold-backed monetary system and nuclear energy—as the only means for averting the thermonuclear holocaust. While certain British circles are weighing this option, the impact of the two LaRouche telecasts has contributed to a climate in which France and West Germany, the leaders of the European “superpower for peace” strategy, have renewed their own push for a new world monetary system, particularly following French President Giscard’s recent visit to India.

The British elite has always known—LaRouche points out—that the Adam Smith “free trade” or “free enterprise” doctrines are incompetent, but they embraced them to maintain the rule of feudal-aristocrats in alliance with the London rentier-financial interests. Whenever they required some actual industrial capitalist growth, as in the pre-World War I period, they grudgingly borrowed from the American System of government-backed technological progress associated with Alexander Hamilton and today with LaRouche.

Today, the saner British ruling circles have the option to adopt LaRouche’s updated version of a “Hamiltonian” policy, using Britain’s productive potential for capital-goods export to the developing sector. This is Britain’s only hope—the only real answer to Margaret Thatcher’s suicidal policies.

Euro-Soviet trade: No time for embargoes

by Mark Trisch
Wiesbaden Correspondent

There are "new East-West link-ups to save economic cooperation," announced the Italian financial daily *Il Fiorino* Jan. 31, and that seems to be true for Italy, and even more so for West Germany and France.

Later this month Deutsche Bank chief executive Wilhelm Christians will arrive in Moscow to put together a package to finance the most massive pan-European energy project undertaken thus far. By 1985 an enormous, 2,700 kilometer pipeline will be delivering 40-50 billion cubic meters of natural gas a year to Western Europe. Christians needs to arrange a \$12 billion credit package to tap West Siberia's gas reserves, known to represent 10 percent of known world reserves.

France, in its own deal clinched last week, will double Soviet deliveries of natural gas by the end of this year, and expects the Soviet Union to provide 16 percent of their natural gas needs by 1985, which will approach the level of 40 billion cubic meters per year.

The gas deals are the leading edge for bringing full-scale pan-European energy cooperation on line. U.S. and British economic warfare has not deterred continental Europe from pressing on with the perspective laid out in the Schmidt-Brezhnev accords of May 1978, pointing to full nuclear energy cooperation. The German firm Deutsche Babcock is known to have made arrangements for supplying nuclear plant equipment to the Soviets, and the Italian Finmeccanica is doing the same. Anyone who believed that Otto Wolff von Amerongen, president of the German Chambers of Commerce, was not serious when he recently responded to Carter's economic block-

ade against the Soviets, by calling for *more* East-West trade, should remember that German and other European businessmen are expecting to be spending a lot of time in Moscow hammering out contracts for the next five-year plan when the bargaining season gets under way later this year.

Another Togliattigrad

One jumbo-deal already in the works involves the construction of another "Togliattigrad" in the Soviet Union—a replication of the massive auto plant that Fiat built there in the early 1960s. This time around, Fiat expects to conclude a \$20 billion deal for auto construction facilities in the so-called White Lands, which the Soviets will pay off with exports of 120,000 units per year. Stories to the effect that Italy had cancelled its credit line to the Soviet Union were dismissed last week by the Italian Foreign Ministry, which explained that "technical improvements" to the credit arrangements were involved in the delay in announcing the extension of the credit arrangements from \$650 million to \$1 billion. Such credit lines serve mainly the smaller enterprises' trade with the East. The massive energy deals, or even Montedison's planned half-billion dollar chemical plant deal, is financed through special credit packages. Germany does not have such a standing credit line, but rather gives state-backed credit insurance for East-West trade.

The sums involved in the pan-European energy cooperation elements of the Soviet Union's new Five Year

Plan (starting in 1981) are so big that no one is speaking publicly about them. Both West German banking sources and Soviet commentators in Western Europe, however, have privately made clear that contracts adding up to a total of several hundred billions of dollars are involved. Americans and others who say the West Europeans are just "looking for profits" in East-West trade, and "behaving egotistically," ignore the common European heritage of a unified continental system of integrated industry and trade "from the Atlantic to the Urals" as de Gaulle once said.

Every industrialist who helped build the continent out of the ruins of the last war knows that the partnership of West European and Comecon industry in developing the economic strength of the Soviet Union and the East European countries is the only means to establish a permanent basis of peace on the continent, and a base from which to export industrial development all over the world. For example, therefore, despite concern over the dependency involved, the West German government has been content to have 38 percent of the uranium consumed in the German nuclear plant network enriched in the Soviet Union. At the moment, as much as 11 percent of West Germany's primary energy imports comes from the East bloc.

The case of West Germany

The German case is exemplary of the accelerated expansion of detente-linked industrial relations. Between 1971 and 1978 German exports to the Soviet Union increased by 292 percent, and German imports from the Soviets by as much as 326 percent. In the same period the proportion of finished goods in West Germany's imports from the Soviets has increased from 9 percent to 21 percent, demonstrating a determination to shift the quality of economic cooperation away from a mere exploitation of Soviet raw material resources, to a genuine technological collaboration leading to joint ventures in the economic development of Third World countries, a prospect which German industrialists have placed major emphasis on since the May 1978 Schmidt-Brezhnev accords.

By mid-1979, the proportion of German exports going to socialist countries had reached 6.07 percent, with a total of 13.9 billion deutschmarks in the first three quarters. Exports to the U.S.A. were still narrowly ahead at 15.2 billion deutschmarks, but the trend has been to close the gap. Exports amounting to 4.9 billion deutschmarks went to the Soviet Union in the same period, and interestingly enough, exports to the socialist bloc and OPEC countries together added up to 27.9 billion deutschmarks, almost exactly the same as exports to France, West Germany's closest and principal

trading partner. Although West Germany still has a trading surplus with the East bloc, imports from the Soviet Union have been racing ahead—up 19.2 percent in 1978, and rising another 28.9 percent by the third quarter of 1979 against the same period of 1978.

Beyond even the dreams of the pioneers of East-West trade in the 1950s, the construction of the Soviet Union's Baikal-Amur railway to massively increase the flow of traffic across Asia to Vladivostok, has opened up the possibility for developing a cheap freight transport route between continental Europe and Japan, a project which Soviet Gosplan experts speaking at seminars in West Germany have lost no time in pointing out.

With these vistas in view now, no West German industrialist has forgotten the disastrous decision forced on Konrad Adenauer in the early 1960s by the Anglo-Americans, which resulted in the scrapping of the groundbreaking jumbo deal for steel pipes between Mannesman and the Soviet Union. Every industrialist looking to expanding trade links with the East has sworn it will never happen again.

Cooperation: 'From the Atlantic to the Urals'

Behind the recent spate of trade deals are the initiatives taken by Europe's leaders, French President Giscard d'Estaing and West German Chancellor Helmut Schmidt, to consolidate the European Monetary System and move on to the gold-based phase 2 of the EMS, the European Monetary Fund. As part of these initiatives, the two leaders have looked to the Soviet Union.

The first, on May 6, 1978, was a 25-year treaty between Chancellor Schmidt and Soviet President Brezhnev. The treaty provides for cooperation in industry, mining, science and nuclear power and energy research of an unprecedented scale and depth, including the highly significant stipulation for joint cooperation in third countries.

The second was a series of agreements reached between Brezhnev and France's President Giscard d'Estaing during the latter's visit to the Soviet Union April 25-27, 1979. The agreements included two on economic, industrial and scientific cooperation with specific mention given to developing new types of energy and advanced technologies. They also agreed on cooperation in Third World development and in taking steps to prevent the outbreak of war. In all it is a 10-year program for Franco-Soviet cooperation.

New deals at a glance

Euro-Soviet trade deals are mounting up to the billions of dollars—and an overwhelming “no” to the Carter government’s request that Europe enforce a trade embargo against the Soviet Union, particularly in areas of energy and high-technology trade, for their military action in Afghanistan. Here are some of those deals.

West Germany and the Soviet Union

- Deutsche Bank chief Wilhelm Christians will soon be in Moscow to work out a package to finance the construction of a 2,700 kilometer pipeline that by 1985 will deliver from Western Siberia to West Germany 40-50 billion cubic meters of natural gas per year. The credit package adds up to \$12 billion.

- Deutsche Babcock has sealed a deal to provide nuclear plant equipment to the Soviet Union as has the Italian firm Finmeccanica. The Soviet Union currently enriches 38 percent of the uranium consumed in West German nuclear plants.



Pipeline construction in Siberia could soon provide West Germany with a large part of its natural gas needs.

France and the Soviet Union

- France has already sealed a deal with the Soviet Union that will double Soviet deliveries of natural gas by the end of 1980. By 1985, they expect Soviet natural gas to meet 16 percent of their needs.

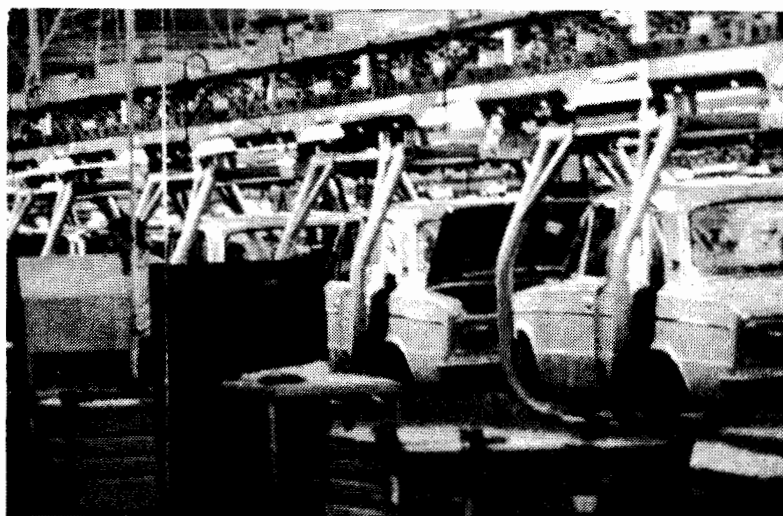
Italy and the Soviet Union

- Fiat expects to conclude a \$20 billion deal for auto production facilities in the Soviet

White Lands. Fiat and the Soviets expect that these new facilities will produce 120,000 additional units per year for export.

- The Foreign Ministry announces the extension of credit arrangements from \$650 million to \$1 billion.

- The Montedison chemical giant plans a half billion dollar chemical plant deal to be financed by a special credit package.



Fiat's on the assembly line at Togliattigrad, the first such auto production facility built by Fiat in the Soviet Union.

Credits and 'risks'

A conference of Anglo-American financial chieftans predicts little credit because of great "risks" in the 1980s. But even

Controlling the expansion of international lending was the major theme of the International Banking Conference sponsored by the American Bankers Association in New York on Jan. 28-29.

M. H. Fisher, editor of the *Financial Times* of London, who delivered the principal address, predicted a significant contraction of the international loan market in 1980 in response to the new series of global political "risks" which emerged in 1979: Iran, Afghanistan, and so forth.

In his keynote address to the conference on Jan. 28 and in impromptu remarks the next day, Otmar Emminger, the recently retired head of the Deutsche Bundesbank, laid out a series of banking measures for limiting the overall expansion of the trillion dollar Eurodollar market.

The conference took place, however, against a background of developments which point to an expansion of international lending over the next year, at concessionary rates and on a different basis than the standard medium-term balance of payments credits of the past. These include activity brewing to expand East-West trade, and the agreements between Indira Gandhi and French President Giscard.

In the international lending market, a flurry of new loan syndications is breaking the slowdown that has been in effect since last summer. Of note is the announcement last week of a \$196.9 million

line of credit from France to Peru, which will be used to expand a steel mill, build a hydroelectric power station and extend the Lima telephone system. Between 25 percent and 30 percent of the loan will consist of low-interest credits from the French government and the rest will be provided by French commercial banks at prevailing market rates.

Several weeks ago, the French government extended an \$80 million credit facility to the Brazilian state of Sao Paulo.

Discussion of such developments only filtered into the proceedings of the ABA-sponsored International Banking Conference in the form of references to the "uncooperativeness" of the "independent" French and West Germans.

Jim Leach, member of the House Banking Committee, opened the morning session Jan. 29 on "Controlling the Eurocurrency Markets" with a pitch for introducing reserve requirements in the Eurodollar market. Leach authored a bill in the U.S. Congress last spring that would empower the Federal Reserve to move in conjunction with European central banks to impose reserve requirements on Euromarket deposits.

The second speaker, Dennis Weatherstone, chairman of the Executive Committee of Morgan Guaranty, added that the large New York-based international

banks are "not totally opposed to greater regulation" of the Eurodollar market themselves—even though they appear to be the principal beneficiaries of the lack of regulation.

Last spring *EIR* reported that Fed Governor Henry Wallich, the leading U.S. proponent of Euro-market regulation, in fact had the full support of the New York commercial banks. The issue of "regulating" the Eurodollar markets arose at that time, a number of New York bankers admitted privately, because West German and Japanese commercial banks were lending out their sizable dollar reserves to Third World countries at cut-rate prices and undercutting the spreads of the New York banks.

"Will the European central banks agree to the proposals for maintaining reserves against Euromarket deposits?" John Haley, executive vice president of Chase Manhattan and the session's moderator, asked Dr. Emminger. Emminger admitted that the task was not an easy one. But he noted that during the Iranian crisis, West German banking authorities were able to collect a lot of information from German banks about their international lending activities that they could never get before.

Emminger proposed a three-stage program for reining in the overall expansion of the Eurodollar market: the consolidation of the (international and domestic) balance sheets of the banks; the introduction of capital controls where necessary; and the imposition of uniform loan-to-capital ratios on international banks, the approach also favored by Governor Wallich.

Giscard's gold initiative

Gold markets have become battle zones between those for and against remonetization, in the wake of a visit to India by the President of France...

In the wake of French President Giscard d'Estaing's four-day summit with Indian Prime Minister Indira Gandhi, international banking circles are buzzing with rumors that Giscard may bring Western Europe and the Nonaligned Third World movement together around a gold-based international credit system to fund development.

In the words of the New York-based *Journal of Commerce*, "the international community is waiting with some trepidation" for Giscard's monetary reform proposals which will be presented at the Venice economic summit of leading industrial nations in June.

According to top French sources, Giscard may call for the establishment of a new international institution (such as the European Monetary Fund) which may offer gold-indexed bonds to investors and recycle the funds into long-term industrial projects.

As speculation concerning Giscard's proposals mounts, the world gold market has increasingly taken on the appearance of a battle zone. The wild price oscillations which have occurred during the past two weeks reflect a bitter struggle between the U.S. Treasury, on the one hand, determined to prevent full remonetization of gold, and continental European banks and Arab investors, on the other, seeking to increase their positions in gold until such time that the Giscard plan is put into action. Thus, after peaking at \$875 an ounce on

Jan. 21, the gold price plunged to as low as \$624 in London on Jan. 28, rebounded to \$700 in New York on Jan. 29, only to fall back to \$658 the following day.

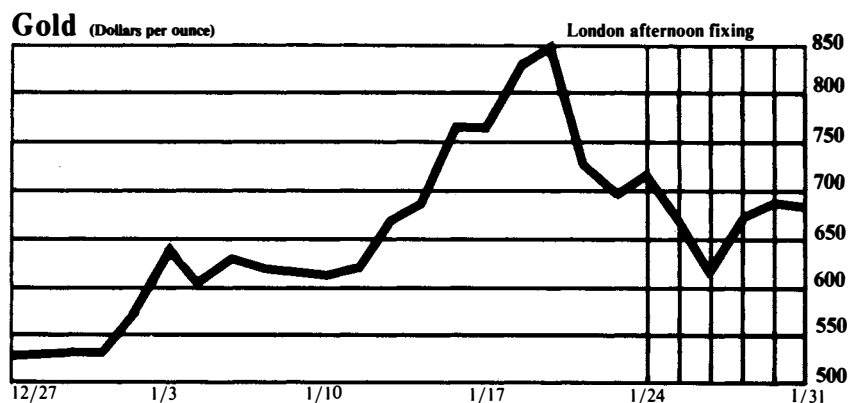
U.S. Treasury officials have put out the word on the market that they plan to hold another large government gold auction shortly. The Treasury may also be behind the decision of the New York Commodity Exchange (COMEX) earlier this month to suspend silver futures trading. The action (along with higher margin requirements in both silver and gold) resulted in a wave of forced liquidation in silver, which also affected gold because of investors' fears that gold trading might also be restricted.

Ironically, the major West German banks and their Arab customers appear to have welcomed the price falls as an opportunity to stock up on more gold at what would appear to be "bargain"

prices. West Germany's *Die Welt* even suggested that Arab interests had sold some gold on Jan. 21 to panic the market, drive down prices, and facilitate further purchases.

At a recent conference of gold experts in Toronto, Dresdner Bank managing director Hans-Joachim Schreiber, a well-known advocate of gold remonetization, predicted that the gold price would continue strong. He dismissed rumors that the major Western European central banks had agreed to hold joint gold sales with the U.S. to depress prices as "a lot of talk" for which Swiss National Bank chief Fritz Leutwiler was primarily responsible.

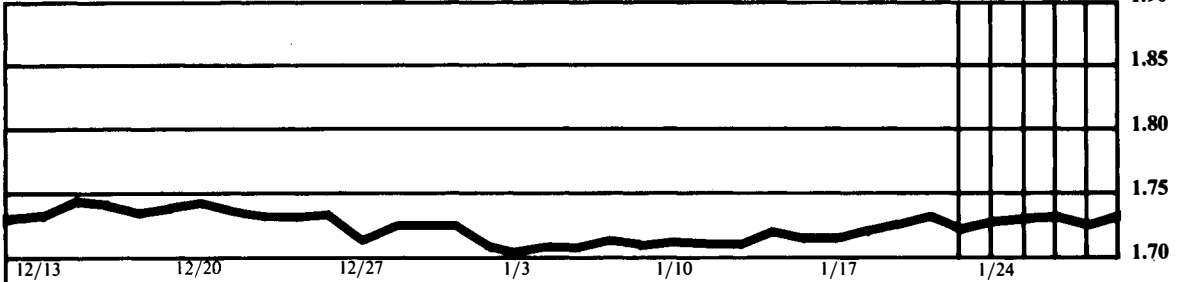
The Treasury, meanwhile, has been placed in a position where it is damned if it holds another gold auction and damned if it doesn't. Another sale might hold down prices a little longer, but would permit Dresdner and other European banks to gain access to new gold supplies. On the other hand, if Treasury fails to resume its auctions, the price could rebound and add further credibility to France's demand for remonetization.



Foreign Exchange by Richard Katz

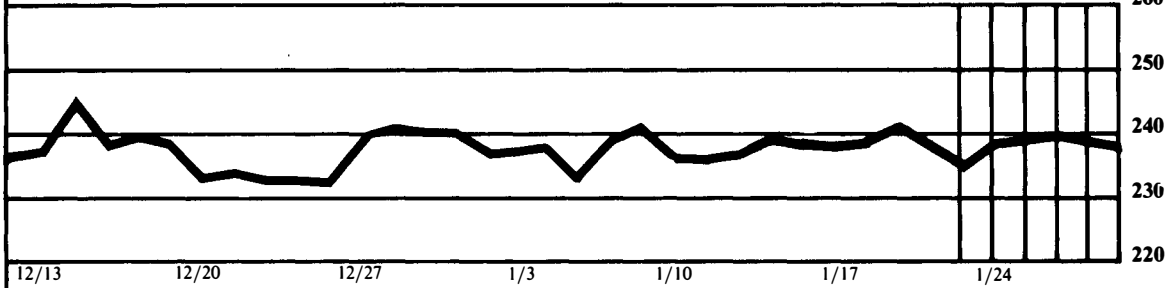
The dollar in deutschmarks

New York late afternoon



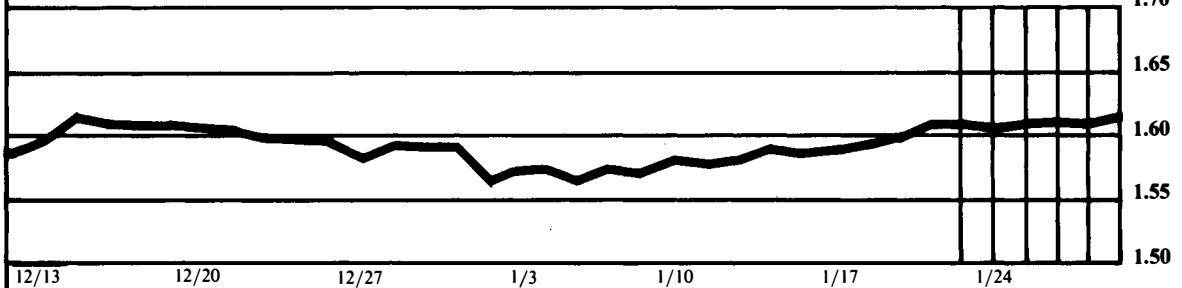
The dollar in yen

New York late afternoon



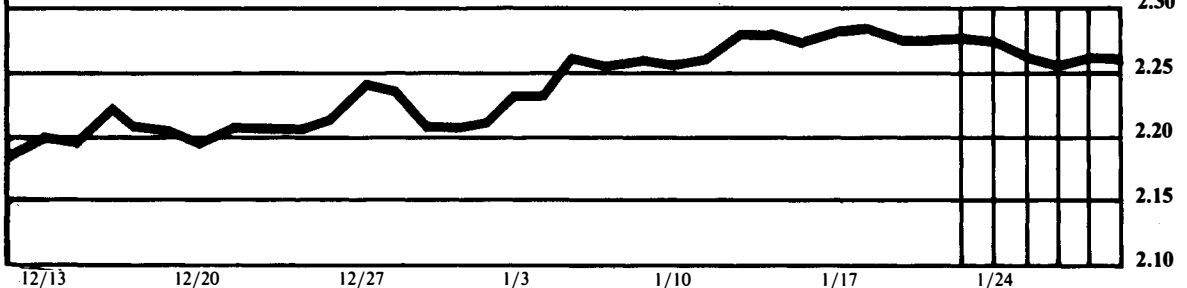
The dollar in Swiss francs

New York late afternoon



The British pound in dollars

New York late afternoon



The economic state of the union

Bad, very bad . . . thanks to the measures instituted by Jimmy Carter, Paul Volcker, and Alfred Kahn.

Has the United States economy already shifted into a war-economy mode?

Statistics from the fourth quarter of last year certainly raise that question. In December, for example, while the production of construction supplies continued to decline and auto production plunged to its lowest rate in more than four years, the aerospace and communications sectors—the most military-related in the economy—were enjoying a spurt of activity.

The increase in defense and space equipment production was spurred by a 21.3 percent annual rate of increase in government expenditures on defense during the fourth quarter.

For the last three years the economic policies of the Carter administration—notably, Paul A. Volcker's interest rates, the over-regulation of nuclear energy, and embargoes on all types of "sensitive" technology exports—have steadily gnawed away at both the consumer-oriented and vanguard sectors of the U.S. economy, while favoring certain others. Now military production is getting the hand outs.

The economy's fourth quarter performance would have been much worse had consumers not dipped deeply into their savings accounts in the effort to maintain living standards. Consumer spending rose at a 13.5 percent annual

rate in the fourth quarter—just keeping up with the year-end inflation rate—even though lenders were cutting back on their extensions of new consumer loans. The gap was made up by consumer savings. The savings rate—the ratio of savings to income—dropped precipitously in the fourth quarter to 3.3 percent from 4.3 percent in the third quarter. Obviously, with no let up on the consumer credit squeeze, the level of consumer spending registered in the fourth quarter was a one shot thing.

The type of austerity associated with stepped up defense spending was also in effect by the end of last year. The increase in the Consumer Price Index in December—a 13.3 percent annual rate, the highest since the outburst of inflation after World War II—made front-page news. The other side of the steady advance of inflation over 1979 was the equally steady erosion of real spendable earnings. According to the Commerce Department, spendable earnings fell 5.3 percent over the course of the year after adjusting for inflation, the largest drop of the postwar period. (December was the seventh consecutive month that real earnings dropped.)

The Carter administration's economic policies have had their most devastating impact in the nation's industrial belts.

There has been no turn around

in prospects for the more than 140,000 U.S. auto workers layed off late last year—except that many of the "temporary" layoffs have been turned into "extended" layoffs. During the last week of January, production schedules were set at 40 percent below the same week in 1979.

The rubber industry is now feeling the full effects of the continuing auto showdown and the weaker companies are taking appropriate measures. Armstrong Rubber, one of the second rung companies, has announced plans to close three plants temporarily. Uniroyal, which has been plagued by serious financial problems since the strike against it last summer, has made the long-expected decision to shutdown two of its five U.S. tire plants permanently; 2,300 jobs are involved.

Developments in the nuclear energy industry are the bleakest part of the economic picture. On Jan. 26, the Ohio papers carried the news of the largest cancellation of construction contracts in the nation's history: the canning of a \$7.3 billion project centered around the construction of 4 nuclear plants in northeastern Ohio.

Businessmen in some sectors of the economy are holding on to the illusion that Carter's increased defense budget will bail them out.

The bond market is registering a more realistic response to Carter's budget for fiscal 1981, which includes a 3.3 percent increase in real defense outlays. Anticipating a widening budget deficit and rampant inflation, yields on long-term Treasury bonds rose significantly above 11 percent last week, eclipsing the records set during the Civil War in the 19th century.

Trade Review

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

Cost	Principals	Project/Nature of Deal	Financing	Status
NAv	India/France	Joint commercial, technological, and scientific ventures, the largest of which will be the building by France of a 700,000-ton aluminum refinery in the Indian state of Orissa. France will also help India improve its coal mining technology. Other agreements relate to chemicals and fertilizer.	NAv	IV
NAv	U.S.S.R. from U.S./ West Germany	Deutsche Babcock AG (located in Oberhausen) will deliver to the U.S.S.R. all fittings and equipment needed for the primary (nuclear) cycle in three Soviet nuclear power plants with a combined electricity generating capacity of 1880 megawatts. The order is said to be the biggest single contract for such equipment every received by Babcock.	NAv	II
180mn	Argentina from U.S.	Ford will expand its production facilities in Argentina over a five-year period	NAP	
\$60 mn	Egypt from West Germany	A Volkswagen plant will be built at Amriya, west of Alexandria		III
\$22.8 mn	Zambia from United Kingdom	Agricultural development projects	Loan from British government to Zambia	III
\$20 mn	UAE from Sweden	L.M. Ericsson Telephone Co. will expand and modernize the telephone network of the UAE		II
	China from Norway	\$100 mn. credit line for purchase of Norwegian-produced capital goods and services, possibly including new ships	A/S Eksportfinans (Norwegian export credit institution)	III

Business Briefs

Forex

Soviets buy French francs

Both the Soviet Union and Saudi Arabia are reported to have invested heavily in French francs in mid-January, New York foreign exchange sources say. The two governments reportedly each purchased \$1 billion worth of the French currency. These investments occurred at about the same time that the French Treasury was floating an 8 billion franc bond issue to finance a politically controversial budget deficit. The bond flotation proved so successful that the government increased the issue to 12.5 billion francs. Since the Soviet-Saudi purchases produced no noticeable ripples in the foreign exchange market, it is likely that they were handled through direct government-to-government transactions with the purchasing countries accepting payment in the form of French Treasury bonds. One intriguing question is whether the Soviets paid for their share in gold. According to our source, the Soviet government also informed the French that they supported President Giscard d'Estaing's reelection.

Commodities

Hunts back down in silver squeeze?

Bunker Hunt and other members of the Dallas-based Hunt family, who had threatened to take delivery of massive amounts of physical silver through U.S. commodity futures markets, appear to have backed off momentarily, according to trade sources. In January, the New York Commodity Exchange had restricted silver trading to the liquidation of contracts, in an effort to prevent speculators such as the Hunts from establishing a corner. At the end of January, however, only 204 January silver contracts, representing about one mil-

lion ounces of silver were still outstanding. The COMEX has 78 million ounces in its vaults, so that if the owners of these contracts were to demand delivery, the Exchange could have fulfilled this easily. According to informed sources, the Hunts and Swiss Bank Corporation, which reportedly financed the family's silver buying binge, may have decided to forego delivery as a result of heavy pressure stemming from the Commodity Futures Trading Commission (CFTC).

Banking

Comptroller approves HongShang takeover

Comptroller of the Currency John G. Heimann approved today the application of the Marine Midland Bank of Buffalo, New York to become a national bank, clearing the way for the bank to become a subsidiary of the Hongkong and Shanghai Banking Corporation. Marine Midland had sought the national charter in order to remove it from the jurisdiction of New York State Superintendent of Banking Muriel Siebert, who had refused to approve the HongShang takeover.

The takeover had been the target of strenuous efforts to prevent it, led by the U.S. Labor Party, which contended, supported by extensive documentation, that the bank ran and funded narcotics smuggling out of the Far East. In his decision, Heimann referred to this objection, citing a claim from the "public" that the HongShang "is a participant in a drug cartel involving the financing of illegal drug activity and the laundering of drug-related monies. Specifically, it is acting as agent for the British monarchy in the management and financing of the worldwide opium trade." Disregarding the documentation's specific evidence, Heimann said there is "no probative information to support this allegation."

Labor

Steelworkers told: 'Buy or bye-bye'

On Jan. 28 some 200 steelworkers crashed through a glass door and occupied the Youngstown offices of the U.S. Steel Corp. to protest the scheduled closings of two area plants.

The closings will idle 3,500 steelworkers and bring to 10,000 the number of Youngstown steelworkers who have suffered a permanent job loss since 1977. They are part of the rationalization strategy announced by U.S. Steel chairman David Roderick in mid-December in which 16 facilities are slated to be shut down in all, idling around 13,000 U.S. Steel employees.

The Youngstown occupation led to a meeting between U.S. Steel representatives and local union presidents, in which the company—known as U.S. "Steal" in the steel belt—offered to sell the two vintage-1900, open hearth plants to the union for an unspecified sum. "Buy or bye-bye" the headline in the Jan. 30 Cleveland *Plain Dealer* ran.

After the fall 1977 shutdown of most of the 5,000-man Youngstown Sheet & Tube Campbell Works steel complex in Youngstown, a similar "buy-back" strategy was spearheaded by Gar Alperowitz of the Exploratory Project for Economic Alternatives. Alperowitz, has failed miserably in getting the project off the ground, largely because the adequate start-up capital has not been forthcoming.

Industry

Auto expects 27 percent first quarter collapse

The U.S. auto industry anticipates that first quarter 1980 domestic sales will

Briefly

● **BRITISH POLICYMAKERS** are so awed by the strength of the progold Paris-Bonn axis that some are ready to concede the reality of gold remonetization although still disputing the form it will take. In his Jan. 28 commentary, *Guardian* financial editor Hamish McRae grudgingly admitted that "it would be absurd not to acknowledge that at its higher price, gold has again become an important potential source of international liquidity. If it were again to take on a monetary role, rather than being locked up in vaults of the central banks, it could even present the Western world with a *deus ex machina* that would enable it to escape from the dismal prospect of successive reductions in oil production preventing any economic growth in the 1980s."

● **BANK REGULATORY** officials believe that the long delay preceding final approval of the Hongkong Shanghai Banking Corporation takeover of Marine Midland Bank has badly burned other British institutions, and prevented further takeovers. Potential buyers now believe the effort might not be worthwhile, in view of forthcoming hearings by House Banking subcommittee Chairman Benjamin Rosenthal (D-N.Y.) and others.

● **TREASURY SECRETARY** Miller's role in Textron's \$600,000 in illegal payments to Pentagon officials in 1976 may have been brought to light by Kennedy sympathizers in the Securities and Exchange Commission, sources close to Miller believe. Miller is known as a Carter hatchetman and a member of the President's inner circle of advisors. SEC allegations, stemming from a two-year investigation, were made public Jan. 31, stating that then-chairman Miller knew about Textron's illegal activities.

tumble to 27 percent below the first quarter level of 1979, according to auto industry sources. For the month of February, the industry has revised its estimates downward, anticipating a 20 percent decline from last February's levels rather than the previously estimated 15 percent fall. January's production was 40,000 units below expectations, at 525,000 units.

Hardest hit will be Ford, expected to be down 46 percent in both February and the quarter from year earlier levels, closely followed by Chrysler, down 45 percent in both periods. General Motors will be down 8 percent in February, and 16 percent for the quarter.

Moreover, according to the industry sources, even these levels will have to be trimmed in March, possibly by 7 or 8 percent more, if the anticipated seasonal spring upturn fails to materialize.

Energy

Rash of nuclear plant cancellations

Four nuclear plants in Ohio, two in North Carolina, two on Long Island, and one in upstate New York, will be cancelled or postponed by up to three years, it was revealed this week. In Ohio, four utilities announced cancellation of plans for building one nuclear power plant each, valued overall at \$7.3 billion, and extended the production schedule for three other plants by 1-3 years. The Cleveland Electric Illuminating Co., Toledo Edison, Ohio Edison, and Duquesne Lighting Co. cited "political and regulatory uncertainties" as the reasons for the cancellations and postponements.

In North Carolina, the Duke Power Company in Charlotte, serving four million Piedmont residents, announced it would defer by three years a 2,560 megawatt nuclear power complex. The company will lay off 1,000 workers as-

sembled for the construction project. The company said the decision will cause rotating blackouts by the end of the decade, when the plants were scheduled to have come on stream.

The Long Island Lighting Company was denied a license to construct two more nuclear plants on Long Island, a project worth \$4.5 billion. And Niagara Mohawk Power Corp., near Syracuse, will defer completion of its Nine Mile Point No. 2 plant for two more years, after already having postponed completion by three years recently. The company cited "technical and regulatory problems" as the reason for the delay.

Domestic Credit

Carter's budget draws criticism

Criticism of Carter's budget came from both sides of the aisle in the Senate yesterday, as administration officials testified. Senator Harry Bellmon (R-Okla.), the ranking Republican, criticized the budget for being too high, and attacked Carter for failing to "deal effectively" with the growth of government. "This budget is not balanced even with the highest level of taxation since World War II," he said. Sen. Bellmon's remarks were addressed to James T. McIntyre, Jr., director of the Budget, G. William Miller, Secretary of the Treasury, and Charles L. Schultze, chairman of the Council of Economic Advisors.

From the Democratic side, Edmund Muskie confessed "disappointment" that the budget was still in deficit while Sen. Sasser of Tennessee asked why there was no special effort to arrest the slide of industrial productivity. Miller responded that stopping inflation was the first step to reviving productivity. The budget predicts a slight slowing of inflation to 10 percent, but most observers regard this as unduly optimistic.

The erosion of U.S. military capability part 2

by Uwe Parpart
Contributing Editor

Two decades ago, upon conclusion of the NATO maneuver "Fallex 62," the West German armed forces (*Bundeswehr*) were judged "*bedingt abwehrbereit*"—in a state of only conditional (i.e., limited) defense preparedness—in the maneuver critique. The matter was leaked to the press, caused the famous "Spiegel Affair," and ultimately the forced resignation of defense minister Strauss. Still, nobody got upset for too long about the limited combat readiness of the West German army, because U.S. nuclear and conventional capabilities were judged sufficient for the defense of Western Europe. With some cautions, this judgment was correct.

However, when Soviet troops moved into Afghanistan shortly after Christmas last year, it became clear to much of the world that the U.S. had no military option to counter the Soviet move, and that the 1962 characterization of the *Bundeswehr* might have become applicable to the armed forces of the United States. This is not an unnecessarily alarmist conclusion. The figures comparing U.S. and Soviet forces we presented in last week's installment of our story on the erosion of in-depth U.S. war-fighting capability speak for themselves. Nor is this growing overall military strategic disparity simply or even primarily a result of massive Soviet arms build-up efforts. The decline in U.S. capabilities is absolute, not just relative to the growth of Soviet power.

This, as is documented in the pieces by Dr. Schoonover and Dr. Bardwell below, is the direct consequence of more than ten years of absolute decline in U.S. high-technology manufacturing and research and development capacity, and can be traced back even further to the disastrous strategic, R and D, and military procurement concepts and policies imported into the Pentagon and imposed upon the U.S. military starting in 1961 by Robert McNamara and General Maxwell Taylor. Next week's concluding piece in our series on U.S. war-fighting capability will review McNamara and Taylor's, as well as Henry Kissinger and James Schlesinger's "flexible response" and "theater

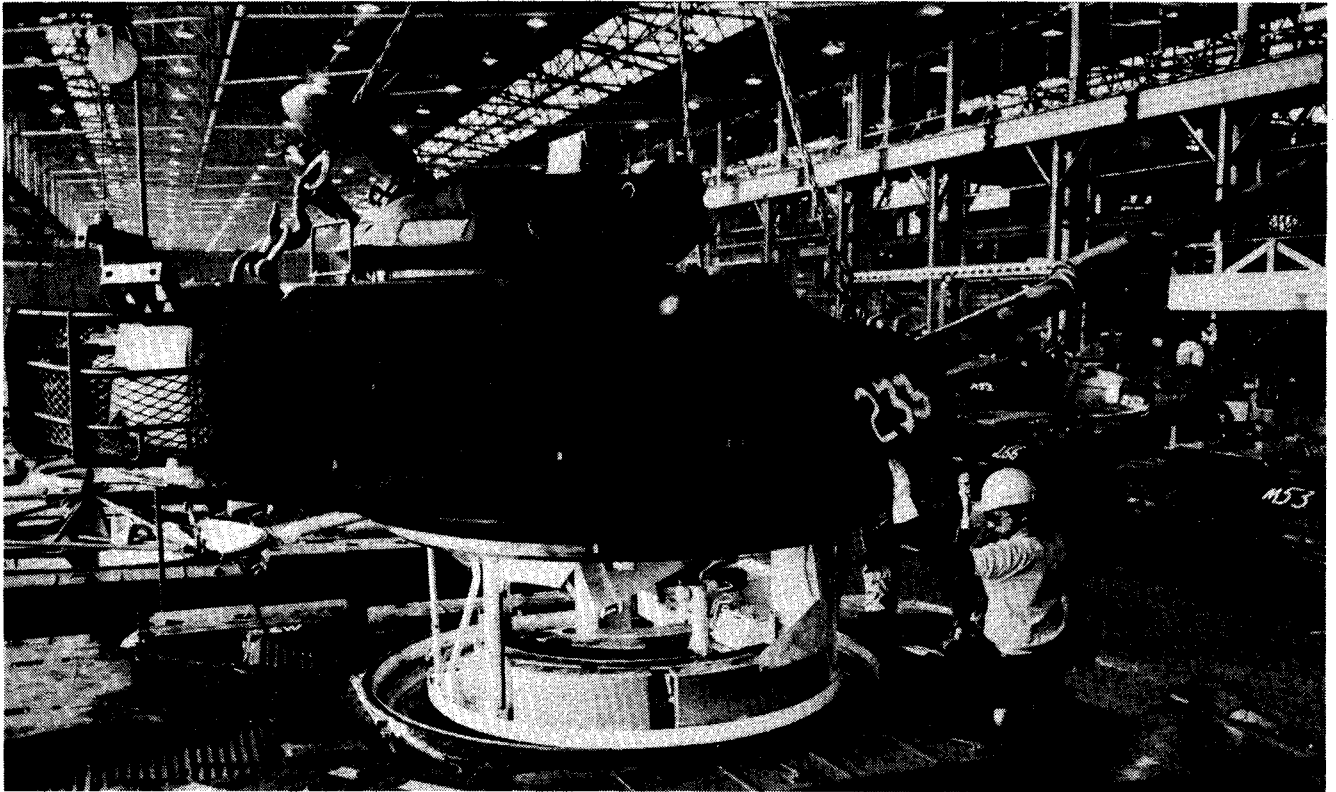


Photo: Fred Conrad/SYGMA

nuclear war” strategic doctrines and evaluate their impact on U.S. military power.

This week’s installment begins with an analysis by David Goldman of the expected impact upon the U.S. economy of the type of U.S. rearmament effort presently proposed by the Carter administration. Goldman’s conclusions reach well beyond the rather simple-minded enumeration of production bottlenecks and scheduling problems the U.S. economy is predicted to encounter in the Feb. 4 *Business Week*’s title story, “Defense Production Gap” or “Why the U.S. Can’t Rearm Fast.” After an initial spurt in economic activity, Goldman’s analysis forecasts a dramatic downturn of the economy as a whole due to large-scale internal dislocations not offset by significant new capital formation and productivity gains. The shallow, “in-width” Carter rearmament proposal will in fact further exacerbate U.S. economic and defense posture problems by continuing the very policies that got us into trouble in the first place.

What the *Business Week* study crucially overlooks is the dependency of both a healthy economy and a capable military upon the kind of sustained and in-depth shaping out of R and D capabilities which leads to a continuous flow of technological innovations into the economy as a whole, be that its military or civilian sector. Here, the U.S. has fallen well behind. No “quick fix” solutions to this problem exist.

There can also be little doubt that the U.S. is in imminent danger of being strategically outflanked by

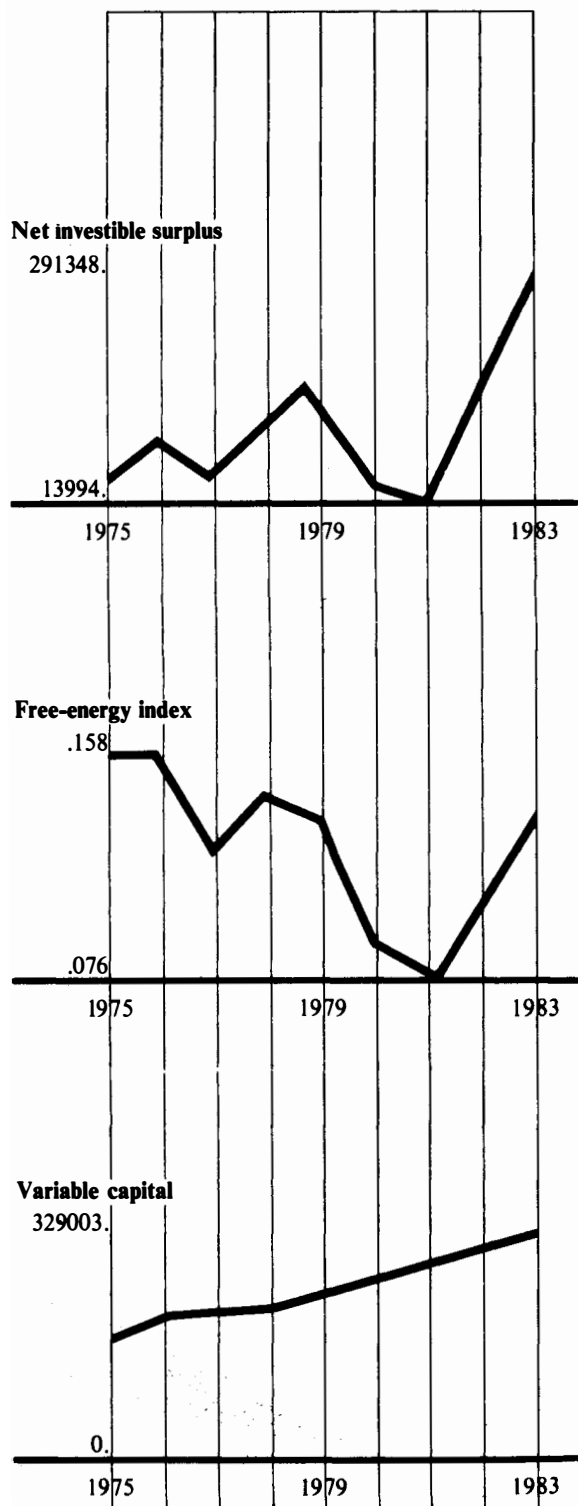
possible Soviet technological breakthroughs. The type of problem to be faced was stated by George Heilmeier—then head of the Defense Advanced Research Projects Agency (ARPA)—in Congressional testimony in 1976:

In 1878, Frederick Engels stated that the weapons used in the Franco-Prussian War had reached such a state of perfection that further progress which would have any revolutionary influence on war was no longer possible. Thirty years later the following unforeseen systems were used in World War I: aircraft, tanks, chemical warfare, trucks, submarines, and radio communications. A 1937 study entitled “Technological Trends and National Policy” failed to foresee the following systems, all of which were operational by 1957: helicopters, jet engines, radar, inertial navigators, nuclear weapons, nuclear submarines, rocket-powered missiles, electronic computers and cruise missiles. ...

That the Carter administration has no comprehension of the in-depth U.S. scientific and technological rearmament problem that has to be faced, or is in any case determined to ignore it, is pointed up by the fact that the overall 1981 budget proposal, while providing for a 3-5 percent increase of the defense budget in real terms, at the same time mandates a close to 10 percent cut in real terms (assuming the 1979 inflation rate) for basic research in all areas. The Soviet Union—grain embargo, Olympic boycott and all—won’t be that stupid.

Graphs 1, 2, 3:

The industrial impact of stabilized rates of increase of oil prices on the total U.S. economy (note different scales)



Why the economy major increase in

by David Goldman

The full magnitude of the increase in defense spending in the 1981 Federal Budget will not be known until several months of savage wrangling in Congressional committees are over. However, it is apparent that the administration and Congress are, at the moment, decided on a major rise in defense spending. The desirability and feasibility of this course of action are becoming the focus of the national debate over America's strategic posture, which will be determined in large measure by current decisions on defense spending policy.

An important group of defense planners, among them some prominent members of the International Institute for Strategic Studies, are warning that a "quick fix" for the defense sector "would repeat the errors of the *Blitzkrieg* economy" of Nazi Germany. *EIR* simulated a defense buildup using the Riemann-LaRouche computer econometric model, and determined that this warning is accurate. The U.S. economy cannot sustain a rise in defense spending of anywhere near the proportions required to restore parity with the Soviet Union in the near term.

Proposals for increasing military spending range from the 3.3 percent rise in constant-dollar spending (from about \$130 billion in FY 1980 to \$142 billion in FY 1981), to an American Enterprise Institute study proclaiming that spending would have to reach \$500 billion by 1985 in order to match what the Soviets have done. Since the Pentagon currently has \$85 billion available in unspent authorizations, and Congress will doubtless amend the administration's proposals upward, no accurate prediction can be made of the actual level to be anticipated. For purposes of projection, the model was programmed to examine a \$30-billion per year rise during the next four years, a figure in the middle range of proposals now circulating.

Examination of military spending is one of those cases which demonstrate, with no ambiguity whatsoever,

can't sustain a arms spending

the atrocious fallacies inherent in the concept of Gross National Product, and the hopeless futility of econometric models employing GNP projections. The simple question concerning defense output is, can sufficient tangible product of the right kind be deducted from the productive sectors of the economy, and diverted to a dead-end economic activity?

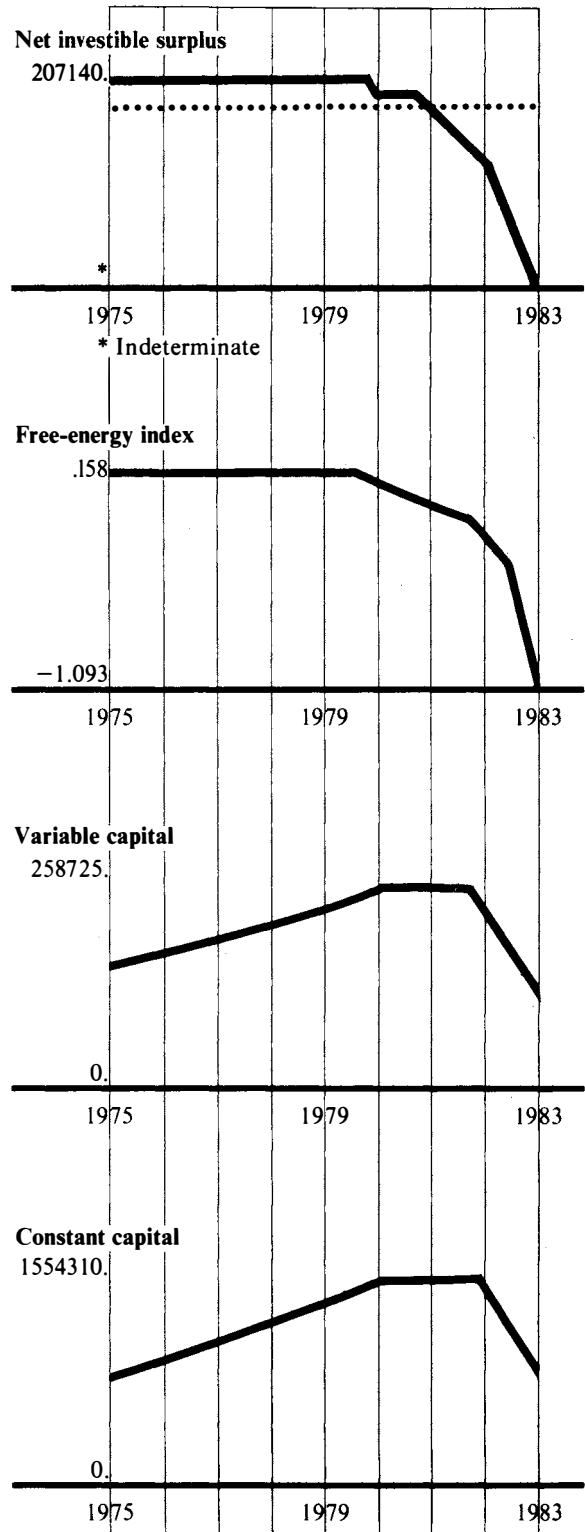
Defense spending, of course, contributes nothing to the reproduction of the physical economy. It merely consumes. Under some circumstances the spinoff effects of military R and D have a profoundly beneficial impact on other economic sectors. In addition, the expansion of the capital goods sector for military purposes may create economies of scale which benefit the economy as a whole. However, there is no reason to suspect such developments in the case of a two- to three-year crankup of existing capacity for military purposes. In any case, these are the factors which must be considered.

The Riemann-LaRouche model, which includes a 25-sector input-output capability for simulation of the behavior of the U.S. economy, is uniquely qualified to answer questions of this sort. For the present simulation, it was assumed that the \$30-billion per annum increment in defense spending would be assigned to the sectors with the highest proportion of defense shipments: (by Standard Industrial Classification) metals, metal products, transportation equipment, electrical equipment, non-electrical machinery, and instruments. The \$30 billion assigned to those sectors reflect steel plate, copper wire, specialty steels, forging facilities, bearings, silicon chips, machining capacity, and so forth, which would then not be available to other sectors, proportionally according to their capital-intensity.

For the total economy, this reads out as a \$30-billion per year transfer among sectors, and a \$30-billion per year (cumulative) reduction of surplus tangible product available for reinvestment (past current payments to the

Graphs 4-7:

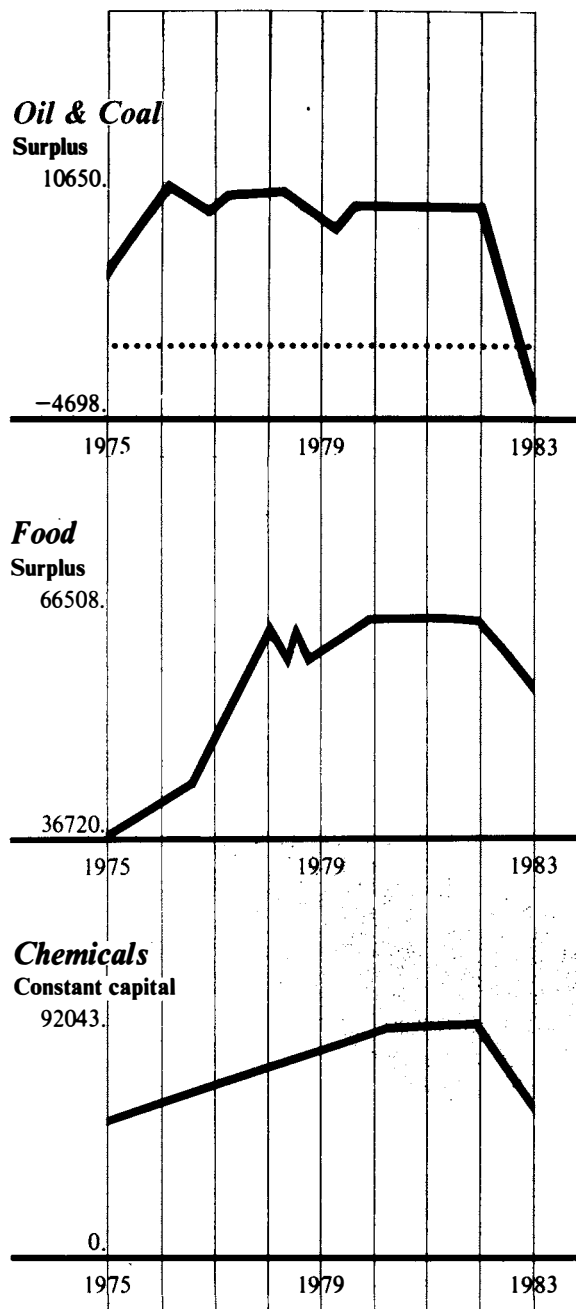
The industrial impact of a \$30 billion rise in defense spending on the total U.S. economy
(note different scales)



Graphs 8-14:

The industrial impact of a \$30 billion rise in defense spending on sectors of the U.S. economy

(note different scales)



goods-producing labor forces and fixed and circulating capital costs).

Since it is not yet known precisely what defense goods will be produced, it was possible to assign the transfers within the economy only on the basis of general criteria associated with past conditions. This procedure is deemed valid because the administration promises few structural changes in American armaments. It is further assumed that, under the terms of the Defense Production Act of 1951, defense orders will have priority in allocation of raw materials, capital goods, and labor supply—i.e., that the administration is really serious about making the defense buildup happen. For reasons elaborated in detail in the section of this report dealing with the state of American military research and development, it was not considered appropriate to consider adjustments in productivity of different sectors arising from employment of new technologies.

These assumptions reflect *EIR*'s best knowledge at present, and are subject to considerable revision. However, the conclusions concerning the general behavior of the economy under conditions of the kind of defense effort now proposed will stand.

The basic conclusion of the study, contained in the accompanying series of computer-generated graphs, is that by 1983, the demands of the defense sector will so disrupt other sectors that defense production itself will begin to fall. In late 1982, the economy will enter the kind of crisis that Germany experienced in 1938-1939, with well-known consequences. During 1983, even those industries which benefitted earlier will begin to contract sharply, and fall below their 1980 production levels by the beginning of 1984.

The 'neutral' scenario

As *EIR* has emphasized in earlier discussions of computer econometrics, no model can "predict" economic developments; at best it can project the consequences of a certain mix of economic policy decisions. Therefore, the impact of the cited rise in defense spending was projected against a "neutral" background, reflected in Graphs 1 to 3. Assuming energy price increases in the range of 30 percent per annum (compared to 100 percent in 1979), the economy would—all other conditions held constant—show a significant rise during the period 1980-1984. Graph 1, of investible tangible surplus under the "neutral scenario," shows a modest increase from \$139 billion per year at the end of 1979 to almost \$300 billion at the end of 1983. Graph 2, measuring the "free energy" of the economy (S' divided by the combined expenditures for capital and labor during each annual period), shows a modest recovery as well—although not back to pre-1974 levels. Finally, the variable capital measure (Graph 3), the tangible product allocated to the consumption of

the goods-producing labor force, rises somewhat faster during the years 1979-83 than during 1975-79.

In short, the background is modest growth, with neither major disruptions nor major improvement. The improvements shown are somewhat exaggerated, because the data employed are in current dollars, and projections carry along the inflationary bias of preceding years.

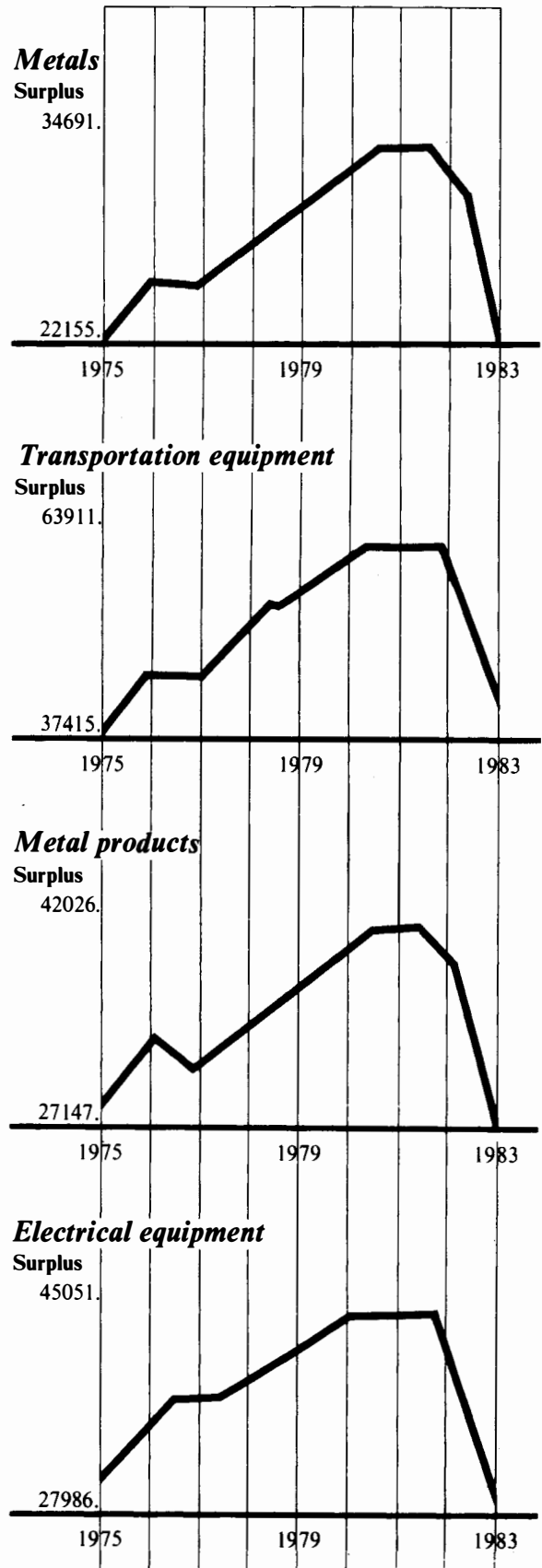
By contrast, Graphs 6 and 7, showing variable capital (factor cost) and constant capital (user cost) under the defense buildup scenario, indicate major economic disruption. In both cases, economic growth (in current dollars) plateaus during 1980-1982; in real terms, this is a falloff of more than 10 percent per year. During 1982-1983, both categories drop back sharply to the mid-1970s level, a drop which, again, is much sharper in deflated terms.

Graphs 4 and 5, showing the investible surplus of the total economy, and the "free energy" index for the total economy, indicate a crisis of uncontrollable magnitude behind these numbers. In fact, assuming a continued high level of defense output, the graphs—Graph 4 becomes indeterminate—indicate the economy would not be able to reproduce itself during 1984, in a classical breakdown crisis. This is similar to the 1938-1939 crisis in the German economy, which Hitler solved by appropriating the Austrian, Czech, Dutch, and French economies in rapid succession.

Turning to the behavior of the individual sectors, the mechanism becomes more comprehensible. Graphs 8 to 10 show the behavior of the oil and coal, chemicals, and food processing Standard Industrial Categories, which will suffer from the diversion of tangible product to the military. Graphs 11 to 14 show the behavior of the Metals, Metal Products, Electrical Equipment, and Transportation Equipment sectors, which will initially benefit from increased defense spending.

In the first set of graphs, roughly the same pattern prevails, although with different intensity. In all three cases, sectoral surplus (output above and beyond operating expenses measured in consumption of tangibles) levels off in current-dollar terms, i.e., falls in real terms. Food processing and chemicals, Graphs 9 and 10, fall back sharply starting in 1982, although less rapidly in the former than the latter (reflecting the lower capital-intensity of the food sector). Graph 8, showing the oil and coal SIC, indicates a disaster of much worse proportions, reflecting the direct competition of this sector for capital goods, especially shipbuilding and drill-rig manufacturing facilities, with the defense sector. The behavior of these SICs is selected from among 18 "non-military" categories.

Graphs 11 to 14, showing four of the six "military-related" sectors, are even more significant. Predictably,



they show a spectacular boom; transportation equipment, electrical equipment, metal products, and metals, all increase output dramatically. However, during 1981, the curves suddenly level off, and, during 1982, fall off sharply. By the end of 1983, their output is below the level experienced before the rise in defense spending. Industrial sectors, on which these depend, will be so disrupted that necessary inputs will not be available.

This order of problem is anticipated by some Pentagon planners, who warn that a strict allocation system prioritizing shipments to the military might have a perverse effect on defense production by jeopardizing the health of the civilian sector.

It is clear from the above analysis that "Gross National Product" analyses of the type widely circulated by Data Resources, Inc., are meaningless with respect to this type of problem. Using Keynesian demand functions, DRI and other conventional econometric models are cranking out estimates for GNP, employment, and inflation under different assumptions concerning the volume of military spending. Such models are not capable of relating the redistribution of tangible output to the economy's capacity for future production.

The worst case of such thinking appeared in the *Wall Street Journal* Jan. 28 under the byline of University of Michigan professor Paul McCracken, former chairman of President Nixon's Council of Economic Advisors. McCracken argued that between 1958 and 1968, while the nation spent a considerably higher portion of GNP than presently on defense, overall inflation and unemployment were much lower than during the late 1970s, when the proportion of GNP spent on defense fell sharply. Post hoc ergo propter hoc, Prof. McCracken argues that the United States can afford to increase defense spending by 17 percent per year through 1985, at which point 8.6 percent of GNP would again go to defense.

What the Republican economist does not mention is the composition of GNP in tangible terms. In 1958 half of the nation's workforce was employed in tangible-goods production. Now, only one-third is. Life insurance companies, shopping malls, and gambling casinos may add to GNP, but they are no use whatever in producing military hardware. Fundamentally incompetent measures of economic activity such as GNP can lead, fairly directly, to fundamentally incompetent policy decisions on the most important questions of policy.

The origin of the Riemannian model

The Riemannian economic model was developed by a team of specialists under the direction of contributing editor Lyndon LaRouche. The model's computer application was announced on April 25, 1979, after a trial run successfully proved the model's unique predictive power.

That first major test of model capabilities involved statistical data from the 1968-73 period. The computer, on the basis of that data, was asked to predict what would occur over the 1974-78 period under conditions of a 400 percent increase in the price of oil. The "LaRouche model" was able to produce charts and diagrams describing the behavior of various economic parameters. The results were virtually identical with what occurred in fact during the 1974-78 period.

In principle, the LaRouche model has existed since the mid-1950s. From that period, LaRouche has been associated with a *causal method* of analysis which proceeds from the economy as a whole as the primary

datum. LaRouche developed his approach with to solve the two major deficiencies of all presently employed national and world economic models.

First, no distinction, is made by other models between productive and nonproductive economic activity, where by productive, LaRouche's model defines a useful material alteration of nature resulting in tangible wealth.

Secondly, other models take inadequate or no account of qualitative changes in the technological base of the economy. The reason for this lack is that, since technology introduces "discontinuities" to the economic process, continuous models cannot accommodate technological changes.

LaRouche's model is "Riemannian" in precisely that sense. In Bernhard Riemann's 19th century discovery and description of the phenomenon of shock waves, he gave a specific example of the evolution of a physical "manifold" toward a point of discontinuity, with subsequent qualitative reordering of the manifold, retaining its integrity as a new type of physical entity. In LaRouche's model, technological change is seen to have economic shock-wave character in that general sense.

America's lost capacity for defense production

by Dr. John Schoonover

The United States economy, and specifically the defense industry sector, are in no shape to carry out the kind of military build-up which President Carter's policies now demand. According to a survey of the aerospace and related industries published in the Feb. 3, 1979 issue of *Business Week*, industry sources have grave doubts that, barring the declaration of a national emergency, the nation has the industrial capacity to produce enough hardware to correspond to the \$100 billion increase in the defense budget that Carter is seeking.

While *Business Week* points to important bottlenecks in supplying key components such as large forgings and castings, bearings, and other parts, the problem goes much deeper. The decline in civilian and military R and D, the on-again-off-again situation in defense procurement (orders to industry), and the deterioration in *all* U.S. basic industry have created a situation in which a thorough revamping of the economy on a technology-intensive basis would be required to make a significant increase in military production possible.

At the present time, the plant and equipment of the defense industry is *more antiquated* than that of civilian aerospace or of U.S. industry at large. Deputy Secretary of Defense Jacques S. Gansler described the situation in a 1977 *Harvard Business Review* article as one in which defense contractors reinvest about 70 percent less in capital equipment than do commercial firms. Over 60 percent of the metal-cutting machinery used in defense production is more than 20 years old, and 90 percent of it is more than ten years old. By comparison, only 28 percent of the total U.S. inventory of this type of machinery is more than 20 years old.

Yet the overall inventory of U.S. machine tools is older than that of any industrialized nation, and is outnumbered by Soviet machine-tool stocks by about two to one.

The reason for the worse condition of defense aerospace compared to civilian is that defense contracting

has been much less profitable, particularly as government orders declined following the Vietnam war. The large aerospace firms shifted into commercial aircraft production, whereas many small subcontracting firms simply went out of business. Boeing began stepped-up production of its new 757 and 767 commercial jet airliners two years ago, tying up the remaining subcontractors, labor and materials. Industry production rates tripled rapidly, and in 1980 commercial aerospace sales are expected to reach \$20.2 billion, topping defense sales for the first time.

Jumbo-jet production has done nothing to increase the overall capacity of the industry, however, as the problem of subcontracting reveals. Aerospace is a highly interlocked industry; large contracts are frequently subcontracted to the tune of 50 percent of the whole project. Boeing, for example, produces only one portion of the 747 fuselage; LTV's subsidiary Vaught Aerospace produces the tail and aft body, while Northrop turns out the main fuselage section and various other components. Engines and electronics are generally put in by other companies with appropriate specialized facilities, such as General Electric and United Technologies for engines; Northrop and others for guidance and control systems.

As for new development efforts, historically a major role has been played by a multitude of small companies, specializing in the development of some new technology which can then be adopted by the larger firms for mass production. These smaller firms have in the past assumed a disproportionate share of the risk in RDT&E efforts, especially during high-inflation periods when they have had less financial flexibility and sheer clout to modify original contracts. They also have operated on a much slimmer profit margin. In 1968, some 6,000 aerospace subcontractors were in business; through shifts to other work and bankruptcies, only 3,700 remained as of early 1978. The research and development capabilities which they represented no longer exist.

This points up the fool-hardiness of the "growing belief in the Pentagon and in industry that the U.S. must pull back from high technology" which *Business Week* reports. The magazine quotes Philip C. Norwine of Textron urging a shift toward "the Russian philosophy of adequate quality in sufficient quantity." In fact, as accompanying articles in this Special Report demonstrate, the Russians have abandoned that "philosophy"—which never existed except out of dire necessity—and are now ahead of the United States in many areas of military research and development.

The decline in the technological base of the U.S. industry is also gravely reflected in the current skilled manpower crunch. The technicians and engineers laid off during the early 1970s are not easily reclaimable; and a recent survey by the National Machine Tool Builders' Association reports that 70 percent of its members are seriously short of technicians. "We're facing one of the greatest skill shortages in the history of this country," the association's president James A. Gray told *Business Week*.

Reflecting the shortages of skilled labor, the glut of more profitable commercial business and the deterioration of production equipment, long delivery times are now the rule for large machined parts such as those used in airplane construction. Large aircraft forgings have to be ordered up to 28 months before they will be needed, and the companies that produce them say they cannot handle any more orders, whether for military or any other purposes.

Stocks of critical metals like titanium, cobalt and chromium needed to make specialty steels for aircraft are in short supply. U.S. sources of cobalt are underdeveloped, leaving us dependent on Zaire, which stopped exports in 1978. South Africa, the largest supplier of chromium, would also be subject to cut-off under war-time conditions. Furthermore, U.S. strategic stockpiles of many essential metals are significantly short of goals and the quality of the materials is poor.

But even more significant than the case of such specialty metals is the fact that production of basic industrial materials and fuels that would be essential for any war effort is stagnating. Although U.S. energy consumption has continued to rise, the domestic production of energy has decreased from a high point of 62.5 Quads in 1970 to about 60 Quads during the last several years. During the same time, Soviet domestic energy production has increased from about 40 percent of the U.S. figure in the early 1960s to equality within the last year. The significance of this trend is emphasized by the figures for production of raw steel. While U.S. production peaked in the early 1970s, and has plummeted since, Soviet production has continuously increased, far surpassing the U.S. output and ranking first in world production.

Military R & D:

by Dr. Steven Bardwell

Because of declining expenditures on research and development, the U.S. military has armed itself with too few of the wrong weapons for a type of war which will never be fought and faces an adversary who has, over the past two years especially, accumulated an armory of superior weapons in overwhelming number for the kind of war which they can assure will be fought.

The true picture of the effects of almost two decades of incompetent war fighting doctrine in the civilian leadership of the U.S. military is only now clear: The much vaunted qualitative superiority of U.S. weapons has disappeared—the U.S. military is inferior in quantity *and quality* of almost every weapons system. In a word, the U.S. would lose a war with the Soviet Union.

The most immediate cause for this erosion of the U.S. military posture is research and development. During the 1965-75 period, the overall research budget decreased by over 50 percent in constant dollars. The private industry component of military R and D decreased by even more. This situation was so glaringly serious in 1976 that Secretary of Defense Harold Brown called for a 10 percent annual growth in military-related R and D as the minimum prerequisite for remedying the gap between U.S. and Soviet military progress. However, due to the combined effects of inflation, realignment of budget line items, and Congressional cuts, the research budget has barely grown 1 percent per year between 1975 and 1979. In the fiscal 1980 budget, the Secretary of Defense reaffirmed his evaluation that at least a 10 percent growth in research was necessary and requested that amount in the FY 1980 budget; the same combination of congressional cuts, inflation and short-term considerations has already ensured that the final expenditures will be much less than a 10 percent increase over 1979—probably much closer to the 1 percent increase of the last five years. In other words, the situation has not changed over the period since 1965. Military R and D is still treated with contempt.

The aura of poverty

The Pentagon policy of down-grading research and development investments is unfortunately part of the larger decline in R and D capabilities of the country as a whole. Without detailing the full scope of the tragic condition of U.S. industrial R and D, the depth of the decay of American research capabilities is dramatically shown by comparing the number of scientists and engineers involved per capita in the U.S.S.R., the U.S., and several European countries. Most striking is the rapid and constant growth in the Soviet commitment. The Soviets passed the U.S. in per capita number of R and D professionals in 1968 and now have more than *double* the number of scientists and engineers involved in research activity. The accompanying graph of the total expenditures on R and D in the U.S. over the past 20 years shows the same trend. These expenditures have decreased in every category except civilian expenditures, which themselves are heavily inflated by R and D costs associated with environmental regulation. The net result of these trends was concisely summarized by William Perry, Undersecretary of Defense for Research and Engineering, in testimony before the House of Representatives last spring:

We are being confronted with a significant challenge by the Soviet Union ... Last year I reported that the continuation of current trends in the U.S./U.S.S.R. military technology and acquisition balance could result in significant Soviet military advantages in the next few years. My present assessment of the balance and of the near-term trends has not changed appreciably. By all accepted measures of growth, the Soviet military investment effort continues to increase steadily, resulting in both improved R and D capabilities and the deployment of improved weapon systems. During the past year, for example, estimated Soviet investments were about 75 percent greater in dollar value than the

corresponding RD and A [research, development and acquisition] program in the United States—*that* is the nature of the challenge.

The cumulative difference in expenditures on military R and D since 1972, when the Soviet expenditure began to exceed that of the U.S., is now conservatively estimated at \$65 billion in the Soviets' favor.

The chickens come home to roost

The decline in research and development capabilities in the U.S. over the two decades since the beginning of the McMamara era was not merely a policy of benign neglect; it was a conscious, direct consequence of the strategic doctrine which informed McNamara and his accounting staff at the Pentagon. The McNamara theory of war developed in Vietnam and was elaborated into a strategic military posture. Simply stated, this doctrine claims that full-scale nuclear exchange is "unthinkable"; since both sides in such an exchange would be totally destroyed, and hence neither could emerge as victor, such a war will never be fought. The McNamara think-tankers in the Rand Corporation, Hudson Institute and the like, deduced two conclusions from this doctrine for military deployments; first, nuclear weapons strategically deliverable (ICBMs, B-52s, and submarines) function only as a deterrent, ensuring our half of the mutually assured destruction implied by their use—they will never be used, but must be maintained to ensure the balance of strategic force. Secondly, the only wars fightable or thinkable are local wars, which may involve the use of tactical nuclear weapons. But, there is a sharp distinction between such "theater" nuclear deployments and strategic deployment.

In the sphere of R and D and acquisition of new weapons, this war-fighting doctrine leads quite naturally to emphasis on a relatively small number of highly sophisticated weapons systems, with a consequent down-

playing of the role of infantry, force in depth, and backup capabilities. Wars are envisioned to be short, localized, very violent, but controlled—much like the Yom Kippur war. Hence questions of attrition, of massed infantry deployments for occupation, and such central traditional concepts as firepower and annihilation of the enemy's military capability are replaced by the cabinet warfare emphasis on the blitzkrieg, wunderwaffen, and the like.

Like all cabinet warfare, the McNamara doctrine only makes sense if both sides agree to fight according to its rules. The Soviets have said for more than 25 years that, for them, full-scale nuclear war is not only thinkable, but fightable, winable, and survivable. Even if they are wrong on the last count, the fact that they do not agree with the McNamara doctrine invalidates the doctrine. The Soviets have directed R and D efforts to war-winning on the strategic nuclear plane. The U.S. military, thanks to the McNamara doctrine, now faces an enemy better equipped, in greater depth, prepared to fight a war which we find "unthinkable."

Such an evaluation was unique three years ago when *EIR* first put it forward; 18 months ago, the response was the same. But now *EIR*'s evaluation is prevalent even in the military itself.

The general determinants of the McNamara doctrine's R and D policy are the emphasis on technological gadgetry—often unsuited to military application or unusable in battlefield conditions, and the wunderwaffen or a "wonder weapon" supposed to be capable of totally reversing battlefield odds by the terror it strikes in the hearts of the enemy.

The Soviet approach to R and D for military application is fundamentally different. In February of 1979, the Rand Corporation provided the Air Force with an uncharacteristically honest study of the different "styles" of U.S. and Soviet military expenditure. Included in this report ("The Significance of Divergent U.S.-U.S.S.R. Military Expenditure"—N 1000-AF) is an illuminating discussion of the differences in R and D in the two countries. In contrast to the American emphasis on very sophisticated electronic technologies and weapons systems with a great many applications, the Rand report characterized the Soviet R and D as devoted to the acquisition of weapons systems which were simple, almost single purpose, and revolutionary. Their description of a Soviet jet engine is quoted here in full:

One of the best examples in design simplicity comes from a detailed comparison between a Russian engine and an American engine of about the same vintage and having roughly comparable performance. Although the Soviet engine was acknowledged to be an outstanding design, atypical of Soviet engines in general, the design philosophy

and approach were quite similar to that found in other engine examples of Soviet origin.

The Soviet engine had only about 10 percent of the total moving parts of the American engine, and about 18 percent of the parts requiring detailed drawings. It was designed, according to the analysts, for utmost simplicity and concern for costs. Engine idle, for example, was a simple throttle stop; idling RPM therefore varied with ambient conditions, whereas the U.S. engine had a fixed RPM requirement (for no apparent good reason) necessitating sensors, servomechanisms, increased complexity, and greater cost. Standard gauge material throughout increased weight but reduced materials cost. Lower turbine inlet temperatures allowed use of conventional materials. As a result of these and other practices, raw materials cost per pound for the U.S. engine was $2\frac{1}{2}$ times greater than for the Soviet.

Open clearances reduced manufacturing cost and resulted in some test-stand performance degradation, but these levels did not degrade further in operations, as was the case for the more precisely machined U.S. engine. Although the Soviet engine was highly innovative in concept, it was rather conservative in execution. Parts were stressed to about half the level of the U.S. example. The Soviet engine was demonstrated to be unusually reliable and required only one-twelfth the maintenance hours per flight hour of the comparable U.S. engine. Furthermore, estimated production cost was one-third that of the American, and crude estimates of the life-cycle costs indicated a Russian advantage of about 50 percent.

A similar story is told for armament, ammunition, armor, and naval vessels; the Soviet work is characterized by incremental innovation, simplicity of execution, all with an emphasis on usability under the most adverse conditions—for example, war. It emphasizes maintainability (because the war may last more than 7 days), and cheap production costs (because the Russians produce huge stockpiles rather than several hundreds).

An R and D impact statement

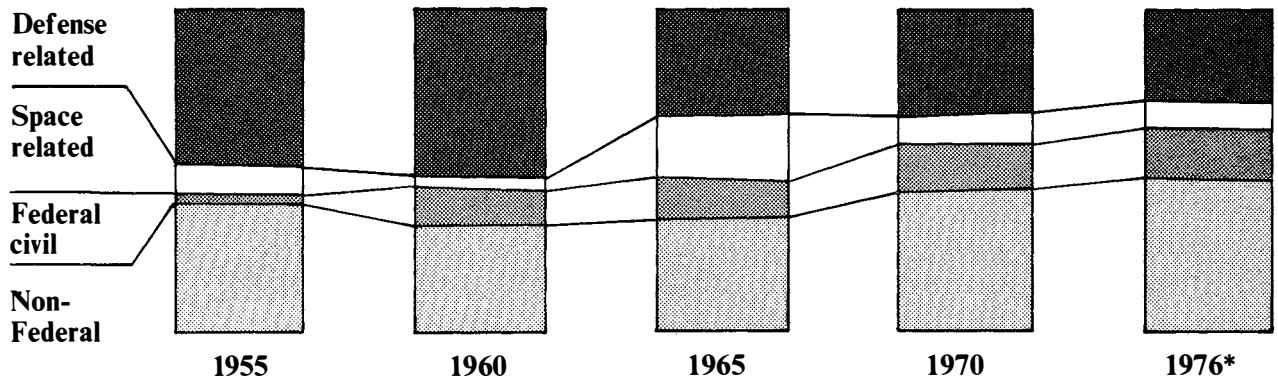
The most damning indication of the impact of the U.S. military R and D policy is provided by a *current* assessment of the relative U.S. and Soviet capabilities and a measurement of the direction of change of that assessment.

1) Armor

Conventional wisdom in the Pentagon is that the acknowledged Soviet numerical superiority in armor

Trends in U.S. defense, space and all other R&D outlays

(as percent of annual total)



Source: National Science Foundation, NSF 76-310, "National Patterns of R&D Resources," April 1976

* estimate

(tanks, armored personnel carriers, etc.) was more than compensated for by American qualitative superiority. But in congressional testimony during the spring of 1979 from Percy Pierre, Assistant Secretary of Defense for Research, Development, and Acquisition, and Lt. Gen. D.R. Keith (Deputy Chief of Staff for Research, Development and Acquisition, U.S. Army), we read:

The past 15 years has seen an erosion of the qualitative advantage in ground forces equipment and weaponry to the point where the U.S. Army is now inferior in virtually every major category of items with which wars can reasonably be expected to be won.

We mention tanks. The more we learn about the Soviet T72, the more we are convinced of its superiority to all the M60 series. Last year we told you that it was superior to all the M60 series but the as-yet-undeployed M60A3. As we have learned more about it—particularly its ballistic protection—we no longer list the A3 as an exception. The T72 and T64 are probably the world's best operational tanks.

The advantage of the Soviet tanks is not merely numerical—the Soviets enjoy at least 3 to 1 advantage over the U.S.—nor merely that their tanks are better. There is persuasive evidence that U.S. tanks are so complicated and delicate that they do not work, cannot be effectively operated by the "volunteers" in the U.S. army and cannot be easily repaired. On a three day maneuver in 1978, the 3rd Armored Division (Europe) had major

mechanical failures in 150 tanks—one-third of the tanks involved in the maneuvers. German staff officers explained the failures by pointing out that "today's weapons are too complex for today's soldiers." Even in tank driving, these German officers said, skill-levels are so low that U.S. tanks do not maneuver individually, but only charge in massed formation.

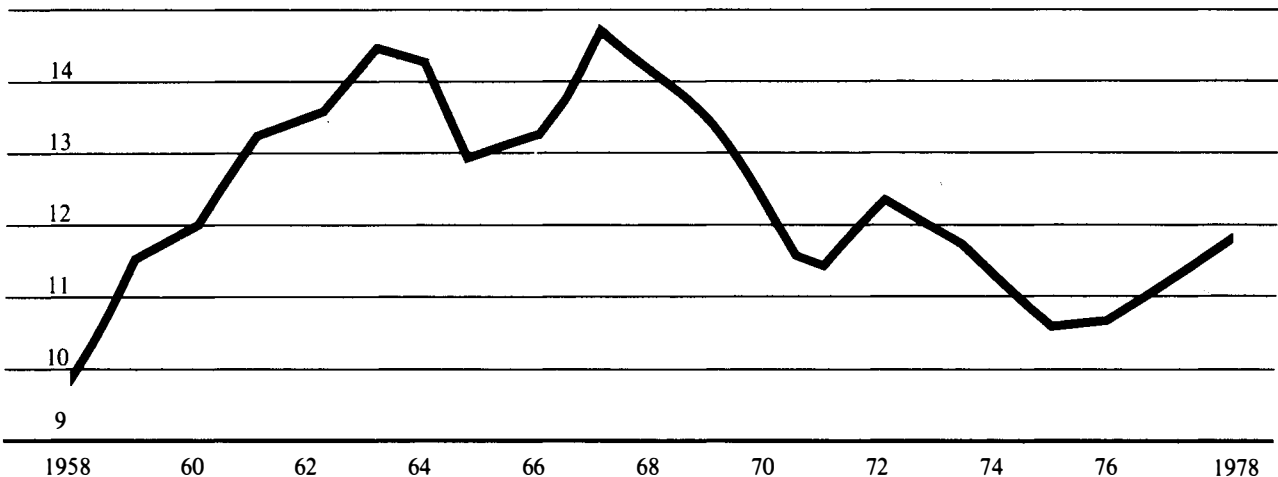
Of almost equal importance to tanks are infantry fighting vehicles (much like a heavily armed, armored personnel carrier). The Army head of R and D described the U.S.-Soviet matchup this way:

Infantry fighting vehicles are a critical component of mechanized and armored units—especially in European terrain. In this category our M113 is so inferior to its Soviet BMP counterpart that it cannot even accurately be considered a fighting vehicle. It is at least a generation behind in firepower, mobility, and overall design . . . Its deficiencies are glaring: it is too slow over rough terrain; it is too thinly armored, it has, as its only armament, a .50 caliber machine gun mounted on a totally exposed mount. Even if the .50 caliber could be fired in a violent combat engagement, it is incapable of penetrating its enemy counterpart, the BMP, frontally even at point blank range . . .

The BMP, by contrast, can destroy it, and our M60 tanks at ranges of 3 kilometers with its SAGER missiles, and can also penetrate it with a 73mm automatic loading smoothbore gun at ranges up to 800 meters. In short, the M113 does not belong on the same battlefield with the BMP.

Defense department research, development, test and evaluation obligations

(FY 1978 billions of dollars)



Source: *Arms, Men and Military Budgets*, NSIC, N.Y.:1978.

2) Munitions and artillery

One of the arguments against Soviet superiority in armor rests on the role of wire-guided and laser guided infantry anti-tank weapons. These "smart" and "semi-smart" rockets can, in theory, destroy masses of enemy tanks. The impact of these weapons was clearly demonstrated in the Yom Kippur war. Nevertheless, the relevance of current U.S. versions is doubtful. The primary U.S. infantry antitank weapon is the Dragon, a wire-guided missile. Costing tens of thousands of dollars for each round, very few U.S. infantry men have ever been permitted to fire one, let alone enjoyed regular "target practice." The hazards of untrained operation are painfully clear from the anecdotes that circulate among NATO troops in Europe: The Dragon is too heavy to fire standing up and if it is fired from a prone position, the blast from the rocket can easily burn off the firer's buttocks. A sergeant in charge of training soldiers on a simulator of the Dragon, when asked whether he had ever fired one, said no, but he did know someone who had, at a special Dragon school he attended. When asked if he had hit the target, the instructor replied, "No. He was a big man, real big. But that Dragon kicks a bit. Oh, you should have seen what it done to his neck."

The Soviets have solved this problem with the development of a hand-held anti-tank missile whose simplicity of design was called "frightening" by the Rand Corporation—the result of the simplicity is a price roughly one-fifth that of the comparable U.S. weapon. The Soviet

troops can afford to shoot their anti-tank weapons.

The same situation prevails in artillery in general. Here the problem is not primarily qualitative, but rather a superior Soviet appreciation of the fact that artillery is to be used in mass, for concentrated firepower against an enemy. The Soviets simply have many more artillery tubes than the U.S., and many more kinds of delivery systems. The Soviets for a long time have been firm believers in rocket artillery (the Katusha 122mm rockets in Vietnam, for example), and have deployed a large, new rocket system in Europe which uses submunitions dispensing warheads. The U.S. has *no* operational free-flight rockets.

3) Air power

The situation is no better in the arena of traditional American superiority—the air. Our air defense systems are either obsolete because of vulnerability to Soviet electronic countermeasures (the Hawk, the Nike Hercules, the Redeye), are only fair-weather (like the Chapparral), or lack range and accuracy (like the Vulcan). Officials in the German Defense Ministry have said simply, "The Soviets are decisively ahead in the air."

The helicopter, as well, is now a Soviet asset. As Lt. Gen. Keith said in his testimony:

We have likewise been preempted in a combat field we pioneered: heliborne firepower. The Soviet HIND-D assault helicopter can deliver consider-

ably more ordnance than our Cobra TOW, and it is a more sophisticated aircraft in several other respects, including its ability to destroy our helicopters in flight. Their HIP is a converted utility helicopter with the largest ordnance delivery capacity in the world. They have 8,000 more of them in their inventory that could be converted to the gunship role.

The same story holds for every other area of weaponry with the single exception of strategic ballistic missiles. Noting that one exception, Lt. Gen. Keith's assessment is an understatement: We are now "inferior in virtually every major category of item with which wars can reasonably be expected to be won."

The question of strategic missiles

Some readers will object that "All you have said is true, but it is irrelevant to the real question of our military preparedness. That is, more than anything else, determined by the relative state of our strategic nuclear weapons capability. And, here everyone knows that the U.S. has an overwhelming lead in number of warheads and in accuracy. In fact, the U.S. may have suffered from some problems in R and D, but it is so advanced in electronics and guidance as to make up for any other deficiencies." On the contrary. In this, as in other cases, the momentum is now with the Soviet Union.

But more importantly, the U.S.A.'s own advance in strategic missiles—precision guidance—actually destroys the possibility of a "limited nuclear war," the only kind for which precision targeting represents an advantage.

From a purely quantitative standpoint, the Soviet Union has more weapons, throw-weight and total megatonnage in their nuclear arsenal. This much is well-known.

Not so well-known are two interconnected aspects of the situation:

1) The U.S. weapons, over the past 2 years, have acquired the capability for accurate delivery to any target. With the combination of satellite guidance and more sophisticated guidance systems, these missiles in the next two or three years will be able to hit any target within probable error on the order of 10 meters. These advances are the result of an intense U.S. R and D effort in the areas of computer technology and integrated circuits. While Soviet missiles are rapidly approaching the same capability, there is almost universal agreement that their accuracy is considerably less than that of U.S. missiles.

2) The Soviet effort has concentrated, as usual, on the procurement of a much larger number of weapons, even if these weapons are of simpler design and have less

sophisticated guidance. The Soviet numerical advantage is at this point about 2:1 over the U.S. The Soviets have explained this difference as a result of their conviction that a nuclear war, like any other, will be won by the side which wins the last round, not the first. They are preparing to be able to have a second round of nuclear weapons to use—in contrast to the American conception of a spasmodic, one-shot nuclear exchange. The Soviet military envisages a significant fraction of its and our military capability to have survived, against which a second or third "artillery" barrage of nuclear missiles may be necessary.

The American advances in guidance make this scenario the one the Soviets must follow! Again the "wunderwaffen" approach to weapons development has created a weapon whose advantages are irrelevant to an actual war-fighting situation and which increases the likelihood of an unwinnable kind of war. Since U.S. missiles are now accurate enough that a direct hit on a Soviet missile silo is very likely, and since there is no way to "harden" a missile site against a direct hit, the pressure is for the Soviets to launch their missiles as soon as an American attack is evident. American missiles would be hitting—very accurately—empty silos. Of course, the Soviet missiles would face the same problem—but who needs a 10 meter circular error probability to hit a city?

These points were reiterated in a report prepared by T.K. Jones of the Boeing Corporation on the strategic balance of forces. In testimony before the House of Representatives on this report (April, 1979) he said:

The Soviet Union has turned our own nuclear deterrent concept against us. It has done so by developing a capability to attack the U.S. strategic forces and at the same time hold a reserve arsenal that should deter the United States from retaliating. Indeed, a heavy attack on Soviet cities, a form of retaliation that is very frequently discussed in U.S. media, would be the most imprudent and self-destructive thing that this nation could do

There is increasing indication that the Soviets do not believe that the United States would shoot back if its forces were attacked. This country would lose vastly more than it could possibly gain. Yet, the Soviets with their characteristic caution have invested very heavily to protect themselves against what in their view is a possible irrational American retaliation. Civil defense, a subject that I have on earlier occasions discussed before this committee, is but one element of their multilayered defense structure which, together with their reserve arsenals of nuclear and conventional systems, would allow them to survive, to recover as a nation, and to dominate future events.

This is not to say that the Soviet leaders want a nuclear war. But ...

Jones emphasized the basic instability which has arisen in the last 18 months. It cannot be stressed too heavily that this instability was *caused* by the U.S. war-fighting and R and D policy of the last 20 years: first with the gadgets, last with the weapons.

A case study in current R and D

The current U.S. position was determined by the R and D priorities set 10-15 years ago, whose consequences we are now paying for. The future looks even bleaker. The tremendous changes in warfare which we will see in the next decade are not being pursued by present U.S. R and D, or, if they are, the research is being applied in a way that is actually counter-productive. We take a case study from the advanced research and development activities of the Pentagon to illustrate these longer-term problems.

The directed energy beam weapon

There has been only one weapons system which has even the remote possibility of changing the military strategic situation in a qualitative way—much the same way the nuclear-tipped ICBM did 25 years ago, and that is the directed energy beam weapon. This device, if perfected, would be capable of directing an intense energy (either laser energy or subatomic particles), a beam travelling at or near the speed of light, capable of destroying an incoming missile or plane. Fired either from a satellite or from an earth-based battery, the beam weapon is the first possibility for a true defense against the ICBM.

It is clear that the Soviet Union is actively pursuing research on this weapon, and in the opinion of many experts, they are very close to deploying it as a weapon. William Perry, Undersecretary for Research, Development, Test and Evaluation, summarized the Soviet approach to research on a system that could revolutionize warfare:

The Soviets are concentrating on several unconventional technologies—high-energy lasers, charged particle beams and surface effect vehicles, for example. In particular, in the high-energy laser field, they may be beginning the development of special weapons systems. We, on the other hand, have decided to keep our high-energy laser technology in the technology base for the next few years. We believe that we understand the technical issues basic to translating high-energy laser technology

into a weapon systems, that our decision is correct, and that the Soviets may be moving prematurely to weapons systems.

A statement of arrogance—from a team that has performed so well in the development of new tanks, armor, and electronic warfare!

The exact status of the Soviet program is difficult to judge. Perry's testimony was published as follows:

It is instructive to look at the corresponding program [in high energy lasers] in the Soviet Union. Generally it is difficult to get information about what is going on in their laboratories and in their technology base ... **DELETED**

I have looked at this program in considerable detail and I have assessed ... **DELETED**

One way of stating this comparison is that if we in the United States were to be doing the same high energy laser program that the Soviets are today ... **DELETED** one technology base alone.

It is so secret, we hide it from the Russians. Other sources (see *Fusion*, June 1979) provide convincing evidence that the Soviets are in fact close to having a deployable beam weapon; a weapon that may be operational as early as 1982-83.

The beam weapon program is at present receiving a plurality of the funds spent on advanced R and D in the U.S. This is certainly a correct decision, but the amount is too small and the program pursued with an appalling lack of urgency. Significant sections of the civilian military establishment continue to insist that the beam weapon will never work (a particularly egregious example being the MIT's Costas Tsipis—see *Scientific American*, April 1979). The present level of funding exists because of a specific Congressional mandate. But perhaps most indicative are the conclusions of a DoD-sponsored report on the beam-weapon program. This study group was assigned the job of assessing the feasibility of the beam weapon, and they concluded that the level of funding in FY79 was "too narrow to determine technical feasibility," but "a 'crash' effort is not warranted at this time." They were careful to state that their opinion that a crash effort was not justified resulted not from "technological barriers"—there are none—but rather their belief that such a weapon would not be needed before the early 1990s. Dr. Ruth Davis, the Deputy Undersecretary of Defense for Research and Engineering said: "We are not technologically constrained. We have passed those major hurdles. We are pacing against what we believe is an adequate schedule. The primary pacing is a differential between ourselves and the Russians, as well as our own desire as to when we think necessary that these ... **DELETED** should be brought on line."

Indeed.

How the Soviet Union left the U.S.A. behind

by Susan Welsh

Dr. George H. Heilmeier, until recently the Director of the U.S. Advanced Research Projects Agency (ARPA, the coordinator of military research and development), laid out in a 1976 address the U.S. government's attitude toward the relationship between America's strategic "deterrent" and the nation's economy. According to Dr. Heilmeier, a future war would be so short that "forces in being are more important than force potential and deterrence more important than inherent capability. The manufacturing base that was critical to the United States in past wars will be of little use to us in future conflicts that are likely to be short, violent, and dominated by advanced technology. There simply won't be any time to mobilize an entire nation and its manufacturing base. There will be no time for bond drives, gearing up, mobilization, and determined national production."

This statement succinctly captures the fundamental difference between the military-economic philosophy currently governing the United States, and the philosophy of the Soviet Union. In the U.S., the stress on "deterrence" to the exclusion of in-depth war-fighting capability, has led to the erosion of every aspect of American military and economic power. In virtually every domain, the other superpower—which 60 years ago was a backward, "third world" nation—is now ahead.

This happened because the Soviet leadership built the country's economy as well as its armed forces *first and foremost* to survive and win should war threaten the continued existence of the Soviet state. This policy originated with Lenin, and has continued into the nuclear age, whereas in the U.S. the post-war period has seen an abandonment of war-fighting doctrine.

The Soviets insist that the cornerstone of their policy is scientific research and development.

Soviet President Leonid Brezhnev, in a typical statement of this approach declared:

One can state without exaggeration that it is precisely in ... the area of scientific-technical progress that we find today one of the principal arenas in the historical competition between the two systems. For our party this makes further intensive development of science and technology not only a central economic task but an important political task as well. At the present stage, problems of scientific and technical progress are acquiring, quite frankly, decisive importance.

(quoted in *Voennaya Mysl*, 1969)

Every facet of the Soviet armed forces has developed according to this policy. Today an estimated one-quarter of total defense expenditures go to research and development (11 percent for the United States, where one-half of the total budget goes to pay the wages and benefits of the All-Volunteer Force). The Soviet Union now has more than twice the number of scientists and engineers employed in R and D as the United States, whereas as recently as 1968 the United States was still ahead. The U.S.A.'s self-consoling belief that the Soviets are "good on quantity but poor on quality" compared to the United States is now exposed as a complete illusion (see accompanying article by Dr. Steven Bardwell). In the area of ICBMs alone, the Soviets have deployed six major new ICBMs since 1967, whereas the U.S. has developed only one, the Minuteman III, deployed in 1970.

Rejecting the view that a "strategic" deterrent—long-range missiles and bombers—is adequate, the Soviet Union maintains its total troop strengths at twice the U.S. level, and keeps its conventional forces strong in the belief that even with modern thermonuclear weapons, it

is ultimately the ground forces and the country's economic power which determine which side can win a nuclear war. The Soviets believe that the "general forces" will continue to do combat in ABC-saturated territory after nuclear bombardment, until one side emerges victorious. In addition, the Soviet Union is estimated to spend twice the U.S. rate on weapons procurement and military construction, a trend which has given the Soviets a six to one advantage in tank production; three to one in infantry fighting vehicles; eight to one in artillery; and two to one in tactical aircraft.

In basic industry, the trend is the same. The Soviet Union has consistently opted for the highest possible rate of capital investment, even when that meant a drain away from agriculture and consumer goods, the two most important problem areas in the economy. The U.S.S.R. is now the world's largest producer of machine tools (double the U.S. rate), of tractors, of steel, oil and numerous other products which are essential to the country's ability to fight a war. Other key branches of the economy which bear directly on military posture include the following:

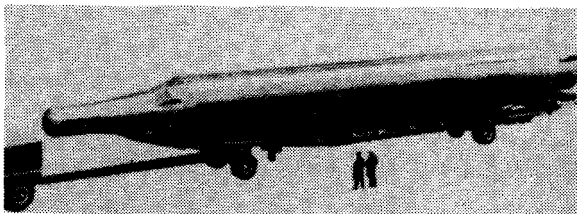
* **Nuclear Energy.** The Soviet Union currently runs about 5 percent of its industry on nuclear power, and intends to raise this figure to 30 percent by the year 2000. Under conditions where extraction of oil in Siberia is becoming more difficult and expensive, the socialist countries' economic community, the Council for Mutual Economic Assistance (CMEA), voted up a resolution in June, 1979 to multiply nuclear power 15 fold by 1990.

The Soviet program for the development of controlled thermonuclear fusion in several areas is well in advance of the U.S. equivalent, even though the very expensive research has not received adequate funding in the Soviet Union either, in the view of scientists engaged in the program. They confide that a full-scale international effort will be required to significantly accelerate the fusion power timetable.

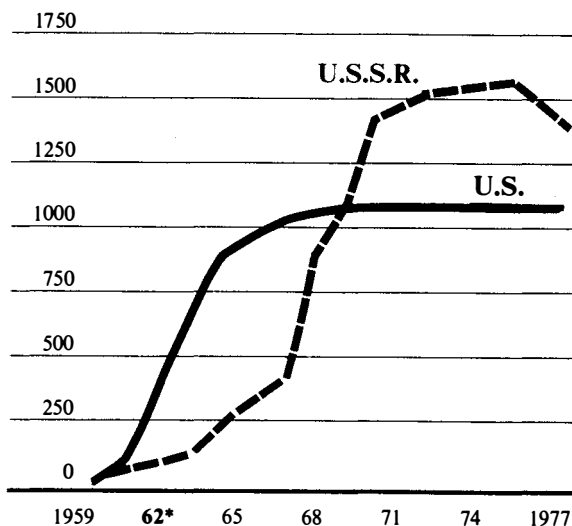
* **Space Program.** Whereas the U.S. space exploration program is for all intents and purposes defunct, the Soviets are forging ahead, sending men into space regularly, setting new records in endurance and conducting a wide range of experiments which will make future expansion of the program possible.

* **Merchant Marine.** Since the early 1960s, the Soviets have quadrupled the size of their merchant fleet, surpassing the United States and making it the 5th largest fleet in the world. According to *Jane's Fighting Ships*, "the U.S.S.R. regards her merchant fleet not only as an essential element of the national economy at all times,

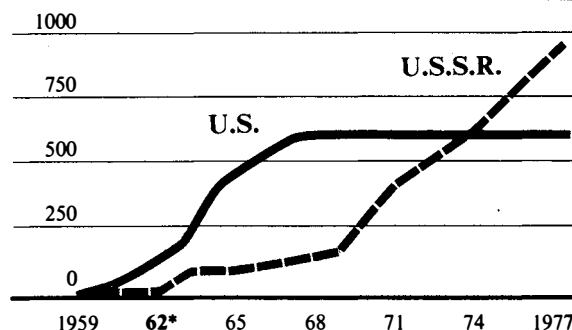
Ballistic missiles: the U.S.S.R. closes the gap



Total ICBMs



Total SLBMs



* Cuban missile crisis

but as a vital fourth arm of defense in emergency. Moreover, the Soviet Navy draws freely from the mercantile pool when it is in the interest of the fighting services."

The defense burden

The undeniable achievements of the Soviet economy have not, however, eliminated the problems which Khrushchev grappled with in his day—the inefficiency of Soviet agriculture and the need to raise consumer goods production to improve the standard of living of the population. The burden of the high defense investment on an economy which in overall size is considerably smaller than the U.S. economy is the most significant factor forcing "trade-offs" among branches seemingly equal in their need for investment. Another factor is the labor shortage, which will get worse in the coming decade.

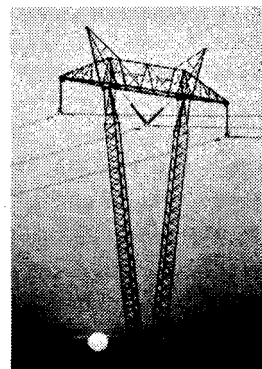
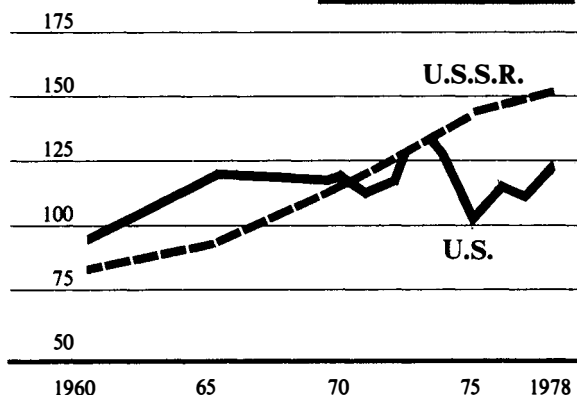
Growth targets in the current, Tenth Five-Year Plan (1976-80) were sharply curtailed in many areas, including a projected growth rate in capital investment of only 26 percent, compared to the 42 percent achieved in the previous Five-Year Plan. Even these reduced targets are not being met in all too many areas, and Soviet President Brezhnev delivered a speech Nov. 27, 1979 to a plenum of the party Central Committee attacking individual ministries and officials by name, in unprecedentedly harsh fashion, for their failures to implement targets. The harvest this year was a disastrously low 179 million metric tons.

Brezhnev and his factional allies in the Soviet Union are attempting to deal with the situation by forcing more rapid qualitative transformations of the economy through science and technology, instead of the old reliance on simply "more" labor and capital. Academician E.P. Velikhov, a leader in the Soviet fusion program and in military R and D, told a journalist from *Fusion* magazine last summer that the burden of the military on the economy means that "a simply linear expansion" is now nearly impossible. Siberian development projects, energy development, improved transport—none of these tasks can be accomplished without a shift into qualitatively new modes of development, he said.

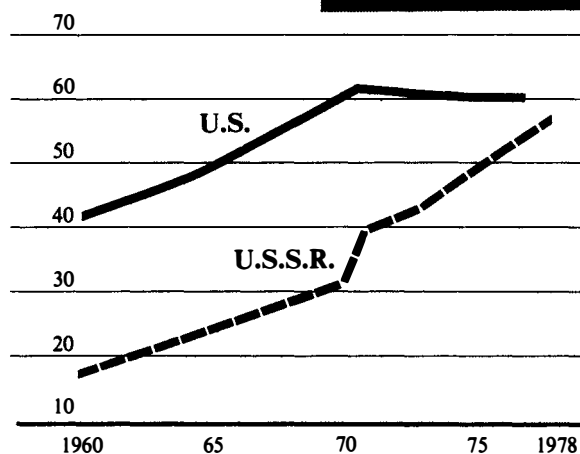
The shift toward nuclear energy typifies this approach, which is also reflected in the Tenth Five-Year Plan's insistence on improved quality of production. Said Brezhnev in his speech to the plenum, "The structure of industrial production is being improved by the accelerated development of those industries which determine technical progress. Whereas the volume of industrial production in 1979 compared with 1975 increased by 20 percent, engineering and metal-working will grow by 40



Raw steel production
(million metric tons)



Energy production
(quads)



percent, and the chemical and petrochemical industry by 25 percent.”

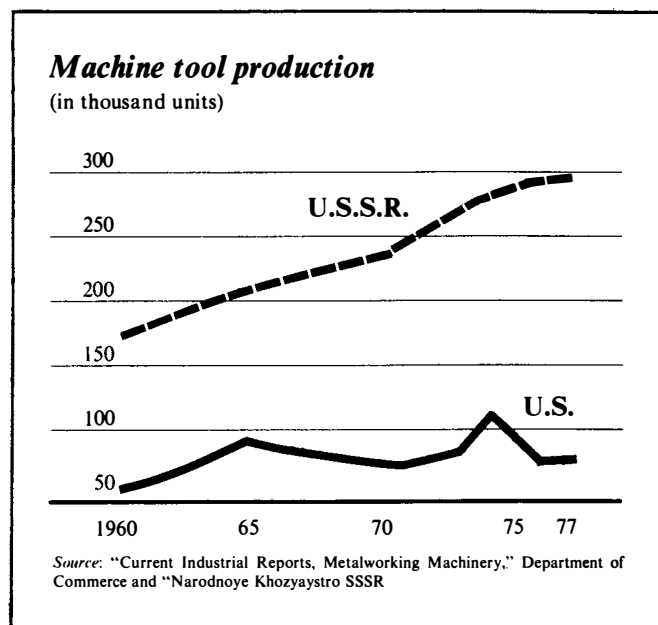
Acceleration of technical progress was also the goal of a Central Committee resolution issued in August, 1979, “On Improving Planning and Enhancing the Effect of the Economic Mechanism on Raising Efficiency of Production and Quality of Work.” The resolution designated special funds for R and D in each ministry, and instructed the Academy of Sciences and other bodies to “work out a comprehensive program of scientific and technological progress for 20 years.”

This policy of the Brezhnev faction is coupled with a continuing readiness for detente with the West, despite the deterioration of the international situation during the past several months.

The opponents of Brezhnev’s “intensive growth” domestic policy are in many cases the same as the opponents of Soviet participation in a new detente-based international monetary system oriented toward Third World development. These are the Soviet advocates of “systems analysis,” the supporters of the Club of Rome, the anti-nuclear environmentalists. But these people are still a minor force in the U.S.S.R.; and the appointment this week of G. Marchuk, head of the Siberian Academy of Sciences, to be the new Deputy Prime Minister and head of the State Committee for Science and Technology, is a signal that the Brezhnev faction is firmly in the saddle. Marchuk’s branch of the Academy has been a pioneer in scientific progress, and includes the famous Novosibirsk center of advanced scientific research. Marchuk was named to replace V.I. Kirillin, by-passing Kirillin’s deputy D. Gvishiani, a leading Soviet proponents of “systems analysis” and the Club of Rome.

* **Civil Defense.** In the last decade, the Soviets have developed an extensive civil defense training program intended to ensure the survival of the majority of the Soviet population and industry in case of nuclear war. The program is coequal in status with the five major military services, and its chief, Army General A. Altunin, is a Deputy Minister of Defense and four-star general. The program includes plans for city evacuation, fall-out shelters, and the protection of industrial equipment. Urban planning has proceeded so as to restrict population density, dispersing industries throughout the country, reinforcing weak structures, burying utility stations and conduits for power and water.

Expert opinion in the U.S. varies greatly concerning the effectiveness of such measures. At one end of the spectrum, a special study conducted in 1976 by the Boeing Corporation concluded that 98 percent of the Soviet population would survive a nuclear war, presuming that the U.S.S.R. launched a first strike and—unlikely but possible—that the U.S. responded with a second



strike only *after* Soviet nuclear warheads had hit their targets!

Nevertheless, it can be confidently concluded that the Soviet Union would not be spending all the money and effort on their program if the U.S. Congress Joint Committee on Defense Production were right in another scenario, concluding that “there appears to be little warrant for the belief that the Soviet Union could survive even modest yet carefully configured nuclear attack in any but the most primitive economic circumstances. In short, vulnerability analysis of the Soviet economy discloses no practical means of reducing the number of critical targets to a level so low that it would have any effect on the basic premises of nuclear deterrence The committee could see no reason to revise earlier U.S. estimates of the unfavorable cost-benefit ratio of industrial defense.” (*Civil Preparedness Review*, April 1977).

Political battles behind Soviet policy

The U.S.S.R.’s commitment to a war-fighting military doctrine and the economic development policy underpinning it has not gone unchallenged in Soviet history, and still has highly-placed opponents today. The closest the Soviet Union ever came to professing a doctrine of “deterrence” comparable to Washington’s was under N.S. Khrushchev, who was toppled from power in 1964 by the current Brezhnev-Kosygin leadership.

Khrushchev, never known for sophistication of political or military ideas, was targeted by anti-science oligarch Bertrand Russell and others to be the transmission belt for British fabian-liberal influence into the Soviet Union. (Russell’s “ban-the-bomb” correspondence with

Khrushchev during the Cuban missile crisis is a well-known.)

Khrushchev instituted a number of “reforms” which brought strong opposition from the Soviet Communist Party, earning him the accusation of “hare-brained scheming” after his demise. One of these reforms was his effort to cut the number of ground troops in 1960, and again in 1963. The first attempt was accompanied by an announcement that war was unlikely in a nuclear age, since the aggressor country would not be able to attain victory (the basic premise of “deterrence”). The Soviet military responded to the troop cut and the Party chief’s emphasis on missile deterrence with scarcely-concealed outrage. One military newspaper attacked those who think the next war would be “a push-button war, which would be conducted without mass armies.”

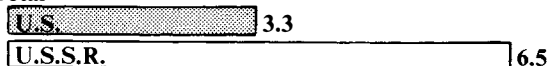
Khrushchev’s “hare-brained” efforts to deal with problems in the economy and particularly in agriculture brought him up against those he called the “steel-eaters”—heavy industry and the defense establishment. He abolished the centralized economic ministries in 1957, replacing them with regional councils; and in 1962 he provoked general opprobrium by splitting the Party into two independent parts, one for agriculture and one for industry, resulting in unprecedented chaos.

The fact that under Khrushchev the Soviet Union initiated the programs which would later make possible its rapid expansion in ICBMs and naval power may indicate that the leader’s seeming support for strategic “deterrence” was merely making the best propagandistically of a situation in which the U.S.S.R. did not yet possess anything near a war-winning capability vis-à-vis the United States. More likely, the vital R and D programs were being determined not by Khrushchev directly but by people like Admiral S. Gorshkov, head of the Soviet Navy, and “steel-eater” D. Ustinov, today’s Defense Minister who was then in charge of defense industrial production. In any event, the Cuban missile crisis of 1962 marked a decisive shift toward a rapid escalation of Soviet military capabilities (reaching levels of ICBM production of one launcher per day during 1966-67, after Khrushchev’s fall. See graph). This shift toward a war-fighting doctrine was reflected in the principal Soviet military text, Marshal V.D. Sokolovskii’s *Military Strategy*. The first edition of the anthology, published in 1962, contained a formulation converging on “deterrence”: “The greater the stockpiling of weapons of mass destruction, the greater becomes the conviction that it is impossible to use them. Thus, the growth of nuclear missile power is inversely proportional to the possibility of its use.” This line was omitted from the second edition—issued just over a year later, after the Cuban missile crisis—and all subsequent editions.

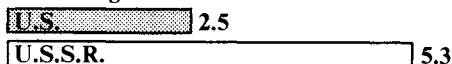
Machine tool inventory

(1978, million units)

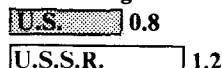
Total



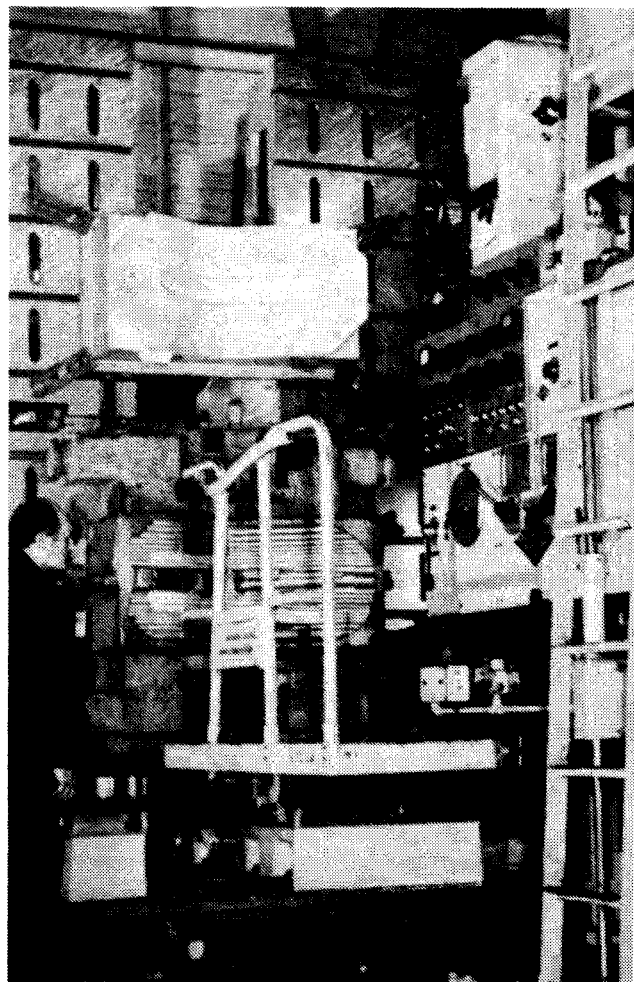
Metalcutting



Metalfforming



Source: Dr. James Grant, “Soviet Machine Tools: Logging Technology and Rising Imports,” in *Soviet Economy in a Time of Change*, Vol. 1, Joint Economic Committee of the U.S. Congress, 1979.



A Soviet numerical-miller machine-tool.

Europe's steps to save the world from Carter

by Alice Roth

Angered and alarmed by Carter's confrontationist policy toward the Soviet Union, Western European governments have accelerated their efforts to establish a new gold-backed monetary system based on economic cooperation between the advanced capitalist nations and the East bloc to industrialize the Third World. In the estimation of European leaders, typified by French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt, such an economic program is the only means of averting threatened superpower conflicts throughout much of the Third World and could provide the basis for a long-lasting detente.

At the conclusion of his four-day visit with newly elected Indian Prime Minister Indira Gandhi, Giscard announced that he will soon launch a major new initiative to stabilize the world monetary system and foster new approaches to development financing.

According to French government sources, Giscard and Schmidt will meet in Paris on Feb. 4 and 5 in an emergency summit to "salvage detente from the wreckage." Giscard's economic initiative will be the leading item on the agenda.

Phase II of EMS

On Jan. 28, the London *Financial Times* leaked word of a furious debate which had just broken out within the European Community's monetary committee, a team of experts who have been assigned the task of drafting the technical plans for the second phase of the European Monetary System (EMS). It would appear from the

Financial Times' somewhat hysterical coverage that the Giscard government is backing a plan for the creation of a powerful European central bank, or European Monetary Fund, which would be backed up by the EMS nations' enormous gold reserves, and have the authority to issue short-, medium-, and long-term credits.

If the EMF were to lend to Third World governments, it could easily supersede the International Monetary Fund and World Bank whose "zero-growth" austerity policies are creating the unstable political conditions which lead to war.

Meanwhile, the growing danger of a new world war, in which Western Europe could be reduced to rubble overnight, has resulted in a strengthening of those European political factions who are pursuing war-avoidance policies.

In West Germany, Helmut Schmidt's Social Democratic government has gained support and, according to the weekly *Der Spiegel*, most leading industrialists now oppose the campaign of cold-warrior Franz Josef Strauss who is the Christian Democrats' candidate for the chancellorship. Despite its own connections to the Anglo-American foreign policy establishment, *Spiegel* this week published a scathing editorial attack on Henry Kissinger, entitled "Despite Kissinger: Holocaust?" which warned that the former U.S. Secretary of State's "limited" nuclear warfare scenarios would cause the major powers to stumble blindly into World War Three.

In the same issue *Spiegel* writes that Schmidt is horrified that Carter neither contacts America's Western

European allies before giving another of his strongman, anti-Soviet speeches, nor makes use of the "red phone" to Moscow.

...Andreotti, too

In Italy, Prime Minister Francesco Cossiga, the only chief of government of a major continental European power who might have lent some support to the Carter administration's cold war drive, is on the verge of being ousted. Cossiga will probably be replaced by a new "national solidarity" government led by former Prime Minister Giulio Andreotti, similar to that which he headed in 1976-79 based on an agreement between the Christian Democrats and the Italian Communist Party.

Paris and Bonn are, meanwhile, taking steps to drastically reduce the influence of Britain in the European Community (EC). Britain is the only EC member to have endorsed Carter's trade embargo against the Soviets and has also consistently obstructed the development of the EMS. According to the January 28 London *Times*, the Thatcher government now faces "total defeat" in its campaign to reduce British contributions to the EC budget. The French remain "obdurate" in refusing to grant concessions, the *Times* reports, but "the really crushing turn of events has been the hardening of attitudes in Bonn."

British realists

The war danger and the threat of isolation from the rest of the European Community has even forced certain "realist" factions within Britain to speak out against "Iron Lady" Thatcher. Both Conservative Party leader Ted Heath and Labor leader James Callaghan criticized Thatcher's support for Carter in parliamentary speeches this past week on the basis that it was essential to maintain communication channels open between Britain and the Soviets.

Heath warned that "We are discussing the danger of a third world war caused by stumbling into it by mistake or misjudgment... The only way for the West is to have a clear strategy and build an understanding with both the East and the Nonaligned countries."

Callaghan said "It is now clear that the understanding in Europe between NATO and Warsaw Pact countries is not sufficient to prevent a widespread conflagration in other parts of the world that could develop into a nuclear conflict... I want to enter discussions with the Soviet Union about the prospects of constructing a new set of rules and understandings." But while the British "realists" are anxious to head off a looming U.S.-Soviet military showdown, they oppose the economic development policies advanced by the Paris-Bonn forces which are necessary to prevent such conflicts in the future.



France

Giscard and Indira form a new global alliance

by Paul Zykofsky, New Delhi correspondent

The summit between India's newly elected Prime Minister Indira Gandhi and the President of France Valery Giscard d'Estaing, has concluded in New Delhi with what French circles are describing as a new strategic alliance between the two countries—one which gives both new capabilities for intervention into a rapidly deteriorating world situation.

With Giscard's four-day visit to India, Prime Minister Gandhi has gained a key partner from the "superpower for peace" that France and West Germany have been attempting to construct independently of both Washington and Moscow. Giscard has extended his policy of economic development of the Third World through "technology transfer," with emphasis on nuclear energy (see interview below), into India, the most important developing nation.

And this combined political "clout," in the clearly stated views of the two leaders, will be wielded to stem the tide toward world war by reversing the British policy of "zero growth" and deindustrialization for the advanced and developing sector alike.

French Foreign Minister Jean François-Poncet told journalists in New Delhi that France, with its "Indian friends," aimed "to see to it that the voice of peace be strongly heard." He added: "This is what we have achieved."

Strategic reality

The seriousness with which the two leaders view their strategic task was expressed in the joint communiqué issued at midpoint of the visit, saying "both countries are committed to act upon the responsibilities which devolve in the present critical times on France and India because of their respective policies of detente and nonalignment."

In a reference to the U.S. arms buildup of India's neighbor and historic adversary Pakistan, as well as prob-

ably to China, Gandhi and Giscard declared that "in order to stop further escalation all states should refrain from any action which could intensify great power rivalry and bring back the Cold War, especially dangerous arms buildup liable to threaten peace and stability in sensitive regions. Accordingly, the President and Prime Minister have decided to take all necessary initiatives to defuse present tensions and to help create a climate of mutual trust and confidence."

Less officially, the Indo-French alliance reached working agreement on a policy vis à vis the Soviet Union's military move into Afghanistan which contrasts pointedly to the Carter administration's posture of confrontation.

American journalists who attempted to press French Foreign Minister François-Poncet on what France would do to "get the Soviets out of Afghanistan" were met with sarcasm. He retorted to one such question, "Who has done something powerful enough to get them out?"

When confronted with bluster about American naval and other deployments in the region, the French official wryly asked if such moves were directed against Afghanistan—or Iran.

The India card

According to informed Indian sources, the French see their ties to India—and bolstering Indira Gandhi as the leader of the nonaligned nations—as key in defining their whole framework for Asia, the continent which contains the two most dangerous "hot spots," Southeast Asia and the Middle East.

President Giscard is planning a visit to China later this year, and it is clear that he chose to come to India first to make the priorities of French policy for stability apparent to all.

Giscard declared at New Delhi airport before his departure on Jan. 29 that the two goals of his visit had been achieved. One goal, he said, was to "establish between our two countries a dialogue corresponding to our roles in world affairs." The other goal was the "aim to give our economic and technical cooperation the necessary impetus."

Economic content

The second point defines the aspect of the visit which gave concrete form to the strategic views of the two leaders. Giscard in a speech stated this in terms which indicate the long-term French and Indian objectives: "Finally, what is at stake is to reinforce our cooperation and to exchange our experiences in the most recent

technological domains such as space, nuclear energy and new sources of energy, and computers, which will order the destiny of the world by the end of this century."

French government and private sector, he said, will join in such cooperation to "realize common projects."

While many of the details of such cooperation remain to be worked out in further talks, including expanding existing French assistance to India's nuclear energy program, a number of deals were concluded during the visit. These include French financing and technical assistance for: a \$1.25 billion aluminum processing plant; deep shaft coal mining; \$125 million for completion of the major Rajasthan irrigation canal project; cooperation in petrochemicals, fertilizers, drugs and chemicals; and trade and industrial collaboration in joint projects in third countries.

EMS implications

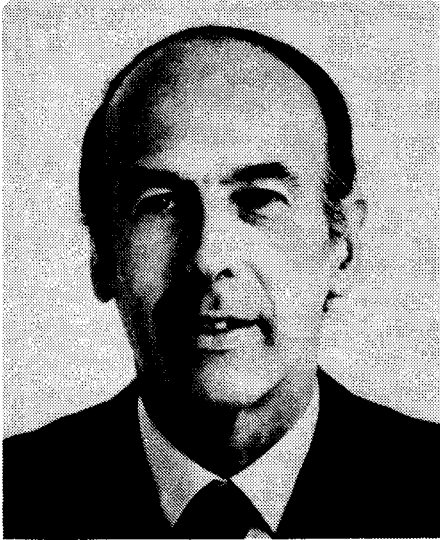
On a more profound level, French Foreign Minister François-Poncet indicated that France is advancing the global economic and monetary policies embodied in the creation of the European Monetary System. Asked by the correspondent of the Indian weekly *New Wave* about the plans for Phase II of the EMS where it would take on the role of the kernel of a new international system, Poncet cautiously said that "we are not there yet." So far, he said, the EMS is only an instrument of monetary stability.

"From that," he went on, "to a unified monetary system capable of extending such credits to developing nations, this is something more ambitious. I will not say that we do not have this in mind but we are not there yet."

That this goal may be closer as a result of the Gandhi-Giscard summit was strongly suggested by the fact that François-Poncet began his press conference with the announcement that Giscard will meet with his EMS partner, West German Chancellor Helmut Schmidt, next week in Paris, on his return from India.

He then referred to an upcoming visit of Soviet Foreign Minister Gromyko to India (following the very recent trip of Gromyko's deputy to Paris), and noted, "The Indian government has its own contacts; we have our own contacts."

The Franco-German summit is "an important meeting for many obvious reasons," he stressed. Senior French officials indicated privately that the objective of the upcoming Giscard-Schmidt summit is to "salvage detente" from the wreckage created by the Carter administration's precipitous actions against the Soviet Union.



The president interviewed

'Our task: an effective nuclear plan'

Following are excerpts from an interview given by France's President Valéry Giscard d'Estaing to Radio Europe No. 1 on Jan. 18. In it, Giscard stresses that whereas there may be other sources of energy, France has chosen to develop nuclear. Other French spokesmen have made clear that all nations should choose likewise.

Q: Mr. President, France has no oil, and oil is becoming increasingly expensive and scarce. France therefore needs an alternative energy source, hence the choice of nuclear power. Is this an option that's been taken at the expense of other energy sources, other investments?

A: France has no oil, it's true, as everyone knows, though in actual fact it does have a very small amount. The research program to be pursued in France should enable our country to tap a not insignificant quantity of oil and gas on the mainland and off the coasts, since there may be off-shore deposits. The two sources together might amount to something like 10 million metric tons a year. This is my target. But it is a very long way from our national consumption which is going to be in the range of 240 to 250 million oil-equivalent tons in coming years. As you say, the world's oil is going to become more scarce and is costing more every year.

Therefore we had to look for national sources of energy for France. We did so in several directions. First of all there are, of course, new sources of energy....

I'm not going to swamp you with figures but we have prepared a program for 1985 under which, as you know, we expect to have energy savings equivalent to 35 million tons of oil [from conservation], and a nuclear electricity output equivalent to about 43 million tons of oil. So it's almost on the same scale...

Why nuclear electricity? At the present time there is no other readily available technology. There won't be for 10 or probably 30 years. Moreover, it is an investment that pays off highly since the higher oil price means that one kilowatt-hour produced in a nuclear plant will cost about 13 or 14 centimes whereas the kilowatt-hour produced from oil will cost on the order of 24 to 25 centimes. So there is a very significant difference in price. Lastly nuclear electricity enables France to be more independent from the energy viewpoint, that is so nobody can tell us what to do.

As you saw with the recent oil crises, those who have oil can dictate to those who don't. It is very important to improve our energy independence. These are the reasons, then, which have led to our electro-nuclear program.

You asked whether this would be at the expense of other investments. First of all, what is it going to cost *in toto*? Electricité de France [the national power utility] is spending 16 billion francs [\$4 billion] this year for this program and when the construction of power plants is at its height, it will be a maximum of 20 to 21 billion francs [\$5 to \$5.25 billion], which is relatively little compared with total investments in France. And, as I said a moment ago, these investments give good returns.

Lastly we are going through a period in which we have to support economic activity, and the fact that a major national utility has a large-scale investment program is not something that diminishes investments elsewhere. On the contrary, it helps our country's economic activity.

Q: France's decision to opt for nuclear power, Mr. President, implies a secure and lasting supply of uranium. Does France have sufficient reserves?

A: In the past we had little coal and oil. As it happens,

however, we have quite a lot of uranium on our national territory—Metropolitan France produces 6 percent of all the uranium in the world. Our country has, moreover, been actively pursuing a policy over the past few years to acquire uranium rights and deposits so that French companies have secured control of about 240,000 metric tons of uranium in the world, that is to say, 100,000 metric tons in France and 140,000 metric tons abroad, and every year we are increasing our share of uranium abroad. At present we use about 6,000 metric tons of uranium a year, a figure that will peak at just under 10,000 metric tons by the 1990's. So we have both national reserves, and an active policy for acquiring uranium mining rights.

Q: Are we certain that the countries with which we signed contracts will continue to sell it to us—African countries for example?

A: There is no reason to doubt that these contracts will be upheld. So far things have progressed quite normally with our partners. Furthermore, the contracts are conventional international accords—which means that the states concerned naturally have rights regarding the operations they maintain in keeping with these accords—and up till now France has been very satisfied with the conditions under which they have been put into practice.

On the subject of uranium let me point out that beyond the techniques in use at this time there is another possibility, as evidenced by France's Phénix power plant, namely, the breeder reactor. A nuclear power plant of this kind does not consume all the material that is fed into it; instead it regenerates it for further use. By employing the breeder reactor technique it would be possible to extract roughly 60 times more energy from the same quantity of uranium.

Bear in mind the figures I gave you a moment ago. For conventional nuclear plants we have considerable supplies in France and, in the context of breeder reactors, we would indeed have extremely ample supplies.

Try to imagine it like this: if the uranium mined in France were one day to be used in breeder reactors, France's energy potential, its energy reserve, would be comparable to that of Saudi Arabia. A combination of our natural uranium resources and the use of breeder reactors—if ever this production technique is extensively developed—would make our position immensely secure as far as our supplies are concerned.

Q: What state do you think France would now be in if it had not opted for nuclear energy and if its program for the construction of nuclear power plants had been seriously slowed, if not halted, as has happened in the case of most of our European neighbors?

A: The program provides a test for a country's foresight and clearheadedness. The decision to go ahead with the building of nuclear power plants...has resulted in their being ready for service five years later. There comes a point, therefore, when a decision is made that is sometimes politically quite difficult. Let me remind you that five years ago most French people were not in favor of nuclear energy. They have progressed since then so that today the majority (57 percent) are in favor of it....

At the time, however, they were not.

Decisions were made, therefore, whose beneficial effects were not to be felt for five years. Had we not followed this plan, we would either have had power cuts or investments that would have increased our dependence on foreign countries. If we had not built conventional [nuclear] power plants we would have had electricity cuts.

At present 17 percent of the electricity consumed daily by the French people is produced by nuclear energy. For every six light bulbs burning in a house, the electricity for one of them is produced by nuclear energy.

Of course, we could have built standard non-nuclear power plants, but what a waste that would have been. They would have increased our dependence on oil and led to electricity production costs that even now are 50 percent higher than nuclear-produced electricity. Such a decision would have shown a lack of foresight.

Q: In view of the advantages of nuclear energy, ought we not to accelerate the French program? What is there in fact to stop us?

A: We have accelerated it as much as we can. An initial plan was drawn up during the time of President Pompidou which when I was elected I immediately decided to accelerate. In 1974-75 it was decided to push the program to the utmost limits of our production possibilities and from 1974 to 1979 it was faithfully carried out.

Early in 1979, at the time of the events in Iran and even before the situation had clarified, I held a meeting (at the beginning of February) to discuss whether we could speed up our nuclear program even more. We reviewed the physical capacities of our means of industrial production and were able to raise our two-year commitment for 1979/1980 from the planned 10,000 Mw to 12,000 Mw, the maximum at present attainable. Taking into account, therefore, our industrial capacity, and the problems of planning and preparing [nuclear] sites, we cannot go any further in France.

Our task is to carry out the electro-nuclear program effectively. This means avoiding increases in construction costs and estimates while also satisfying local inhabitants and their elected representatives on the question of power plant sites....

U.S.S.R.

The Kremlin sends messages to the West

by Edith Hassman

For approximately one week, the Soviet Union has been sending definite signals to the West that Moscow is again beginning to view western Europe as an important war-preventing factor.

An article in *Izvestia* of Jan. 23 which counterposes the peace policy of West German Chancellor Helmut Schmidt to the war lunacy ruling in Washington and London, is the first commentary approving Schmidt's activities since the Dec. 12 NATO decision on medium-range missile deployment, following which the Soviet Union charged West Germany with having capitulated to the dangerous Anglo-American "limited nuclear war" doctrine. In fact, the capitulation of West Germany to the missile deployment at that time was viewed so gravely in the Soviet Union that, as a Soviet official said in a recent private conversation, "had this not occurred, we would have handled the Afghanistan problem completely differently."

The *Izvestia* signal was not the last. A series of interviews and statements by prominent Soviet spokesmen for detente—notably representatives of the so-called Bonn lobby which President Brezhnev counts among his closest advisors—to West German, French and Italian newspapers followed. The common thread of those statements is that they aim at satisfying the West European request for an explanation of the causes of the Afghanistan intervention, while at the same time reassuring the Europeans of Moscow's continued desire for detente.

The motivation behind this shift is the appreciation on the part of the Soviet leadership that Carter (apart from the NATO decision) did not rally the continental West European and Japanese leaders behind his policy of economic boycott and military encirclement of the U.S.S.R. It is believed in Moscow that Helmut Schmidt in the weeks since Afghanistan has exerted a "moderat-

ing influence" on President Carter which lowered the risk of military confrontation.

At the same time, there is a revival of the independent "Rapallo" tradition in German industry which came to the fore in the visit of a delegation from Krupp and other big firms to Moscow just as the hysteria in Washington about economic sanctions was at its peak. This visit broke the rules of the Anglo-American game which aims at provoking an "encirclement complex" in the Soviet leadership.

Soviet television deviating from usual practice, gave extensive coverage to every detail of these visits. As a result, Central Committee Secretary Vadim Zagladin told the West German weekly *Stern*: "When Mr. Beitz from Krupp was recently here in Moscow, we had the feeling that he thinks exactly like us."

It is expected that Soviet economic planners will soon publish the dates on the long-term, large-scale development projects for exploiting the rich Siberian raw material and fuel deposits, and that the Soviet leadership will make the development of Siberia a political issue of international cooperation to give substantial backing to the detente forces in the West. The December issue of *Soviet Union Today* announced that within 15 years, Siberia's industrial output will match what the whole Soviet Union is producing today and that the U.S.S.R. welcomes international cooperation because it will "accelerate" this process.

The appointment of the president of the Siberian branch of the Academy of Sciences in Novosibirsk, Guri Marchuk, as the new head of the State Committee for Science and Technology, is also interpreted as a sign of the growing importance of Siberian economic development in the long-term, 20-25 year plans of the Soviet Union.

Moscow's 'two-track' foreign policy

Soviet President Brezhnev's interview to *Pravda* on Jan. 12 was a first indication that although the Soviet leadership at that time was predominantly committed to a war-winning posture vis-à-vis the West, this commitment was not irreversible and the Soviet Union still wanted to give a chance to the option of detente with Western Europe and Japan.

On Jan. 21, Central Committee Secretary Zagladin reasserted this desire in an interview with the Italian daily *La Repubblica*: "We are convinced that Europe, Japan, and the big countries of Latin America and Asia will succeed not only to stop the deterioration of detente, but also to relaunch it. Today the situation is different from the past. Today Europe and Japan are very important." In this interview, Zagladin endorsed the proposal of

Giscard d'Estaing for a pan-European disarmament conference.

Two days earlier, Jan. 19, Italian Communist Party General Secretary Enrico Berlinguer noted that "there are in Europe other parties which with varying resoluteness, resist the logic of the aggravation of tensions and seek the road of dialogue and detente . . . the Scandinavian countries, in some aspects France, the government of the Federal Republic of Germany, and many Socialist and Social Democratic parties." Berlinguer, speaking at a rally in Terni on the occasion of the 59th anniversary of the PCI, said "we must head toward a new equilibrium . . . to furnish industrial plants, advanced technology and finished goods to the countries that export oil. And at the same time they can establish agreements with these same countries to work together—investing their currency reserves—for the development of the zones of the Third World that are poor in raw materials; those zones called the fourth world.

Schmidt's 'cool head'

As part of the same thrust, *Izvestia's* Kondrashov credited Chancellor Schmidt in an article Jan. 23 later for his call to keep a "cool head" and handle the present crisis without "nervousness." Although "Bonn was together with Washington" in December, "forcing through the plan to deploy American missiles in Western Europe," and although Bonn remains allied with Washington, Kondrashov emphasizes that the Germans now "fear that the Americans will completely throw overboard a detente policy for a policy of confrontation in the thick of the anti-Soviet, anti-Afghan, anti-Iranian hysteria." But especially for a country like West Germany, "there is no reasonable alternative to detente. Confrontation is an alternative without reason, even insane."

On Jan. 25, *Izvestia's* Bonn correspondent Grigoryants welcomed Schmidt's call for talks with the East to reduce the threat of confrontation: "In a recent government declaration, Chancellor H. Schmidt underlined the necessity to continue the dialogue with the Soviet Union in response to the demand of the opposition to harden the line in relations to the Socialist countries. In difficult times it is especially necessary to keep in contact with one another." Grigoryants summarizes Bonn's current position as one of "safeguarding the fruits of detente and continuation of the former policy of negotiations with the Socialist countries in search for mutually acceptable solutions."

To top off this rehabilitation of West Germany in the eyes of the Soviet Union, the former Soviet Ambassador to Bonn, Valentin Falin, said on Soviet TV on Jan. 25 that the relations between Moscow and Bonn are "very good."

To state that the Soviet Union shifted to a "two track" foreign policy from a predominantly war-winning posture which it held during the first half of January, does not ignore the fact that there is a growing "detente-weariness" among the powerful "orthodox" Marxist-Leninist party barons like Mikhail Suslov or Boris Ponomarev who suspect that any detente talk from the West at this moment fulfills only the function of a tranquilizer, lessening Soviet vigilance concerning the Anglo-American war preparations. Certain military leaders who share this Marxist-Leninist conviction, would also rather place their trust in the throw-weight of their missiles than in the word of a "class enemy."

Detente, but a new style

Furthermore, the arrest of Soviet dissident Sakharov on Jan. 22 which led to the early end of French Gaullist Chaban-Delmas' "good will" tour of the Soviet Union on behalf of President Giscard, shows that the two tracks very often conflict with each other. Sakharov's arrest certainly signals that "old style" detente à la Willy Brandt or Kennedy where the Soviet Union, in exchange for certain "favors" by the West, tolerated a certain level of dissident activity in the East Bloc, is definitely dead.

"Two track" foreign policy means that the Soviet Union on the one hand has to restrain the lunatic Carter administration by keeping up an incredibly tough military posture vis-à-vis the United States, while at the same time reassuring the Europeans that this tough stand in respect to Washington does not mean an end to detente and a return to cold war.

It means that in the context of gearing up for a war economy, the "economic reform faction" associated with Prime Minister Kosygin is rapidly losing influence, without this implying necessarily that cooperation with foreign countries will be reduced. One subfeature of what some Western analysts call a "return to Stalinist war economy" is that certain networks of "economic liberals" who are too much discredited through their connection to the various "one-world" projects of the United Nations, will be cleaned out in that process, too.

Neither the West Europeans nor the Soviet leadership nourishes the illusion, however, that there can be a "new Spring" of detente which would turn Europe into an island of peace, while the Carter administration continues its military encirclement policy, sells arms to China and equips the Afghan rebels. According to the London *Daily Mail*, Brezhnev told Chaban-Delmas concerning the possibility of Washington selling nuclear arms to China: "Believe me, after the destruction of Chinese nuclear sites by our missiles, there won't be much time for the Americans to choose between the defense of their Chinese allies, and peaceful coexistence with us."



Italy

The next premier pledges a return to detente

by Umberto Monteverdi

Former premier Giulio Andreotti, in an interview given this week to *L'espresso* magazine, virtually declared his candidacy for premier of a new government when the present government of Francesco Cossiga falls—a development expected in the near future. He made clear that he not only intends to have Italy play a mediating role between the United States and the Soviet Union to promote a return to detente, but to couple that with promoting the economic development of the Third World to ensure peace.

At one point, he was asked his response to the Soviet invasion of Afghanistan. "I am not in the business of making moralisms," he said. The world is facing a crisis of major proportions, without precedent in the post-war period. "We must promote detente."

There are few persons in Italy who do not expect Andreotti to assume the position of head-of-state again, and very soon. Andreotti used his interview to make perfectly clear that this will mean a reversal of the unabashedly pro-Carter foreign policy of the Cossiga government.

'National Unity' and detente

Andreotti spoke of his "past policy of national unity"—a reference to the experience of his government during the period 1976 to 1979, when the support of the Italian Communist Party was essential. The goal of Andreotti's "national unity" policy was to bring the Communist Party into full participation in the government at the cabinet level. Agreement to form such a coalition was in fact reached at the end of 1977, through the mediation of former premier Aldo Moro, who thus transformed the PCI's posture of "abstention" from the government into one of open support for Andreotti. But

Moro's kidnapping and assassination prevented the realization of the full "historic compromise."

The policy of national unity is not, however, only for the internal purpose of stabilizing the Italian government, declared Andreotti. It and the policy of detente in the foreign field are the same policy. "This will allow Italy to play again its historic role for East-West detente and to promote a dialogue between Europe and the Third World."

Andreotti has obvious strong support from the Vatican. Pope John Paul II, who attempted to stop the NATO decision to deploy medium range ballistic missiles on European soil—the immediate trigger for the Soviet Union's recent political-military policy shift—is personally prepared to go to both Washington and Moscow, according to press reports. Last week, as the American government was denouncing the U.S.S.R. and calling for embargoes with the support of the Cossiga government, the Vatican received a Czechoslovak government delegation for discussions on "improved relations."

Andreotti's policy-pledges for a new government are closely coordinated with Enrico Berlinguer, the Communist leader, who told a mass rally Jan. 20—the party's 59th anniversary—that the key to peace is a new world economic order, based on East-West cooperation for the development of the Third World. Andreotti has said that will be his policy.

Berlinguer, unusual for a Communist leader, quoted directly from the appeals of the Pope, as well as the French and German governments. The Communists must not fear an alliance with "bourgeois forces," said Berlinguer, when what is at stake is "the supreme value of peace."

Communist praise for Giscard

The Communist newspaper, *L'Unita*, has given almost daily coverage to the detente-statements of French President Valery Giscard d'Estaing, and also covered his recent trip to India. Europe must follow Giscard, states one commentary in *L'Unita* this week, and distance itself from the Anglo-American policy of Carter and Thatcher.

The most recent Andreotti government collapsed at the beginning of last year, largely due to the withdrawal of PCI support on the issue of the French-led European Monetary System, which Andreotti supported. Berlinguer's current policy statements thus constitute a major PCI shift toward support of the EMS.

When will Cossiga fall?

Most of Italy's political parties are now in rebellion against Francesco Cossiga. The inflation rate of this January is estimated at the highest level in decades.

Cossiga's policies damaged industry badly, and in the case of ENI, the state-owned petrochemical concern which is the backbone of Italian industry, Cossiga himself is suspected of being involved in the concoction of a bribery scandal that resulted in the cancellation of oil shipments by Saudi Arabia, badly damaging Italy's oil-supply position. The Socialist Party, a key pillar for his government until recently, passed a resolution on Jan. 17 declaring that its "ceasefire" with the government is now over. Even the Republican party, a creation of the British Secret Services during World War II, declared a few days ago that it can no longer accept the premier's policies. The trade unions recently expressed their dissatisfaction with a day-long general strike.

Industry was enraged by Cossiga's support for Carter's economic sanctions against the U.S.S.R. Fiat, took the occasion to conclude an agreement with the Soviets for construction of a "new Togliattigrad"—the huge auto plant built in the Soviet Union. Similar negotiations with the Soviet Union for major deals are underway by virtually all major Italian industries.

At present, Andreotti has a clear majority of the delegates that will attend the next congress of the Christian Democracy. The only question is when that Congress will occur. The small, Radical Party—prominently associated with its advocacy of drugs and homosexuality as political policy—launched a campaign of obstruction in parliament preventing action on new laws against terrorism. The Radical Party's actions were then used by Cossiga to postpone the Christian Democracy's congress, in order to "first deal with the Radicals."

On Jan. 29, Cossiga visited London for talks with Prime Minister Margaret Thatcher, who became furious with him, first, for being two hours late, and then, when he announced that he was politically unable to go along with Carter's policies of sanctions against the U.S.S.R. Then, he made the error of explaining his lateness by reporting that he was detained for a last-minute conversation with West German Chancellor Helmut Schmidt, who is openly flaunting the Carter-Thatcher policy. At the end of the talks, Thatcher declared that she "doesn't see any way out of the many conflicts that oppose Great Britain to France and Germany."

There is only one thing that could keep Cossiga in power—the same thing that ultimately knocked Andreotti out of power late last year: terrorism. Signs that the Anglo-American faction will use that option came last week, when Sergio Gori, a vice-president of Montedison, was killed by the Red Brigades. *L'Unita*, the PCI paper, called the killing "not a simple act of terrorism, but a 'mafioso signal....'" Montedison is the Italian industrial group with the strongest commercial ties to the East bloc nations—and a sure backer of a new Andreotti government.

A new Viet invasion?

Chinese mass a

by Richard Katz

China has prepared a million-man strike force—45 main force divisions—for a new invasion of Vietnam, according to Vietnamese intelligence reports relayed to *EIR* through diplomatic sources. China plans a three-prong attack: a new invasion of Vietnam along the same route as last year, a naval-amphibious assault from Hainan Island opposite the Gulf of Tonkin, and an invasion of northern Laos. A U.S. State Department official disingenuously disavowed all knowledge of the Chinese military buildup.

Southeast Asian diplomats confirmed that China was preparing for a new invasion on the assumption that Peking would receive support from the United States, including military if necessary, even if the Soviet Union intervened. The Soviet Union has been sending out signals that it will respond militarily to a new Chinese invasion, unlike last year. Two weeks ago, a Soviet naval flotilla arrived in the South China Sea, near the area from which a Hainan Island based assault would occur. U.N. diplomats report that Soviet representatives informed them that the troops now in Afghanistan can be moved, should China invade Vietnam again.

According to the Vietnamese sources, the new Chinese deployments parallel those just before last year's invasion. U.S. Defense Secretary Brown's visit to Peking parallels Premier Deng Xiaoping's visit to the U.S. last year.

- In December, China held combined land-sea maneuvers off Hainan Island practicing amphibious assaults and similar operations. Prewar military maneuvers took place last time.
- Hainan Island itself has been reinforced, including a Marine division and paratroop units.
- Reinforcements of Chinese forces on the Laos border has stepped up along with Chinese armed forays on the Vietnam-China border.
- Thousands of trucks a day are going into the

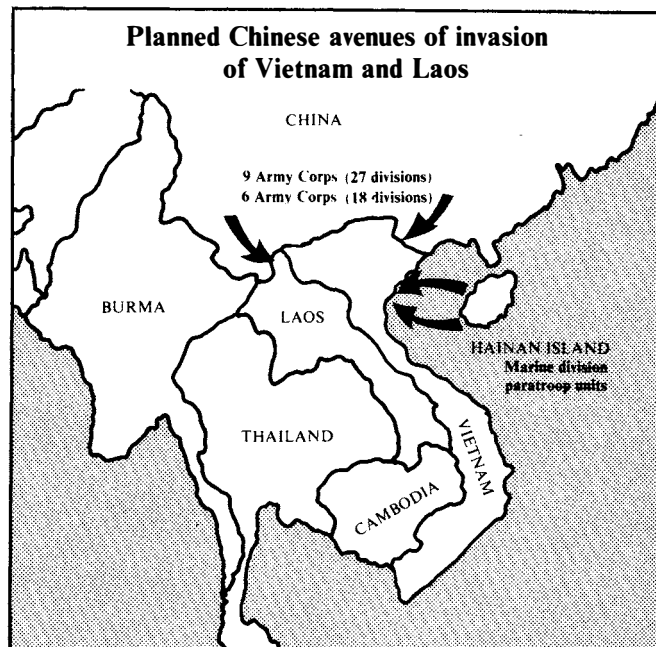
million troops

border area bringing ammunition and supplies.

- There are six army corps just behind them: 45 full divisions. Unlike last year, in which Han Chinese-speaking commanders led poorly trained minority hill tribesmen who often spoke different dialects, these are main force divisions.

These war preparations are being carried out by a Chinese leadership facing an increasingly unstable situation at home and finding itself bereft of reliable allies abroad. China's Premier Deng Xiaoping warned in a recent speech of an "epidemic" of cynicism and despair that is threatening to frustrate his modernization program. The government faces a "fast-spreading virus" that makes it well nigh impossible to mobilize the population. The *People's Daily* reported on one incident in which onlookers jeered at some people attempting to rescue a drowning boy: "Faster, faster—it's your chance to win some glory ... Look, more people want to join the Communist party." The party paper bemoaned the deteriorating social morale which this incident reflected and complained that these attitudes pervaded the young, the trade unions and practically all layers of society. "People have the feeling of 'what's the use' so they have no enthusiasm, no energy."

Among the Association of South East Asian Nations (ASEAN)—Thailand, Singapore, Malaysia, Indonesia, Philippines—China finds only Singapore, a virtual British colony, wholeheartedly supporting its position on Vietnam. Thailand, under direct Chinese pressure, also cautiously endorses the Chinese view. Southeast Asia diplomats report, however, that the other three countries, especially the Indonesians, are very nervous about China's ambitions. The diplomats noted that Malaysia recently sent a mission to Hanoi to maintain a negotiating status with Vietnam while neither Indonesia nor the Philippines even mentioned the U.S.S.R. during their U.N. speeches on the Afghanistan issue. The most important diplomatic defeat for China was the election in



India of Indira Gandhi, who is expected to recognize the Heng Samrin government in Kampuchea (Cambodia) and who blamed the Soviet move into Afghanistan on previous China-U.S. subversion.

Even the United States and Pakistan are hardly reliable military allies for China. Vietnamese leaders worry, however, that it is precisely such domestic and international isolation that might cause China's leaders to pursue an adventurous course. They also fear that China will take any U.S. support as indicating U.S. military backup. For example, during last year's invasion the lack of radios forced Chinese troop commanders to issue orders by bugle call! Harold Brown's decision to grant China advanced communications is thus taken by the Chinese as very important in both substance and symbol.

Last week, the Carter administration issued a much-publicized warning to Vietnam not to cross over into Thailand in its mopping up operations against the remnants of the Pol Pot forces in Cambodia, and not to embroil in the conflict the "refugee camps" inside Thailand which have served as bases to funnel Chinese arms to the Pol Pot forces. The significance of the State Department's action is seen in the issuance of a "scenario" a few months ago by former Under Secretary of State George Ball in which he predicted that Vietnam-Thailand skirmishes would lead to a new Chinese invasion. He also implied that Vietnamese "encroachment of Thailand's security" would justify China's action in a parallel to how the Carter administration used Vietnam's actions in removing Pol Pot to rationalize China's invasion last year. A State Department official pointed out that the administration had given China no warning not to encroach on Vietnam's security.

The Islamic world: A tilt toward Moscow and Paris

by Robert Dreyfuss

To the naive observer, and to readers of *The New York Times*, *Newsweek*, the *Washington Post*, the apparent effect of the Soviet Union's move into Afghanistan and of the so-called Carter "Doctrine" concerning the defense of the Persian Gulf has been to increase the credibility of the United States in the Muslim world. A Jan. 29 communique from the Islamabad, Pakistan, conference of 34 Islamic nations' foreign ministers said that the conference, indeed, "condemns the Soviet military aggression against the Afghan people and denounces and deplores it as a flagrant violation of international laws, covenants, and norms." It warned the U.S.S.R. to "refrain from acts of oppression and tyranny against the Afghan people."

And a *New York Times* editorial the following day, entitled "Better News from Islam," proclaimed: "The Islamabad declaration heralds at least a community of interests between the United States and the Moslem nations in their mutual desire to shield the Persian Gulf from Soviet attack or subversion."

But does it?

The *Executive Intelligence Review* has concluded that, in fact, precisely the opposite has occurred. Not only was the Islamabad conference a total failure in its immediate purpose, but most of the nations of the Muslim world—particularly the conservative kingdoms and sheikhdoms of the Arabian Gulf—are quietly executing a "tilt" in the direction of Paris and Moscow. That is the direct consequence of President Carter's State of the Union threat to use military force in the Persian Gulf and to ally with "Islamic fundamentalism."

Many of the Arab governments and others were horrified by the prospect of the United States placing itself in support of the wave of Islamic radicalism and the

terrorist Muslim Brotherhood that now dominates Iran and Pakistan and which has threatened Syria, Saudi Arabia, Algeria, Tunisia, and other countries in the area.

Thus, within a few days of the Carter State of the Union message, the Arab world loudly and unanimously rejected the U.S. offer to send forces to protect the oil wells—including Saudi Arabia and Kuwait.

Let us consider the situation in the Middle East and southwest Asia point by point.

1. The Carter alliance with Khomeini

"We have no basic quarrel with the nation, the people, and the revolution of Iran," said President Carter Jan. 23, on the eve of his State of the Union address. "We are prepared to work with the government of Iran to develop a new and mutually beneficial relationship." With these words, the Carter administration officially began its quest for a political-military pact with the dictatorship of the Ayatollah Khomeini and Iran's President Abolhassan Bani-Sadr, elected Jan. 25. According to informed U.S. sources, the administration has quietly shelved plans to impose economic sanctions against Iran, and it may step up supplies to the ayatollah's regime even before American hostages are released.

For the year since Khomeini seized power, the U.S. and Great Britain have, covertly, been training Iranian officers, pilots, and naval personnel, shipping arms and ammunition to Iran, and cooperating closely in matters of security and intelligence. In addition, for years the Carter administration, and particularly National Security Adviser Zbigniew Brzezinski, has viewed "Muslim fundamentalism" as a potential ally in the Islamic world.

On the surface, Carter and Brzezinski justify the proposed alliance with the Muslim Brotherhood, the

conspiratorial cult that controls both the Khomeini dictatorship and that of General Ziaul Haq in Pakistan, as necessary to halt the southward expansion of the Soviet Union after the invasion of Afghanistan. *The New York Times* even reported that the U.S. is considering arms aid to Iran. "Because of the Afghan crisis, the Carter administration has made a policy decision to offer military and economic cooperation to Iran if the American hostages there are released unharmed," said the *Times* on Jan. 23, quoting White House sources.

But Carter is taking two major risks in that policy-reversal.

First, internationally, the Khomeini regime is regarded as not only reprehensible, but a typical example of a nation ruled by literal insanity. For the Soviet Union, the prospect of a U.S. pact with Khomeini, Bani-Sadr, and Co. would be taken as a hostile act. This would probably raise the danger of deliberate Soviet subversion and eventual takeover of Iran—like Afghanistan—by armed might. Furthermore, the West Europeans are decidedly not pleased with the idea of allying with Khomeini.

Second, Carter is adopting a major political risk in trying—in an election year—to convince the United States electorate that sending arms to Khomeini is good politics. Although Senator Edward Kennedy has supported Carter's decision to ease pressure on Khomeini, Carter's other Democratic rival, Lyndon H. LaRouche, has made a major campaign issue of Carter's policy toward Iran.

Nevertheless, in his Jan. 24 State of the Union address, the president listed among his goals, "to persuade the Iranian leaders that the real danger to their nation lies to the north from Soviet troops in Afghanistan." Toward that end, the administration is counting on newly elected Iranian President Bani-Sadr to swing Iran into alignment with the proposed package deal that U.N. Secretary General Kurt Waldheim is working on, namely, to exchange the U.S. hostages for a U.N.-sponsored commission that would carry out an investigation into alleged "crimes" of the Shah.

Such an investigation might serve as a pretext to return the Shah to Iran for trial in a kangaroo court run by Khomeini's justice ministry. Reportedly, Panama is considering Iran's official request for the Shah's extradition, provided Iran releases the U.S. hostages.

2. The Arabs reject the "Carter Doctrine"

Virtually every Arab nation—with the exception of Egypt and Oman—has totally rejected the idea of the Carter Doctrine. Most important was the firm rejection delivered to the Carter administration by Crown Prince

Fahd of Saudi Arabia and the Saudi leadership.

"We will object to the presence of foreign bases on the soil of any Arab country," declared Fahd emphatically in a Jan. 24 interview with the official Saudi News Agency. His statement virtually ensured that not a single Arab country, including the British fiefdom, Oman, will accept the presence of U.S. forces or base facilities on their territory because of their dependence on Saudi Arabia. In a second interview, Fahd was even more explicit. "No one can use us as a tool," Fahd asserted in the *Al-Bayraq* newspaper. "In the circumstances we cannot but admit that the U.S.S.R. is a major power and we want no problem with it. A frequent error is to highlight Saudi Arabia as the only state that can resist the Soviet Union and fight it everywhere. This is a mistake, and we do not want to nominate ourselves to a role we cannot attain."

Fahd further warned that the U.S.-Soviet tensions in the Gulf arena could be a "prelude to a new world war," and he insisted that the region's security problem can be "tackled by the Arab nation itself without interference from other countries."

Throughout the rest of the Gulf, a similar reaction evolved. The defense ministry of Kuwait issued a communique warning that the Kuwaitis would "consider any U.S. military intervention in the Gulf to be a hostile act that would be resisted by military means." Kuwait's foreign minister declared that "the people of this region are perfectly capable of preserving their own security and stability." And a leading Kuwaiti daily accused Carter of trying to "play the role of the savior of Islam" in order to justify a military takeover of the oil fields of the Gulf. In an official declaration Jan. 25, the United Arab Emirates scoffed at the Carter Doctrine and declared that the U.S. was using the Afghanistan crisis as a "pretext to expand its own military presence in the area."

In a series of interviews last week and the week before, Fahd said quite clearly that Saudi Arabia does not view the Soviet Union as a threat, and instead sees Israeli occupation of Arab territory as a graver danger to Saudi security than the activities of the U.S.S.R. In one case, Fahd warned that his country "can easily replace" the United States with the Soviet Union, and he said that Saudi Arabia would maintain close trading relationships with the U.S.S.R. despite the American call for an embargo.

On Jan. 27, Fahd met with visiting Syrian President Hafez Assad, who paid a quick visit before returning to Damascus for talks with Soviet Foreign Minister Andrei Gromyko. The Gromyko visit to Syria, little noticed in the international press, was widely acknowledged in the Arab world as a response to the Carter Doctrine. During

their talks, both Assad and Gromyko accused Carter of "cynical manipulation" of the region's Muslim ferment in an attempt to gain marginal advantage. But even more important was Gromyko's assertion that the Soviet Union is prepared to defend Syria in case of Israeli attack.

For many Muslim countries, Gromyko's quiet pledge to back up Syria against the Zionists was more convincing than Carter's rhetorical promise to send American troops into the Middle East. Most analysts, especially conservative Americans, have already noted that the U.S. has little if anything militarily with which to back up the "Carter Doctrine" against Soviet armed action.

Syria has taken the lead in denouncing the U.S. manipulation of Islamic fundamentalism, especially naming Brzezinski as the man behind the strategy. Noting that Brzezinski had recently admitted publicly that he intended to exploit Muslim fundamentalism against the Soviets, one Syrian paper commented: "The Brzezinski confessions, which have shed new light on the role and crimes of the Muslim Brotherhood gang in the conspiracy against Syria and the Arabs, as well as the Islamic world, should alert every Arab to the U.S. conspiracy."

"Brzezinski was quite clear when he announced that his country should employ the new religious feelings in the Middle East and Far East in the service of its interests," the paper concluded.

On Jan. 19 *Al Thawra*, the Syrian daily, warned that "Brzezinski's frank admission that the U.S. is practicing the game of igniting sectarian strife in Arab and Islamic countries cannot be disassociated from the other military means ... to place the Middle East and western Asia under direct U.S. hegemony."

The nation that has benefited most from the Arab shift, however, is France. Quietly, Paris is building up enormous assets throughout the Middle East and especially in the oil-rich Persian Gulf. Most visible, this week, was the Jan. 28 trip to Paris by Syrian Foreign Minister Abdol Halim Khaddam, immediately following his talks with Gromyko. But there were also the following developments:

- French Minister of Economic Cooperation Deniau just completed a highly successful tour through the countries of the Arabian Gulf.

- Deputy Minister of Economic Cooperation Stirn paid a Jan. 29 visit to Iraq where he reportedly worked out a deal amounting to over \$1.5 billion in military sales and technology.

- In March, President Giscard of France will tour the Gulf where, it is reported, he will among other things

conclude a deal to construct an \$8 billion arms industry in the Gulf, a project that may include the construction of Mirage jet fighters in Kuwait.

- The French weekly *Le Point* reported that during November and December, when Muslim Brotherhood fanatics had seized the Grand Mosque in Mecca, Saudi Arabia's Interior Minister Prince Nayef called in the French secret services to take command of the operation that recaptured the Mosque. In addition, the French SEDEC has reportedly created a special unit, GIGN, which is trained in a capability to recapture a hijacked supertanker from pirates or terrorists. Such developments are seen as part of a strengthening of the French military and security influence in the Gulf region.

3. The Islamabad fiasco

In this environment, it should come as no surprise that the strongly worded anti-Soviet rhetoric expressed during the Islamabad conference hardly reflects the real, underlying sentiments of the Muslim world.

For instance, although the Islamabad conference did urge that Soviet troops be withdrawn from Afghanistan and condemned the initial military action by the U.S.S.R., the conference could not agree on even a single action to take collectively to respond to it. Even the most symbolic of actions, the proposed boycott of the Moscow 1980 Olympics, was not agreed upon and was therefore left to the individual discretion of the member states. Again, the Islamic Conference refused to give aid to the Afghan rebels, because of the obvious, very practical implications. Even Pakistan's General Zia called such action "dangerous" and warned against it.

At the same time, Algeria, Libya, and the Palestine Liberation Organization attended the conference under protest—having already demanded that its location be shifted to Saudi Arabia—and spent their diplomatic efforts trying to swing the conference away from an attack on the U.S.S.R. and toward a greater focus on the question of Palestine.

In fact, the single concrete action that the conference took was to call for a complete economic boycott of Egypt because of its alliance with Israel.

The West German *Frankfurter Allgemeine Zeitung's* Harold Vocke wrote Jan. 28 that the conference was a "miserable failure." He cited the fact that Pakistan, which, under the Carter Doctrine, is supposed to get massive military aid, was, at the conference, a leader of the anti-American faction! He also complained that Saudi Arabia had flatly rejected sanctions against the U.S.S.R., and he said that "only Somalia" was prepared to go all the way with anti-U.S.S.R. actions—but found no takers.

International Intelligence

SOVIET UNION

Pravda denounces Carter's state of the union address

In the most authoritative Soviet commentary to date on Carter's State of the Union address, an unsigned lead article in the party daily Pravda Jan. 28 condemned what it termed "the cult of rude force" of the Carter White House which may yet "stake claim" to "the planet's oxygen." The President's message, said *Pravda*, made no mention of disarmament and, overall, was a return to a clear policy of brinkmanship, trying to whip up a "militarist, chauvinistic psychosis" among the American people. This is an attempt to "neutralize" the other candidates, who "will hardly be able to outdo the administration ... because it is impossible to go farther to the right than (Carter)."

The Soviets continue to point out the difference in Western European behavior, particularly that of West Germany. In an interview with *Die Stern*, former Soviet Ambassador to West Germany Falin and central committee member Zagladin noted the balanced and realistic view of West Germany whose "long-term interests can hardly be brought together with embargo considerations in international trade." Zagladin added that "the BRD has played a crucial role in detente from the beginning of that policy We are of the opinion that in Europe the chances for detente have not yet been fully exploited."

Brezhnev warns on China-U.S. axis

If the U.S. moves to aid China's nuclear weapons capability, the Soviets will

strike first, and at China. Soviet President Brezhnev delivered that stern warning last week to visiting former premier of France, Chaban-Delmas, according to British reports. According to the Daily Mail Brezhnev pounded his desk and declared: "Believe me, after the destruction of Chinese nuclear sites by our missiles, there won't be much time for the Americans to choose between the defense of their Chinese allies and peaceful coexistence with us."

While the precise quote is not confirmed, high level French sources do confirm that the Soviets place U.S.-China defense links as the primary factor in their recent hardline posture, including Afghanistan. U.S. experts on China's military confirm certain U.S. aid to China's nuclear capability, although the big question is: what did Harold Brown really give to China on his recent visit? One example cited is the publicly disclosed transfer of a ground receiving station for the Landsat satellite system. One expert termed this a "grey area" technology, not directly military (Landsat is supposedly for agricultural survey use) but usable for military purposes. In this case, the expert says, the system will provide "a quantum leap" in Chinese capability for targeting of their nuclear missiles. Similarly oil exploration equipment can be used for anti-submarine warfare. Certainly Moscow knows this.

NORTH AFRICA

France sends navy to support Tunisia

A flotilla of the French navy stationed at Toulon visited the waters off Tunisia in a friendly gesture following an armed attack on a southern Tunisian mining town by a band of well-organized terror-

ists numbering as many as 300 on Jan. 29.

The Tunisian government blamed Libya for the attack, recalled its ambassador in Tripoli, and expelled the Libyan ambassador in Tunisia. The terrorists were reportedly led by Tunisian exiles who were trained in Libyan camps and whose mission was to destabilize the regime of President Habib Bourguiba. According to French sources, Bourguiba, who was supposed to have been in the vicinity at the time of the raid, may have been the actual target.

Only two weeks ago, fanatics of the Muslim Brotherhood secret society rioted in a neighboring region of Algeria close to where the Tunisian attack took place. That attack, like the Tunisian raid, was blamed on Islamic fundamentalists who receive support from elements in the Libyan regime.

The attack was designed to "undermine Tunisian-Algerian relations," according to Tunisian sources. Both Tunisia and Algeria, who are on good terms, have been improving relations with France. Tunisia's Prime Minister Hodi Nouiri warned Libya that Tunisia's "friends"—meaning France—will come to its aid if Libya repeats any action against it.

MIDDLE EAST

Muslim Brotherhood godfather of rebel front in Afghanistan

During the Islamabad Islamic Conference, a new "Islamic Alliance for the Liberation of Afghanistan" was unveiled, a united front of the six major Afghan Islamic rebel groups who had previously been unable to unite. The front immediately went before the Polit-

ical Committee of the conference to appeal for recognition as the representatives of Afghanistan and to receive financial and military aid. Representing the front was a former theology professor from Kabul and leader of the Jamaate Islami, Rabanni.

According to Afghan rebel sources, Rabanni is given the title of coordinator and a deadline of March 1 has been set to create an organizational framework for the front, at which point, aid decisions will be forthcoming. Less known is the fact that the Muslim Brotherhood played the role of godfather to the creation of the front with the head of the Brotherhood's key organization, Salam Azzam of the Islamic Council of Europe, spending 48 hours cajoling the often warring groups into the front on the occasion of the conference.

LATIN AMERICA

Nicaraguan Jesuit gives Khomeini sainthood

Jesuit Ernesto Cardenal, the Education Minister in Nicaragua's Revolutionary Government, emerged from a meeting with the Ayatollah Khomeini "with the feeling that he had met a saint, but a saint who believes in the holy war of the oppressed against the oppressors," according to the Spanish magazine *Interviu*. Cardenal said he made his pilgrimage to Qom to greet Khomeini "in the name of the oppressed and revolutionary Christians of Latin America and pay him homage."

Khomeini told Cardenal: "What has occurred in Iran will occur everywhere. Our revolution is not a revolution only in one country. I am sure the entire

world will be liberated." The Society of Jesus is now engaged in trying to spread Khomeini-style "liberation movements" throughout Central America, with their greatest success so far being the right-left civil war now sweeping El Salvador.

EUROPE

Is Carter really boycotting France?

President Carter's decision to boycott the summer Olympic Games in Moscow will primarily hurt France, according to well-informed sources. It is rumored that in taking such a decision the Washington administration was consciously trying to hurt France and not the U.S.S.R. since the latter does not stand to gain or lose much foreign trade as a result of the Olympics. On the other hand a French company such as Thompson CSF may suffer greatly.

Thompson won the contract to supply the U.S.S.R. with all the cameras and electronic equipment for the retransmission of the Olympics, including the most gigantic transmission grid in the world, a technological feat which played a role in Thompson's interest in the Olympics.

Thompson did not make a lot of money on the deal with the Soviets. Rather the interest of the company lies in the technological challenge represented by the grid and the expected boost in sale of appliances by its parent company Thompson-Brandt as a result of the publicity surrounding the games. The Carter administration was not very pleased with the general entente between the Soviet authorities and Thompson. Thompson played a leading role in the CII-Honeywell Bull contract to sell the \$20 million computer to Tass when the Carter administration prevented an American group Dresser from selling the same computer to the Soviets.

Briefly

● **GENERAL GIAP**, Vietnam's military leader, is rumored to be one of the people who will move up in an imminent reshuffle of the Vietnamese government and party leadership. Giap is rumored to be in line to become Premier, replaced at the Defense Ministry by his Chief of Staff and protégé, Van Tien Dung. Others who will be affected include Vice Premier Le Than Nghi, and Foreign Minister Trinh. The February 3rd celebrations of the 50th anniversary of the VCP should end the rumors.

● **MARGARET THATCHER**, Britain's Prime Minister, has turned her country into "the forward post of the Western offensive against the U.S.S.R.," charged foreign policy commentator Paul Marie de la Gorce in the French daily *Le Figaro* Jan. 31. Any alliance with Britain, like the Joint Franco-British nuclear deterrent or military alliance being proposed by Michel Ponia-towski, would amount to a "renunciation of national independence and interests to the U.S. Atlantic System," said de la Gorce.

● **THE AMBASSADOR** to Iran of a "friendly European country that has been aggressively on our side" met this week with President-elect Abolhassan Bani-Sadr, State Department spokesman Hodding Carter III announced. He reported that Bani-Sadr is prepared to accept the "package deal" for the hostages' release.

Since most of our European allies are becoming more "aggressively" fed up with the Carter administration, astute observers believe the mystery man to be a servant of the Queen.

The candidates assess the state of the union

by L. Wolfe

We present below excerpts from the three "states of the union" speeches delivered last week by the major contenders for the Democratic presidential nomination—Jimmy Carter, Lyndon LaRouche and Sen. Edward Kennedy.

Of the three, President Carter's address, delivered before the customary joint session of Congress, received the most attention in the national media. For all practical purposes, the address was delivered by Carter National Security Advisor Zbigniew Brzezinski, who was the guiding force behind the main content of the speech, the so-called "Carter Doctrine." As observers in Washington noted, the blustery tone and manner of Carter's throwing down the gauntlet to the Soviets was pure Brzezinski.

While the Congress applauded Carter's drawing of the line in the Persian Gulf, knowledgeable sources in the U.S. military and intelligence community shuddered at the prospect of an actual confrontation. If the Soviets were to cross Carter's imaginary line in the Persian Gulf, the U.S. would have no real capability to respond—short of nuclear war. As one source in the military confided, "Carter is bluffing and the Soviets know it. The Europeans know it and the Arabs know it. The problem is, what if someone calls his bluff. Then we have World War III."

Carter's speech lacked precise formulations on domestic policy, but the direction he proposed was clear. The U.S. will spend more on military production and simultaneously impose continued credit restrictions and drastic reduction in energy consumption. The two policies work at cross purposes—tight credit, energy cut-

backs, especially cutbacks in the nuclear program, are incompatible with a real program to improve U.S. military capability.

It was these issues that LaRouche emphasized in his nationally televised address Jan. 27. LaRouche termed the Carter Doctrine borne out of "immorality, hypocrisy and fraud." The Democratic candidate likened the situation of the nation's commander-in-chief and his advisors to that of a soldier who cracks under the strain of battle. "The Carter administration, which has been out-gunned, whose policy has been a failure, is responding by going into a flight-forward assault against the forces of the Soviet Union."

LaRouche's address, which reached more than 15 million Americans including most of the leadership of the Democratic Party, the military command and intelligence community and key corporate leaders, was the trigger for a regroupment among the ranks of his Democratic opponents.

While Carter may get the Democratic Party nomination, most political insiders view him as unelectable in November. The same is true of Ted Kennedy. No one takes Jerry Brown, the governor of California, as a serious candidate. If Carter is renominated, many Democratic Party regulars say that the party is staring in the face a potentially broad rout of the type experienced by the Republican Party in the 1964 Goldwater debacle.

The talk in the circles of the New York Council on Foreign Relations and its adjunct, the Trilateral Commission, the same people who put Carter into office in

1976, is that a GOP victory in November is the preferred policy option. They name George Bush as their preferred candidate. To such circles, which include the policy advisors who shaped the Carter Doctrine and who "control" Brzezinski, the Carter speech lays the basis for a future policy debacle which will hasten his defeat in November.

LaRouche represents the wildcard in this situation—with a chance of changing the entire game plan.

The White House, in particular Brzezinski, viewed with alarm LaRouche's national address, report sources in Washington. They reportedly went so far as to secure an advance copy of the tape for White House viewing. Prior to that, the White House, under advice from certain New York CFR circles, moved to minimize the effect of the LaRouche broadcast among national political circles.

The White House turned to Edward Kennedy. The Massachusetts Senator was called in for a series of policy briefings to shape a calculated response to LaRouche. Kennedy's campaign can best be described at this point as a kamikaze mission; Kennedy has no chance of securing the nomination which, despite his protestations, his close advisors say he acknowledges. It was arranged between the Kennedy and Carter camps that Kennedy would mount an attack on Carter from the left.

That is precisely the secret behind Kennedy's Georgetown speech which reaffirmed his "liberal" dogma on foreign and domestic policy. According to the way the gameplan is slated to proceed, the Carter camp will now stage a "fight" between "liberal" Kennedy and the "conservative" Carter. Carter can then carry out the charade of a presidential campaign while avoiding a direct reply to LaRouche's charges.

The content of the Kennedy speech is made to order for this tactic. On the one hand he attacks the Carter foreign policy, but offers no specific recommendations. At points he appears to be saying Carter is too tough, too militaristic; at other points he says that he wavers. On domestic policy, Kennedy proposes to do Carter's austerity policies one better: another higher level of sacrifice.

This staged debate is slated to be well underway before the New Hampshire primary on Feb. 26. That primary, like last week's Iowa caucuses, is already being played as a "referendum" on the Carter policy and Carter people are arm-twisting "patriotic Americans" to fall in line behind the President. Kennedy, of course, has fallen behind in recent polls.

But here again, LaRouche represents the wildcard. He has the best campaign organization in the state and a chance to pull off an upset.

LaRouche made a direct appeal to party regulars in his broadcast. The Democratic Party, he stated, is threat-

ened with a political disaster by Carter's policies. "I'm working to bring together what might be considered conservative Democrats and independents ... to recreate the Democratic Party as an effective force in national life."

The Democratic National Committee and local party leadership were already deeply divided before the three speeches. The press is trying to play the dispute as "partisan politics," but as several DNC members indicate, it goes much deeper. One said after hearing Carter and Kennedy, "I feel like I'm on the deck of a sinking ship. It is awful. I hope there is someone else [other than Carter and Kennedy] around."



CARTER

The president presents a policy 'doctrine'

President Carter delivered his State of the Union address to Congress on Jan. 24. Here is what he had to say on foreign strategic and domestic issues.

On the Soviets. We now face a broader, more fundamental challenge in the [Mideast] region because of the recent military action of the Soviet Union.... Since the end of the Second World War, America has led other nations in meeting the challenge of mounting Soviet power. This has not been a simple or static relationship. Between us there has been cooperation—there has been competition—and there have been times of confrontation. ... We superpowers also have a responsibility to exercise restraint in the use of military power. The integrity and the independence of weaker nations must not be threatened. . . The implications of the Soviet invasion of

Afghanistan could pose the most serious threat to world peace since the Second World War. . . .

On the Persian Gulf. The region now threatened by Soviet troops in Afghanistan is of great strategic importance: it contains more than two-thirds of the world's exportable oil. . . . The Soviet Union is now attempting to consolidate a strategic position that poses a grave threat to the free movement of Middle East oil. . . . Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States. It will be repelled by use of any means necessary, including military force.

On Iran. In response to the abhorrent act in Iran, our nation has been aroused and unified as never before in peacetime. Our position is clear. We will never yield to blackmail. We continue to pursue these specific goals: . . . To enlist the help of other nations to end this criminal violation of the moral and legal standards of a civilized world; and to persuade the Iranian leaders that the real danger to their nation lies to the north from Soviet troops in Afghanistan, and that the unwarranted Iranian quarrel with us hampers their response to this greater danger. . . .

On defense. During the last three years, we have acted to improve our own security and the prospects for peace. . . . We have increased annually our real commitment for defense and we will sustain this increased effort throughout our five-year program. It is imperative that the Congress approve this strong defense budget without any reduction. . . . We have helped to strengthen NATO and our other alliances. . . . We are working with our allies to prevent conflict in the Middle East. . . . We believe that there are no irreconcilable differences between us and any Islamic people. . . . We are prepared to work with other nations in the region to shape a cooperative security framework that respects differing values and political beliefs, yet enhances the independence, security and prosperity of all. . . .

On the draft. I am convinced that our volunteer forces are adequate for our current defense needs. I hope that it will not become necessary to reimpose the draft. However, we must be prepared for that possibility. For this reason I have determined that the selective service system must now be revitalized. . . . so that we can begin registration and then meet future mobilization needs rapidly if they arise. . . .

On energy. At long last, we must have a clear, comprehensive energy program for our country. . . . Our nation

will then have a major conservation effort, important initiatives to develop solar power, realistic pricing based on the true value of oil, strong incentives for the production of coal and other fossil fuels. . . . and. . . development of synthetic fuels. . . . Let us make 1980 the year of energy conservation. . . .

On the economy. We will continue to reduce the deficit and then to balance the budget. . . . to work with business to hold down prices [and] with organized labor to restrain pay increases. . . . Our challenges are formidable. But there is a new spirit of unity and resolve in our country. . . . For this vision to come true, we must sacrifice, but this national commitment will be an exciting enterprise that will unify our people. . . .



LAROUCHE

'The president presents a dangerous bluff'

Democratic contender Lyndon LaRouche delivered his own "State of the Union" address Jan. 27, purchasing national network television time that evening, immediately following the official Republican reply to President Carter's speech. Mr. LaRouche took the following positions on leading issues.

On the Soviet Union. In the area of the Indian Ocean, Soviet forces at present outgun U.S. combined naval and ground forces and air forces about five to one. . . . In the Southeast Asia area, U.S. forces are totally outgunned. That doesn't mean that the United States is helpless. . . . No nation, including the Soviet Union, is going to go up against the thermonuclear deterrent, the strategic deterrent of the United States unless that nation feels that its

political existence is threatened by the United States.

That is precisely what Carter is implying ... and therefore the Soviets at present are on a rather adventurous track, less adventurous than Carter says, but nonetheless a very dangerous collision course with us.

... The United States does not have at present anything approaching a conventional warfare capability to take on the Soviets ... Any "flight forward" adventure of the type that Mr. Brzezinski and Mr. Carter propose will lead to either ... a humiliating retreat after having made the kind of bluff he made to a nationwide audience and before the Congress this week ... , or an actual shooting war in the Far East or Middle East ... U.S. forces being given a humiliating military defeat ... , or the Carter administration, fearing that it will be humiliated, goes to actual thermonuclear war. ...

On Iran. At the outset of the attack on the embassy in Teheran and the taking of the hostages, I advised the Carter administration that the only effective course of action to free the hostages was to tell the Muslim Brotherhood that if a single hostage were injured, a single hostage were killed, the United States would use its power and influence to declare the Muslim Brotherhood—the agency which is holding the hostages—an outlaw organization under international law, and to hunt it down and destroy the organization in the same way that the Nazi organizations were hunted down. And certainly the Muslim Brotherhood qualifies for the same treatment.

That is the only action which could conceivably assure the rescue of our hostages ... The Carter administration responded to my recommendation, delivered by my representatives, saying, 'We will not do that because Mr. Brzezinski supports Islamic fundamentalism'—the codeword for the Muslim Brotherhood.

On defense. Per capita, the Soviet Union has been developing in terms of capital formation, in terms of the number of engineers and scientists developed, in terms of advanced technology, while under recent administrations and most emphatically the Carter administration, all U.S. advanced R and D capability has been destroyed.

We must make the United States strong; we must have an adequate defense ... We must develop over the period ahead the kind of weapons which can destroy incoming nuclear ballistic missiles: beam weapons. These can be developed. I think we should develop them.

On the draft. We must have, in fact, universal military training. People who are not willing to go to universal military training, should not be bluffing in the international arena.

On energy. The Carter administration's lunatic energy policy has gutted the possibility of recovery until that policy is changed ... We are ruining our own economy with this idiotic antinuclear Carter energy policy.

On the economy. We must establish now a new world gold-based monetary system. This monetary system ... must issue bonds based on European Monetary System nations and the Arab nations at interest rates between 2 and 3 percent; bonds denominated in gold; bonds which are sold to central banks, to large private commercial banks, to industrial corporations which hold large masses of dollars; exchange these bonds largely for dollars. This would take out of circulation the approximate one trillion dollars or dollar obligations overseas ... These dollars would then become the basis—with gold backing—for lending at four to six percent rates for viable investment projects principally in the developing sector. ... This would crank up the world economy ...

Then we must turn to the Soviet Union and say, "We are committed to this ... If you wish to join us and support this policy then you can have peace ..."

The problem has been that France, West Germany and other nations have been attempting to introduce that approach, but the United States ... has so far not only opposed the policy, but has declared ... that the principal enemies of the United States are ... France, West Germany and Japan

Apology to Republicans

Just prior to LaRouche's televised speech, the Republican Party was provided time by NBC-TV to present the party's official response to Carter's address. *EIR* confesses to not providing the Republicans with equal time here, for two reasons. First to the extent that there was any substance in the principal statement of Republican national committee spokesman Ann Armstrong, she spoke for the same policies in the domestic and international arena that President Carter spoke for—the one notable difference being that Ms. Armstrong recommended a lunatic confrontation with the Soviets directly over Afghanistan. Otherwise, *EIR* notes that Ms. Armstrong is not actually a Republican spokesman, but rather, a spokesman for the English Speaking Union, the Court of St. James to which she long served as ambassador, and the Ditchley Foundation, an arm of British intelligence in the United States. *EIR*'s editors do not believe that Margaret Thatcher deserves equal time.



KENNEDY

A rebuttal on behalf of liberals everywhere

Senator Edward Kennedy delivered his rebuttal to President Carter's State of the Union message and his announcement of the "Carter Doctrine" at Georgetown University on Jan. 28.

On the Soviet Union. All of us condemned the brutal Soviet invasion of Afghanistan. This wanton act of aggression has aroused the conscience of America and all of the world. It must be met with an appropriate response by the United States and all of our allies . . . Afghanistan is 7,000 miles away. Only 90 miles from our shores Moscow has already seized a Carter line that did not hold. Last fall, the President said that Soviet combat troops in Cuba were unacceptable, but soon he changed his mind. He charged uphill and then charged back down. The false draw in Cuba may have invited the Soviet invasion of Afghanistan. . . We must not discount the condemnation of Soviet aggression by the international community. This is important, but not because the Russians are moved by world opinion. They are not. It is important because the Soviet Union now finds itself estranged from the Third World, a result that will greatly handicap the Russians in lands they have previously regarded as their private hunting ground . . . [But] let us not foreclose every opening to the Soviet Union.

The task of statesmanship is to convince the Russians that there are reasons to fear, but also reasons to hope, in their relations with the United States . . .

On the Persian Gulf. A measured response to a potential threat to the Persian Gulf must reflect certain principles that will prove less hazardous and more effective than a unilateral and unlimited American commitment. First,

this is not just our problem. It is a great problem for nations that have a greater dependence on Middle East oil . . . We cannot impose policies on NATO and Japan. But together we can set a common policy. This is even truer of the Islamic states, the countries that could be most menaced by Soviet adventurism.

On Iran. In the same spirit of realism, we must deal with the crisis in Iran . . . We cannot afford a policy that seems headed toward a situation of permanent hostages . . . The administration continues to call for economic sanctions. I oppose them. They will only propel Iran toward the U.S.S.R. orbit . . . The administration should now support a U.N. commission to investigate Iranian grievances (against the Shah) similar to earlier commissions in other countries. The commission on Iran should be established immediately, but it should begin its work only when every American hostage has come back safely to our shores . . .

On the draft. In his State of the Union message, President Carter offered a new symbol. He requested funds for computer runs to register young Americans for the draft . . . If registration for the draft were essential in a real emergency there would be no dissent from me or most Americans. But I oppose registration when it only means reams of computer printouts that would be a paper curtain against Soviet troops . . .

On energy. Iran and Afghanistan demonstrate a fundamental truth of the American condition. We are perilously dependent on OPEC oil. A house weakened in its foundations cannot stand. Unless our energy house is in order our strength and credibility will continue to fall . . . They talk of sacrifice, but it is an unequal sacrifice . . . We must adopt a system of gasoline rationing without delay, not rationing by price, as the administration has decreed, but rationing by supply in a way that demands a fair sacrifice from all Americans . . . I want to be the president who stops seeding the earth with radioactive wastes from nuclear plants and who refused to rely on a nuclear future that may hazard the future itself . . .

On the economy. Just as energy insecurity weakens our national security, so inflation weakens our position in the world . . . The President should immediately impose a six-month freeze on inflation followed by mandatory controls as long as necessary across the board, not only on prices and wages but also on profits, dividends, interest rates and rent . . . I want to be the President who at last closes tax loopholes so that the free enterprise system will be free in fact . . . I am convinced that we as a people are ready to sacrifice to give something back to our country in return for all it has given us . . .

Restoring American power: McCormack's fusion bill

by Vin Berg

On Jan. 28, Congressman Mike McCormack (D-Wash) introduced a bill that would authorize as much as \$20 billion over two decades for the "Apollo-style" crash development of fusion power under U.S. government auspices. Mr. McCormack, himself a seasoned nuclear engineer, is not simply going "on record" with an energy-policy recommendation directly contrary to the Malthusian policy of the White House. He intends to fight for the bill, and he intends to win.

McCormack personally has been outspoken on the need and feasibility of not only fusion power development, but parallel development of the whole array of nuclear technologies. In addition, from the point that McCormack some months ago directed Dr. Robert Hirsch to lead a panel in a thorough review of the sad, underfunded state of the U.S. fusion program, he and his committee have been increasingly perceived as a rallying point for virtually the entire scientific community (see box).

The bill itself is the first sign of sanity on the energy question to be seen on Capitol Hill in years. But it is not simply that. In a world wracked by strategic crises threatening world war, any program that would revitalize U.S. industrial capabilities, as would this project for fusion in two decades, would also transform U.S. strategic posture in the world to the effect of removing the root-causes threatening peace. As it points to the correct high-technology solution to world energy problems, McCormack's bill is also to be perceived as a war-avoidance measure.

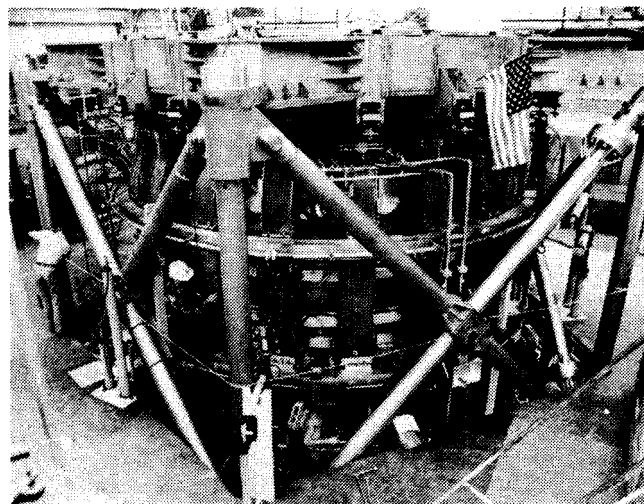
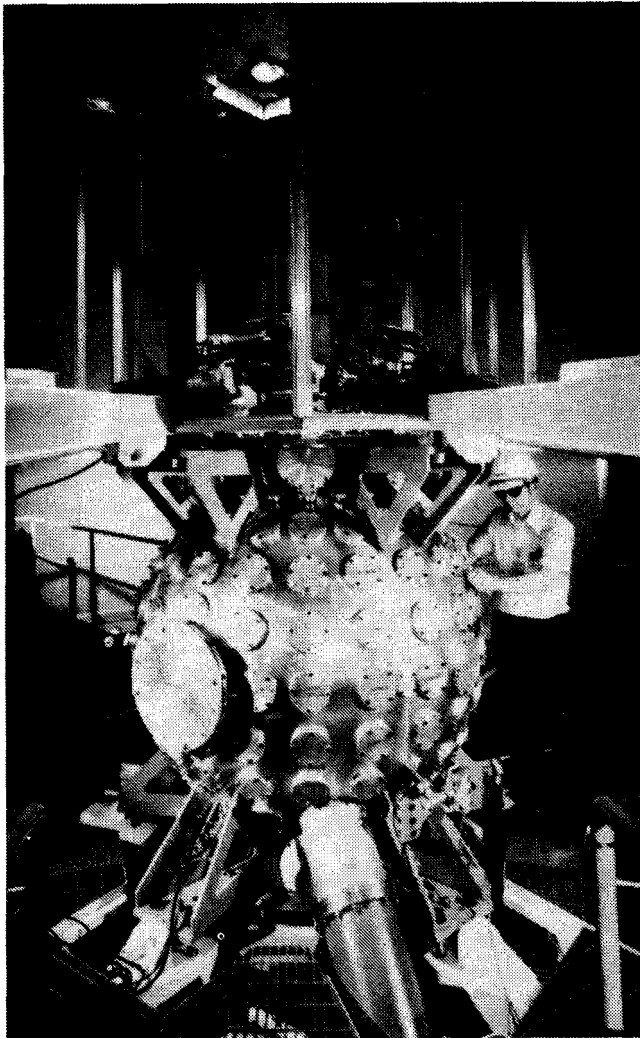
The root-cause of threatened world war is a U.S. strategic posture based on the Carter administration's commitment to "controlled disintegration" of the industrial economies of the U.S.A., Europe and Japan, with the goal of a "new world order based on environmentalism" (Secretary Vance). That policy, by massively weakening the U.S. dollar, and denying the possibility of

development to the so-called developing sector nations, both preserves the southern hemisphere as a zone of "hot spots" and instability, and pits a depression against Western capability to pull Third World nations up and out of such chaotic misery: the source of a constant threat, in general, of East-West confrontation.

In addition, the success of Carter deindustrialization has prompted Soviet leaders to perceive a "final capitalist breakdown crisis" in the West, and to perceive U.S. foreign policy adventurism in terms of "objective necessities" confronting capitalism, rather than the willful lunacy of a faction in the West. Soviet adventurism is the outcome.

On both counts, McCormack's fusion bill is to be categorized as a significant contribution to restoring war-avoidance and detente. The fusion project defined by H.R. 6370 of itself would reverse the "controlled disintegration" affecting U.S. industry, and restore the strength of the U.S. dollar. The development of fusion will require the development of several new types of industries, and presuppose an immediate revitalization of existing industrial capabilities in the advanced sector. It would place the U.S.A. in a posture conducive to an agreement with the European Monetary System nations' plans for Third World development projects. The Soviet Union, for its part, has made clear through various spokesmen that such a set of economic-development policies, it is prepared to accept.

In a recent speech, McCormack pledged himself to an indepth program of nuclear energy development—to the point that he would not support any presidential candidate of his own party that did not advocate "acceleration of our nuclear implementation policy across the board." In that commitment, he is pointing to a solution to the energy problem and, in not so many words demanding a U.S. economic policy that effectively aligns this nation with the peace policies of America's allies.



Top, the Shiva laser target chamber for experiment on fusion reactions at Lawrence Livermore Laboratory; bottom, the PDX Tokamak experimental fusion reactor, a magnetic confinement project at Princeton.

The Fusion Energy Research Act of 1980

The following are excerpts from Rep. Mike McCormick's bill H.R. 6370

H.R. 6370

IN THE HOUSE OF REPRESENTATIVES

Mr. McCormack introduced the following bill; which was referred to the Committee on Jan. 22

A BILL

To provide for an accelerated program of research and development of magnetic fusion energy technologies leading to the construction and successful operation of a magnetic fusion demonstration plant in the United States before the end of the 20th century to be carried out by the Department of Energy.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that this Act may be cited as the "Fusion Energy Research, Development, and Demonstration Act of 1980".

Findings and policy

SEC. 2. (a) The Congress hereby finds that—

(1) the United States of America continues to be dependent on imported oil, and is faced with a finite and diminishing resource base of native fossil fuels;

(2) the current imbalance between supply and demand for fuels and energy in the United States is likely to grow each year for many years, aggravating an energy crisis and threatening the economic strength and national security of the Nation;

(3) the energy crisis can only be solved by firm and decisive action by the Federal Government to conserve

energy consumption in every realistic manner and to develop as quickly as possible a diversified and pluralistic national energy production capability;

(4) it is the proper and appropriate role of the Federal Government to undertake research, development, and demonstration programs in fusion energy technologies;

(5) fusion is the process by which the sun makes its energy, and every nation of our world possesses in the oceans and waters of our planet an easily accessible and inexhaustible supply of fuel for fusion energy which cannot be embargoed, is inexpensively recoverable, and is usable with minimal environmental impact;

(6) the early demonstration of the feasibility of using magnetic fusion energy systems for the generation of electricity and the production of heat, hydrogen, and other synthetic fuels will initiate a new era of energy abundance for all mankind forever;

(7) the widespread use of fusion energy systems to supplement and eventually replace conventional methods for the generation of electricity will help provide energy independence for all nations of the world;

(8) the spectacular successes encountered in magnetic fusion energy research since mid 1978 provide fusion scientists throughout the world with the confidence that the time has come to move aggressively into the engineering phase of fusion development; and that the conditions required for scientific breakeven can be obtained in devices now under construction;

(9) the early development and export of fusion energy systems, consistent with the established preeminence of the United States in the field of high technology products, will improve the economic posture of the United States, and ultimately reduce the pressures for international strife by providing access to energy abundance for all nations;

(10) innovation and creativity in the development of fusion energy components and systems can be fostered through continued research of alternate concepts which show promising potential; and

(11) it is contemplated that the programs established by this Act will require the expenditure of approximately \$20,000,000,000 during the next twenty years.

3(b) It is therefore declared to be the policy of the United States and the purpose of this Act to establish an aggressive

research, development, and demonstration program involving magnetic fusion energy systems. Further, it is declared to be the policy of the United States and the purpose of this Act that the objectives of this research, development, and demonstration program are—

(1) to proceed immediately with all work necessary to construct and operate a Fusion Engineering Test Facility by the calendar year 1986;

(2) to follow the operation of the Fusion Engineering Test Facility with all steps necessary to construct and successfully operate a magnetic fusion demonstration facility before the end of this century.

(3) to maintain, and where appropriate expand, the base programs for fusion energy research, and the development and testing of appropriate alternative confinement technologies;

(4) to maintain a strong research and development program in advanced fusion fuels; and

(5) to take appropriate measures to ensure the maintenance of an uninterrupted source of scientific and engineering talent from the Nation's colleges and universities in support of the magnetic fusion energy effort.

Definitions

SEC. 3. For purposes of this Act—

(1) a "fusion energy system" is a system of components which uses magnetic fields and appropriate monitoring and control systems to contain a hot, highly ionized gas (called a plasma) for the purpose of creating a controlled environment in which a fusion reaction can proceed, and which may include additional components such as energy storage and conversion devices, and systems to generate electricity or produce hydrogen and other synthetic fuels;

(2) the term "magnetic fusion energy system" may be used interchangeably with the term "fusion energy system";

(3) "fusion" refers to the process whereby two very light nuclei (e.g. deuterium and tritium) are forced together, forming a compound nucleus, which subsequently separates into constituents which are different from the original colliding nuclei, with an accompanying energy release;

(4) the term "Fusion Engineering Test Facility" (FETF) refers to a fusion energy system designed to

achieve net energy production; and may involve any or all of the generic engineering systems necessary for the construction of a demonstration plant;

(5) the term "Fusion Demonstration Plant" (FDP) refers to a full-scale prototype production plant designed to demonstrate the safety, reliability, duty factors, and maintenance standards of a fusion energy system, including the generation of electricity or the production of synthetic fuels;

(6) the term "advanced fusion fuels" refers to fuels which will undergo a fusion reaction, other than that involving deuterium with tritium;

(7) "scientific breakeven" refers to the condition existing when sufficient fusion reactions are occurring to produce as much power as is consumed in creating the conditions for the fusion reactions to occur;

(8) "facility" means any building complex, or other device constructively employing fusion systems; and

(9) "Secretary" means the Secretary of Energy.

Research, development, and demonstration of magnetic fusion energy systems

SEC. 4. (a) The Secretary is directed to establish immediately and carry forth such research, development, and demonstration programs, projects, or activities as may be necessary to meet the objectives of this Act as set forth in section 2(b). As a part of any such program, project, or activity, the Secretary shall—

(1) conduct and promote the coordination and acceleration of research, development, and demonstration programs relating to magnetic fusion energy systems and components thereof;

(2) seek support from and encourage cooperative efforts with the U.S. private sector—and with other governments in carrying out the purposes of this Act;

(3) study the potential of using fusion energy systems for the production of hydrogen and other synthetic fuels, and for other non-electric applications; and

(4) investigate the potential of using fusion power for the electrification of all or part of domestic ground transportation systems.

Dissemination of information and other activities to educate the public on the use of fusion energy technologies

SEC. 5. The Secretary shall take all possible steps to

assure that full and complete information with respect to the potential benefits of fusion energy, and the status and progress of fusion research, development, and demonstration is made available to Federal, State, and local authorities, relevant segments of the economy, the scientific and technical community, and the public at large, both during and after the close of the programs under this Act, with the objective of promoting and facilitating to the maximum extent feasible the early and widespread knowledge of the practical uses of fusion energy throughout the United States.

Authorization of appropriations

SEC. 6. There is hereby authorized to be appropriated to the Secretary, for the fiscal year ending September 30, 1981, \$500,000,000, inclusive of any funds otherwise authorized to the Secretary for the purpose of research, development, and demonstration of magnetic fusion energy technologies, and for each succeeding fiscal year such sums as may hereafter be provided in annual authorization Acts.

A pledge of support

The following "Resolution in Support of the McCormack Bill," H.R. 6370, is now being widely circulated by the Fusion Energy Foundation, a private, non-profit scientific agency.

We (I) support the call for rapid passage of Congressman Mike McCormack's (D-Wa) bill, H.R. 6370, calling for an Apollo-style national fusion program to produce a demonstration commercial fusion reactor by the year 2000.

The on-going collapse of the U.S. nuclear industry and the decline of fundamental energy and science research have been a key factor in damaging the U.S. economy and weakening the United States' position in the world. The McCormack bill may be the last available cutting edge to reverse this collapse of energy policy.

We (I) therefore call on the Congress quickly to pass the McCormack bill as a necessary step in guaranteeing future world energy supplies, a healthy, growing U.S. economy, and restoring the U.S. to world scientific and technological leadership.

Political leaders of all parties should immediately get behind this bill.

Apollo style fusion bill introduced

Congressman Mike McCormack (D-Wash) chairman of the subcommittee on research and production of the House Science and Technology committee, introduced H.R. 6370 with 35 co-sponsors on January 28. The legislation entitled "The Fusion Energy Research, Development and Demonstration Act of 1980," establishes as a national goal of the United States the production of fusion energy generated electricity by the year 2000. McCormack estimates that this goal can be met by an expenditure of \$20 billion over the next twenty years. However the legislation mandates whatever expenditure is necessary to meet that goal.

In introducing the legislation, McCormack noted that 35 of the 41 members of the House Science and Technology Committee had co-sponsored the legislation, thus ensuring its passage through that committee. Informed sources report that House Minority Leader John Rhodes (R-Ariz) will also join as a co-sponsor. In a nationally televised response to President Carter's State of the Union address, Rhodes stated on Jan. 28, that the United States could have fusion power by 1995 and that a major effort should be embarked upon to do so.

In remarks on the House floor Jan. 29, McCormack said "When we enter the era of fusion energy, we will enter an era of absolutely unlimited energy supplies for all humankind for all time ... there is no doubt that this accomplishment will be the second most important event in the history of the human race—second only to the controlled

use of fire. Accordingly, the time has come to make a national commitment to an aggressive fusion program."

McCormack's bill mandates several specific steps. First, the immediate construction of a fusion engineering test facility which would allow recent scientific breakthroughs to actually be put to an engineering test; second, steps to ensure that the educational infrastructure at the university level is adequate to produce the scientists and engineers necessary to move in to the fusion era; and third, steps by the U.S. government to embark on a major informational campaign to educate the public on the promise of fusion energy technologies.

Final action on windfall profits tax expected within days

The House-Senate Conference Committee appointed to work out a final version of the windfall profits tax has been meeting continuously since Congress came back from its Christmas recess and is expected to finish its work on the bill within the next two weeks. The Conference committee had already agreed before the recess that the total amount of revenues that would be gotten from the bill's provisions would be \$227.3 billion and since then has been hammering out how the tax would be levied.

The committee has already agreed on the rate at which different types of oil will be taxed, above a per barrel base-rate that the committee is in the process of determining. The tax rate for merged tier 1 and 2 oil will be 70 percent; the rate for strip oil will be 60 percent and

the rate for new, tertiary and heavy oil will be 30 percent.

The conference committee has decided that the first 1,000 barrels of oil produced will *not* be exempt from taxation as provided for in the Senate bill. This will have a tremendously negative effect on the small independent producers, wiping out a great many. The conference committee has established that the first 1,000 barrels will be taxed at a rate only slightly lower than the rest of production—50 percent for tier 1 and 2 oil, 30 percent on strip oil.

The base rates have been tentatively set: \$13.08 per barrel base rate on tier 1 and 2 oil, \$15.30 for strip oil and \$16.55 for new, tertiary and heavy oil. The above tax rates will thus be applied on prices charged above these rates.

There are several other issues that remain to be solved before the final version of the tax bill is voted on, including issues that do not directly relate to oil production. Included is a provision that would exempt the first \$200 of interest on savings accounts from being taxed. The conference committee is scheduled to meet again Jan. 31 to continue its work on the bill.

Moves afoot to loosen reins on CIA

In the wake of Iran and the Afghanistan crises, momentum is growing in the House and Senate to remove some of the restraints that were placed on the CIA during the early 1970s. On Jan. 28 Congressman C. W. Bill Young (R-Fla), a member of the permanent select Committee on Intelligence introduced the Intelligence Reform Act of 1980, H.R. 6316. The bill would

provide that the CIA report covert activities only to the House and Senate Intelligence Committees instead of to the eight congressional committees which receive that information now (this modifies the Hughes-Ryan Act); change the law so that foreign agents would no longer have access to information through the Freedom of Information Act; and make it a federal crime to reveal the identity of CIA agents. This is companion legislation to a bill introduced by Senator Patrick Moynihan (D-NY) in the Senate.

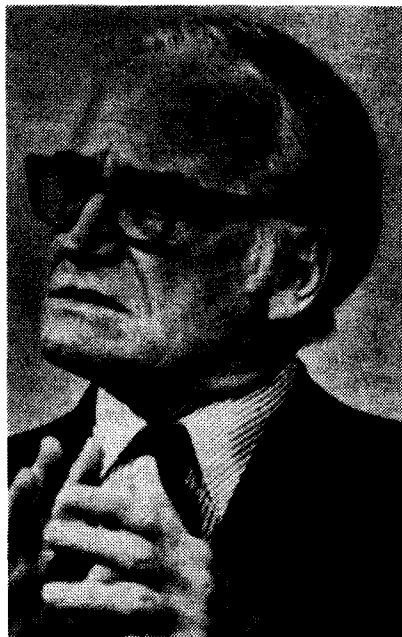
A source noted that this is the "barebones" approach to intelligence reform, and that Senator Huddleston (D-Ky) and the administration would prefer legislation which included the above points but also civil rights guarantees to continue to prevent CIA abuses.

The Senate reportedly favors the Huddleston approach, but the House reportedly favors the "barebones" approach. Senate majority leader Robert Byrd (D-W. Va) declared his support for proposals to "remove unreasonable restraints" on the CIA in late January. Byrd declared that "this will be a security minded Congress." Byrd specifically endorsed the three points raised in the Young bill.

Goldwater calls for FCC task force on media access

In a speech delivered at the end of January, Sen. Barry Goldwater, ranking republican on the communications subcommittee of the Senate Commerce Committee, called for the Federal Communications Commission to establish a task

force to review the functioning of the reasonable access and equal time provisions of the Federal Communications Act. Specifically, Senator Goldwater is questioning whether the major networks are complying with sections 312 and 315 of the Act in the current presidential race. Several campaign committees, including the Carter-



Senator Goldwater

Mondale Committee and Citizens for LaRouche, have lodged complaints with the Commission charging that the networks are refusing to make reasonable offers of time.

Goldwater reportedly requested that subcommittee chairman Ernest Hollings (D-SC) hold oversight hearings on this matter. Hollings reportedly indicated a lack of willingness to do so, and Goldwater decided to go the FCC task force route instead. A spokesman for Citizens for LaRouche noted that this

procedure could become immensely drawn out and that the networks are already playing an important role in shaping the election.

Congress endorses resolution urging olympic ban

The Senate, by a vote of 88 to 4, endorsed a resolution calling on the U.S. Olympic team to boycott the 1980 summer Olympics, or for the relocation or cancelling of the games, unless the Soviet Union withdraws troops from Afghanistan. Last Thursday the House of Representatives passed a similar resolution, which differed from the Senate version in demanding that action be taken on the summer Olympics if the Soviet Union did not remove its troops by Feb. 20. The Senate bill does not set a timetable for withdrawal of Soviet troops. It also calls on the Secretary of State to convince American allies to join in supporting the U.S. policy.

In the Senate, four votes were cast against the measure by Senators Boshwitz (R-Minn), Hatfield (R-Ore) Tsongas (D-Mass) and Stevens (R-Alaska). Stevens is the acting minority leader. Stevens said, "I am saddened that both the executive branch and Congress feel that it is necessary to inject what I consider to be politics and political considerations into a long-standing tradition and to in effect disrupt the games ... I apparently stand alone on this matter but I think that history will show that the action that is being taken by the Senate and the House, and the position that was taken by the president, were wrong."



Connally concedes New Hampshire: sets sights on South

John Connally has all but conceded the Feb. 26 New Hampshire primary, sources report. The Republican presidential contender decided not to mount a planned major effort in that state following his poor showing in the Iowa caucuses last month, where he placed fourth behind George Bush, Ronald Reagan and Howard Baker.

Instead, Connally's new strategy centers on the hope that Bush's strong challenge to Reagan will force the former California governor to concentrate his forces in the Northeast, leaving his southern flank undefended. Connally, posing as the true conservative in the race, will then move into the South to make a killing in the four early primaries there—South Carolina (March 8), followed by Alabama, Florida, and Georgia, all on March 11. Connally is counting on strong showings in these races to give him momentum for Illinois' crucial March 18 primary.

Connally backer Jim Edwards, the former governor of South Car-

olina, laid out Connally's southern strategy in a Jan. 22 statement: "I find the Bush victory (in Iowa) to be extremely encouraging for the Connally campaign," Edwards said, "because it proves Ronald Reagan is not invincible. Now Bush and Baker will have to fight it out for the support of the liberal wing of the party, while conservatives take a closer look at Gov. Connally and Ronald Reagan." Edwards also cited polls showing that Connally's support among southern conservatives is increasing. "With Bush emerging as the leader of the liberal wing of the Republican Party, Governor Connally is emerging as the leader of the conservative wing," Edwards said.

Despite Edwards' optimism, Connally faces serious problems in South Carolina. Harry Dent, a powerful figure in state (and national) GOP politics, has broken with his old friend Strom Thurmond, who is backing Connally, and is now zealously plugging George Bush.

GOP to ape Maggie Thatcher in 1980 campaign

The Republican National Committee (RNC) is modeling its 1980 electoral effort after that of Margaret Thatcher, who led the Tory Party to victory in Great Britain last May. The RNC's rather startling decision to adopt a method of politics against which the American Revolution was fought came, after chairman Bill Brock met with Thatcher in England and observed her campaign.

So impressed was the RNC with Brock's glowing reports of Thatcher's technique that it decided to invest \$5 million in a TV ad campaign borrowed straight from the Tories. The RNC went so far as to hire Thatcher's ad man, Jim Killough, now happily ensconced at the Republican's headquarters in Washington, to run the operation.

The GOP isn't borrowing just advertising techniques from Britain. Said an aide to Brock this week: "Sure we're going to be saying a lot of the same things on issues that the Tories did—government spending, productivity, that sort of thing. But that's nothing new. We've seen eye to eye with them for a long time."

Reagan courts Democratic hardliners

Foreign policy advisers to Ronald Reagan have suggested that he consider appointing "Democratic hardliners" to Cabinet positions should he win the presidency. According to reports, Reagan caucused with advisers Richard Allen, Daniel Graham and others last weekend for a broad-ranging discussion of foreign policy. Several of the advisers insisted that Reagan make an opening to the so-called Jackson-Moynihan wing of the Democratic party, known to be flirting with the idea of supporting a Republican "hawk" for the presidency. The three names that cropped up most frequently were those of Senators Daniel Moynihan of New York, Sam Nunn of Georgia and Henry Jackson of Washington.

National News

U.S.-Soviets near confrontation

In testimony delivered Jan. 29 before the House Armed Services Committee, Air Force General David Jones, Chairman of the Joint Chiefs of Staff warned that the United States and the Soviet Union are on a confrontation course. Jones's statement, not covered in most of the major press, read: "The possibilities of a military confrontation with the Soviet Union will increase significantly in the first half of the next decade. ... I do not believe that means a bolt-out-of-the-blue nuclear attack on the United States, but I think it is more likely that they will try to intimidate us—make us blink." General Jones went on to acknowledge that the U.S. could not confront the Soviet Union "successfully" at present or any near future point, given the status of U.S. military forces.

Jones was followed by testimony from Defense Secretary Harold Brown. Many observers were struck by the clear disparity between the two on the confrontation issue. Brown notably, in stark contrast to General Jones representing the professional military, did not declare that there exists a greater danger of a U.S.-Soviet military confrontation.

Carter admits his doctrine is based on bluff

Speaking before a group of out-of-town editors at the White House Jan. 29, President Carter not only upheld his confrontationist "Carter doctrine" but admitted it to be sheer bluff when weighed against military realities.

Carter said, "The United States will be able to protect Western interests in the Persian Gulf." Then, he said, "I don't think it would be accurate for me to claim that at this time or in the future we can expect to have enough military

strength and enough military presence there to defend the region unilaterally."

Carter has been engaged in hasty efforts to form "collective" arrangements with West European NATO allies, Japan, and the Arab oil-producing states of the Persian Gulf region. In the same remarks Carter said, "We are coordinating our efforts with nations which are not located in the region but are heavily dependent, even more than we, on oil from that region," and "are seeking military ties with Persian Gulf states."

It is an open secret, admitted by both State Department officials and White House sources that not one nation among those Carter is targeting for support has endorsed his doctrine, or is providing any military forces or bases for action in the Persian Gulf region. Carter's endeavors have met with universal rebuff. European and other foreign heads of government do not want a "doctrine" whose short-term outcome could be nuclear war.

Trilateral director says war danger is overrated

George Franklin, Executive Director of the Trilateral Commission, thinks that the war danger is "overrated." In a Jan. 31 interview, Franklin said: "Nuclear war is always a possibility and in some cases an option, as unpleasant as that might sound. But the current world situation, as bad as it is, is not quite on the edge of war. Carter was in an awkward position, he had to act decisively to tell the Soviets that he understands how they are playing the game. To get in the game, Carter had to lie and exaggerate about the depth of the crisis. Carter can't mobilize people without telling white lies. ... The real danger are the people who take the war danger seriously, who mouth off about how the world is headed for war without defining the terms of the game. ... The problem is that Carter is a paranoid and sometimes

he doesn't have the nerve to play the game right."

When queried about the refusal of the West Europeans to collaborate with Washington and the warnings from Moscow, Franklin answered: "People who say there could be a split between Europe and the U.S. don't know what they are talking about. The Western alliance is in a lot better shape than it appears. ... And as far as Brezhnev is concerned, that (warning) was just hot air. He knows we aren't going to arm the Chinese that way. Brezhnev must appear tough also—that's the game."

Mondale on nuclear war danger

In a full-page interview granted to the *Christian Science Monitor* Jan. 31, Vice President Mondale was asked the following question: "Some people are expressing anxiety that the President's drawing of a line in the Persian Gulf has to involve the nuclear threat."

"The President drew a hard line there, and in so doing enhanced the possibility that conflict would not ensue. ... the Russians can be under no doubt whatsoever about our intentions there," Mondale replied, "We're moving rapidly to develop an expanded presence in a conventional sense in Southwest Asia, the Indian Ocean, the Persian Gulf, in Northern Africa, through the rapid deployment forces and the rest. All of this is designed to make our challenge credible and to deter the Russians and to make less likely any threat or use of that kind."

Mondale's dismissing of the nuclear war danger discounts, according to analysts, the grave warnings put forward by the spokesman for the Joint Chiefs before Congress this week. His statements also directly contradict the testimony of the military leadership concerning the absence of any type of adequate U.S. conventional forces for the region.

Carter plans gas rationing after New Hampshire primary

The Carter administration is working on a gasoline rationing plan, which Carter will not unveil—until after the Feb. 26 New Hampshire primary.

In testimony delivered by Hazel R. Rollins, head of the Economic Regulatory Administration in the Department of Energy, before a Senate Energy subcommittee, testified on the status of the administration's "emergency" gasoline rationing plan in the event of a Mideast oil cutoff, Rollins announced that "President Carter will likely send the draft plan to Congress by the end of February. She announced that the rationing coupons are already in storage in Colorado, and that under the plan 125 million car owners would be identified by computer. The rationing system would entail a two-tier price for gasoline, whereby amounts exceeding the rationed portion could be purchased with such coupons for whatever price the market will bear.

One observer commented, "Perhaps the administration could propose that New Hampshire voters exchange their paper ballots for ration coupons?"

LaRouche charges CBS, ABC with violating election law

Citizens for LaRouche, the campaign organization of Democrat Lyndon LaRouche, has filed two separate complaints with the Federal Communications Commission charging that CBS-TV and ABC-TV are willfully violating the requirements of election law in denying LaRouche equal access to the voters through the media.

In the CBS case, LaRouche's organi-

zation charges that three "bad offers" of time for purchase as paid political announcements have been made, in one case, five minutes of time on Jan. 22, the day after the Iowa caucuses, and another, half hour of time on Feb. 27, the day after the New Hampshire primary.

ABC-TV, similarly, is attempting to give the appearance of complying with equal-time and fair-access laws, charges CFL, by denying sale of time-slots equivalent to those sold to other candidates. The network sold the Carter campaign organization half an hour of prime time the first week of January, but only sold LaRouche a spot on late Sunday afternoon. This does not fulfill the law's requirements, CFL charges.

Action on the complaint against CBS is expected by Feb. 4, while the ABC case, on an expedited basis, should be decided late next week.

LaRouche placed on California Democratic Party primary ballot

March Fong Eu, Secretary of State of California, announced her decision to place Lyndon H. LaRouche and three other Democratic hopefuls, President Jimmy Carter, Teddy Kennedy and Jerry Brown, Jr. on the Democratic Party primary ballot in California Jan. 31. Fong Eu explained that California law mandates that an individual who is generally advocated or recognized as seeking their party's nomination either nationally or in California be placed on the ballot without following the onerous petitioning process otherwise specified by California law. Fong Eu noted that in her decision she had used the criteria of qualification for federal matching funds, thereby disqualifying fifteen Democrats who had requested ballot status in California.

Fong Eu also announced the qualification of Republican candidates Anderson, Baker, Bush, Connally, Crane, Dole, and Reagan.

Briefly

● **CLARK CLIFFORD**, the special presidential envoy, said last week that there would be war if the Soviet Union sent troops into the Persian Gulf. On a mission to Pakistan, Clifford told the press: "We have attempted to get a message to the Soviet Union. The message is: they must know that if part of their plan is to move to the Persian Gulf that means war." Clifford, however, was unclear as to what the U.S. would do if the Soviets made a move on Pakistan, stating only that there would be "grave consequences."

● **GEORGE KENNAN**, the former ambassador to the Soviet Union, questioned last week whether the Carter administration had not in fact miscalculated Soviet intentions in Afghanistan and seriously overreacted. Writing in the *New York Times*, Ambassador Kennan says that "American official reaction has revealed a disquieting lack of balance, both in analysis of the problem and then not surprisingly in the response to it." The U.S. has based its policy on the assumption that the Soviet action was a "prelude to aggressive military moves against various countries and regions farther afield." This extravagant view says the author, the "containment doctrine" of the 1940s and 1950s, "rests ... exclusively on our own assumptions."

● **HENRY KISSINGER** told a seminar audience of scholars and world leaders in West Germany that the power relations between the superpowers are "out of balance." Kissinger, speaking at the seminar which included West German Chancellor Helmut Schmidt and Foreign Minister Hans-Dietrich Genscher, called for a major effort to "restore the balance of power."