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The Carter budget—echoes of the 1930s
The Franco-German summit
CFR's election plot threatened in New Hampshire

**Giscard and Gandhi:
a new alliance in world politics**



EIR ARCHIVE
Return to Mailroom

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EIR

From the Editor-in-Chief

This week's Special Report, "Giscard and Gandhi: A New Alliance in World Politics," takes off from the recent visit of French President Valery Giscard d'Estaing to India where he held extensive meetings with the newly elected Prime Minister, the Indian statesman Indira Gandhi. The visit took place in the midst of the greatest global crisis since the Cuban Missile Crisis of the early 1960's, a crisis in which southern Asia is at the center. Mrs. Gandhi and Giscard found an "identity of views" on the crisis, a common and urgent desire to prevent the outbreak of thermonuclear confrontation and war between the two superpowers. What emerged was a new "Third Force" in world politics, independent of both great powers with France and India establishing a war-avoidance division of labor between them.

Our Special Report takes a close look at the visit, with first hand reports provided by our New Delhi-based Asia correspondent Paul Zykofsky. After an introduction by myself, the report first examines the trip, its results both political and economic, including an exclusive transcript of French Foreign Minister Francois-Poncet's lively press conference in Delhi and the texts of the official documents of the visit. Next, we look at India today, a brief review of the state of the economy inherited by Mrs. Gandhi's government and a look at some of India's high technology industry, including its well-developed nuclear energy program. This section includes a profile of India's national leader, Mrs. Gandhi, written from India.

The final section of our report is on India tomorrow, a summary preview of the soon-to-be published EIR Special Report on a 40-year program for the industrial development of India, the product of work by the Fusion Energy Foundation, the EIR, and Indian scientists, engineers, and political leaders. We reprint the introduction of this exciting document, by FEF Research and Development Director Uwe Parpart, followed by summaries of the major sections of the report. Interested readers should write in for the full copy of the report, which is available at a cover price of \$50.



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Photo: Baldev/Syigma. France's President Giscard d'Estaing and India's Prime Minister Indira Gandhi meet at the Presidential Palace in New Delhi, Jan. 25.

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In a world on the brink of war, Indira Gandhi's India is capable of leading developing nations into a strategic posture for peace, and into the modern world. French President Giscard visited India for an historic encounter with Mrs. Gandhi, and what emerged is the exemplar of a "north-south" alliance for peace and development. An in-depth portrait: Indo-French relations, India today, and India tomorrow.

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The "fix is in," as far as who is going to be the next president of the United States: Republican George Bush, provided that sure-loser Jimmy Carter wins the New Hampshire Democratic primary hands down. The only problem is, sure-loser Jimmy Carter may not win New Hampshire hands down; wild-card candidate Lyndon LaRouche is expected to make a very significant showing there, provided he stays alive ...

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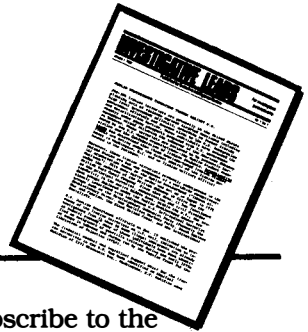
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Due to the overwhelmingly favorable response to the "Facts Behind Terrorism" column in the weekly international journal *Executive Intelligence Review*, a group of *EIR* personnel have launched a twice-monthly intelligence report whose aim is to provide, at low cost, a continuous flow of dependable intelligence on the breaking situations in the fields of terrorism, drugs and organized crime.

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Editorial Comment

by Nora Hamerman

No 'deaf ear' to fusion!

Appearing as a guest on my Wednesday night New York City cable television report, "The Hamerman Report," physicist Steven Bardwell stressed that the key to the abysmal condition of U.S. military capabilities lies in the U.S. government's refusal to carry out an aggressive nuclear energy development program. Dr. Bardwell is one of the authors of *EIR*'s series documenting U.S. military unpreparedness. He stated that it is uniquely through the nuclear program that the United States would mobilize the scientists and engineers and industrial capabilities needed to sustain a viable military program.

The central irony is that nuclear fission energy and the promise of an even more efficient, clean and virtually unlimited energy source—fusion—are the indispensable bases for *peace*. It will take these energy-dense technologies to fuel the scale of economic development needed to reverse the current spiraling collapse of both the advanced and "developing" sectors which is the root cause of the current war danger.

This makes the introduction of a new fusion bill into Congress by Washington Democratic Rep. Michael McCormack one of the brightest spots on the stormy strategic horizon. The McCormack bill will authorize \$20 billion for an "Apollo" type of crash program to "construct and successfully operate" a magnetic fusion demonstration facility before the end of this century, to expand alternative approaches to fusion, and to maintain "an uninterrupted source of scientific and engineering talent from the nation's colleges and universities in support" of the fusion effort.

Underlining fusion's crucial role, McCormack states in the bill's introduction that "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, improves the economic posture of the United

States, and ultimately reduces the pressures for international strife by providing access to energy abundance for all nations. ..."

The McCormack bill deserves every Republican's and every Democrat's support. But how sadly lawful that the Carter administration, which is blustering toward a war confrontation with the Warsaw Pact, has already promised opposition to such an "Apollo" program-modeled effort. Energy Secretary Charles Duncan stated on Jan. 18, "The administration plans to turn a deaf ear on the fusion community's entreaties to speed up the fusion program."

History proves that such deafness could cost humanity more than its hearing. The link between the most advanced technologies for peaceful development and a solid defense capability was exemplified by the collaboration of Niccolò Machiavelli, the great theoretician of the militia, and the engineering genius Leonardo da Vinci in their service to the Florentine Republic of the early 1500s. The core of their "defense" strategy was Leonardo's daring hydraulic project for the rechanneling of the Arno River flowing through Florence, to utilize waterpower for a vast industrial and commercial expansion.

Had they succeeded in winning the necessary political support for that concept, Europe would have been spared the internecine warfare of the 16th century that led to the holocaust of the Thirty Years' War, and mankind could have enjoyed the benefits of the Industrial Revolution several centuries earlier.

The alternatives are starker today. The thermonuclear fusion process could revolutionize industrial processes and erase poverty from the earth. Or, in the form of hydrogen bombs, it could erase civilization as we have known it. Let us turn no 'deaf ear' to the Fusion Energy Research, Development and Demonstration Act of 1980.

Carter's Schachtian budget proposals

by David Goldman

President Carter's budget for Fiscal Year 1980 proposes a drastic transformation of the American economy, comparable on a point-for-point basis to Hitler's Finance Minister Hjalmar Schacht's plan for Germany during the 1930's. That comparison is not a vague allusion, but a matter of simple comparison. Two features—one stated and one unstated—have escaped most budget analysts, despite the fact that these features of the budget will scar the American economic system for years to come.

First, the actual budget deficit including all the various off-budget, "government-sponsored," "government guaranteed" and similar borrowing requirements, is officially projected to be \$91 billion during calendar year 1980, in a "best-case" scenario. With a snap economic down turn, it could be much worse. The deficit would be \$130 billion if the budget did not program in a \$40 billion tax increase.

Second, the Treasury is currently preparing extraordinary measures to make the outsized deficit financeable. According to Treasury and private banking sources, Secretary Miller will use the Treasury's 260 million ounces of gold to obtain financing for the deficit. More precisely, the Treasury will employ a combination of uses for gold to finance the budget deficit through the capital account of balance of payments.

Unimaginable a few months ago, the startling reversal on gold policy—now expressed in top-secret staff documents—is a minor change relative to the scale of decisions embodied in the new budget. The administration has opted for a national-autarkical war economy, including:

- 1) A \$15 billion and perhaps larger increase in defense spending;
- 2) Attrition through inflation of virtually all social programs and transfer payments;
- 3) A \$7 billion reduction in the outlays of federal and government-sponsored agencies for housing;
- 4) A major commitment to energy autarky through the most obsolete and inefficient technologies; and
- 5) A staggering increase in the rate of taxation.

More than in previous years, the most important parts of the budget have been hived off into the polite fraud known as "off-budget spending." The purpose of this fraud is to leave the congressional committees and financial press with a bare bone to gnaw, while the off-budget agencies do precisely what the administration wants. The accompanying graph published in the *Special Analyses of the Budget of the United States Government: Fiscal Year 1981*, tells most of the story. Most of the federal deficit, i.e., most borrowing for new programs, now occurs on the "off-budget" side. This procedure began during the final year of the Ford administration, in the form of massive subsidies to the housing market, a fact later regretted in print by President Ford's economic advisor Alan Greenspan. However, under the Carter Administration, off-budget financing dwarfs the "on-budget" federal deficit.

It must be pointed out that a recession deeper than the 1 percent decline in GNP forecast by the administration would add perhaps another \$40 billion to the deficit,

in the opinion of Manufacturers Hanover Trust economists, pushing the deficit past proportions which most economists can deal with conceptually.

Whether or not the economy breaks down, the size of the best-case-scenario deficit is the first Schachtian feature of the Carter budget. In anticipation of this deficit, which Salomon Brothers calculated at \$44 billion at the outset of the year, the bond market lost a clean 10 percent of its paper value during the past four weeks. If the administration's forecast of 11 to 12 percent inflation is correct, bond prices have another 10 percent to fall, according to Arnhold S. Bleichroeder Vice-President, Erwin Shubert. Shubert adds that if inflation reaches 20 percent—a figure forecast by this publication and various private sector economists—bond prices will fall between 20 and 30 percent. Private long-term credit has already been crowded out, and matters will get much worse very quickly.

It does not matter much if Federal Reserve Chairman Paul Volcker chooses to finance the deficit by allowing significant monetization of federal debt and rising interest rates, as he has during the past two months, or whether the administration opts for some form of credit allocation. The net effect will be identical to the impact of Nazi Finance Minister Schacht's successive issues of "Mefo-bills," the paper of the *Metalforschungsinstitut*, the funding agency for war production.

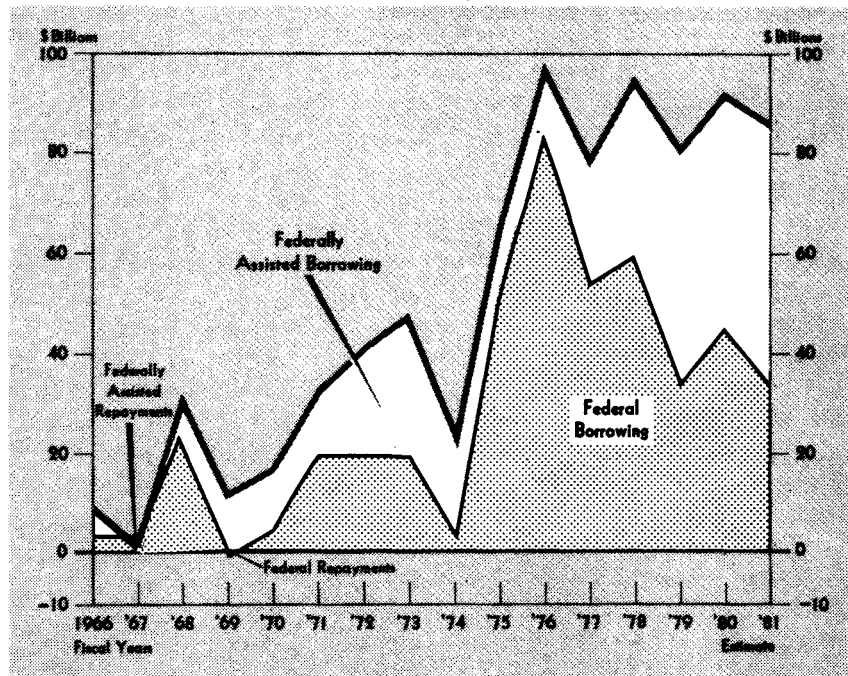
\$40 billion tax bite

The second Schachtian feature of the budget is the extraordinary tax increase in the face of recession, the one plank of the program that drew some howls from the corporate sector. The \$40 billion tax increase includes the following:

- 1) \$14 billion in personal income taxes, due to inflation rushing taxpayers into higher brackets;
- 2) \$414 billion of additional Social Security deductions;
- 3) \$11 billion in crude oil taxes.

The final category is important, because the potentially explosive debate over whether the windfall profits tax would fund special energy programs, or be applied to general revenue, simply failed to take place. As it happens, Carter's various synthetic fuels programs will be financed off-budget, adding an additional deficit financing requirement to the already onerous oil tax: the worst of both worlds.

Federal and Federally Assisted Borrowing



Perhaps even more important than the gross size of the off-budget operation is the change in its content. Previously, off-budget financing was dominated by the various federal agencies—Ginnie Mae, Fannie Mae, and so on—who support the secondary mortgage market. The real boom in these agencies' activities started with the Ford administration's frantic preelectoral attempts to stage a recovery, and helped to trigger the spiral in the resale value of private homes during 1976-1979. Severely flawed, their lending activity nonetheless helped to support the homebuilding sector. Taken as a group, they will spend \$9 billion less in 1980 than in 1979, a reduction which amounts to a death sentence for the homebuilding industry.

Table 1 shows a corresponding group of increased (and some new) off-budget categories, the most important of which constitute a \$9.7 billion addition to spending. All of these categories are directly or indirectly related to the twin administration goals of military production increases and energy autarky.

For example, the \$300 million rise in rail subsidies will be devoted almost exclusively to coal-carrying lines. The Chrysler loan is, at least in part, a preparation for capacity conversion to defense uses, as is the \$900 million rise in aircraft loans. The one major category that does not conform to this pattern is the \$900 million outlay of the Commodity Credit Corporation, which represents compensation to farmers for Carter's embargo on grain sales to the Soviet Union. The energy expenditures are for synthetic fuel plants otherwise uneconomical at crude oil prices of less than \$40 per barrel, for the pumping of additional oil into salt domes from which it cannot at

present be recovered, and so forth. This is in a budget which eliminates all funding for the fission fuel breeder reactor, drastically cuts fusion power research and development and presumes the virtual elimination of the country's nuclear program.

The mild recession fraud

Clearly, the Economic Report of the President, which projects a mere 1 percent fall in Gross National Product during 1980, is intended to be a self-fulfilling prophecy. The basis for this projection is the relationship between federal spending and economic behavior during the fourth quarter of 1979, when the policies expressed in the new budget had apparently already gone into effect. From the standpoint of Table 1, there is nothing contradictory about the failure of real GNP to fall, despite huge dislocations in the auto, construction, and steel sectors—three of the economy's biggest determinants. The difference was made up by a 23 percent per annum rise in defense spending during that quarter, an even larger rise in other categories of government spending, and some gearing-up in anticipation of larger defense orders to come.

Even so, the apparent stability of both the deflated Gross National Product numbers and the Industrial Production Index is not likely to last. Consumer spending only remained stable, in real terms, through the depletion of savings, bringing the savings rate down to the lowest in the history of that statistical series. Consumers apparently concentrated spending on soft goods while eliminating spending for durables, leaving auto at 23 percent below the previous-year's levels, home construction down 25 percent, and, consequently, steel down 10 percent.

However, additional output in the aerospace, communications equipment, and business equipment sector helped "stabilize" the indices. Certainly, they must decline further as consumers run out of savings accounts. The administration projects only a slight decline, expecting that the additional military and energy-related spending programs now coming on line will take up the slack.

The problem is that virtually all the additional economic activity planned into the budget is nonproductive, in the strict technical sense that it involves goods that do not reenter the reproduction process of the economy. From the inflation standpoint, military goods or synthetic fuels plants do exercise demand, but do not create supply (at least, in the latter case, not at current price levels). The inflationary possibilities arising from this direction of the economy are prodigious.

Last week, *EIR* published the results of a computer study of the projected military and related spending increase, employing the Riemannian LaRouche model. This model, developed for *EIR* at the proposal of con-

tributing editor Lyndon H. LaRouche, Jr., analyzes ratios within the productive sector, rather than Gross National Product. The study showed that within two years of the inauguration of a military buildup policy of the type proposed by the administration, the economy would suffer such depletion of resources as to stop functioning in its previous mode.

In their own way, the financial markets have anticipated the worst, battering government long-term securities with unprecedented fury. With great reluctance, the Treasury will have to pledge its gold reserve in one fashion or another to prevent interest rates from rising out of control (see GOLD). Otherwise, the actions of the government would force an economic crisis much sooner, force the nation into sudden, deep recession, and tear the proposed budget to shreds. The Treasury is hoping that it will have time to dig its own grave; it may not even enjoy that dignity.

Table 1
The Transformation of
the "Off-Budget" Budget
(in millions of dollars)

Planned increases*

Energy Security Trust Fund	\$300
International Security Assistance	1,200
Commodity Credit Corporation	900
Geothermal Resources Fund	300
Energy Security Reserve	1,500
Energy Security Corporation	800
Rail programs	300
Aircraft loans	400
Chrysler Corp. guarantees	900
VA Housing	3,400
TVA States Energy Corp.	684
TOTAL	9,700

Planned cuts

Farmers Home Administration	\$2,400
HUD low-rent subsidies	300
Federal Housing Administration	1,000
Government National Mortgage Agency	2,600
Guarantee of New York City loans	300
Federal National Mortgage Assoc.	2,200
Federal Home Loan Mortgage Corp.	200
TOTAL	9,000

*Net change for 1980 minus net change for 1981
Source: Special Analyses of the Budget of the United States
Government: Fiscal Year 1981.

Bond market drop a portent

The bond markets are collapsing. What the Treasury and the Fed do now could have severe consequences for the economy.

At deadline on Feb. 6, Treasury bond prices, measured by the 2009 issue, had fallen 14 percent during the preceding four weeks, and 4 percent during the last three trading sessions, in the worst bond market collapse in U.S. history. Unless the Treasury takes some form of radical action the bond market will continue down further. Erwin Shubert, Vice-President of Arnhold S. Bleichroeder Securities, calculates that a 20 percent rate of inflation would imply a 20 to 30 percent drop in long-term bond prices. Paying almost 12 percent for long-term funds, the Treasury is in worse shape than during the American Civil War.

Commercial banks, reportedly, are liquidating Treasury bonds in order to fund a commercial and industrial loan expansion rate of 24 percent per year (as of the last five reporting weeks). Life insurance companies, traditional large purchasers, have suffered badly from the collapse in the savings rate. All premium income during 1979 to life insurance companies rose by only 5 percent, against a 13 percent inflation rate. Should any of the life companies run into liquidity difficulties—and brokerage house analysts do not exclude this—the required sale at a loss of fixed-income securities portfolios would swamp the bond market like a busted dam.

Until one of the following three elements of the current situation changes, the U.S. bond market will

have no firmer bottom than the Turkish lira or the Brazilian cruzeiro:

1) The refusal of the private sector to reduce credit demand, indicated in the high commercial lending rates;

2) The refusal of consumers to reduce living standards, shown in the November-December rundown of savings accounts and decline in life insurance sales;

3) The Treasury and federal "off-budget" combined credit demand of \$91 billion during calendar 1980.

Of course, Fed Chairman Volcker has limited options. Despite strong administration support, action on legislation to keep commercial banks inside the Federal Reserve System is not considered likely during this session of Congress. Credit allocation to suppress private-sector demand is even further away. Volcker's mid-October imprecation that "the American living standard must decline" has not been accepted by consumers, who are hanging onto what part of their living standard they can sustain. To a great extent, the federal budget will impose a certain degree of austerity, by eliminating close to \$10 billion of federal-agency support for the housing market. However, this cut, in the context of the mammoth federal financing requirement, does not make a dent of the dimensions Volcker requires.

However, Volcker may be

forced to let pure Treasury "crowding out" and high interest rates suppress private commercial and consumer credit demand, with severe consequences for the economy.

If interest rates rise and stay above the rate of inflation, the economy will experience a severe recession. Volcker threatened to do this, but failed to act on his threat, largely because the federal government stepped up borrowing to meet an overall 42 percent per annum rate of increase in spending during the fourth quarter. Volcker's accommodation to this, combined with the rise in oil prices, put most inflation forecasts up to the 20 percent range, and produced the January slaughter on the bond markets.

The rise in the unemployment rate to 6.2 percent from 5.8 percent during January is a severe warning. It reflected a drop in mainly white-collar and service employment. The point at which the already huge dropoff in steel, auto, housing, and other industrial activity cuts into the non-goods-producing sector is when the economy will get into real trouble. Tax revenues will abate, possibly by \$40 billion, according to Manufacturers Hanover Trust economists, while private sector credit demand falls off much more slowly. This is not 1974-75, when the big inventory runoff eliminated private-sector credit demand, but a situation of low inventories and even lower liquidity among both corporations and households.

Well before the drop in economic activity brings down interest rates, the expansion of federal borrowing requirements will create a self-feeding cycle of crowding out.

Will gold finance arms buildup?

Treasury officials are eyeing U.S. gold reserves to finance a federal budget deficit blown up by a short-term arms buildup.

According to well-informed Washington sources, senior Treasury officials are currently working out the final details of a plan which would harness U.S. gold reserves to finance a burgeoning federal budget deficit. Staff papers have been circulated proposing a range of options for using gold, including more public gold sales, outright transfers of U.S. gold to major foreign central banks, the issuance of gold-collateralized or gold-indexed loans to the U.S. by foreign central banks, or U.S. flotation of gold-indexed Treasury bonds to the general public.

The sources say that the Treasury has already received assurances from major central banks that they will cooperate. The existence of such a plan, in fact, could go a long way toward explaining the recent stabilization of the gold price at around \$700 an ounce, which has puzzled many market analysts.

Wall Street bond market analysts believe the Treasury will be in a considerable pickle if it doesn't mobilize the potential additional liquidity created by gold's rise to finance its deficit. The federal deficit for calendar year 1980, including off-budget items, has been conservatively placed at \$91 billion, and the interest cost could be very high indeed if the inflation rate fails to drop to 10 percent as officially projected.

The Treasury had previously refused to consider offering gold transfers or gold guarantees to European governments, on the basis

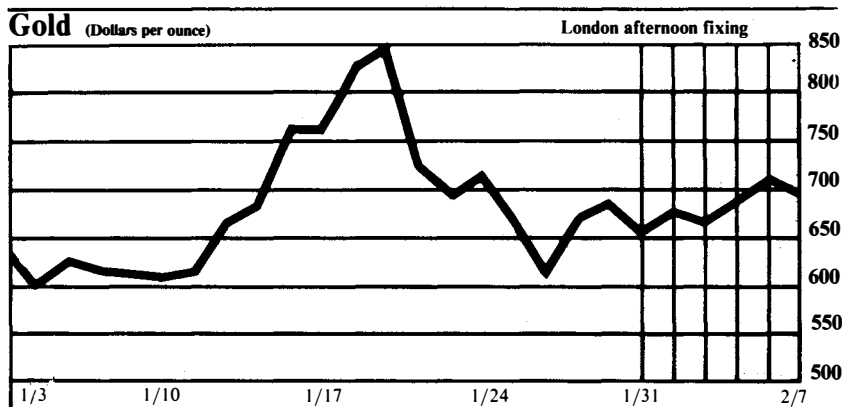
that such an arrangement would remonetize gold and effectively place the U.S. Treasury under European receivership. However, all such objections (including the matter of how the loans are to be repaid) have apparently now been thrown to the wind. The matter of financing a short-term U.S. military buildup is the primary question on officials' minds.

Indeed, the plan to use gold was actually formulated by the staff of the Office of Management and the Budget (OMB), often characterized as "the Rand Corporation" of the federal government.

A strong public hint that a gold deal is in the making was offered by London *Times* editor William Rees-Mogg in a Feb. 1 commentary entitled "How the gold boom could be the key to convertibility." Rees-Mogg called for the reestablishment of dollar-gold convertibility at about \$750 an ounce to increase the attractiveness of the

dollar to investors, the restoration of fixed exchange rates, and a substantial revaluation of the dollar and yen against the British pound and European currencies. "At \$750, or whatever was chosen, an ounce would be a very high price for gold so inflation would continue on an artificially expanded gold base, but the high price of gold would also underwrite the liquidity of the system and allow world inflationary expectations to be reduced throughout the 1980s, rather than being halted in an episode of catastrophe," Rees-Mogg stated.

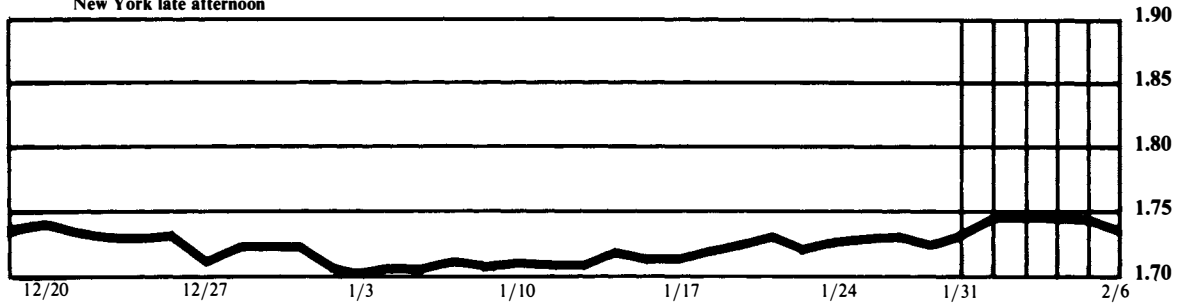
A somewhat dubious version of the U.S. Treasury plan was also aired by William F. Buckley in his syndicated column last week, "How to Make Gold Reserves Work for the U.S." Buckley reported that Dillon Read economist Evan Galbraith had devised a plan for the British government which might be extended to the U.S. Under this scheme, the Exchequer would issue low-interest bonds which would be readily convertible into gold. No explanation is given of how the gold-short British Treasury would pay for these if gold skyrocketed.



Foreign Exchange by Richard Katz

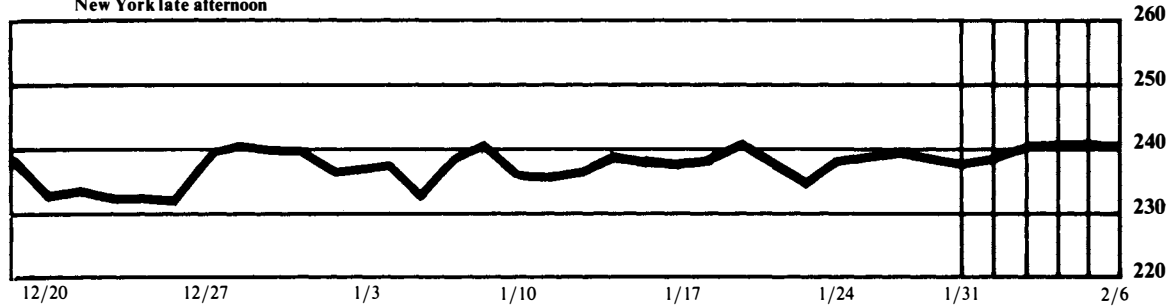
The dollar in deutschmarks

New York late afternoon



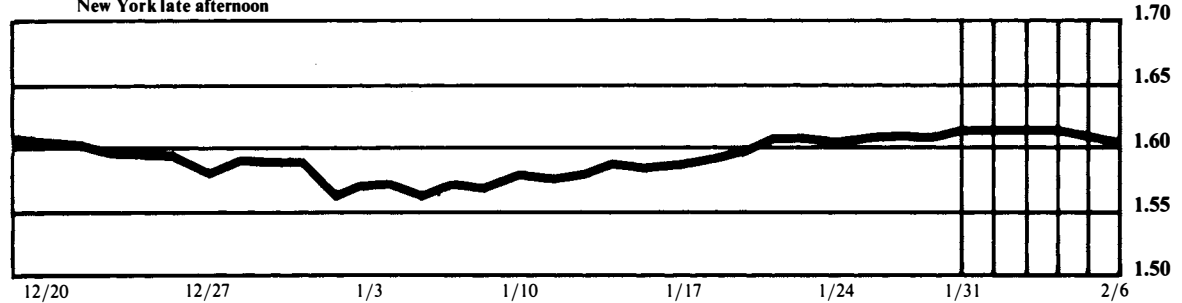
The dollar in yen

New York late afternoon



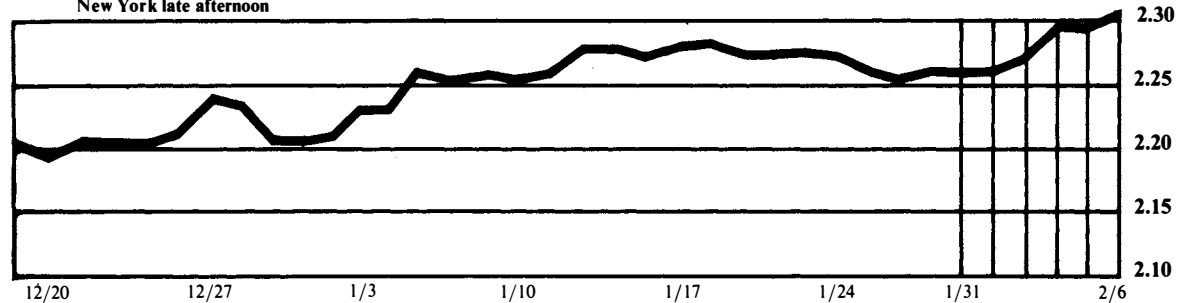
The dollar in Swiss francs

New York late afternoon



The British pound in dollars

New York late afternoon



Third World lending: harsher terms

The prospective Third World borrower is facing rough times ahead as credit terms and credit prices grow tougher.

A shift toward harsher borrowing terms and shorter maturities in Eurodollar lending toward the Third World, accompanied by a new round of oil price increases, foreshadows a very rough time ahead for lesser developed countries (LDC's). Unless the long-awaited Phase II of the European Monetary System is stabilized, then the volume of plentiful and inexpensive credit that the Third World needs to survive the present period will not be available.

The shift toward more restricted terms of credit surfaced for the first time this week in the Euromarkets, as the last few years' tendency toward constantly lowering spreads over LIBOR (London Interbank Overnight Rate) came to a halt. Exemplary are the terms offered Spain's Fuerzas Electricistas de Cataluna (FESCA) which last year raised \$130 million in the Euromarkets at $\frac{3}{4}$ to $\frac{7}{8}$ percent over LIBOR and at 10 year maturity. Last week, Citibank gained the contract to raise \$200 million for FESCA, but only at the higher $\frac{7}{8}$ percent over LIBOR and with a shortened eight-year maturity. Likewise, the Republic of Panama was forced to take a \$150 million line of credit at $1\frac{1}{4}$ over LIBOR and eight-years maturity. A spokesman for the First National Bank of Chicago, which will make the loan, boasted that Panama took a more "mature" attitude to the unfavorable market terms and added that "It realizes that the

spread is only a small part of the loan."

Brazil, with its \$50 billion debt, has been cited by bankers as a possible break-point for weeks. The Feb. 4 *Wall Street Journal*, entitled, "Big Borrower: Facing a Hard Year, Brazil Again Counts on the Banks," characterized Brazil's borrowing situation this year as "bleak," putting the matter on public record. With \$15 to \$20 billion in debt service to finance this year, as well as between \$1 to \$3 billion in an expected trade deficit, Brazil must either get new funds or cut its growth rate to the bones. This is already happening, as the major international banks are using Brazil's desperate need for credit as a club to get that country to accept steeper terms of credit. One banker, closely connected with Brazil, said a struggle was still going on in Brazilian official circles, "between the realists and those looking for September 1979 terms," reports the Feb. 4 *Financial Times*.

The chief problem faced by prospective borrowers from the Third World is the price of credit. Since the credit crunch instituted by Federal Reserve Chairman Paul Volcker on Columbus Day weekend last year, the cost of dollar loans internationally has risen by 3 to 4 percent. Now, new oil price increases are further jeopardizing the credit position of the Third World. Each new increase in oil worsens the non-oil-exporting

Third World nations' balance of payments positions, requiring additional new financing.

In the Feb. 4 issue of its *International Finance* newsletter, Chase Manhattan Bank proposes a downturn in Third World growth. In an article entitled "Growth Slow-down in the Non-Oil LDC's," Chase predicts "the reduction in growth rates implied by this scenario is severe, however, particularly in the export-oriented 'newly industrialized economies.' Growth over the next year or two in these countries will probably be no more than half the rate achieved in recent years. The slowdown in the so-called 'middle-income' developing economies will be less pronounced, but still significant for the vast majority."

Moreover, to ensure the outcome predicted by Chase, the International Monetary Fund, which lent very little in all of 1979, reports in its latest newsletter that it expects that Third World countries, shut out of the Euromarkets by the big banks will have to go, hat-in-hand to the IMF. On Feb. 4, the Carter administration submitted to Congress a \$5.5 billion appropriation bill to beef up the IMF's funding. In addition, the IMF is now talking of having its capital base increased to \$60 billion.

Under IMF loan "conditionalities," Third World countries are often forced to severely cut imports, cut down large industrial projects and return to "simpler," less productive labor-intensive projects. Such a prescription will gut Third World nations' ability to pay off outstanding loans, further impairing the world lending picture.

Trade Review

		Abbreviations:	Status:	
		U = Undetermined	I = signed, work in progress	IV = in negotiation
		NAP = Not applicable	II = signed, contracts issued	V = preliminary talks
		NAV = Not available	III = deal signed	
Cost	Principals	Project/Nature of Deal	Financing	Status
\$1.53 bn	Iraq/Italy	Italy will barter 11 Italian naval vessels for Iraqi oil. The ships are to be built by the state-controlled Cantieri Navali Riuniti, and mounted with weapons built by Oto Melara, another state-controlled group	oil-for-technology barter deal	I
\$150 mn	Japan from U.S.	The General Electric Corp. has won the contract to install its high-technology CF6-80 engine in a fleet of Boeing 767 twin-engined airliners ordered by All Nippon Airways of Japan	NAV	II
\$100 mn	Peoples Republic of China from Norway	Norway and China have signed a credit deal to facilitate Norwegian exports of ship's gear, fishing and fish processing equipment to China.	Eksportfinans (Export bank of Norway)	II
\$27.5 mn	East Germany from U.K.	Badelex, the U.K. precision engineering company, will supply the East German concern of Industrieranlagen Import with automatic lamp-making equipment, specifically for automobile assemblies	NAV	II
\$8.51 mn	China from Japan	Hitachi of Japan has received orders for two computer systems from China's Ministry of Power to be used in monitoring power supply systems and keeping records.	NAV	I
NAP	Poland from Arab, African, and Latin American oil producing countries	Poland, which imported 3.5 m tons of oil in 1979, plans to increase its imports from these countries this year	NAP	III announced by Polish Foreign Trade Minister
NAV	Vietnam/France	The French menswear manufacturer Bidermann has reached agreement to set up a factory in Vietnam. The factory will make shirts for export to France.	NAV	II
NAV	France/East Germany	The two nations have signed a 5-year trade agreement, which will establish France as East Germany's second largest western trading partner. East Germany will buy \$3 bn worth of French equipment for its chemical, electronics, car and machine tool industries. East Germany will expand its exports of agricultural machinery to France.		II
NAP	Argentina/Brazil	The two nations will sign a nuclear energy cooperation agreement in May. It is hoped that the agreement will lead to exchanges of information on nuclear projects.		III

Business Briefs

Banking

"Equality of reserves"

"Is it any wonder that a mounting number of banks are dropping out of the Federal Reserve System every year?" a regional banker commented in response to Fed Chairman Volcker's recent warning about the accelerating decline in Federal Reserve membership. "Our bank has had to pay on average 18 to 20 percent for Fed funds [overnight inter-bank loans] since October, on top of the financial burden of keeping noninterest-bearing reserves on deposit with the Fed. Frankly, the Fed has given U.S. regional banks every incentive to get out of the Fed system this year."

A record of 69 banks with a total of about \$7 billion in deposits served notice they were withdrawing from the Fed in the final quarter of 1979 and the beginning of this year, Fed Chairman Volcker noted in testimony before the Senate Banking Committee Feb. 4. "The loss of deposits in this short period exceeds that of any full year," Volcker said. "It is my judgement and that of many others that in the absence of legislative action, the stream of member banks withdrawing will reach flood proportions." In mid-1978 there were 5,000 to 6,000 Fed members.

The reasons for their flight are simply that the Federal Reserve's "tight money" policies have so increased the cost of doing business for banks that they are seeking to escape the Fed's reserve requirements.

Volcker and Treasury Secretary Miller, who testified before the Senate Banking Committee the next day, both favor a bill on Fed membership/reserve requirement that would for the first time in history force all depository institutions to hold reserves at the Fed. The sweetener on the bill, which was passed by the House last year, is that it would lower current reserve requirements, while making them mandatory throughout the banking system: it would establish "equality" of reserve requirements.

Miller testified that he does not favor another version of the bill being consid-

ered by the Senate committee that would encourage Fed membership by making the Fed pay minimum interest on reserves deposited with them in addition to lowering reserve requirements across the board. Both officials noted that the other Senate version would cost the Treasury \$579 million yearly in lost revenues, while the bill they favor would cost the Treasury about \$74 million in yearly revenue losses. The losses would stem from the reduction in the amount of interest-free reserves available to the Treasury for investment in interest-bearing securities.

International Credit

Do resolutions have teeth?

At the European Community's Council of Ministers meeting in Brussels on Feb. 5, the foreign ministers all agreed that their member countries would stop granting the U.S.S.R. favored credit terms in protest over Soviet actions in Afghanistan. This presumably would hit the high volume of loans made by the state agencies of France, West Germany and Italy through their equivalent of the U.S. Export-Import Bank. Currently favored credit terms to the U.S.S.R. are defined as any loans made at below a 7.5 rate of interest.

However, on a closer examination, many analysts have found that the resolution is not as stringent as it may appear. First, an interest rate minimum charge of 7.5 percent, under today's inflationary and high interest rate conditions is hardly a penalty. U.S. interest rates are 15 percent and above. It is assumed the Soviets are already being charged more than 7.5 percent in trade credits extended by the West. Secondly, and of more substance, is the fact that the governments of France, West Germany and Italy are still continuing strong trade with the Soviet Union. Three weeks ago, Bertold Beitz of Krupp GmbH concluded an \$11.6 billion oil and gas exploration and transmission deal in Moscow.

Moreover, the continental Europeans, as opposed to the British and the U.S., have refused to cut off grain shipments and high-technology goods. The Feb. 6 *Financial Times* editorialized on the action by the EC foreign ministers in removing favored credit terms with the Soviets: "It is beginning to look as if the alliance is able to swing in harmony, if not in unison." But, adds the *Financial Times*, "the loose ends have to be tightened," including high-technology goods and agricultural sanctions which the Europeans have refused to take.

Gold

Monetary conference treats role of EMS, gold

A conference sponsored by the New York-based Securities Group and its leader Eugene Birnbaum, that called together several leading monetary experts to in effect discuss the "failure of the European Monetary System" Feb. 3, ended up instead debating what role gold will play in the world monetary system.

Rinaldo Ossola, former head of the Bank of Italy and soon to be chairman of Banco di Napoli, was the featured speaker. Ossola stated, according to the Feb. 5 *Journal of Commerce*, that "the system's margins are too narrow, the highly complex divergence indicator isn't of any value, the credit system does not permit the evolution of the European currency unit, the ECU, and Britain is not participating." Ossola also called for a link between the dollar and EMS.

The one feature of the EMS that he claimed to like was the fact that the EMS was capable of imposing "some form of regional surveillance, supplementing the work of the International Monetary Fund."

Yet, very soon the conference shifted from technical and other disagreements with the EMS to what role gold will play in the emerging reorganization of the world monetary system. Most of the participants were very aware of the re-

Briefly

ports, leaked from the Elysee Palace residence of the French President last week, that Giscard plans to unveil phase II of the EMS, based on a total monetization of gold in Venice this spring. Such antigold protagonists as Robert Mundell of Columbia University say that the role for gold is unthinkable and would make the world hostage to South Africa and the Soviet Union.

But most others at the conference recognized that Mundell's response was a very ineffective counter to Giscard's gold option. Ossola proposed that gold be used in the EMS but that it could also be used as the back-up for the International Monetary Fund's funny-money Special Drawing Rights (SDR) substitution account. Gold will never be the central standard for the world's monetary system, Ossola insisted. Ossola's proposed use of gold-backing for the SDR issuance sounded remarkably like the proposal that came that same day from the IMF.

Janos Fekete, governor of the Bank of Hungary, and a supporter of the City of London proposal to divide the world into competing currency and trade zones, also urged the conference to create an SDR monetary-type asset that would have implicit backing of gold. By this is meant that gold will determine some ratio of SDR use, but not be convertible into the world's principal currency, the dollar.

Many of the participants at the Securities Group conference, which included Federal Reserve Board member Henry Wallich took a far less anti-EMS view than Ossola, realizing that the EMS is a fact of life and that it might be more "profitable" to work inside the EMS than to criticize from the sidelines.

Trade

Protectionist War Looms

European industrial sources are saying that they fear a protectionist war is erupting between the U.S. and Europe that will have a disastrous effect on both parties and further widen the gap be-

tween the U.S. and continental Europe.

In Brussels Feb. 6 at the EEC Council of Ministers Meeting, the British government claimed that the U.S. is flooding cheap man-made fibers into Great Britain, ruining the British market. The British spokesman then went on to say that Britain will most likely invoke Article 19 of the General Agreement on Tariffs and Trade against the United States. According to the Feb. 6 *Financial Times*, "In spite of a warning by Herr Wilhelm Haf Terkamp, the EEC External Trade Commissioner, that such a move could unleash a damaging trade war between the EEC and the U.S., there were strong indications here that Mr. John Hott, the British Trade Secretary, will inform the House of Commons that special trade measures are to be adopted." This could amount to U.K. imposed quotas that will reduce the volume of U.S. fiber goods by 18 to 20 percent.

On the other hand, on Feb. 4, Lewis Foy, chairman of the Bethlehem Steel Corporation and head of the American Iron and Steel Institute, was handing reporters in Washington D.C. a 90-page report entitled, "Steel at the Crossroads" which demands tougher action by the U.S. government against what the steel industry charges is dumping.

The report proposes changes in the steel trigger price mechanism administered by the U.S. government which is supposed to stop dumping. Specifically, the report asks that the government raise the "minimum price" below which it is illegal for the Europeans to sell steel in the U.S. It also asks that the various specialty steels be included under the trigger mechanism umbrella.

Yet, any economists with a sharp political eye recognize more than simply a trade war brewing, as disastrous as that would be in itself under depression conditions. Of equal significance is the threat of what a trade war may do to shift the world balance of power.

In a lead editorial, "Steel's Washington Hostage," the Feb. 5 *Journal of Commerce* warns that this trade war posture on steel by the U.S. against the Europeans could be very dangerous.

● **CONTENDERS** for the job of Undersecretary of Treasury, the post being vacated by Anthony Solomon, have all been panned by leading pundits in Washington. Three of those contenders, Richard Copper Under-Secretary of State for Economic Affairs; Robert Hormat, a state Department official; C. Fred Bergston, Assistant Secretary of Treasury for International Affairs have all been considered "top soft." "The Europeans will push them around like crazy," said one Washington insider, referring to growing differences between Washington and continental European nations over monetary policy and the dollar crisis.

● **REP. BENJAMIN ROSENTHAL** (D-N.Y.), a ranking member of the House Operations Committee issued a press release Feb. 3 announcing his objection to the Federal Reserve's approval of the Hong Kong and Shanghai Bank take-over of the Marine Midland Bank, the U.S.'s thirteenth largest.

Rosenthal states that HongShang, as both a bank and trading company, violates the terms of U.S. banking law which only permits banks to acquire other banks. The Federal Reserve ruled Rosenthal's accurate objection as insufficient to stop the HongShang takeover.

● **DONALD RUMSFELD**, president of O.D. Searle Drug Company is reported planning to leave that company soon and has already delegated a successor. Rumsfeld, who was President Ford's Secretary of Defense is returning to political life.

Giscard and Gandhi: a new alliance in world politics

by Daniel Snider

On January 30, 1980, Prime Minister Indira Gandhi stood before the Indian parliament to deliver her first major policy speech since assuming the Premiership on Jan. 7 following her smashing victory in national elections. Mrs. Gandhi told the assembly that “the world has moved closer to thermo-nuclear confrontation among the big powers” in the recent period, and India has an important role to play.

“We must ... in our own humble way try to defuse the crisis,” she said. “We are anxious that the present drift towards a hot war should be stopped by the combined effort of all the right thinking people in the world.”

Mrs. Gandhi’s warning coincided with two visits to her capital—one by French President Valéry Giscard d’Estaing, the first such visit by a French President to India, and the other by the special envoy of President Carter, former Defense Secretary Clark Clifford. It is clear that Mrs. Gandhi has chosen the path offered to her by the former, not the latter. The openly warm and friendly talks conducted by the two heads of state, resulting in what French Foreign Minister Francois-Poncet called an “identity of views,” were centered on the strategic situation in South Asia and globally in the wake of the events in Iran and Afghanistan.

The French approach to India shows a healthy understanding of the Indian viewpoint and an appreciation of the powerful role that India can play in world affairs. France and India have formed what amounts to a new alliance based on mutual desire to prevent the outbreak of war and have worked out an effective division of labor between the two countries to apply their influence to that end. This alliance has been described in some circles as a “Third Force,” independent of both of the two superpowers.

The American approach toward India is singularly lacking any such understanding of the Indian role—as Mrs. Gandhi put it in an interview with this press service the day before her swearing in as Prime Minister, “the



Photo: Baldev/Sygma

(U.S.) administration has a global strategy in which India seems to be irrelevant. That is the real problem with the relationship.”

The Clifford visit seems to have done nothing to change that impression. According to published reports Clifford offered India a “collective security” pact in South Asia, another version of an India-Pakistan deal in which India would receive some form of assurances that U.S. arms to Pakistan would not be used against India, as they have several times before. Mrs. Gandhi is reported to have listened to Clifford’s offer and then went into an uncharacteristic 30-minute monologue in which she referenced with emphasis the Indo-French joint communique. Mrs. Gandhi later, at a banquet for visiting Austrian Prime Minister Bruno Kreisky, stated that India was “not amenable to manipulation” and attacked those who were demanding that countries line up on different sides in the current crisis.

The reality of India today

The usual American description of India since Mrs. Gandhi’s victory is that India is now under a “pro-Soviet” government. Aside from being wrong and an insult to the intelligence of the Indian leadership, this assessment ignores the strategic role that India will play. The first indication: While Giscard went back to France for a summit meeting with West German Chancellor

Schmidt, the Indians have dispatched their Foreign Secretary Sathé to Pakistan. In addition, by the middle of this month, Soviet Foreign Minister Gromyko will arrive in New Delhi as well for talks with Mrs. Gandhi and other government leaders.

According to informed sources, the objective of the Sathé visit is to convince the Pakistanis that their integrity, independence and security can be secured only if they avoid the axis offered them last week by the British, the Americans and the Chinese. What may be left unsaid by the Indians, but is being said clearly enough by the Soviets, is that if Pakistan continues to provide bases and arms to Afghan rebels their future may be full of surprises. The provocative antics of National Security Advisor Brzezinski on his visit to Pakistan will certainly lead in that direction.

On the other side, sources report that the French asked the Indians to use their influence with the Soviets to urge restraint in any further escalation of the situation. The Indians essentially will be taking the lead for the entire nonaligned and developing sector in trying to block efforts to make the Third World a trigger point for thermonuclear conflict. French sources add that the Giscard-Schmidt summit gained the agreement of Germany to this role for India in alliance with the continental European powers.

Beyond the immediate necessity of the present situation, the Indo-French relationship and the implied role

of India has a larger strategic meaning. The crucial factor is the existence since the January elections of a strong government in India itself and the presence of Mrs. Gandhi, one of the premier statesmen of the world today, at the head of that government. Provided Mrs. Gandhi can move India forward economically (the subject of other aspects of this report) India will increasingly play a dominant role in southern Asia and beyond.

The reality of the Indian nation is largely lost to most policymakers in the West. Despite the drag of a backward agricultural sector, India remains the most industrialized nation in the developing sector; in fact, in absolute terms, the ninth largest industrial nation in the world. With a scientific engineering and technical manpower ranked third in the world and significant indigenous high-technology capability in a wide range of areas, India has a further existing capacity to absorb new technology and capital more rapidly than any other so-called Third world country.

With the mobilization of the Indian population behind effective political leadership, which Mrs. Gandhi is certainly prepared to provide, India's potentialities are likely to be realized much faster than imagined. It is this larger view of India which brought Giscard to India, and it is this understanding which is increasingly shaping a view that can be summarized as: "The India Card not the China Card."

While India is nobody's "card," this means that India will be the Asian power which is most prepared and most able to provide the determining force and guarantee the kind of stability in Asia which the Europeans and others know is essential to preventing war.

American policy since the late 1960s, if not earlier, has been increasingly premised on assigning China the role at the center of American policy, seeking a strategic alliance (a word actually used recently by Defense Secretary Brown in describing U.S. ties to China) with Peking and effectively subordinating American interests in Asia, particularly East Asia, but also South Asia, to those of the Peking regime.

The spread of Indian influence, including its increasing economic role, includes the entirety of the Indian Ocean littoral from the east coast of Africa to the archipelagos of Southeast Asia. In Southwest Asia, India retains strong ties particularly with Malaysia, which has a significant Indian minority, and with Indonesia, a country with longstanding historical and cultural ties to the Indian subcontinent. In addition, there are close political ties between Vietnam and India, ties which are strengthened by a common experience of the expansionist designs of China. Those ties are likely to be aided by an impending Indian recognition of the Heng Samrin government in Kampuchea. In East Africa, there is of

course a significant Indian minority; there is a longstanding Indian interest in the southern African situation.

India, particularly under Mrs. Gandhi's leadership, also has strong ties into the Middle East. With a Muslim population larger than any Arab country (larger in fact than all but Indonesia, Pakistan and Bangladesh); with a past record of support for the Arab cause, India is well positioned to expand those ties. The key will be the interest of the Arabs, particularly countries like Saudi Arabia and Iraq, in expanded investment of surplus petrodollars in India.

If the Chinese choose to risk a new adventure in Southeast Asia against Vietnam, and the Soviets respond, as they are ready to do, to such an attack, then the Indian role will be even more important in preserving peace throughout the region. The China Card has proven itself not only dangerous but even fruitless for all that have tried to play it—India offers a far better opportunity for those powers and interests who are looking for a future for Asia.

A political resolution on international tensions

The following is part of the text of the joint declaration signed by French President Giscard and Indian Prime Minister Gandhi on Jan. 26.

—Conscious of the special responsibilities which devolve on France and India because of their respective policies of detente and nonalignment....

[We] solemnly declare that:

(i) Any situation arising out of the use of force in international relations and intervention or interference in internal affairs of sovereign states is inadmissible.

(ii) 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 through dangerous arms build-up liable to threaten peace and stability in sensitive regions.

... The President and the Prime Minister appeal to all States, particularly the most powerful ones, to recognize the gravity of the danger to bend all their efforts to avert it.

I. A historic encounter

By the end of French President Giscard d'Estaing's four day visit to India this month, there was no doubt in anyone's mind here that this diplomatic initiative had been historic. Meeting at a time when international tensions are at a high point, the two leaders responded in statesman-like fashion and called for immediate defusion of the war threat across the region. Yet, much more than words came from the meetings.

People in the capital were quick to note that Giscard was the guest of honor at India's 31st Republic Day anniversary celebrations (Jan. 26) and had become the first major western leader to meet Prime Minister Indira Gandhi after she reassumed office earlier this month. The result was an unprecedented strengthening of Indo-French relations on behalf of world peace, and a joint commitment to economically strengthening "north-south" relations overall.

There are two aspects of the strengthened Indo-French relations. First, a New Delhi-Paris "voice for peace" was established. Nothing describes this better than the political resolution released at the end of the second day of consultations, committing both countries to act upon "responsibilities which devolve, in the present critical times, on France and India, because of their respective policies of detente and nonalignment."

Secondly, the view that detente or nonalignment are inseparable from economic development was underscored by the hefty bilateral package that was signed. Seven protocols concerning wide-ranging cooperation and collaboration were signed and President Giscard himself described their scope as "vast and exciting." French sources have indicated that the President's visit will now be followed by many high level delegations to consolidate the relationship.

As can be seen by both the political resolution and the relaxed atmosphere that surrounded the talks, both sides were confident that despite the tense international global situation, they were on their way to success. French Foreign Minister Francois-Poncet told the press that "a great measure of identity in analysis and concern" prevailed in the discussions, particularly regarding the

Indian Ocean area. The highpoint of the political resolution was the resolve that both countries "have decided to take all necessary initiatives to defuse the present tensions and to help create a climate of mutual trust and confidence."

Close consultation through these periods of grave crisis was established between Gandhi and Giscard, beginning around the Franco-German talks in Paris. French leaders took the opportunity to brief their Indian counterparts on the full scope of their Asian policy, for which they view India's role as "decisive."

The success of the French visit and the new Europe-oriented foreign policy initiatives expected from the Gandhi government were preceded by tremendous preparatory work. The French side included 60 government officials and two cabinet ministers, Foreign Minister Jean Francois-Poncet and Foreign Trade Minister Jean Francois Deniau. The Indian side was led by Foreign Minister Narasimha Rao and Commerce Minister Pranab Mukherjee. While the delegations worked out the details, Giscard and Gandhi (who speaks French fluently) took the opportunity to meet without aides on three occasions, establishing a direct working relation.

There is no question that Anglo-American policy to escalate cold war, arms buildup, and even provoke a superpower confrontation in this region, figured into the talks prominently and the Indian perception that French policy is a distinctive, opposed ingredient in world affairs became apparent.

The Economic package

While the newly-elected Indian government is still in the process of getting its bearings and asserting its policies, it is clear that the French brought to the meetings an economic package that had been reviewed by them, and finalized. The package had been carefully drafted and revised for several months, and was highly detailed. For instance, the aluminum plant that became the highlight of the package was a result of a two-year feasibility study by the French company, Aluminum Pechiney.

The principal basis for the economic accords overall was, as the joint communiqué stated, the "deepening of economic cooperation corresponding to the priorities of India's economic development where French industry with its technological capabilities can make a sizeable contribution."

Financing

The major new ingredient in the package was the financing. France made an exception to its usual policy, by extending an initial credit package of one billion francs to finance some of the agreed projects. A part of this amount will be immediately used in the Orissa aluminum project. For the first time ever, treasury loans and guaranteed commercial credits were made available, with the provision that some of the credit will be repaid in buy-back provisions.

Within the economic protocols there are also proposals for future-oriented triangular projects. The first agreement involves Indo-French industrial and commercial cooperation. In this sphere, Giscard reportedly briefed the Indian side on French development policies in Africa, and it was agreed that cooperation between small and medium scale enterprises bilaterally, as well as joint projects in third countries should be studied.

The seven protocols signed were:

1) *A bauxite-aluminum industry* in Orissa, with French financial and technical assistance involving an investment of \$1.2 billion over a number of years. When completed, the project envisages an aluminum output of nearly 8 million tons a year, with an aluminum smelter capacity of 218,000 tons and an annual export potential of 350,000 to 550,000 tons. French assistance will go toward establishing necessary infrastructure, for example, a 600 megawatt power plant, railway lines and port installations. Credits will also cover imports of equipment. Payment will occur through the buy-back principle.

The French-assisted aluminum project will be adjacent to the aluminum project that the Soviet Union is currently aiding. The total effect of French and Soviet help will be a major industrial complex in the resource-rich but underdeveloped eastern region.

2) *Coal mining*. The agreement provides for the application of French expertise in improving the output of three coal complexes, in Bihar, Orissa and Assam as well as exploitation of a new field. Thick seam mining, where French expertise is proven, and the use of advanced technology in making heavy machinery are included; potential French purchases of coal were also discussed.

3) *Agriculture and rural development*. This envisages utilization of French experience in irrigating the semi-arid Sahelian region of Africa, in the development of the left bank of desert-region Rajasthan canal, development of a cattle-disease-free zone in Kerala, and pest control programs.

French sources stated that agriculture is one of the areas where they feel France can make a big contribution to Indian development. Within the protocol less specific but varied proposals for animal husbandry, forestry, food processing, and better agricultural implement utilization were included.

4) *Petrochemicals, fertilizers, and pharmaceuticals*. A working group to explore cooperation for development in this area was established.

5) *Oceanography*. France agreed to provide capital, design, and technology for construction and acquisition of a geo-technical ship for deep diving research and establishment of a hyperbolic research center in India.

6) *Renewable energies*. Joint workshops on solar energy development were agreed upon.

7) *Industrial and commercial cooperation*, a general protocol.

Nuclear accord awaits Paris talks

Also discussed were steel, telecommunications, audiovisual techniques, electronics, automobile and truck industries. In steel, France had been interested in assisting the development of an offshore steel plant, but it was decided to desist because of the heavy financial responsibility involved in the bauxite plant.

There had been expectation that an expanded accord would be signed on nuclear cooperation, particularly since Indian Atomic Energy Chairman Homi Sethna was directly involved in the talks. Sources report that one protocol already exists in this field and when the issue of enriched uranium for the fast breeder experimental reactor came up, it was decided that a high level Indian team should go to Paris for detailed discussions. A misunderstanding has reportedly developed on the pricing of some of the equipment and fuel for the Indian plant, but there is a commitment on both sides to resolve it and inaugurate the first experimental fast breeder in the developing sector in India.

Foreign Minister François-Poncet best summed up the talks by saying that only accords ready for implementation were finalized. Others will follow.

—Daniel Sneider



The Indo-French communique

The following joint statement was issued by the two leaders following their consultations in New Delhi:

At the invitation of the President of India, Mr. Neelam Sanjiva Reddy, the President of the Republic of France and Mrs. Valery Giscard d'Estaing paid a State visit to India from Jan. 25 to Jan. 29, 1980, during which they attended the Republic Day celebrations as guests of honour.

This visit which was the first State visit by a President of the Republic of France to India, took place in the warm and friendly atmosphere which has always characterized the relations between India and France.

The President of the Republic of France and the Prime Minister of India held extensive talks on the whole range of international issues. They also reviewed the relations between the two countries in all fields as well as ways to further develop them in consonance with the desire for cooperation which exists on both sides. These talks were held in an atmosphere of mutual cordiality, trust, and understanding. In these talks, the French side consisted of:

- Mr. Jean Francois-Poncet, Minister of Foreign Affairs;
- Mr. Jean-Francois Deniau, Minister of Foreign Trade;
- Mr. Jacques Dominati, State Secretary to the Prime Minister;
- Mr. Jacques Wahl, Secretary-General of the Presidency;
- Mr. Andre Ross, Ambassador of France to India.

The Indian side consisted of:

- Mr. P.V. Narasimha Rao, Minister of External Affairs;
- Mr. Pranab Mukherjee, Minister of Commerce;
- Mr. R.D. Sathe, Foreign Secretary;
- Mr. M. Rasootra, Ambassador of India to France.

The President of the Republic of France and the Prime Minister of India affirmed that a deeper and more comprehensive dialogue was highly desirable. To this end, they agreed on the need to increase consultations be-

tween the two countries at all levels. In order to keep each other informed of their respective viewpoints and to determine through such consultations the contribution that India and France could make to peace and international cooperation. Therefore, the President and the Prime Minister have agreed to hold periodic consultations alternately in France and India. These meetings will be arranged to suit mutual convenience.

They stressed the importance of democratic values which the peoples of both countries cherish. They believe that these values should find expression in the relations between nations and particularly in the scrupulous respect for the sovereignty of all countries and the right of all nations to determine their own destiny. This respect constitutes the very basis of peace and security among nations. Any other path can only lead to the aggravation of tensions and all the consequences which may follow.

The President of the Republic of France and the Prime Minister of India reviewed the international situation in the light of the developments which have occurred in the past year in different regions of the world, in particular, Asia. Concerned with these tensions, they have deemed it necessary to adopt the solemn declaration which they have signed in New Delhi on Jan. 27, 1980.

The President of the Republic of France and the Prime Minister of India reaffirmed that in West Asia only an overall settlement of the conflict with the participation of all interested parties is capable of establishing a just and lasting peace. This settlement implies the withdrawal of Israel from occupied territories, the recognition of the Palestinian people and, in particular, their right to a homeland and the right of all the countries of the region to live in peace within secure, recognized and guaranteed borders. These principles, which form an indissoluble entity, apply to all interested parties, including the Palestine Liberation Organization.

Situation in Africa

The situation in Africa was carefully examined. The President of France and the Prime Minister of India

reaffirm their abhorrence of the system of racial discrimination including apartheid and reiterated their adherence to the principle of self-determination of non-self-governing territories. In this respect, they noted with interest and hope the evolution initiated in Rhodesia-Zimbabwe. Mr. Valery Giscard d'Estaing recalled the main outlines of France's African policy and underlined the importance which he attaches to a close and continuing consultation with the Governments of Africa as witnessed by Franco-African conferences. The Indian side took notice of this useful exposition with interest.

Concerned by the intensification of the arms race in all its aspects, notably that of the most heavily armed powers, the President of the Republic of France and the Prime Minister of India confirmed their determination to pursue efforts to bring about effective and verifiable measures for disarmament. They consider that a realistic approach to disarmament must be founded on the recognition of the right of all countries to security as well as of regional conditions. They believe that the task of disarmament cannot remain the prerogative of some powers.

The Indian side recalled with appreciation the French President's personal interest in promoting the North-South dialogue. The President of the Republic of France and the Prime Minister of India noted that the present state of the world economy calls for a new effort of cooperation on the part of developing countries as well as industrialized countries. This would underscore their interdependence and ensure their solidarity. In such a spirit and recognizing that much remains to be done, they stressed their common determination to work for the success of the forthcoming special session of the U.N. General Assembly which could set the stage for a new and fruitful round of North-South global negotiations. Noting that UNIDO-III was currently in session in New Delhi, they expressed the hope that the conclusions reached there would fulfill its objectives. The President of the Republic of France and the Prime Minister of India recorded with satisfaction the intensification of Indo-French economic relations in the past few years. This is notable in the increase of trade, in the developing of industrial and technological cooperation, in the agreements between firms from the two countries, and in the implementation of joint projects in India.

With a view to furthering this positive trend they agreed to take appropriate measures so that the volume of trade would better reflect the economic importance of the two nations.

In this spirit, they reached agreement on the need to deepen economic cooperation in the several sectors corresponding to the priorities of India's economic development, where French industry, with its technological capacities, can make a sizable contribution.

They expressed satisfaction at the signing during the

President's visit of the following protocols and memoranda:

1. Protocol on Indo-French industrial and commercial cooperation.
2. Memorandum of understanding on coal mining.
3. Memorandum of understanding on the aluminum complex in Orissa.
4. Indo-French protocol for cooperation in the field of agriculture and rural development.
5. Protocol in the field of petrochemicals, fertilizers, drugs and chemicals.
6. Protocol in the field of renewable energies.
7. Protocol in the field of ocean science and technology.

In addition, the following sectors were given special attention:

Steel, industry, telecommunications, audio-visual techniques, electronics, automobile and truck industry.

The two sides decided to pursue with vigour the exploration of the acknowledged potential for joint collaboration in projects in third countries for the common benefit of all parties.

In order to implement this programme, Mr. Giscard d'Estaing and Mrs. Indira Gandhi noted that it would be appropriate to draw on the resources of the private sector, particularly on technological and financial arrangements between firms, as well as the facilities which the public sector could provide for project implementation. In this respect particular attention will be given to the possibility of promoting cooperation between small and medium scale enterprises of both countries.

In this spirit, the President of the Republic of France, having recorded the interest shown by the Indian Government in the implementation of various projects—and particularly the project for an aluminum plant in Orissa—indicated that the French Government would, as an exception, make available to India financial facilities (treasury loans and guaranteed commercial credits) for mutually agreed projects and import of commodities totalling one billion French francs, a part of which will constitute the first stage in France's participation in the Orissa project.

The President of the Republic of France and the Prime Minister of India stated that the development of cultural exchanges between two countries with great and ancient civilization such as India and France, is appropriate and natural. They agreed that an Indo-French university-institute of higher learning should be established. The two sides will hold further consultations to work out the details. They also noted with satisfaction the progress achieved in such areas as the teaching of languages and artistic events.



Francois-Poncet:

'Let the voice of peace be heard'

The following transcript of the press conference held by French Foreign Minister Jean Francois-Poncet in New Delhi Jan. 28 was made available to Executive Intelligence Review by the Indian newsweekly, New Wave.

Q: In yesterday's joint declaration it was decided to take necessary initiatives to defuse international tensions and create a climate of mutual trust. The government of India has taken quite a number of steps... Our foreign secretary is to visit Pakistan, etc. From your side what initiatives do you propose to take?

A: I will make one comment. I think our joint declaration is an initiative. I think it is a very important initiative and I think this is the first answer to that. Then I think obviously the Indian government has a number of contacts which are scheduled and which you just referred to and we have our own contacts, such as the Franco-German meeting which is going to take place in Paris next Monday and Tuesday, and which is for many obvious reasons an important meeting. The President himself declared yesterday that those questions would be discussed. And we have a certain number of other diplomatic reunions scheduled.

U.S. journalist: Could you spell out France's stand on U.S. aid to Pakistan.

A: I don't exactly know what it (U.S. aid) is frankly.

Q: The U.S. plans to give arms to Pakistan. ...

A: I don't know frankly what the American plans are, and I don't think it is up to me to comment on them. I have seen contradictory reports on this particular issue.

Q: One of India's concerns is that Pakistan has been continually a sick man and is creating all kinds of international problems. How do you think this state of affairs can be remedied? What is your assessment of this situation?

A: I will leave you to your appreciation of foreign states. I will just say that this is obviously a very decisive region

and it is an area in which India also plays a decisive role. This is one of the reasons why the president (Giscard) came to visit India. It also is obviously an area which is a developing area and some of the states in this area are developing extremely quickly. India is one of those. It has become an industrial power, it has become an agricultural power. The Southeast Asian nations are developing extremely quickly also; as far as we can see this is a part of the world where a lot more is going to happen than was formerly the case. This is of course one of the reasons why we think France ought to develop its relations with this part of the world, which we are doing. The EEC has developed relations with the ASEAN countries. There is an economic agreement between them. We have been very active in helping the refugees of the Indochina peninsula. There also are instabilities in the region. Whether you can label this or that state as being sick, I don't know. I wouldn't care to do so. I think we must work toward stabilization, which is very definitely what we want to do.

Q: How do you see the concept of military aid from a superpower to a country of this region; how would that fit into the joint initiatives that are envisaged?

A: I think the communique gives the answer to that in as much as it talks of "dangerous military buildups liable to threaten peace and stability in such a region..." which is exactly what we all have in mind. This does not mean I guess that the possibility of helping countries to ensure their own security should be excluded. Self-defense is something that anyone would recognize.

Q: One of the elements of destabilization in the region is the China factor. Your country was the first among the five security council members to recognize China. Are you in touch with China, and on what?

A: Yes. Of course, we are in touch with China, if I may just remind you as to why. Our view has always been that China is too large a country to be ignored and that it would probably be a big mistake to try to set China aside,

to ostracize China as some countries did of the Soviet Union after the 1917 revolution. We believe this is not the right way and that the best we can do with China is to develop relations and bring China into the international society. For instance, we are happy to see China develop an interest in disarmament talks going on in Geneva; although it has not yet taken up its seat, it is following informally the discussions. We believe this is the right way to develop relations with China.

Q: Do you think China is playing a constructive role in this region?

A: I think it is appearing as a power, a world power, and this raises a number of consequences, but I think the important element is to get various principal nations of this part of the world to develop as good, neighborly relations as possible. I think it would be harmful to the peace of the area if there were blocs to be established in the area, which is one of the things the communique says. This is one of our worries, that the situation of tension could lead to the building of blocs.

Q: What kind of blocs do you mean?

A: Alliances with very definite sets of relations. We believe in a multipolar world.

Q: Do you see any indication yet of the Soviet Union leaving Afghanistan to their own people.

A: I have not seen any at this stage. It is our position that this must take place. We voted in the U.N. that the Soviet Union must bring its troops back. We see no other alternative for the expression of free will of the Afghan people. I myself said so to the first vice foreign minister of the Soviet Union who came to Paris to see me.

U.S. journalist: Your British counterpart, Lord Carrington, was here last week and he went to great pains to stress that he felt that Pakistan's fear for its territorial integrity was legitimate, and that the kind of aid being proposed by the U.S. seemed reasonable and constituted a special case. Do you share this assessment?

A: I don't know. Frankly you are asking a question I don't want to answer because I don't know exactly what American plans toward Pakistan are. He (Carrington) may know more but I don't. He is coming to visit me in Paris next weekend, so he will tell me.

Q: The American response to the Afghan occupation by Russian troops seems to have shifted to a premature concern for Pakistan's security. Does it imply that America and its allies in Europe have given up Afghanistan?

A: No, let's say we have not.

Q: During your talks here, did the question of French supplies for the fast breeder at Kalpakkam come up?

A: Not to my knowledge. As you know, we've had discussions going on in various sectors but as far as I know, the answer to that is no.

Q: Anything on nuclear energy?

A: Yes. I have had general discussions on nuclear energy but not on any Franco-Indian problem.

U.S. journalist: In the interest of reducing superpower confrontation, do you see any possibility of India helping Pakistan with its security needs?

A: I don't know. You mean India helping Pakistan on security? I don't know. Anything that can develop good relations between India and Pakistan is certainly a very positive element for the peace of the area.

Q: Can I bring you back to the point you made earlier about important French-German meetings coming up. My question is the following. India's Prime Minister at the UNIDO Conference referenced tremendous monetary instability throughout the world affecting development plans of the entire Third World. I understand recently that France and Germany collaborated in setting up the European Monetary System (EMS). How do you see the EMS becoming a vehicle or base structure for a new monetary system that is capable of extending the kind of long term credits necessary for industrial development in the third world?

A: Well, I think you are putting a very good question. It is a little early. But you know we have set up a system to develop monetary stability amongst European countries. It is not as yet as much as you've said it was. This is what complicates the answer. We have set up a scheme that at this stage limits the variation of exchange rates and that creates a new monetary unit only to be used between central banks. It is very limited, so you cannot say that we have introduced a European Monetary System. We are on our way to doing that, but we have not done that yet. And what you are suggesting may be a thing of the future. It is not a thing of today. So I think it is too early to say how a monetary system of the future would look. Probably very different from what it is today, but how it should look and should this European system be an element of it, which is in fact the question you asked, frankly, I think it is a very difficult question to answer at this stage.

We made an effort to develop stability amongst European nations, most of which make approximately 500 percent of their trade with one another. So, monetary stability means a lot simply because it means 50 percent of your exchanges are done under conditions where better stability is preserved. But from that to unified monetary systems capable of extending such credits as you are asking 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. And if I would be saying so I would be bragging to you and I would not want to do that.

Q: India has said in the past that it accepts Soviet assurances that it will pull its troops out of Afghanistan. Does your government also accept such word from the Soviet Union?

A: There are obvious differences you know. We have made a common declaration but we are in Europe and this is another part of the world. But there is a great measure of identity in the analysis and in the concern and I don't want to comment on anything said here. We said what we felt was necessary and that is that Soviet troops must pull out and some precision must be given as to when and how. I think we have done enough on the international situation. Let's speak about Franco-Indian relations.

Q: Do you believe some agreements will be signed tonight?

A: Yes. A number will be signed. One on aluminum, one on coal production, French technical help in coal production and maybe in commercialization. Maybe France will be interested in purchasing coal from India. Nothing precise on this. First, India must develop coal extraction, chemical and fertilizers, and a certain number of technical and technological agreements, oceanography. We have been talking about oil, but I don't think this agreement is ready. We are signing what is ready. Not everything we discussed is ready for signing. Seven will be ready.

Q: Will there be French assistance on steel?

A: This was discussed, but we have the means we have, and it seems difficult to launch financing for both an aluminum facility and steel and the choice was aluminum. In aluminum is the whole process, extracting and getting products going.

Q: There is a Soviet agreement on bauxite. Is this competitive?

A: I don't think these are competing projects. The projects are huge, so there is scope in the same field for various interested parties. But it is not a triangular agreement.

Q: Anything in the defense field?

A: Not at all. As you know we are not great defense suppliers of India. Not that we would not be interested in this.

Q: Your deputy chief of staff is here and meeting with people in the Defense Ministry...

A: Maybe later but nothing now as far as I know.

Q: What about the French airbus?

A: This is a commercial deal.

Q: You said that India is an industrial power. It was nice to hear that, but I think this is a double-edged thing. It is a compliment but it has repercussions. In international dialogue, you then say we have no problems...

A: Why, we never say that. How do you come to that conclusion? But I think there are appearing in the developing countries a certain number of powers. I don't think we are among the nations that say, 'Well, you are already out of difficulties,' that is not the way we reason. If you look around the world you will find in the developing world certain who have become industrially powerful and yet remain developing nations, and I think India belongs to that category. It is becoming very powerful and significant and yet it is a developing nation and regards itself as such.

U.S. journalist: Coming back to Afghanistan...

A: We were out of it and let's not go back into it...

Q: ... What is the strongest thing that France can do to get the Soviets out of Afghanistan? Or does France feel completely helpless and totally without diplomatic initiatives?

A: No, no I certainly wouldn't say so. Who has done something powerful enough to get them out? If you name it I will follow you.

Indian journalist: There is a lot of expectation around Gen. Zia that he will throw the Russians out...

A: Is that so.

U.S. journalist: Are you comparing an American military move or something like that—

A: What military move?

Q: Well, you know, moving aircraft carriers in the Indian Ocean...

A: Was this done for Afghanistan or for Iran?

Q: Well, what is the strongest thing we can do?

A: No, no we are doing what we think should be done. I think this is what we have done with our Indian friends, that is to see to it that the voice of peace be strongly heard. I think this is what we have achieved. Thank you very much, and on this voice of peace we shall end...

Q: Was there any discussion of restarting the North-South dialogue? Is France going to take any initiative?

A: I don't think we are there yet, but we discussed this in a very interesting way. You have very able people here and we shall see if we can meet and work on this subject again.

II. The India of today

The Prime Minister

'The only man in the country'

Mrs. Indira Gandhi's spectacular return to power, within 30 months of her equally spectacular defeat in March 1977, has put the Indian nation on the world map once again. Unlike the 1971 general elections in which she had a strong party and an alliance with the Communist Party of India and some other splinter left-of-center groups, in the latest election Gandhi had to fight alone against formidable combinations of rightist and leftist forces ranged against her across the country. With her own party badly divided and disorganized, with most of the traditional state bosses reduced to political impotence, the electoral victory she nonetheless scored reflects the Indian nation's confidence in her leadership at a critical juncture.



Those unacquainted with how the vast sea of Indian humanity reacts to its own problems and to events in the world were surprised by the election results. The Indian people, though poor and largely without formal education, have an earthy common sense when it comes to judging who can attend to their needs and enhance India's role in the world. Unlike the Chinese, for example, Indians, since the dawn of history, viewed themselves as part of the world community and have a well established tradition of intercourse with the world at large on scientific and philosophical problems. This tradition, which the British colonialists were aware of and sought to destroy, was resurrected by Jawaharlal Nehru whose scientific outlook influenced an entire generation of Indian youth, intelligentsia and political activists. Of all the

leaders active on India's political stage today, Indira Gandhi, more than any other, shares the nation-building outlook of her father. Therein lies the secret of her much-discussed personal charisma.

Her political psychology is the combined effect of, on the one hand, her confidence in the Indian nation's capability to take giant strides on the road to progress, and on the other, her fear and suspicion of the forces which want to prevent, even physically destroy the nation's capability to go in the direction she wants to take the country. She has a strong "voluntarist" tendency, which at critical moments leads her to take actions that appear to be "a gamble" to her less sophisticated and timid colleagues who often do not keep pace with her thinking and urge for action. One often hears Indian politicians and journalists talking in desperate tones of her style of functioning, of her "using and discarding" human instruments. But on careful checking, one cannot miss the reason for her behavior. Her experience of the so-called senior party men is simply that at critical points, instead of coming forward with principled recommendations or solutions, they invariably raise their hands saying: "You are the best judge. Do what you think best." The junior ones whom she picked up and formed have often been found assuming airs they hardly deserve, while flunking when hard and risky decisions have to be taken.

In 1965 then Prime Minister Lal Bahadur Shastri remembered Indira Gandhi only on the day Pakistani armoured columns threatened to cut the only communication line between Srinagar and the rest of India, and seize by force the Kashmir valley. In the midnight conclave, Indira Gandhi boldly endorsed a timidly put forward thought that the Indian army ought to launch a counteroffensive in Lahore to relieve the pressure on Kashmir. This was done and she went out into the countryside to mobilize the population for national defense. Behind this resolute step was her bitter experience of army officers and politicians stabbing her father in the back during the 1962 Chinese aggression against India. Again in 1965, Indira Gandhi learnt the bitter lesson of Anglo-American perfidy in dealing with India.

She has not lived down the experience she shared with

her father in 1962, when Jawaharlal Nehru was subjected to humiliating conditions proposed by the several British and U.S. delegations which visited India during that critical period. In 1971, she was faced with a grave situation, with millions of Bangladesh refugees camping on Indian soil, virtual genocide taking place in East Pakistan and Pakistani troops backed by the Anglo-Americans on the one hand, and the Chinese on the other, threatening to attack India. The ignorant U.S. population does not know the role that then Secretary of State Henry Kissinger played in humiliating India while obsessed with his notorious "China Card" doctrine.

Her internal experiences are not very different from her external experiences. Most of the party bosses responsible for her election as Prime Minister in 1966 (on Shastri's death) wanted to use Indira and her family's charisma to garner votes in the national elections of 1967. But once in power, she knew how to deal with them, using both political maneuvers and appeals to the people. The bad performance of the Congress in the 1967 elections, which can be credited to the advice of World Bank agents on major economic and fiscal policies, were used by the 'bosses' to isolate her in the party and attempt to usurp power. In the ensuing fight she mobilized all the pro-development forces, including the Communists, and launched a major offensive against the pro-British feudal princes, the banks known for their scandalous speculative policies and other shady activities.

The ensuing abolition of princes' privy purses and nationalization of major Banks changed the entire social climate in the country, clearing the way for the pursuit of a national development policy. If, with the Indo-USSR friendship treaty of 1972, Indira Gandhi checkmated Kissinger's "China Card," with anti-feudal and anti-speculator steps on the domestic scene, she created conditions in which the economy could grow, and in which Indian scientists could execute an underground nuclear test in the Rajasthan desert. In the midst of these struggles, Indira Gandhi sharpened her skills in dealing with both her internal and external adversaries. She did not entirely perfect them. Her defeat in 1977 can again be traced to her failure to comprehend the trap laid by the World Bank, with its slogan "population control is the greatest input in a developing country like India."

When people refuse to offer real advice on how to meet a particular challenge and only come forward with: "don't do this, don't do that," her natural reaction is "let me face it." She is at her best at such challenging moments. No wonder, her innate strength and determination to act boldly in difficult situations, can be seen at the present moment of grave international crisis. President Giscard found in Indira Gandhi an iron willed but astute statesman. As the Indian soldier says of Indira Gandhi, "She is the only man in the country."

The economy

An energy shortage and inflation

In an interview given to this reporter one day before her swearing in as India's Prime Minister, Indira Gandhi stated unequivocally that the first priority of her administration would be the economy. "The situation is very much worse than I had imagined," she added.

The economic situation in India is indeed grim. The Reserve Bank of India and the Planning Commission Deputy Chairman have admitted that GNP for 1979-80 may register a *decline* over the previous year; at best it will register zero increase.

While agriculture—especially the winter crop—was hit badly by one of the worst droughts in centuries, industry has fared no better. Industrial growth from April to November fell by 0.5 percent over the same period the previous year. Officials are now saying that industry will be "lucky" if the fiscal year ends with a zero-level of growth.

The key sectors

While the expected decline in agriculture can be blamed on the drought, the overall crisis in the economy is the direct result of "mismanagement" by the Janata and Lok Dal governments in the vital sectors—energy, coal, transportation, distribution, etc.—which are all under government control. This is established by a simple review of the present state of the key sectors of the economy.

Coal. Production may not reach 90 million tons, despite the fact that in 1978, it reached 192 million tons. Since India's energy sector is heavily dependent on coal-fired power, this shortfall has wreaked havoc. The severe power blackouts in the Calcutta and Bombay regions earlier this year—caused by bad maintenance at thermal plants and low water-levels at hydroelectric stations—have continued throughout the year due to coal shortages. At present 600 megawatts of thermal capacity is lying idle because of coal shortages.

Ironically one of the main reasons given for the decline of coal production is the power shortage for the coal mines. In the year ending November 1979, the official estimate is that 4.7 million tons of coal production were lost due to lack of power.

Unless urgent measures are taken to rapidly upgrade production and transportation of coal, shortages are expected to continue. The caretaker Lok Dal government reportedly ordered a slowdown in the construction of two 1,000 megawatt superthermal plants, since coal supplies will not be available to fuel them.

One expert in the area reported that the previous governments passed up an opportunity to boost a generation of old 250 megawatt plants to 330 megawatts through a relatively modest investment in modernization.

Steel. Despite Janata estimates that production in 1978-79 would reach 8.8 million tons of saleable steel, since 1976-77, output has declined from 6.9 to 6.5 million tons. This year it is expected to fall even further—at mid-year it had declined by 9 percent over the previous six-month period. The collapse in pig iron has been even more drastic—in the first seven months of 1979 it went down by 45 percent over the same period in 1978. The reasons given for the decline of steel production are: power cuts, shortage of coking coal, transport bottlenecks and labor unrest. For example, the supply of coking coal has gone down by more than one million tons which will translate into a fall of 0.7 million tons of steel ingot and 0.5 million tons of pig iron.

The chairman of the Steel Authority of India has warned that the stocks of coking coal are precariously low and steel plants have been operating with one sixth the desirable stocks of 600,000 tons of coking coal. This, combined with erratic power supply, he warned, will spell ruin for the steel industry.

Aluminum. Because of severe power shortages this energy-intensive industry is expected to fall by about 16 percent over the previous year. Against a total demand of 325,000 tons, production may not surpass 180,000 tons. The shortage of power is most visibly reflected in the low capacity utilization, only 55 percent compared to 76 percent in 1976-77.

The shortfall in aluminum production has affected thousands of smallscale units manufacturing cables, which are getting only one fourth of their requirement of aluminum.

Cement. During 1979, production declined by 8 percent resulting in a shortfall of about 7 million tons. Throughout the year capacity utilization declined steadily from 95.1 percent in March to 77.2 percent in October. The shortfall in cement production, expected to be around 7 million tons, is likely to have a very adverse impact on construction activities, pushing prices up and rents.

Phosphate fertilizers. Despite the “rural bias” of the previous governments, production of this vital input fell by two percent during the first seven months of the current fiscal year.

Copper. Production of blister copper during April to October of this year was 9.5 percent above the corresponding period last year.

Other indicators

Consumer goods. The fall in industrial production has carried over into the consumer goods sector. For example, sugar production alone has declined by around 34 percent as compared to the figure for the corresponding period of the last crushing season. During the first two months of sugar cane crushing in 1979-80, the total sugar production was 295,000 tons, as against 395,000 tons during the corresponding period a year ago.

Other consumer goods sectors have been equally hard hit. Cotton fabrics production has fallen by 7 percent; tea by nine percent; scooters and motorcycles by 5 percent, and cooking oil by 9 percent.

Private investment. Despite much propaganda when the Janata government took office that the climate for private sector would improve, just the opposite has taken place since 1977. The crisis in power, steel, transport and other basic sectors has had an obvious impact on the private sector. Despite all types of government concessions, no growth rate in the private sector is visible, and the incidence of “sickness” among industrial units has grown.

Assistance given by the banking system to newly established companies declined from 2.51 billion rupees in 1977 to 2.18 billion rupees in 1979. At the end of September 1978, the number of medium and large scale “sick” units increased from 270 to 334. The same situation carries over to the larger public sector. The number of registrations of government companies during the three year period went down from 54 in 1977 to 33 two years later.

Inflation. Inflation during the past year—which had a major impact on the mood of the electorate—has also reached dangerously high points. By last November, the wholesale price index had risen from 184 to 221—during July it rose by 1.3 percent per week.

The inflationary problem is most sharply reflected in the Cost of Living indexes (COL). While the COL for industrial workers had *declined* during the two years (1975-77) of Gandhi’s “emergency rule”—by 1.3 percent and 3.8 percent, respectively—it has increased steadily under the Janata and Lok Dal governments. The condi-

tion of agricultural workers has deteriorated even more sharply. In 1976-77 the agricultural COL declined by 4.7 percent, but in 1977-78, it increased by 6.9 percent. In August 1979, it was 10.3 percent higher than in March 1979.

The decade of the 1980s

Despite the bleak current picture, the crisis in the Indian economy is not an endemic problem. The current sorry state is due to explicitly anti-industrial "ruralist" policies and should serve as a lesson to the proponents of "appropriate technologies" for the Third World.

Under the Janata, a deliberate effort was made to end the policies of Jawaharlal Nehru—building up the strategic heavy industry and energy sectors of the economy. Finance Minister Charan Singh—who later became Prime Minister of the caretaker Lok Dal government—is a spokesman of the landlord peasant community (the Jats) and insisted on implementing World Bank "rural bias" policies. The Janata's economic priorities were: 1) greater emphasis on solar and bio-gas energy; 2) a policy of "de-tractorization" for the countryside (to save fuel and increase employment); and 3) greater utilization of "animal and human labour."

The Janata leaders were evidently blind to the fact that they were not dealing with a backward underdeveloped economy, but with the tenth largest industrial economy in the world. Despite the backwardness of its agricultural sector, since independence in 1947, India has built up a broad-based industrial economy with a well-established capital goods industry and, most important, the third largest pool of scientists and technicians outside the U.S. and Soviet Union.

Gandhi has emphasized the need to revive India's efforts to modernize. To carry out her longer term perspective, the new government is expected to strengthen the Planning Commission. In one of her first statements following her election victory, she attacked the Janata for turning the Planning Commission into a non-functional entity.

In her first major speech to Parliament on Jan. 30 Prime Minister Gandhi made it clear that it was necessary to restore the long-term planning process. The Janata and Lok Dal "have been caught in last moment decisions," she stated. "We need a long term perspective."

However, given the magnitude of India's problems—as shown in the fact that 80 percent of the population still lives in the rural sector—a formidable development effort will have to rely on cooperation from abroad. Yet, with its broad-based industrial infrastructure and large scientific and technical manpower, perhaps no country in the Third World is as well situated as India for such a take-off in development.

—Paul Zyckofsky

The nuclear program

A comprehensive plan for atomic energy

During his visit, French President Giscard referenced the great advances made in Indo-French collaboration in the fields of applied mathematics, data processing, solid state physics, microelectronics, biophysics and electrical engineering.

No other country in the Third World has developed these areas of knowledge on a par with the industrialized countries. Now India is at the stage that not only can it assimilate advanced countries' technologies but, scientists tell you, they can contribute to advancing the frontiers of science. Most Indians would proudly tell you that India has made a major contribution to international fusion research, the space program and many other advanced technologies. Not just by chance. India has the third largest pool of scientists and engineers in the world.

As dramatic as theoretical achievements, Indian scientists are getting ready to unveil a big surprise. In 1980, 50 miles from the southern coastal city of Madras, there will open Asia's first experimental fast breeder reactor, built by Indian know-how with French design.

The nuclear energy plants dispersed across this nation not only hold the promise of future energy abundance. They are the concrete symbols of this country's ability to move forward.

Essential to nation-building

Atomic energy development, from the outset, was deemed essential to the nationbuilding process by Prime Minister Jawaharlal Nehru, and also by his daughter, Indira Gandhi.

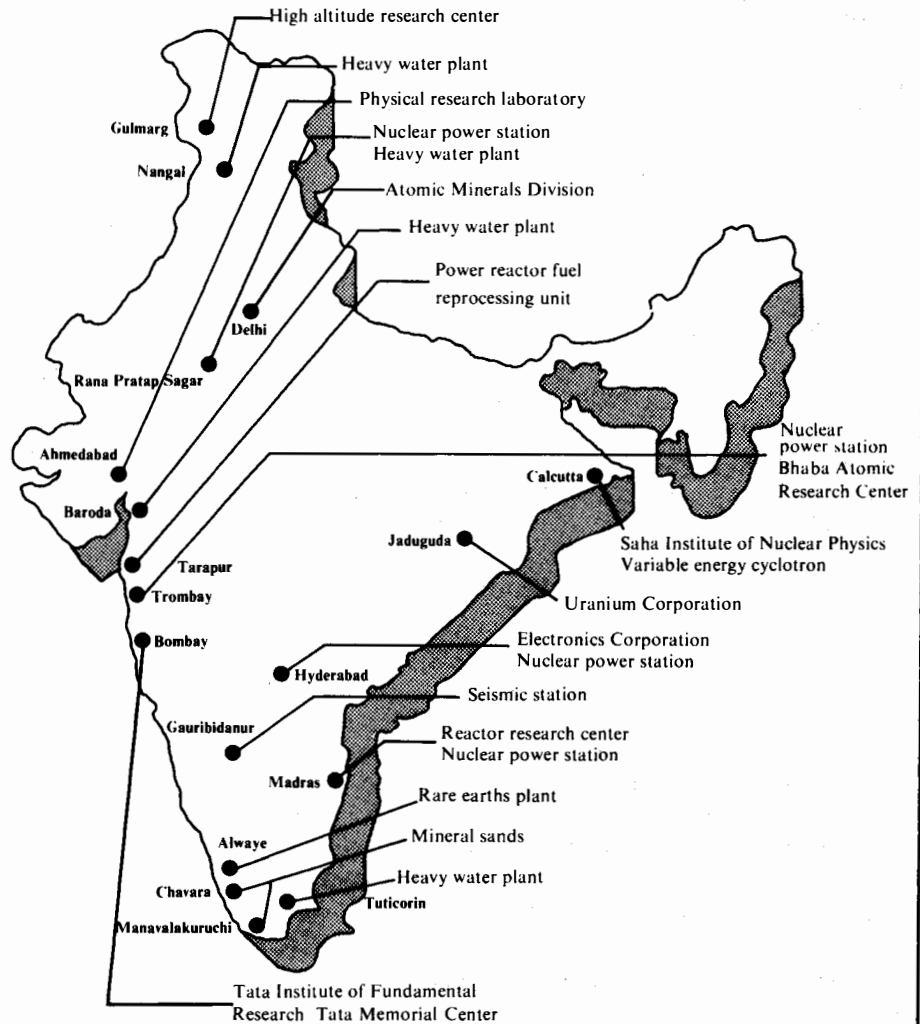
In 1943, Homi Bhabha, an enterprising physicist, wrote to Dorabji Tata, head of the Tata industrial family, asking him to "create the conditions through financial support to facilitate the development of science in India at a pace the talent in the country would warrant." The Tatas underwrote the creation of the Tata Institute of Fundamental Research in 1945, and even before independence, it became the "cradle" of a peaceful nuclear energy program.

In 1946 a provisional Atomic Energy Commission

India's Nuclear Industry

In 1955, Homi Bhabha, head of the Indian nuclear development program, stated the nature of India's thinking on energy questions, the reasoning that led to the nuclear industry located on the map. Said Bhabha:

"The total per capita consumption of energy in the United States is equivalent to the burning of some nine tons of coal per annum per capita. The same per capita rate of consumption in India, assuming a population of 400 million or so, would correspond to the burning of 360 million tons of coal per annum. Let us leave out the coddling economy for the moment. The utilization of a potential 35 million kilowatts of hydro-electric power would make little difference to this arithmetic, since installed hydro-electric capacity of 35 million kilowatts corresponds to an annual coal consumption of 90 million tons. We therefore come to the inescapable conclusion that the resources of hydroelectric power and conventional fuels in India are insufficient to enable it to reach a standard of living equivalent to the present U.S. level. That is what we must strive for."



was created under Bhabha; in 1953 it became a fully empowered partner of the Indian Planning Commission. In 1954, the AEC was formed, and by 1955, Asia's first experimental reactor outside the Soviet Union had been built.

India's interest in fusion development began almost as early. Homi Bhabha boldly told the 1955 International Atomic Energy Conference: "It is well-known that atomic energy can be obtained from a fusion process as in the H-bomb, and there is no basic scientific knowledge in our possession today to show that it is impossible for us to obtain this energy from the fusion process in a controlled manner. The technical problems are formidable, but one should remember that it is not yet fifteen years since energy was released in an atomic pile for the first time by Fermi. I venture to predict that a method will be found for liberating fusion energy in a controlled manner within the next two decades. When that happens, the

energy problems of the world will be truly solved forever, for the fuel will be as plentiful as heavy hydrogen in the oceans. The so-called barriers of science have again and again in the past been proven surmountable by man."

A three-stage nuclear plan

In India's domestic nuclear program, three stages were envisioned. The first stage was based on natural uranium and its use in reactors moderated by heavy water. As India's natural uranium resources are limited, not many of these heavy water reactors could be built. A by-product of the reactors of this first stage was plutonium which, when recovered from the spent fuel, can be used for the next generation of reactors—the fast breeders which yield more fuel than they consume. The third stage envisioned was the use of breeders to convert another fertile material, thorium, into uranium-233.

When sufficient uranium-233 is accumulated, thorium breeders could be operated on a thorium-233 cycle.

The last phase the late Bhabha foresaw was fusion power.

India has by no means been able to live up to the timetable of this AEC blueprint, for a variety of reasons not of Indian making. But it has attempted to travel this road, and in the process built up an impressive array of nuclear-related programs and spinoff benefits.

The star of the program is the Bhabha Atomic Research Center (BARC) located outside the western industrial hub city of Bombay. It contains over 10,000 personnel, about half of whom are skilled scientists and technicians. BARC itself houses four research reactors. Apsara was built in 1956 through Canadian collaboration; Cirus in 1960; Zerlina, totally Indian made in 1961, and Purnima in 1972. At the same facilities, one finds a uranium metal plant, a fuel elements fabrication plant, a plutonium plant and a large civil engineering staff.

The BARC effort has resulted in spinoff industries across the country (see map). But thus far, only four reactors are commercially active. Three are CANDU heavy water plants; one is an enriched uranium plant at Tarapur. At Kalpakkam, Madras, scientists hope to replicate, for the fast breeder program, the backup facilities that BARC has for the CANDU heavy water reactors. The Indian capacity to build nuclear plants has progressively increased since the first plan. From the 66.3 percent foreign component in the Tarapur nuclear plant, it came down to 20.3 percent in Kalpakkam. The next plant will be 100 percent Indian-made.

Bhabha's strategy to involve international cooperation in such a way that domestic skills are enhanced is now bearing fruit.

Applied nuclear energy work has also been emphasized. Three projects best illustrate the efforts:

- BARC scientists have estimated that through the use of peaceful nuclear explosions (PNE) on the model of India's 1974 Pokharan explosion, harbors can be built at a cost ten times cheaper than conventional means. India has a huge coastline, but few natural harbors.

- In 1969, a Tata Institute of Fundamental Research (TIFR) scientist did an extensive study of using PNE to create water reservoirs.

- In 1966—BARC initiated studies for "Nuclear Powered Agroindustrial Complexes—Nuplex." BARC proposed two areas—the Gangetic plain and the western Saurashtra region. Its aim was to integrate around a nuclear energy center a complex of industrial and agricultural activities. BARC estimated that the project could feed 30 million people!

The Nuplex came to be known by Indian scientists as "strategy for survival."

—Paul Zykojsky

An economic ambassador

MECON: India's export of technical know-how

With its large number of scientists and engineers, India today is one of the countries that can play a major role in the development of the more backward countries of the Third World. Already in the past few years tens of thousands of Indian skilled and semi-skilled workers have participated in development projects in the labor-scarce countries of the Middle East.

Provided the Indian economy moves ahead in the next few years, there is no doubt that India, through its expertise, can serve as the workshop for the development of the entire Indian Ocean littoral region from Africa to Southeast Asia.

One of the entities which will undoubtedly play a leading role in this process is Metallurgical and Engineering Consultants (MECON) established over 20 years ago as an offshoot of the public sector steel manufacturing company—known today as Steel Authority of India (SAIL).

Today MECON is the largest firm of its type in India, employing over 2,000 engineers. Even by international standards, it is a unique firm, offering a broad range of engineering and consultancy services, from general project reports and site-selection to detailed equipment design and commissioning for rolling-mill machineries.

While MECON specializes in the steel industry, its expertise extends to other important sectors as well, including power distribution, aluminum, mining and ore beneficiation, refractories and chemicals.

D.K. Kengupta, the Chief Resident Manager of MECON in New Delhi, told this reporter that in the past three years his corporation has begun to extend its activities outside of India. One year ago MECON signed a contract with the Nigerian government for consultancy, design and project supervision for two, one-million ton steel plants. In the more recent period, it has been commissioned to do feasibility studies for steel plants in Syria, Dubai, Abu Dhabi, Bangladesh and Liberia, a market survey for cold-rolling products in Indonesia, and in January of this year, MECON and the well-known Swiss aluminum company, Aluisse, established a joint capital venture—Indo-Swiss—to offer a broad scope of

engineering and contracting services in the field of aluminum.

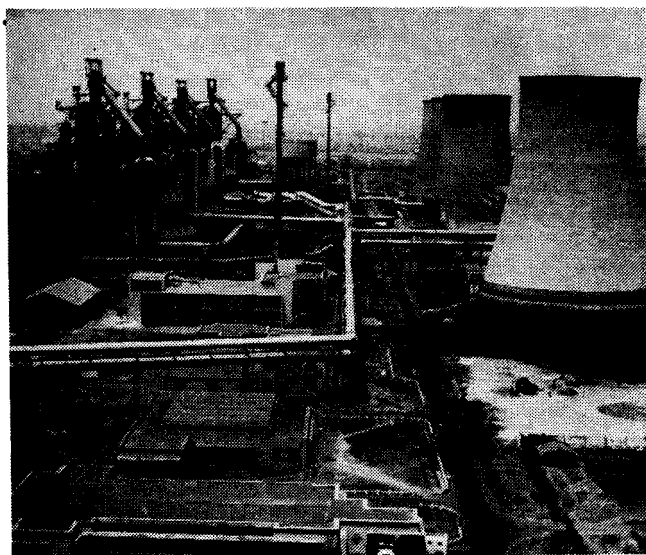
Sengupta indicated that MECON's entry into the competitive world of bidding on international projects had initially met with hesitancy in Third World countries over India's ability to compete with the industrialized nations. But now, this view has shifted, and many developing countries swear by MECON's expertise.

What has made MECON attractive to other developing countries is its unique history and expertise in working in underdeveloped economies like India's own, with problems of lack of necessary infrastructure and skilled labor.

MECON grew out of India's modern steel industry, established less than 25 years ago under Nehru. India has built up four major steel plants, capable of producing approximately 10 million tons of steel per year.

With every new plant, India emphasized the need to increase the domestic input of equipment and machinery. Thus while the first steel plants built after independence at Rourkela and Bhilai relied on equipment and expertise from West Germany and the Soviet Union, the newest plant at Bokaro has relied on Indian input for 90 percent of building structurals, 100 percent of technological structurals, 65 percent of mechanical equipment, 48 percent of electrical equipment, 80 percent of instruments and 60 percent of refractories.

Because MECON grew out of India's own development of a domestic steel industry, it has first-hand knowledge of the problems developing economies face when undertaking advanced technology projects. As an autonomous part of the Steel Authority of India Ltd. (SAIL), MECON can offer a wide-scope of services to other developing countries. For example, SAIL operates technical training institutes at its plants in Rourkela, Bhilai, Durgapur and Bokaro. Aside from training Indians,



The steel plant operated by SAIL at Durgapur.

these have trained more than 550 people from countries like Nigeria, Afghanistan, Iran, Indonesia, the Philippines, Sri Lanka, Burma, Korea, South Vietnam, and even West Germany.

In addition, MECON offers the services of Hindustan Steelworks Construction Ltd. (HSCL), a subsidiary of SAIL and the largest government owned construction company. According to SAIL's own brochure, "the strength of HSCL lies more in its enormous skilled manpower than merely in equipment and other resources. Over 21,000 men work at HSCL, including 1,600 engineer officers, 1,700 supervisors and more than 17,000 workmen." HSCL's construction projects extend beyond the steel sector to construction of large industrial projects, power plants, bridges, dams, docks, townships, mines, roads, etc.

One of SAIL's brochures directed at other developing countries convincingly explains why India, if it moves forward with an ambitious development program, can become the "workshop" for development of the region:

"The growth of India's steel industry over the last 20 years is a living example of how the most sophisticated technology can be adapted to suit the needs of a developing country.

"Until 1956, the steel industry in India was practically non-existent. This was a time when the need for industrialisation was imperative, but India could not simply construct her steel plants, hire the engineers and go into production.

"The technological infrastructure to support such a gigantic and sophisticated programme did not exist.

"So India launched a massive, integrated programme for steel development. Collaboration was set up with the industrially advanced countries and a flood of expertise and experience poured into the country.

"But all through, the battle was for self-reliance. In every field of steel technology from consultancy to design to engineering to construction to training, the emphasis gradually shifted to local talent.

"And today, the steel industry in India is in a position not only to meet the country's own demands, but to export a substantial quantity of its production, share its experience in the field of technology and construction and provide training to the technicians, technologists and managers from other countries.

"And all of this cumulative experience of the Indian steel industry—first hand knowledge of the problems that a developing country has to face—is now available through the Steel Authority of India Ltd.—SAIL in short—the 22,000 million-rupee holding company which accounts for nearly 30 percent of the total investment by the Government of India in public sector enterprises.

"SAIL is thus the Government of India's ambassador for sharing of technology with friendly countries."

—Paul Zykojfsky

III. The India of tomorrow

The world's workshop

The industrial development of the Asian subcontinent

This section is a partial reprint from an EIR Special Report to be published soon, "The Industrialization of India," a program developed in collaboration with scientists from the Fusion Energy Foundation by a team under the direction of Contributing Editor Uwe Parpart. What follows is Mr. Parpart's introduction to that EIR Special Report in full:

In a speech delivered in the Lok Sabha (house of Parliament) on May 23, 1956, Prime Minister Jawaharlal Nehru, initiating the debate on India's Second Five Year Plan, spoke on the principles adopted by the Planning Commission in the preparation of its report:

"When we talk of planning we have to think in technological terms, because it is this growth of science and technology that has enabled man to produce wealth which nobody could ever have dreamed of. It is that which has made other countries wealthy and prosperous, and it is only through the growth of their technological process that we shall grow and become a prosperous and wealthy nation; there is no other way. . . . Therefore, if India is to advance, she must advance in science and technology, and India must use the latest techniques, always keeping in view, no doubt, the fact that in doing so, the intervening period, which is inevitable, must not cause unhappiness or misery. . . . But the fact is that our poverty is due to our backwardness in science and technology, and by the measure that we remedy that backwardness, we create not only wealth but also employment."

This report on the future industrial development of India, initially commissioned in July 1979 by Lyndon H. LaRouche, candidate for the Democratic presidential nomination, in consultation and after discussion with Indian scientists, engineers and political leaders, was prepared in the spirit that guided Nehru's 1956 remarks,

although—as he would be happy to note—its proposed goals and objectives well exceed those he envisaged 25 years ago. The report's principal conclusion is that in the 40-year period between 1980 and 2020, India, while almost doubling the size of its population from 660 million to slightly less than 1.2 billion, is entirely capable of advancing from abject backwardness to the status of a modern industrialized nation with an educated population and an industrial infrastructure comparable to those of the Soviet Union today.

This of course presupposes precisely what Nehru demanded: utilization in the development process of the latest, most advanced production technologies rather than reliance on the World Bank or Club of Rome "appropriate technologies" concept which stresses labor-intensive production methods and technologies appropriate only to the present backwardness of the overwhelming majority of the population. Nor can a gradual, "organic growth" approach to economic development—the type of growth currently advocated by the Club of Rome in contraposition to the allegedly "cancerous" exponential growth experienced by the advanced sector nations during the past century and a half—be expected to alleviate India's misery. Nothing but a sharp, well-defined shock delivered to the entire economy, especially to the dominant but at best marginally productive rural and so-called unorganized sectors, will break the cycle of underdevelopment.

This will be accomplished by marshalling the 10 million most highly skilled of Indian workers joined by India's extraordinary and well-qualified corps of scientists and engineers, exceeded in size only by the Soviet Union and the United States, and set in motion by a necessary initial infusion of imported capital, bringing this concentrated force to bear on two principal objectives:

1. A crash nuclear-based energy development program to power the industrialization process; by 1990, ten years into the program, more than 50 1000 MWe nuclear power plants should either be operating or in various phases of construction. Simultaneously the first nuclear-centered agro-industrial complexes, so-called nuplexes,

Table 1
GNP and consumption
per capita comparisons*

	GNP per capita* (U.S. dollars)	Energy (kg coal* equivalent/capita)	Steel (kg)**
United States	10,331	4040	549
France	3,282	2340	350
F.R. Germany	4,484	2085	490
Japan	2,515	1155	583
Soviet Union	4,058	970	554
Mexico	1,064	528	103
Brazil	450	309	105
Korea	579	162	85
Egypt	301	160	42
India	183	90	14

* Computed from 1968 figures.
**Computed from 1975 figures.

will come on line and become the highly productive cores of several major new cities. This will spearhead a rapid urbanization process which by the turn of the century will have increased the share of the urban population from today's 22 percent to almost one-third. Detailed plans for nuplexes at two separate locations were initially drawn up in the mid-1960s by the Atomic Energy Commission of India and Oak Ridge National Laboratory in the United States.

The extent to which worldwide energy development, industrial development, and standard of living go hand-in-hand is evident from Table 1, and there should be no illusions about the fate of tens of millions of Indians between now and the year 2000 if the "hard technology" energy program detailed below is not enacted. This fact is well known in India. As the great Indian scientist Homi Jehangir Bhabha remarked in 1955 before the Geneva Conference on the Peaceful Uses of Atomic Energy, "For the full industrialization of the underdeveloped areas, for the continuation of our civilization and its further development, atomic energy is not merely an aid; it is an absolute necessity."

2. The second principal target area for Indian economic development is water management—the huge but entirely unavoidable task of harnessing the subcontinent's immense water resources, if the deadly, centuries-old cycle of droughts and flood is to be broken and a

modern agricultural industry is to replace one of the world's least productive rural economies. While presently only the Ganges carries sufficient water during the dry season, India's other rivers, if properly dammed up and channeled, could put the whole country under two feet of water year round and in addition, produce at least 40,000 megawatts of hydroelectric power, or four times the present amount.

The irrigation and power reserves stored up in India's river and hydroelectric balance thus are enormous and require a commensurate effort for their development and activation. It is proposed here that a National Water Management System of the kind first put forward by former irrigation minister K. L. Rao, representing an approximate total investment of \$180-200 billion over a 30-year period, become the single largest industrial construction project for the subcontinent. This plan, through the required manpower and capital resources mobilization and its massive impact upon the productivity of agriculture, singularly exhibits those shock properties for the economy mentioned above.

Concomitantly with the high-impact nuclear energy and water development project, an in-depth mass literacy and education policy must be adopted to eradicate illiteracy which still afflicts close to 70 percent of the population. The problem was defined by Jamsetji Tata, the founder of one of India's largest industrial concerns. In 1876, speaking of the preconditions of industrialization, he listed these priorities: "Knowledge and know-how. And once again, knowledge, know-how, and experience. In addition our own iron and steel. Plus our own cheap electricity."

Through the expansion of primary education, the broadening of secondary education to enlarge the base of an already, in many areas, qualitatively excellent higher education program educating the teachers of the next generation, and the targeted development of adult manpower training programs geared toward specific industrial projects, illiteracy can be substantially eliminated by the turn of the century. At that point, what now appears as India's greatest liability and is defined by the World Bank as the principal barrier to its development, its population, will turn out to be its greatest asset. In 2020, the final years in the projections for this program, the productive industrial (non-agricultural) labor force will reach between 230 million and 240 million—greater than the world's entire manufacturing workforce today.

Agricultural labor will decline to around 130 million. But India's agricultural potential is so large, the gap between the present production per hectare and the productivity levels reached in advanced sector countries so wide, that the water and energy inputs provided for by the water and nuclear projects will transform the country

into a major exporter of agricultural goods.

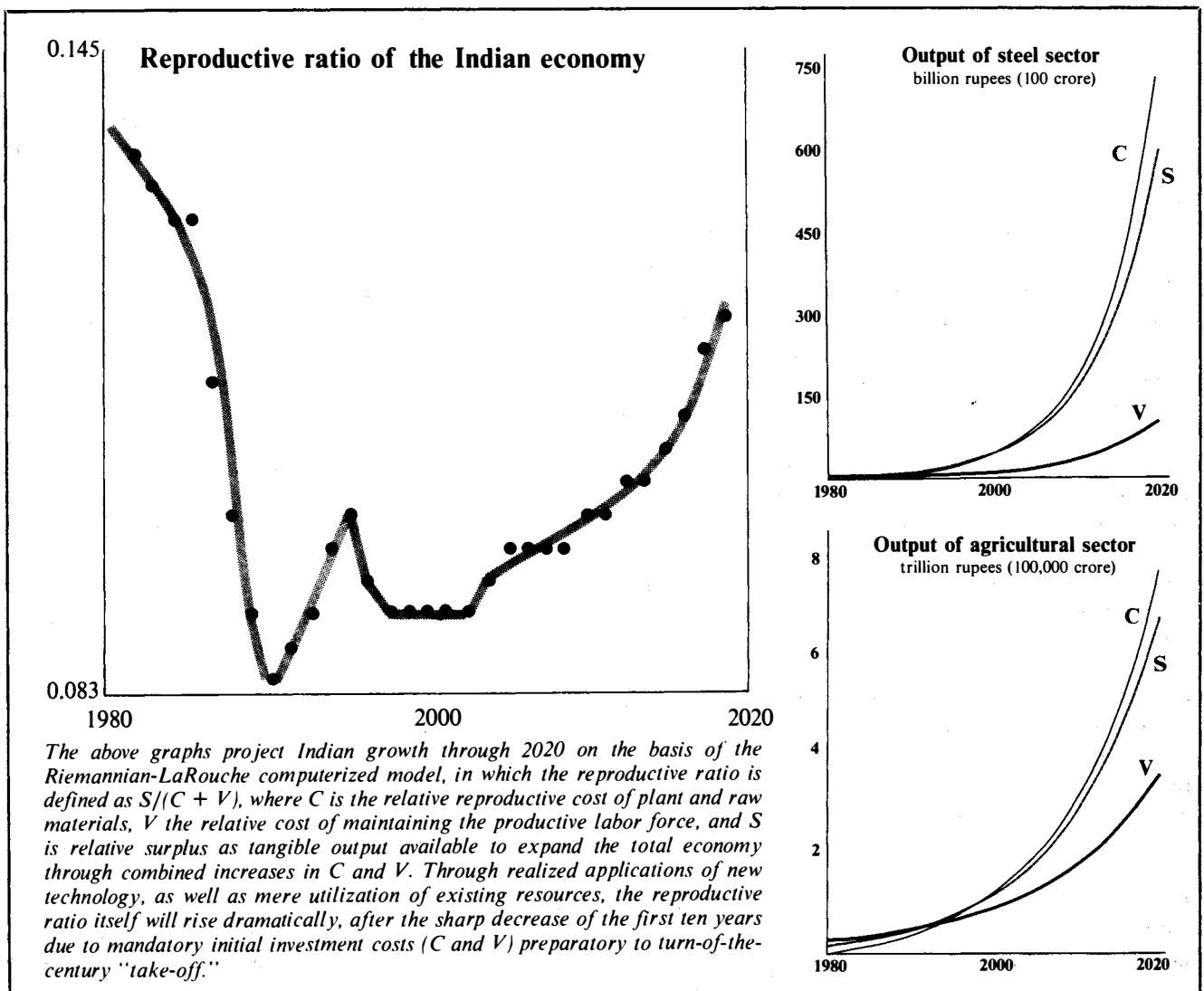
Here are some of the relevant figures: India now has about 190 million hectares under cultivation which could easily be increased by 20 to 30 percent; but even of the existing cultivated land on average only two-thirds was sown in recent years. Even more telling: U.S. farmers use 90 times the amount of fertilizer per hectare as their Indian counterparts.

While these figures demonstrate the enormous development potential of Indian agriculture—provided advanced sector levels of energy throughput, representing higher degrees of mechanization, irrigation, and fertilization, are realized—these same figures, left unchanged, and juxtaposed to present consumption levels of the population, show an equally enormous potential for ecological catastrophe. Out of 660 million Indians, 360 million, or well over half of the population today receives less than the government-designated daily minimum re-

quirement of 1900 calories, and this minimum is already 500 calories less than that specified by advanced sector countries, for their populations. At least a half-million people die of malnutrition every year, and the mortality rate of children under five years of age has risen from 32.2 percent in 1951 to 36.1 percent in 1976.

These last figures are the most telling, but the trend they indicate can be reversed. The physical parameters generated by the program presented here allow us to chart a navigable course for India which will find the country well on its way toward advanced sector status by the turn of the century.

Politically, and as a matter of historical record, it is not unimportant to point out at this juncture that India today is not so much an underdeveloped country as it is a country that was ruined by centuries of British colonial rule and imposed backwardness. As late as the 17th century, India was a developed country by the standards



of that time and throughout its long history had, over several protracted periods, achieved cultural heights and initiated developments exemplary for the rest of the world. Our "Arabic" numerals should rightfully be called "Indian," advanced techniques of iron and textile production have their origin in India, and, at the time of Emperor Ashoka in the third century B.C., India's was the world's most highly developed educational system. Through what nowadays would be called an agricultural extension service, new cultivation and irrigation techniques were spread throughout the land, and in 1950 Pandit Nehru consciously adopted several of Ashoka's ideas and guidelines to demonstrate the continuity of his service as prime minister with that of his great ancestor.

India now must reconnect its destiny to this tradition, and in attempting to do so, she will find herself confronted every step of the way by today's disciples of the British East India Company's most evil product, Thomas R. Malthus.

An ugly mixture of updated Malthusianism and cultural relativism is presented in the chapter "India and the West" of Arnold Toynbee's *The World and the West*. Explaining that Western culture on the planes of technology and science, language and literature, administration and law is "extremely alien" to Indians, he voices his hypocritical concern that "the tension in Hindu souls must be extreme, and sooner or later it must find some means of discharging itself." Aside from the social catastrophe implied by such an "emotional discharge," there looms, according to Toynbee, the truly unsolvable problem of overpopulation: "Since progressive improvements in productivity must sooner or later bring in diminishing returns, the standard of this swollen population seems bound to decline, and there is no margin between the present standards and sheer disaster on the grand scale."

To the extent that India's present political leadership understands the very palpable threat behind Toynbee's theorizing will it be able to recover India's historical greatness following the course outlined two decades ago by Nehru and the scientific elite exemplified and organized by Bhabha.

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Energy

Breeders and nuplexes, the foundation of growth

Today India produces less than 50 gigawatts of energy. To meet its development goals, India must produce 365 gigawatts energy; 286 gigawatts of that energy will come from nuclear power. By the second decade of the development program, India will be an exporter of nuclear power plants to its neighbors.

Meeting that requirement means bringing on line 316 nuclear plants in India; 190 of them imported, and exporting another 58.

India will also become the first nation in the world with operating nuplexes. Beginning in 1980, India will begin the designing and building of nuplexes, or agro-industrial complexes, in which the nuclear power plant acts as the hub for a network of industrial and irrigated agricultural production.

Why nuclear power?

Hydroelectricity and coal and oil-powered fuel capacity will provide 79 gigawatts of India's total energy by the year 2005, a little more than a fifth of the total.

Although hydroelectricity is cheaper than nuclear power, its future capacity in India is relatively limited, and it is usually located far from the areas where it is needed. When fully developed it can provide only about 40 gigawatts of India's power.

India does have large deposits of coal, and although it is of a low grade (high-sulphur-content lignite, etc.), it can be burned in fossil fuels-based plants. However, the coal is also located far from the areas needing it, making transport costs high. Thus, compared to nuclear power, coal electricity is more costly.

Over the next ten-year period, India's coal-based electricity will be increased, requiring at least a doubling of India's current coal production capability. As nuclear power plants are brought on line, coal and other fossil-fuel resources will be diverted to more productive uses—petrochemicals, steel, and fertilizer industries.

1. India's thorium resource

India's cheapest energy source is the thorium-based nuclear plant. India has the largest reserves in the world of thorium, a potential nuclear reactor fuel—over

500,000 tons presently known, and undoubtedly more to be discovered. If this resource can be efficiently tapped, it can become the cheapest way for India to produce electricity. Thorium can also become a resource for export, creating a major income generator for India.

India must immediately launch a program for its own CANDU design and construction for plants of the 1000 MWe size, quickly ending its reliance on Canadian CANDU technology. Uranium fuel for these reactors will come in small part from India's tiny uranium ore supply; the bulk of it must be imported until the breeder reactors come on line. This ore could come from several locations—most likely Australia, Canada, or the Soviet Union.

At the same time, India must begin importing Liquid Metal Fast Breeder Reactors (LMFBR). The current plan is to build up an inventory of plutonium, a reactor fuel produced in the CANDU reactor, and use it to fuel the LMFBRs. The fast breeder moves India to the thorium fuel cycle. The fast breeder is able to convert thorium into U-233 fuel, which can be used effectively in any reactor.

Thus, India's CANDU reactors and imported Light Water Reactors will produce plutonium, which will fuel the fast breeders, which will, in turn, produce U-233 in their thorium blankets, and plutonium in their fuel regions. Both fuels can be used to fuel more fast breeders, LWRs, CANDUs, or High Temperature Gas Reactors, or a combination of all of these.

2. The outlines of the program

The goal of the nuclear energy program is to install about 150 nuclear reactors, averaging 1000 MWe capacity each, in India by the year 2000.

In the same time frame, India will develop the capacity to export 20 reactors, produced by Indian skilled labor in Indian-owned and operated production facilities. India's electrical generation by the year 2000 will be 185 to 190 gigawatts, up from the present figure of 26 to 28 gigawatts. Of this total capacity, 80 percent will be nuclear.

In its first phase especially, India will have to rely upon imports. It will import 16 Light Water Reactors, five of which will be Floating Nuclear Plants; six High Temperature Gas Reactors; and three fast breeders.

The country most advanced in the development of the fast breeder is France, and it is the most likely source for India's imports. France has a 1200 MWe SuperPhenix power plant under construction, scheduled for completion in 1983. India is already working with France in constructing a 15 MWe experimental fast breeder slated for operation in the early 1980s. This effort should be expanded and advanced so that India will have several commercial-size LMFBRs coming on line by 1990. The

Total power generating capacity

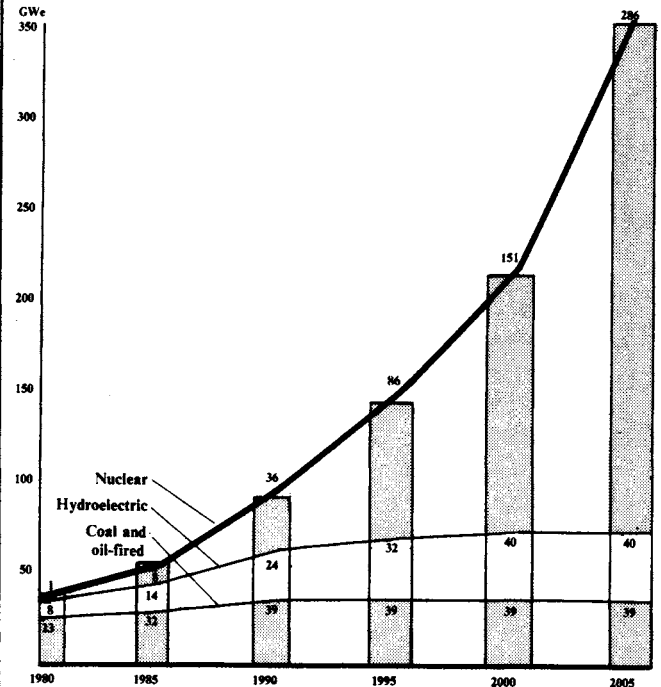
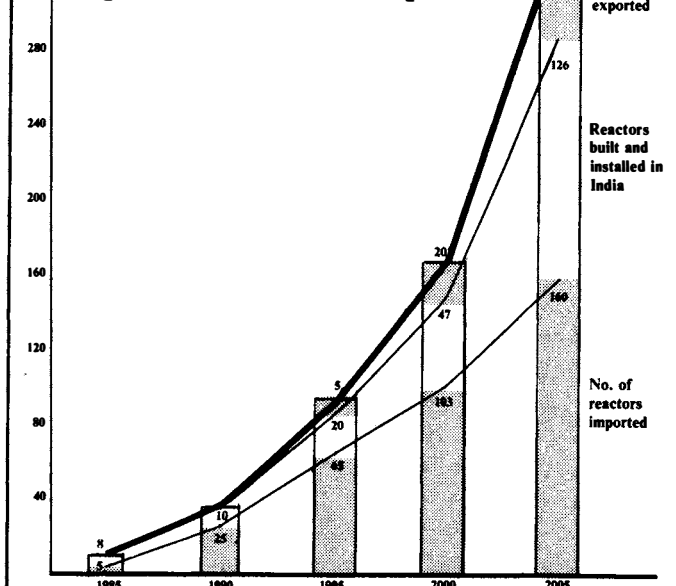


Chart shows the increase in total power generating capacity projected over the first 25 years of the program. Note that nuclear energy, which now supplies 1 percent of India's capacity, will supply 78 percent by 2005.

Number of reactors imported, built and exported



Over the first 25 years of the program, 316 nuclear plants are slated to come on line in India, 58 of them built for export.

Soviet Union, the United States, West Germany, and Great Britain also have the capability to supply India with the 37 fast breeders it will need to import by the year 2005.

Before the year 2000, when India can begin building its own, it will import 12 High Temperature Gas-Cooled Reactors (HTGR). The HTGR is especially required for nuplexes. This reactor is already a developed system in both the United States and West Germany, and should be ordered almost immediately from these sources.

During the second decade of the development program, India will import 26 LWRs, 19 of them Floating Nuclear Plants; six High Temperature Gas Reactors; and eight fast breeders. After the turn of the century, the balance will shift to importing only Floating Nuclear Plants, HTGRs, and fast breeders.

India's goals for domestic production are 45 CANDUs, seven HTGRs, and five fast breeders by the year 2000. By 1990, India will build 10 CANDU reactors. By the middle to the end of the second decade, India will begin construction of its own version of the fast breeder and HTGR. These designs will be based on the experience gained from those imported plants.

Manpower

The use of science to end illiteracy

To become an industrial power by 2020, India must utilize her extraordinarily high number of scientists and engineers (the largest concentration of any place in the world after the U.S. and the U.S.S.R.) to drastically transform the overall character of the workforce.

At present, out of a population of 64 million, 70 percent are illiterate; 78 percent live in rural areas; and out of an official "workforce" of about 230 million, 74 percent are engaged in subsistence agriculture, and 2/3 of the rest work in what is called the "unorganized" industrial sector, which consists of the total of factories with more than 10 and less than 50 employees and no electricity, and of factories with less than 10 employees and electricity.

On top of this miserable state of affairs are two other alarming reflections of the threat to India's most vital resource: 1) 60 percent of the population consumes less than the government standard 1900 calories a day, which is itself 500 calories below industrial nation standards, and 2) infant mortality has in fact been rising over the

recent period of World Bank strangulation of credit and technology.

India needs her population—projected to nearly double over 40 years—to carry out her transition to an industrial power, but its living standards, skill, and literacy must be upgraded immediately, long before the entire job-age workforce can be integrated into industrial production.

To create a skilled labor force in India of 239 million by the year 2020 requires three concurrent approaches. First, a program to put millions of people through secondary and higher education training; second, the calling back of thousands of Indian scientists, engineers, and skilled workers who are currently abroad; and finally, in this context, a campaign for basic literacy for the entire population.

To accomplish the necessary literacy and skill level, the program proposes the creation of at least 25 new cities over the period of the program.

The literacy goal is defined as that similar to the Soviet Union today: 58 per 1000 trained at a university level; 530 per 1000 at a secondary level; and 586 for higher and secondary combined (all measured from total population over age 10). If this virtual total literacy is to be reached by 2020 and production goals met, at least 60 percent of its goals must be reached by 2000.

This is a conservative estimate of labor force requirements for the economy at that time. This projection is feasible with the most crucial period being the first ten years of the program, when the enrollment level must be more than doubled. The university levels of the program are also on a scale which is not at all beyond the resources of the Indian economy. Qualitatively, higher education will shift toward an emphasis on scientific training and engineering. In those areas, the needs defined by the water control and nuclear projects alone are well beyond the present level of training available.

The program for creating mass literacy depends on simultaneously putting millions of undereducated and miseducated people into secondary and higher education training and calling back thousands of Indian scientists, engineers, and skilled workers now living abroad. It is out of the universities and already skilled workforce that brigades for educating the broader population must be formed. The proper approach is the creation of a universal service corps based on universal conscription from secondary school and university students, plus on-site job training.

Such an approach contrasts sharply with the "basic needs" literacy programs now going on under World Bank sponsorship. Successful literacy will be achieved by concentrating on fostering the highest scientific development throughout the universities and workforce, not leveling off to a lowest common denominator.

Agriculture

The water of India is India's oil

India has some of the greatest water resources of any country in the world—water that, harnessed under a Water Management System, can provide hydroelectric power and irrigation. India's water is its oil.

The problem to solve with a Water Management System is the poor distribution of the country's water, both by season and by geography. The water comes from the north in the Himalayas, distant from the central agricultural plateau and from the Ganges and Brahmaputra rivers which flood seasonally with the monsoon rains of August through October and then reside, leaving India's fertile central plateau dry much of the year.

The aims of the Water Management System are to:

1. Bring the water from the snow-melting process in the Himalayas south, to where it is needed, by capturing the water in reservoirs and taking it through a series of lifts over the mountains.

2. Link the Ganges and Brahmaputra rivers with a canal, from which irrigation canals can radiate;

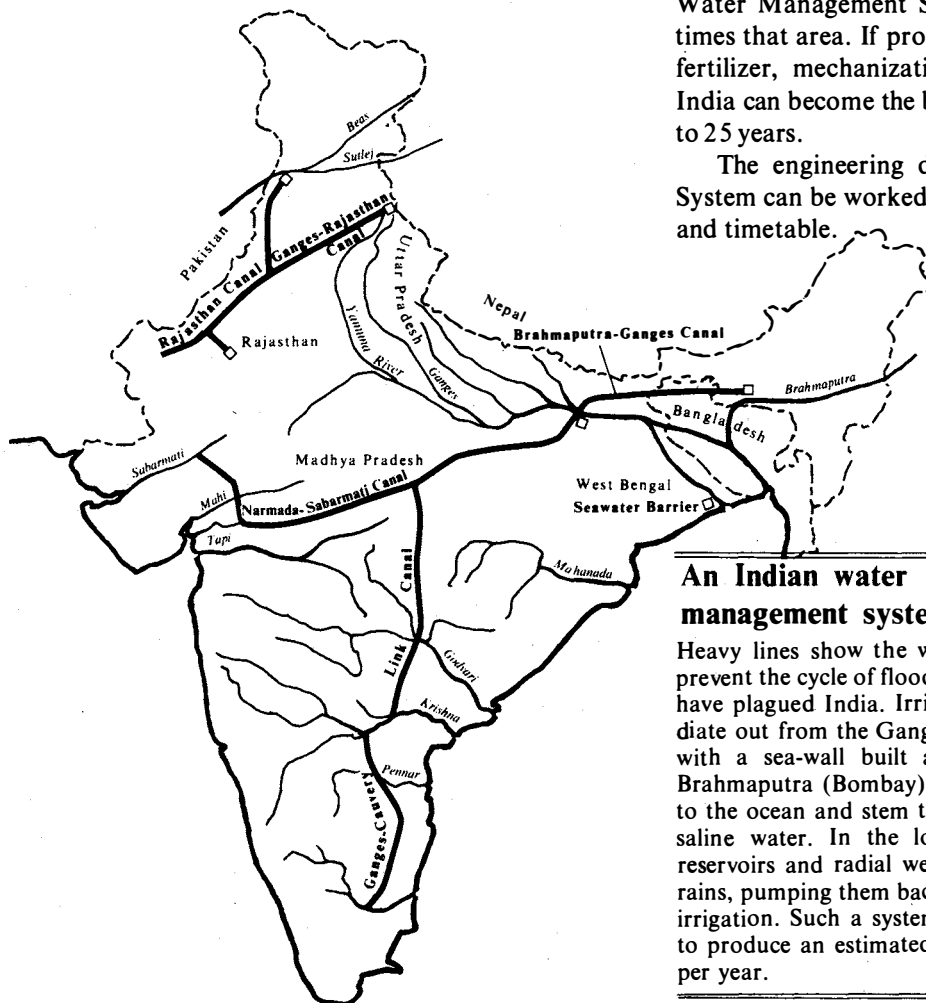
3. Build a sea barrier for the water at the mouth of the Brahmaputra at Bombay.

4. Trap the monsoon rain in the lower plains with multiple reservoirs and radial wells, so that it can be pumped back up when needed for irrigation.

This Water Management System will enable India to generate 40,000 megawatts of electricity through hydroelectric dams. At present, approximately 18 percent of India's total installed generating capacity of 28,000 megawatts—or 5,000 megawatts—comes from hydroelectric power.

The irrigation afforded by the program will enable India to produce over 1 billion tons of grain per year. No other region in the world is better-suited for large-scale cultivation than the Ganges-Brahmaputra river basin. Today India produces 120 million tons of grain per year, with 43 million hectares of land under irrigation. With a Water Management System, India could irrigate three times that area. If provided with the necessary inputs of fertilizer, mechanization, and most important, water, India can become the breadbasket of the world within 15 to 25 years.

The engineering details for a Water Management System can be worked out, with this two-stage approach and timetable.



An Indian water management system

Heavy lines show the water links which will prevent the cycle of floods and droughts which have plagued India. Irrigation canals will radiate out from the Ganges-Brahmaputra link, with a sea-wall built at the mouth of the Brahmaputra (Bombay) to prevent water loss to the ocean and stem the inflow of unusable saline water. In the lower plains, multiple reservoirs and radial wells will trap monsoon rains, pumping them back up when needed for irrigation. Such a system would permit India to produce an estimated billion tons of grain per year.

Franco-German summit: The danger of doublespeak

by Laurent Murawiec
Wiesbaden correspondent

While President Giscard d'Estaing and Chancellor Helmut Schmidt opened the 35th Franco-German summit meeting, dubbed "the most important since 1963" by the German press, Soviet President Brezhnev was toasting visiting Cambodian leader Heng Samrin. The Soviet President directed his words to Paris, as he called for a renewal of detente. Meanwhile, Henry Kissinger prolonged his sojourn in Paris to keep close to the action. The encounter of the heads of state of Europe's two great powers was clearly seen as a potential turning point in the current world crisis by all powers concerned.

The final joint communique issued after three days of summit talks uses biting vocabulary to chastize the Soviet military move into Afghanistan, demands the withdrawal of troops, and warns the Soviets that there is a 'linkage' between this and further detente moves. The document is ostensibly a "categorical assertion of faithfulness to the Atlantic alliance," as the Paris daily *Le Figaro* put it. Its contents, however (see box), represent little more than a step towards "calming American nerves," in the words of a *Financial Times* editorial. But they are, in fact, a sign of appeasement thrown to the Anglo-American forces, and the Carter administration's policy of playing a poker bluff with nuclear chips.

A London *Daily Telegraph* editorial responded to the summit's outcome with alarm: "Anything else than a total commitment will leave openings into which Russia can drive wedges." British Foreign Secretary Lord Carrington sharply criticized the lack of any "concrete sanctions" against the Soviet Union, charging that the two

continental leaders were "by-passing the rest of the (European) community" and jeopardizing Euro-American relations.

This glaring contradiction, between the words couched in the formal statement and the operational assessment of it made by such spokesmen for the British oligarchy, reflects the 'doublespeak' of Giscard and Schmidt. Their desperate concern is currently to contain the element of insanity represented in world affairs by the Carter administration's policies. But containment efforts—attacked by the British—do not meet the requirement of an independent European intervention to stop the war danger, all the more urgent since the Carter administration has formally launched a deadly game of serialized mutual escalations, pompously christened the 'Carter Doctrine.'

Such interventions did emerge when President Giscard and Prime Minister Indira Gandhi powerfully defined the 'third way' available to detente-minded western industrial powers and nonaligned developing nations: economic development as the basis for drying out the conflict potential in the Third World.

However, confronted by the Anglo-American pressure encapsulated in Kissinger's remarks that it was 'intolerable' for Europe to claim American military protection and "think that it has a monopoly on detente negotiations," and Harold Brown's threats of using tactical nukes in the Gulf area against the Soviet Union (and Europe's own oil supplies), President Giscard and Chancellor Schmidt took the view that the best way for

the doctor to deal with his insane patient was to imitate his behavior, to 'appease' him.

And in order to appease the Anglo-American forces hell-bent on their geostrategic bluff, both European leaders issued a rather rhetorical statement, whose practically noncommittal nature has been fiercely denounced by the Anglo-Americans. Meanwhile, the Europeans continue doing business at diplomatic and economic levels with the Soviet Union. Indeed, President Giscard immediately told a press briefing that he "explicitly opposed trade sanctions and similar measures of the kind taken by President Carter." He added that "there were initiatives to be taken to prevent an extreme East-West confrontation, and leave the diplomatic door open for a Soviet withdrawal from Afghanistan."

Additionally, sources in Europe stress that the French are quietly selling grain to the Soviets, and providing them with (U.S.-boycotted) oil-drilling technology. There is heavy traffic on the Ruhr-Moscow business line. Signals are being conveyed by leading West German businessmen and bankers, whose collective weight in Moscow is no second to Schmidt's.

In short, the French-German attitude is the product of a crisis-management view of the situation: to avoid the early outbreak of confrontation, a confrontation whose threshold to general nuclear war is low, they verbally appease the "Washington crazies," as the U.S. administration is termed in West Germany these days, and send Moscow signals that not one concrete bridge is being burnt.

"If they do that, why don't they just say it?" the question will correctly arise.

There is a fundamentally false perception which underlies Franco-German policy: the notion that there is nothing better they can do than contain, from one day to the next, from one insane outburst to the next, the mighty United States gone haywire under the current administration. In turn, this is based on the self-fulfilling delusion that the card represented by Democratic candidate for president LaRouche is "too small and too late" to have effective impact on the administration's policy.

Insofar as the Europeans wrongly delude themselves that a clean break with the follies of the Carter administration would not be supported and endorsed within the United States, they then accommodate to the crazies' every whim—crisis management. The fact that LaRouche's two recent half-hour prime-time nationwide TV addresses permanently altered the fabric of U.S. policy-making by subjecting the controllers of the administration to unheard-of domestic political pressure, is stupidly overlooked, out of the old, awed 'political dwarf' conception imposed on postwar Germany. And the hubristic quality represented by General de Gaulle's ruthless intervention directed at changing U.S. policies, has not yet been mustered by his successors.

That is the reason why, contrary to their best, and sometimes stated knowledge, Giscard and Schmidt go for 'doublespeak' and refuse to name the names of insanity: Brzezinski, Vance, Kissinger and the Council on Foreign Relations "controlled disintegration" policy behind them.

The potential for LaRouche to rally the U.S. population against administration policy—the number one parameter in the world situation given the 'multiplier effect' of driving the U.S. away from its current confrontation course—is the crucial element of 'flexibility' being neglected. Schmidt and Giscard paint themselves into a corner, from which their sole way of escape is the rhetorical 'Atlantic' posture they adopted, while telling the Soviets that "the next" incident like Afghanistan will surely terminate detente—another manner of saying that this one has not.

There are two levels of priority in the demands formulated towards Europe by the Anglo-Americans: comply with U.S. sanctions against the USSR, and accept the much-vaunted "division of labor" between the western powers. The latter is merely the fallback applied since Europe refused to slit its own throat with sanctions. The 'division of labor' doctrine emerged in the mouth of Germany's peabrained Foreign Minister, Hans Genscher. According to its exponents, the doctrine implies essentially that Germany fills the gap left in the European theater by the leave-of-absence taken by British and American troops from their treaty-established NATO commitments on the Rhine and the Elbe in order to go lose a war in the Gulf, Pakistan or elsewhere. It also calls for Germany to shoulder the burden of financially bailing out the flickering regimes stretched along the arc of crisis which have been bled economically dry by the Anglo-American 'decoupling' policy that denies any sort of economic progress to nations in the southern hemisphere.

The imbecilic flaw in the doctrine, which Genscher articulates as loudly and clearly as he does with every invention which Georgetown University plugs into Henry Kissinger, is that division of labor implies a modicum of community of principles between the laborers. Such a community exists neither in the minds of the Anglo-American promoters of the doctrine, nor in those of its intended European victims. In this case, the doctrine only means that, somehow, the doctor must accept a "division of labor" with the madman intent on murdering him. Concretely, any step taken towards appeasing the madman lowers the threshold for war, as it conveys to the Soviet command the message that Europe increasingly reveals itself unable to withstand the pressure, which is precisely what the pressure is intended to effect. The 'new consultation mechanism' Henry Kissinger has proposed is simply the institutionalization of the hegemony of Anglo-American policies, like the IMF in mon-

etary affairs, the International Energy Agency in energy questions, etc.

One friendly government temporarily gone haywire can and should be firmly, if gently contained. But nothing short of sheer diplomatic muscle, of 'rollback' brute force, can 'appease' the evil represented by the CFR's policy of 'controlled disintegration of the world economy,' the fundamental cause for the current escalation into war. By failing to loudly expose that axiomatic feature of the present situation, however it may shape their own private perceptions, the Europeans have declined to identify the primary cause of the present mess.

While the Giscard-Indira Gandhi New Delhi talks were explicitly setting the policy-frame for solving this problem, by announcing bold initiatives to relaunch the North-South dialogue and to reorganize the world's monetary system, in such a way that the new monetary institutions will be fully geared towards producing credit for Third World development, the Paris communique merely contains vague and highly implicit references to

both the problem and its proposed solution: there can be no peace so long as the West is plunging headlong into the worst economic depression of its history, and while the Third World is deliberately being 'decoupled.'

Funding Pakistan, Turkey, Yugoslavia, strengthening European-Persian Gulf relations, all commendable moves in their own right, do not even offset the effects of controlled disintegration. It is feeding caviar to a moribund.

What in fact the European leaders have shied away from is immediately implementing, as the French originally intended, phase two of the European Monetary System, the European Monetary Fund, the gold-backed, cheap-credit-generating facility and policy whose intellectual authorship belongs with Lyndon LaRouche. The crisis-management flaw in the French-German posture is their inability to shift the resolution of the war crisis into the higher dimension of economic development, and as a result, delaying the EMF and stalling Giscard's major monetary initiative. Publicly recognizing La-



The Giscard-Schmidt joint communique

What follows is an excerpted English translation of the joint communique issued by French President Giscard d'Estaing and West German Chancellor Schmidt following their weekend meeting in Paris. The text of the communique was released by the Federal Press Agency in Bonn.

President Giscard d'Estaing and Chancellor Schmidt have discussed the international situation in view of the events in Afghanistan ... They have come to the following conclusions:

1) They share the view that the Soviet military intervention in Afghanistan cannot be tolerated and presents a serious danger to world stability and the security of peace.

2) It is imperative to immediately end this intervention in the way demanded by the General Assembly of the United Nations, by a large majority vote. This is the only means by which a situation that corresponds to the rights of the Afghan people and the requirements of international peace can be reestablished.

3) They share the view that the present situation is of a character able to set into motion a process—even if unwanted—which can lead to grave consequences. Both statesmen are concerned about the need to stress that under these circumstances, their two nations want to hold to loyalty to the Atlantic Alliance and to the decisiveness to fulfill their duties in this framework.

4) They state that through the events in Afghanistan, detente has become more difficult and more insecure, and that therefore the withdrawal of all foreign troops from Afghanistan is urgently required. They state that detente would not survive another shock like that [represented by Afghanistan] and that in this case France and the Federal Republic of Germany will take the measures required for securing and defending the security of their countries.

Rouche's decisive input would be the crucial element of 'flexibility' in an otherwise strictly predetermined mechanism leading into war via any suitable Sarajevo.

Neither Giscard nor Schmidt is actually doing what he is saying; channels are being kept open with Moscow, development initiatives are indeed being prepared and partly implemented on the quiet, outside the policy-framework set by Anglo-American demands. But France and Germany are also not saying what they are doing, dangerously denying their unique role in world affairs. The international weight and authority of the French government—and singularly that of the heir to General de Gaulle, President Giscard d'Estaing—and the strength of West German industry, are the two elements which have, over the last four years, kept the world from the brink of general thermonuclear war. Such a responsibility cannot be eschewed, all the more now that the forceful emergence of the LaRouche presidential campaign within the United States signifies a real potential return of the U.S.A. to reason.

5) They understand the worries voiced by those nations committed to a genuine nonalignment, and stress that these nations must play an important and independent role for peace and stability in the world. Therefore it is necessary to avoid a spreading of the East-West conflict into the Third World.

6) The citizens of France and the Federal Republic of Germany have experienced the horrors of two world wars on their own soil and have worked for the creation of a more stable and peaceful world during the past 30 years. In this context, their mutual rapprochement and their common efforts to rebuild Europe have been crucial steps on this course. They share the view that the European powers have to bear special responsibilities under present circumstances, and they thereby try—together with their alliance partners—to guarantee the fundamental balance upon which the security of their nations and the security of Europe depend.

7) Their efforts to overcome this crisis will only make sense if the Soviet Union states publicly its commitment to respond to these efforts. France and Germany have recognized the statements given by the U.S.S.R. that they intend to withdraw their troops from Afghanistan. New actions are required to follow these declarations of intent. This is necessary for successful efforts on which the security and future of peace will depend.

U.S.S.R.

Scientist's rise a clue to policy

by Rachel Douglas

One week ago a 47-year-old member of the Soviet Academy of Sciences who has spent the past 17 years working in its Siberian Division was vaulted into the powerful post of Chairman of the U.S.S.R. State Committee on Science and Technology and became a Deputy Prime Minister of the Soviet Union.

The State Committee where G.A. Marchuk takes the reins is responsible for submitting influential recommendations on Soviet Research & Development budgeting, for drafting long-term science and economic plans, and for arranging aspects of Soviet economic deals with Western countries.

Marchuk's transfer to this command point in Moscow is part of a mobilization of resources in the Soviet Union, which is occurring because the Russian leaders consider all-out war a growing likelihood. His experience in Siberia means that Marchuk will bring to the job the competence of running vast projects, where efficiency and skillful deployment of resources are vital. He also brings first-hand contact with the U.S.S.R.'s most advanced work in mathematical physics, which is the basis of Soviet weapons development.

Before his 1962 move to Novosibirsk headquarters of the Siberian Division, itself the location of top Russian laboratories, Marchuk worked for nine years at the Physics & Power Institute at Obninsk, a research center which was also the home of the first Soviet atomic power station.

Other causes of the shakeup which brought Academician Marchuk from Novosibirsk to Moscow are also important, but subordinate to the primary fact of a Soviet pre-war mobilization. These include a push by Soviet leadership elements who have the least confidence or interest in restoring East-West scientific ties to shut them down for the long term, by such measures as the arrest of dissident physicist Andrei Sakharov with its subsequent, inevitable wave of protests from Western scientists, and the removal of Marchuk's predecessor, V.A. Kirilln, who had chaired both the Franco-Soviet

and the Soviet-American committees on scientific cooperation.

What would be seriously wrong is to adopt the view offered last week by one analyst at Radio Free Europe headquarters in Munich, that the replacement of Kirillin by Marchuk was merely dust settling in the trail of Sakharov and that Marchuk's distinguishing feature was his having denounced Sakharov six years ago. Not the crackdown on dissidents, but the crank-up of the economy is what counts ultimately and deserves close attention.

What is Novosibirsk?

The Siberian Division of the U.S.S.R. Academy of Sciences, based in the special suburb "Akademgorodok" outside the West Siberian city of Novosibirsk, is the brain center of the biggest development project in the world, the Siberian frontier. Since its establishment in 1959, Novosibirsk has combined a leading role in advanced R & D such as the work of its laboratories on controlled thermonuclear fusion power, with a broad agenda of special projects for Siberian application: cold-weather machinery development, hybridization of food plants for rare weather conditions, mineral resource mapping, and many others.

Novosibirsk and its leadership are the best of the Soviet Union.

For Americans, who face the U.S.S.R. as an adversary, thanks chiefly to Washington administration policies that have led inexorably towards superpower confrontation, the "best" of the Soviet Union means two things. First, the "Siberian" approach to basic research, R & D, defense spending, and manpower has made the U.S.S.R. the world's premiere military power, while United States strength was eroded during the past decade and a half by a combination of incompetence and economic collapse.

But second, the development of Siberia is the closest thing to "the American way" to be found in Russia. It is a program of building entire new cities around giant hydroelectric power stations on the Angara River in southern Siberia, laying thousands of miles of railroad track across wilderness, and extracting oil from beneath permanently frozen ground. Were our own leaders not up to their frown-lines in the game of geopolitical confrontation with the U.S.S.R., this Soviet commitment to conquering the Siberian frontier would define the greatest commonality of outlook and interest between their nation and ours.

An alternative line of succession to leadership of the State Committee on Science and Technology would have had far worse results. In promoting Marchuk, the Kremlin bypassed Jermen Gvishiani, Kirillin's deputy on the State Committee and the son-in-law of Prime Minister Aleksei Kosygin.

The setback for Gvishiani, whom the Washington Post has called "a jet-setting technocrat" in an editorial appreciation, is a defeat for the "systems analysis" school of thought in the Soviet Union. Gvishiani is known for his extensive contact-work in the West, but his Western friends are typified by those based at the Vienna International Institute for Applied Systems Analysis (IIASA) which he co-chairs with McGeorge Bundy of Ford Foundation fame. These ties hold together an East-West cooperation approach markedly different from the one defined by the Siberian frontier development. The IIASA is one channel for purveying into the Soviet Union the same "fixed resources" thinking that has done so much to undermine the American economy!

Soviet economic debate

The shakeup at the State Committee on Science and Technology has occurred at the start of the year in which the Soviets will finalize the 11th Five Year Plan, covering 1981-1985. It adds to indications that an overhaul of the Soviet planning and management is underway, whose repercussions have not finished sounding.

When Soviet President Leonid Brezhnev addressed the semi-annual plenary session of the Soviet party Central Committee Nov. 27, he launched a rare attack on the leaders of particular branches of industry for shortcomings. Brezhnev criticized six ministers by name and also instructed the State Committee on Science and Technology to work "more energetically."

As he spoke, Brezhnev already knew that the Soviet economy at the end of 1979 would turn in its worst performance since World War II. The overall industrial production growth target would be missed, steel production would register an unprecedented decline in total tonnage, and the harvest of a bad weather year would be a meager 179 million tons of grain. Brezhnev also was anticipating that demands for military spending would rise due to the international situation.

On Dec. 7, ten days after the plenum, Pravda carried an article written by one of G.A. Marchuk's deputies at Novosibirsk, Academician A. Aganbegyan, Director of the Institute for the Economics and Organization of Industrial Production at the Siberian Division, that picked up Brezhnev's challenge.

Aganbegyan delivered a detailed indictment of the Steel Ministry, Transport Construction Ministry, and others for bungling on various Siberian projects that cost the Soviet economy billions of rubles. The message was clear: for a streamlined, efficient mobilization of resources under difficult conditions, the Siberian scientists had the key to success.

To the woeful stories of lost rubles and railroads that would have saved billions had they been built, Aganbegyan counterposed several thumbnail drafts of plans that would continue Siberian development "in a professional

manner." The organizational precedent he cited spoke volumes to any Soviet citizen who remembered the mobilization to lift Russia from backwardness to the status of an industrial power: a government bureau for the Urals-Kuznetsk Combine, the greatest area development project of the First Five Year Plan in the 1930s.

Aganbegyan stated bluntly that the State Committee on Science and Technology "ought to" set up a subdivision to be responsible for a coherent program of science and technology in Siberia, whose development Brezhnev and other leaders consider crucial to the entire country's economic health. With the promotion of Marchuk, Novosibirsk took responsibility for the State Committee itself.

What next?

There are several key areas of policy development in which follow-up to the State Committee shakeup will occur.

1) The economic debate will continue as the Soviets grapple with the demands of their current mobilization. Probable follow-up to Marchuk's promotion will be a further shakeout of Soviet planners and administrators whose "managerial" approach results in the kinds of inefficiencies Academician Aganbegyan exposed.

These circles overlap with the systems analysis advocates, but include other followers and associates of Prime Minister Kosygin, who has been in charge of economic reforms for over a decade. Kosygin, reportedly ill, is not active in the Soviet leadership at this point.

The clash between "managers" and "Siberians"—bearing in mind that not everyone in the latter group works at Novosibirsk—raises a perennial Soviet argument over the balance between "applied" and "basic" research. With the promotion of Marchuk, the Siberian Division has evidently recouped from a Central Committee criticism two years ago, when it was accused of being too tied up in basic research to produce sufficient "concrete results for practice." Aganbegyan in *Pravda* demonstrated that it is the Novosibirsk combination of both kinds of effort that leads to successful development.

2) A broader and more intense attack on the advocates of systems analysis is a strong possibility, especially since these layers are heavily involved in promoting "environmentalist" arguments in the U.S.S.R. Cothinkers of Academician Marchuk, such as President of the Academy A.P. Aleksandrov, have openly criticized the Soviet "greenies" in recent weeks.

3) The question of Western participation in Siberian development remains open. Marchuk and people like him in the leadership are acutely aware of the benefits accruing to the Soviet economy from Western investment in Siberia, as well as of the leverage that Western business interest in such investments provides toward business taking a more active role in saving détente.

MIDDLE EAST

Can Abolhassan Bani-Sadr rule Iran?

by Robert Dreyfuss

For several weeks, it has been an open secret in Washington that the Carter administration has placed its bets on Iran's newly elected President Abolhassan Bani-Sadr. According to administration sources, Washington—especially National Security Adviser Zbigniew Brzezinski and Secretary of State Cyrus Vance—believes that Bani-Sadr can assemble a working political coalition with a mandate to negotiate a release of the hostages. Then, according to their scenario, Bani-Sadr will bring Iran into harmony with the policy enunciated by President Carter in his State of the Union address, in which he called for a virtual alliance with Iran against the U.S.S.R.

Zbigniew Brzezinski, who visited Saudi Arabia on Feb. 5, reportedly paid a secret visit to Teheran to discuss the resolution of the Iranian crisis. Brzezinski's visit came after reports of intensive secret negotiations between Iran and the United States over the shape of a proposed alliance to follow the release of the hostages. The London *Sunday Times* reported Feb 3 that a package deal to free the Americans held in Teheran was the subject of "messages sent by President Carter to the Ayatollah Khomeini and the new Iranian President, Abolhassan Bani-Sadr over the past few days." According to the *Times*, the messages included "promises that the moment the hostages are freed, the U.S. government will start negotiations with Iran for future cooperation, including the important matter of military spare parts."

For the one year since the seizure of Teheran by the Khomeini forces, *Executive Intelligence Review* has reported on the extensive behind-the-scenes cooperation between Iran and the Anglo-American military and intelligence establishment. In fact, the Khomeini dictatorship was put into power as a deliberate act of geopolitical strategy by the Carter administration and the City of London, who encouraged the growth of Muslim fundamentalism and the activities of the secret society called the Muslim Brotherhood to which most of the present Iranian leadership belongs. It is therefore not surprising to readers of the *EIR* that President Carter now openly moots a military alliance with the Khomeini regime. In

the past few weeks, the Carter administration—because of the Afghanistan crisis—has simply decided to make what was, until now, a covert relationship public.

But Bani-Sadr cannot deliver.

In the following report, we present the evidence leading to our conclusion that Bani-Sadr is not capable of building the machine necessary to maintain state power in Iran. In fact, should the Carter administration pursue what one analyst called “the Bani-Sadr option,” the result will be a takeover of Iran by the Communist (Tudeh) Party and its allies, possibly with the support of Soviet armed forces, in a repeat of the Afghanistan developments.

In addition, we also provide a glimpse of the new president’s policies and his politics, in Bani-Sadr’s own words. It proves that, far from the supposedly “moderate” image conveyed by the American media, Bani-Sadr is a radical ideologue and a confirmed lunatic who represents a grave danger to American interests in the area *even were he able to establish a viable regime*.

Factions of factions

At present, Iranian politics is a confused jumble of factions and competing currents. In the midst of it, Bani-Sadr is attempting to pull together enough support in the clergy, the middle class, and other layers to translate his powerful 75 percent electoral victory into real political power. In doing so, he has run into opposition from two circles: first, the Communists, the left, and the forces generally allied to the Soviet Union; and second, the Iran clergy.

By far the most important factor is the Soviet Union. Iran’s powerful neighbor, especially after its impressive military takeover of Afghanistan, has been building up assets within Iran in virtually every layer of the Iranian population that will not easily allow Bani-Sadr to forge a pact with the United States.

A former Iranian military officer described the situation as follows:

President Carter is making a big mistake if he seriously thinks that he can rely on Bani-Sadr in the coming period. Whatever government he forms will be too unstable. In Iran, the mob still rules. Thousands of undisciplined young fanatics, armed to the teeth, control the cities. There exists no coherent military or security force that can guarantee law and order, and the army command continues to disintegrate. In the last three weeks, there have been three separate purges of the military command, and a total of 16 generals have been executed. This started with the uprising in Tabriz involving the air force. Many other officers have been arrested or exiled recently, and trials are taking place.

At present, there exists no potential combination other than the communists who might represent any stable formation. What exists is a series of factions: leftist and rightist extremists, religious groups and the clergy (including left-leaning mullahs, the radical-Islamic faction, and a middle group of individual power-grabbers), the Tudeh Party (in two or three factions), and others. And the mob is very well armed and powerful. All of these forces agree on the necessity of purging the armed forces.

The Russians are gaining in strength every day, especially in the Mujaheddin and Fedayeen [two radical guerrilla groups]. At present, although Moscow has the power, they do not want to force an uprising by their forces now. However, they may be compelled to do so by the actions of the West. Moscow is very active now behind the Tudeh, and I would not be surprised if there were a sudden and rapid unification of the fractured communist movement to present a challenge to the regime. Moscow’s strongest card is to provoke a declaration of an independent republic in Azerbaijan, which would then call for Soviet aid. In addition, the Iraqis might cooperate in taking over Iran’s oil fields in Khuzestan.

Revolutionary council power play

Almost as soon as he was elected, Bani-Sadr moved to consolidate power. Within the space of a few days following his inauguration Feb. 4, Bani-Sadr carried out a power play to have himself named chairman of the Revolutionary Council, the semisecret body that has ruled Iran since the revolution last February. He also denounced the terrorists holding the Americans at the embassy as “dictators who have created a government within a government.”

But the power of that shadow government was exercised in a series of countermoves that took place even as Bani-Sadr was maneuvering to outflank them. For instance;

- At the initiative of the embassy mob, Minister of National Guidance Nasser Minachi was arrested Feb. 6 on charges of being an agent of the CIA. Minachi, who is close to former Foreign Minister Ibrahim Yazdi, was linked to ex-Deputy Prime Minister Abbas Amir-Entezam who is presently on trial on similar charges. Bani-Sadr, along with former Prime Minister Mehdi Bazargan, protested the arrest and the trial, but to no avail.

- The Revolutionary Council declared that Iran would attend the Moscow Olympics later this year, a sharp rebuff to the Carter administration. The Council also denounced the Islamabad Conference of Islamic



Bani-Sadr: a terrorist with credentials

The election of Abolhassan Bani-Sadr to the position of President of Iran brings to power a man who has promised to impose Cambodia-style "ruralist" genocide on a population already rocked by the rule of Khomeini's Muslim Brotherhood terrorism.

"Teheran is a monstrous, parasitical town," Bani-Sadr told the Paris daily *Le Monde* last November, "which absorbs by itself half the national consumption and poses an abusive burden on the state budget. We will depopulate it. ..."

foreign ministers held in late January as a "pro-American" operation.

- Ahmed Khomeini, the son of the Ayatollah, said in a speech on Bani-Sadr's inauguration that the main enemy of Iran is the U.S.-Israeli axis, and although he condemned the invasion of Afghanistan he refused to mention the Soviet Union by name.

In interviews over the past 10 days, Bani-Sadr himself has described the opposition that he is facing. On Jan. 27, he told the French daily *Le Monde*:

The people have chosen me despite the scandalous partiality of the radio and television, the insidious campaigns launched by the leading press organs, the veiled hostility from the top clergy, the battle waged against me by the Islamic Republican Party, although really by a handful of fascist prelates within the party falsely claiming support for Imam

Bani-Sadr was educated at France's University of the Sorbonne, as was the same Pol Pot who went on to oversee the murder of three million Kampuchean. Like Pol Pot, Bani-Sadr is one of an array of personalities carefully trained in the philosophical-political arm of zero-growth doctrine known as French existentialism, more popularly recognized in the person of terrorist controller Jean Paul Sartre.

Bani-Sadr's ideological tutor, Sorbonne Professor of Sociology Georges Balandier, in turn touches base with all the institutions named as the centers for the "braintrust" behind international terrorism, environmentalism, and cult creation.

A cornerstone creation of the Paris nexus of existentialists, environmentalists, and anthropologists linked to Sartre, the Zionist lobby's Jacques Soustelle and cultist Claude Levi Strauss, was the late Professor Ali Shariati. Shariati, a fanatic Iranian ideologue once close to Britain's Bertrand Russell, became a cult figure in Iran by preaching the revolt of Islam against the "evils" of the industrial West. It was Shariati who helped set the atmosphere needed in Iran to make the Khomeini entourage's return appear to the world as "revolutionary."

As the Ayatollah's economic advisor, Bani-Sadr defined Khomeini's "Islamic economic system" as centered on plans for Maoist-style factory and village councils reminiscent of the Dark Ages, import cutbacks, and limitations on oil production and foreign investment. It was Bani-Sadr who announced last Nov. 23 the default of Iran's \$15 billion foreign debt to finance the "revolution."

Khomeini and also despite a political campaign of filthy slanders.

Among the reports circulated by Bani-Sadr's opponents—especially the media controlled by propaganda czar Sadeq Ghotbzadeh, the foreign minister, and by Ayatollah Beheshti of the Islamic Republican Party—are that he was an agent of France, Israel, and the CIA, and that he was a collaborator of General Zahedi, the founder of the Shah's SAVAK secret police. In response, Bani-Sadr has threatened to make use of the secret SAVAK files and archives to discredit his opponents. According to *Le Monde*, Bani-Sadr suggested that the many trials and executions of former SAVAK officials have been held to hush up scandals involving current Iranian officials. "Could there be people infiltrated into the revolutionary movement who fear the publication of the SAVAK documents?" asks Bani-Sadr.

Concerning the press and media, Bani-Sadr pledged several times to purge the apparatus. The first result of that promise was the resignation of the director of the Iranian Radio-TV system, Ayatollah Khoini, who reportedly was very close to the leadership of the organization that seized the U.S. Embassy last Nov. 4. Khoini resigned Feb. 5 following charges that he attempted to sabotage the broadcast of Bani-Sadr's inauguration.

In another interview with *Le Monde* on Jan. 29, Bani-Sadr was even more explicit about his political enemies:

Mr. Bani-Sadr believes that the Islamic Republican Party, which dominates the radio-television service and the Revolutionary Council, "died on election day." Did it not support Mr. Hasan Habibi, who came third with fewer than 10 percent of the vote?" The republic's president continues: "Among others, Ayatollah Madani in Tabriz and Ayatollah Saduqi in Yazd called in the population to vote for Habibi. More than 70 percent of the electorate in these two towns gave me their vote."

Are you suggesting then that Mr. Habibi's defeat is also a defeat for the clergy?

"Yes, for a large part of the upper clergy. On the other hand, the lower clergy, the young mullahs supported me. ... I appreciate the support of the progressive mullahs."

Asked whether the expulsion of the U.S. journalists was a proper move by the Iranian authorities, especially by Ghotbzadeh and the Council, Bani-Sadr replied: "I suspect that the Iranian authorities' motives were less pure. Some people perhaps hoped to rig the elections and prevent me from becoming president; hence they tried to remove embarrassing witnesses."

Upstaging the Revolutionary Council

Tactically, Bani-Sadr's strategy is as follows. In the space of the next month, elections will take place for the *majlis*, or parliament. Although Bani-Sadr hopes to win a majority for his point of view in those elections, the Beheshti forces and the Islamic Republican Party is fully mobilized to sweep the vote, amid a great deal of behind-the-scenes maneuvering. Theoretically, after the parliamentary elections, Bani-Sadr will appoint a prime minister who will form a government, and after that the Revolutionary Council will be disbanded entirely according to the Constitution. Recently, however, Bani-Sadr has started hinting that he may try to form a government even *before* the elections to ensure that he can consolidate his own authority.

His opponents, led by Beheshti, claim that the office of the President is only a figurehead position, and that the real constitutional power ought to be exercised by the prime minister. Thus, Beheshti argues that the parliament should have the authority to appoint the prime

minister—hoping that his Islamic Republican Party can thus wield actual power.

Bani-Sadr's strategy was recorded by the Paris daily *Le Matin*:

A parliament will have to be elected within one month, but I hope that it will be favorably disposed toward me because otherwise the country could become paralyzed. The president's role as defined by the Constitution is limited. However, this applies to ordinary situations, not to a crisis period when there is no political structure, when there are no parties and when there is a need for someone who would be able to prevent a breakup or a splitup. As soon as a parliament is elected then the Revolutionary Council will be dissolved.

He also told *Le Monde*:

The Islamic committees (the Komitehs) will be dissolved as soon as they have finished the purging and reorganizing the prefectures, police, and gendarmerie left over from the empire. The guardians of the revolution (the Islamic mili) will themselves be suppressed after the reorganization of the military into a truly popular army with officers of General Giap's quality.

That, as Bani-Sadr knows full well, is a tall order. To order the dismantling of the Revolutionary Council and the fascist-modeled komitehs means an assault on the only real forces that wield power in Iran—and it will be fiercely resisted.

Speaking to *Le Monde* on Jan. 29, Bani-Sadr also was asked why Iran so far has not aided the Afghanistan rebels. "Because," he answered, "the many different decision-making centers and the differences of opinion between the Revolutionary Council members—it will be disbanded when the government is formed—have paralyzed us in this sphere." That is a clear and frank admission that elements in the Council oppose aiding the anti-Soviet Afghani rebels, and recently a Teheran Radio broadcast attacked the government of Pakistan as kowtowing to U.S. imperialism by supporting the rebels. On this and other issues, the would-be American agent Bani-Sadr has been handcuffed by the opposition.

Further, in a series of communiqués, the "students" who are occupying the U.S. Embassy have declared that they will not obey an order from Bani-Sadr to release the hostages unless the Shah is returned to Iran. Last week, the Tudeh Party issued a subtle statement attacking Bani-Sadr for his "liberalism," a reference to his willingness to cooperate with the United States. And Ayatollah Beheshti, a former SAVAK agent who was, until now, the dominant force in the Council, warned last week against "some people not exactly in line with the Islamic revolution." That was also meant for Bani-Sadr.

International Intelligence

EUROPE

London proposes new Middle East policy

British Foreign Secretary Lord Carrington proposed a new basis for Middle East policy in a speech to parliament yesterday. Taking issue with the Carter administration view, Carrington said that the chief danger to the region comes not from outside the region, by Soviet invasion, but from internal weakness of the Arab states and Iran.

Said Carrington, the West should continue to seek arms limitation and detente and, in the Middle East, pursue the West German proposals for a dialogue between Western Europe and the Arab gulf countries.

He also proposed the convening of a conference, modeled on the Geneva conference but without the Soviet Union, to find a solution to the Middle East crisis defined more broadly than in the Camp David policy. Last week, in addition, Carrington's colleague Douglas Hurd, Minister for the Commonwealth, proposed that the Palestine Liberation Organization be drawn into talks on a Middle East settlement.

Lord Carrington concluded a long visit to the Middle East last month, visiting Turkey, Saudi Arabia, Oman, Pakistan, and India.

Carrington's trip followed those of Carter administration representatives, Zbigniew Brzezinski, the U.S. National Security Adviser and special envoy Clark Clifford, a former Secretary of Defense. Their public purpose, in common with Carrington, was to wield the nations of the region into an anti-Soviet military alliance or set of alliances, but with the partial exception of Pakistan, their proposals were rejected out of hand.

Observers say that the nations of the region view Anglo-American military capabilities, by comparison with the Soviet Union's, to be too insignificant to provide security-backup in the region. Carrington's change in policy effects

Camp David because that "peace treaty," too, was viewed as primarily a step toward a regional anti-Soviet military alliance.

Communist youth oppose pot decrim

"We are presently witnessing a total campaign to decriminalize drugs using the most crooked arguments," warned Pierre Zarca, head of the French Communist Party youth group in an interview to the French daily *Le Monde* Feb. 1. "For example the continuous comparison with alcohol—it's totally dishonest," the youth group leader continued, in explaining why his organization had initiated a nationwide campaign against "soft" drugs in the high schools.

The youth group has made a radical turn on the subject of drug use, which was clearly noted in the organization's last Congress, where Zarca and others emphasized the need for scientific development which they counterposed to drug use.

SOVIET UNION

Soviets criticize Bonn, Paris for bowing to U.S. pressure

Izvestia issued the first Soviet comment on the Schmidt-Giscard joint communique Feb. 6, warning that if France and West Germany succumb to U.S. pressure to take a hard line, this will put detente in Europe under threat. "France and West Germany have corrected their evaluation of events in Afghanistan so as not to annoy their senior Atlantic partner," *Izvestia* said. "Their communique was received with glee at the

White House and across the Channel." *Izvestia* noted however that there are "certain nuances" in the French position, citing Giscard's firm commitment to detente. The article pointed to British Foreign Secretary Lord Carrington as the "messenger" from the United States to France and West Germany.

An editorial in *Pravda* Feb. 4 kept up the pressure on Western Europe, declaring that Moscow is determined to defend everything that has been achieved through detente, but particularly in Europe.

In Washington, the White House issued a special press statement Feb. 6 to report that Chancellor Schmidt telephoned President Carter after the Franco-German summit, and urged him to reassure the American people that France and West Germany are standing at the President's side in the current crisis. This peculiar White House issuing of a press statement about a private trans-Atlantic telephone call is said by observers to be a Carter administration effort to turn a platitude from the Chancellor into an indication of worldwide support for the administration's policy.

British press reports more honestly portrayed the communique as a purely "rhetorical" statement notable for the absence of any "concrete sanctions" against the U.S.S.R.

Soviets name Georgetown in Italian troubles

The Soviet news agency Novosti is circulating an article naming Jesuit Georgetown University, Henry Kissinger's base of operations, as the main agency responsible for the destabilization of Italy. The article, reprinted from the February issue of the Soviet monthly, *U.S.A.: Politics, Ideology, Economics*, attacks Georgetown's Political and Foreign Affairs Department for engaging in operations to destabilize Italy since the March 1978 killing of former Italian prime minister Aldo Moro.

The Soviet journal notes that the campaign to prevent the entry of the

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Italian Communist Party (PCI) into a coalition government with the Italian Christian Democracy essentially comes from Georgetown. Cited individuals considered important to this effort include Republican candidate John Connally; George Bush-supporter Claire Booth Luce; another former ambassador to Italy, John Volpe; and Ray Cline, formerly of the CIA.

ASIA

Is Pakistan's Zia getting cold feet?

The Pakistani regime has reportedly requested a delay in the arms package offered by the Carter administration. Administration officials no longer feel any urgency regarding the arms package, say the reports, because the visit of National Security adviser Zbigniew Brzezinski and Assistant Secretary of State Warren Christopher to Pakistan has "satisfied" Pakistani dictator General Zia on U.S. determination to defend his regime against the Soviet Union. Other sources, however, offer other explanations for the delay—either that it is a result of a dispute within the administration itself over committing itself to the Zia regime or that Zia has gotten cold feet, fearing to set up Pakistan as a target for the Red Army.

Evidence of the first explanation is a lead editorial in *The New York Times* entitled "The Carter Corps at the Pass," which satirically attacks Brzezinski's incredible antics in Pakistan and makes it clear that they are less than impressed with the stability and sincerity of the Zia regime. "Can General Zia hold the loyalty of his people?" they ask; "Could Americans help him? Should they?" it continues. One source close to the New York Council on Foreign Relations suggests that the State Department is trying to keep the Pakistani arms package down, and that Brzezinski is responsible for the delay in order to maneuver for more arms and aid to the Pakistanis.

On Zia's own state of mind, there

are reports from Pakistan that he is feeling that the situation is far from secure, which may have been reinforced by the news that the Saudis gave Brzezinski a clear cold shoulder on his stop-over there on the way back from Pakistan. The Saudis remain politically necessary to Zia, both financially and in terms of his desire for "Islamic" legitimacy.

The visit of Indian Foreign Secretary Sathe to Pakistan this week may also have encouraged Zia to bolt, with the Indians delivering the message that if they allow Pakistan to be used as a base for armed forays by Afghan rebels into Afghanistan, then Pakistan will end up the victim of Brzezinski's games.

LATIN AMERICA

Cuba, Venezuela freeze relations

Venezuelan-Cuban relations have been put on ice this week with the "urgent" recall of the Cuban Ambassador, Norberto Hernandez Curbelo. The recall occurred after a series of incidents in front of the Cuban embassy in Caracas. Cuba's Ambassador was detained by the Venezuelan police and prevented from entering the Cuban embassy. On one occasion the embassy was blockaded by squads of the Venezuelan political police, the DISIP, carrying machine guns.

Since December, relations between the two countries have been deteriorating. The first reported incidents occurred on Cuban soil where more than once, armed Cubans purportedly seeking political asylum attempted to enter the Venezuelan embassy. They were followed by Cuban police; on one occasion, a shooting occurred. As a result, the Cuban government tightened their security measures outside the Venezuelan embassy. Harassment of Cuban ambassador Curbelo in Caracas began shortly thereafter.

Briefly

● **HASSAN AL-TUHAIMI**, special adviser to President Sadat of Egypt, told the Kuwaiti *Al-Siyasah* this week that in a matter of years Israel "will disappear." Tuhaimi, who is close to the Egyptian Muslim Brotherhood, said that the Islamic character of Palestine "will be safeguarded," and he warned the Arabs against "those perfidious and hypocritical Jews." Tuhaimi was one of the chief Egyptian architects of the Camp David accords.

● **IRAQI ENVOY** Hamid Alwan, a special representative of President Saddam Hussein, arrived in India for a four day visit, including talks with Prime Minister Indira Gandhi. Big news was an announcement of an additional 2 million tons of Iraqi crude oil to be made available to India, a welcome relief from increasing, forced use of the spot market by Indian buyers.

● **INDIAN ENVOYS** are being dispatched throughout the Asian subcontinent, including Foreign Secretary Sathe's just concluded visit to Pakistan, and dispatch of special envoys to Afghanistan, Nepal and Bangladesh. The word is an Indian proposal for regional cooperation to try to keep superpower confrontation from bringing hot war into South Asia.

● **A BRITISH NEWSPAPER**, the *Financial Times*, has carried a report that Lyndon LaRouche, a U.S. presidential candidate, is charging the Carter administration and others with plotting his assassination. No major national media in the U.S. have reported LaRouche's charges. That fact, combined with the *Financial Times*' decision to publish the story, lends considerable credibility to the LaRouche accusations, say intelligence specialists, belying the *Financial Times* own suggestion that LaRouche may be just seeking publicity.

The CFR's election plot is threatened by the New Hampshire primary

by Konstantine George

The dominant Eastern Establishment faction has finally "decided" which one of their own will be elected President in 1980 through a rigged contest. The annointed benefactor is George Bush, until recently a director of the New York-based Council on Foreign Relations and the Trilateral Commission, a body created by the Eastern banking and insurance crowd as a reservoir of nominal Republicans and Democrats, ready to staff whatever administration is elected under "normal" rigging procedures.

The same policy-making centers that are promoting a Bush Presidency script for November are attempting to ensure that their earlier creation, Carter, gains the Democratic nomination. That will ensure victory for Bush in November.

According to the electoral strategists at the Council on Foreign Relations and their opposite numbers in New York-based media, for Bush "the fix is in."

Since December, the American population has been witness to a barrage of uniquely favorable—and extensive—national television coverage, not only of Bush, but of rigged polls, tightly run by a combination of the three networks and the handful of newspapers whose directors read like a who's who of the Council on Foreign Relations—*The New York Times*, the *Washington Post*, and the *Des Moines (Iowa) Register*, owned by the Cowles family of Council on Foreign Relations pedigree.

The statements issued in private by insiders, confirming a 'Carter versus Bush' script, if catalogued, would fill a volume. George Franklin, for example, North Ameri-

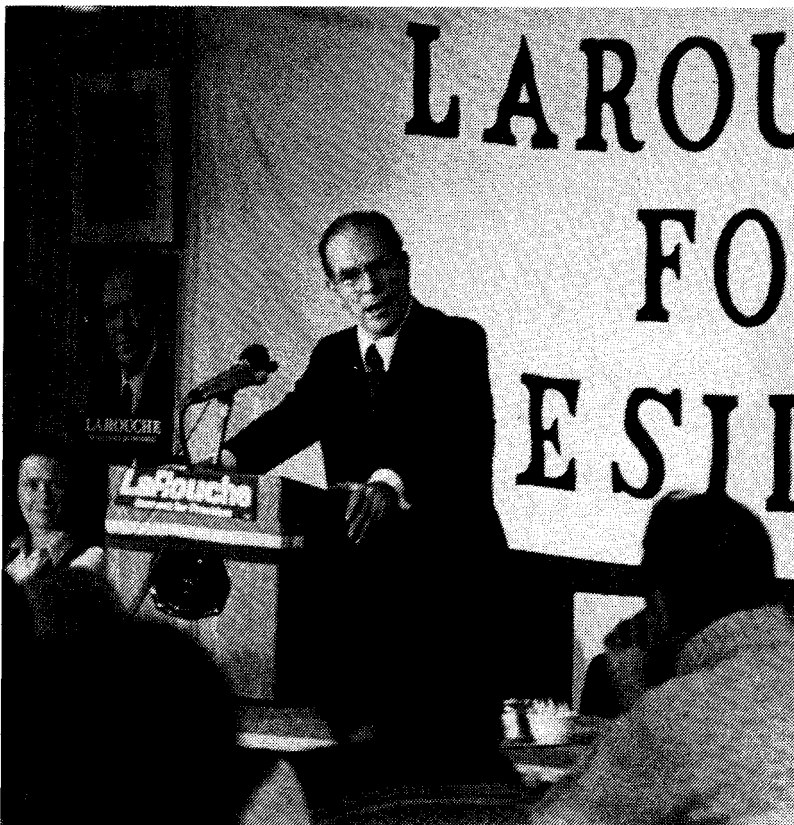
can Secretary of the Trilateral Commission, and one of the architects of Carter's rigged-election victory in 1976, is on record as stating explicitly; "It's going to be Carter versus Bush . . . I'm supporting Bush." Last week, David Rockefeller was observed buttonholing Senators on Capitol Hill to support the Bush candidacy because, according to Rockefeller, "Bush will be the next President."

Bush's credentials are based on his membership in the Yale University-based secret "Skull and Bones" cult, which engages in "death and resurrection" rituals and numbers among its initiates McGeorge Bundy, Averell Harriman and William Buckley, to name but a few. For Bush to "lock up" the 1980 race, this New York-New England "Brahmin-Silk Stocking Axis" behind his campaign has to establish certain pre-conditions.

They are, first, Bush and Carter victories in the Feb. 26 New Hampshire primary and second, Carter's nominal win in New Hampshire must be accompanied by a successful containment of the potentially large Democratic vote for LaRouche below the significant vote threshold.

Should that containment effort, currently underway by all means including assassination attempts, fail, then the entire attempt at rigging the election race crumbles.

This is the threat posed to the CFR strategy by the impact of the LaRouche campaign nationally and the campaign's growing momentum 'on the ground' in the State of New Hampshire. Every indicator, from the successively recurring large turnouts at LaRouche town



meetings across the state, to growing endorsements and indicated voter support, are demonstrating that a large LaRouche vote is expected.

Last fall, in a careful study of the various Democratic and Republican campaigns in this crucial primary, *EIR* noted that an examination of the size and quality of the LaRouche volunteer organization suggested that an upset could be in the making, that would totally transform the 1980 election picture.

Since then, LaRouche has become a nationally recognized lead challenger to incumbent Carter. LaRouche is now on the ballot in 7 states; New Hampshire, Illinois, Wisconsin, Georgia, North Carolina, Connecticut and California.

The automatic acquisition of ballot status across the country followed two successive nationally televised half-hour broadcasts by LaRouche which reached close to 30 million viewers. In both broadcasts, LaRouche told the electorate that Carter policies are threatening nuclear war, and that a Republican administration in the White House would be an equal if not worse disaster:

"If we follow the course that Carter is proposing at present, then in the United States, 60 or 80 percent of us will be dead as the result of the first hour of thermonuclear war and of course a great portion of the Soviet Union also will be dead. Some of my friends in Europe tell me that studies have been made which prove that the human race, in fact, no higher form of life, could survive

two years after a thermonuclear war. That may be true.

"But we are at the point of going to it unless we change our policy. We must drop the Carter austerity policy and the Carter policies modeled upon Nazi finance minister Hjalmar Schacht. We must cut out the Carter energy policy and go to a nuclear policy, a policy of nuclear energy development. We must cooperate with our allies immediately, particularly the powers of the European Monetary System. We must establish a new gold-based monetary system.

"The Carter administration is opposed to that policy. The problem is that the United States dollar is collapsing. The United States economy is collapsing. We have no conventional military capability of any continuing credibility for the kind of problems the Carter administration is creating. We are destabilizing countries we should be developing. We are running our own economy with this idiotic antinuclear Carter energy policy."

LaRouche concluded his second broadcast with an appeal to Democrats, independents, and conservatives throughout the country to support his candidacy, and through his candidacy, to prevent this summer's convention from nominating either Carter or Kennedy.

"I attack the Carter administration strongly, because what the Carter administration is doing is evil and dangerous. Mr. Carter of course is considered the Democratic flagman. Nonetheless, to save the Democratic Party from the Carter disaster—and I believe that the Democratic Party must lead the nation during the coming four to eight years—I've intervened to assure that we don't get a wrong Republican moving into the White House with the wrong policy, policies like those of Carter. On the basis of the fact that Carter or Kennedy, either one, would lose the election if nominated by the Democratic convention, and the Democratic Party would go down to defeat, not only on the presidency, but the loss of the presidency would carry it to defeat in many parts of the country, I'm working to become the President. I'm also working to bring together what might be considered conservative Democrats and independents who support conservative Democratic candidates from around the country, to recreate the Democratic Party as an effective force in our national life.

"I ask your support. That means money as well as other kinds of support to enable me not only to win the nomination, not only to lead this nation into security, to lay a foundation for the future over the coming eight years, but also to help me rebuild the Democratic Party as a conservative Democratic force, an alliance of professionals, businessmen, of labor, or black minority groups and others who share this point of view, to help rebuild it."

Following these broadcasts, coincident with the growing momentum of the LaRouche campaign in New Hampshire, certain quarters of the Eastern Establish-

ment associated with the Carter administration and the campaign of George Bush, sounded the alarm over the LaRouche threat.

Within days, the State of New Hampshire was literally inundated with slanders, harassment and intimidation against the candidate and his campaign on a par unseen in American electoral politics since the month that preceded the near-assassination of George Wallace during the 1972 Maryland primary campaign.

Releases issued by the LaRouche campaign convincingly document that a live hit operation is being coordinated through a closed circle within the U.S. intelligence community, known as "Team B," whose members and their superiors form the critical overlap in both the Carter and Bush campaigns.

"Team B," one may recall, came into national prominence in January 1977 when the CIA Director, authorized its formation as a body that would challenge official national intelligence estimates. The CIA Director in question was George Bush. "Team B" was used as a mouthpiece for promoting brinkmanship confrontations against the Soviet Union—despite the fact known to "Team B" that U.S. military inferiority precludes any choices in a confrontation but nuclear war or humiliating backdown. In fact, according to news leaks issued during the heyday of "Team B" publicity, this group allegedly recommended a U.S. first-strike policy against the Soviet Union.

Team B's members include Paul Nitze, a member of the Council on Foreign Relations and close associate of the Bundy brothers, McGeorge and William; Richard Pipes, Harvard Professor of Russian Studies; General Daniel Graham, former head of the Defense Intelligence Agency; General George Keegan, former chief of Air Force intelligence, known for his wide links to Israeli intelligence; and University of Southern California (USC) Professor Harold Van Cleave. "Team B" members have in common membership in the Committee on the Present Danger (CPD), a 1976 creation sponsored by leading New York investment banks including Goldman Sachs and Dillon Read.

LaRouche campaign releases charge that "Team B" members, operating from behind the scenes through both staffers and officials of the Bush campaign in the Republican Party, and the Carter and Kennedy campaigns in the Democratic Party, are the sources of the "Nazi" and "KGB" slanders against Lyndon H. LaRouche, that have been flooding New Hampshire in the past two weeks, as part of the preconditions for assassination.

The evidence, drawn from the facts contained in LaRouche press bulletins presents a case for investigation of the individuals cited.

Item. Team B member Richard Pipes told an inquirer this past week: "If LaRouche should get a significant

vote in the New Hampshire primary, it would be disturbing." Pipes himself professes to be "advising some candidates," and also professes to be in touch with Chick Colony, the southern New Hampshire Bush campaign coordinator. In fact, Pipes, who maintains a summer home in Keene, New Hampshire, had a private meeting with Colony on Saturday, Feb. 2.

Item. Chick Colony is the nephew of David Putnam, one of New Hampshire's top ten "Brahmins," and a leading founder of radical-environmentalist outfits such as the Seacoast Anti-Pollution League (the crowd that has been organizing against completion of the Seabrook nuclear reactor). He is a know conductor of the slander: "LaRouche is a Nazi, a fascist." Colony has confirmed that Pipes advises not only the Bush campaign—but also Edward Kennedy's.

Item. An associate of both Pipes and Colony, James Ewing, publisher of the *Keene Sentinel*, is a key "word of mouth" conductor of the "LaRouche is a Nazi" slander. Moreover, his newspaper has printed to date no less than five major slanders against LaRouche. Ewing confirmed to an investigator: "Pipes is a good friend of mine."

The buildup to a planned hit against LaRouche is now major news on radio and press in New Hampshire. Parallel with the 'breaking' of the assassination story is the appearance of an AP national wire accurately portraying LaRouche as building for a realizable shot at the nomination.

"Lyndon H. LaRouche, Jr., candidate for the Democratic presidential nomination and a fringe speaker on the American political scene for a dozen years is making quite a splash this year. He is getting nearly \$300,000 in Federal funds to help him

"LaRouche has purchased more national television time to expound his views than any other candidate so far in this election year. Twice he has addressed the nation in half hour network expositions of his unconventional views. He has mastered the art of raising political money The computerized list of LaRouche's contributors forms a five inch stack and contains thousands of names down at the FEC

"He is entered in the New Hampshire primary. Several factors make it possible for him to attract a sizeable vote. His home is Manchester, N.H. His name could draw support from the state's French-speaking community. He is mounting a vigorous campaign and spending heavily on advertising"

Twenty days from now, the citizens of New Hampshire will decide whether the 1980 elections will be a choice for the American electorate, or a Trilateral farce. LaRouche's capability to turn out a significant vote is conceded first and foremost by his Carter-Bush "Team B" enemies. If their containment efforts are thwarted over the next 20 days, an election campaign may ensue whose only comparison might be to 1860.

Exclusive Interview

“We’re going to pull an upset, and they’re scared”

Kenneth Dalto, a spokesman for the New Hampshire primary campaign of Democratic contender Lyndon LaRouche, granted the following interview to EIR this week.

Q: What do you think your chances are to take the New Hampshire primary?

A: At this point, we have Kennedy beat. In the next two weeks, we’re turning the heat on Carter. It’s LaRouche and Carter. We not only have taken Kennedy in New Hampshire, but we have devised a strategy whereby we are going to clean Kennedy out of New England, we and our allies. The issue on Kennedy is the Kennedy machine. When we develop the momentum in New England, we then clean Kennedy out of Washington, out of the Justice Department.

Kennedy will lose in Maine. He will be beaten by LaRouche in New Hampshire. We will take Rhode Island, and our forces will deliver him a stinging blow in his home state of Massachusetts.

We’re now in a race with Carter. At this point we focus on two issues against Carter. One, his foreign policy. The American population is more conscious of foreign policy issues at this point than they have been since 1945. We will go to the American population, not just New Hampshire, but the entire population, and not just with the so-called mess in Iran, but with the fact that this mess was a deliberate, created situation set up by the corrupt Carter administration to bring the United States to the brink of thermonuclear war. The second issue is the economy. We will not only tell the population that the economy is bad, but we will tell them that Carter created this mess deliberately, he’s fostering this mess consciously, and he’s lying and deceiving the population deliberately to cover up the real extent of the economic depression. In addition, we’re going city-by-city in New Hampshire, explaining how the economic depression being faced by all Americans is the result of the austerity measures that are being enforced brutally in plants, the city budget, senior citizens’ homes, hospitals.

Q: Would you put any percentage at this moment on your vote?

A: At this point, we have 10 percent of the vote already locked in. And we’ve just started.

Q: How have the Carter-Mondale campaign and its New Hampshire chief, Governor Hugh Gallen reacted?

A: The governor of New Hampshire and the president of the United States are complicit at this point in an ongoing assassination attempt against LaRouche, because the candidacy of LaRouche is upsetting the rigged game that is called the U.S. elections. The Carter/Mondale campaign especially thinks that the only way to get rid of us is to kill LaRouche. This is no exaggeration. The Carter-Mondale forces threatened senior citizens with a cutoff of heat in their homes, a cutoff of their social security checks, here in New Hampshire, in cities all over the state, in Rochester, in Nashua, in Portsmouth. We have heavy evidence of the same kind of treatment being given to other senior citizens. In some cases, reports are that the intervention was by Vice-President Mondale personally.

LaRouche is tapping the sentiment and the rage and the disgust that exists in this country over what this administration represents. We are finding something in this country that has not existed here in the postwar period. This is what our forces represent. The Carter forces in New Hampshire only represent threats and patronage that the administration is using to get the vote out. Carter is using federal tax dollars to win the New Hampshire primary. Carter does not have a campaign organization in New Hampshire, they have a bunch of political whores who depend, for their jobs, on a handout from Carter-Mondale forces. This is the decisive moral and political edge we have in New Hampshire—Carter and Kennedy forces go to the highest bidder.

The Carter-Mondale forces and the Kennedy campaign are well aware that LaRouche already has 10 percent and that 20 percent is well within reach. This would be a national upset of stunning proportions. I repeat, with what we will do in New Hampshire, LaRouche will be the hottest political item in the world. This the boys in the back room who are fixing these elections cannot and, if they have their way, will not stand for. Once we capture the necessary votes, they cannot stop us. They know that. They know that they must stop us now, and they are proceeding on a course to eliminate LaRouche.

We have this documented. In LaRouche’s own home town of Rochester, there have been physical threats, attempted assaults, attacks against the candidate, slanders about his background, and even attempts to black out his presence, to try to eliminate Lyndon LaRouche

politically and physically. The assassination threat is very live now.

Q: In light of all this, what has been the change in the recognition of Mr. LaRouche's candidacy?

A: Recognition is approaching total. Our recognition factor is being connected to our economic program, to the issue of drugs, and to our energy policy. In addition, one further factor: LaRouche has emerged as the only candidate who pierces the lies and deceptions of the other frauds. LaRouche is truly the people's candidate. In New Hampshire, at present, we are targeting sections of the population for the actual voter turnout. Our strongest sentiment at this point comes from two areas. First is the largest ethnic population, and of that, most are French, Greeks, Arabs, and Irish; and second is the labor population, which in New Hampshire is facing virtual extinction by a combination of right-to-work laws, antilabor austerity measures, and plans to deregulate the trucking industry. We do not appeal to any special-interest group with special-interest programs, and our support lies in precisely that. We address the population of New Hampshire and the constituency groups in it from a higher level. For example, the explosive campaigning of the candidate's wife, Helga Zepp-LaRouche, a political leader in Europe, has brought home in a very personal way to the French-speaking population of the state—which is some 60 percent of the Democratic urbanized vote in the state—the idea and excitement that the American nation has an overall political purpose in leading the world internationally. Mrs. LaRouche's campaigning makes very personal to the Franco-American voter in New Hampshire that by allying with our friends in France and West Germany and the rest of Europe, the United States can be pulled out of the economic depression into which Carter is heading this nation. This makes the fundamental point that our foreign policy must be based on economic alliances that will turn America back into the engine of world industrial development, not geopolitical alliances based on creating further confrontation with Europe and the Soviet Union.

The fact that Mrs. LaRouche is a European is a plus when people look at the campaign overall.

Q: What is the size and plan of your organization in the state from here to the primary day?

A: First, we have the largest and most politically sophisticated campaign organization that has ever, in all probability, been put together in the United States. As of now, we have 140 fulltime people who have worked with Lyndon LaRouche over many years. Around that core we have upwards of 300 volunteers working night and day. We will do walking tours in at least 15 major cities

in New Hampshire; we expect to call by phone at least three-quarters of the total population in New Hampshire, not just Democrats, but Independents and Republicans as well. In our street campaigning, we are using the principle of the flank. In addition to campaigning in the major cities, we are encircling the cities with clusters of campaign organizations in the smaller towns, in places where the Carter and Kennedy campaigns would not even think of setting foot. We will pile up thousands of votes in places that Carter and Kennedy do not even know exist. Our three principal issues will be the economy, energy, and the drug plague.

Already, we have doubled the number of people attending our town meetings over the Carter and Kennedy campaigns. In Rochester two weeks ago, we had 250 people at an event where, five days before, Rosalyn Carter drew 70 people. In the next 10 days, we have a major town meeting scheduled for some 10 cities. There are LaRouche supporters from around the country coming into New Hampshire to campaign for LaRouche.

Internationally, the head of the French Right to Life movement, Dr. Emmanuel Tremblay, will tour the state for LaRouche. A farm leader from Michigan and a Teamster official from Wisconsin, are also coming in to campaign for LaRouche. In addition, where the media do not respond in New Hampshire, we will use the national media to break the press blackout we have encountered in New Hampshire.

Q: What has been the effect of Mr. LaRouche's nationwide television broadcasts on the New Hampshire campaign?

A: In his broadcasts, LaRouche has been represented to the American population as an international leader. The United States must become the leader of the world again, but there is one more important thing: LaRouche is a man with guts. LaRouche has awakened the population to the fact that the Carter administration is leading them to slaughter, and that the LaRouche candidacy is the instrument to break the fix. LaRouche's national broadcasts have broken the media blackout. We recognize the fact that the Carter and Kennedy campaign managers would never put LaRouche into a debate with imbeciles of the mental level of a Carter or a Kennedy. That is the major reason for the press blackout—and that blackout is now broken. They have done one thing more. They have shocked people, shocked them, for when they see that LaRouche is the only man who dares to address these issues they are shocked. They say to themselves, "Look at the depths to which the nation has fallen, that only one lone man dares address this national crisis with honesty." LaRouche is saying publicly what every working person in this country knows and says privately.

Political assassinations: How they're pulled off

Why Kissinger gloated over Kennedy's assassination

by Lyndon H. LaRouche, Jr. Contributing Editor

President John F. Kennedy was "a security risk," Henry Kissinger once said in answer to a question soliciting his reaction to Kennedy's murder. In fact, there is much documentation of Henry Kissinger's gloating over the 1963 assassination. I am opposed absolutely to everything the Kennedy machine represents, but justice obliges me to give President John F. Kennedy his due. If a President of the United States can be assassinated and that assassination covered up Warren Commission-style, is there any ordinary citizen of this nation who can expect justice? In addition, President Kennedy had a few good points, which no honest opponent of the Kennedy machine will ignore.

The Kissinger connection

During recent years, according to my personal knowledge, Kissinger has been involved in a number of murders, as well as trying to sabotage my security in 1977 and more recently advertising my imminent assassination to blue-ribbon groups in Western Europe. Whether he was personally involved in the 1963 assassination of Kennedy, I do not know. I know that he was extremely pleased by that assassination.

After Kissinger was picked out of the mud by Fritz Kraemer, Kraemer aided Kissinger in receiving training under Harvard University's Professor William Yandell Elliott. Elliott was a British secret-intelligence agent from the 1920s, and was the immediate subordinate of John Wheeler-Bennet of British Secret Intelligence Service. Through Elliott, Kissinger was integrated into the psychological-warfare, or Sussex division of the British Secret Intelligence Service during the middle 1950s.

After being assimilated into the British Secret Intelligence Service, Kissinger was assigned to George Franklin of the New York Council on Foreign Relations—according to Franklin's recent statement on the matter.

The New York Council on Foreign Relations is a daughter-entity of the British SIS think-tank, the London Royal Institute of International Affairs. Kissinger was then boosted to nationwide prominence in the U.S.A. through a book ghost written for Kissinger by the late Gordon Dean. With that background, Kissinger was posted by British intelligence to McGeorge Bundy's staff, under President Kennedy, in the National Security Council. Later, after two incidents, President Kennedy ordered Bundy to fire "that lunatic." Therefore, many analysts attributed Kissinger's gloating over Kennedy's assassination to "sour grapes."

Who killed Kennedy?

I do not know the names of the highly trained professional assassins who assassinated President Kennedy. However, everyone in the intelligence business knows that the Bronfman-linked Permindex organization was the most prominent group engaged in preparing the assassination. It was French intelligence's tracing of funding of attempted assassinations of de Gaulle to the United States which brought to public light the facts behind the Louisiana grand jury indictments.

There is no mystery concerning the motive for the assassination of Kennedy. Former British Prime Minister Harold MacMillan has documented his motivation for eliminating Kennedy in his published memoirs. If one knows that the Permindex organization is an "asset" of the British-Canadian Special Operations Executive crowd, the connection between MacMillan and Kissinger's motives and the actual killing is conclusively demonstrated. The only mystery remaining, so far as my knowledge is concerned, is the names of the actual professional assassins used at Dealey Plaza. Only people totally ignorant of the facts believe the Warren Commission hoax, or the Oswald "lone assassin" fraud today. The assassination was prepared by Kissinger's superiors in British SIS.

There are two highlights of that administration which I believe deserve honor to the present day. In my best estimation, John was a playboy-careerist overall. Yet, somehow, the significance of the office of President broke through that playboy outer shell and activated a better potential within him.

The first of the two achievements of the Kennedy administration is John's rallying the American people behind the NASA project set into motion by the Eisenhower administration. At that time, John was probably approaching this as a political publicity-stunt. I think he was following advice to appear to act like F.D.R. would have acted. Whatever John's motives at the time, he did a good thing in that instance. He saved our nation, for an extended period, from the collapse of R & D which has occurred under the Carter administration.

The second, more noble accomplishment I believe represented a genuine, internal improvement in John's quality. That was the way he reacted to the experience of the 1962 Cuban Missile Crisis. During 1963, John showed increasingly a perception that one must not play games with the security of the United States. MacMillan's memoirs give us an accurate insight into the British motives for Kennedy's assassination.

Ted Kennedy is an entirely different kettle of fish. Perhaps the fearful experience of the assassination of two brothers has something to do with his present condition. I am open to evidence on the personal side of Ted's present condition. Nonetheless, it is a fact that Ted is a miserable flake and that the machine he represents is pure evil.

The threat to LaRouche

Perhaps I am open-minded about the 1963 John Kennedy because I am presently targeted for assassination by the same gang which prepared his assassination. In general, the motives for my assassination are closely related to the motives MacMillan gives for Kennedy's assassination.

Archduke Otto von Hapsburg has declared that "LaRouche will soon disappear." Henry Kissinger has made similar hints at an early assassination before blue-ribbon semisecret audiences in France. Friends of Alexander Haig have recently blamed me for eliminating Haig's candidacy for the presidency, and I am also blamed for hurting Zbigniew Brzezinski badly with my half-hour NBC-TV nationwide broadcast. President Carter, it is reported, is in a fit of uncontrollable rage because of my attacks on his administration in nationwide TV broadcasts on two successive Sundays.

Carter et al. know that I am targeted for assassination by the Muslim Brotherhood, including the assassination teams of the Khomeini dictatorship currently deployed under "Islamic Guerrilla Army" cover in the United States. Carter knows that elements of organized crime tied to international drug interests have also targeted me publicly for assassination.

Carter is working to eliminate my security, to aid those various assassination-efforts to succeed. Naturally my old personal enemy Henry Kissinger is complicit in the operation.

How George Wallace was knocked out of the race

by Paul Goldstein

On May 15, 1972, candidate for the Democratic Party presidential nomination, Governor George Corely Wallace, was shot four times at point-blank range at a shopping center in Laurel, Maryland where he had been campaigning. The assassin was Arthur Bremer.

Wallace, who professed his racist populist demagogery with the same conviction that any independent southern conservative Democrat would use to get votes from an alienated blue-collar population, had built an independent political machine nationwide, a machine not under the control of the "fixers" centered around the New York Council on Foreign Relations.

Wallace's was, in the eyes of the CFR, a dangerous combination.

A classic *modus operandi* was employed in the assassination operation. A press-coordinated slander and vilification campaign built a climate around Wallace to make credible the allegation that a "lone" assassin carried out his assignment for his own personal political reasons. For months prior to the hit on Wallace, every major media outlet—newspapers, television and radio—linked the name "Wallace" to pure evil, a "racist anti-Semitic, vile and ruthless man who is unyielding to any of his opponents."

This is just the first of several steps that are routinely taken by the organization of paid assassins known as Permindex. Wallace's close advisors warned him several times to avoid certain crowds and to wear protective armor, a warning he did not heed.

Finally, Arthur Bremer was deployed out of Canada into the United States, trained by Permindex.

Ironically, Bremer's original target was not Wallace, but President Richard Nixon himself. Not able to penetrate the President's security, Bremer turned away from Nixon and moved onto the Wallace campaign trail. "Wallace's security seemed lax and he loves to shake hands. With Wallace dead, who would care ... to stop Wallace is to stop the Klan ... Wallace will be dead," said Bremer's diary.

On May 15, Gov. Wallace finished his speech, jumped down from the bullet-proof podium and headed straight for the crowd. Three Secret Service agents were assigned to protect him. They didn't notice as Bremer slipped through the security screen easily and fired his charter arms .38 special right into the chest and stomach of Wallace.

How they're preparing to assassinate LaRouche

by Vin Berg

1980 Democratic presidential candidate Lyndon Hermyle LaRouche, Jr. is otherwise the chief executive of a private international political-intelligence news service. Among his internationally recognized special qualifications, the candidate is a leading specialist in antiterrorist counterintelligence. It was under his direction that a special report on methods of combating international terrorism was written at the request of leading figures of Italy's Christian Democratic Party and with cooperation of persons closely associated with the late Pope Paul VI.

The approach recommended by LaRouche has since been employed with significant success by elements of the Italian government and antiterrorist special task forces of the Carabinieri. LaRouche's role has been the subject of leading coverage in Italy's major news media, and LaRouche has been fictionalized as the "Colonel Harris" in a book of which prepublication excerpts have been published in the Italian press.

LaRouche's work on behalf of establishing a new, gold-based monetary system, plus his work against international terrorism and the illegal drug traffic have caused him to be the target for terrorist assassinations in the past. Notable is an August 1977 Baader-Meinhof/George Jackson Brigade targeting of the candidate, in which instance Henry Kissinger intervened personally in an effort to prevent LaRouche from receiving assistance from Western Europe and other security agencies.

The four crucial elements of a terrorist assassination deployment are now in place against targeted victim LaRouche.

The four elements are as follows:

1 *The orchestration of massive libeling of the selected victim in major as well as "far left" and "far right" news media.* Campaigning in New Hampshire, LaRouche has been the target of four separate slanderous pieces in the Keene *Sentinel*. He has been repeatedly termed "kook," "Communist," "fascist," "anti-Semite," "Nazi" or similarly labeled on radio talk-shows in both Boston and New Hampshire, in a TV magazine, in the University of New Hampshire student newspaper,

and in the *Washington Post*. Editors and moderators have sometimes freely referenced CBS-TV reporters and New York Times-linked reporters as their source.

2 *The construction of a vast network of slander-mongering, using the same "Nazi," "anti-Semite," "communist," etc. lies against the candidate.* The slander-mongering relies on both rumor-mill and telephone-bank methods. Thus, a George Bush-Republican organizer was found aboard a senior-citizens bus, returning from a LaRouche campaign rally, spreading the rumor that the candidate was a "communist." Pat Russell of the Democratic National Committee in New Hampshire told people that LaRouche is "a Nazi." State congressman D'Amours answered an inquiry by calling LaRouche a "neo-fascist," and his aid referred persons to another individual who "knows more about his anti-semitism."

3 *An attempt to isolate the targeted victim politically by various modes of corruption and intimidation of his supporters.* A political figure in Dover, N.H. who supports LaRouche had his tires slashed and a bullet fired through his windshield. The *Washington Post* reporter, Megan Rosenfeld, systematically called every name on a list of LaRouche contributors, to ask only one question: "How do you feel about LaRouche infiltrating the Democratic Party?" The New Hampshire Right to Life Committee passed a resolution that the LaRouche campaign was incompatible with Right to Life membership, and the office of Sen. Humphrey then contacted Right to Life supporters urging them to quit the LaRouche campaign on the basis of the resolution.

4 *A coordinated effort to strip the targeted victim of security.* This has involved direct witting action by the White House, by Democratic National Committee members, by New Hampshire Gov. Hugh Gallen, and the national and state news media. Gov. Gallen told Mrs. Helga LaRouche, "I'm working against your husband. You should fire your security." A state trooper a short while later detained her security guard and ran a computer check on his handgun permit. Carter state field coordinator Richard Patenaude said, "We're going to shoot him ... (ha, ha) ... I wish CBS's '60 Minutes' show would do something on him. ... I've been in touch with the Keene Police on their not giving security protection to LaRouche." Manchester school board member Katherine Gabriel stated that she didn't want LaRouche's security guard to appear with him at the local high school, and was quoted in the Manchester *Union Leader* under the headline: "LaRouche welcome, not guards' guns." Gabriel said she had been in touch with the Boston Anti-Defamation League and state Democratic chairman Romeo Dorval.

National News

The White House party line

White House Press Secretary Jody Powell last week called in the press corps to read them some choice excerpts from a trans-Atlantic phone conversation between the President and Chancellor Schmidt.

The Chancellor, said Powell, wanted to tell the American people that both he and President Giscard stand by President Carter's side during the current crisis. There should be no doubt, Powell's dramatic reading continued, that both France and West Germany pledge their fidelity to both the Western Alliance and the United States. Both France and West Germany, further desired to make it clear that they wanted the Soviet Union to withdraw its troops from Afghanistan immediately, said Powell. The White House press secretary reported that President Carter was "very pleased with the conversation."

The White House press corps neglected to ask a few obvious questions. Is it now presidential policy to release all private conversations between the White House and other heads of state? Will the White House soon inform us of the content of any recent hotline conversations between Washington and Moscow or of the nature and content of Soviet warnings to the administration, reportedly extremely sharp, on continuing to play the so-called China Card?

'Team B' source calls for Nazi war economy

"We are now very close to war. You don't know how close . . . We have absolutely no capacity to back up this so-called Carter Doctrine." These words by a source who is a "fellow traveller" of the former "Team B" of CIA intelli-

gence specialists, were stated to an *EIR* reporter in talking about the world strategic situation.

"The armed forces and especially the army are made up of people who are incapable of carrying out the demands of a stressful situation," he continued. "The army is loaded with drug addicts, with functional illiterates. It is like a huge welfare hotel. It can't fight a war. It is my view and the view of others in the military command that if the Soviets challenge us, we are going to back down or we are going to be forced to use tactical nuclear weapons . . . at that point we are moments away from a full nuclear war and I think we would lose that war. Carter has taken the risk that the Soviets won't call his bluff. If he proposes to fight where we can't win, then the country is finished . . . We have to ease our way out of the present crisis and move toward a total overhaul of our military capacity—no quick fixes."

This will require the creation of "an authoritarian society . . ." he added. "We will scrap the welfare system and a lot else to fund the military buildup. You think I sound harsh. Well, I am the realist."

Both Carter and George Bush were acceptable presidential candidates to the speaker. The problem with Carter is that he is going to suffer the consequences of his policy debacle: "He doesn't have the ability or credibility to carry out a more authoritarian policy should that become necessary. He will unfortunately pay the price for the mistakes of others."

Bush hit with slush-fund scandal

The campaign of George Bush, the newly anointed GOP front runner, has been hit with its first scandal.

An article prepared by a team of *Los Angeles Times* reporters and syndicated nationally revealed that Bush was the recipient of more than \$106,000 from a

secret Nixon White House slush-fund for the former CIA director's unsuccessful bid for a Senate seat in 1970. While the transactions did not violate federal law, the *Times* says that "Bush's acceptance of the money and his failure to disclose it fully—as required by Texas law—raise questions of propriety, especially since most of the money was in cash and difficult to trace."

The money was conduited through a fund known as the "townhouse operation" because it ran out of a basement of a Washington home. Most of the transactions were conduited under the name "C.A. Green," a codeword for cash. The fund, which totalled more than \$1.5 million, made contributions to candidates in 15 states.

Named as top contributors to the fund were; W. Clement Stone, the Chicago millionaire; Max Fisher, the Detroit-based powerbroker and head of United Brands, with connections to dope-running networks and organized crime; Henry Ford II; and the Boston-based oil and shipping magnate Thomas Pappas.

Former Watergate prosecutor Archibald Cox, white-washed Bush during his Watergate investigations, absolving him of any wrong-doing. Nonetheless, it was reported that Bush's connection to the "Townhouse Operation" was the crucial factor in convincing the circle around President Ford not to nominate Bush for the vice-presidency in 1974, when he was under active consideration.

Spokesmen for the Bush campaign downplay the scandal, calling the allegations "old copy that has long since been cleared up."

USWA under threat of mass shutdowns

Contract talks between the nation's steel producers and the United Steelworkers union got underway last week with slim prospects of an early settlement.

At the traditional opening press conferences of the talks, both sides sounded somber. Lloyd McBride, the USWA president, let it be known that union members could not keep up with inflation during the last contract period and needed a "realistic" contract. J. Bruce Johnston, of U.S. Steel Corporation speaking for the steel producers, threatened that unless the industry got a break on environmental restrictions and imports, the companies would be forced to close more mills. U.S. Steel has already announced plans to close 15 older mills.

Johnston left unsaid that the industry evidently intends to hold the threat of new closings over the heads of union members during negotiations for a new contract. Sources close to U.S. Steel report that this threat will be "the bottom line in the negotiations Either the union gives us what we want or they are going to lose a hell of a lot of members," said one spokesman. "We'll shut down everything that isn't making money."

As if to emphasize the point, U.S. Steel announced that they were going ahead with plans to shut down their Youngstown, Ohio plant and sell most of it for scrap. In desperation, the USWA had proposed to buy or lease the plant to keep it in operation.

All this places USWA President McBride under the gun. The industry is committed to carrying out the greatest retrenchment in history which will cost thousands of jobs.

This decision was actually made some time ago, in policy councils that included Viscount Etienne Davignon of the European Economic Community, who proposed to "rationalize" steel internationally. The erroneous premise is that the world has more capacity to produce steel than it needs; the proposed cut-backs, however, plainly ensure that there will not be enough steel to develop infrastructure in the Third World.

The USWA, according to recent publications, accepts the Davignon ruse, however.

Will Kennedy continue to sink?

The presidential bid of Senator Edward Kennedy is on the rebound, according to certain observers. His campaign organization, especially in New England, is breathing again following the Senator's liberal-oriented attack on the Carter Doctrine at Georgetown University. The media, especially the *Washington Post* and *Boston Globe*, noted the potential for Kennedy's campaign to rise "pheonix-like" from the ashes and make a credible if not victorious try for the nomination. We are witnessing a resurrection, announced columnist Joseph Kraft.

But sources closer to the Kennedy campaign call such statements nice-copy, but otherwise pipedreams. The Kennedy campaign, they say, is mortally wounded. Kennedy is likely to get clobbered in this week's Maine caucuses, where polls show him trailing Carter by two to one. Defeats can become contagious and it is expected that a poor showing in Maine may feed what looks like a rout in New Hampshire, where Kennedy cannot afford to lose.

The Senator reportedly took a poll of top advisors on whether he should stay in the race. It came out deadlocked, 4-4. Kennedy cast the deciding vote himself—"for a candidacy on my own terms." "I'm not going to be a George McGovern," said Kennedy. "And I'm not going to win the nomination."

Other sources report the startling news that Kennedy's speech last week was not worked out to get votes, but carefully constructed in concert with the Carter people to handle another problem—the wildcard candidacy of Lyndon H. LaRouche. Kennedy has not revealed to his staff the content of a series of White House meetings with Carter and his staff on the LaRouche question.

Meanwhile no insider believes that Carter has any lock on the electorate.

Briefly

● **JOHN CONNALLY'S** campaign for the Republican presidential nomination is proving that when it comes to politics, money isn't everything.

Connally, who has passed up federal matching funds money, has already raised and spent more than 9 million dollars. For all this money, he has yet to land a delegate. He spent more than \$150 a vote in the Iowa caucuses and didn't finish in hailing distance of either George Bush or Ronald Reagan.

Now, Connally has dipped into his own pockets to back a half-million dollar loan from a Houston, Texas bank. Recent polls show him with under 5 percent in the New Hampshire primary. Even Connally's money may not buy him out of that one.

● **GEORGE BUSH** picked up more public endorsements of his bid for the GOP presidential nomination last week, from some Watergate era figures. Former Attorney General Elliot Richardson and deputy attorney general William Ruckelshaus placed their separate stamps of approval on the Bush "project." Both Richardson and Ruckelshaus were fired in 1973 by then President Richard Nixon for their "inside" involvement in setting up the White House during Watergate.

● **DAVID ROCKEFELLER** could be seen stalking the halls of Congress last week delivering one message to America's legislators: the fix is on for the 1980 election. Rockefeller, whose Trilateral Commission created President Jimmy Carter and has been running the Carter administration, has decided to go Republican for 1980. Rockefeller is known to be telling leading U.S. Senators that George Bush is the candidate chosen by the Eastern Establishment to be the winner of the 1980 race.

Killing the energy future?

Because of 'political and regulatory uncertainties'—and Carter administration policy—America may not have a nuclear future.

The largest cancellation in the history of the U.S. nuclear industry occurred last week when the Central Area Power Coordinating Group, a consortium of northern Ohio utilities announced it was abandoning four major nuclear plants in the area. Why? Because of the "intensified political and regulatory uncertainties" that followed the events last year at Three Mile Island.

This cancellation ought to give us pause to reflect on the policies of the Carter administration, particularly concerning the research and development of all facets of nuclear energy. These policies are very directly threatening the security of the United States.

After three years under the so-called environmentalist presidency of Jimmy Carter, it is quite incredible that the good American citizen is obliged to accept a logic that would bring us to the brink of thermonuclear war in order to defend Persian Gulf oil supplies because they are vital to American industrial development, while the same Carter administration is working to dismantle the safest and most important potential energy source we have.

If the strategic realities are as the Carter administration has been claiming—namely that the Soviets are running out of oil and therefore must move to take the rich Persian Gulf fields—reason would dictate the most aggressive domes-

tic nuclear expansion program including the crash development of fast breeders, such as that at Clinch River, Tenn., and fusion. It would also dictate that incentives be provided for the most vigorous domestic petroleum exploration possible, including the removal of environmentalist fetters to western land development and Alaskan "wilderness" restrictions. None of this has happened.

Last week, the Carter administration gave Congress its FY 1981 budget. It calls for a whopping 22 percent cut in nuclear R & D. The liquid metal fast breeder program at Clinch River is barely funded. Instead of an expected increase from \$504 to \$520 million, the breeder budget was slashed to \$320 million, at a time when the Soviets, French, West Germans and Japanese are proceeding apace on similar programs.

The cancellation of the \$7.4 billion Ohio project is only the most dramatic nuclear cancellation. One week before, New York State refused approval to Rochester Gas & Electric to build the 1,157 megaWatt Sterling nuclear plant scheduled to come on line by the late 1990's. It wouldn't be needed, the state calculated, until 1991! The state also rejected a 2-unit (1,150 MW each) complex at Jamesport, N.Y. The head of the state Public Service Commission cited "considerable regulatory uncertainty surrounding nuclear

plants since Three Mile Island..." A spokesman for the utilities called it a "political decision" and "a grave error."

According to U.S. nuclear industry sources, this brings to 13 the total of nuclear plants already underway that have been cancelled since the Three Mile Island incident. For reference, one 1,000 MW nuclear plant generates the equivalent of 10 million barrels of oil in a year. One such plant provides electricity to power a city of more than 600,000. The bill of materials for such projects requires tens of thousands of tons of specialty steels, concrete, sophisticated electronics and engineering products and the skilled labor to produce that bill of materials and construct the plant. The death of this technological capability, if allowed to proceed, would represent an incalculable loss to the world.

Only four years ago the United States was the center of the worldwide development of nuclear energy, providing 90 percent of world exports and the base of the French and West German nuclear industries. Now, one of the two major suppliers of this technology, General Electric, is on the verge of closing shop on its nuclear division. One top GE official stated this week that "we don't see any realistic prospects for a new order this year," neglecting to mention that their last order predates the Carter administration. Numerous nuclear vendors and suppliers are on the verge of bankruptcy with Babcock and Wilcox all but out of the business since Three Mile Island. Once dispersed, highly skilled teams of engineers and scientists, skilled technicians and managers take years to rebuild.

Cannon introduces trucking deregulation bill

On Feb. 1, Senator Howard Cannon (D-Nev.), chairman of the Senate Commerce, Transportation and Science Committee introduced the Motor Carriers Reform Act of 1980, S. 2245, along with the committee's ranking Republican, Bob Packwood (R-Ore.). While Cannon in his statement accompanying the introduction of the bill claims that "I have personally concluded that deregulation of the trucking industry is not in the public interest," industry and labor sources report that the "reform" bill is a large step toward deregulation, and goes much further than they expected. Indeed, Cannon's cosponsor Packwood revealed the true intent of the deregulation forces in a speech given earlier this year. Packwood stated that this legislation would be only a first step and that further legislation completing the deregulation moves would follow next year.

The reason for Cannon's introduction of such radical legislation despite his professed opposition to deregulation was made clear on Feb. 6 when national newspapers broke a "scandal" involving Cannon and the Teamsters Union. The newspapers alleged that Cannon stalled deregulation legislation over the past year in exchange for favors from the Teamsters Central States Pension Fund. The appearance of this scandal has a distinct ring of blackmail, putting Cannon in a position where he must push radical deregulation of the trucking industry in opposition to the Teamsters, in order to prove that he has not been bought.

Cannon has announced that the committee will move very rapidly on this legislation, scheduling only three days of hearings on it at the end of February and moving immediately into committee mark-up in March. Cannon cites extensive hearings held in 1979 as the reason for the abbreviated hearing schedule on this new bill, but observers note that the appearance of the alleged scandal is the real reason for his haste.

Identical legislation has been introduced in the House by Public Works Committee Chairman Biz Johnson (D-Calif.) and Transportation Subcommittee Chairman Jim Howard (D-NJ). Trucking industry sources report that both the industry and the Teamsters were caught completely off-guard by the radical nature of the legislation. They had been ready to support what they expected to be minor reforms of the motor carrier industry and on that basis Cannon had hoped to push the legislation through the Senate by early summer. However, this timetable is now in doubt.

Hearings on Fed membership resume

Hearings resumed in the Senate Banking Committee Feb. 4 on the issue of mandatory membership in the Federal Reserve System. On Nov. 7, the committee voted 9 to 5 that S. 353, a bill proposing to retain optional affiliation with the Federal Reserve for reserve-setting purposes, should be the basis for further discussion. Senator Tower (R-Texas) has amended S. 353 since

Nov. 7 to set reserve requirements at 3 percent on the first \$35 million of member bank transaction accounts and from 3-10 percent as determined by the Fed on that portion of transaction accounts over \$35 million. Member banks would be required to hold reserves from 1 to 7 percent on savings deposits and time deposits of less than 180-days maturity.

It is expected that an amendment will be offered to S. 353 which will require all depository institutions, upon a unanimous vote of the Fed, to maintain an emergency supplemental deposit of up to 3 percent of the total of its first \$35 million in transaction accounts and up to 5 percent on transaction accounts over \$35 million. The emergency supplemental deposit could be required only after consultation by the Fed with the FDIC, FHLBB and NCUA boards of directors, plus a finding by the Fed that emergency conditions exist and that such emergency deposits are the only means available to the Fed to maintain effective control over the growth of the monetary base as adjusted for changes in reserve requirements.

Senate panel calls Miller to answer SEC allegations

The Senate Banking Committee on Feb. 5 summoned Treasury Secretary G. William Miller to appear before the committee on Feb. 8 to explain contradictions between testimony given at his confirmation hearings and allegations made in a Securities and Exchange Commission complaint against Textron,

Inc., the company he had headed. Senate Banking Committee Chairman Proxmire (D-Wisc.) told Miller "because the SEC report does raise questions we feel we ought to have you back to answer questions."

At the same time, Senator Lowell Weicker (R-Conn.) called for the creation of a special prosecutor and attacked Attorney General Benjamin Civiletti's ruling that a special prosecutor was not necessary.

The issue of Textron's previous unethical payments to overseas officials and its entertainment of Pentagon officials came up in 1978 at Miller's original confirmation hearings. At that time, the committee found no substantial evidence that Miller had known about these payments. The SEC says they now have evidence that Miller did indeed know about Textron's unethical practices.

Hearings on banking reform underway

The House and Senate conference committee working on the banking reform bill H.R. 4986 are scheduled to meet March 4 to work out a final version of the very controversial legislation.

The Senate-passed proposal on banking reform had included a 10-year phase-out of Regulation Q, a provision that allowed thrift institutions to have an interest rate differential over commercial banks. This interest rate differential allowed the savings and loan institutions to attract capital which they in turn lent at low interest rates for primarily mortgages.

The House refused to pass a measure including the elimination of Regulation Q. However, the House version of the bill included a Fed membership aspect, maintaining optional federal reserve membership for banks only if the deposits subject to the Fed's control are over 67.5 percent of all insured commercial bank deposits. That level is now 70 percent.

Earlier efforts to resolve the differences in the two bills failed and the Congress voted up an extension of automatic transfer services offered by banks, remote service units of S & L's, and share drafts offered by credit unions through April 1, 1980. This extension was granted because House members stated that they could not vote on anything regarding Regulation Q unless they held hearings on the issue. Thus the House Banking Committee Subcommittee on Financial Institutions began hearings Jan. 24 on proposals to phase out Regulation Q. The hearings will also discuss a number of provisions contained in H.R. 4986. Specifically, the subcommittee will be discussing a proposal by Congressman Barnard (D-Ga.) that would call for interest rate ceilings to be eliminated by July 1, 1985. The subcommittee is not expected to mark up any new bill. The Senate will also review the question of Fed membership.

Jackson holds hearings on geopolitics of energy

Senator Henry Jackson's (D-Wash.) Energy and Natural Resources Committee is holding a series of mostly closed hearings on

the "geopolitics of energy." The hearings began on Jan. 28 with top-secret closed hearings on the political, strategic situations in Algeria, Libya and Iran. Testimony came primarily from the CIA and State Department officials. This was followed on Jan. 31 with further closed hearings on Saudi Arabia and Kuwait. Closed hearings on Venezuela, Mexico, China, the Soviet bloc and the oil-producing capacity of the less-developed countries are slated to follow.

One open hearing has been held, and that featured testimony from Princeton Professor Bernard Lewis. Lewis is best known for his "prediction" that the Middle East and Southwest Asia would be wracked by an uprising of Moslem fundamentalism and tribal rivalries, what Arab newspapers have angrily labeled as the "Bernard Lewis Plan" for undermining Middle East stability. Lewis's testimony before the Senate committee was in effect a demand that the U.S. intervene into the region whether invited or not. Lewis said, "What is needed now is a policy which will deter the Russians and restore some courage and confidence to the peoples of the Middle East. They not only need it, they are ready for it. Let us not be misled by all the talk about a great wave of anti-American feeling."

Capitol Hill veterans remember Henry Jackson's previous foray into the geopolitics of energy when last year he released a report based on a top security study which advocated the use of U.S. military force to secure Middle Eastern oil fields. Jackson, who has been a leading supporter of Israel, has not been known for his pro-Arab sympathies.

British aim terrorism at detente

French sources are naming England and Libya as the control points for a wave of violence and killings aimed against Europe's effort to ensure world peace.

On Thursday, Jan. 31 less than 48 hours after a meeting of interior ministers in Melun, France to discuss antiterrorist countermeasures, a former minister in deGaulle's government was murdered.

The ministers from every leading European nation except Great Britain had been reviewing evidence that a new terror wave was in the making. That evidence included an increase in drug flows, regional terrorist upsurges in Corsica and Spain's Basque provinces, a remobilization of the Red Brigades and Autonomists in Italy and France, and new assassinations.

As French Interior Minister Christian Bonnet told the daily *Le Figaro* on Jan. 31: "My colleagues live in countries where terrorism rules and this necessitates a maximum security." Referring to Corsican Autonomists, he said "their action is not gratuitous; it is guided from abroad." According to informed French sources, Bonnet meant Libya and Great Britain.

The assassination of former Minister Jacques Fontanet was conducted in broad daylight. Fontanet was gunned down in front of his house. Despite assistance from French President Valery Giscard d'Estaing's sister and her husband, who returned to their home next door minutes after the shooting, the former minister died that night at the hospital.

Fontanet had had a long political career as one of the leaders of General de Gaulle's party, the MRP. As education and then labor minister under Presidents de Gaulle and Pompidou he was known for advocating cooperation with the labor movement, including the Communist CGT Union, much like the late Labor Minister Robert Boulin, whose death last October under suspicious circumstances was pronounced a suicide.

Even more significant a warning to France was the fact that Fontanet was a good friend of Jacques Chaban Delmas. Only a week before, Chaban—as he is commonly called, after his code name in the Resistance during World War II—had been in Moscow as an unofficial envoy of President Giscard d'Estaing, discussing with Soviet leaders the ways and means to prevent "the outbreak of war." Six months ago, Chaban received death threats from the Basque terror group, the ETA, and had to receive state security protection after his "rapprochement" with Giscard.

Also on Jan. 31, Italy's Red Brigades terrorists killed one watchman and wounded another in an attempt to blow up a FIAT-owned factory in Turin, Italy. That attack on the Italian auto manufacturer is only the first in a series if the orders given by the *London Times* are implemented.

On Jan. 23, just one week before, the *London Times* ran a feature on FIAT by John Earle, entitled "A Company on the Front Line" which included the following advice regarding FIAT owner Agnelli: "For anyone seeking to destabilize the structure of the economy, it would be difficult to find a better target than this symbol of private capitalism." The article was published with a list of FIAT managers and operatives wounded by terrorists since 1975. Remarks on "frightening effect" that is really what is being sought with the random murder of employees, were speckled throughout the article.

Why is FIAT being singled out? Not because it is some "capitalist symbol," but rather in view of the deal concluded with the Soviet authorities for a second "Togliattigrad," a multi-billion dollar auto factory and town to be built in the U.S.S.R.

Also on Thursday, the Spanish Embassy in Guatemala was burned to the ground resulting in 39 dead. The action there was undertaken by "leftist" peasants, part of the Jesuit network which crisscrosses Latin America and which provides the ideology for European terrorists as well.

The past weeks have witnessed an escalation in destabilization operations against King Juan Carlos of Spain. Because Spain is a bridge to Latin America for the European Monetary System, and because the King appealed to President Carter, on behalf of West German Chancellor Helmut Schmidt, to adopt a reasonable global peace settlement in the Mideast, Spain and Juan Carlos are, in the eyes of the London crowd, a major adversary.