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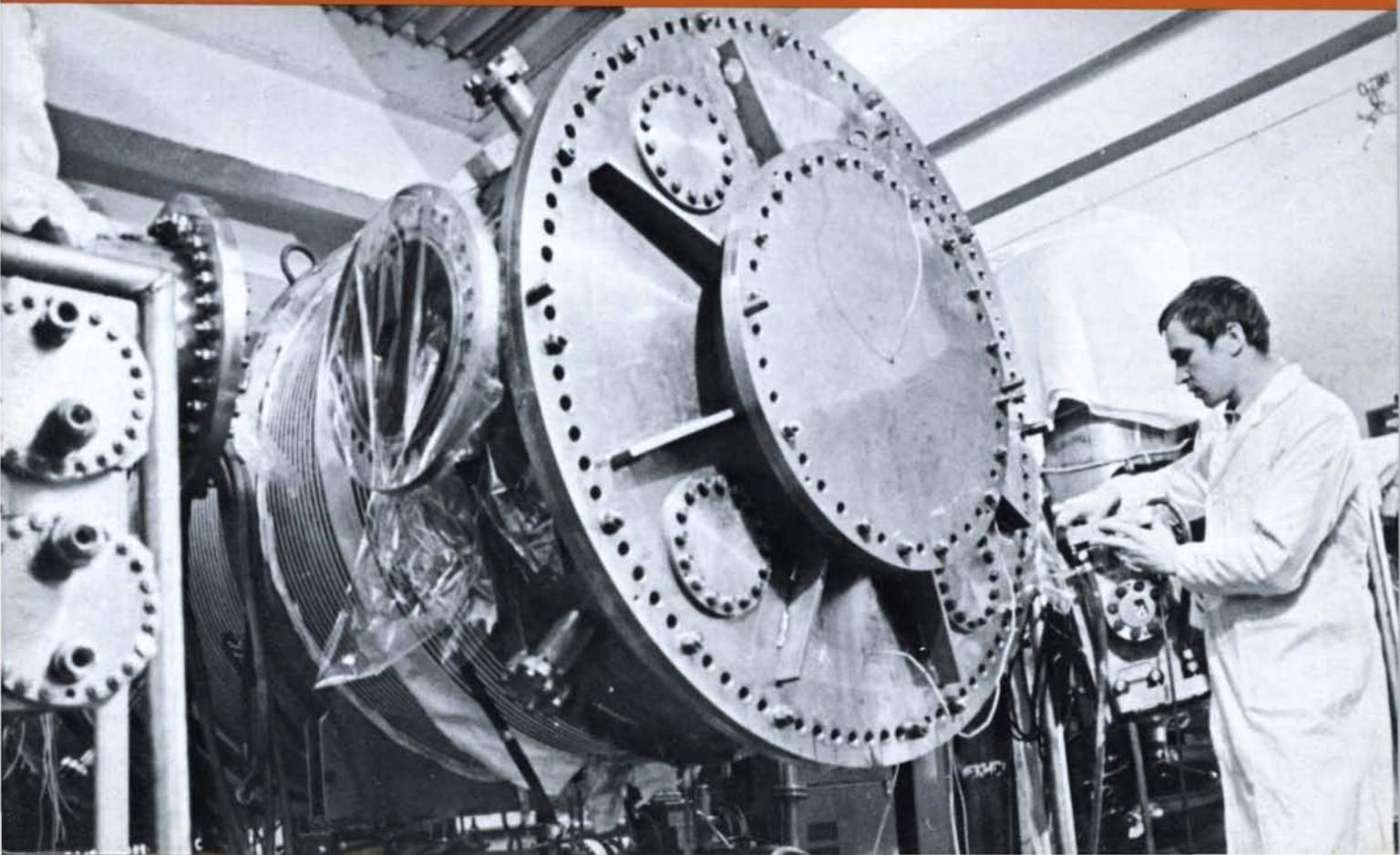
Executive Intelligence Review

July 8, 1980

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Thatcher's road to industrial extinction
The Democratic platform: a born-again loser
Carter humiliated by a new superpower

**The growth of Soviet power:
Siberia's energy frontiers**



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EIR

From the Editor

Are the Soviets out to grab Persian Gulf oil? Are they running out of energy resources? Or are they energy rich and ready to move against an energy vulnerable West? These are some of the speculations in the heated debate on Soviet energy capabilities, and their strategic implications.

In this week's Special Report, "The growth of Soviet power: Siberia's energy frontiers," we answer these questions and more. We take this crucial issue out of the erroneous terms of the current debate and focus on the political orientation and method of the Soviet energy mobilization that has turned Russia into a scientific superpower, leaving the U.S. far behind.

In contrast to the disintegration of high technology research under the Carter administration, its ban on nuclear plant construction, and the Democratic Party platform plank to phase out nuclear energy all together, the Soviets are addressing the challenges on the frontiers of science, developing controlled thermonuclear fusion and have plans for a massive expansion of their already strong nuclear program. They are also producing nuclear plants by assembly line methods at their Atommash plant for Russian needs and for export. American methods at their best!

Soviet sector editor Rachel Douglas examines not only the far-reaching Russian nuclear power capability, but their hydroelectric capacity and expansion plans, the real story of Soviet oil production, and why they desire to expand trade with the West.

We show you the Siberian experiment, and its scientific heart at the Novosibirsk complex. The development boom there means a huge shopping list of technology requirements. Investment opportunities are great, and our European allies are taking advantage.

I'd also call your attention to Europe editor Vivian Zoakos' analysis of the Venice summit meeting, where a European strategy for detente was defined.



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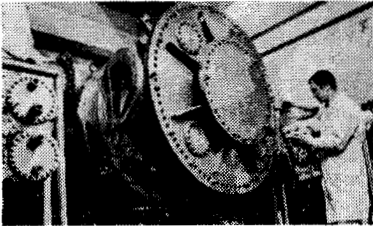
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An experiment on laser emission-plasma interaction under preparation at Novosibirsk's Theoretical and Applied Mechanics Institute. Photo: Tass from Sovfoto.

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The Texas Democratic convention, though dominated by Carter delegates, demanded 90 percent parity for farmers, and nearly demanded an open Democratic convention. It was a victory for LaRouche. Included: The dark horse candidate's speech to the convention.

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The photograph of Chancellor Schmidt and Prime Minister Margaret Thatcher on page 37 of the July 1, 1980 issue of EIR inadvertently omitted the photo credit to UPI.

Unfinished business at the Venice summit

Alice Roth assesses the dangers of Franco-German lip-service to U.S. policies—and procrastination on their own

West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing broke ranks with Jimmy Carter at Venice over the issue of preserving East-West detente, but the two European leaders committed a serious strategic blunder when they failed to challenge Carter leadership on the equally urgent issues of world energy and economic policy. Notably absent from the Venice agenda was a public airing of Giscard's long-awaited plan for world monetary reform. Giscard was expected to call for gold remonetization and the use of gold to both stabilize the mass of unrecycled petrodollars and to create a new source of liquidity for funding Third World development. But in no statement before, during or after the summit did the French President touch on this most important of all subjects.

According to informed European sources, Giscard has not dropped his planned initiative but merely postponed it until after the French and U.S. elections, in the vague hope that Carter's successor will be more amenable to rational discourse. But the rapid collapse of the U.S. economy, now verging on its worst depression since the 1930s, combined with the Carter administration's incendiary foreign policies, promise disaster by this fall—long before Giscard's existing timetable permits him to take any action. Worse still, Giscard and Schmidt signed a summit communiqué replete with concessions to the Malthusian doctrine which is the single most important cause of America's industrial decay.

The most outstanding feature of the communiqué was its stated commitment to "break the link" between

economic growth and energy consumption by 1990:

"Our comprehensive energy strategy is designed to meet the requirements of the coming decade. We are convinced that it can reduce the demand for energy, particularly oil, without hampering economic growth. By carrying out this strategy we expect that, over the coming decade, the ratio between increases in collective energy consumption and economic growth of our countries will be reduced to about 0.6, that the share of oil in our total energy demand will be reduced from 53 percent now to about 40 percent by 1990 and that our collective consumption of oil in 1990 will be significantly below present levels so as to permit a balance between supply and demand at tolerable prices."

In a groundbreaking series of studies published by *EIR* earlier this year, a team of researchers employing the tools of the LaRouche-Riemann Economic Analysis showed that—barring extensive application of new industrial techniques—the effort to "decouple" energy consumption from growth was a bankrupt and highly dangerous proposition, responsible for a sharp deceleration in U.S. productivity growth during the late 1970s and an outright collapse in 1980.

Ironically, the domestic economic policies of both France and West Germany show that these two governments are far from unaware of the actual relationship which exists between energy consumption, technology, and growth. France is committed to an impressive program of nuclear energy development. Indeed, Giscard prevailed on Carter to include a pronuclear section



Giscard and Schmidt at the EEC Venice summit June 12.

Photo: Sygma

in the final communiqué, only to be slapped in the face when Carter permitted his delegates to block with Kennedy forces in attaching an antinuclear plank to the Democratic Party platform. In the final analysis, the failure of Giscard and Schmidt to challenge Carter's Malthusianism reflects not so much the inadequacy of their own understanding of economics as a reluctance to intervene in "internal" U.S. political affairs, even at a time when the collapse of the world's largest industrial economy threatens to disrupt world trade and drive Europe's Third World trading partners to the edge.

The second most objectionable feature of the Venice communiqué was its statement on relations with the developing countries, including a favorable mention of the Brandt Commission report and a call for increased funding of the International Monetary Fund and World Bank, whose harsh "conditionalities" and sponsorship of low-technology "rural development" projects are a major contributor to Third World backwardness.

"We welcome the report of the Brandt Commission," the seven Western leaders stated in the communiqué. "We shall carefully consider its recommendations." The Brandt report calls for a new supranational agency, the "World Development Fund," which would not direct world liquidity into industrialization but labor-intensive raw materials and energy extraction.

Although the communiqué stops short of endorsing the Brandt Commission, it directs the World Bank to consider "the possibility of establishing a new affiliate or facility" which would finance the development of

"conventional and renewable (presumably non-nuclear) energy sources" in the non-oil producing Third World. The only notable concession to Third World demands for genuine development was the communiqué's suggestion that the IMF reduce interest charges on credits to low-income developing countries, but it said this should be done within the framework of existing IMF "guidelines or conditionality."

A quiet restoration of gold

Fortunately, the history of Western-economic summits shows that their formal declarations are more often ignored by Western European governments than implemented. Indeed, within two days of the summit's conclusion, the price of gold shot up \$30 amidst widespread speculation concerning new European moves to remonetize the metal. Gold market sources say that "big money from old European families" and wealthy Arab investors launched the new gold-buying spree, in part to register their disapproval of the Carter-Reagan "choice" in the U.S. presidential elections.

The new gold boom coincided with the release of a report by the London-based mining giant, Consolidated Goldfields, predicting a 40 percent decline in new supplies available to the world bullion market during 1980. The gold shortfall is caused by a reduction in Soviet sales, the termination of U.S. Treasury and IMF auctions, and a South African decision to withhold more supplies from the market. This is laying the foundations for a new rally in the gold market, which

should surpass the previous record of \$850 and continue on to \$1,000, the report concludes.

What was most interesting about the Consolidated Goldfields report, however, was not its review of the supply shortage (which market analysts were already well aware of), but its admission that "It is now clear that an increasing role for gold is being developed by governments and some international financial organizations which are controlled by governments."

This assessment was shared by the London *Financial Times*, whose June 24 editorial stated: "Perhaps the most interesting function of gold in the period immediately ahead will be its revived role as a major component in international reserves. When there are repeated warnings of the difficulties of financing payments deficits, and a new pattern of deficits is emerging, it seems unlikely that the two superpowers will remain the only countries which are willing to mobilize gold held officially." The *Times* comment was an obvious reference to the Giscard monetary plan.

One version of the plan which is currently the talk of European financial circles is that the European Monetary Fund would issue gold-backed, ECU-denominated bonds to OPEC to soak up excess petrodollars and relend them to cash-short developing countries, without imposing rigid IMF-style conditionalities. "All the European governments, not just the French, agree that we've got to extend gold guarantees to OPEC," commented a top Swiss banker in New York. "The first step is for all the central banks to recognize that gold is worth \$600 and not \$35. Every time the price of oil goes up, we have two choices: either we intervene militarily in the Middle East or we offer the Arabs something better than the dollar: gold. Gold-backed bonds would be one way to do this and it would create new liquidity to finance LDC imports. I'm not saying that this will happen this year but we're moving in that direction."

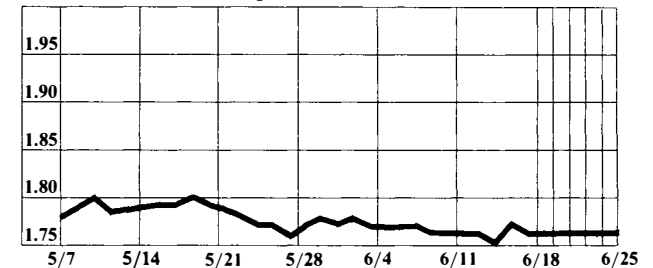
Meanwhile, European governments, with France and West Germany in the lead, are quietly negotiating with moderate Arab OPEC members to ensure that more petrodollars end up in continental Europe rather than the traditional New York and London outlets. According to a confidential memo on OPEC portfolio strategy prepared by a prominent British journalist, OPEC could deploy as much as 25 percent of its 1980 current account surplus, totalling \$120 billion, into direct government-to-government loans similar to the \$3 billion Saudi-West German deal announced earlier this year.

If the majority of these funds end up in the EMS governments' treasuries, Western Europe will have gained the financial clout to institute a new monetary system whether the U.S. government agrees or not. And if the EMF, rather than the IMF, is to win control over the petrodollars, gold will be a crucial bargaining chip.

Foreign Exchange

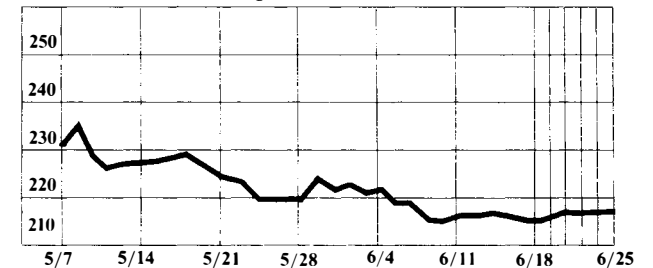
The dollar in deutschemarks

New York late afternoon fixing



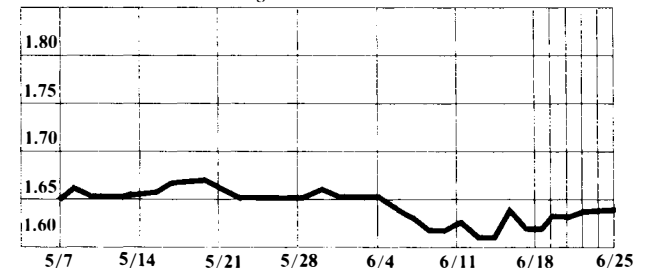
The dollar in yen

New York late afternoon fixing



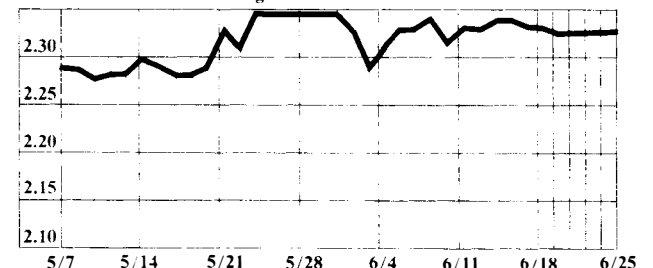
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



A Soviet endorsement for the European Monetary System

by Clifford Gaddy, Stockholm correspondent

According to a recently published Soviet report, the creation of the European Monetary System (EMS) is enabling Western Europe to break with the International Monetary Fund (IMF) and begin building a new gold-based international monetary system. The Soviet analysis describes the EMS as the "direct opposite" of the IMF system, thanks principally to its emphasis on gold and providing of cheap, large-scale credits without IMF conditionalities.

The Soviet report, written by economist A. Dostal, was published in the May issue of the journal *Ekonomicheskiye Naukie* (*Economic Science*). That journal has in the past served as a news-outlet of a very influential faction of Soviet international economic specialists, who have consistently asserted the advantages of a gold-based monetary system, even under conditions of capitalism. By promoting general economic stability and growth, this faction maintains, a gold-based system would serve the cause of peace and global development.

This "pro-gold" faction within the Soviet Union has gained significantly in influence in the party and government, corresponding to the rise of the Siberian development planners to a position of authority over all Soviet domestic development policies. Soviet development can be optimized only through optimal rates of trade expansion with the West, and for that to be achieved, a stable international monetary system is essential. The EMS, with a currency unit backed by gold, represents that stable monetary system.

Although it has been assumed by informed observers that the "pro-gold faction" in the Soviet Union has always given strong behind-the-scenes support to the EMS idea, the Dostal report is the closest thing to a direct endorsement of the EMS yet published by these circles.

The de facto stamp of approval of the EMS comes at a timely point. The article appeared in print only a few days before the Western summit meeting in Venice, and even more significantly, in advance of the visit of West German Chancellor Helmut Schmidt to Moscow. The report in fact places heavy emphasis on West Germany's role in setting up the EMS, stating flatly that "West German ruling circles have shown the greatest interest of all in the creation of the EMS."

Author Dostal describes the initial purpose of the EMS as a defensive one. Chancellor Schmidt and French

President Giscard d'Estaing were compelled to institute the new system out of the necessity of protecting the European economy from the destructive impact of the world monetary crisis. In addition, says Dostal, the two leaders "set themselves the goal of creating the conditions for speeding up economic growth rates, and for improving the situation in the employment area."

However, says Dostal's report, the EMS has evolved into something much more than a defensive measure. He writes: "In concrete form, the EMS has emerged as the direct opposite of the existing monetary system. In contrast to the charter of the International Monetary Fund, the EMS statutes assign priority to stable exchange rates. They recognize the reserve role of gold and preserve a place for it in the monetary system. They foresee large-scale credit possibilities for countries with balance of payments difficulties on cheaper and less binding terms than the credit of the IMF. In other words, the needs of the European countries for IMF assistance and consequently IMF influence on their economic policy, is considerably reduced."

The role of the U.S.

The Soviet analysis of the EMS also provides valuable insight into Soviet perceptions of U.S. economic policy and future U.S. relations with Europe in most monetary fields. While the creators of the EMS have frequently stressed the desirability and even necessity of American assistance and later direct participation in a new EMS-centered international monetary system, the Soviets appear to have discounted such a prospect. In author Dostal's view, the EMS will rather lead to a decoupling of Europe from the dollar.

Dostal writes: "The realization of the EMS project is, in principle, replete with serious consequences for the U.S. dollar, the removal of its hegemonic role in the international monetary system and the aggravation of its instability. Accordingly, the EMS will contribute to a reordering of the international monetary system."

A successful EMS, the Dostal report continues, will lead to the broader use of the European Currencies Unit (ECU) in international settlements in place of the dollar. But, Dostal concludes, "a reduction of the need for dollars in international payments circulation will lead to an increase of dollars on the lending markets and accordingly to a fall of the price of the dollar."

New strategies for petrodollars

The extra three billion a month won't go into bank deposits, but direct syndications.

Since January 1980, oil-producing countries have deployed no less than \$60 billion globally, bringing total oil-producing country assets accrued internationally since 1974 to nearly \$300 billion.

Data compiled from public and confidential sources allows us to provide a preliminary breakdown of where these 1980 investments have been going:

- No less than \$3 billion, and more likely \$6 billion (a full 10 percent) has gone into gold.

- Between \$6 billion and \$15 billion has been put into government-to-government debt financing deals, mostly in continental Europe.

- At least \$600 million, and possibly \$1 billion has been channeled into private placements for top-name U.S. multinational firms, whose bonds are reported to be considered "as good as U.S. government debt" by the Saudi Arabian Monetary Agency and other Arab petrodollar holders.

- Between \$4 and \$6 billion has gone into purchases of U.S. government Treasuries, reversing the decline of such purchases by Arab investors last year (when such purchases were no more than \$2.8 billion for 12 months).

The bulk of the remainder continues to be held as deposits in the Euromarkets. Arab Eurodollar deposits are to be included in the rush of funds which began to pour si-

multaneously at the beginning of June into New York, Frankfurt, and London markets.

In the first quarter of 1980, foreign purchases of U.S. securities other than government securities totaled \$2.5 billion; the same category of purchases never topped \$2.9 billion during 1979. During that quarter, an oil price rise was announced which is now about to channel \$3 billion additional funds to oil-producing countries per month. In early June, the increased oil-producing assets held on the Euromarkets contributed to a major pickup in bond sales in New York (which despite a devastating slump in the first quarter, is now headed for a record year of sales of \$40 billion); a simultaneous takeoff of London-based British government gilts; and record bond sales for 1980 on the Euromarkets.

Speculation is rampant as to how the Arabs will deploy the marginal increase in their surplus resulting from the oil-price rise earlier this year. During a recent conference, sources report, the 21 leading Western commercial banks decided that it would be impossible for them to continue holding increasing sums of petrodollars unless interest on deposits were lowered. Since most of these banks have already reached their "limits" on lending to various Third World countries, and have to charge lower interest rates on Third World loans, these bank-

ers complain that they cannot afford to finance these deposits.

One solution which appears to be emerging is that Arab commercial banks are directly channeling deposits into loan syndications linked to international trade and development.

This week, two issues appeared on the Euromarkets which involved unusually heavy participation and even co-management by Arab banks. The Czechoslovakian Foreign Trade Bank is issuing \$250 million in notes; the original sum of the loan set in negotiations was \$200 million, until a coalition of Arab banks jumped into the bond and allowed it to be increased. Major U.S. commercial banks asked to join the syndication refused, saying they will not channel funds into any East Bloc address until the Afghanistan issue is settled.

The African Development Bank is on the Euromarkets for a \$250 million standby credit facility, led by two French banks, and co-managed by a syndication including the Arab-Banking Corporation and the Banque Intercontinental Arabe.

These Euromarket syndications are being designed in close coordination with French and German banks. In a confidential study, one London specialist on international finance asserted that during 1979, Arab investors began to rely heavily on investment advice from Deutsche Bank, Germany's largest, and reduced their dependence on advice from leading British and U.S. banks. Similarly French bankers take credit for having persuaded the Arabs to come back heavily into the U.S. bond market, if only to take advantage of the promise of high interests in early 1980, leading into high bond yields by mid-year.

Trade Review

NEW DEALS				
Cost	Principals	Project/Nature of Deal	Financing	Comment
18.6 bn	Netherlands from U.S., Netherlands, and U.K.	Royal Dutch Shell and Esso will invest in the Netherlands over next ten years in return for a gov't agreement not to take a larger share of their profits (government presently takes 85 percent of companies' gross earnings)		
Est. 2 bn. plus	U.S. from Italy	Aeritalia (state-owned) will produce parts for the Boeing 767 widebody commercial airliner, in which it has a minority interest	Eight Italian banks led by Banco di Roman will lend \$180 mn. to finance machine tools and related equipment	
350 mn	Spain from Iran	Spain has signed two new contracts. These will increase Iranian oil shipments to Spain from 42,000 bpd to 69,000 bpd. Of this 27,000 bpd increase, Petromed will take 17,000 and Rio Tinto 10,000		
300 mn	Kuwait, Iraq, Jordan, and Bahrein	Arab Iron and Steel Company (AISC) (Kuwait, Iraq, and Jordan) will build an iron pelletizing plant in Bahrein		Bids for turnkey contract due Sept. 1
233 mn	Italy from U.K.	British Nuclear Fuels will reprocess spent nuclear fuel from the Magnox nuclear station at Latina for ENEL, the Italian State-owned electricity company		10-year contract awarded
At least 100 mn	Mexico from U.K.	Various oil industry and general industrial projects in Mexico, for which Britain will supply equipment. Among these will be the supply of "knocked-down" Massey-Ferguson tractors to Agromak (part of the Mexican Grupo Industrial Alfa of Monterrey)	ECGD (U.K. Eximbank), London Bank International, European Banking Corporation and others	
100 mn	Mexico from U.S.	IT&T will supply about 75 percent of Mexico's digital telephone switching equipment requirements for next five years		Winning contract awarded
92.5 to 138.8 mn	Australia/Japan	Kobe Steel Ltd., Mitsubishi Chemical Industries Ltd., and Nisho-Iwai Co. will establish a joint company in Australia for construction of a test coal liquefaction plant		

What kind of recovery?

Some say the recession has bottomed out and predict a resurgence of consumer demand—but with unemployment spreading, don't bet on it.

Economists are citing reports that mid-June domestic auto sales were only 27.2 percent below year-earlier levels as evidence that auto sales and the U.S. recession have probably "bottomed out." This prevalent analysis is grounded in the belief that consumer confidence, buoyed by the promise of a personal tax cut late this year or in early 1981, will soon begin to revive, at the same time that the prospect of a business tax cut is stimulating new investment.

We wouldn't bet on an imminent "recovery," however—even of the partial sort that took place after the 1974-75 downturn. Consumer spending will not pick up as long as the current mass unemployment persists. A report on the condition of the U.S. auto industry now under preparation by the Department of Transportation reveals that there are 668,000 unemployed workers in the auto and auto-parts industries—a number much larger than previously reported. The steel industry anticipates that 50,000 steel workers will be out of work by the end of the month. And layoffs are spreading throughout the primary metals industries, where demand and prices are tumbling extremely fast.

The fact of the matter is that there will be no recovery in key U.S. industrial sectors like the auto industry. Hours before Chrysler marketed the first \$500 million of government guaranteed notes on June

24, government officials released a study predicting that if the industry-wide slump continues much longer, it would greatly increase the risk of bankruptcy—despite government assistance. The report reveals that Chrysler's recovery strategy—on which basis the \$1.5 billion in loan guarantees were approved—was prepared *before* the current recession took hold. Ford Motor is now expected to lose \$2.5 billion on its North American operations this year. But the really bad news in Ford's outlook are the reports that its more profitable European operations are in a deep slump; Ford United Kingdom will cut 2,300 jobs at its British plants over the next several months and Ford's West German plants have been on shortened hours for the last six months.

A major debate is now brewing on whether or not to give the economy the stimulus of a tax cut this year or in 1981. Alfred Kahn, chairman of the Council on Wage and Price Stability, was the latest administration official to endorse the idea of a tax cut, geared toward promoting capital formation and stimulating research and development—the emphasis that has emerged following the Wirszup report on weakness in the U.S. educational system relative to the Soviet Union.

However, Frank W. Schiff, chief economist of the Committee for Economic Development and a

member of the Atlantic Council, commented in an interview that there is still probably "internal debate" in the administration over policy and that he expected the tax cut to be "a matter of considerable disagreement" over the months ahead.

Anthony Solomon, now president of the Federal Reserve Bank of New York, came out strongly against any such measures in a speech before the National Association of Business Economists on June 24. "I think a broad stimulus to the economy would be premature at this point," Solomon said opposing Kahn and other administration officials.

The recently formed "Committee to Fight Inflation," headed by former Federal Reserve Chairman Arthur Burns, has already come out against any broad cut in personal income taxes, although two of its members—former Treasury Secretaries William Simon and George Shultz—are both advisers to Ronald Reagan, who has been campaigning for a big tax cut for individuals and business. The group calls for Congress to adopt a concurrent resolution mandating monetary restraint, an end to farm price supports and the minimum wage or their substantial reduction, complete decontrol of oil prices, and "small" tax cuts for business over the next five to seven years.

With fiscal and monetary austerity still uppermost in the minds of U.S. policy-making circles, any "recovery" that does occur will be oriented towards a "reindustrialization" strategy that emphasizes a defense buildup and a narrow bolstering of basic industry in line with that strategic goal.

A bonanza for the grain companies

The White House has just authorized the U.S.-based grain companies to sell grain to the U.S.S.R.—foreign grain.

President Jimmy Carter outraged U.S. farmers last week in giving the go-ahead to the U.S. multinational grain companies to resume grain sales to the Soviet Union—sales of foreign grain, that is. The rationale for this incredible move by the White House was the admission that the embargo imposed by Carter on U.S. grain sales to the Soviet Union last January has not stopped foreign grain companies from selling to the Soviets, so why shouldn't the giant U.S. companies get in on the action?

Companies such as Cargill and Continental Grain, which monopolize the U.S. grain export trade from inland terminals, to port elevators, to the ships, will now rake in the premium prices that have been going for grain shipped to the Soviet Union since the embargo—premiums of as much as 30 percent above U.S. "farm gate" prices.

The only one who will continue to be penalized is the American farmer.

The government program to buy up the embargoed grain from the grain companies at contract prices was "a big mess," in the words of one agricultural spokesman, which did not prevent the prices received by farmers from collapsing.

The government, in fact, delayed its program until after prices had begun to plunge, so that the grain companies' hides were saved but American farmers suffered a steep drop in their prices and in-

come. Wheat prices are currently 40 cents below the average \$3.88 per bushel "farm gate" price that prevailed before the embargo; and corn prices are off nearly 40 cents from the \$3.08 per bushel price of a year ago. The Agriculture Department announced last week that net farm income plunged 40 percent from year-earlier levels in the April-June quarter—when farmers traditionally make their major expenditures on fertilizer and capital inputs. Farmers are caught in the squeeze between falling prices and soaring production costs.

Six months into the embargo, and after considerable prodding from their farmer constituencies, Senators Robert Dole (R-Kan.) and George McGovern (D-S.D.) have introduced legislation to repeal the embargo. An aide to Sen. McGovern was quite candid about the insignificance of the bill, in fact. "The embargo will fall apart well before the bill gets passed," he stated.

Canadian wheat growers, who promised Carter that they would keep their grain sales to the Soviet Union under the "normal" or 3.8 million metric ton level during the 1979 marketing year, are now "chafing" under the agreement. Their marketing year ends July 31, and they are expected to "break ranks" at that point and seek sales contracts for between 5 and 6 million tons with the Soviet Union. Australia, another participant in the voluntary embargo pact, has

been selling grain to the Soviets above "normal" amounts.

The newspaper of the American Agricultural Movement reports that the embargo has resulted in a 30 percent increase in prices received by Argentine grain companies. Argentina's grain sales could reach 10 million tons this year; the country's total exports were only 14.8 million tons two years ago.

Last week's move by the White House allowing foreign grain sales by the U.S. grain companies is "not so big a deal as some people are making it out to be," according to McGovern's aide. "Take Continental, with its office in Paris and its huge international organization. It can sell anybody's grain to anybody."

The Minneapolis-based Cargill and New York- (formerly Paris) based Continental are part of the highly secretive five-company international grain cartel, whose origins extend back to the 16th and 17th century monopoly of grain and all commodity trade by Geneva, Antwerp, and Amsterdam banking interests. Today the five "privately-held" grain companies maintain a stranglehold on the storage, transportation, processing, and distribution of grain around the world.

According to McGovern's aide, the grain companies would have resumed sales of foreign grain to the Soviets anyway, now that their embargoed contracts have been bought up by the U.S. government. Other grain market watchers maintain that the grain multinationals never observed the embargo and have been selling grain to the Soviets—"destination unknown"—all along.

Thatcher's road to industrial extinction

David Goldman on how the British disease caught Milton Friedman, rendering the patient a terminal case.

Early in 1980, Milton Friedman received a triumphal welcome in London from Margaret Thatcher's Conservative government, including a visit in February to 10 Downing Street, the Prime Minister's residence, and British public television screenings of his American-made series, "Free to Choose." A year previously, at the end of April 1979, Margaret Thatcher came to power with the promise that she would deal with Britain's chronic inflation by application of Friedman's methods of monetary control.

There is a great deal of theater in this discussion. After all, how can one blame poor Milton Friedman for anything the British do? They invented monetarism, both the Ricardo and Alfred Marshall varieties. For that matter, they invented the University of Chicago, Friedman's roosting place.

However, Milton Friedman has been adopted by the British government of Thatcher, Industry Ministry Sir Keith Joseph, and Chancellor of the Exchequer Geoffrey Howe as its official advisor, and Friedman has acknowledged this role enthusiastically. Therefore we are within our rights to enjoy Friedman's discomfiture at the disastrous turn economic events have taken since his policies were put into practice in Britain.

Not what was predicted

A year after Thatcher's election, the Bank of England had, indeed, brought money supply growth down from more than 15 percent per year to a mere 7 percent per year, at the direction of Mont Pelerin Society members Geoffrey Howe and his deputy, John Biffen.

The result was not merely the opposite of what they and Milton Friedman had predicted, but the opposite by such a wide margin as to make British economic management the laughingstock of the industrial world—and it takes extraordinary events to get people to laugh at new jokes about the British economy.

In that year, the rate of inflation rose from 6 percent a year to 22 percent a year; the industrial production index fell by 10 percent, or from 108.2 to 98.1 (on a scale 1975=100), down to the trough-level of the 1975 world recession; unemployment rose from 5.6 percent to 6.1 percent of the employed workforce; and interest rates had nearly doubled to over 20 percent.

The British disaster is not only devastating in its own terms, but utterly unique among industrial countries—none of whom save the United States have applied Friedman's methods. The performance of the leading industrial countries in the past year is given by the accompanying table.

Worse than U.S.

Even the United States, subject (since October 1979) to Friedmanite monetary policy, has done better. When the American economy plunged off a sharp edge in late March 1980, following Federal Reserve Chairman Paul Volcker's imposition of unprecedentedly strict credit controls, at least interest rates fell with the production indices.

Dollar interest rates have fallen between early April and this writing by about half on the short-term side, i.e. from 20 percent for overnight interbank loans to less

than 10 percent. British interest rates, despite a much sharper drop in credit demand with a much steeper falloff of production, have hardly fallen from the stratospheric range of 20 percent.

Even Milton Friedman's friends in London have begun to turn on him, which is somewhat unfair, since they put him and his school in business in the first place. The *London Economist*, the century-and-a-half-old British weekly now published by Evelyn de Rothschild, complained April 26, "Britain is not winning its fight against inflation."

"A year ago next week," wrote the *Economist*, "Mrs. Thatcher's government was elected with the firm belief that strict monetary control would be the long-run cure for Britain's endemic inflation. With wage and price inflation both around 20 percent, confidence has subsided to the point where honest and unremarkable reservations by a treasury minister have been uproariously greeted by open revolt.

"All that poor Mr. John Biffen [number-two man at the Treasury and a long-time Mont Pelerin Society member] admitted this week was that there is no God-or-Friedman-given 18-month lag between a slowdown of money growth and a drop in inflation. Sir Geoffrey Howe said as much months ago ... But there has, just the same, been a change for the gloomier in ministers' view of how the fight against inflation is going to work out. ...

"Nor will the medium-term plan for a monetary slowdown to 4 to 8 percent, unveiled with the (March) budget, cut much more ice. The economic forecast at the other end of the little red budget book is an open admission that the monetary restraint will bear harshly on output, and only sluggishly on inflation, this year."

Analyzing inflation

Britain's experience with Friedmanism is, we saw at the outset in the example of America under Paul Volcker, no accident but a *repeatable experiment*. Money supply is not an interesting parameter.

To understand inflation, we must look at two processes: the growth of total debt and equity capitalization in the economy, and the rate of growth of real tangible output.

The economy's *real* rate of profit is not a mere aggregation of the profits of individual firms. If it were, the Chicago School's contention would be true that real profit does not exist, and the profits of individual firms represent the mere chance distribution of income according to an uncertainty principle. It must be measured in terms of society's production of tangible wealth in excess of the requirements of maintaining the existing population at existing living standards, and maintaining existing productive plant and equipment at prevailing

levels of applied technology.

When the rate of growth of nominal claims on income, through debt service, dividends, and rents, exceeds the rate of growth of real profits in the economy, the result is inflation; the wholesale price of tangible goods must be increased to cover the additional income demands. The actual rate of inflation, as measured, for example, by the consumer price index, will vary somewhat from this basic underlying inflation rate.

Monetary inflation will produce speculative booms in the commodities markets, cartels may bid up the price of oil or other essentials, and the results will be transmitted through the economy's entire price structure. But the secondary forms of inflation only become a significant problem when the economy's credit process and production process are out of phase.

Productivity and prices

The "normal" condition of an industrial economy is a long-term trend toward lower prices, due to higher productivity through the introduction of new technologies. This is sectorally the case even in the American economy, where the cost of computer data-processing fell during the 1970s, on average, by 50 percent per year.

We can say, in general, that prices will fall whenever the rate of increase of productivity is higher than the cost of credit or equity required to employ additional labor at the new, higher level of productivity.

Inflation leads to higher interest rates—because creditors demand the addition of the inflation rate to their yield on lent money. Higher interest rates penalize capital investment in industry more than any other form of economic activity, because of longer investment lead-times. Inflation itself reinforces the negative tendency toward investment in "services" rather than goods-producing industries, in a self-feeding cycle.

At the point of economic breakdown, the self-feeding rise in inflation accelerates toward *hyperinflation*. That is the substance of the past year's developments in Britain.

The British economy is so depleted that the rise in interest rates authored by the Thatcher government not merely wiped out capital investment, but cut out the profitability of a huge chunk of Britain's manufacturing. British Steel was the first to go, for rather evident reasons; this is the national steel sector that only closed down the Bessemer furnace built a century ago by Dr. Bessemer in 1975. The Thatcher government laid off 60,000 workers from the nationalized steel sector, provoking an extended, bitter strike that lasted through winter and early spring 1980.

Overall, domestic costs in manufacturing in Britain rose by 20 percent in the past twelve months. The Bank

of England predicted in September, 1979 that “industrial companies may be faced with a financial squeeze as severe, if not as abrupt, as in 1974-75.”

Effects of hyperinflation

Falling consumer sales have hurt them badly. In addition, the interest and exchange rate structure of the pound sterling have made it impossible for British companies to market abroad, producing a \$7.3 billion trade deficit in the past year.

The pound sterling is currently worth about \$2.30 on the foreign exchange market. It is vastly overvalued, according to *London Times* Editor-in-Chief William Rees-Mogg. Rees-Mogg calculates that sterling, measured by how much productivity investment in Britain will buy, is worth only \$1.60, or barely two-thirds as much.

Nonetheless, the Bank of England maintains artificially high interest rates in order to attract international “hot money” to London, where it can get the highest rate of return in the world on very short-term investments. It uses this short-term money to finance Britain’s budget deficit, which Sir Geoffrey Howe has been trying frantically (and unsuccessfully) to cut.

Without the artificial prop, the entire structure of British government debt would come crashing down as surely as it did in 1798, when Prime Minister William Pitt hired Parson Malthus to justify the repeal of the Poor Laws.

Cost structure

British industrial companies are losing money. The *London Economist* estimates that the deficit of manufacturing companies will rise this year to £5.1 billion from £2.2 billion in 1978 and £4.3 billion in 1979, and that the minimum the companies must borrow this year will rise to £7 billion—almost as much as the government’s own borrowing requirement—from £2.5 billion in 1978 to £5.9 billion in 1979.

The result, predictably, is a scramble to raise prices. All that Milton Friedman’s money crunch has accomplished is to drive up the cost structure of industry, including pay increases to workers (who are not keeping up with inflation in any case), and force the inflation spiral ever upwards.

General bankruptcy—Friedrich von Hayek’s explicit proposal—will reduce the demands for income in the victim economy by wiping off the books masses of equity and debt capital. The assumption is that a chain-reaction will wipe out more paper than production, and therefore bring prices down. That is one way to do things. But civilized societies do not sanction doctors who claim to cure chronic diseases by killing their patients.

A ‘new industries’ plan

Deindustrializing Great Britain

by Luba George

Industrial shutdowns and mass unemployment have followed the “shock treatment” economic policy applied by Britain’s Thatcher government. Industrial production has consistently decreased since Thatcher came to power in May 1979, and the rate of decline continues to accelerate. In the first quarter of 1980, manufacturing output fell by 11½ percent. Reporting this result with alarm, the June 23 *Financial Times* of London added that second-quarter figures will show an even faster rate of collapse.

It should be noted that official British industrial output figures and so-called profit figures are highly misleading, as they include North Sea oil production, which has doubled in a year, with a 150-200 percent price increase in the space of 18 months. The price of British oil ranks with the highest-priced OPEC oil at over \$38 a barrel. Hence, with every increase in the price of oil, what Mrs. Thatcher’s statisticians report to the world as the monetary-equivalent of “manufacturing output” goes up accordingly. The Thatcher government’s statistics would show “manufacturing output” soaring, even as the last factory in Britain closed its door—so long as the oil kept flowing.

Permanent plant closures account for a high proportion of this decline. A wave of bankruptcies is wiping out small and medium-sized manufacturing companies, and large-scale plant shutdowns have been undertaken by the nationalized industrial sector, including British Steel.

In the first three months of this year, 1,488 small and medium manufacturing companies were liquidated, an increase of 17 percent over the first quarter of 1979. Additionally, in the same category of firms, over two hundred went into receivership, an increase of 37 percent over the corresponding quarter of 1979.

Unemployment in Britain now stands at over two million. The official 1.6 million figure represents only

British economic performance under Thatcher: An international comparison

Country	% change in industrial output		% change in consumer prices	
	3 mos.*	1 yr.	3 mos.*	1 yr.
Britain	-11.5	- 5	+25.5	+22
United States	- 9.5	- 4.5	+17.5	+14.5
West Germany	+ 5.5	+ 4	+ 8	+ 6
France	+ 4	+ 5.5	+16.5	+14
Japan	+17.5	+10.5	+12	+ 8.5

*Average of latest three months compared with average of previous three months.

those forced out of work who still reside in Britain, thus excluding a huge increase in emigration by British subjects since Thatcher assumed power. The two million-plus figure corresponds to the number of unemployed at the end of the last Great Depression.

And the rate of increase of unemployment is now astronomical. From the beginning of 1978 through June 1979, the total increased by an average of 5,000 a month. For the second half of 1979, following Thatcher's advent, it increased at an average of 20,000 per month. During the first quarter of 1980, unemployment was rising at an average of 37,000 per month. Yet all British sources predict a further whopping increase for the second quarter.

In addition to the smaller-scaled industry, industrial devastation has hit the following major sectors of the British economy:

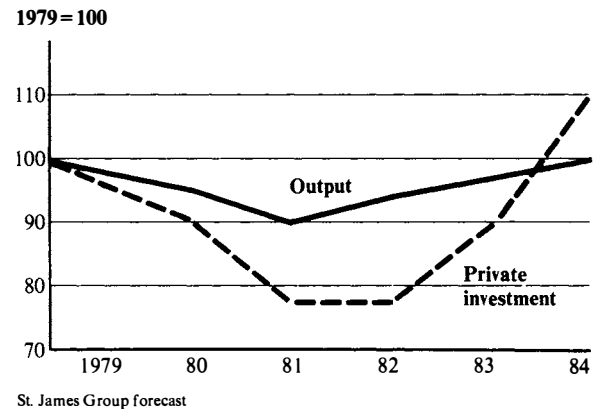
Steel: The collapse of British Steel production and its workforce began in the early 1970s; but steel has been almost totally triaged by Margaret Thatcher.

Two case studies illustrate the point. In Scotland, British Steel Corporation (BSC) employed 15,000 workers before Thatcher became Prime Minister. Steel employment is now 10,000 in Scotland. On June 10 British Steel announced that it will cut an additional 1,500 jobs in Scotland by March 1981, bringing Scottish steel employment to a level of 55 percent of what it was before Thatcher.

In Wales, BSC's division employed over 70,000 workers in the early 1970s. By the end of 1979, the Welsh division's employment was at 46,000. BSC recently announced that it will eliminate 30,000 more jobs in Wales and scrap three and a half to four million tons of steel-making capacity.

By next January there will be only 16,000 steel work-

What Britain calls recovery Mfg. output and investment in 1975 constant prices



ers in Wales, one third of the workforce that existed at the start of this year. British Steel's new chairman Ian McGregor, a Scottish-born Lazard Frères investment banker, is on record declaring that his goal is to immediately cut total British Steel capacity from 21.5 million tons a year to 15 million tons.

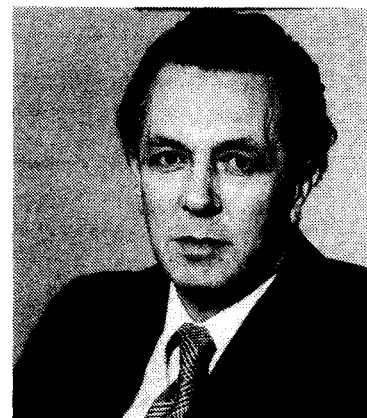
Construction: Overall construction in 1979 declined by 6 percent from 1978 and is projected to drop a further 5 percent during 1980. The most optimistic *Financial Times* projections see the 5 percent annual rate of decline persisting through 1981-82. The brunt of the collapse thus far has occurred in housing where private-sector starts are expected to drop 18 percent from 1979's 140,000 level. Public-sector housing completions for 1980 are anticipated to be 7 percent below last year's 102,000 total.

The Thatcher government's projection for 1982 is 50,000 housing completions, which means that Thatcher and her policy advisers have determined to deliberately collapse public housing.

Tractors: Britain has traditionally been a significant producer and exporter of farm machinery. Under Thatcher, the tractor industry is being substantially phased out. Tractor sales in Britain fell by 20 percent from March 1979 to March 1980, and tractor exports collapsed. Through March, tractor exports, primarily to North America, were two-thirds of the corresponding 1979 figures. Starting in the second quarter, tractor exports were down to almost half of the 1979 unit figures, although in normal years tractor exports significantly increased from the first to the second quarter.

The industry slayer

The 'exhilarating mission' of Sir Keith Joseph



The Thatcher government's plans are aimed at "restructuring" and rationalizing British industry around a smaller industrial base. The only sectors slated to increase production under this "post-industrial" perspective are defense, aerospace, electronics, specialized equipment industries such as coal-cutting equipment and oil and gas pipelines and platforms to service North Sea production.

Under the Thatcher program, Britain will also continue restricted expansion of nuclear power. However, expansion of the non-productive military sector on a shrinking industrial base will tend to further aggravate Britain's inflation. Just as the "deindustrialization" of Britain has proven less controllable than Sir Keith Joseph anticipated, the "post-industrial" phase will be far more difficult.

In search of U.S. capital

Minister of Industry Sir Keith made a two-week tour of the United States May 22-June 2, meeting with top-level American banking and corporate spokesmen as well as some of Ronald Reagan's key advisers. The goal of the visit was to draw U.S. investment into Britain, particularly into the risky and highly competitive electronics field. During his stop in Chicago, Sir Keith emphasized to the Mid-America Committee and others the desirability of multinational corporations' expansion in the United Kingdom. Corporate executives and bankers attending a June 2 Barclays Bank dinner for Sir Keith in Chicago came from Alcoa, Engelhard Minerals, ITT, Exxon, Standard Brands, Grumman, Sun International, Chemical Bank, Norton Simon, Marathon Oil, Coppers, Texaco, and General Motors.

At a one-and-a-half-day gathering at Georgetown University, sponsored by Georgetown's Center for Strategic and International Studies (CSIS), discussions focused on the desirability of importing Thatcher's economic policies to the United States, and the necessity of breaking the trade unions to make those policies work. Sacrifice, Sir Keith said, is essential to increasing pro-

ductivity; there can be no retreat from credit restrictions.

Larry Martin of CSIS, former National Security Council member Brent Scowcroft, and David Watt of the Royal Institute for International Affairs pursued the second theme of the conference—the need for redoubled sacrifice in order to undertake a military buildup, given what Watt and Scowcroft agreed was the striking similarity of the decline in U.K. and U.S. power. Many of the speakers and participants (see box) have been engaged for months in studies of military conversion of U.S. industrial capacity, much of it rendered "excess" through Federal Reserve Chairman Paul Volcker's economic policies.

More specifically, according to sources at Georgetown, Bechtel, the Hoover Institution and the Hudson Institute, Sir Keith's private discussions in the U.S. centered around potential Anglo-American agreement on military reconversion, creation of a coal export cartel run by English-speaking producers along lines proposed in the recent World Coal Study by Carroll Wilson of the Massachusetts Institute of Technology, and concentration of private credit flows into both areas.

Sir Keith described this "exhilarating mission"—a term coined by Prime Minister Thatcher—in his remarks at the Georgetown seminar as part of the present U.K. government's campaign to promote the resurrection of an imperial British Commonwealth. This is Britain's "last chance," he said, "the last stop on the decline-and-fall line."

In California, Sir Keith met with top executives from U.S. microelectronics and aerospace centers, including the Bechtel group, Hewlett-Packard, and Texas Instruments. Bechtel has since become a consultant to Britain's Central Electricity Generating Board.

Britain has already launched its "post-industrial strategy" of buildup in the electronics sector, with heavy emphasis on defense-related output. The microelectronics venture set up by the Labour government, called INMOS, is waiting for £25 million from the Thatcher government, while Joseph decides how to obtain foreign

capital and what the optimal public-private mix in this area is to be.

Scottish reconversion

Meanwhile, Scotland provides a case study of the "post-industrial" conversion effort, in the context of an even higher rate of traditional industry's collapse than England's. Shipbuilding, steel and wood pulp in particular have been obliterated, creating the U.K.'s highest unemployment rate—up to 20 percent in some of the traditional manufacturing areas, and still climbing.

The architect of Scotland's post-industrial policy is Sir Monty Finniston, who accompanied Sir Keith to the United States. Overall, 35,000 jobs have been created around the "New Technology" or "New Industries" centers in the last 15 years, centered around electronics and defense. In 1966 Scotland had 100 people in electronics. Now the total is 8,000, and the Scottish Development Agency predicts another 1,000 next year.

Marconi Space & Defense Systems at Hillend, near Dunfermline, is the U.K.'s largest electronics firm. Marconi works exclusively on defense contracts. Britain's second largest firm, Phillips, is now abandoning manufacturing of TV components and focusing on the defense field. Ferranti, another major and almost wholly electronics-based company, has over 60 percent of its business in military electronics at this point.

Apart from electronics, Scotland's largest employer is the Royal Navy dockyard at Rosyth, with a labor force of 6,000 civilians. In Fife, conversion of shipbuilding into oil-platform production has taken place.

Anderson Strathclyde, the U.K.'s primary manufacturer of coal mining equipment, is now expanding production for export to the Commonwealth. Last week, Sir Monty Finniston became head of the company. In a recent article praising Anderson Strathclyde, the *Financial Times* emphasized the MIT coal study as a basis for developing this sector of industry.

English-speaking reunion

Among the participants at the Georgetown University Center for Strategic and International Studies conference in May featuring British Industries Minister Sir Keith Joseph were:

Anne Armstrong, former U.S. Ambassador to the United Kingdom; former co-chairman, Republican National Committee; member, Council on Foreign Relations; director, Atlantic Council; professorial lecturer in diplomacy, Georgetown University; staff member, CSIS; advisor to U.S. presidential candidate Ronald Reagan.

Samuel Brittan, economic commentator.

Geoffrey Chandler, C.B.E., Director General of Britain's National Economic Development Office; former senior executive of the Royal Dutch Shell Group.

Frank Chapple, General Secretary of the U.K.'s Electrical, Electronic, Telecommunications and Plumb-

ing Union; member, National Electronics Council and National Economic Development Council.

Melvin A. Conant, consultant on strategic raw materials to the U.S. Congress, Rockefeller Foundation, U.S. Defense Department and CSIS; member, Council on Foreign Relations and International Institute for Strategic Studies; former government relations adviser to Standard Oil and Exxon Corporation; former assistant administrator for international energy affairs in the U.S. Federal Energy Administration.

Sir Monty Finniston, F.R.S., chairman, U.K. Policy Studies Institute; chairman, Council of the Scottish Business Institute; industrial consultant; former adviser, U.K. Atomic Energy Authority, Harwell; former chairman, British Steel Corporation; former director for magnetohydrodynamics research, International Research and Development Company.

Joseph Godson, former U.S. Consul General, Edinburgh; European Coordinator for CSIS, London.

Sir Nicholas Henderson, British Ambassador to the United States;

former ambassador to France and West Germany.

Laurence W. Martin, head of department of war studies, King's College, University of London; research associate, Johns Hopkins University; consultant, Sandia Laboratories, Los Alamos Scientific Laboratory, Hudson Institute; member, CSIS International Research Council.

George Melloan, deputy editorial page editor, *Wall Street Journal*.

Rudolph A. Oswald, former economist, AFL-CIO; member of the board, National Bureau of Economic Research; president-elect, Industrial Relations Research Association.

Lieutenant-General Brent Scowcroft (retired), assistant to the President for National Security Affairs under Henry Kissinger; member, President's General Advisory Committee on Arms Control.

Hugh Thomas, historian.

David Watt, former political editor, the *Financial Times* of London; director, Royal Institute of International Affairs.

Business Briefs

Banking

Savings and Loan League sues Volcker and Dereg Committee

The U.S. League of Savings and Loan Associations launched a suit last week charging Federal Reserve Chairman Paul Volcker and the newly formed Deregulation Committee with usurping powers beyond those mandated by Congress and acting in a manner "prejudicial to the savings and loan institutions." The Deregulation Committee, created by the March 1980 Omnibus Banking Bill, is headed by Volcker. Among its other powers, it is mandated to phase out over a six-year period various distinctions between commercial and thrift institutions, including the one-quarter percent higher interest that savings institutions are allowed to pay to depositors. Instead, the Deregulation Committee voted to phase out the differential by the end of 1980. The League is charging that this and related decisions will deprive the savings and loan institutions of \$17 billion in deposits this year. "This is a housing issue," League President Edwin Brooks declared. "There is no guarantee the funds acquired by commercial banks will go into housing." The S&Ls are the primary funders of housing.

Some observers, including many regional bankers, have tended to view the issue as a battle between the small savings institutions and small commercial banks to attract depositors. A fundamental restructuring of the U.S. banking system is at stake. A coalition of the money-center banks led by Citibank, the Carter administration, and the regulatory agencies led by the Fed have adopted a policy of shrinking the U.S. banking system, from its current 15,000 bank level to approximately 30-40 banks carrying on 80-90 percent of the country's banking business.

The Comptroller of the Currency, whose chief John Heimann also sits on the Deregulation Committee, had done a secret in-house study of this policy. Hei-

mann refuses to release the report to Congress until Congress passes the Extraordinary Acquisitions Bill, which would help facilitate a series of mergers leading to the bank centralization.

Congressional hearings on the Deregulation Committee's actions have been scheduled for July 2, in the House Banking Sub-committee on Financial Institutions chaired by Rep. F. J. St. Germain (D-N.Y.).

Conferences

EIR seminar analyzes U.S. weakness

"The United States is currently arming itself for a war it will lose," Dr. Steven Bardwell told an audience of 30 diplomats, Pentagon officials and other U.S. government representatives in Washington, D.C. June 25. Speaking at a seminar titled, "Can the U.S. Avoid Strategic Disaster?", Bardwell documented the erosion of U.S. military strength in recent years and the gains achieved by the Soviet Union. The cause, he concluded, is the opposite investment policies pursued by the two: while the American economy has sunk into industrial obsolescence, the U.S.S.R. has poured resources into basic industry and high technologies, gaining a fundamental strategic advantage combined with the superiority of its manpower.

Bardwell, a plasma physicist, described his own visits last year to Soviet R&D facilities and went on to discuss the current debate in the U.S. over a military buildup. Under the present circumstances, he said, America's industrial capacity has deteriorated to such an extent that efforts to divert substantial resources to the military will run into basic bottlenecks, such as steel shortages for transport equipment to move the military hardware!

Bardwell was followed by *EIR* Contributing Editor Criton Zoakos, who analyzed the strategic thinking that has fostered industrial and military erosion

in the U.S. "The United States has not had an elite" committed to the continual development of the nation since John Quincy Adams' presidency, Zoakos said, noting that it was American patricians like McGeorge Bundy who created the environmentalist movement.

The Washington seminar was the latest in a series being held around the U.S. to present the method and result of *EIR* economics studies utilizing the computerized LaRouche-Riemann model developed by the Fusion Energy Foundation, which cosponsored the Washington event.

Auto

European slump hits U.S. manufacturers

After a five-year boom, the West German auto industry appears to be entering a recession caused by rising gasoline prices and declining real personal incomes in Western Europe. The number of passenger cars produced by the West German auto industry in May was 301,300, nearly one-fifth below the May 1979 level.

Ford-Werke and Opel, the German subsidiaries of Ford and General Motors, have been hit hardest by the sales slump. Their range of models is heavily weighted toward larger, ostensibly less "fuel-efficient" cars, and they are more dependent on exports to other Western European countries whose markets are weaker than that of West Germany.

Ford-Werke has had to place 13,000 of its 57,000 employees on shortened workweeks, while Opel plans to reduce its 42,000-strong workforce at Rüsselsheim by 4,000 before year-end. Ford's U.K. division has also sought to recruit 2,300 volunteers for "early retirement," citing poor demand in European markets "which must be expected to go on for some considerable time."

The declining profitability of its European operations is a particularly bad omen for Ford, whose parent company in North America stands to lose \$2.5

Briefly

● **THE U.S. TREASURY** is planning a major surprise, according to a Philadelphia financial specialist who was told this week by a Treasury contact to "buy the latest-month gold future you can."

● **TWO LEADING MIDEAST** countries, one rumored to be Abu Dhabi, have physically moved their gold holdings from depositories in London to banks in their own countries, after the British Foreign Office confirmed June 25 that the Saudi Arabian government has put on hold Britain's \$1.8 billion worth of export contracts there. The freeze follows the U.K. government's BBC-TV broadcast of the anti-Saudi "Death of a Princess" film.

● **A CARTER ECONOMIC** official, commenting on Treasury Secretary Bill Miller's famous trip to the June 22-23 Venice summit on a commercial class flight rather than the presidential Air Force One, said, "It was deflationary."

● **ROBERT BERGLAND**, U.S. Secretary of Agriculture, told a hostile hearing before the Senate Agriculture Committee June 25 that "the U.S. government is going to stay with the Soviet grain boycott," which he claimed has "kept the heat on the Soviets."

● **MEXICO**'s Federal Electricity Commission of Mexico has ordered a 20 percent cutback in electricity use in such vital industrial belts as the Valley of Mexico. The worst Mexican drought in several decades has severely drawn down the water level in dams supplying hydroelectric power, which accounts for almost a third of total electrical supply. Most observers believe the drought is caused by U.S. weather modification projects in the southwestern states. Some observers believe it is deliberate on the Carter administration's part. Among the latter group of observers are certain Mexican officials.

billion this year. Recently, Ford revealed that it had borrowed more than \$500 million from its West German subsidiary at an interest rate of about 8 percent.

Energy

Scientific committee calls for doubled fusion budget

The review panel on thermonuclear fusion power appointed by the U.S. Department of Energy released its report June 23. Committee scientists recommend a fusion program aimed at building an engineering test facility within the next decade and a commercial demonstration plant before the end of the century. The committee, headed by Bell Laboratories chief Sol Buchsbaum, recommends doubling the fusion budget over the next five years to build the next generation larger-scale fusion machines.

A fusion engineering center headquartered at one of the national laboratories or at an industrial center should manage the large devices, the committee recommends, and industry should be heavily involved from the beginning.

The House Appropriations Committee has voted to add \$20 million to the recommended \$336 million fiscal 1981 budget for fusion, compared with \$396 million requested by the DOE and \$446 million passed by Rep. Mike McCormack's (D-Wash.) authorization committee. The Buchsbaum report tempered its own recommendations by proposing that the Lawrence Livermore tandem mirror program and the Elmo Bumpy Torus program at Oak Ridge be slowed down, in an apparent show of "fiscal responsibility" by committee scientists.

The June 22 *Los Angeles Times* quoted DOE Fusion Director Ed Kintner and fusion scientist Stephen Dean declaring that only funding is pacing the fusion program, not scientific obstacles. Washington sources say that the White House belatedly tried to intervene in the Congressional appropriations process

through science adviser Frank Press, but "Congress is still convinced that Carter is serious about trying to balance the budget."

Resources

Court decision doesn't ensure Western water

The U.S. Supreme Court unanimously voted June 16 to exempt the large, intensively irrigated farms of California's Imperial Valley from the 1902 Congressional Reclamation Act. The law forbids supply of cheap, federally funded water to farms over 160 acres in size. The court ruled that 1928 legislation specifically entitling the Imperial Valley to Colorado River water from a federally constructed canal is bidding in the matter. The decision is optimistically expected to apply to all large-scale irrigation users in the United States.

However, specialists say that in view of Arizona state legislation passed a week earlier, the West as a whole still has its water supplies in jeopardy. The Arizona law dictates stringent controls on groundwater use, mandating strict conservation practices and zero-to negative-growth policies for all major agricultural users, and also industrial and municipal consumers.

This is the first major legislation in U.S. history affecting groundwater, whose unrestricted use through natural reservoirs has enabled entrepreneurial farmers in the West to expand—and to expand state tax bases. This growth established the precondition for financing the capital investment required for in-depth multipurpose regional surface water supplies for both agriculture and urban areas, including hydroelectric power, flood control, and navigation as well as irrigation. Experts view this form of water policy as superior to "conservation" because it aids capital-intensive farming methods which reduce overall energy consumption per unit of production.

Some officials are concerned that energy problems could reinforce possible Soviet efforts to achieve military dominance in the Middle East and the Persian Gulf. Although most experts doubted that Soviet needs would lead to the seizure of oil fields in Iran or elsewhere in the region, some national security aides asserted that . . . this possibility could not be ruled out . . . 'The message was pretty ominous,' a senior staff aide on the [Senate Foreign Relations] committee said. 'We were told [by experts from the CIA, Pentagon and Department of Energy] that the Russian bear has had an appetite and that that appetite could drive him south.

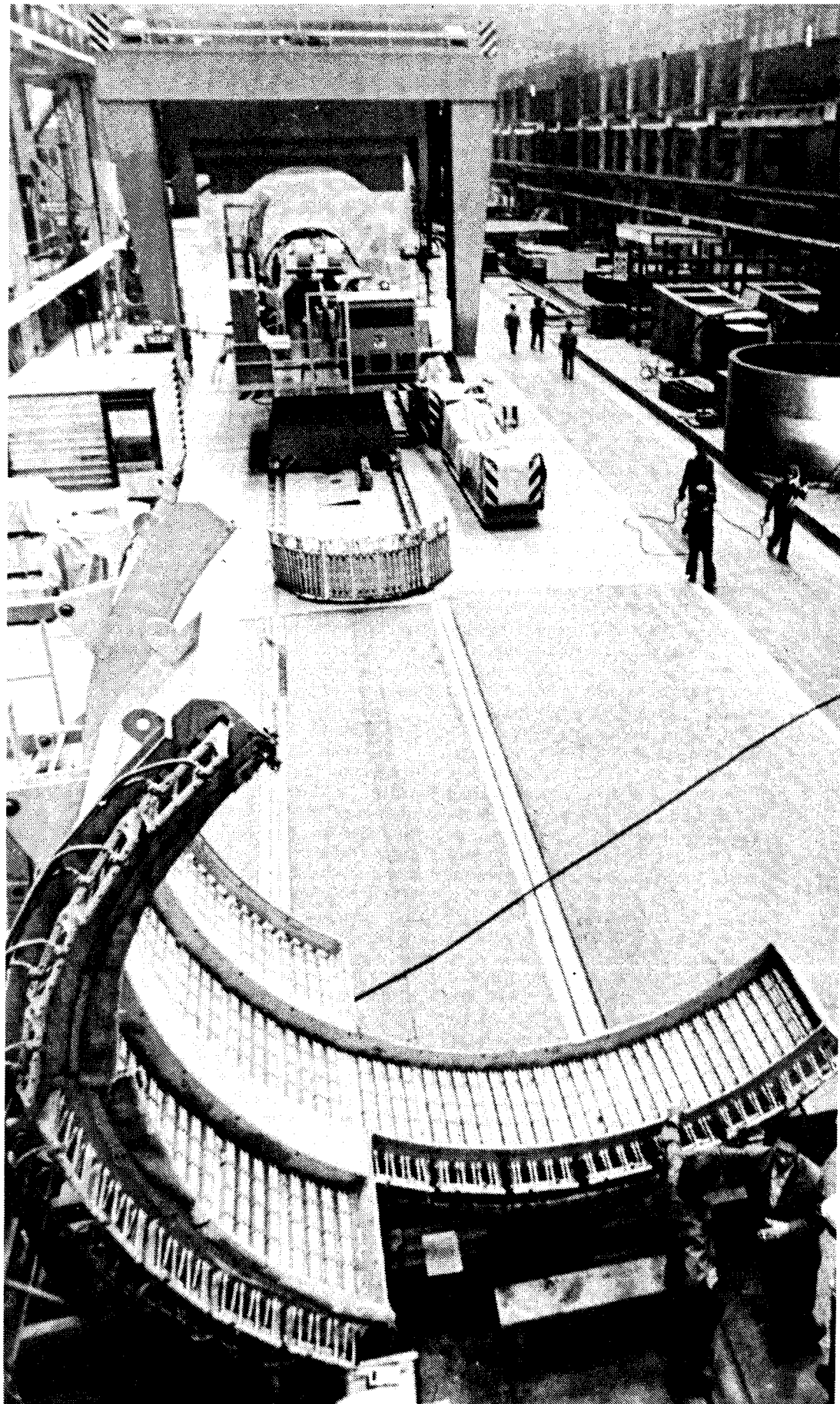
—Richard Burt,
The New York Times
April 15, 1980

Concentration on Soviet expansion designs in the Middle East has blinded the United States to a development of greater significance because it is already a fact: the enormous strategic advantage that an energy-abundant Soviet Union has over an acutely energy vulnerable West.

—Jonathan Stern
Conant & Associates (London)
in The Washington Quarterly
Spring 1980

The giant Atommash facility at
Volgodonsk.

Photo: Tass from Sovfoto



The rise of Soviet power: Siberia's energy frontiers

by Rachel Douglas

A great deal of incompetent strategic thinking hinges on evaluations of the Soviet Union's energy strength. Is Moscow flagging, about to run out of oil? Or is the "energy-abundant" U.S.S.R. going to manipulate the energy appetite of a collapsing Western economy?

Buried under the edifice of scenarios constructed on one projected rate of Russian oil extraction or another, is the reality described recently by French Foreign Minister Jean François Poncet, when he said that the United States is a weak superpower looking at a strong superpower, the Soviet Union. British and American policymaking elites, deep-seated Malthusians, can barely comprehend the motives of a Soviet elite that has recently redoubled its dedication to economic development.

The Soviet energy program for the rest of this century comprehends far more than the categories of "energy-rich" or "oil-hungry." It is a clue to Soviet strategic thinking about the development of the U.S.S.R. and its role in the world, which is poorly understood even by those who recognize the concrete evidence of Soviet advances in one field of endeavor or another.

Anchored by a huge nuclear power expansion plan, energy policy is the core of the domestic policy of a nation which, despite serious economic difficulties to contend with, maintains a national commitment to industrial growth and development at the frontiers of science and technology.

The civilization of the Siberian frontier, with its enormous energy resources, is central to Soviet policy. We will report here how the scientific and political leadership nurtured in the Siberian development capital of Novosibirsk, over a 20-year period of experimentation, is moving decisively to shape the 1981-1985 development plan for the entire Soviet economy.

Geopolitics won't work

The Central Intelligence Agency's forecast of an early peaking and decline of Soviet oil production was central to National Security chief Zbigniew Brzezinski's arguments for creating the Rapid Deployment Force to dispatch to the Persian Gulf. This is the geopolitical view of the U.S.S.R.'s future: ringed by the "arc of crisis" and a hostile, American-armed People's Republic of China, squeezed by sanctions against East-West trade, forced to divert from domestic consumption to meet the needs of Eastern Europe on pain of political unrest there otherwise, Moscow will strike farther across its borders in search of oil. The United States and NATO, in turn, shall prepare to meet the Soviet threat militarily in the Persian Gulf or elsewhere.

There is a dawning realization and admission, however, that the geopoliticians' calculations are upset by the decline of American power in every area: industry, energy, the military, education. In that context, the spectre of Soviet superiority in each of those areas cannot be ignored. Top policymaking circles admit that

geopolitics backed only by what James Rodney Schlesinger used to call "the aura of power" will flop.

With *Time* magazine's special issue of June 23, "Inside the U.S.S.R.," millions of Americans got a dose of this reality. *Time* featured University of Chicago professor Isaak Wirszup's report on Soviet education [*EIR*, May 27, 1980; "The education gap: Soviets leave America far behind"], which documented that Soviet high school students are graduating with a foundation in mathematics and science that is light years beyond what American schools provide. In its science article, *Time* enumerated a long list of fields in which Soviet science has surpassed American science.

What is the appropriate American policy now? There is a vocal lobby, well-connected in both the Carter and Reagan camps, for extensive conversion of civilian industry to military production in the United States.

Our report makes unmistakably clear, however, that the strength of the Soviet economy—despite its notorious bottlenecks and areas of low productivity—is its priority on heavy industry development *in depth*. The Soviet frontier efforts, at the frontier of Siberian industry and the frontier of thermonuclear fusion research, is the basis for the military might of the U.S.S.R. A strictly military American production drive, without policies to revitalize the United States economy at its core, would be a failure.



Students at the Engineering-Physics Institute of Moscow University.

The new five-year plan

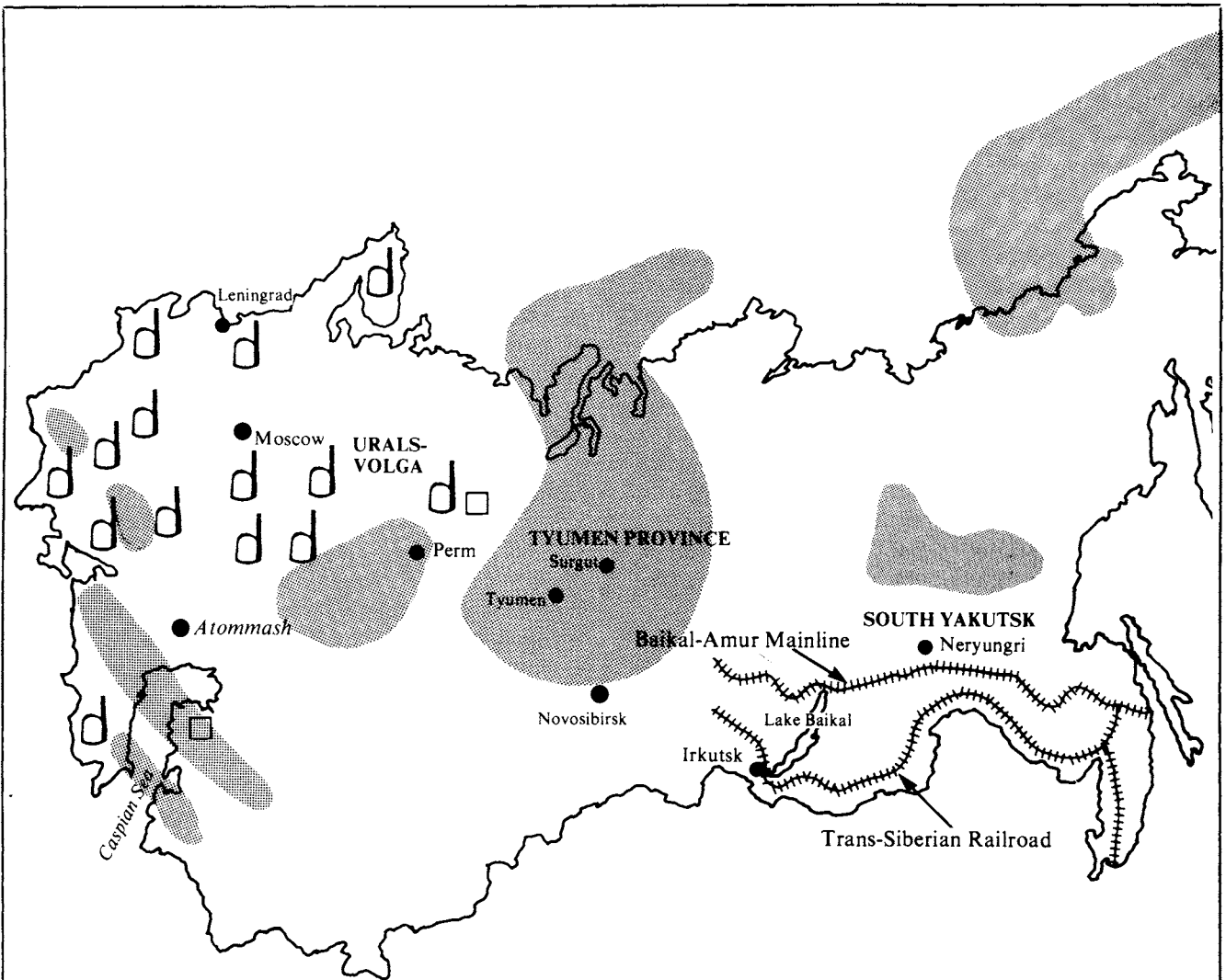
The Central Committee of the Soviet Communist Party held a conference on energy development June 2 and 3, to boost a major expansion of power production in the U.S.S.R. during the Eleventh Five-Year Plan for 1981-1985. While the detailed adjustment of targets and allocation of resources is under scrutiny in smaller meetings at the State Planning Commission (Gosplan) and at other levels of the Soviet policymaking structure, this conference and the address delivered there by Politburo member A.P. Kirilenko outlined the principles behind the plan. Kirilenko spoke chiefly about nuclear energy, technological advances in fossil fuels production, and Siberia.

Kirilenko, for years the Central Committee secretary in charge of industry and a close associate of Soviet President Leonid Brezhnev since the 1930s, concluded his speech by referring to the present international strategic situation—from the point of view of the Soviet superpower girding for possible confrontation with the United States.

"The situation in the world," he said, "dictates the necessity of successfully carrying out our plans for the development of the Soviet power industry, which plays a crucial role in the further buildup of the country's economic and defense capabilities. The Carter administration's calculations about exerting a restraining influence on our economic and power industry, through the so-called 'economic measures' it has adopted to struggle against the U.S.S.R., will come to naught."





Anyone informed about the disintegration of American high-technology research and the Carter administration's sweeping bans on nuclear power construction and development will be shocked to hear the outline Kirilenko sketched of "the power industry of the future." Side by side with measures to tackle the problems in fossil fuel extraction and delivery, the Soviet Union has placed priority on "construction of more nuclear power plants with fast breeder reactors," "developing work on controlled thermonuclear fusion power," as well as special projects for exploiting solar energy in sun-baked Central Asia and to utilize superconductivity phenomena.

In addition to convening the conference at which Kirilenko spoke, the Central Committee is issuing a series of policy resolutions on energy and other branches of industry. The Committee documents mandate



Soviet energy development

The construction of nuclear power plants in the European part of the U.S.S.R. and the Baikal-Amur Mainline in East Siberia are high points of the Soviet Eleventh Five Year Plan.

Key	
	Oil deposits
	Railroad (Baikal-Amur Mainline shown as it will be after completion; only the BAM and the Eastern part of the Transiberian are shown)
	Nuclear complexes operating, under construction or planned. Plants shown may have several reactors.
	Breeder reactors

extensive housecleaning in industry to deal with inefficiencies, as part of drafting the Five-Year Plan.

The Siberians

Brezhnev initiated the shakeup at a Central Committee plenary session in November 1979, when he criticized six ministers by name.

Then in January, in a major personnel shuffle, the head of the Siberian Division of the Soviet Academy of Sciences, Academician G. Marchuk, was brought to Moscow to take over the State Committee on Science and Technology, a government coordinating body with input into all aspects of economic planning, technological development and trade. Marchuk, his successor at the academic center in Novosibirsk Academician V. Koptug, and other leading lights of the Siberian Division, have targetted the rampant tunnel-vision in the industry-centered government ministries. Their approach has the backing of the Central Committee, as indicated by Marchuk's appointment and confirmed by Kirilenko's several warnings to industry officials.

On December 7, 1979, ten days after Brezhnev spoke to the Central Committee plenum, the party daily *Pravda* carried an article by Academician A. Aganbegyan, director of the Siberian Division's Institute for the Economics and Organization of Industrial Production and editor of its journal, *EKO*. Aganbegyan handed up a detailed indictment of the Steel Ministry, Transport Construction Ministry, and others for bungling on various Siberian projects.

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 was a flashing red light for 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. With the promotion of Marchuk, Novosibirsk took responsibility for the State Committee itself.

The Siberians argue that there is a competent way to overcome bottlenecks and resource shortages in the economy, severe as they may be even in basic sectors such as steel. The method indicated is through large regional projects administered as single complexes. This

approach is in practice in Siberia, where the construction of entire new cities together with associated industry, regional food complexes and other infrastructure is designed by integrated teams of scientists and planners working out of Novosibirsk.

On June 8, the same day as a Central Committee resolution reviewing problems in the metals industry appeared, Koptug published an article in the government daily *Izvestia*, entitled "The Siberian Scope." He wrote that such basic questions of development as investment allocation "can only be solved on the scale of national economic policy . . . coming outside the framework of agency or regional interests."

Long-term plans

The enhanced role of the Siberian Division, and the entire Academy of Science in drafting the 1981-85 plan follows a planning reform resolution passed by the Central Committee and the government in the summer of 1979. For the first time, according to this document, Five-Year Plans are supposed to be subordinated to a twenty-year master plan for science and technology.

Little has been made public to date about what this relationship will look like in practice, except what is implied by stepped-up criticism of industrial ministry officials, the people who habitually resist both organizational and technological innovations if they interfere with the internal working of the ministry from an accounting standpoint. At the enterprise level, the new planning mechanism is designed to provide disincentives for resistance to new technologies. What previously passed as "plan fulfillment"—a certain tonnage target met, despite failure to answer quality and product specifications—will be penalized with a reduction of funds for wage bonuses and other local expenditures.

Simultaneous with the new plan, the system of wholesale prices is being revised for the first time since 1967. N.T. Glushkov, chairman of the State Committee on Prices, reported in an April 1980 article that the new price rates have been set for coal, oil, natural gas, and electricity, in the first round of the price revision. The precise increase for these fuels was not announced, but it is expected to be steep (wholesale prices on steel, Glushkov said, will rise 20 percent).

The goal in these shifts is not to inflate prices at the consumer level, but to correct imbalances in the economy. The petrochemicals industry, for instance, whose Minister Fyodorov was attacked by name in a June 1 Central Committee resolution, will face the increased oil prices but a 20 to 50 percent reduction in wholesale prices for most plastics and synthetics it produces. The industry will have no choice but to improve productivity and efficiency if it is to maintain profit norms.

The oil of Siberia

The problems of Soviet oil production begin with geography. The size of the U.S.S.R.'s reserves, a state secret, is the subject of speculation ranging from the CIA's figure of 30 billion barrels through a widely-believed middle estimate of 60 billion barrels, to the analysis of the Swedish firm Petrostudies, according to which Soviet reserves are close to 150 billion barrels. Soviet production last year was 11.7 million barrels/day.

What is not disputed is that most of this oil is in areas which are extremely difficult to exploit for reasons of geology and climate.

In the 1970's, a radical shift occurred in Soviet petroleum production, moving the industry's center from the Volga-Urals fields to the Tyumen district in Western Siberia. Tyumen is above 58° N latitude, in a heretofore undeveloped expanse of forest, lakes and swamps.

Even the 1976-1980 Five-Year Plan did not anticipate such a rapid forced growth in Tyumen as was eventually carried out. Only after the older Volga-Urals fields failed to maintain growth of output during 1976, the first year of the plan, did Tyumen rise to top priority. In effecting this shift in mid-stream the Central Committee listened to the advice of several Siberian experts who had to overcome the conservatism of top officials of the State Planning Commission, Gosplan.

The economists of Novosibirsk, especially L.P. Guzhnovskii of the Institute for the Economics and Organization of Industrial Production, argued that with the Western oil fields on the decline, it was a mistake not to commit sufficient resources to Tyumen to make it a major producer. The scientific demonstrations of Guzhnovskii and others augmented the organizational groundwork that had been laid by the dynamic head of Glavtyumeneftegaz (Main Tyumen Oil and Gas), N. Muravlenko.

The December 1977 plenum of the Central Committee resolved to mobilize resources from all over the country to build in Tyumen. Drilling brigades were uprooted from the Volga-Urals fields and flown to west Siberia. Construction began on a 2100-mile pipeline from the Ob River town of Surgut between Tyumen and oil-bearing formation still further north to Perm and across the Ural Mountains into European Russia.

The effort paid off, at least for the 1976-1980 period. Academician A.A. Trofimuk reported June 12 that Tyumen, which in 1977 was producing 40 percent of petroleum extracted in the U.S.S.R., accounted for 90 percent

of its growth in the five years of the plan.

Because the Tyumen project was a crash effort, technological methods were employed to maximize output, which Soviet experts now believe reduced the total portion of oil that will be recovered from these deposits. Injection of water maintained underground pressures and the flow of oil was initiated much earlier than it had been in other Soviet oilfields.

The high-pressure water breaks down structures in the oil-bearing rock, leading to a mixing of water with oil in areas removed from the point of water injection. The result is a rising ratio of water to oil in the fluid that is lifted from the well. The average water cut in Soviet oil wells reached 50 percent several years ago.

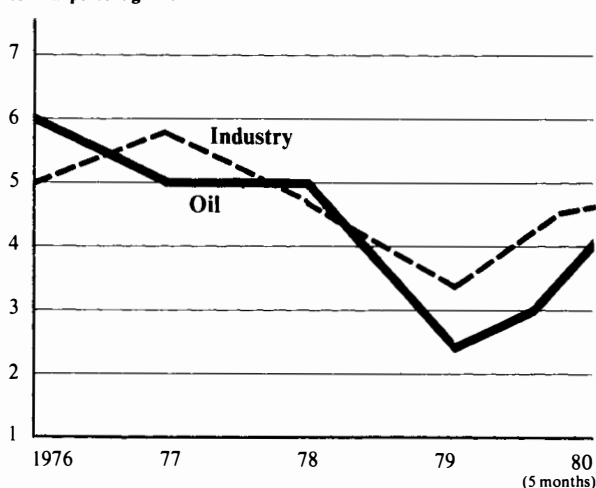
The second big problem for Tyumen and its future development is infrastructure. Wells were drilled during the past half-decade in locations unreachable by road. There is a new rail link being forged from Tyumen north through Surgut and toward the far north gas producing town of Urengoy, but all of these population centers are severely cramped by lack of housing, roads, and other services. The rough conditions contribute to a serious labor turnover problem.

A second Tyumen?

In March, I. Nesterov of the Western Siberia Scientific Research Institute for Geological Oil Prospecting wrote in the weekly *Ekonomicheskaya Gazeta* that there

Rate of growth of oil and industrial production in the U.S.S.R.

Annual percent growth



The rate of growth of oil extraction in the Soviet Union has declined during the last half decade, but so has the rate of growth of industrial production overall.

is evidence of "a second Tyumen . . . in Tyumen." The oil is there, that is, if the oil industry can exploit it. Other Soviet geologists assert that, "The current rate of increase in oil extraction rates can be not only maintained for a long period, but even markedly increased," according to a Soviet news daily.

In April, the Central Committee revealed that another all-out mobilization for Tyumen was about to begin. Oil industry, planning and construction officials met under the direction of Central Committee Secretary for heavy industry V.I. Dolgikh, to review "the intensification of capital construction in the region of the west Siberian oil and gas complex." The conference resolved to tackle the urgent problems of housing and roads, recruiting construction workers from organizations as far away as Leningrad to do the job.

Mikhail Solomentsev, the Prime Minister of the Russian Federative Republic in which Tyumen lies, wrote May 6, "The volumes of all operations (in west Siberia) must be doubled or tripled."

A Siberian proposal for industry reform

The growth rate of Soviet oil extraction declined in 1979—in the context of slowed overall industrial growth, but more steeply than the average for all industries. In the first four months of 1980, it has staged a modest recovery to 3 percent growth.

Coming on the heels of the 1979 shortfall, a statement by Academician A.P. Krylov of the Institute of the Economics and Organization of Industrial Production in Novosibirsk was widely quoted in the Western press as Soviet admission that the CIA forecast of early peaking were correct. "If . . . the present rate of increase in the index of depletion (is) maintained, Soviet petroleum production will reach a maximum level in a relatively short time, after which it will start to fall off."

Articles in *Time* magazine and the *Baltimore Sun* ignored the rest of Krylov's paragraph: "There are two ways to avert this peaking and subsequent decline: The first is to step up the rate at which new wells are drilled [which would entail higher capital investments and more pipe], and the second is to shift to technologically and economically sound systems of exploitation that would entail lowering the density of wells per deposit and reducing the index of depletion* [which would not require additional capital investments]."

Krylov prefers the latter course, but he admits that

* Ratio of total well yield to size of current reserves.

Novosibirsk and the development of Soviet Science

The Siberian Division of the U.S.S.R. Academy of Sciences, based in the special suburb of 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 the Soviet Union has.

For Americans, who face the U.S.S.R. as an adversary, thanks chiefly to Washington administration policies that have led inexorably toward 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 premier military power, while United States strength has 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 System of economic development 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 swampy and frozen wilderness to construct the Baikal-Amur Mainline to carry out Siberian minerals, and extracting oil from beneath permanently frozen ground. Given American policies not shaped by 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 the two nations.

The Siberian tradition. The rise of Novosibirsk began in 1957, the same year the Russian Sputnik shot startled the world. Together with a group of colleagues, its founder Academician Mikhail Lavrentiev proposed to establish a scientific center to guide the exploitation of Siberia. Science and industry would grow in tandem.

The conceptual history of Novosibirsk can be traced much farther back in history. The great philosopher, scientist and statesman G.W.F. Leibniz, who drafted for Peter the Great the plan for the St. Petersburg Academy of Sciences (the direct forerunner of the U.S.S.R. Academy), proposed to develop the wastes of Siberia for their own sake and as a route to open commerce with China.

Leibniz's project remained a goal of Russia's pro-industry factions in subsequent generations. Although the Siberian frontier was not cracked until the Soviet period, a tradition of science took root there in the nineteenth century, beginning with those of the exiled Decembrist rebels (1825) who were adherents of the American System of economic development. The family of Russia's great chemist and political economist D.I. Mendeleev was from Siberia.

A large undertaking, a central authority, and spinoff effects that transform sectors of the economy thousands of miles apart all over the country. What the Russians have in Novosibirsk, America last knew in the NASA program.

Territorial projects. The Siberian Division of the Academy runs pilot projects for new technologies in the Novosibirsk area and its tens of factories. For full-scale industrial development, the Academy and its constituent institutes (Mathematics, Automation, Economics and Organization of Industrial Production, Geology and others) contribute to the planning and construction of what are called Territorial Production Complexes (TPC's) in Siberia.

A TPC includes several related plants or mines together with the infrastructure necessary to build and service them. Along the Baikal-Amur Mainline, there will be several TPC's, some extending vertically from the original Transsiberian Railroad 100 miles south of the BAM and some built from scratch next to the new railroad. Near one of them, at Neryungri in Eastern Siberia's South Yakutsk area, the Soviets have recently discovered an iron ore deposit of at least two billion tons which will be the basis for a steel industry in the Far East.

The Siberian Division studies and solves technological problems, with results being communicated to the regional project managers through their ministries. It also advises the planning process from the word go, both through the State Committee on Science and

Technology (now headed by the former chief of Novosibirsk, Academician G.A. Marchuk) and in direct reports to the State Planning Commission, Gosplan.

A national conference opened on June 10 in Novosibirsk, dedicated to the "further development of (Siberia's) economic potential and raising its role in national production," according to the Soviet news agency TASS. Marchuk delivered a keynote on the Western Siberian oil industry and plans for the BAM area. Among other speakers were Academicians A.G. Aganbegyan, director of the Siberian Division's Institute of the Economics and Organization of Industrial Production; and A.A. Trofimuk of its Geology and Geophysics Institute; head of the Gosplan's economic research institute V.P. Mozhin, and other contributors to the long-range program known as "Sibir."

"Sibir" is a complex development plan for exploitation of Siberian resources, which the mathematical economists of the Siberian Division have computerized to test for optimal investment schedules. The "Sibir" program is being used to shape the Siberian portion of the Eleventh Five-Year Plan, and its national priority was underscored by the participation in the Novosibirsk conference of Academy President A.P. Aleksandrov and Central Committee Secretary Mikhail Zimyanin.

The Siberian expertise in regional development does not at all mean that the economists of Novosibirsk are advocates of decentralization of the Soviet economy. On the contrary, the type of reform they strongly lobby for involves the creation of tightly centralized organizations to handle services or aspects of production which create inefficiencies when decentralized to the individual regional organizations of the industrial ministries.

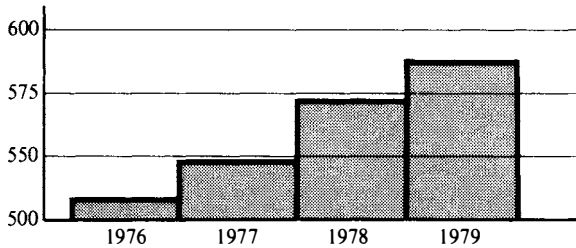
Academician Aganbegyan called in a January 1980 article for establishing a ministry or national department of centralized interindustry products—tools, forgings, measuring instruments and certain semifinished products. To do this, he predicted, could reduce by two or three times the auxiliary outlays by local industry organizations for current costs and capital. The entire Soviet highway system is also too decentralized, equipped with 2 to 5 truck garages where loading is done by hand, and so is the logging industry, argued Aganbegyan.

Novosibirsk energy economist A.P. Krylov makes a similar point for the case of oil industry drilling (see accompanying article).

Especially in energy policy, the role of the Siberians and of those economists and managers elsewhere in the U.S.S.R. who are "Siberian" in outlook has often been to convince Moscow planners to take risks and invest in areas where a truck has never been before, much less a power plant or a city.

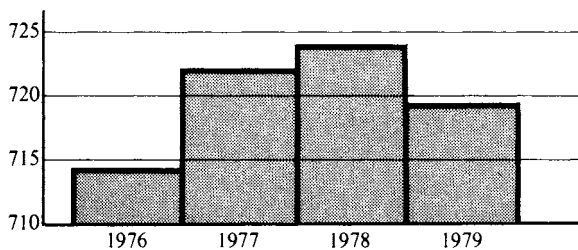
Soviet energy production 1976-79

Oil production Million tons*

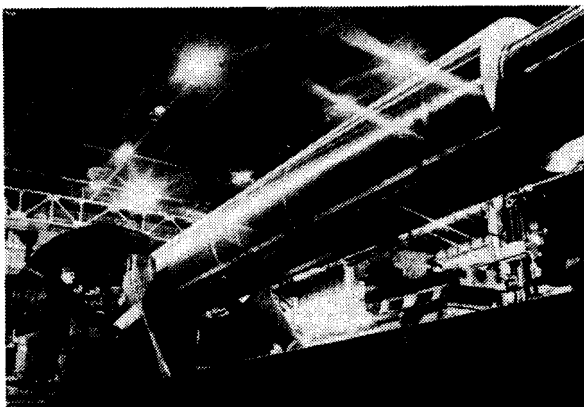
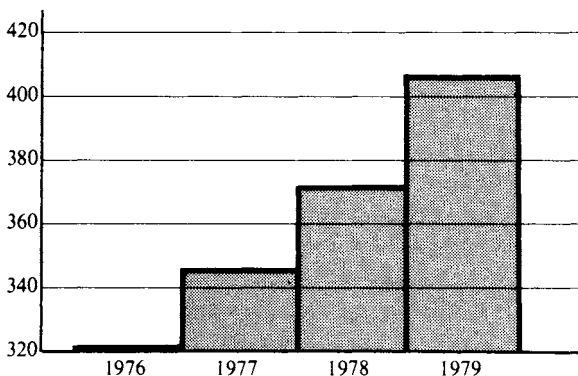


* Multiply by .02 for barrels/day

Coal production Million tons



Natural gas production Billion cubic meters



The turning of the shaft of a turbo generator

taking it would require overcoming managers' resistance to abandoning the "quick fix" rapid exploitation method of drilling closely spaced wells in known deposits; reduction of indiscriminate use of water-flooding; and improved rates of exploration to increase proven reserves.

The Siberian academician also proposes to disrupt the vertical organization of the oil industry, under which each regional oil organization has to acquire "all the services necessary for an extractive enterprise," so that—in the case of drilling equipment—"by the time an association's drilling capacity is fully developed, the need for drilling is about to decline sharply and providing the association with sufficient work becomes a problem." Krylov proposes to take drilling out of the hands of these organizations and centralize it with special drilling associations deployable from one field to another. The result would be "optimal volumes of exploratory and drilling work . . . maintaining relatively stable work volumes."

The resistance which Krylov's proposal will encounter from parochial-minded middle-level managers in the oil industry will be intense. There is a related problem for oil drilling in general, namely the continuing practice of measuring drilling success in meters drilled, whether the hole comes up dry or yields oil. Like the measurement of steel output in tons, this criterion is supposed to be changed during the 1981-1986 Plan.

Krylov's program, in suggesting a move away from water-flooding, also implies that the U.S.S.R. needs to employ tertiary recovery technologies which Soviet industry does not produce in quantity or quality. This is a case of the marginally important input of East-West trade, and in the 1970s, the Soviet Union had already bought two and a half billion dollars of oil and gas equipment, other than pipelines, in a single year.

The Soviets seek Western technology for drilling and for offshore development, which in the Caspian Sea is striking out into deep waters for the first time. Although the Soviets impressed attendees at a Tulsa, Oklahoma oil exhibition last fall with the machine that drilled "the deepest hole in the world" (over 31,000 feet), they admit that it would be impossible for the U.S.S.R. to manufacture enough high-technology equipment itself to handle all their development plans. Western sanctions on petroleum industry equipment could slow, but not halt, the growth of the Soviet industry.

Any predictions of Soviet energy weakness that are based on the oil picture alone, however, are flawed from the start. Natural gas production in the U.S.S.R. has surpassed every plan target for the last five years. Siberia contains enormous reserves of coal. And fossil fuels will be steadily yielding ground to nuclear power in the Soviet energy balance.

The nuclear program

As the American nuclear industry is grinding to a halt, the Soviet Union is planning to commission 10 nuclear reactors a year starting now. From its current modest level of approximately 12,000 MW electrical generating capacity, scarcely more than 5 percent of national capacity, the U.S.S.R. nuclear power sector is slated to supply 30 percent of power by the year 2000.

Some Soviet energy planners are thinking of an even swifter acceleration of nuclear power production. Academician A.P. Aleksandrov, for example, told a press conference last December that the portion of atomic-generated electric power in the Soviet economy would be 25 percent in 1990.

The distribution of nuclear construction is critical. In the European part of the U.S.S.R., the area of densest population and concentration of industry, the entire net growth in energy consumption is going to be provided by nuclear power, starting in the next Five Year Plan.

Many of the new reactors will be built at Atomash, the world's first facility for serial production of nuclear reactors. The huge plant at Volgodonsk has begun to construct its first nuclear reactor, six months ahead of schedule. Within several years, Atomash will be turning out three sizes of reactor: 440 MWe, 1000 MWe and 1500 MWe.

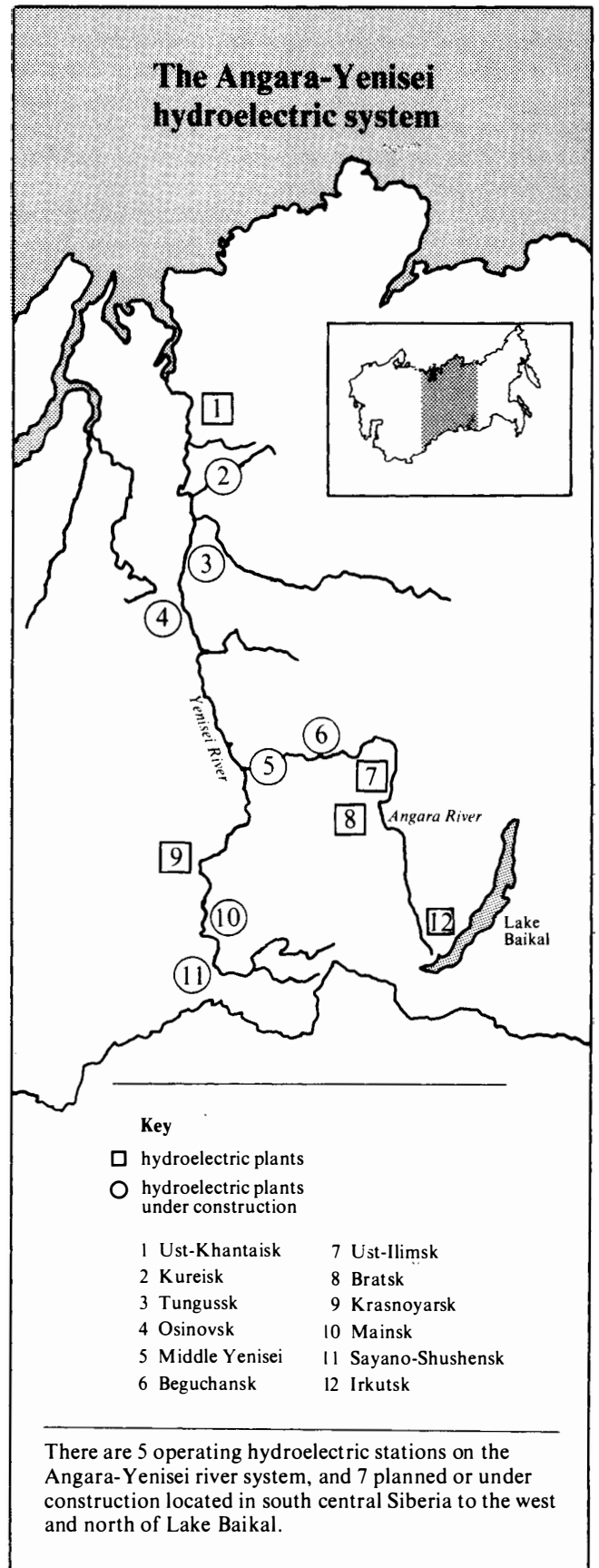
Atomash is intended to produce for export as well as fill domestic orders. It was sited on the canal that connects two great rivers of Russia, the Volga and the Don, at their point of nearest approach. The reactors can be floated by barge to their destinations via the U.S.S.R.'s vast system of inland waterways.

Fast breeder and fusion power

On April 8, the Soviet news agency TASS reported that a 600 MW nuclear fast breeder reactor had begun commercial operation at the Beloyarsk power station in the Ural Mountains. The BN-600 reactor is the largest breeder reactor in the world and the first commercial-scale use of fast breeder technology.

A smaller fast breeder reactor, at 150 MWe capacity, has been in use for water desalination at the Shevchenko power plant on the Caspian Sea, in a demonstration project.

A decade ago, when the fast breeder programs of the United States, the Soviet Union, France and England were all at the demonstration reactor stage, America had the lead. Since then, however, the Carter administration's blocking of funds for the Clinch River



Breeder Reactor and banning of the commercial nuclear fuel reprocessing plant in Barnwell, S.C., have deprived the United States of this nuclear technology, which produces more fuel than it consumes. The United States has now fallen far behind the Soviet Union. In the West, it has fallen far behind France.

Writing in the February issue of the popular Soviet science magazine *Priroda* (Nature), State Atomic Energy Committee scientist Oleg Kazachkovskii explained that the breeder would be a big contributor to the Soviet energy effort. In this article, Kazachkovskii also pointed out that Soviet scientists and energy planners strongly believe that burning fossil fuels to generate electricity is a serious misallocation of resources that nuclear energy has to help put an end to. Scientists have known for at least 100 years, he wrote, that the most efficient use of the energy potential in fossil fuels is as raw materials for the chemicals industry, not combustion.

The Soviets, who also have a project for fission-fusion hybrid technology, consider their present nuclear plants and the breeder transitional to an economy based on controlled thermonuclear fusion power. Their leadership in fusion research, which aims to harness on earth the reaction which powers the sun, is world-recognized—and is inextricable from the breakthroughs they have made in weapons technology, including much-discussed advances in ABM capabilities based on electron-beam technology.

Official publications refer to fusion power as the energy source of the 21st century, but Soviet scientists have said that demonstration and even commercial application of a working fusion power plant could come within the next decade and a half. This is one of the areas in which the U.S.S.R. has formally called for international efforts to be pooled.

Hydroelectric power

The idea of capturing the energy of the huge Siberian rivers was included in the GOELRO electrification plan of the 1920s. The Lena, the Ob and the Yenisei rivers are three of the 15 longest rivers in the world. The Angara, a tributary of the Yenisei and itself the 46th longest river in the world, is one of the strongest of all Siberian rivers.

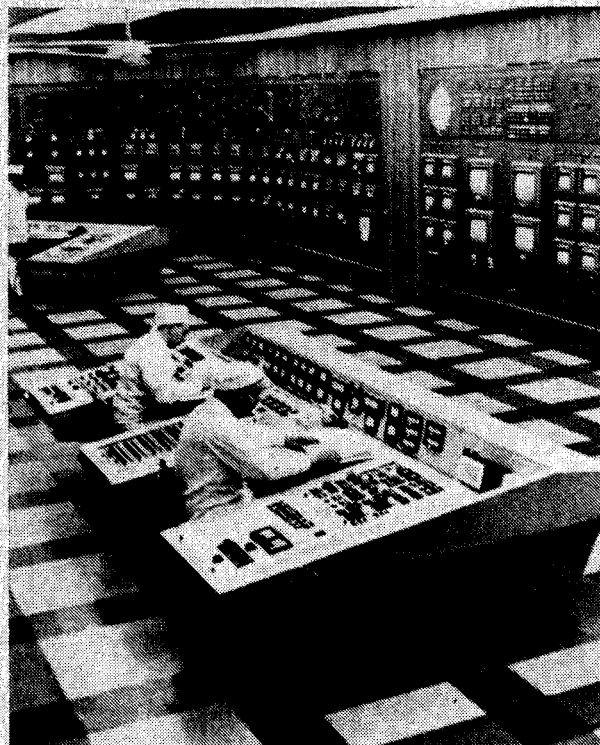
Today, dams on those rivers as well as on the Dniepr and other European Russian arteries provide approximately seven percent of the Soviet Union's total electrical generating capacity of 240 thousand megawatts. The map of hydroelectric stations under construction on just one of the Siberian river systems, the Angara-Yenisei, shows the scope of planned development of this cheap source of energy.

World energy solutions

Politburo member Kirilenko made his point about emerging unscathed from the Carter administration's sanctions with great emphasis when he addressed the Central Committee energy conference June 2. The theme of gearing up in the face of adversity running through Kirilenko's statement typifies Soviet thinking on the interlock between their economy and the international strategic situation. The Russians are not, however, dead set on autarkical development and an end to East-West trade.

The contrary was evident during the joint Soviet-West German economic commission meeting held in

The great atom mash



The control room at a Soviet nuclear installation.

Bonn this past May, after which the Soviet delegate to the talks, Politburo member N. Tikhonov, spoke of the complementarity of the Soviet Five Year Plan and the conjunctural position of the West German economy. Progress was made in talks on new deals for the trade of West German wide-diameter pipeline and Soviet natural gas, some of it from Western Siberia, which will be transported in that pipeline.

The European governments, unlike Washington, are continuing to encourage development of the Soviet export market.

There are other, more profound considerations in Soviet international energy policy. The most advanced thinkers in the U.S.S.R. fear, rather than welcome, the collapse of the American economy and talk about the necessity of American energy development as a vital concern.

Academician Mikhail Styrikovich, writing in the November 1979 issue of the Novosibirsk magazine *EKO*, presented a mature view of "The Energy Situation

in the World." Speaking not of Soviet, but of "world" energy needs, Styrikovich wrote that the breeder reactor and fusion power were the only long-term solutions. Without nuclear energy, we will face either "a reduction in the rate of growth of world power engineering" or—for less energy-dense technologies—investment requirements "higher than the world economy can sustain."

For this Soviet scientist, the slowdown and suspension of breeder programs in Western countries is cause for "alarm."

In a July 4, 1979 interview to the *Washington Star*, President of the U.S.S.R. Academy of Sciences A.P. Aleksandrov said that the alternative to *international* nuclear power development was war. "We must . . . build nuclear power reactors in all parts of the world," he said, "otherwise wars will one day be fought over the remnants of oil and gas deposits. And there will be wars . . . between the capitalist countries, because the Soviet Union will have concentrated on the production of nuclear power and be ahead of everybody else."

There are 16,000 people living in a new town on the banks of the Volgodonsk Canal, which connects the two great rivers of European Russia, the Don and the Volga, where they flow near each other in the south of the country. Most of them are workers and families of workers employed in a single complex of factories that has risen together with the town during the 1970s.

The complex, named Atom mash for "atomic machinery," is the world's first plant with an assembly line for nuclear power reactors.

Atom mash is the most modern example of a Soviet integrated industrial complex, utilizing and updating the mass production techniques invented at the beginning of this century by Henry Ford and perfected by other American manufacturers. When the U.S.S.R. embarked on its first Five Year Plan in 1929, when the world economy was in the grips of the Great Depression, they turned to the United States. A team of Ford engineers, out of work in Detroit, traveled to Russia to design and help to build the Soviet Union's first mass production plant, the Stalingrad tractor factory.

Today it is the Soviets who have carried into the nuclear age the American principle of continually looking for more highly automated, labor-saving industrial technology. There is no American Atom mash. Westinghouse developed a sophisticated technology for the production of floating nuclear reactors, but their Florida

plant is idle. Its first two orders, from Public Service Electric & Gas in New Jersey, were cancelled due to the slow growth policies of Gov. Byrne's administration.

While in the United States nuclear reactors are produced by four different suppliers and designed virtually from scratch as "one-of-a-kind" ventures, Atom mash will standardize reactor design in three sizes: 440 megawatts (MW), 1000 MW, and eventually 1500 MW.

The Atom mash complex will also produce the steam turbine systems to generate electricity, and other types of equipment. It will utilize scrap metal from nuclear plant production for the production of consumer goods.

For the early recipients of Atom mash reactors, most of whom will be Eastern European countries, additional generators and auxiliary equipment will come from other member-nations of the Council for Mutual Economic Assistance (CMEA) which have a nuclear industry. Czechoslovakia is producing piping systems, steam generators, and reactor mountings; Bulgaria is turning out protective devices; Hungary contributes plant maintenance equipment, and Poland related diesel generators.

The Atom mash plant itself, which sits in the middle of the Donets coal basin, is fueled by a 260 MW coal-burning power plant.

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Kirilenko's future for energy

Speaking to a June 2-3 Central Committee meeting on energy, Politburo member A.P. Kirilenko summarized national goals and specific programs for the Eleventh Five Year Plan, 1981-1985. Kirilenko, an associate of Leonid Brezhnev since the 1930s, is Central Committee Secretary in charge of domestic affairs, particularly industry.

Our party, from the first years that the Soviet state was created, has consistently conducted a policy of electrifying the country and ensuring a rapid development of the power industry. The beginnings of this policy were laid with the adoption of the historic GOELRO plan (Soviet Russia's national electrification and economic development plan in the 1920s), whose 60th anniversary will be marked in December 1980. . . .

Soviet people are properly proud of the achievements of our power industry. Just in the last 15 years, the country's electric power production has nearly tripled, while 165 thousand MWe new capacity were brought on line. . . .

However great these successes are, the problems of developing electric power—that most important sector of our economy—have not lost and will never lose their urgency. The party proceeds from the assumption that the further economic and social progress of the country and the rise in living standards for the Soviet people can only be ensured by a growth of energy capacity in the national economy that outstrips other growth rates.

You all know very well the deep analysis of the situation in our fuel and energy complex that . . . L.I. Brezhnev gave at the November 1979 plenum of the Central Committee of the party. . . . It is necessary, he stressed, to think through the entire complex of energy power problems, and in the 1980s to substantially improve the fuel-energy balance of the country. Comrade L.I. Brezhnev posed as the top-priority task, to develop a scientific, well thought through and economically well-grounded energy program for the long term. . . .

This conference aims to discuss measures which can be taken for the successful implementation of Central Committee directives on the efficient development of the fuel and energy complex, taking into account the growing requirements of Soviet society and the prospects for

scientific and technological progress. We also consider it wise to review what supplementary measures must be adopted in order to complete the 1980 plan for construction and bringing on line of energy projects, so as to create a good point of departure for its growth in the Eleventh Five-Year Plan. . . .

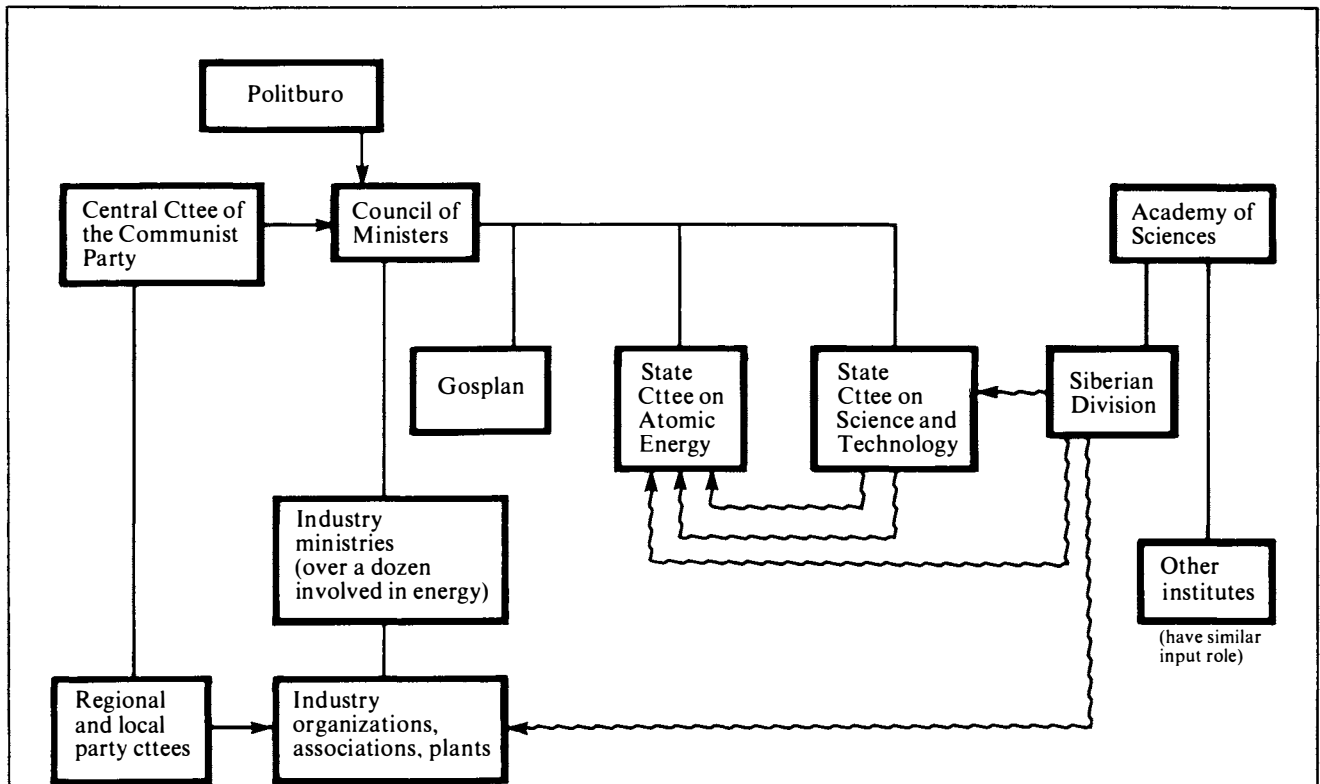
The most important task is to accelerate the rate of progress in science and technology for the electric power industry. It already leads the world in such categories as specific expenditure of fuel; per unit capacity of power plants; high tension electrical transmission lines; district heating development. And, it gives me pleasure to say, during the Tenth Five-Year Plan (1976-1980) our power systems are being equipped more and more with highly-efficient plants, powerful atomic reactors, and improved electrotechnical equipment.

In the past few years we have commissioned new power blocks at the Chernobylsk, Kursk, Leningrad, Byeloyarsk, Armenian, and Bilibinsk nuclear power plants. Major hydroelectric units have gone into use at the Sayano-Shushensk, Ust-Ilimsk, Nwiesk, and other hydroelectric stations. Construction of the most powerful conventional power plants in Europe, the Zaporozhe and Ugleorsk, has been completed. . . .

Our energy and electrotechnical machine building is the firm base for constant growth of Soviet electro-energy. In the Tenth Five-Year Plan, the technical re-equipping and expansion of production at major machine plants has occurred. The capacity of the giant of nuclear machine building, the Volgodonsk plant Atomash, is rapidly growing. . . .

Serious quantitative and qualitative changes in the power industry have characterized the Tenth Five-Year Plan. At the same time, the interests of further economic and social progress for our country . . . require that the Eleventh Five-Year Plan see a new, mighty upsurge of our power industry. . . .

As a whole, the program of the Eleventh Five-Year Plan marks the entry of our power industry into a qualitatively new phase of development. For it to be implemented will require a serious reform of the work methods of builders, drafters, machine producers and their users. In connection with the new directions of



Energy policy-making in the U.S.S.R.

This schematic of the Soviet chain of policy-making and implementation emphasizes the relationships discussed in our report. It is not exhaustive of the exchanges of policy recommendations and directives among the entities shown.

Lines with no arrows connect different levels of a single organization: the party, the government, the Academy.

Straight lines with arrows are lines of command.

Wavy lines with arrows are the routes of policy recommendations before the stage of implementation.

power industry development, especially nuclear, the scientific and design organizations, constructors and repairmen will have to solve bigger and more technologically complex problems.

A particularly large volume of work lies on the shoulders of the two-million strong army of workers and specialists of the U.S.S.R. Ministry of Energy. It is necessary to utilize more efficiently the existing production and scientific capabilities of this branch of industry. The ministry is obliged to achieve tangible results in reducing the lead-time on constructing power. . . . plan to use progressive design and new construction materials, reduce the expenditure of labor in erecting buildings and installations. . . .

I would like to say something also about the problem of modernizing and reconstructing power equipment. . . . Power workers state their readiness to modernize many of our power stations, but for this they need the

equipment. This question deserves more attention and should be resolved at the planning level.

Another important question (is) the automation and management of technological processes. . . .

A.P. Kirilenko stressed that . . . it is our duty to think ahead of time about the power industry of the future. This means an expansion of the construction of atomic power stations with fast breeder reactors, stepping up work on controlled thermonuclear fusion, and utilizing solar and geothermal energy as well as superconductivity phenomena. the U.S.S.R. State Committee on Science and Technology, the U.S.S.R. State Planning Commission, the ministries, and agencies will of course go to work on these urgent scientific and technological problems, exhibiting a high level of responsibility, and ensure the solution of all problems connected with utilizing scientific discoveries, creating and introducing new technology.

France and Germany take charge of Soviet relations

by Vivian Zoakos



Photo: Sygma

The June 22-23 Venice OECD summit represented more than a personal humiliation for President Carter, who otherwise saw himself repeatedly checkmated and forced to retreat from stated policy commitments. Despite certain diplomatic efforts at presenting a façade of unity and harmony, the summit was a watershed in the postwar history of the Atlantic Alliance. The French and West Germans, increasingly pessimistic about the chances of avoiding global war under Carter's leadership, seized the initiative and replaced the Carter administration as the chief negotiators with Moscow.

However, the French and West Germans also committed a serious blunder. Focussing most of their efforts in the area of East-West relations, they allowed the American and allied British delegations to take the upper hand in the wording of the final communiqué on economic policy. The joint communiqué states unequivocally the principle that there is no intrinsic linkage between levels of energy throughput and economic development. As analyzed elsewhere in this issue of the *Executive Intelligence Review*, this doctrine is a dangerous threat to the stated domestic and Third World economic policies of West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing. Moreover, compromise with this evil economic policy, which Schmidt and Giscard implicitly know to be the main cause of the global strategic crisis, could wholly undermine their best efforts for peace. It is to condemn Third World "hot spots" to war-causing chaos.

Schmidt himself delivered an ominous speech at the summit on the state of the Third World economies. The speech was generally described as "apocalyptic." His proposal, like that of Giscard, is for centralized financing of technology transfers to the Third World, with a major focus on nuclear energy technology. Both leaders have warned in the past, as Schmidt did once again at Venice, that without prompt action the Third World will swiftly disintegrate into political and economic chaos. Schmidt's principal fear is that if such were allowed to occur, it would lead to a global war confrontation on the model of Sarajevo.

But "Sarajevo" is hardly adequate to describe what the Carter administration has already put in motion in the Middle East powder keg under cover of the Carter Doctrine. Immediately after the close of the Venice summit, it was announced that for the first time in its history Egypt would be joining the U.S. in military maneuvers within two weeks. They will occur, and will in fact be an extension of the first full-scale exercises of Carter's rapid deployment force which will take place simultaneously with the maneuvers.

Chancellor Schmidt arrives at the Venice summit June 21.

In preparation, no fewer than 400 American officers and technicians have already arrived in Cairo West—the military base used to launch the hostage "rescue" mission—in Egypt to train Egyptians in the maintenance and use of phantom jetfighters. This is sophisticated equipment which has thus far been denied to the far more stable and loyal Saudi Arabians. The U.S. has also established a military base in Egypt, in the Coptic southern region of Kena, well-equipped with the ultra-sophisticated AWACS radar system that enables the U.S. to make surveillance flights over the Red and Arabian seas.

The first practice run of these capabilities will be tested in the course of the joint maneuvers. These are significantly slated to occur over the Persian Gulf area with special emphasis on the major oil field concentrations.

These preparations alone are a glaring indication that the Carter Doctrine is in the first phase of implementation. The "doctrine," enunciated by Carter following the Soviet invasion of Afghanistan, declared the Middle East oil fields to be a matter of American "national security," giving the U.S. the right to use military means if necessary to protect the flow of Arab oil to the West. The "military means" are now being put in place, ready to be deployed the moment the Carter White House and its allies decide to trigger a takeover of the oil fields under cover of an orchestrated threat to the fields. At that point Gulf oil-dependent Europe would become Washington's impotent hostage.

All of this was well known to Chancellor Schmidt and President Giscard before the Venice summit convened last Sunday, and indeed they had carefully orchestrated a checkmating move against Carter and with the assistance of the Soviets. Giscard neatly preempted Carter's opening remarks on the first day by making the dramatic announcement that personal word from Soviet President Brezhnev had just reached him telling him of the first Soviet troop withdrawals from Afghanistan.

Giscard subsequently announced to the press that the plan for the Soviet withdrawals was worked out in his meetings with Brezhnev in Warsaw last month. He interpreted the move as a sign that, first, the Soviets had recognized that without a settlement to the Afghani situation there would be no stopping the worsening of international relations. Secondly, that the withdrawals signalled Moscow's wish to find political solutions.

The Soviet party's central committee plenum which just ended this week in turn signalled once again the deepening relations with Europe when it alluded to the existence of forces who can still act as guarantors of peace despite the persistently war-provoking policies of the Carter administration.

It is certain that Schmidt will pursue the line of cooperation established by Giscard at Warsaw earlier when the Chancellor leaves for Moscow on June 30. Discreetly and quietly, Schmidt will work out a political program that would permit Moscow to establish an acceptable compromise for the resolution of the Afghani situation.

The core of such a program is Schmidt's proposal for a "freeze" on the stationing of medium range "Eurostrategic" missiles on European soil to allow time for disarmament negotiations with Moscow. If negotiations succeed, the NATO December 1979 decision to produce and/or deploy the missiles would automatically be voided. The Euromissiles are at the core of the Afghanistan situation. It was the Western decision to produce and deploy the missiles which weighed more heavily than any other fact in the Soviet decision to invade Afghanistan.

Carter had done his utmost before and during the summit to force Schmidt to withdraw his freeze proposal, threatening reprisals if Schmidt brought up the idea in Moscow. Schmidt refused to give in to any pressures, and subsequently wrote Carter a letter advising him bluntly that "I stick to what I have said."

Also in the subsequent NATO Council foreign ministers' meeting in Ankara, Turkey, the West Germans were joined by the French in forcing support for the freeze proposal in the final communiqué. Secretary of State Edmund Muskie had arrived at Ankara saying categorically to the press that Washington would never accept the Schmidt proposal. Nonetheless West German Foreign Minister Hans Dietrich Genscher rose to propose its approval at the NATO Council, much as Schmidt had done at Venice. A bitter verbal confrontation ensued between him and Muskie forcing him, like Carter at Venice, to back down and temporarily bow to the pressure.

What will be decisive now depends on whether the Schmidt-Giscard combination will follow through on negotiations with Moscow to defuse the Afghanistan situation, thereby leaving the way for further planned initiatives in the Middle East. The final Venice communiqué, as well as the general summit discussions, made a point of staying away from the controversial area of the Middle East. The White House had responded swiftly and hard to Europe's recent proposal for a global Middle East peace approach with likely Soviet involvement. A solution to Afghanistan would provide the necessary groundwork for any such peace perspective, hence the Europeans' decision to focus their firepower at Venice on East-West matters, postponing discussions of the Middle East which would in any case only have led to an insuperable brawl with the American delegation.

The 'high' points in the Carter Venice trip

Although President Carter is notorious throughout Europe—and indeed the United States—for being a political incompetent, and West German Chancellor Helmut Schmidt's repeated characterization of him as "unstable" is well known, never perhaps has the utter and criminal bankruptcy of the Carter administration made itself more felt than in the period surrounding the Venice OECD summit earlier this week.

Hitting only the high points, Carter put forward the following three-act performance:

Before the summit: Carter and his advisers talked tough about subduing the detente-prone Europeans, especially the unruly French and West Germans. Particularly targeted was Chancellor Helmut Schmidt of West Germany for his proposal of a three-year freeze in the stationing of Eurostrategic missiles in Europe. Schmidt is expected to make that proposal when he arrives in Moscow on June 30 on the invitation of Soviet President Leonid Brezhnev. Carter and national security adviser Zbigniew Brzezinski demanded an end to the proposal and said so in a personal letter to the Chancellor that even State Department sources described as "highly insulting." The letter also demanded that Schmidt cancel his plans to meet with East German President Eric Honnecker, and hinted that the trip to Moscow too should be called off.

Washington then leaked the letter to the press, in a crude effort at embarrassing Schmidt.

Carter in Venice: A far from subdued Schmidt gave Carter a 40-minute lecture on his grievances in what has been described as a screaming match—except that Carter was not allowed to say a word throughout. Afterward Schmidt announced that he will carry through with his trip to Moscow and his freeze proposal. Carter then told the press that he had changed his mind and now believed the Moscow trip would be of the greatest importance to the entire West; also that he now felt assured on the legitimacy of Schmidt's freeze proposal.

French President Giscard d'Estaing then pulled a coup at the start of the formal summit session by announcing that Brezhnev had just sent him a personal letter advising him of Soviet troop withdrawals from Afghanistan. Carter, who had intended to shape the summit around condemnations of the Soviets, at first tried to dismiss the report. But, reversing himself again under pressure from the French and shamed at having been bypassed by the Kremlin in the communication of such crucial information, Carter stated that the withdrawals may have been ordered in good faith.

After the summit: Carter told the press—as reported by *Le Monde* and various German papers—that there can be no freeze in the NATO decision to deploy Euromissiles. The Soviets would first have to cease their deployment of SS-20 missiles, since due to existing Soviet superiority in this field, anything less would be “an unequal tradeoff.” According to *Le Monde*, Carter hinted that if Schmidt were to go ahead with the proposal while in Moscow, he would “disown” the Chancellor. “I accept no freezing of our plans,” he said in a vain attempt at humor. Secretary of State Muskie, in Ankara for a meeting of the NATO Council, echoed the President.

Then both Brzezinski and Muskie, speaking for the administration, reversed Carter's earlier statements while at Venice and decried the Soviet troop withdrawals as a hoax. At Venice, Carter had attempted to make up for his loss of face, in that Giscard and not he had been informed of the withdrawals, by saying that American intelligence had informed him earlier about the withdrawals. Two days later Brzezinski and Muskie cited those same intelligence sources to back up their claims that in fact the Soviets had effected a net increase in troops stationed in Afghanistan.

In the midst of this muddle, Carter delivered a coup de grace to his own shredded credibility when he attempted to retake the reins away from Schmidt and Giscard in the conduct of East-West policy. No doubt commentaries in the American press such as that in Henry Trewitt's column had damaged his ego by showing him the massive blunders he had committed at Venice. Trewitt had commented, not without chagrin, that Carter had allowed France and Germany to seize the franchise in the conducting of East-West policy, an area which has always been the exclusive preserve of the American president.

So Carter took the opportunity of the banquet given in his honor in Yugoslavia, where he had travelled immediately after Venice, to dredge up his February proposal for a compromise on the Afghani situation. But this vague attempt at statesmanship was, unfortunately for him, received as yet more of the proverbial hot air. The proposal consisted of a “transitional government”

for Afghanistan, possibly backed by United Nations troops. Carter's limp encouragement to Moscow that “we are not saying that Afghanistan has to be detached in every fashion whatever from Soviet influence. We will give you some arrangements and assurances,” will hardly be considered by the Kremlin.

But if Carter had nonetheless managed to take solace in the fact that he had at least made an effort, even this consolation was taken from him. The French President held a stunning press conference in Paris on the subject of the troop withdrawals. He announced that in the course of his meeting with Brezhnev last month—derided by the U.S. press as ineffectual at the time—he and the Soviet leader had worked out an actual agenda for the eventual pullout of Soviet forces from Afghanistan. The Soviet announcement that it had recalled troops this weekend, he said, is only the first phase of the agreement reached. “New withdrawals can be expected.”

‘No way to handle allies, Mr. Carter’

The following is excerpted from the Washington Star's June 24 editorial, “To lead the allies.”

. . . Mr. Schmidt is the key to the situation in several ways. He is finding it difficult to balance his firm commitment to nuclear-force modernization against the great popularity in West Germany of so-called *ostpolitik*. . . Mr. Schmidt is also caught up in a tough re-election campaign. . . .

Yet President Carter, as the brushes between the two men before and at the Venice conference show, has handled Mr. Schmidt's domestic political problems with impressive indelicacy. He has held Mr. Schmidt's feet to the fire publicly and as much as accused him of faltering in his December commitment to nuclear-force modernization.

For that matter, none of the European allies can any longer be treated as if dutiful vassalage to Washington were their only concern. That is a recipe for strengthening not disarming, the neutralist opinion that would have them further weaken rather than strengthen NATO solidarity.

In the absence of a clear renunciation of West Germany's NATO commitments—and there has been none—it is a fundamental tactical mistake to handle Mr. Schmidt as if he were on leading strings from Washington and had no domestic political factors to consider.

In their present form those problems are no fundamental threat to the alliance and are manageable. One way to make them unmanageable is to try to badger, rather than lead the allies.

Interview

General Nino Pasti:

Euromissiles mean war

The following interview with General Nino Pasti, who retired from military duties with the NATO command to become a member of the Italian parliament on the Communist Party (PCI) ticket, was conducted by EIR correspondents Philip Golub and Leonard Servadio in Rome.

Q: General Pasti, most leading European circles see the December NATO decisions to deploy Pershing and Cruise missiles as the probable leading cause of the Soviet invasion of Afghanistan. U.S.-Chinese negotiations over missile technology are similarly seen as a major factor. Could you comment on these two aspects of the present military situation?

A: Let's take China first. When U.S. defense minister Brown visited China, the aim was to establish common points for harmonization of U.S. and Chinese military policy, with a view toward an eventual war against the Soviet Union. The visit was organized before Soviet troops entered Afghanistan. Contrary to what some say, the invasion was not the cause of the intensified U.S. Chinese negotiations; the contrary is the case.

The second cause of the invasion of Afghanistan was the decision to install the Euromissiles. There is no question about this. It must be understood that the Euromissiles are not theater nuclear weapons, but are strategic weapons, deployed to destroy targets well within the U.S.S.R. As a result they cannot be termed tactical but are strategic, and thus, cause an imbalance in the world strategic balance of forces. This destabilizes the international situation.

The fact that the U.S. Senate refused to ratify the SALT II agreements is significant in this regard. SALT II implied reaching a level of equilibrium in strategic forces: parity. It is this parity which prevents war given that each side can inflict annihilation on the other. The refusal to ratify means refusal to accept parity. The real

meaning of the deployment of Euromissiles is therefore that the U.S. is attempting to achieve superiority. The Pershings and Cruises can hit targets within Russian territory. This is not a quantitative problem. NATO has over 7,000 nuclear warheads in Europe. The Pershing and Cruise is a qualitative change in the equilibrium. Given that the Soviet Union cannot and will not accept this, the deployment will lead to a major arms race, which carries with it the danger of a world war which would endanger the whole human race.

The NATO argument and propaganda to the effect that the Euromissiles were required to achieve parity following the deployment of the SS20 is simply false, for the following reasons. The SS20s are theater nuclear weapons which cannot reach U.S. territory. They are a modernization of the SS4 and SS5 whose precision and functions were outdated. The SS20 warheads carry three times less throw-weight per warhead than the SS4 and the SS5. Each SS20 missile carries three warheads. The ratio of replacement is one new warhead for every three old missiles, a fact recognized officially by the U.S. and Europe. What astonishes me is the replacement of SS4 and SS5s by SS20s. The United States has replaced their missile systems no less than several times.

It is important to note what Kissinger said when he was in Vladivostok in November 1974. During the signing of the interim accord he declared in a press conference that it was the U.S.A. which convinced the Soviets not to include theater nuclear weapons in overall negotiations, although the Soviet side wished to do so. Using the argument that theater nuclear weapons could not reach Soviet territory and were not strategic weapons, Kissinger asked that they not be included, whereas Gromyko wanted to negotiate on theater weapons.

From the standpoint of Western Europe the deployment of Pershing and Cruise means only a much heavier targeting of Europe by Soviet missile weapons.

Q: The new missiles can reach Soviet territory within four minutes of launch, giving the Soviet Union precious little time to decide on world war. Some have described this situation as a Cuba crisis in reverse.

A: Yes, it is a Cuba missile crisis in reverse. There is no point in arguing that the Soviets can destroy Europe and Europeans cannot destroy the U.S.S.R., because it was discussed that if you have in Europe weapons which can reach the U.S.S.R., the U.S.S.R. can have weapons which can reach Europe. If East Germany had missiles capable of reaching the U.S.A., the U.S.A. should have the same towards East Germany. The problem is when there is not reciprocity, as in the case of Cuba, which can be destroyed by the U.S.A., but cannot destroy the U.S.A.

Q: But if we look at the other part of the equation, at China, every bit of new technology given is a threat equivalent to the Euromissiles and can be a cause for war.

A: The SALT II agreement does not include any provision for the U.S.S.R.'s weapons aimed against China. That is the reason why the SS20 was made mobile. According to U.S. intelligence sources, more than half the total amount of SS20s are aimed at China.

Now, the increase of technology to China increases the danger of war. Look at the change in strategic posture of the U.S.A. during the period 1973-79. Before, it was based on massive retaliation. A strategy of "counter-city": If you attack me and destroy my cities I will do the same with your cities; so, war was impossible.

In 1973 Schlesinger invented the "counterforce" doctrine. This presupposed a destruction of the enemy through a surprise attack. Today, the U.S.A. has 10,000 warheads and the U.S.S.R. has 5,000. The Soviets have more throw-weight, which is important to attack the cities, but not for a countervalue strategy which aims at wiping out the military forces of the enemy. This requires that they be able to hit small targets and many of them. It is more effective to have the same throw-weight but with many missiles than to have that throw-weight with fewer.

Q: From the standpoint of military strategy, from the standpoint of Scharnhorst, Machiavelli and the military tradition of the American Founding Fathers, the U.S. strategy appears bankrupt, because as soon as the U.S.S.R. monitors on their radar system a U.S. launch, they will launch all their missiles—so the U.S. missiles will be striking empty silos. It seems that the reason for the U.S.A. strategic posture is that they are preparing for a limited tactical nuclear war.

A: We must consider the possibility that the U.S. could blind the Soviet early warning system. The U.S. is making progress in this direction. So, at the last minute, they could breach the Soviet early warning system.

Q: But the Soviets will realize that.

A: Yes, but when they realize it, 15 minutes is little time to act on what is going on. It might have been a moon storm or other phenomenon which is mistaken for a disruption of the early warning system signifying attack. How can one take the decision to launch a full nuclear strike under those conditions?

That is one possibility. Furthermore, 50 percent of the U.S. missiles are submarine-launched, whereas only 20 percent of the U.S.S.R. missiles are submarine. So, the surviving weapons after the first strike will be 50 percent on one side and only 20 percent on the other.

That is only part of the story. If on the Soviet side, 11

percent of the submarines are on permanent patrol, the U.S. has 50 percent of its submarines on patrol and is making a big effort to increase their number of submarines.

In short the United States is doing everything to reach superiority. Then there are the MX mobile missiles. There is opposition from the side of the General Accounting Office to these missiles, but Carter will go ahead with them. Then there is the second Trident that can be used very close to the Soviet seacoast.

Another factor is that the U.S.S.R. does not have air bases on the Atlantic and on the Pacific to track and attack submarines, while the U.S. has some bases and has several carriers, more than the U.S.S.R. This is the picture, and for this reason, it is even more dangerous to deploy the Euromissiles. The Soviets must react very toughly.

Q: The Soviets have made progress in plasma physics, electron beams and particle acceleration. The Carter administration can be characterized as Malthusian. It is cutting scientific budgets, cutting research. Some think that Soviet development of beam weapons can provide them with a margin of superiority.

A: I generally agree that in plasma physics, the U.S.S.R. is superior, but that is important for producing energy, not for weapons, although it is true that there is an interrelation between the two. But the U.S. is making progress in direct energy conversion, like lasers and particle beams. I don't know, but I think that particle beams is a very difficult approach. Still, I think the U.S. and U.S.S.R. are approximately even in progress toward an effective weapon. Any such weapon, in any case, would be effective only against a limited number of missiles.

Q: It is said that the Soviets are at least five years ahead in beam technology. The U.S. administration is crazier than one usually imagines. It doesn't seek to develop any new technology, but only expand the number of existing weapons—not their quality. So this could lead one to think that the U.S. would be willing to provoke a conflict now, before the Soviets are too much ahead in technological development.

A: I partly agree. There is stress on research and development in the U.S.A. and the U.S.S.R. is following this course, too. But to have a crisis before the R and D develops new weapons means war. How can you stop the U.S.S.R.? It is easy to count the number of missiles, but what do you know of what is happening in the laboratory. It is a difficult choice, one of attacking in order to prevent the other from achieving technological superiority.

The change in U.S. strategy has many aspects. There is the question of the military industrial complex, but that is not the primary aspect. There are the big banks, too.

In the period between 1963 and 1973 there was free competition and many agreements. People like Kennedy and others thought that through free competition, they could produce more than the U.S.S.R. But then they realized that was not true. The Soviets developed new technology for energy in Siberia. In this field the technological development in the Soviet Union advanced more rapidly than in the U.S.A. The U.S. found itself on the losing side—the arms race started in 1974 when Schlesinger said that “detente and deterrent are dangerous illusions.” He said that because he wanted to increase the arms race to reach two goals: First, make the Soviets spend more money to build weapons; second, to gain superiority, military superiority. Schlesinger said he wouldn’t hesitate to tell a president to push the button.

Q: What about the recent Iranian adventure? According to our information, there were 6 Israelis in the American helicopters, and several countries in the area were involved in the operation, including Israel and Oman. The Midway carrier was ready to send a force into Iran.

A: I have written some articles on this subject. It is impossible for the mission to have succeeded and everyone agrees on that. To free hostages in the middle of a town, and guarded by a couple of hundred students who are, furthermore, Muslim fanatics, ready to kill all the hostages and die together—under these circumstances, rescue is impossible. In the U.S. operation, there was a first phase, and other phases to follow. I do not think that the technology employed was wrong. It is very unusual for three helicopters to break down at the same time. I do not think that the mission as planned could not have been carried out without those helicopters. More helicopters could have been sent from the Midway to support the operation. But even if it had become impossible, why abandon the mission and leave the desert so hurriedly? If they abandon eight bodies and three helicopters still in running order in the middle of the desert, this indicates they were under extreme pressure to leave. How can you explain that?

I think that the Soviets knew of the American operation, and I think they also knew what phase two of the operation was supposed to be: to attack and create a fight inside the country, a fight in which many hostages would have been killed. But that is not the whole story, because they had to intervene in the middle of Teheran and it is inevitable that the Iranian army would have responded. The question is: on whose side? If the army were to intervene on the students’ side, there would be an official war between the two countries. But there is

another possibility, that they would intervene on the U.S. side—this would mean a coup d’etat. This is what provoked the Soviets to intervene, to stop the operation.

Furthermore, Cyrus Vance resigned before the operation went into effect, just because he judged that phase two of the operation was too dangerous.

Q: So there was a U.S.-Soviet clash in the desert, you believe?

A: Yes, and you know the danger involved.

Q: Let us turn to Italy. Were there, in your view, secret agreements reached between U.S. defense secretary Brown and premier Cossiga?

A: Perhaps. Not on the use of weapons, but on the use of Italian bases. Cossiga has a great knowledge of military affairs.

Q: In Europe, there is French President Giscard, who met with Brezhnev in order to reestablish a detente process. Schmidt also wants peace, but it seems that the attitude of Italian premier Cossiga is very near if not even more extreme than the position of Thatcher, for a renewed Cold War.

A: The Italian government is obedient to every U.S. pressure. They accept with joy what the U.S. says. It is different with France. They are more independent. I am surprised by the way the press covered the Giscard meeting in Warsaw. Giscard’s policy had been stated when he said: “I am part of the alliance, but what happens beyond the sphere of the alliance has nothing to do with the alliance. It is a question of the foreign policy of different states.” Giscard is independent and is not going to accept U.S. pressures.

Giscard said on Afghanistan that, first, the U.S.S.R. must withdraw from Afghanistan; second, no external intervention in Afghanistan’s internal affairs; third, it is necessary to establish in Afghanistan a government which is not hostile to its neighbors, including the U.S.S.R. Giscard said he agrees to keep the channels of communication with Moscow open. There is no other solution. Retaliation means war.

Now, if you examine the recent proposals by the Afghanistan government, they follow the same lines as the proposals made by Giscard. The idea is withdrawal of the Soviets from Afghanistan and common guarantees of noninterference, and then support for this government or for another government which is favorable to the Soviet Union.

Kharmal can be replaced, but not by a government favorable to the United States or hostile to the U.S.S.R. It is not a surprise that Afghanistan made this proposal, and that the Warsaw Pact supports it. Thus, it also is not surprising that Giscard met with Brezhnev.

Argentina marries Brazil

Mark Sonnenblick examines the way in which NATO is being extended into Latin America

With characteristic candor, Brazilian President João Figueiredo described the relationship sealed during his May 14-16 visit to Argentina as "a marriage." The nuptials between the two major nations of South America signifies a dramatic shift in the geopolitics of that whole part of the world.

For centuries relations between the two neighboring republics have been characterized by conflict and suspicion ostentatiously cultivated by Great Britain and then the United States in order to "divide and rule." For 45 years no Brazilian president had set foot in Argentina. And the shift from jealousy to marriage was so swift that while the two ruling generals were hugging and signing a series of agreements, the bulk of their respective military firepower was still concentrated near their common border.

The two presidents agreed to study setting up what the Argentine finance minister later tagged "a Brazilian-Argentine industrial common market." And they penned agreements on joint research in nuclear energy and aerospace, which are already being extended to joint production of jet fighters, training planes, ground-ground rockets and "sidewinder" class air-air rockets.

Although the two former enemies claim in public that they did not form a military alliance, they agreed on "permanent consultation" on all questions of mutual interest, especially the "security" of the Latin American region. As the Brazilian partner put it, "they have begun to think about how many children they are going to have and how to educate them."

With the 1979 formation of the Amazon Pact and political coordination with the Andean Pact, Brazil brought under its wing the much smaller Spanish-speaking neighbors on its west and north which had previously huddled together against Brazil's overbearing might. Now South America's two powers can exercise co-dominion over the Southern Cone area and the South Atlantic.

How did it happen?

The standard interpretation inside and outside Latin America is that Argentina and Brazil got fed up with

the Carter administration's maladroit harassment of them for developing nuclear energy, for selling their harvests to the Russians and for indiscriminately depriving democrats and terrorists of their civil liberties.

However, a number of curious coincidences suggest that the rapprochement was not engineered exclusively by nationalist tendencies in the Southern Cone. First of all, the two nations joined their destinies only a few months after the West German nuclear consortium KWU won control over Argentina's nuclear construction business. KWU already held Brazil's big nuclear building contract. With "feet in both countries" and every incentive for integrating the two programs, KWU could have been the Godfather. What makes this especially interesting is that last year KWU was taken over lock-stock-and-barrel by Siemens, a German spook outfit whose top brass are hostile to both the development of industry and peaceful use of nuclear energy in the Third World.

Second, the rather astonishing joy with which all sectors of the Anglo-American establishment celebrated the marriage refutes the "breakaway nationalist" analysis. Citing Zbigniew Brzezinski's doctrine of "a multipolar world," the State Department diagnosed the new alliance as "healthy cooperation" and added, "We have to accept Argentina and Brazil as an important center of power in the world."

Dr. Harvey Summ, head of Latin American Studies at the Jesuit Georgetown University (where Ronald Reagan's policies are made) commented on how the "special relationship" Henry A. Kissinger set up with Brazil in February 1976, was now expanded into a "tripod" including Argentina:

The United States never considered Brazil as the "gendarme" of Latin America. That was a misinterpretation. What happened is that Brazil and the United States have complementary economies. Concretely, one is a tropical and the other a non-tropical country. . . . Argentina, on the other hand, produces raw materials which duplicate

those of the United States; hence the friction which has characterized our relations.

The new Argentine-Brazilian alliance will improve the Argentine-Brazilian-United States tripod. For example, Brazil now produces weapons Argentina needs because the Harkin-Kennedy amendment forbids Argentina from obtaining them from the United States. For its part, Argentina can supply Brazil with meat and wheat. . . . In reality, none of the three loses anything with this alliance.

What is the tripod?

Despite the reluctance of some nationalist factions of the Brazilian and Argentine militaries, the "tripod" is meant to become a military-strategic axis in the Southern Cone. This axis would serve as the Southern Hemisphere component of the Trilateral Commission's design for an aggressive geopolitical grid around the Soviet Union's non-European flanks. This calls for the South American partners to join up with the "China card" and to pump out weapons.

Two weeks after hosting Figueiredo, Argentine President General Jorge Videla flew off for a ten-day state visit to the People's Republic of China. On the way, he landed in Brazil long enough to proclaim that he was setting up Chinese relations not just for Argentina, but for Brazil and the entire Southern Cone.

Videla's "China card" was arranged over a year ago by José Martínez de Hoz, his liberal finance minister and undeniably the real "strongman" of the regime. De Hoz worked out the strategy in meetings with his intimates David Rockefeller and Zbigniew Brzezinski. He explicitly defined Argentina's interest in forging a strategic tie with China as fulfilling the preconditions for Argentina to be welcomed as the fourth arm of David's Trilateral Commission, in which Argentina would then represent "the Third World." Brazil's ex-finance minister and current ambassador to London, Roberto Campos, entertains similar desires and is rumored to be China-bound.

The papering over of Argentine-Brazilian rivalries facilitates the extension of NATO into the South Atlantic. The Brazilians have repeatedly torpedoed such a SATO structure, since it would require a military alliance with South Africa, and that would be incompatible with Brazil's strategy of friendship with black Africa and the Arab world. Now, Brazil's functioning in a *de facto* South Atlantic naval operation could be mediated through Argentina, which openly favors an alliance with South Africa. "Operation Fraternity" exercises announced June 24 might herald a period of such Argentine-Brazilian coordination at sea.

Militarization

While to some Brazil and Argentina moving into the big leagues seems like a joke, Ray Cline, director of Georgetown's Center for Strategic and International Studies takes it deadly serious. Cline, who trumpets his former job at the CIA to lend himself credibility, issued his triennial box score of "world powers" on June 16. Cline ranks Brazil as *the number three* world power, far behind the Soviets and the U.S., but stronger than any country in Europe or Asia.

Brazil's new friendship with its historic enemy ironically clears away a major stumbling block to rapid military buildup. In the scenarios of Herman Kahn's kooks at the Hudson Institute and other architects of the rearmament plunge, Brazil would supply strategic materials and arms to Japan and the West's "Third World" allies, such as China and Egypt—both of whom recently went on arms shopping trips to Brazil.

Brazil is rapidly emerging as a major military supplier. Arms exports have skyrocketed to about \$600 million this year. Some experts foresee \$5 billion in annual exports soon as its annual \$60 billion industrial output is converted from peace to war products. Such a shift is dictated by financial pressures from the Carter administration and the International Monetary Fund to triage domestic consumption in favor of the exports needed to service Brazil's \$55 billion debt. And, with Brazil's other manufactured exports being shut out by rising protectionism, arms may be the only growth market left.

As Brazilian economic policies increasingly choke off capital-intensive products such as automobiles (Brazil rolls off a million cars per year) and nuclear plants, conversion to military production would be an obvious way to deal with the regime's fears that unemployment would create "a social explosion."

The pride of Brazil's substantial capital goods industry is the almost complete \$250 million nuclear engineering facility designed by KWU and Brazil to turn out 30 power stations by the end of the century. Even with three potential orders from Argentina, the retrenchment of nuclear programs in Brazil and elsewhere will leave the finest engineering machinery in the Third World just piling up debts. It would be logical for Siemens—one of the world's biggest weapons contractors—to favor shifting the big NUCLEP plant from nuclear electricity to conventional weapons. That would give Brazil the precision tolerances and quality control indispensable for churning out semi-sophisticated war materiel in abundance. Argentina could supply the required skilled technicians which Brazil lacks, thanks to its economic wizards systematic cheating on the costs of labor power since 1964.

'Now we must decide how many children'

Following are excerpts from Brazilian President Figueiredo's May 16 press conference in Buenos Aires, Argentina:

I would say that Brazil and Argentina have always loved each other. They always liked each other, but never did either of the parties, maybe due to pride, try to approach the other. This approach has now been made. It has been successful. We desire fundamental results. I would say that this marriage was in the cards, and now the man and woman, the married couple, have begun to think about how many children they are going to have and how to educate them.

... In my conversation with President Videla we did not deal with any kind of security measures in the South Atlantic. I can say that we exchanged observations on the international situation. The truth is that Argentina's worries in this regard are the same as ours.

Political, and economic, but also military unity'

Argentine Foreign Minister Washington Pastor, a career diplomat, gave such a forthright invocation to an Argentine-Brazilian military alliance in an interview with the Brazilian daily O Estado de São Paulo May 3, that the Brazilians compelled him to issue an insincere denial. Excerpts follow:

Q: During the presidents' meeting will it be possible to sign a pact for the South Atlantic equivalent to the one which presently exists for of the North Atlantic?

A: Given what is happening in the world, that idea must be taken more seriously now. We must not give ourselves up to the weakness of the NATO countries, the Western European countries and the other countries which have an alliance but do nothing effective to put the brakes on Soviet expansion. For that reason, I say that there must be a real alliance between us—an alliance which serves all purposes, not just economic and political ends, but also military objectives.

If we don't put the brakes on everything that is going on, with penetration in Southeast Asia, in Africa, in Cuba, there'll be 20 or 30 simultaneous points that we won't be able to cover.

Q: What is the importance of the rise of Marxist or left radical governments in Central America

A: It is a terrible threat, a terrible threat. Just think for a moment about what happened in Nicaragua and is now threatened in El Salvador. It is important that we act intensely in Honduras and Guatemala to try to save them. Cuba is already what it is, and if we lose those Central American countries, the American continent will be completely broken in two. . . . If the Marxists manage to win in Central America, there will be no one able to stop them and they will disturb Mexico to the north and the Andean Pact countries to the south.

Thus we get back to the essence of our conversation, that is, the reason why it is so important for there to be a total alliance with Brazil: the day could come when they couldn't be stopped unless Brazil and Argentina unite.

. . .

. . . Through our complete convergence, our strong union, we can be the brake to guarantee the security and the well-being of other countries having less resources; we can consolidate them and strengthen them. . . .

'A plan to sell arms to many countries'

While plans for joint research in atomic energy and for selling reactor components between Brazil and Argentina (once approved by KWU) are proceeding rapidly, so are contacts for integrating military industries. Aerospace is just the first of "dozens" of military areas in which cooperation will become the rule, according to O Estado de São Paulo June 10. The following are excerpts:

The arms and equipment produced within the framework of the bi-national agreement which will be signed soon will be for two purposes: first, to supply the domestic markets of the two countries; and second, to modernize and refurbish the armed forces of other nations, especially developing countries. . . . The Argentines are mainly interested in the technology of the "Piranha," an air-to-air missile with an infrared guidance system.

O Estado also reported June 10:

According to the unimpeachable International Institute of Strategic Studies in London, Brazil's military industry is the sixth biggest in the West and was equivalent to 3.5 percent of our GNP in 1978, or approximately \$4 billion. The world's largest factory for wheeled armored vehicles is in São Paulo; . . . it covers the spectrum from super-light to super-heavy. In the area of rockets and missiles, the industry is also quite complex.

The rise of fascism in Israel

The new Middle East threat is analyzed by Mark Burdman, with a view to the growing power of Nazi-imitators in the Jewish state

The general-secretary of Israel's opposition Mapam Party, Victor Shemtov, issued a public warning earlier this month that "the conditions are ripe for the rise of fascism in Israel." Shemtov identified these conditions: "religious fanaticism and chauvinism," inflation rates of almost 150 percent, and rapidly rising rates of unemployment.

Shemtov is not alone in Israel in expressing this sentiment. As the economic crisis in Israel worsens and as the shaky governing coalition led by Menachem Begin retreats into increasingly fanatical and unyielding positions, the fear has grown among Israeli political moderates and social analysts that the country is entering a potentially irreversible transformation to fascism.

Since fascism necessarily dictates foreign looting adventures, the situation in Israel holds the gravest dangers for the entire Middle East region.

Sources contacted by *EIR* warned this week that it is "more than likely" that the Middle East will witness a new war and oil embargo in the short-to-medium term future.

Similarly, Antonio Gambino, a correspondent for Italy's *L'Espresso* magazine who is a member of the International Institute of Strategic Studies in London, warns in his weekly column that Israel is poised for a new war in which it plans to deploy its atomic weapons arsenal.

Shemtov's warning and Gambino's report are made more credible by a June 18 statement by Yuval Neeman, the father of Israel's atomic bomb and super-computerized intelligence system and a head of the Zionist-fundamentalist Renaissance Party. Israel's "survival," Neeman insisted, depends on "transforming itself into a military fortress" that can "confront Soviet global power." Neeman had just organized a team of influential retired generals, all with ties into Israel's military-intelligence and high-technology military-related industry apparatus, to sign a statement demanding that Israel refuse *any* future territorial concessions to the Arab states (see box).

The *immediate* danger in the Israeli situation is that Begin, heading a very slim majority coalition and showing the lowest-ever rating in various opinion polls, is

relying on the most extreme Zionist zealots, such as the Gush Emunim annexationist cult, as his base of power.

In the words of one well-informed American Zionist source, "Begin is getting support from the Gush, and vice versa. These are the guys in Israel who support mob violence and riots to gain their ends, and Begin is openly winking at them to keep their support."

Another commentator, reporting from Tel Aviv, compared Begin to France's Louis XIV, noting that the closer Begin gets to losing his grip on power, "the more he feels obliged to create accomplished facts, to make sure that any successor must be left with the situation he has created."

'Riots can no longer be avoided'

In the past few days alone, Israel's Prime Minister has been on a rampage. He has announced that he will move his office to East Jerusalem, the Arab-populated sector of the city that Israel annexed following the 1967 Arab-Israeli war. This announcement came in defiance of the fact that East Jerusalem is strongly revered by the Islamic countries and that hardly any government in the world regards Jerusalem as Israel's capital. Simultaneously, Begin has declared a new "get-tough" policy toward the Arabs of the West Bank.

On June 23, Israeli armed forces units for the first time ever shot into milling students on the campus of Bir Zeit University, wounding five.

As tensions mounted, Begin made the remarkable announcement, according to Radio Jerusalem June 25, that no Arab students will be admitted into universities on the West Bank or in Israel if they express sympathy toward the Palestine Liberation Organization, which Begin has incessantly labeled a "murderous organization" and the "Arab SS." Since most Arab students sympathize with the PLO, Begin's policy in effect signifies the mass expulsion of Arab students from the university system of the West Bank and Israel.

The West Bank/Jerusalem policy combination is *designed* to increase support for the most fanatical Muslim Brotherhood-related elements throughout the Islamic world and in the West Bank in particular.

One Gush Emunim leader, Hanan Porat, has con-

firmed this. "Riots between Jews and Arabs can no longer be avoided," Porat stated. "These riots will prove that Jews and Arabs are not capable of living together and will lead to the expulsion of all the Arabs."

Reporting Porat's statement, this month's *Le Monde Diplomatique* stresses that Gush Emunim, "enjoying the support of Menachem Begin and several of his ministers," is hoping for a "worsening of the Cold War," under which conditions "it would be possible to provoke a chain reaction that would lead to the 'departure' of the [Arab] inhabitants from the occupied territories."

'A military dictatorship'

One of the most vociferous pro-Gush ministers is Agriculture Minister Ariel Sharon, who has funneled money illegally into Gush settlement projects.

Opposing Sharon's request for the Defense Ministry, Deputy Prime Minister Simcha Ehrlich has leaked a letter to the Israeli press in which he wrote that should Sharon achieve such power in Israel, he would "disband the Knesset, declare a military dictatorship, and set up detention camps for his political adversaries."

Even without Sharon heading the Defense Ministry, extensive army stocks are reportedly finding their way into Zionist terrorist groups. According to *Le Figaro* magazine, the most dangerous of these groups is a new "Organization des Amis de Sion" (Organization of the Friends of Zion), whose French-language acronym, OAS, is identical to the French ultrarightist squads that tried to assassinate Charles de Gaulle countless times—with aid from Menachem Begin's Herut Party.

Underlying the fascist trends in Israel is a fundamental demographic shift. As the economy worsens and as Begin's policies block the road to peace, emigration from Israel is accelerating to the extent that there are now 800,000 Israelis living abroad compared to a total Israeli population of 3.1 million. This emigration tendency is particularly strong among professional and skilled layers who are seeking a better situation in the United States and Western Europe. As these leave, they are increasingly replaced by immigrants much more immersed in Zionist ideology.

Baltimore Sun Jerusalem correspondent Ruth Cale reported June 25 that "the present exodus is rapidly developing into a brain drain." At the same time, she cites a Labour Party parliamentarian who "warns that the places of the departing professionals are being taken by Jewish orthodox groups from the United States . . . by recruits for Gush Emunim, and some ultra-nationalists from the Soviet Union."

Simultaneously, the economic crisis is swelling the ranks of the ill-housed and unemployed among the primarily Sephardic Jewish slum-dwellers in Israel's key

The fascist elite

Among the signers of a statement reported in *The Jewish Press* June 20, which demands that Israel refuse any territorial concessions whatever, were former Israeli Air Force chief Dan Tolkovsky and retired General Benjamin Peled.

Tolkovsky is the only Israeli member of the zero-growth Club of Rome International and heads the Israeli branch of the Israeli Discount Bank. The bank, closely tied to Barclays Bank in England, is run by the Genoese-Spanish Recanati family, which has sponsored Zionist cult activities for nearly a millenium.

Peled spent 32 years in the Israeli Air Force after RAF training during World War II. He is currently a managing director of the Israeli Elbit Corporation, which specilizes in procuring highly sophisticated computer and electronics equipment for israel's Defense Ministry and intelligence services.

cities. With financing from top crime-connected financiers, such as convicted swindler and embezzler Samuel Flatto-Sharon, these slum-dwellers have engaged in illegal takeover of land to set up "settlements." Analysts in Israel express concern that these radicalized slum-dwellers can be transformed overnight into fascist stormtroopers.

As the economic crisis deepens, the Israeli internal situation could at any point go out of control. Supposedly as an "anti-inflationary measure," Finance Minister Yigal Hurwitz is demanding major cuts in the budget, including in the military. Hurwitz's demands for defense-related cutbacks have led to much grumbling in the country's general staff, especially from strategists who warn that Israel must confront a buildup of armaments in Jordan, Iraq, and Syria. One analyst warned that "this is the stuff of which preemptive strikes are made, since the feeling may be that *now* is the time to strike, before the Arabs' superiority sets in."

Israel's hardline Chief of Staff, Rafael Eytan, who opposes Hurwitz's measures, is demanding that Hurwitz declare an "economic emergency regime" to create strict national controls over the economy. One British journalist has noted that Israel is "theoretically ripe for a coup" because of this interplay of economic collapse and anxiety over "national security."

The Persian Gulf: a new Vietnam?

The U.S. rapid deployment force was not really an American innovation, but a British foreign policy move.

A preliminary investigation into the controversial U.S. Rapid Deployment Force (RDF) shows that it was not the brainchild of American strategic planners. Nor was it conceived in the last four years of the Carter administration. The RDF was the creation of Britain at least as far back as 1960 when London formulated a new East of Suez policy to accommodate its "pullout" from its colonial holdings in Asia and the Mideast.

A look at the current personnel in charge of the RDF shows not only historic ties to Britain's foreign and military policy establishment, but also reveals that these were the top planners of the Vietnam War debacle. On June 17 the newly named commander of the RDF, Lieutenant General Paul Xavier Kelley, announced that the force would be ready to move into the Persian Gulf in a "preemptive strike" against the Soviets by mid-July. He declared that at that time a test run would be launched whereby 12,000 airlifted troops, with heavy artillery and other logistical supplies would rendezvous with a flotilla near the gulf region.

Military critics of the RDF have stated to this magazine that a U.S. invasion of the gulf is "strategic insanity given the hands-down advantage the U.S.S.R. has, given its proximity to the area." An RDF deployment into the gulf would most likely strike at the oilfields of Iran, a country which shares a 1,500

mile border with the U.S.S.R. These same critics fear that such an adventure into the gulf region would yield the U.S. the worst strategic humiliation since Vietnam. The U.S. military invasion into Iran in April reportedly was hastily aborted following staunch warnings from the U.S.S.R. and an accompanying deployment of Soviet Mig fighters.

Arab sources state that every word out of Kelley's mouth last week came from the Undersecretary of Defense for Policy, Robert Komer. Komer made his mark in U.S. policymaking circles in the mid-sixties under the Johnson administration when he ran the bloody Operation Phoenix counterinsurgency campaign against the Vietnamese. Following his brief ambassadorship in Ankara which contributed to the destabilization of Turkey in the late sixties, he deployed to the Rand Corporation to write what he claims is the policy which the Carter administration adopted through the 1976 Presidential Memo 10, calling for a U.S. invasion of the gulf.

It is questionable that Komer in fact ever devised an original policy for the U.S. From the beginning of his career in the Kennedy administration, he has been a policy conduit for the British. At that time, he was a "liaison" to London working out the logistics of their withdrawal from the Persian Gulf/Indian Ocean region. This was the period

when the Yemenese civil war erupted on the Arabian peninsula, a war which the British had a key hand in fomenting for the purposes of scaring both the Saudis and the Iranians into a military buildup. This was conceived as one element in the strategy of extending NATO and U.S. forces into the region as a surrogate for British forces to work with regional military capabilities. In that same period General Kelley was an exchange officer to the British Royal Marines where he received counterinsurgency training in Aden, Yemen. Egyptian President Anwar Sadat, today the most open Arab proponent of extending NATO into the Mideast, was in charge of the Yemenese war for the Egyptian government.

Concomitant with the Yemenese war, Britain's Sir Robert Thompson was personally prodding Kennedy to commit U.S. troops to Vietnam, no doubt with the help of Komer.

During the 1960-61 period, one of the co-authors of Presidential Memo 10, former National Security Council staffer and confidant of NSC chief Zbigniew Brzezinski, Samuel Huntington, was writing the strategic hamlet doctrine which was later used in Vietnam.

Lt. Col. William R. Corson, a Marine who guarded one of those strategic hamlets during the Vietnamese war, later wrote a book entitled *The Betrayal*, where he says that Komer lied to America about the purpose of the war. He concludes that Komer proved "as Goebbels proved, if one tells lies long enough it is possible to get people to believe them, but when the liars themselves begin to believe their own falsehoods, an organization is in deep trouble."

Banking potentates come under fire

The bankers and the government got together at the annual Mexican Bankers' Association meeting in Acapulco—and sparks flew.

By and large, the tone of the annual conventions of the Mexican Bankers Association—the premier events of the business calendar—during the López Portillo years has been one of a “forum for evaluation,” where the powerful private banking sector indicates and proposes the economic and financial policies that the country must follow. More, the convention has frequently ended up becoming a back-slapping session on the importance of the private banking sector and its unquestioned directing role in the conduct of the nation's domestic financial affairs.

However, at this year's festivities in Acapulco, June 16-18, the bankers had a harder time of it. The convention debated, in depth, the crucial issue of whether the banking sector will be an instrument to finance the large industry-centered development projects mapped out by the government—or continue diverting substantial resources into real estate speculation, drugs, and usurious short-term lending. That is the policy of the dynastic strongholds of Banco Nacional de México (Agustín Legorreta) and Banco de Comercio (Manuel Espinoza Yglesias).

“We aren't getting the credits we need for industrial expansion,” one prominent industrialist, linked to the Chamber of Processing Industries told the *EIR* on the eve of the convention. “We're ready to pay the interest they demand, even

at the current high rates, but they're simply not giving it out.” He explained that the banks are only keeping credit lines open to their big, established clients, many of whom are linked to the top banks through other business or family ties. The casualty list from this selective shut-out includes such priority areas in the government's development strategy as capital goods manufacture

President López Portillo and Finance Minister David Ibarra, in personal appearances at the convention, reiterated that Mexico's priority is growth in output and expansion of social services—even if it means continuing high inflation rates. Last year's real growth was a hefty 8 percent, though inflation climbed to 20 percent.

The bankers' counter-position was summed up in a message which Manuel Espinoza Yglesias of the Banco de Comercio group sent to the convention from Paris. Espinoza complained, “It's about time that we come to grips with the fact that we can't expand production, give everyone better access to medical services, let everyone go to the university, renovate our transport infrastructure, and so on, without inviting runaway inflation.” Hence—cut back on development.

The new president of the Mexican Bankers' Association, Arcadio Valenzuela echoed the bankers' demand that the government throw itself into battle against inflation,

even if that meant throwing the brakes on the economic expansion the country is undergoing.

It's worth noting that in the working groups, where Ibarra broke tradition by sitting in, some bankers blasted the government for requiring the banks to deposit a bit more than 40 percent of their new deposits in the Central Bank. They also faulted government agencies for selling bonds, certificates, and other paper on the domestic money markets to obtain capital directly.

The finance minister responded that the government uses such procedures to regulate money supply, which helps control inflation, and to pick up capital needed for the huge industrial projects the government is pursuing.

Visibly provoked by some bankers' incessant criticisms, Ibarra later bluntly remarked, “the banks don't come before the national interest.”

A number of politically attuned observers consider Arcadio Valenzuela's rise to the ABM presidency, in a year in which choices for the next president of Mexico will be hotly debated, as a strong indication that the bankers will throw everything they've got into the political battle.

Valenzuela, president of a bank called Banpacífico in northwest Sonora state, is one of the country's notorious *latifundists*, only recently turned banker. Valenzuela is considered a tool of the most radical “Mont Pelerin” wing of the Monterrey Group.

Some have noted the apparent coincidence—Banpacífico's lending territory was the primary base of marijuana growing and smuggling into the United States when the bank was founded.

International Intelligence

Incursion into Thailand denied by Vietnam

The widespread publicity surrounding a reported incursion this week by Vietnam into Thailand was well-timed to have a disruptive effect on the opening round of talks of the Association of Southeast Asian Nations (ASEAN) in Malaysia this week. In fact, the supposed incursion was so well timed as to lead many to doubt its very existence. "We are not so ignorant or so stupid as to carry out such an action at this particular time," said one top Vietnamese source.

Of course, all informed observers, upon hearing of the reported "aggression," assumed that the Vietnamese had been provoked into such action by the barbarous action of Pol Pot guerrillas being harbored inside Thailand, and supplied and armed by the United States, China and various international agencies like the "Red Cross." It could be, however, that aggression did occur, by Thai troops or some combination of Thai and Pol Pot forces. That would be entirely consistent with the behavior of the Carter administration and Peking in their new military alliance, and also typical of the way the White House likes to conduct itself on the eve of major international conferences.

The meeting of the ASEAN nations, which is designed for "consultations" by the group with the United States and the EEC, was shaping up to be a showdown over the issue of recognition of the Vietnam-allied government in Kampuchea. Numerous reports indicated that Indonesia and Malaysia were considering breaking with official ASEAN policy and arguing for recognition, as fears of China has for some time been overshadowing the concerns of these two countries about Vietnam. Singapore and Thailand, who are on good terms with Peking, are arguing for a policy of continued hostility and confrontation toward Hanoi.

The reported fighting between Vietnam and Thailand appears to have put the Indonesian and Malaysian plans temporarily on the back burner.

Hanoi has issued a sharp denial of the charges, which first surfaced on Tuesday, June 24. Several thousand Vietnamese troops are said by Thai military sources and unnamed "Western diplomats" to have crossed into Thai territory and engaged Thai troops in fighting. An additional 10-18,000 Vietnamese troops in two divisions are reportedly in the vicinity of the border. In the course of the reported conflict, two Thai aircraft were shot down.

Both the State Department and Peking have denounced the Vietnamese "actions" as blatant "aggression." Moreover, both Thailand and Singapore issued statements to the effect that the Vietnamese "aggression" showed that Hanoi is not intent on establishing peace in the region.

For the time being, Indonesia and Malaysia have been swayed off their original plan, and immediate prospects for recognition of the government of Kampuchea and normalized relations in the area are remote. However, the statement issued by the Foreign Minister of Indonesia in response to the reported Vietnamese incursion was much more mild than others issued, indicating that the door to the country's original plan is not closed.

Sanjay Gandhi dies in plane crash

The sudden tragic death of Sanjay Gandhi, 33-year-old son of Prime Minister Indira Gandhi, has deeply shocked many in India. Hundreds of thousands of people turned out to line the streets of his funeral procession and attend Mr. Gandhi's cremation on the banks of the Jumna river in New Delhi.

The controversial Mr. Gandhi had steadily gained political prominence and influence after his election to the Parliament in the January 1980 triumph of Mrs. Gandhi's Congress Party. He acted as a close adviser of the Prime Minister, particularly in regard to party matters. Following the late-May Congress victory

in state assembly elections, Mr. Gandhi was appointed one of four General Secretaries of the Congress-(I). Even Mr. Gandhi's critics were beginning to concede that he was gaining a legitimate place on the Indian political scene.

The concern in New Delhi today is twofold. A political vacuum has now been created, particularly in the leadership of the influential body of younger congressmen who looked to Mr. Gandhi; and Mrs. Gandhi herself has suffered a terrible and unexpected personal blow at a time when her leadership is irreplaceable in India.

The circumstances of the crash of Mr. Gandhi's Pitts aerobatic stunt plane are under investigation. So far there is no evidence to suggest that it was anything other than a tragic accident. However, the careful examination being carried out is certain to turn up any evidence to the contrary.

Soviets go after Ghotbzadeh

For the first time since the Iranian Revolution, the Soviet Union has begun to exert open pressure on Iran, targeting Sadegh Ghotbzadeh, Iran's Foreign Minister. Over the June 21 weekend, an article in *Pravda* by Yuri Kornilov attacked Ghotbzadeh, a long-time Anglo-American agent, for "singing someone else's tune" and for voicing "concoctions" about the U.S.S.R. during his recent trip to Scandinavia.

On June 16, the Soviet news agency *Tass* had gone even further. "The imperialist forces and regional reaction" want to open a second front against Afghanistan through Iran, *Tass* reported. "According to reports . . . certain circles of the Iranian leadership regrettably express the desire to play up the organizers of the anti-Afghan campaign. . . . Suspicious activity of the so-called leaders of the 'Afghan emigration' who cover their banditry with Islamic slogans has been reported in Iran. Iran's Foreign Minister

Ghotbzadeh recently spoke about the possibility of providing Iranian territory for terrorist training camps . . . for the creation of a new bases for aggression against Afghanistan." *Tass* cites a *Pakistan Times* report that while in Oslo, Ghotbzadeh discussed with Chinese Foreign Minister Huang Hua an escalation of "counterrevolutionary forces against Afghanistan."

Japan's LDP wins big; fight on for succession

Japan's ruling Liberal-Democratic Party won a surprising, smashing victory in the June 22 elections, giving it a 28-seat majority in the 511-seat Diet (parliament). This is the largest majority it has enjoyed since the 1960s and ends for the time being the prospect of the LDP having to form a coalition with some of the "middle-of-the-road" opposition parties. Such coalitions would have likely ushered in an era of Italian-style unstable governments.

The question now is who will succeed Prime Minister Masayoshi Ohira, who died suddenly of a heart attack in early June. The major policy stance at issue in the succession is whether the new Premier will follow in Ohira's path of complete subservience to Washington, particularly around the creation of a NATO-style U.S.-Japan-China military axis against the Soviet Union. The alternative is a closer policy collaboration with France and Germany, particularly on economic issues, such as Ohira's predecessor, Takeo Fukuda, followed in 1978.

Fukuda and former Prime Minister Takeo Miki are supporting former Trade and Industry Minister Toshio Komoto, also a favorite of business. He is viewed as much less likely to follow Carter's dictates than Ohira. The other leading contender is Yasuhiro Nakasone a faction leader in his own right who is supported by former Premier Kakuei Tanaka and some members of the now less cohesive Ohira faction. Nakasone's profile is that of a nationalist who often

proposes policies of economic growth and independence for Japan, but who is usually willing to sacrifice policy for personal ambitions. His actions as Premier are least predictable of the major contenders. Washington's favorite is former Foreign Minister Kiichi Miyazawa, a leading member of the Trilateral Commission and a firm supporter of Washington's NATO-ization of Japan. But he is viewed as least likely of the three to succeed, not even having clear succession to leadership of the Ohira faction.

If no choice can be arrived at in time for the July 17 Diet opening, a caretaker may be chosen until the regular new term in December of this year.

NATO coup in the works for Turkey?

The London *Guardian* leaked June 23 that at the NATO ministerial conference this week, NATO leaders would be "weighing up military men as well as politicians" to take power in Turkey. "Propping up Turkey does not necessarily mean propping up democratic Turkey," the *Guardian* editorial stated point-blank.

The NATO conference—held in the Turkish capital of Ankara—coincides with President Jimmy Carter's tour of the Mediterranean countries of Spain, Italy and Yugoslavia, as part of the effort to beef up the Atlantic Alliance in that region. It also coincides with an Anglo-American effort to informally reconstitute a CENTO-style alliance of nations on the "underbelly" of the U.S.S.R.

Despite Turkey's political and economic turbulence, combined with rampant terrorism that laves 10 dead each day, the Turkish military has thus far been reluctant to intervene directly into politics. Those factions of the Turkish Armed Forces most susceptible to NATO's proddings may, however, soon find themselves manipulated into seizing power.

Briefly

● **ARCHBISHOP** Munoz Duque of Bogota stated June 16 at an official meeting of Colombia's Roman-Catholic Episcopate that Colombia is close to being "defeated" by the drug mafias and government action against those mafias must take place "without any violation of human liberty." The archbishop, who is closely allied with the Society of Jesus, added that "one need not reflect too much to realize that the 'mafia phenomenon' resides in the heart of each human being."

● **MICHAEL MANLEY**, Prime Minister of Jamaica, and the nation's military chief of staff were the targets of an assassination plot foiled June 23 with the arrest of 29 plotters, including members of the armed forces. A government spokesman told *EIR*, "I would not be a bit surprised if this plot was set up by foreign elements."

● **COMECON** members agreed at a June 12 meeting to launch a joint project to produce fast breeder nuclear reactors. The breeder project, announced from Hradec Karlove, Czechoslovakia, is part of a plan by the U.S.S.R. and its allies to build 37 gigawatts of atomic power generating capacity in the next decade.

● **ITALIAN DEFENSE** Minister Lagorio stated to the Chamber of Deputies June 25 that "I fully agree with Chancellor Schmidt; I support a Euromissile moratorium; I reject any idea of a subaltern position with respect to the U.S." He also endorsed French President Giscard's proposal for an East-West conference on European disarmament.

● **KIICHI MIYAZAWA**, Washington's favorite choice to become Japan's new Prime Minister, is facing increasing opposition in Japan. The word from Tokyo is that one thing in particular about Miyazawa has rubbed many people the wrong way—his not-so-secret severe drinking problem.

The Democratic platform: a born-again loser

by Barbara Dreyfuss

"They have now ensured that a large part of the Democratic Party will go over to the Republicans in November," the angry delegate declared to me at the Democratic Party Platform Committee hearings this week in Washington, D.C. Behind him a number of delegates were cheering the passage of the energy and agriculture section of the platform. By the time the remainder of the platform was completed 48 hours later, I was in complete agreement that this platform would destroy the Democratic Party.

The platform that was adopted by over 150 delegates at June 21-24 meetings, if also adopted by the Democratic Party convention in August, would commit the party to the full-scale deindustrialization of the United States. The energy policy, the agricultural program, and major planks in the economic section would, if implemented, ensure not only zero economic growth for the nation, but actually dismantle industrial production.

This platform draft is such an atrocity that some observers have wondered whether it was adopted in a suicidal move to throw the election away.

The Carter administration openly used thuggery to ensure complete support for the activities of the Carter administration during the last four years. Virtually every other paragraph in the preamble and numerous other places throughout the platform draft extol the progress made by the Carter administration.

Mayor Coleman Young of Detroit, who presides over the city with the nation's highest rate of unemployment, chaired the entire proceedings. "I hope nobody here attacks the program of the President," he warned.

Most of the delegates were ready to jump to his commands. Very few represented actual constituencies; those who did often stood up to make a plea for their

particular interests and then voted the way they were told. If they were offered a few words in the platform in support of their constituencies, they responded with complete loyalty on the rest of the platform.

A few of the delegates, however, feared the wrath of their constituents more than they did the Carter administration and could not be silenced. "We will be the laughing stock of New Jersey if we adopt language like this," one New Jersey man stood up to declare. "How do you expect me to tell my people back in Essex County, where unemployment is soaring, that we have increased employment? How do you expect me to say we have been fighting inflation?"

The platform fully confirms the Carter administration's complete commitment to economic austerity. The platform would ensure the collapse of the U.S. economy by its energy policy alone. The platform states: "We must make conservation and renewable energy our nation's energy priorities for the future. Through the federal government's commitment to renewable energy sources and energy efficiency, and as alternative fuels become available in the future, we will retire nuclear power plants in an orderly manner."

Instead of nuclear energy the platform demands that 20 percent of our energy needs eventually be met by extremely low-yield solar energy, and major development of the exorbitantly expensive, low-yield synthetic fuels program first developed in Nazi Germany.

Although the platform declares that the Democratic Party has consistently supported low interest rates to finance small business development, homebuilding, and farm production, Carter demanded and got support for the Federal Reserve's tight monetary policies.

The other programs delineated by the platform

committee to end the "recession" included trucking deregulation, which would cost the economy billions of dollars and millions of jobs. In the introduction to the agriculture section, the cornerstone of the American farm sector, its productivity, is attacked, and the vital price control systems that have kept farm prices slightly above depression levels, are blamed for lowering farm income. The entire farm section is filled with platitudes about the importance of American agriculture to the world, but there are no statements of intent to ensure that farmers receive an income that will allow them to expand production and advanced technologies. Efforts on the floor of the committee meeting to include statements on these matters were beaten down.

I noted with amusement the articles in several of the major Eastern papers that talked continuously about the "roaring fights" between the Carter and Kennedy delegates. I had observed during the proceedings that some of the Kennedy campaign leaders were clearly at odds with the spirit of the Kennedy delegates dedicated to fighting Carter and forcing an open convention. This was corroborated by numbers of Kennedy supporters around the country who support an open convention but had received no directives from the Kennedy leadership.

Theodore Sorenson, who had been an assistant to John F. Kennedy and led the Ted Kennedy campaign's platform delegates dealing with the foreign policy plank, had conceded the nomination to Carter. Sorenson warned the Carter people that unless there was some basis for a "Kennedy victory" in the platform, the Kennedy people would have to back Anderson or Reagan in the election. The vote on the phase-out of nuclear energy was carefully stage-managed by the Carter and Kennedy leadership to provide a "Kennedy victory."

At the energy caucus meeting Sunday, tension filled the air as a Carter delegate, Carey Wasley, working closely with the Kennedy delegates and the Campaign for Safe Energy environmentalist group, proposed the immediate phase-out plan. Everyone in the room but the delegates stood up. Twenty environmentalists surrounded the Carter delegates. The vote was called. When it looked close, all hell broke loose. The Kennedy leadership and their environmentalist allies began screaming at the delegates, warning those who had promised to vote in favor of the phase-out. One man even had his arm lifted for him by a Kennedy organizer. Finally the vote was taken—the majority had agreed that nuclear energy should die.

The same tension filled the room the following day when the matter was brought to the entire platform committee. People scurried about making deals, issuing threats. One leading Kennedy delegate whispered to the Carter point-man Marty Franks, "I don't really care one way or the other about nuclear energy, but I will

lose my job if I don't vote for the phase-out." Just before the vote was taken, Wasley hurriedly called for a five-minute recess—"We're near a compromise." A huddle in the center of the room suddenly erupted in cheers, as a compromise agreement was announced.

The Carter administration, which had supposedly wanted only to ensure strong safety measures for nuclear plants, had "compromised." Instead of a plank declaring that the next administration "can" phase-out nuclear plants, the Carter people demanded for their compromise that the plank read that the administration "will" phase nuclear plants out. Fifteen minutes of applauding by both the Carter and Kennedy camps ensued, followed by speeches calling for a unified party at the convention.

Thuggery at work

The platform committee delegates had obviously been carefully chosen for their loyalty. Most were obviously eager for advancement in the party or better jobs. Many were young zero-growth adherents. Surely, the farm representatives would actually represent their base and support a high-technology expansion of farm production and exports, I thought.

I discussed with one young Southern farmer the need for a plank mandating an emergency measure to ensure the market at 90 percent of parity to save American farmers. She considered it, but she was too busy lobbying for an end to nuclear power to waste much time working on it. "I've had to make too many deals on this issue," she said, explaining why she had no more bargaining chips to use on the parity question. "They will kill us if we try to go with this," another delegate told me.

Everyone at the several days of meetings knew they were under a microscope. "A top Carter person warned me to be very careful about what I do here," one Kennedy woman told me candidly.

At the caucus meetings, and then at the full committee meetings, top administration people and Kennedy officials carefully watched every delegate, while whips ran up and down the aisles ensuring votes. Stu Eizenstat, Carter's economic adviser, was on hand to weigh each proposal that was raised, as were National Security Council members and an Assistant Secretary of Agriculture. Every word changed was brought to them for approval, and then the word went out publicly through their delegate-spokesmen—vote this one up, or vote it down. Every delegate painstakingly watched the leadership for instructions.

Careful not to alienate the orchestrators of the hearings, the delegates succeeded in alienating the American voters. Adoption of this platform by the party convention in August would not only seal the fate of the Democratic Party in the elections, but cause a major fracturing of the party.

Carter, Kennedy and LaRouche on the platform

The following is a comparison between the Democratic Party's Carter platforms in 1976 and 1980, and the proposals of candidates Kennedy and LaRouche.

The economy

1976: We must reverse the Nixon-Ford tight money policy, an important factor in our housing shortage. . . . Reasonable interest rates are essential to the effort to address our housing problems.

1980: We must continue to pursue a tough anti-inflationary policy which will lead to a reduction in interest rates on loans across the board. . . . The Federal Reserve shall use the tool of reserve requirements creatively in its efforts to fight inflation.

Kennedy: The Democratic Party remains committed to policies that will not produce high interest rates or high unemployment.

LaRouche: The only available way to stop double-digit inflation is to support the proposals of France and its European Monetary System partners. The United States must accept and support . . . a new, gold-based world monetary order . . . That will take hundreds of billions of Eurodollars off the present Eurodollar market. Those dollars, then held in the depositories of the bond-issuing agencies, can now be lent for world trade in hard-commodity investments at between 4 and 6 percent prime rates. . . . The existing U.S. Export-Import Bank is the institution for conducting the new, 4 to 5 percent credit back to exporting U.S. manufacturers, construction firms and farmers through local private banks.

Energy

1976: U.S. dependence on nuclear power should be kept to a minimum necessary to meet our needs. We should

apply stronger safety standards. We should be honest to our people concerning its problems and dangers as well as its benefits.

1980: We must make conservation and renewable energy our nation's energy priorities for the future. Through the Federal government's commitment to renewable energy sources and energy efficiency, and as alternative fuels become available in the future, we will retire nuclear power plants.

Kennedy: The 1980 nuclear phaseout energy plank was put forward by Kennedy.

LaRouche: To provide secure and economical energy now and in the future, and to regain leadership in science, industry and education, the U.S. requires a firm commitment to rapid production and siting of existing types of nuclear reactors and an aggressive research and development program for development of new nuclear technologies. To accomplish this needed buildup, a full-cycle nuclear industry must be rapidly created, and sufficient credits made available for backing up the export side of the industry.

Agriculture

1976: For its part the Democratic Party pledges: to give foremost attention to the development of a national food and fiber policy that will provide fair treatment to producers and consumers alike, that will continue the goal of full production within the framework of our traditional family farm system.

The Democratic Party believes that additional attention and support must be given to the protection, the parity protection to American producers, that recognizes changing costs of production.

1980: In 1977 the Democratic Administration inherited a farm economy that was in a serious state of overproduction and price support programs that were badly outdated. Farm prices and farm income were plummeting, partly in response to misguided attempts at price controls.

LaRouche: The president must act immediately to maintain the market at the ninety percent of parity which it is in the President's legal power and duty to ensure. Only such immediate action by the President can stop a depression-collapse of agriculture with irreparable damage to the dinner tables of all the nation's citizens during the 1981-1982 period.

Texans rise against Carter on farm issue

by Vin Berg

"The American farmer has not abandoned Carter, Carter has abandoned the farmer. It no way should we reward a man who has caused the worst four years ever for the producer."

With those words, Marvin Meeks, president of the American Agricultural Movement summarized the sentiment that swept over the Texas State Democratic Convention last week. On June 21, the convention's 3,000 participants passed by overwhelming voice vote a resolution demanding that President Carter immediately act to stabilize farm prices at 90 percent of parity. A second resolution calling for an open National Democratic Convention this August—enabling delegates to nominate someone besides Jimmy Carter—was only narrowly defeated, despite the fact that 70 percent of the Texas delegates were Carter delegates.

The "open convention" move saw supporters of both Ted Kennedy and Lyndon LaRouche unite around the effort. LaRouche, who authored the 90 percent parity resolution on agriculture, addressed the convention immediately after its passage.

"Today," said the candidate, "the Texas State Convention has taken a bold step in contributing solutions to the dilemma of the American farmers which I can assure you will be picked up by other states."

Minnesota Congressman Richard M. Nolan, speaking before the convention's agricultural caucus one day earlier, said that "farmers are caught in the worst possible crisis. The reasons for these problems are not Carter's fault. Carter's fault now is that he refuses to do anything about it."

Nolan, speaking on behalf of Sen. Edward Kennedy, said that "I'm for 100 percent parity and an open convention." Nolan's call to open the Democratic Party convention put Kennedy delegates on the same side as LaRouche's followers who spearheaded a strong "open convention" move, backed by demonstrations on the farm issue outside the convention.

Marvin Meeks' AAM and other farm groups came to

the Texas Convention in a tractor parade, not only to fight for passage of the parity resolution, which guarantees farmers a fair market price to ensure continued production, but also to oppose Carter's renomination. Meeks, five other AAM leaders, and candidate LaRouche held a joint press conference at the Alamo after the tractor motorcade. Signs on the sides of the tractors read "Carter lies. Dump Carter."

How precarious Carter's support is, despite his nominal claim to a majority of Texas's delegates, was clear in the overwhelming voice vote for the 90 percent parity resolution—a measure the President has refused to consider, although, as LaRouche told the convention, "it is estimated we are losing 2,000 farmers a week." Carter's problems became even clearer around the open convention proposal.

That resolution, too, was passed unanimously by the Agricultural Caucus and the Rural Caucus on June 21, both of which were addressed by LaRouche. The resolution then garnered more than 800 delegates' signature, over the 20 percent required to bring it to the floor for a vote by the whole convention—by-passing the astonished Carter faction in control of the Resolutions Committee. After a bitter fight, it was narrowly defeated—40 percent voting for, meaning that at least 10 percent of Carter's delegates had also voted for an open convention that would free them to reject the renomination of the President.

That fact might be considered the more remarkable in that, although President Carter is not very popular anywhere these days, he has used blackmail, patronage and arm-twisting tactics successfully in most places to force delegates into line.

Those tactics were also used in Texas. On the very eve of the convention, 12 leading political, business and labor leaders in the state were indicted on Abscam/Brilab entrapment charges. The threat hanging over Democrats by way of that Justice Department action did little to quash dissatisfaction with the incumbent, however.

Dave Samuelson, an AAM leader who spoke at the Alamo press conference, stated that they are seriously watching the way LaRouche is fighting for greater farm production, industrial development and high-technology exports, and are seriously considering his candidacy. "We can put Kennedy, Carter, Reagan, and Anderson in a rowboat and sink it for all they have to offer us."

It was clearly a LaRouche victory. The dark-horse candidate from New Hampshire came out of Texas with the agricultural parity resolution, a strong showing for the call for an open convention, and 10 "uncommitted" delegates clearly favoring LaRouche as they head toward the Democratic National Convention in August.

LaRouche's address to Texas Democrats

On June 21, Lyndon LaRouche spoke before the state convention of the Texas Democratic Party. Earlier that day, the convention has passed a directive, authored by LaRouche, instructing President Carter to "act immediately to maintain the market" for farm products "at the 90 percent of parity which it is the President's legal power and duty to ensure." The directive was endorsed overwhelmingly by voice vote.

The following is a transcribed version of LaRouche's remarks to the Texas convention.

The job of the Democratic Party in 1980 as well as in 1981 is to mobilize its ranks, its organization, to stop the onslaught of an unnecessary depression—a depression which has rolled through our Northern states, creating 14 percent unemployment in many of the industrial states and which is now rolling down toward the sunbelt. Take our farm situation—we're losing 2,000 farmers, it is estimated, a week. That is not just farmers in trouble, that is our nation's food supply for 1981 and 1982 in trouble.

Fight for the farmer

Your convention has made a service to the entire nation in voting a directive to the administration to act on its standby powers to assure 90 percent parity at least for agricultural commodities. That will save the American farmer temporarily.

And I assure you—and some of you know me—that within the week there is going to be a nationwide caucus throughout the Democratic Party with some Republicans recruited to support it, to support the Texas Democratic convention's resolution on parity for the American farmer. A lot of labor and other people who understand that the fight for the farmer is just the beginning of the fight for many other portions of this population, will rally behind it as a place to begin a

general fight for unemployed and others.

We have a situation among our youth which is a moral disaster. In our cities we have 40-60 percent unemployment of youth. Youth who are undereducated, youth who are demoralized, who lack the education for the jobs that don't exist. We have to move on this.

People say there's no money to move on this, but that's nonsense. Every one percent of the labor force that is unemployed causes a \$20-25 billion increase in the federal deficit.

If we were to put even just 1 percent of the labor force in the ranks of the unemployed back to work, especially among youth, that would add \$20-25 billion to our present income under present tax structures. Four percent would add \$100 billion dollars. Six percent, which is achievable over the next 16-18 months, would add \$150 billion dollars. With \$150 billion we can give some tax relief to households, we can provide programs to get the country moving again.

No need for depression

There is no need for this depression. Right today at this moment, in Venice in Italy, there is a summit of the heads of state of seven nations. Our allies, people we should recognize as our allies, people who are trying to save the dollar and save the world economy—the President of France, Giscard d'Estaing, the Chancellor of West Germany, Helmut Schmidt—are moving to institute a gold-based measure to stabilize the world economy, to stop international depression and to get credit moving to begin developing the developing nations of this world where people are dying of famine and epidemic.

Let me give you just one indication of that. It's one of the things we've got to change. During 1979, the government of Zaire reported that its people are on an average food consumption per day of 800 calories. That's about two-thirds of what a concentration camp slave got in a Nazi concentration camp in World War II.

The International Monetary Fund and World Bank and the Paris bankers told President Mobutu of Zaire to cut the consumption of his population. And there is epidemic and famine. There is destruction of the nation of Zaire. The same condition exists in Uganda, and so far our government has supported those policies of genocide by famine and epidemic in many countries in the world.

Credit to rebuild the nation

That's not necessary. If we develop the countries of the world that want to be developed, that want our exports to develop their nations, we can increase their purchasing power and create jobs for ourselves. Our

allies in Western Europe are dedicated to that. We should be dedicated to it.

We can turn this country around, the way Franklin Roosevelt turned it around at the beginning of the war. We can do that any time we want to, if we get the leadership in Washington to do it.

All we have to do is get the credit back to the local banks to the projects that need to be done, building ports, building a modern steel industry, rebuilding our agriculture industry. We can put our youths and others to work, not at make-work but building useful productive things that will make this nation again a great industrial power. We lost 18 percent of our national economy over the last year, and we've got to reverse that.

We've got to go to European and Japanese allies—we've got to begin to cooperate with Mexico instead of treating Mexico as an enemy, which is the current policy of the administration. We've got to cooperate with Lopez Portillo. He needs \$40 billion more of capital imports a year. That will give us a lot of jobs. He's willing to produce the oil to buy those imports. So what are we talking about, in our present relation to Mexico?

India is one of the greatest development opportunities in the world. We can develop Africa, it will take us two generations, but we've got to do it and we can do it. By playing that kind of role in the world, we will finally have the moral strength, the allies and resources, so we won't have any problems in terms of our national security for ourselves or our descendants.

So let's do it. The one thing we must do, if we're going to have a next generation—we must reverse the policy towards youth. We must restore our public school system, we must teach science and the classics, so that we have children who come into adulthood who are able to work. We must provide the jobs and the educational programs to put our next generation to productive work or there isn't going to be a next generation after that.

New quality of leadership

We've got to get back to a moral sense for this nation. Every citizen, every child of this nation, has the right to be born and developed with a sense of self-development and a meaning and purpose to their lives. If we don't have a next generation, then everything we do in this generation doesn't mean anything.

What's needed at this time, in this nation, is a new quality of leadership. A President who speaks directly to the people and not through the newspapers. A President who leads in building constituency organization in this country. So that every citizen knows that the President wants people in the Congress and at all levels to represent constituencies. That we've got to do. Thank you very much.

'The farmers' dark horse'

The following report appeared in the San Antonio Light, June 21.

Angry farmers on their tractors paraded through downtown San Antonio Friday in protest of President Carter's agricultural policies.

The group, part of the "Farmers to Dump Carter" campaign, staged a joint rally with Lyndon H. LaRouche, Jr., a Democrat running for President, to show support for an open Democratic convention in August.

The farmers were among the scores of Texas Democrats meeting at the Convention Center to select 152 delegates and 77 alternates to the national convention in New York City.

Tim Richards, spokesman for the Citizens for LaRouche in Texas, said farmers are angry at Carter because he has not authorized the 90 percent parity they say they need to survive.

"About 2,000 farmers are going out of business every week," he said. "Carter has the power to enact a parity but he is not doing so.

"He is bankrupting us through high interest rates and he is not letting the farmers sell grain at world market prices.

"U.S. products just can't compete."

Richards added that Carter had "promised" to buy all the excess grain following the Soviet grain embargo.

"But," Richards said, "he lied. He depressed the price of grain."

Marvin Meek, national chairman of the American Agricultural Movement, said his organization was not formally endorsing any political candidate although it was against President Carter.

"We appreciate Mr. LaRouche," Meek said. "But some of our delegates will go with LaRouche, and some with Kennedy. But we are not endorsing anyone formally."

Meek said his organization also supports an open convention which he hopes will decrease the chances of Carter being nominated.

"We may have to go to the House (of Representatives) for a candidate," he said. "We may have to search for alternate candidates."

LaRouche, who arrived heavily guarded at the Alamo, said he supported 100 percent parity for farmers.



Haig and Kissinger: back in the White House again?

Can it be possible that Alexander Haig and Henry Kissinger will soon be back in the White House, running the country into rack and ruin as they did during the final months of the Nixon administration?

Well, if Ronald Reagan wins in November, this nightmare could come true.

According to insiders, a strong faction among Reagan's advisers is actively lobbying the candidate to appoint Haig to a key cabinet post—Secretary of State or Defense—if not to the Vice-Presidency. One well-placed Reagan advisor, a former official of the Arms Control and Disarmament Administration, has put out the word that “there is an excellent chance that Haig will be a leader of the Reagan administration. I personally am very impressed with his credentials, as are most of Reagan's other foreign policy people. We all felt kind of sorry that Haig decided to bow out of the presidential race, but if we can get him in as V.P. or

something, that will be tremendous.” This source also claimed that Reagan himself has been carefully considering how best to employ Haig's “assets.”

The problem is, Haig has no assets or qualifications for any job at the level of government. His reign as paper-clip commander of NATO was a disaster—because he was no more than an agent of influence for British intelligence circles controlling NATO. If the same circles want to put him in a Reagan administration, his lack of qualifications make it necessary to talk as much as possible about how qualified he is.

Last week, syndicated columnists Evans and Novak waxed effusive over Haig's qualifications for heading up the State Department. Most important, they say, are his allegedly close ties to European leaders, especially West German Chancellor Helmut Schmidt, forged during the diminutive general's recent tenure as NATO commander in chief. The yentas also slyly observe that Haig “could be a bridge between Reagan and Kissinger.” Typical British understatement.

Anderson gets some help

John Anderson received some important assistance in his quest for the presidency last week when 24 political figures signed a letter to the chairmen of the Republican and Democratic parties urging them not to block Anderson's efforts to get ballot status for the presidential elections.

The Carter-Mondale crew has vowed a major fight to keep the Illinois Congressman off as many state ballots as possible.

The group of 24 includes leading liberals from both parties, among them Senator George McGovern, Senator Adlai Steven-

son, Henry Cabot Lodge, former Interior Secretary Stewart Udall, and former Secretary of State George Ball, who recently endorsed Anderson.

The letter is one part of a major operation now underway to turn Anderson into a “major candidate.”

Sources tell us that the so-called Harriman faction (George Ball, Cyrus Vance, et al.) and the Aspen Institute crowd have decided to throw their weight to Anderson—covertly, for now. Part of their strategy for making Anderson a household word is to arrange for him to be included in the upcoming nationally televised presidential debates—debates run by Aspen through its control over the League of Women Voters, the sponsoring agency.

Rumors abound that some well-known backers of Ted Kennedy—including John Kenneth Galbraith—are prepared to switch to the Anderson Difference as soon as Kennedy is out of the race.

More rumors

An unimpeachable source tells us that Dick Allen, Reagan's foreign policy coordinator and a staunch promoter of a U.S.-China military alliance, was so upset by a Chinese news agency statement criticizing Reagan for backtracking on the Sino-American rapprochement that he hightailed it over to the Chinese Embassy to assure them he'd “get Reagan under control immediately. . . .”

Some Democratic Party politicians are pushing a Jackson-Byrd ticket as an alternative to the Carter-Kennedy choice. Byrd, the Senate Majority Leader, has become progressively more outspoken in his criticisms of Carter, and is known to have had his eye on the White House for some time. . . .

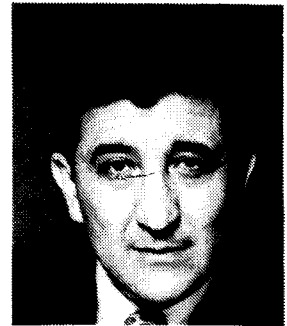
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who did not
subscribe to

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Executive Intelligence Review



Lee Iacocca, *Chairman of the near-bankrupt Chrysler Corporation*



Robert Abboud, *ousted Chairman of the First National Bank of Chicago*



Frank Fitzsimmons, *beleaguered President of the Teamsters union*



Robert Dole, *unsuccessful Republican candidate for President*

and missed out
on what EIR
readers knew—

- Volcker's October credit policy would lift inflation to 20% and push major banks toward the brink of bankruptcy.
- Volcker's policy would also strangle the industrial sector, starting with auto and steel.

- the deregulation of trucking would be rammed through the Senate— its passage will cost the U.S. economy more than the Vietnam war, not to mention thousands of Teamster jobs.
- the Trilateral Commission would rig the Presidential primary process to eliminate any candidates it couldn't control.

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Senate Judiciary Committee on trail of Cartergate

The two-month-long feud between the Senate Judiciary Committee and the Justice Department over the closing of potential criminal cases involving Carter loyalists has the potential to explode into a national scandal, if the Senate Committee chooses to push it.

Since April, the committee, which is chaired by Sen. Edward Kennedy, has been trying to elicit information from the Justice Department's Criminal Division and its Public Integrity Section concerning 15 cases which were closed by Justice without indictment. The Judiciary Committee is concerned that the cases—which include the Robert Vesco case, the Milton Shapp campaign contribution case, and the Billy Carter case—were closed for political reasons.

In May, the committee was forced to subpoena Criminal Division head Phillip Heymann and Public Integrity Section head Tom Henderson to gain their appearance before the committee. At that time, they refused to turn over the case files to the Judiciary Committee, even though nine of the files had already been turned over to the Senate Government Affairs Committee, chaired by Abraham Ribicoff. A Judiciary Committee source said bluntly, "The administration knew that Government Affairs would handle this in an exculpatory manner and that we wouldn't."

Judiciary is prepared to subpoena Justice if necessary, but on June 25, the Justice Department came to a tentative agreement to give the committee access to the files.

However, sources say that committee members are skeptical that

they will be given complete access to the sensitive cases before the election. "Let's face it, they will stone-wall on something like the Vesco file and if they ever produce it, it will be a cleaned-up version." Another source counterposed this political favoritism by Justice to the Department's use of Abscam/Brilab to blackmail Kennedy supporters. "This is worse than Nixon and Watergate," he added.

The principals involved in the investigation, Senators Dennis DeConcini (D-Ariz.), Max Baucus (D-Mont.), and Orrin Hatch (R-Utah) reportedly want to hold open hearings after the July 4 recess if they do not get cooperation from Justice or if the files reveal improprieties. But the big questionmark in the whole affair remains Senator Kennedy and whether he will use his powerful chairmanship to expose all of Justice's dirty dealings.

New version of Dereg rubberstamped by Senate

Within 24 hours, the House version of trucking deregulation sped through the House of Representatives, and was rubberstamped by the Senate, which had previously passed a different version. Thus, it avoided a conference committee and went straight to the President's desk. Despite a last-minute attempt by the Teamsters to get a labor protection clause, and by the American Trucking Association to get a one-House veto over future Interstate Commerce Commission rulings, the bill remained essentially the same as the one passed out of the House Committee three weeks prior:

In the June 19 House floor votes, the Teamsters lost by a landslide their proposal to assure job loss payments of 80 percent of wages to truckers who lost jobs because of deregulation. The American Trucking Association proposal was defeated by only three votes, with administration arm-twisting in evidence.

House votes to resume draft registration

The House of Representatives voted final approval June 25 for a resumption of draft registration. The Democratic tally was 145 for and 107 against; among Republicans, it was 89 in favor and 61 opposed. The measure provides for males born in 1960 and 1961 to register for possible conscription, probably beginning this summer. Already passed by the Senate, the bill now goes to the White House. Conscription itself has not been reinstated.

Five senators on the Armed Services Committee continue to press for a renewal of the draft, although the way they phrased it June 25 was, in the words of Democrat John Stennis of Mississippi, that "the only way to avoid Selective Service" is to improve the quality of recruits to the present all-volunteer army. Stennis heads the committee; his views are joined by Sam Nunn (D-Ga.), J. James Exon (D-Neb.), Harry F. Byrd (Ind-Va.), and John Warner (R-Va.).

Sam Nunn declared to the Senate that the Carter administration and its supporters in the Army are waging "a campaign of deception" to cover up the pitiable state of the military branch. Nunn charged that

Army recruits include "an increasingly large number of individuals with lower mental abilities who cannot perform their missions," citing new figures to show that 43 percent of artillerymen failed their qualification tests last year. The failure rate for combat engineers was 49 percent, for military intelligence 51 percent, and for communications operators, 69 percent, he said.

Secretary of the Army Clifford Alexander responded by calling Senator Nunn's charges "patent nonsense" based on "shopworn and outdated" statistics. He offered no more specific refutation, but added, "Any fair reading of skill qualification test scores demonstrates beyond a shadow of a doubt that more and more soldiers this year are better able to perform their military mission."

Senator Nunn is sponsoring a controversial bill, now on the Senate floor, to cut the Army's strength by 25,000 unless more high school graduates are recruited as volunteers.

House Armed Services Committee investigates industrial collapse

Sources close to the House Armed Services Committee report that Richard Ichord (D-Mo.) is pushing committee chairman Price (D-Ill.) to hold hearings on the inability of the U.S. industrial base to sustain a strategic buildup. Ichord, chairman of the research and development subcommittee of House Armed Services, has expressed dismay at the proportional decline of the defense budget devoted to basic Re-

search and Development. Ichord has heard from members of the civilian aerospace community that the decline is nationwide and has affected the entire industrial base of the economy.

If Price agrees to chair full committee hearings, they would likely take place in late July.

Effort to lift grain embargo underway

Senator Bob Dole (R-Kan.) introduced legislation on June 20 that would repeal the grain embargo to the Soviet Union. The measure now has the support of 20 Senators, 12 Republicans, and eight Democrats. In introducing the bill, Senator Dole declared that the embargo was not effective against the Soviets and in fact hurt U.S. producers more than it did the Soviets. "The embargo action is falling apart . . . it is very counterproductive. It puts our farmers in a straight jacket, while all the other exporting nations are free to sell."

The measure has also been introduced into the House by Congressman Jim Abner (R-S.D.). In the Senate, it is now in the Banking Committee, but no hearings have yet been scheduled. Senator Dole, who has been working most closely with Senators Eagleton (D-Mo.) and Boschwitz (R-Minn.) has been considering linking the bill to another piece of legislation to force action on it in the Senate. "We are doing strategizing now," declared an aide.

The administration is still very opposed to lifting the embargo. In an interview with farm broadcasters, Agriculture Secretary Bob

Bergland declared that if Congress passes the Dole bill it would be "an unmitigated disaster" for the United States.

An aide to Senator George McGovern, however, has said that he thinks the bill is irrelevant to the embargo itself. The embargo as far as its effects on the Soviet Union is concerned has already fallen apart, with even Canada and Australia about to resume sales. The administration has already permitted big grain companies to sell *foreign grain* to the Soviets. The only point of Bergland's protestations must be that Carter wants to keep on hurting the U.S. farmer as much as possible.

Senate passes coal conversion bill

By a vote of 86 to 7, the Senate passed a bill June 24 which orders major utilities to convert from oil to coal. The bill was sponsored by Sen. Wendell Ford (D-Ky.) and had as co-sponsors Senators Byrd (D-W.Va.) and Jackson (D-Wash.), and was originally introduced March 24. It directs 38 power plants to convert from oil to coal. These plants are largely located in the Northeast. The legislation authorizes \$4 billion to assist the utilities in their conversion. The target date for the full conversion is 1985.

The same measure has been introduced into the House subcommittee on energy and power, which has already held hearings on it. However, there is opposition to the bill there, including from the subcommittee chairman Congressman John Dingell (D-Mich.) and Capitol Hill sources report that he may not move it in the subcommittee.

Senate leadership undercuts Carter

The Carter administration was taken completely by surprise when leading Senate Democrats announced June 26 that they would produce their own tax-reduction proposal by September 3. They made this commitment just prior to defeating a Republican attempt to attach their \$36 billion tax program to a bill that would raise the Federal debt limit.

The Democrats announced their proposal at a crowded news conference, led by Senate Majority leader Robert Byrd (D-W.Va.). The announcement shocked the White House, which has refused to be specific on timing or size of a tax cut plan of its own. President Carter was en route from his trip abroad when the Senators acted.

Senator Byrd and more than 40 other Democratic Senators plan to seek Senate approval of a resolution calling for the consideration of a tax-cut after Labor Day, to take effect in 1981. The resolution would also oppose the current Republican effort. Appearing at the news conference was Senator Russell Long (D-La.) the powerful chairman of the Senate Finance Committee. Long intends to hold hearings and drafting sessions in his committee that will conclude with a specific tax-cut proposal. "The Democratic approach is fundamentally different from a Simple Simon tinker-toy economic solution that would attempt to write tax policy on the Senate floor without the benefit of hearings or committee action," declared Byrd.

At the same time that the tax-cut proposal was announced, Senate Democrats created a 21-member Task Force on Economic Policy, with Senator Lloyd Bentsen (D-Tex.) as chairman. The task force is to recommend long-term economic strategy.

Administration officials were on Capitol Hill, meeting in a panic with House members about the Senate ac-

tions. "It's rather new news, so I haven't had time to think about it," declared Treasury Secretary Miller.

Has Kennedy given up on the nomination?

Senator Edward Kennedy's backers are beginning to wonder if the leadership of the Kennedy campaign has not in fact given up on trying to get the Democratic presidential nomination. They report that the Kennedy campaign, despite much hoopla to the contrary, has made no serious effort to swing Carter delegates.

"We've been waiting for weeks for some instructions and we still haven't received any," said one disgruntled Kennedy organizer. "We are essentially talking among ourselves."

Senator Kennedy, in a widely publicized speech in New York last week, pledged to take his fight all the way to the convention floor. But key people in his own camp say that the fight he is talking about centers around "issues" and the Democratic Party platform and that top Kennedy people have given up on fighting for the nomination.

Kennedy backers say that the real fight must be made on the question of convention rules. They expect the convention rules committee to pass rules proposed by the Carter-controlled Democratic National Committee, including the controversial rule 11-h, which binds delegates to vote on the first nominating ballot for the presidential candidate to whom they were pledged. The rules must then be approved by a majority of the convention delegates as the first order of convention business. In other words, if the proposed rules containing 11-h are voted down, the convention is "open." Party parliamentarians say that if this occurs, delegates will probably operate under 1976 rules which, as supported by the party charter, allow delegates to vote their conscience.

The Kennedy camp had been expect-

ed to submit a minority proposal to the rules committee which would effectively repeal proposed rule 11-h and affirm the 1976 rules. If they received 25 percent support in the rules committee, the proposal would be reported to the floor of the convention for a vote.

But now Kennedy people say the top leadership may be backing off from a rules fight to open up the convention. Rick Stearns, the Kennedy convention strategy honcho, has said both publicly and privately that Kennedy will mount no real rules fight. In addition, many Kennedy delegates think that they are already bound.

"We haven't been doing our job explaining to people what the hell the open convention is all about, so they are confused," said one Kennedy organizer. "I'm beginning to wonder if we are for an open convention and what this campaign is about."

Draft Mondale committee formed

According to highly placed sources in the Democratic Party, a nationwide "Draft Mondale" committee has been formed. The committee reportedly includes four governors, three senators, and 11 congressmen. The move is seen to reflect widespread recognition among the President's supporters of the fact that a Carter nomination would mean certain defeat in the fall.

According to one Democratic insider, "There is a real Mondale option activated now inside of the Democratic Party and the Carter administration. They are trying to get Carter to step aside. This option would not be an open convention but a prearranged deal, and Kennedy and his top people would have to be in on it."

Mondale has been a loyal supporter of the Carter administration's policies, but is known to very much desire the Oval Office for himself. In this connection it is useful to note that Mondale met

this week with New York Governor Hugh Carey, who is organizing for a "third choice" at an open convention. The Carey-Mondale meeting took place covertly for several hours aboard Mondale's plane Air Force Two on the ground at New York City. While in New York, Mondale also met with AFL-CIO President Lane Kirkland, who has so far withheld his endorsement from any presidential aspirant.

'Emergencies will become a way of life'

John Macy, director of the Federal Emergency Management Agency (FEMA), said June 25 that he expects disasters and emergencies of the type handled by his agency to become the way of life for America in the 1980s and require top-down federal control. FEMA was created in 1979, with powers above the President and Constitution in times of emergency, including powers to create the emergencies that trigger its dictatorship.

"Over time, as our society becomes more complex," said Macy in a *Christian Science Monitor* interview, "and the consequences of emergencies become more severe, they have transcended the capability of the local citizen, the local county or state government to provide the necessary response to it. There are also some emergencies—those of a national security nature—that are brought by actions of the government, and government has an obligation to assist, to assure that there is a concern for their safety and to devise plans to deal with an emergency."

Macy explained that FEMA, which Washington sources have denounced as a "shadow government within the government," is now expanding its staff to deal with the growing numbers of "emergencies." "Ours is an ever-expanding range," stated Macy.

Macy commented that the agency spends a great deal of its time "thinking the unthinkable, planning for emergencies of all kinds, all the way from nuclear

attack to terrorist conditions, to civil disorder." Macy, who recently put the entire U.S. through a "dry-run nuclear attack," announced that FEMA is setting up a "command post" in northwest Washington.

Gov. Ray to FEMA: 'leave the state'

Charging that the Federal Emergency Management Agency (FEMA) is "trying to become another government," Washington state Gov. Dixie Lee Ray has invited the 200 FEMA bureaucrats there to "leave the state."

FEMA has established operations in Vancouver to oversee emergency measures arising out of the eruption last month of Mt. St. Helens' volcano. Gov. Ray charged that the federal agency chose Vancouver rather than Olympia, the state capital, because "they don't want to cooperate with us." She said that FEMA's response has been to invite her to move the government to Vancouver.

Central to hostilities between Gov. Ray and FEMA's Washington state director, Neil Chaney, is the issue of federal disaster aid for damages caused by the volcano. The state of Washington has estimated damages at \$2 to \$2.5 billion, but FEMA's figure runs under \$100 million.

Gov. Ray is also reportedly angered by the proposal by the Federal government that her state come up with 25 percent of whatever figure is determined. Ray initially agreed to the proposal, but then withdrew the offer insisting that the Federal government is, by law, required to sustain the entire amount. In effect, Governor Ray has run head-on into FEMA's practice of conducting "disaster management and relief" the way the International Monetary Fund conducts its lending. FEMA intends to attach "conditionalities" to the federal funds it controls—a blatantly unconstitutional measure consistent with the agency's purposes.

Briefly

● **THE JOINT CHIEFS** of Staff don't welcome criticism of their practice of including Soviet leaders' biorhythms in U.S. military and strategic evaluations. Two representatives of the Joint Chiefs sheepishly discussed this subject with *EIR* the other day, demanding "What's wrong with reviewing their biorhythms? The Soviets investigate ESP."

● **AN ELDERLY GENTLEMAN** was observed wandering through the Waldorf Astoria June 26 looking for "the General." It was 87-year-old Averell Harriman, who should have been on his way to a dinner honoring Albany's Mayor Erastus Corning. President Carter's political mentor was asked about the dangerous international crisis. "What's that?" he mumbled, wandering off in search of "the General" again.

● **LYNDON LAROUCHE**, the Democrat, has let it be known that "if he doesn't get the Democratic nomination and become President, he will run for Prime Minister of Israel so he can run the United States from Tel Aviv and have peace with the Arabs, too."

● **NEW YORK's** state assembly passed a law June 14 mandating fines up to \$10,000 against store owners who sell drug paraphernalia. Known as the Padavan-Nicolosi bill, the new legislation will give law enforcement agencies the power to close down "head-shops" by confiscating their merchandise and revoking their permits.

● **CYRUS VANCE** was reelected to the board of directors of the New York Times Corp. last week. Vance had resigned from the board when he joined President Carter's cabinet. During his two-and-a-half-year term at the State Department, he was quoted by the *Times* as "an unidentified senior State Department official" on more occasions than any living man, according to unofficial scorekeepers.

A matter of emphasis

Energy producers who've gotten mad at all the federal regulations they face often don't recognize that they're being nationalized to stop growth.

Many oil and energy industry critics complain that the Carter administration has no energy policy. They would do well to shift emphasis. Carter has a "no energy" policy, designed at Robert O. Anderson's Aspen Institute, Schlesinger's Rand Corporation, and others. Every piece of major energy legislation passed by Congress and signed by the President has been part of a strategy to gain top-down control of the industry, to ensure against energy production. In effect, energy producers are being nationalized.

Take, for example, the Windfall Profits Tax of 1980. You know it's bad. What many outside the industry don't know is how bad. This tax is not a "profits" tax, but an excise tax levied at the point of production. It taxes every barrel of decontrolled oil as it leaves the ground, *regardless of whether the producer turns a profit or not.* For the first time in this nation's history, national legislation has frontally attacked corporate profits to prevent production. One conservative estimate is that this tax will succeed in reducing domestic energy production by at least 840,000 barrels per day, and probably more.

But that's just for starters. By the end of this week, it is virtually assured that the Congress will give the White House every major piece of Camp David energy legislation that Deputy Energy Secretary John Sawhill persuaded Jimmy Carter to

demand last summer.

On June 23, Congress approved the Coal Conversion Act, to the approving grin of Sawhill, himself a former strategist at Aspen. Under this bill, some 38 power plants around the country must convert from oil and gas to coal at enormous retrofitting costs. So, a utility in Oklahoma, forced to boxcar tons of coal from the East, must ignore cheap natural gas in their backyard.

Obviously, the previous, quite efficient system of private utility determination of fuel policy based on availability and cost—which would dictate oil and gas development—has been eliminated. The Carter government has assumed a power to dictate a gross shift in policy consistent with Aspen's no-development plan.

But that's not all. Congress is expected to pass this week the bill creating the Energy Mobilization Board, with wartime powers to bypass any laws that slow progress in energy projects. Does this mean we'll finally get our nuclear industry back on its feet? Don't hold your breath. The board is tailored for boondoggle synthetic fuels projects like coal gasification, never considered feasible except by desperate economies like Nazi Germany and South Africa under world embargo.

A companion bill will create a Synthetic Fuels Corporation, with \$20 billion over five years. This will be run initially by the Defense De-

partment. Pentagon officials did a fine job destroying American military strength, so let them try their hand at energy.

The Synfuels Corp. has as its goal the production of 500,000 barrels per day by 1987. Remember, the windfall tax will lose 840,000 barrels a day.

Add to this a Senate bill designating another 14 million Arctic and Alaska acres "special wildlife management" land, and don't forget Dale Bumpers' S. 1637 giving Interior secretary Andrus unprecedented power over federal oil leasing.

In sum, with dominion over most of Alaska, all of the Outer Continental Shelf and about half the rich land in the lower 48, the Trilateral Commission's federal government has a virtual monopoly over America's undiscovered petroleum reserves.

I recently returned from Texas. The most common bumper sticker I saw in that energy producing state reads: "I'm Mad Too, Eddie!" Eddie Chiles, the President of Western Company, a major oil equipment manufacturer, has gained a radio following for his attacks on government regulation of energy production. Eddie's followers may not recall the ancient saying: "Whom the gods would destroy, they first drive mad."

The point, Eddie, is that if federal laws and regulations were promoting energy development instead of destroying it, we'd be all for it. But the bureaucracy John Sawhill has built must be dismantled, precisely because he built it to enforce zero-growth on our technology-proud energy producers. Get mad; it's past time. But make sure you have the right emphasis.

LAPD under attack

An apparatus that supports terrorism has targetted the nation's most effective police intelligence unit for dismantling.

A combination of forces have been brought together into a major effort to dismantle the Los Angeles Police Department, specifically focused on the Public Disorders Intelligence Division. The LAPD is known to have one of the most effective law enforcement intelligence operations in the nation.

Although the LAPD has been attacked for a number of years, they have now become the number one target of anti-police activity nationwide. The object of the attack is to dismantle the LAPD's capability to gather preemptive intelligence on terrorist operations.

The operation centers around the Citizen's Commission Against Police Repression (CCPR), the Los Angeles arm of the Campaign for Political Rights in Washington, D.C. The CCPR was established in 1977 as a project of the American Friends Service Committee (AFSC). It is now nominally independent, though the AFSC still manages its funds—which come from the Youth Project, a conduit for Wall Street foundations; Playboy Foundation, a major funder of the “drug lobby” group NORML; and the Veach Program of the Northshore Unitarian Church in New York.

The head of the CCPR campaign against the Los Angeles police is Linda Valentino, a long-time “new left” activist, and a specialist in anti-police work. In 1974, Valentino worked with the authors of

the book *The Glasshouse Tapes*, the original exposé of Los Angeles police intelligence activities. Valentino then worked with the AFSC and ACLU in Seattle against the police intelligence unit. Freedom of Information Act files released during this campaign showed that the AFSC was directly involved in “safehousing” members of the terrorist George Jackson Brigade. At the same time the AFSC's Families and Friends of Prisoners organization was being run by Ed Mead and John Sherman, both leaders of the George Jackson Brigade.

Working with Valentino to run the CCPR operation is Jeff Cohen from the Urban Policy Research Institute (UPRI) in Beverly Hills, California. UPRI has been instrumental in setting up numerous anti-police operations in Los Angeles. In September 1978 UPRI launched a series of anti-police publications entitled “Know Your Local Police” dealing with the subjects of brutality, intelligence gathering, etc. The series was paid for by a grant from the Field Foundation. This has been followed up by investigations by members of the Center for Investigative Reporting (CIR), a creation of UPRI and the *Los Angeles Times*. Earlier this year the CIR helped produce a television show attacking the LAPD aired on the BBC in Britain and ABC 20/20 in America. Currently, the UPRI is investigating police, again funded by the Field Foundation.

The national umbrella for the CCPR, the Campaign for Political Rights (formerly the Campaign to Stop Government Spying) was founded in 1976 to broaden the activities of the Institute for Policy Studies' Counterspy anti-intelligence project. Both Counterspy and the Campaign for Political Rights serve as the intelligence network for terrorist operations, shielding them from intelligence and police investigation. Counterspy is responsible for targeting members of the intelligence community for terrorist hits, and took full responsibility in 1975 for the assassination of Richard Welsh, CIA station chief in Athens. The Campaign for Political Rights claims credit for initiating the destruction of the Law Enforcement Intelligence Unit (LEIU) carried out by Rep. John Conyers' (D-Mich.) House Subcommittee on Crime, and the Government Accounting Office, last year. The LEIU was established in California specifically to monitor the national increase in terrorism and organized crime activities.

The CCPR has succeeded in mobilizing Los Angeles City Councilman Zev Yaroslavsky to hold hearings into LAPD spying.

At the same time Councilman Yaroslavsky began his hearings the *Jerusalem Post* identified Los Angeles as an “Israeli Mafia” center. This was followed by the arrest of a group of Israeli citizens in Los Angeles for murder of several drug dealers. Sources in California have also indicated that these networks are actively being investigated by Los Angeles police intelligence for their involvement in illegal diamond and drug smuggling into and out of Mexico.

The alliance after Venice

France and West Germany captured the leadership of the Western alliance at the June 21-22 Venice summit. This is a fact that has been recognized by American and European elites alike and documented in the international press.

While President Carter and his National Security Advisor, Zbigniew Brzezinski, announced plans to make the alliance bow to a confrontation policy toward the Soviet Union, instead, the sovereignty of the European republics was maintained and a European strategy for detente was defined.

What backfired, as many had warned, was Carter's heavy-handed insistence in the days before the summit that West German Chancellor Helmut Schmidt follow U.S. orders in defining German/Soviet relations. French President Giscard d'Estaing and Schmidt together now form the West's negotiating team with the Soviets.

They are well equipped for the job. They are determined to negotiate in the real interest of East and West, North and South. Chancellor Schmidt will visit Moscow with a three-point agenda, according to his press spokesman Klaus Bölling: Soviet withdrawal from Afghanistan, a freeze on the deployment of "Euromissiles" and East-West cooperation to industrialize the Third World.

Such a policy can form the basis for lasting detente. East-West trade, exemplified by the current treaty relations between West Germany and the Soviet Union, and joint development of the Third World, can pull the West out of the devastating depression the American economy is leading.

President Carter's humiliation at Venice spells not the humiliation of the United States, but a chance for the American nation to reassert a moral policy of world leadership by taking the reins from the hands of the inept Carter.

It is no longer possible to hide from the American public the disdain with which European statesmen have watched the pathetic Carter.

Anecdotes abound that show Carter and "Rasputin" Brzezinski as the bumlbers they are. First, Carter's entourage was the butt of great laughter as a special U.S. cruiser, allegedly more secure than the launches provided by Venetian security, made four failed attempts at landing. "So that's how the Iran mission failed," Italian onlookers murmured.

Then, the entire summit was held up a half-hour until President Giscard arrived. Preempting Carter's diatribe against "Soviet aggression" Giscard and announced that he had received a personal message from Brezhnev on Soviet troop withdrawals.

With the rug pulled out from under Brzezinski's script, Chancellor Schmidt took aim. "Does the United States really need two Secretaries of State?" he asked Edmund Muskie.

Finally, it was being publicly stated: the Europeans will no longer tolerate "leadership" from the worst President in U.S. history.

While the Europeans, with cooperation from Moscow, have demonstrated that the East as well as the West have a strong interest in peace and economic cooperation, bully-boys Carter and Brzezinski walked away humiliated, but more determined than ever to get their way.

Jimmy Carter is willing to risk World War III for the sake of showing himself to be at the helm. Word is out in Washington that Brzezinski's "arcs of crisis" are being heated to the boiling point, for a show of force before the convention.

American elites, Democratic Party officials and constituencies should draw a lesson from the events in Venice. Carter must be frozen out of the White House, numbing his capability of playing reelection games with the future of the entire human race. Now, before the crisis antics of the pre-convention period explode, an open convention must be assured.

By August it could be too late.