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Fusion energy bill moves to the Senate
Inside the Texas Democratic Party race
Synfuels: resource boon or resource gobbler?

The fight to modernize Mexico



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EIR

From the Editor

Choose your neighbor. One nation has a booming industrializing economy with a population of upwards of 70 million, whose increase in skill level is the focus of government efforts. New cities are being built and high-technology imports are on the rise. Your alternative neighbor is a zero-growth society with a dwindling population of 18 million. Urban centers have been dismantled, and the population is in a fundamentalist frenzy similar to Khomeini's Iran.

All the American businessmen I know would not hesitate to select the booming economy.

But the Carter administration, unlike our Western European and Japanese allies, would prefer the Iranized neighbor, and is in fact intervening to ensure that Mexico "does not become a Japan on our southern border," in Zbigniew Brzezinski's words.

Our special report this week, "The Fight to Modernize Mexico," details the battle for the future of our southern neighbor. Latin American Editor Dennis Small and Mexico City bureau chief Josefina Menendez directed the investigation, which focuses on José López Portillo's Fourth State of the Union message, and the increasing role of the Mexican military in the defense of economic development.

The report also features an *EIR* exclusive on the "Paddock Plan" to reduce Mexico's population to 18 million, and the William Paddock connection to Brzezinski. The plan, part of the attempt to Iranize Mexico, was exposed by the Mexican press last month, drawing on *EIR* founder Lyndon LaRouche's initial exposé. Only *EIR* has the background, including an interview with Paddock himself.

I'd also like to recommend another *EIR* exclusive—"Inside the Texas Democratic Party Race." We talked to the three candidates for the state chairmanship, and assessed the importance of the race to the future of the Democratic Party nationally.



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Photo: Richard Melloul/Syigma

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Science and optimism

Optimism is the morality of science. Thus, we are emboldened to venture an optimistic perspective for this battered republic's future despite the unmitigated mess in our public affairs at this time. The source of our optimism is a string of exciting legislative developments in the U.S. Congress in promoting the development of thermonuclear fusion energy, developments which, if they conclude successfully, will shape the course of human history.

A few weeks ago, the House of Representatives passed by an overwhelming vote the McCormack bill, which provides for the full-scale commercial development of fusion reactors by the year 2000. During this past week, a similar bill in the Senate, dubbed the Tsongas bill, passed through committee and is heading for a floor vote during this coming week. If the effort is expedited as it deserves, the bill will be at President Carter's desk for signing not later than the first two weeks of October.

We strongly urge every responsible American to mobilize every ounce of influence he or she may have for the purpose of ensuring the passage of this bill into law this October.

For the ordinary, informed layman, commercial fusion energy production means the cheapest possible form of clean energy which utilizes the inexhaustible resource of deuterium found in seawater. It also means access to virtually inexhaustible mineral supplies by means of applying the extraordinary temperatures of a fusion torch for ore reduction.

Wonderful as these possibilities are for ensuring a meaningful and rewarding future for mankind, they merely represent only the secondary benefits to be derived from an all-out mobilization of our scientific capabilities toward the attainment of a fundamental breakthrough in fusion energy research.

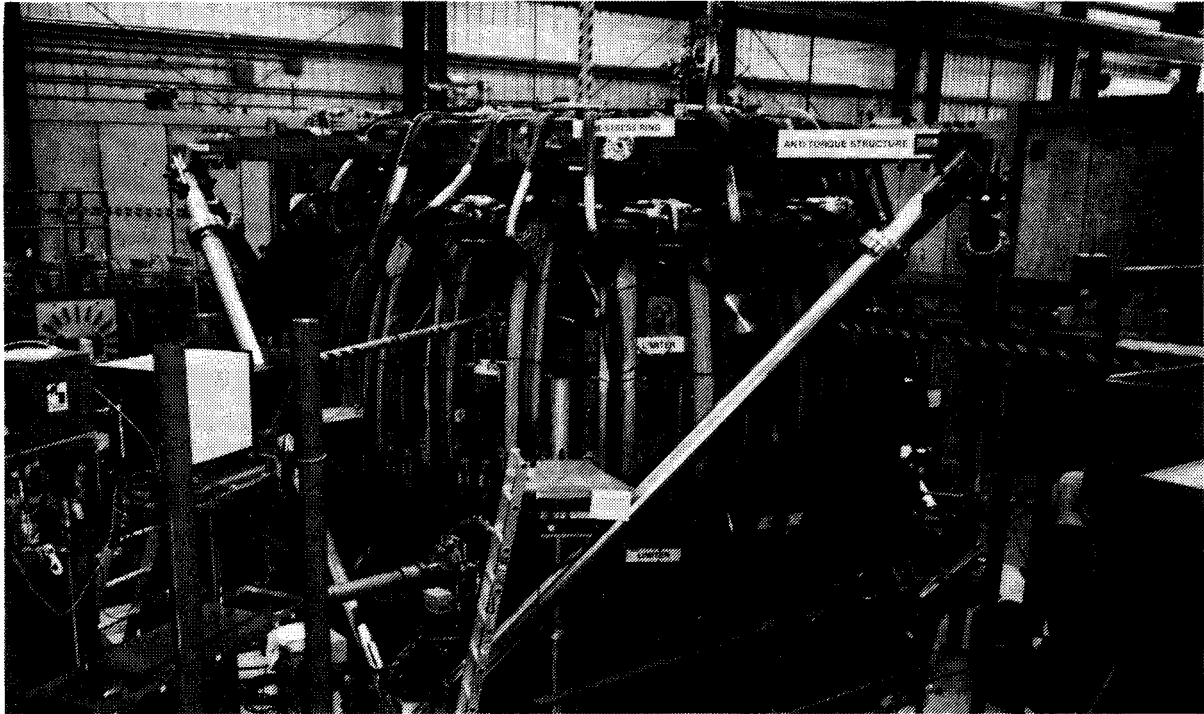
In any well-ordered republic, such as ours is not at the present time, the management and admini-

stration of public affairs depend on the wise husbanding of the three basic ingredients that make up social life: The human resource, in the sense of the ability of human ingenuity to master and advance further science; the material resource, in the sense of raw and man-improved materials; and the overall energy resources. Thus, the ordinary observation one is compelled to make about fusion energy is that, once achieved, it will tend to put at man's disposal a virtually inexhaustible supply of raw materials and energy supplies. That however, must only be seen as the crude basis upon which mankind can now be called upon to build a worthy and noble course for itself in the centuries to come.

The scientific vistas, both in theoretical and applied science, that will open up for mankind with the advent of fusion energy will provide the basis for a dramatic advance in the quality of society's single most important resource, its resource of human ingenuity. Our colleges and universities ought to once again be swept by the great spirit of scientific adventure.

The fusion energy bills now before Congress must soon be complemented with additional programs to fund and promote the creation of a new generation of scientists who will receive the training required to tackle the major issues of fundamental research in plasma physics, Riemannian mathematics, astrophysics, biology, etc., which will occupy our nation's attention in the decade ahead. Once that first generation of fusion-era scientists comes on line, we shall, for the first time since the NASA program, have the basis for opening up for consideration the role that this nation can play as a leader capable of guiding mankind, in the course of the 21st century, into an age of reason and science.

It is ironic, of course, that this imminent legislative breakthrough in the matter of the McCormack bill is occurring during this very ominous period in international developments. The Carter administration and its international backers have



painted, in the President's Report on the Year 2000, a bleak and desperate future for humanity, based on a perspective of zero economic growth, zero population growth, diminishing material resources, diminishing energy supplies, and religious fundamentalism all over the world.

On the basis of this fundamentally antiscientific perspective, the Carter administration and its sponsors are developing a diplomatic and military strategy of confrontations and conflict. The National Security Council, the prestigious International Institute of Strategic Studies, all the leading bodies of the NATO organization, are projecting "resource wars" in virtually every part of the developing sector for the 1980s. The Carter administration is pressuring our European allies to agree to an extension of NATO's area of jurisdiction beyond the European continent and into the Third World in order to thus prepare the West to fight wars over energy and raw materials supplies. This military posture derives from a criminal commitment to a zero-growth, antinuclear energy, antiscience perspective that leading elements of the country's political elite are committed to.

Admittedly, the nation has been committed far too long to this policy, and the policy instruments of the Republic have been far too deeply compromised in the eyes of the world by this policy. The reason why we are so close to world war now, and the reason why our national economy is going through its present convulsion, is directly the zero-growth, pro-environmentalist, antiscience outlook that has been dominant in the last 15 years. Replace this outlook with a science-oriented perspective and we can rapidly reverse the march toward world thermonuclear holocaust and replace the present domestic economic decay with an economic mobilization of national enthusiasm, resources, and talent that has rarely before been seen. Such a prospect is possible.

The fusion energy bills now before Congress are capable of acting as the bootstrap to get us out of the impasse. We heartily encourage our readers and friends to spare no effort, to leave no stone untouched, until these bills are made the law of the land.

The Doublet III tokamak.

Photo: General Atomic Company

Business Briefs

Energy

West German physicist urges U.S. to 'go nuclear'

Opening the United Nations-sponsored World Energy Conference in Munich Sept. 7, Prof. Klaus Knizia of West Germany stated forcefully that whether the United States decides to develop nuclear energy will determine whether the future will be one of mass starvation and mass unemployment in both the Third World and the industrialized sector. It should be clear to any scientist, Knizia added, that oil resources should be increasingly devoted to petrochemical use while nuclear power takes up the slack and enables international trade and consumption to expand.

Knizia said politicians must fight for such a program against the environmentalists, who, he said, are jeopardizing the survival of the human race. If the U.S. does not adopt nuclear energy on an aggressive scale, he added, Europe will have to make up the gap in global energy production.

Chinese economy

Peking reneges on oil export contracts

China is unable to fulfill its oil export contracts to Japan, reports Tokyo's Vice-Minister for International Trade and Industry, T. Yano, just back from a trip to Peking. China will meet its 8 million ton pledge for this year, but cannot supply the 9.5 million tons contracted for next year, and certainly not the 15 million ton obligation for 1982, because its oil industry is experiencing zero growth. If the problems remain, Peking may have to halt all oil exports within a couple of years, removing what it had hoped would form its chief source of foreign exchange.

Foreign-exchange problems now preclude the ambitious import-aided development scheme announced two years

ago to the applause of the U.S. State Department. China's State Planning Commission chief, Yao Yiling, told the just-concluded National People's Congress that calamities permeate the entire economy. He reported that summer crops in 1979 fell more than 10 percent from 1978. Yao also revealed that earlier success stories about model communes were based on sheer statistical lies.

The two giant steel projects, Pohang and Baoshan, totaling over \$8 billion, have serious financial and technical difficulties. Economic strictures have already produced a \$2 billion cut in the military budget.

International trade

Food weapon urged against oil price indexation

Reports from London now indicate that OPEC is about to officially "index" the price of its oil to some other price index, probably the rate of Western inflation. The OPEC states are further considering a British-authored plan to add an additional 1 percent every three months.

Lyndon H. LaRouche, Jr., *EIR* contributing editor and chairman of the advisory board of the new National Democratic Policy Committee, said Sept. 8 that if OPEC implements the plan, the West would be justified in retaliating by linking the price of its exports to OPEC to the price of oil. The commodity most aptly linked, he said, is the price of food exports to OPEC.

The indexation plan was originally devised by the international advisory group of British Petroleum, and developed further in a series of planning meetings at Oxford University, at OPEC energy seminars like the one that began Sept. 9.

LaRouche stressed that the "food weapon" tactic he proposes must be primarily directed at those OPEC countries currently under the control of the British-created Muslim Brotherhood, especially Iran, Libya, and Algeria. If

properly applied, the policy would dissuade OPEC from its "get-rich-quick" susceptibilities and set OPEC talking with the West about technology transfer, nuclear energy development, and Third World industrialization, he said.

European industry

Auto showdowns shock for Italy

Italian government officials and trade unionists want to hold negotiations with the Fiat auto manufacturing giant, after Fiat announced that it is committed to laying off 24,000 employees by the end of 1981. This would be part of a Fiat plan to reduce output by 20 percent, or 457,000 vehicles. The unions are hoping to convince Fiat to phase employment out, through job relocation and early retirement programs.

The announcement comes along with a series of devastating reports on the Italian economy. Indesit, the second largest electrical appliance firm, reports it is on the brink of bankruptcy. Larger industrial groups are also suffering. This is partly due to the very high costs of borrowing, which have been sitting on a 21.5 percent prime rate for months. In the near future, 8,000 layoffs are expected to be announced by chemicals firms, while 20,000 steelworkers may soon be unemployed.

Transportation

Rail deregulation to cut U.S. branch lines

The railroad deregulation bill sponsored by Rep. James Florio (D-N.J.), which passed the House 337 to 20 on Sept. 9, established a threshold level on rates, above which the Interstate Commerce Commission can intervene and investigate whether or not the rates are justified. According to an aide to Representative Florio, the threshold is sufficiently high

that there "won't be any regulatory interference from the ICC."

Questioned about the impact of the bill, one financial analyst predicted an accelerated abandonment of branch lines, especially in the farm belts. "There should be a lot of abandonment. Presently something like 50 percent of the track miles in the country haul 95 percent of the revenue ton miles. This could be traumatic for some little farm towns in Iowa, but it will be good from the macro point of view. It will free up financial resources for other investment."

The major anticipated growth area is coal freight. Revenue-originated freight in coal has already jumped from around 400 million net tons in the early 1970s to 473.7 million net tons in 1979, due to the enormous escalation of petroleum prices since the 1973 Mideast war.

International credit

A new international central bank?

The Sept. 30 annual conference of the International Monetary Fund will institute a new policy of IMF borrowing on the Eurocurrency markets. IMF Managing Director Jacques Larosière will propose that the IMF enter the international capital markets for the first time in early 1981, which the IMF is already empowered by the Bretton Woods charter to do, IMF officials told the *New York Times* yesterday. The recent refusal of Saudi Arabia and Kuwait to loan the IMF the \$24 billion it needs to deal with pressing Third World debt rollovers has triggered the move to the private markets, they said.

U.S. Fed insiders in touch with the Bank of England and Bank for International Settlements say that the central banks have decided that the petrodollar surplus is now "too big and too dangerous" to be recycled by the private banks alone. "The central banks are discussing having the IMF issue large amounts of bonds, taking in large amounts of Arab funds," the sources said. "The IMF would then lend out to the Third World

using co-financing," the source said.

Cofinancing is a loan in which the IMF joins in each consortium of private banks lending to the Third World, so that each private loan can have rigorous conditions enforced by the IMF. "This would mean that the IMF will become a new global central bank," the Fed sources say.

North-South policy

Helmut Schmidt demands technology transfer

"We must not close our eyes to the economic and political risks of a war for energy supplies," stated West German Chancellor Helmut Schmidt in his address to the World Energy Conference in Munich Sept. 7. Schmidt bitterly deplored the oil-price increases of recent years, but warned that traditional protectionist measures will not succeed in rescuing payments-strapped national economies: "Such a policy would aggravate the world economic situation even more and in the long run could lead to a catastrophe like that of 1929." Schmidt underscored the effects oil price increases have had on Third World countries: in Turkey, 60 percent of export earnings go for petroleum imports; in Brazil, 40 percent; and in India, 30 percent.

The Chancellor endorsed both Mexican President López Portillo's proposal that oil producers stabilize the price in exchange for technology transfer from the consumer nations, and Soviet President Brezhnev's call for a pan-European conference on energy. He also referred favorably, however, to the Brand Commission's "North-South dialogue" approach, which downplays nuclear energy.

In conclusion, Schmidt attacked both the U.S. and U.S.S.R. for blocking the spread of nuclear energy technology to other nations, stating that unless East and West collaborate on such transfers, there is no hope that nuclear technology will be used for peaceful purposes rather than for war.

Briefly

● **CARGILL GRAIN** officials predict that the administration will lift the Soviet grain embargo before the election as a sop to farmers. Since the grain companies have been buying grain back from the government after the government purchased the Soviet contracts, they stand to gain a windfall.

● **PAUL VOLCKER** might be forced out of his office and "bring down the Carter administration" with his departure, a well-placed New York investment banker believes. Volcker shocked the White House by roundly condemning President Carter's tax cut plan.

● **RONALD REAGAN** decided to publicly back up tax-cutter Jack Kemp after the latter's enemies showed the candidate that his 30 percent three-year tax cut plan was no cut at all, Republican insiders say. Inflation-induced tax increases will just counterbalance the Kemp-Roth tax cut, allowing the GOP candidate to have his cake and eat it, too.

● **A EUROPEAN** Bankers Federation report says that the European Unit of Account should become a functional currency with a full-fledged deposit market. The report was prepared for the European Commission, now considering further extension of the European Monetary System (EMS).

● **THE IMF QUOTA** Increase Act of 1980 granting the Fund an additional \$5.5 billion from the U.S. goes to a vote on the floor of the House Sept. 17 and "is in real trouble," House Banking Committee sources say. "From the left, Tim Harkin [D-Iowa] is saying the IMF must liberalize what he characterizes as 'vicious' conditions," the sources commented. From the right, Jack Kemp [R-N.Y.] has publicized a letter saying funding the IMF is just a bailout for the banks, let the banks go."

Fourth-quarter dangers for the world economy

by David Goldman

An overview of developments in the economies of the United States, Western Europe, and the developing sector indicates that the world economy will have moved into severe depression as of the end of the third quarter of 1980, barring extraordinary changes in national and international monetary policies. In summary, the world picture is composed of the following mutually reinforcing trends:

1. Federal Reserve Chairman Paul Volcker has precipitated a new phase of credit austerity that will not only wipe out the weak signs of upturn that appeared during the third quarter of 1980, but push the most-affected sectors of the American economy into liquidation.

2. The developing countries face a pre-programmed series of debt crises over the next two quarters, which will culminate in a major reduction in their import capacity and hence in the exports of the major industrial nations.

3. The Western European and Japanese economies have shown themselves incapable of absorbing either a new energy price increase or a reduction of their export markets, and the West German economy, which has heretofore held up the rest of Europe, is being drawn into world depression.

The international motivating force behind these developments is twofold, the global rise in interest rates promoted by Fed Chairman Volcker, and the expected \$4, or roughly 10 percent, increase in the price of oil. The current crisis of the developing sector is due to the operation of both related developments. The nearly \$90 billion debt service requirement of these countries—

which figure contains the generous assumption that interest rates will not rise sharply—combines with an \$80 billion import bill following the 140 percent rise in the oil price during 1979 to threaten the dissolution of these economies. The new threatened rise in the oil price should not be seen as a simple increment, but rather as the step toward a marginal breaking point.

Actively promoted by the British government, the proposed “indexation” plan for oil prices to link the price of oil to Western inflation would make the status of the developing sector insupportable. If the “indexation” plan is linked to the absorption of available international funds through the International Monetary Fund, the circle will be closed. The IMF appears to be the intended receiver of the developing sector, absorbing the \$110 billion or so surplus of the oil-producing countries either directly or through borrowings on the open market, and lending it to developing countries under onerous austerity terms. This sequence of events, which will be the principal subject of discussion at the Fund’s annual meeting Sept. 30, would ensure a drastic reduction of international trade.

As *EIR* emphasized last week, the economic situation in the United States is directly linked to the developing-sector crisis. The immediate impact of Volcker’s most recent restrictive actions will be to drain credit resources from the American sector on behalf of the debt stabilization of the Third World.

After the Federal Reserve invoked the Credit Controls Act of 1969 and placed a ceiling on bank credit

extension in the United States, American commercial banks transferred an unprecedented \$16 billion abroad, mainly to provide short-term bridge credits to developing-sector nations. Volcker has now effectively shut the bond market window for American industrial corporations. This time, American banks may not increase their exposure to developing sector nations as quickly as before. However, the credit resources disposable on the international markets will again rise at the expense of the American economy.

America's depression is the locomotive of the world crisis. Despite some increases in retail sales from the May trough over the summer, the clear evidence is that the slump will continue unabated. The qualitatively new development is a wave of bankruptcies (see article p. 15).

As *EIR* has emphasized since Volcker put a credit crunch in place almost a year ago, the liquidity position of the American manufacturing sector means that the traditional heavy-industry sectors of the economy and consumer durables sectors cannot operate under the present environment. This consideration informed *EIR*'s precise forecast of first-half 1980 economic performance, the only accurate computer econometric forecast available. The result is that auto, steel, trucking, farm equipment, other consumer durables, airlines, and the farm sector are undergoing a brutal, permanent reduction of size in orders of magnitude ranging from 20 to 50 percent.

In addition to the status of the manufacturing sector, the trucking and airline sectors are facing mass bankruptcy due to the combined effects of deregulation, the credit squeeze, and the recession. Farm income will fall this year more than 20 percent from the previous year's level. Most economic forecasts fail to take into account how critical transportation and agriculture, the tangible economy's two largest sectors, are to the nation's basic economic health. These sectors are the worst affected.

Western Europe and Japan are at a critical turning point. The Japanese economy has survived through effective marketing of consumer durables in the United States and Western Europe, increasing its market share in autos and consumer electronics, although the overall size of the consumer market in both sectors has declined sharply. Either through trade restrictions, voluntary agreements to restrict trade, or the continued deterioration of the American and European consumer markets, the Japanese export pattern will not be sustainable through the rest of this year. West Germany's economic health has until now been shaky, but sustained by the strength of domestic capital investment. However, a sharp drop in foreign capital goods orders from June to July indicates that the all-important export component of Germany's capital goods production is blocked by the world depression.

As Karl-Otto Poehl, the chairman of West Ger-

many's Bundesbank, told a meeting of central bank governors in Switzerland earlier this week, the tight-credit regime enforced internationally by Paul Volcker's high-interest rate policy in the dollar sector is intolerable for the Western European economies. With a DM 30 billion (\$17 billion) current account deficit projected for 1980—entirely due to the doubling of oil prices during 1979—West Germany is in no position to lower rates, and permit an outflow of funds seeking higher return. Therefore Germany has been in a credit bind to which the housing and auto sectors of the economy have fallen victim. A further rise in oil prices would force the Bundesbank to adopt even more aversive credit policies, and break the back of the West German economy.

The chairman of West Germany's leading industry confederation, steelmaker Otto Wolf von Amerongen, in a speech Sept. 9, warned that without both higher rates of capital formation and faster write-offs of technologically obsolescent capital goods, West Germany would not be able to "ride out the rough seas of the 1980s." This assessment is correct. West Germany's capital goods sector has not made sufficient commitment to new technologies to withstand an escalator of oil price increases.

As Western Europe's contribution to world trade declines, the situation of the developing sector nations will immediately worsen, because the previously buoyant performance of the West German economy was a major factor sustaining Third World exports.

It is not a matter of recession in any single part of the world, but the end of the postwar economy in the form we have known it, and a regime of global austerity whose consequences are barely imagined by most economic participants. There is nothing inevitable in this set of developments. The Western Europeans could reverse this process by activating the so-called "Phase II" of the European Monetary System, the creation of a fund capable of centralizing global credit resources for the expansion of international trade. The creation of such a monetary arrangement, as *EIR* has shown in three years of reporting, would open up rather than constrict the markets for industrial goods in the developing sector and reverse the depression course.

On the energy side of the equation, much of the discussion this week at the World Energy Conference in Munich, West Germany, identified solutions to a problem which would otherwise be fatal to the world economy. In one striking example, a Soviet spokesman proposed joint East-West development of transport and other infrastructure to export 500 million tons of Siberian coal per annum to the West. That is a staggering volume of coal, quintuple the most optimistic expectations of potential United States exports by the year 1990.

The solutions exist, but the political will to act on them is entirely questionable.

Crisis management for debtors

Foreign bankers are applying IMF methods, with Brazil as the paradigm.

Speaking from London, Brazil's Planning Minister Delfim Netto announced Sept. 9 that his country holds firm to its refusal to go to the International Monetary Fund for a loan. Brazil is currently seeking \$6 billion in loans.

Some creditors have been demanding that Brazil acquire a \$4 billion IMF loan rather than come to the private markets. Brazilian policy is that it will never accept IMF austerity terms on loans, which would include imposing slower growth rates on its automotive and agricultural sectors. Latest reports from Europe are that continental bankers are prepared to bail Brazil out, but even if it doesn't go to the IMF, the banks are demanding the same kind of harsh austerity as the International Monetary Fund.

Delfim's rejection of IMF financing was issued one day after British government senior officials attacked Brazil's private refinancing plan in openly inflammatory interviews with the *Financial Times*. "Senior Whitehall officials," the *FT* reported, "would expect [Brazil] to go to the International Monetary Fund and accept the policy recommendations given . . . there." Britain hopes Brazil will "adopt strict policies of austerity and cutbacks in public spending."

Delfim rebuked the British and the IMF in London. In referring to Carajas, Brazil's mountain of minerals which bankers would love to

have as collateral on Brazil's debts, he taunted, "We don't want to finance it through loans. We are attracting Arab, German, Japanese, and, we hope, French investment." However, these lenders privately report they have no intention of letting Brazil off the austerity hook.

Brazil owes 16 percent of all Third World debt held by international banks and creditors worldwide. The Brazilian government says this adds up to about \$55 billion by the end of 1980, but many bankers suspect their total debt at year's end might really be as high as \$70 billion.

Top-level Euromarket bankers reached this week in London, Zurich, and Frankfurt voiced the consensus that Brazil will probably be able to meet all debt payments for the next couple of months, but at the end of the fourth quarter, or beginning in 1981, it might become "crisis spot" in world banking.

"LDCs in general will either borrow more, or when problems arise, draw down on their large accumulated reserves," a Frankfurt loan syndicate officer said about the fourth quarter. "Next year, it may well be that a free-for-all breaks out around these 'crisis cases'" as maturities on loans start bunching up. Speaking from the Eurosyndication desk of a Zürich-based bank, another officer said, "I cannot exclude at all the possibility of having to face 'crisis-management' problems on some loans

toward the end of the year."

The fact that the world is heading towards a dangerous global credit crisis over the next 18 months is the outcome of the so-called adjustment policies used to sort out world credit in the aftermath of the 1974 oil crisis.

Although there have been important exceptions to this overall trend, as a global secular tendency, most governments responded to the 1974 oil crisis by subjecting their countries to harsh austerity regimes. This, combined with the aggravated U.S. economic decline, prevented developing countries, aggregately, from meeting rising international costs with expanded real growth based on international trade. When world interest rates jumped upwards in 1979-80, many billions of dollars in higher debt payments were tacked on.

Brazil confronted this problem, partly with huge influxes of foreign loans to build pockets of industrialization in its auto, steel and machine sectors. Countries like Turkey and Poland also borrowed heavily, but due to complex political and strategic conflicts, were prevented from generating industrialization at anywhere near the rates needed to repay their foreign loans.

This summer, Turkey was put through "the biggest debt rescheduling in history" as described by the *Wall Street Journal* Sept. 10. But, this was only on debt owed to governments. Now it is pushing for reorganization of \$3 billion owed to 250 private institutions worldwide. A Frankfurt banker assumes that "Turkey cannot solve its debt problem in any case, unless they get major handouts from the West. . . . A settlement will have to be found that reschedules the rescheduling."

IMF jumps toward reform

Third World radicals and New York bankers look forward to its expanded role.

As the end-of-September annual meeting of the International Monetary Fund approaches, a strange coalition of international policy groups has emerged, all pushing for the Fund to be "reformed." The argument in favor of reform is that the IMF should take a larger role in refinancing and management of debt held by developing countries.

In its Sept. 2 newsletter, Manufacturers Hanover summarized the arguments in favor of "basic changes in the role of the IMF and the way that it does its business." The bank, which is extremely sympathetic to the "reform" idea, makes clear that changing the IMF will mean a stocking up of its financial resources. "A greater role for the IMF in supplying the financial requirements of the developing nations in the future," it reports, "is seen as essential—particularly in the recycling of the OPEC investible surplus. . . . Such an increase in lending will . . . require not only an increase in contributions to the IMF from the wealthier members but could result in increased activity by the IMF in world financial markets in competition with other borrowers."

Although the IMF officially denies that it is currently going through "reform," Executive Director de Larosière recently made a diplomatic tour of the Persian Gulf to negotiate multi-billion dollar loans for the IMF from Arab oil producers. An international scan-

dal erupted around de Larosière's visit, during which time 40 Islamic countries reached agreement to deny the IMF any loans or even standard contributions unless it gives representation to the Palestinian Liberation Organization.

Other policy groups which have recently issued public statements on behalf of a "greater role" for the IMF in refinancing Third World debt include the "left-wing" Institute for Policy Studies (IPS) in Washington, D.C.; the radical Tanzanian government; bankers close to David Rockefeller at Chase Manhattan Bank; and the United Nations bureaucracy.

All these institutions frame their support for IMF "reform" as backup for the program for a New International Economic Order as described by the Brandt Commission on Economic Development.

The Commission's report is officially scheduled for debate at the IMF September conference. The proposals document a spectrum of policies through which resource exploitation and low-technology agriculture would be enforced as the only form of "growth" in the developing sector for the next decade.

During the just-concluded U.N. General Assembly meeting in New York, the Tanzanian government circulated a document from a conference held in their capital, Arusha, this July, which demands reform of the IMF. The Tanzanians stated that the IMF must increase

lending to the Third World and soften the terms of the loans they allocate. The day the document was handed out, the Tanzanians reached agreement with the IMF on a \$200 million loan whose maturities and attached "austerity conditions" were much "softer" than the IMF had proposed to them last year when the loan was first brought up but rejected by the Tanzanian government. The Arusha conference was run by the Washington-based Institute for Policy Studies (IPS) and six left-wing think tanks in its orbit.

In an interview this week, an IPS spokesman emphasized that the Institute's push for softer conditionalities was supported by New York commercial banks, as part of an overall plan to funnel OPEC funds through the IMF.

The U.N.'s transnational division made it clear in another interview that at the same time a prime impetus behind stocking up IMF resources is merely to pave the way for multinational corporations to launch new major projects in the Third World. These are not development or growth projects, but get-rich-quick resource schemes which emphasize raw materials extraction. "We support the NIEO program," he stated, the Brandt Commission program for commodity price stabilization connected to raw materials extraction. "The IMF and World Bank would have a role in this, but it wouldn't be the same. Changes are beginning. The IMF is moving to supply [investment] management, rather than demand management. Our task is to outline how these changes will allow us to harness the resources of transnational [multinational] corporations."

Saudi rumors spur run

Investors are seeking safe haven in case OPEC indexation drives up oil prices.

Gold had broken through the \$650 an ounce level for the first time in over a month as of my deadline, reaching as high as \$689 at one point on Sept. 10. The new gold-rush began early on the morning of Sept. 8, when some unidentified "big players," possibly Middle East investors, began making purchases in the London market in advance of the morning fixing. When other traders saw that gold had sailed past \$650, they jumped into the market to avoid being left out.

Fueling gold's upward momentum is a generalized fear that the Saudi Arabian government's making some accommodation with "radical Islamic" currents will result in new oil price hikes. Various sources have reported that at the mid-month OPEC meeting the Saudis will agree to cut back their oil production one million barrels a day, raise their prices to \$32 a barrel, and accept a scheme for automatic indexation of OPEC prices to inflation rates in the industrialized sector. The Saudis are also refusing to lend to the International Monetary Fund, on the grounds that that institution will not admit the PLO to its annual meeting.

According to Howard Levine, a metals trader at ACLI International Commodity Services, gold is rising because international investors expect major "discord" at the end-of-September IMF annual meeting. "The Arab central banks want to chart an independent course," stat-

ed Levine. "It's more than just the PLO. They feel they should control the politics of the IMF. Some people think the Saudis and Kuwaitis may be pulling out of the IMF." "The Saudis are unhappy with the entire monetary system," added the New York foreign exchange chief at a leading West German bank.

This is a step one might welcome, but for the fact that the Saudis' other moves seem to fit in more with the World Bank-Brandt Commission's plans to "decouple" North and South rather than with any constructive plan to replace the IMF with an institution more attuned to industrialization needs.

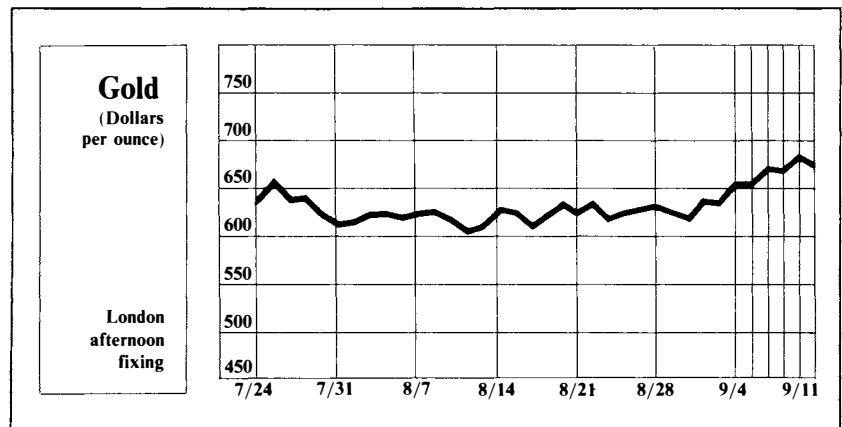
The run into gold also spilled over into demand for stocks of leading North American and South African gold mining companies. On Sept. 8, South African gold shares, as measured by the *Financial Times* Gold Mines Index,

soared to a record high of 447.5, compared with 428.0 on Sept. 5.

In my view, the concern about a Saudi policy shift is justified, and investors should prepare for another advance in the gold price above \$700 in the near future.

Meanwhile, Consolidated Gold Fields, the London-based mining finance company and the second largest producer of South African gold, sent a team of gold specialists to the Soviet Union last week on invitation from the Soviet government. British financial circles wonder what the invitation could mean. Last year, Cons Gold sent a group to China to discuss technical aid in developing that country's gold reserves and perhaps the Soviets are interested in finding out what Cons Gold learned about China's mineral resources.

At the same time, gold market sources report that the Soviets have sharply curtailed their sales to the Zurich market, possibly bypassing the Swiss to make direct deals with Middle East investors. Flustered Swiss banks have put out the rumor that the Soviets will dump large amounts of gold onto the market later this year.



Separating wheat from chaff

Sterling becomes "the investment currency" par excellence despite short-term softness.

The British pound sterling rose above its 1967 pre-devaluation peg of \$2.42 this week from last week's levels of \$2.40. Although it may jump around near the \$2.40 level for the rest of September in a market heavy with rumors of international banking crises and interest rate shifts, sterling should be basically strong through 1980. A rise into the \$2.50 range is expected by several leading Anglo-American portfolio managers.

The British economy continues its endless slide with unemployment topping 2 million (7 percent) and industrial production falling at 10 percent annual rates, but the Bank of England knows it has a quiet insurance policy for sterling. U.S. Federal Reserve Chairman Paul Volcker's sure intent of slowly raising U.S. interest rates over the rest of the year so as to ensure a further cooling of the U.S. economy means a worsening world recession in which sterling will continue to look relatively good as a "pure" investment vehicle.

The rumors flooding the markets during the first two weeks of September helped sterling up considerably, no surprise since the British Foreign Office was largely responsible for the rumors.

On Sept. 4, Foreign Secretary Lord Carrington told the *Financial Times* of London that Saudi Arabian Oil Minister Sheikh Zaki Yamani plans to cut Saudi oil production this fall by 12 percent and raise

oil prices from \$28 to \$32 per barrel. Foreign Office sources told Reuters that OPEC at its November Baghdad summit will further index the price of oil to Western inflation, growth, and currency rates.

Sterling quickly shot up above \$2.42 on the news, since Britain, with increasing North Sea oil production, would benefit from rising oil prices.

Traders cited reports from Riyadh that the Saudis, angry at the Mideast peace impasse, plan to halve their investment in government bonds of the United States, Germany and Japan, and buy sterling and gold instead.

There is no question that foreign money, much of it Arab, has been increasingly flowing into Britain. Official figures just released show foreigners bought £1 billion in sterling bank deposits during the second quarter compared to only £259 million in the first quarter.

Foreigners also purchased some £900 million in British government gilt-edged bills or "gilts" during the second quarter compared to only £17 million in the first. Foreign funds have been flowing in if anything at an even faster clip during August and September.

The gilts market has recovered from the year's worst slump this July as a result, shooting up from 67.5 to almost 70 on the *Financial Times* gilt-edged index.

It is the gilt markets which have given rise to most of the recent

downside rumors for the pound. Bond traders say the Bank of England will soon be forced to lower its Minimum Lending Rate (discount rate equivalent) which would be good for bond prices. The MLR has been held to 16 percent since July, near its spring peak of 17 percent, while U.S. prime rates fell by half from 20 percent to 10 percent during the same period.

With plant closings increasing and the economy characterized by even conservative London brokers as "out of control," the City is telling the Bank that it can well afford to drop the rate. Rumors of lower rates on Sept. 10 led to some sales of sterling, which fell temporarily below \$2.40.

These fluctuations in sterling, however, are short-term. World interest rates are headed up, led by the renewed Volcker tightening in the United States that has moved the U.S. prime back to 12 percent and may take it to some 14 percent by November. As Volcker's monetary policy adviser, the Bank of England knows this, and is not likely to make any really significant cuts in its own rates. And as the United States and Western Europe are brought deeper into recession, the British economy will look better on a relative scale.

Even the most recent scare that U.K. money supply is burgeoning out of control, which some analysts have said could threaten the pound, is not clear-cut. The higher comparative interest rates, a rising oil price, and a world trade recession which could weaken the dollar all mean that sterling should on balance reclaim its title as the "investment currency" par excellence which has no visible connection to its own economy.

Farm aid finally dangled

Federal loans and disaster assistance will sandbag a wave of bankruptcies.

The U.S. Department of Agriculture is projecting a net farm income drop of "23 percent or more" for 1980, according to the August issue of the Department's *Outlook*.

In announcing the open-ended projection, U.S.D.A. economists emphasized that three critical "unknowns"—ultimate crop output, inventory changes, and government payments—could seriously affect the final result.

Rumors are percolating in trade channels that President Carter will lift the embargo on American grain sales to the Soviet Union, a grandstand play that could give a new boost to the grain markets just before the election. Speculation about a new Soviet crop shortfall has also picked up again recently.

With the November vote approaching, Carter has begun to move, crabwise, to dispense some bandaids to the farm sector. Less than a month ago, in response to congressional action, Carter raised crop loan price support levels.

Farmers can borrow from the government at a set price per bushel using their expected crop yields as collateral. Carter has effectively raised the per bushel floor price paid on these loans.

This week the U.S.D.A. announced that the time period for repaying these government price support loans has been extended an extra 90 days. The extension is applicable to all farmers, unlike previously, and to all grain. The move

gives farmers an additional bit of important maneuvering room.

The uncertainty surrounding the extent of crop losses due to the heat and drought is spurring a price boom in the corn and soybean markets, in particular, that will reward many producers and puff up aggregate farm income figures. There are, however, many producers who don't have any crops left to sell at any price. Here is where the Department's Agricultural Stabilization and Conservation Service (ASCS) and Farmers Home Administration (FmHA) disaster assistance and economic emergency programs come in.

The ASCS estimates that it will channel approximately \$1 billion in disaster payments into the farm sector this year, compared to a \$230 million outlay in 1979. This cash injection could be raised significantly if revised drought-loss figures make it politically opportune. There is every indication that crop losses will be far more extensive than the Aug. 1 estimates had indicated.

The FmHA presently anticipates an additional \$2.8 billion outlay for disaster assistance this year. As of Aug. 25, the entire drought-stricken states of Alabama, Arkansas, Kentucky, Missouri, North Dakota, Oklahoma, Tennessee, 153 out of 158 counties in Georgia, and more than half the counties in Texas, Kansas, Illinois, South Carolina and South Dakota have been de-

clared eligible for emergency loans at 5 percent interest.

Taken all together, Carter politicking and the various operative disaster assistance programs just may add up to the kind of sandbagging operation that can prevent a flood of bankruptcies this fall. The FmHA, in particular, has been used in that way over the past three years. From 1978 to 1979 its holdings of farm debt jumped from \$10 billion to \$15 billion—and are now at almost 20 percent of total farm debt, a critical margin.

But even if successful on that score, such an operation will only postpone the day of reckoning for American farm producers already stretched to the limit. The sharp inflation of production costs in recent years—especially energy-related costs and, since October 1979, the cost of credit—has seriously gouged already inadequate income levels. Producers have become increasingly dependent on debt expansion—both for refinancing and operating credit—even as income to service the debt is shrinking. The increased role of the FmHA and Farm Credit System has taken some of the pressure off of this situation, but it remains a financial tinderbox. This past spring producers were forced to borrow money at 18 to 20 percent rates just to get their crops into the ground. Asked what would happen if rates were at that level next spring (and recent Federal Reserve moves point in precisely that direction), Dawson Ahalt, who serves as chairman of the U.S.D.A.'s World Food and Agriculture Outlook and Situation Board, said, "Then it would be 'Goodbye Charlie'—not just for farmers but for the whole economy."

Interest-rate rise targets American 'sunset' industries

by Kathy Burdman

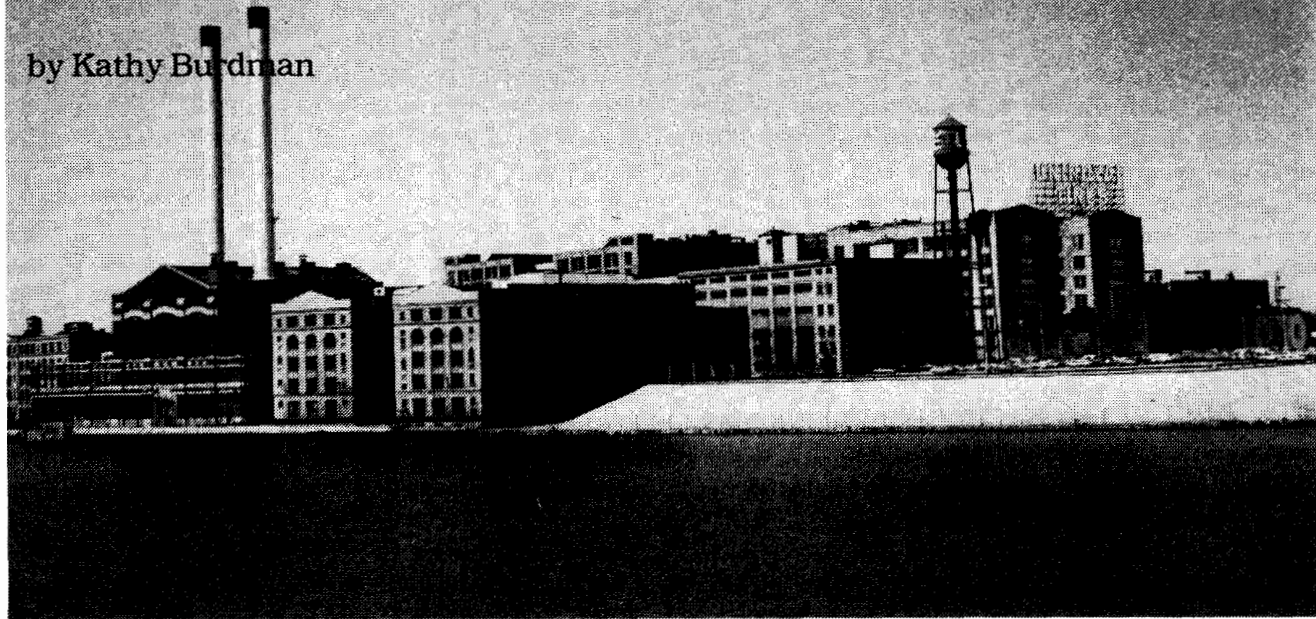


Photo: Robert Prange/NSIPS

Federal Reserve Chairman Paul Volcker signaled to the credit markets this week that he has begun a new round of gradual hikes in U.S. interest rates, as *EIR* predicted two weeks ago. Volcker intends this time to make borrowing particularly painful for the U.S. steel, auto, and other "sunset" or antiquated industries already suffering from his post-October credit measures. The Fed believes "It's appropriate to let the sunset industries sink slowly into the Great Lakes," as a corporate bond analyst at Morgan, Stanley put it this week.

Major U.S. commercial banks led by Citibank raised the prime rate $\frac{1}{2}$ percent to 12 percent Sept. 5, from its June low of 10 percent. The banks acted on clear signals from the Fed that short-term rates are headed upward, beginning Sept. 5, when the Fed pointedly intervened to stop a three-day bond market rally. With fed funds trading at 10.125, the Fed drained reserves from the system, pushing the rate to 10.625, where they have continued to trade.

Bond market economists say the rally is over for the month of September at least, because short- and long-term rates are headed "slowly but surely firmer," as Moody's industrial economics department said. Chief economist Robert Genetski of Chicago's Harris Trust & Savings Bank predicts a 14 percent prime by November, and he is not alone.

Detroit's Chrysler Jefferson plant was closed permanently in March.

Already the corporate bond calendar for September has been cut from \$5.5 billion to below \$2 billion and corporations could find borrowing conditions worse as the year ends. The industrial bond calendar was \$3.3 billion in July, \$1.1 billion in August, and is expected to be less than \$500 million for September, with the fourth quarter continuing at the August-September rate.

The bond market and credit market conditions generally are aimed straight at crowding out the "sunset" industries in particular, analysts say. White Motor Company, one of the nation's leading producers of heavy-duty trucks, farm equipment, and fork lifts, filed for Chapter 11 bankruptcy proceedings Sept. 4. This indicates the overall financial state of U.S. auto and steel, and sections of the farm machinery and transport industries. Wall Street and Toronto suspended trading this week in the stock of Massey-Ferguson, the farm equipment giant employing 47,000 workers in the U.S. and Canada, as banks balked at providing the over-indebted company further short-term credit. This week, Kaiser Steel, the ninth largest American steel company, rejected for the moment a directors' plan for liquidation of the corporation, but steel industry sources said, "Kaiser remains very vulnerable to a shutdown." In rail, Auto-Train, which carries personal autos between Washington, D.C. and Florida, filed for Chapter 11 on Sept. 8 after banks refused a last-ditch \$3.7 million loan.

The bond market squeeze has hit even the premier

companies of the sunset industries, beginning with U.S. Steel, which industry analysts say has canceled all bond issue plans for 1980. A Ford Motor Company triple-A 30-year issue was downgraded recently by Moody's to double-A, while the largest industrial corporation to drop from the September calendar was Caterpillar Tractor, which postponed a \$300 million issue.

Reindustrialization?

Volcker's latest slow but sure credit squeeze defines the long-haul policy of the Carter administration this year, next year, and if reelected, until 1985. This policy is a downturn in U.S. industrial production, perhaps not so precipitous, but more sustained and deadly than the sharp drop caused by Volcker's sudden credit controls of last October.

The Economic Revitalization Board—the new institutional vehicle announced by President Carter in his Aug. 28 campaign economic policy statement—is a vehicle to carry out this policy, Wall Street corporate analysts stated this week. The ERB will be a national tripartite committee led by Commerce Secretary Phillip Klutznick, DuPont chairman Irving Shapiro, and AFL-CIO President Lane Kirkland. According to administration press briefings, it is intended to help the outdated “sunset” industries modernize and to stimulate additional new investment in “sunrise” industries, such as high-technology computers and communications.

The result in the real world will be to keep production flat if not declining by junking the sunset companies and providing small selective credit to the sunrise sort. “It's not the government's job to resurrect these old industries,” said the Morgan Stanley source, “and Carter will not be doing that at all. These heavy industries are not where our competitive edge lies.” Wall Street sees no big seeding for future industries, either. “There just isn't much money coming from the Carter program, period,” says Moody's bond-rating service.

Volcker “intends to keep to his targets of money supply growth rates at 6 percent annually, and let interest rates go as high as they may,” as Schroder Bank put it Sept. 9. Carter's entire “reindustrialization” program was molded by the paramount need to “be concerned about how what we were doing would fit into the Fed's targets for controlling the money supply,” administration economists told the *New York Times* Sept. 7.

Steel and more

The U.S. steel industry will be the first to go. The Carter administration Steel Tripartite Committee sent recommendations to the cabinet July 21 stating that the steel industry must have some \$5 billion annually for the rest of the decade to profitably maintain existing

U.S. steel capacity. The industry is being forced out of the long-term bond market this year for the first time, and can only borrow about \$300 million short-term from the banks. Altogether, by writing off old plant, (\$1.2 billion), spending working capital (\$200 million), and straight auction-block sales of coal mines and other assets (\$500 million), the industry expects to be able to raise only about \$2.5 billion, or half the requirement.

The Carter Economic Revitalization Board program looked at the industry's July 21 request and decided to do nothing. Steel might get a tiny \$70 million in tax credits from the program and “that's it,” steel sources said this week.

“We're not going to get what we need from the Carter plan, we will still have that gap between \$5 and \$2.5 billion, and we will have to shut down plants,” a steel man said. He expects the Kaiser Steel Corporation to go through with its current plans to close down, while U.S. Steel Corp. will soon close more plants in Pittsburgh and Utah. Over 2 million tons of steel capacity will be shut in 1980, and 4 million in 1981, the source stated.

Auto employment to be halved

The auto industry is following close behind steel. It is also experiencing a severe cash problem. Ford and GM alone, sources at the Department of Transportation says, will require some \$5 billion in external financing over the next 18 months. “Can you imagine how the bond markets will react to that?” the source asked rhetorically, noting that Ford is expected to lose over \$2 billion in 1980 and is headed toward “Chrysler investment grade.”

The Carter White House announced Sept. 8 the formation of a new national “Automobile Industrial Committee” which will oversee the future of the industry. The AIC, which will serve with the Steel Tripartite Committee as a model for the Economic Revitalization Board, is another tripartite affair. Chaired by Secretary of Transportation Neil Goldschmidt, it includes Secretary of Commerce Philip Klutznick, Secretary of Labor Ray Marshall, GM Chairman Thomas Murphy, Ford Chairman Phillip Caldwell and other corporate heads, as well as UAW President Douglas Fraser, United Steelworkers President Lloyd McBride, and United Rubber Workers International President Peter Bommarito.

As a result of the work of the AIC, “we are projecting a 50 percent decrease in employment in the auto industry,” aides to Sen. Adlai Stevenson, (D-Ill.), chairman of the Senate Democratic Task Force on the Economy Subcommittee on Industrial Policy, said this week. “GM has already told us that 30 percent of the auto workers now laid off will never be recalled coming out of the current slump this year and next.” ■

Fusion bill moves to Senate

Margaret Sexton outlines the emerging final legislation and the energy potential it opens.

The U.S. House of Representatives passed legislation on Aug. 25 mandating a 20-year, \$20 billion national commitment to the development of thermonuclear fusion energy, the energy process that powers the sun. The measure, H.R. 6308, introduced in January by Washington State's Mike McCormack, a Democrat, foresees development of commercial fusion energy by the 1990s, well ahead of the Carter administration's current timetable. It has been described by scientists and congressmen alike as possibly the single most important piece of legislation now before the U.S. Congress, because it points the way to an unlimited supply of energy "for all mankind, for all time."

A Senate bill that also speeds the timetable for fusion was introduced July 5 by its principal sponsor, Sen. Paul Tsongas (D-Mass.). As originally drafted, the bill, S. 2926, proposed a much slower rate of development for fusion than the McCormack bill. On Aug. 5, the Tsongas bill underwent a review process by fusion scientists and industry spokesmen who called for the bill to be amended to conform more closely to the provisions of the McCormack bill. If their recommendations are followed, the bills would be on the President's desk by Oct. 1, avoiding a lengthy process of compromise in the House-Senate conference committee that could water down the provisions of the much stronger McCormack bill.

In the Sept. 10 markup hearings held in the Senate Energy and Natural Resources Committee, the bill passed unanimously and is now ready to be sent to the Senate floor. The Tsongas bill was amended to bring it more in line with the McCormack bill, although it is still weaker in important ways than the McCormack bill.

The McCormack bill mandates the Department of Energy to develop a program to demonstrate the commercial feasibility of magnetic fusion energy by the year 2000, and authorizes \$20 billion to achieve this over a 20-year period. The bill calls for a demonstration of engineering feasibility by 1987 with construction of an Engineering Test Facility. After that milestone is reached, the

first experimental fusion power reactor would be developed by the year 2000 to produce net power and demonstrate that utility-based electricity generating power plants are ready for commercial deployment.

Tsongas bill amended

The original Tsongas bill called for a goal of placing a facility on line by the year 2005; as amended, the bill now calls for an on-line facility "by the turn of the 21st century." Most importantly, the funding for the Tsongas bill is substantially smaller than for the McCormack bill. As amended, the bill calls for a total of \$500 million per year to be spent during the first five to seven years, with increases raising the amount appropriated ultimately to \$1 billion per year. Washington sources report that this is as much as the administration is willing to spend, and the DOE's Office of Fusion Energy is said to be willing to compromise on this point.

The Tsongas bill originally called for separate program advisory boards for each of the national fusion laboratories to review the progress of the programs every year. During the Energy Committee's discussion of the bill, an amendment by Sen. Henry Bellmon (R-Okla.) was adopted that changed the bill to make such review boards survey the program every three years.

Further, mandatory advisory boards set up by the DOE have now been made optional. This will reduce the potential to subject the fusion program to bureaucratic bottlenecks.

The McCormack bill, titled the Fusion Energy Research, Development and Demonstration Act of 1980, passed by an overwhelming margin in the House in a vote of 365 to 7. With 160 cosponsors, the bill reflects a realization on the part of many members of Congress that the United States government has a responsibility to ensure future generations an unlimited supply of energy, and that the U.S. needs an effort as great as the commitment to the NASA Apollo manned space program of the 1960s.

The Tsongas bill also rapidly increased its list of sponsors, who now number 20 senators. The list includes 15 new senators of differing political outlook: Bill Bradley (D-N.J.); Harrison Williams (D-N.J.); Minority Leader Howard Baker (R-Tenn.); James Sasser (D-Tenn.); Pete Domenici (R-N.M.); Frank Church (D-Ida.); Daniel Moynihan (D-N.Y.); S.I. Hayakawa (R-Calif.); Robert Dole (R-Kan.); Barry Goldwater (R-Ariz.); Paul Laxalt (R-Nev.); Dale Bumpers (D-Ark.); Adlai Stevenson (D-Ill.); Spark Matsunaga (D-Hawaii); and Alan Cranston (D-Calif.).

The widespread support for the two fusion bills contrasts with the conservation, coal, and synthetic fuel energy legislation backed by the Carter administration that took nearly two years to move through Congress. The McCormack bill was voted on directly without debate. The near-unanimous vote reflects Congress' willingness to expedite an energy development program that promises a cheap and virtually inexhaustible source of energy using water as the fuel. The Tsongas bill is expected to be placed on the consent calendar, enabling it to be passed quickly, and without debate.

The fusion potential

The sun and the stars produce energy through fusion, combining the nuclei of isotopes of hydrogen in a process that releases tremendous amounts of energy. Burning the hydrogen isotopes in 1 gallon of seawater in a fusion reactor produces the equivalent amount of energy produced by burning 300 gallons of oil. The hot gas, or plasma, produced in fusion reactors can also be used in industrial and raw materials processing, greatly increasing the efficiency involved. There is enough fusion fuel, physicists estimate, to provide the world with increasing amounts of energy for billions of years.

Rep. McCormack has called the potential for an Apollo-style fusion program "the single most important energy event in the history of mankind. Once we develop fusion we will be in a position to produce enough energy for all time, for all mankind. This is not hyperbole, but fact."

Despite the almost total lack of press coverage, the exception being a small UPI feature in the Aug. 26 *New York Times*, the bills have been hailed by fusion scientists like Dr. Robert Hirsch, former U.S. fusion head who advised Rep. McCormack's Energy Research and Production Subcommittee of the House Committee on Science and Technology in the formulation of his bill. The DOE's special Fusion Advisory Board, headed by Dr. Solomon Buchsbaum of Bell Laboratories and including top scientists, called for concerted efforts to develop fusion by the year 2000. McCormack's bill was also endorsed by Dr. Stephen Dean, former director of magnetic confinement for the DOE fusion office and

president of the industry group Fusion Power Associates, who declared the bill "long overdue."

The FEF role

One of the biggest supporters of the rapid development of fusion energy as America's energy source for the future has been the New York-based Fusion Energy Foundation, a nonprofit scientific foundation. Commenting on the bill, the foundation's executive director, Dr. Morris Levitt, said that "only a cheap and virtually unlimited energy source like fusion can put the United States back on the road to economic prosperity and revive our position as a scientific world leader."

Whatever bill comes out of the House-Senate conference after the two bills are passed, the main question is whether the President will sign the fusion bill. Although Jimmy Carter had expressed his general support for fusion in a reply to a letter to Rep. McCormack, the administration has indicated that it is unwilling to support the aggressive upgrading of the program outlined in the McCormack bill. The President might be hard pressed not to sign the bill, however, because of the support for fusion in the Democratic Party's 1980 platform. The platform reads: "The Democratic Party vigorously supports substantial funding for the construction of an engineering test facility for fusion technology. Fusion is a safe, clean, alternative source of energy which can be used to generate electricity efficiently."

The consensus on Capitol Hill is that the President will sign the bill, giving the green light to hopes for a revival of the U.S. as a world industrial and scientific leader.

The response to the McCormack victory

Sen. Jesse Helms (R-N.C.) placed in the Sept. 3 Congressional Record a speech by John Hicks, vice-president of Duke Power Co., before the Southeast Synod of the Presbyterian Church. The speech demands that the United States rapidly expand its nuclear energy capability. Excerpts follow.

The United States must play a leadership role in solving the problem of world hunger and upgrading the living standards of the emerging nations. We cannot do this without an adequate energy supply. I think that we as a church should squarely and publicly recognize the

role that coal and nuclear power must play in our immediate future and urge our elected officials to get on with assisting rather than delaying badly needed development. . . .

Not as a utility executive, but as a Christian, I approach it from an entirely different angle. . . . I approach the subject by first looking at world population and world hunger. Then I move to a consideration of food production and its relationship to energy availability.

One man tilling the soil with his own labor can raise enough food to feed his family with a small surplus to barter. The solution in times past for such cultures was to have more children work.

One man with a beast can feed his family, the beast and two and one-half more families.

But one man with . . . a tractor can pay for and operate the tractor and feed 40 more families.

There are some 4 billion people on this earth. It is estimated that one-fourth to one-third of them are hungry. And I have heard an estimate that approximately 30 million people die each year from starvation and malnutrition-related deaths. . . .

I cannot say what all this says to you, but I can tell you what it says to me. . . . It says that we have a great nation . . . made up of basically good and caring people. It also says that if we are to do what I believe God has called on us to do . . . to improve the conditions of mankind, we must produce tractors and . . . operate them.

This will require vast quantities of energy. Oil must be saved to operate the tractors and to manufacture the huge supply of fertilizer that will be needed. The energy to run the countless factories that will produce the components for the tractors must come from electricity and that electricity must come from coal and nuclear fuel. . . .

* * * *

Here is a sampling of comments by distinguished scientists and political figures on the passage of the McCormack bill.

Edward Frieman, director, Office of Energy Research, Department of Energy: The major thrust is that magnetic fusion is ready to move into the engineering development phase and out of the research phase. Everyone is in agreement with this. It is the overall view that the fusion program is ready to move in a major way. Changes in circumstances in fusion research are changing the administration's view of this.

John Emmett, director, Lawrence Livermore Laser Program: It's terrific. It's a truly great moment for the United States in both the magnetic and inertial fusion programs.

Dr. Stephen O. Dean, president, Fusion Power Associates: The passage of the McCormack bill along with the

endorsement of the Buchsbaum report are clear signs that Congress and the administration will come out with more aggressive fusion programs next year. We should support getting all parts of the policies needed for an accelerated program done as soon as possible.

Rep. Jim Wright (D-Tex.), Majority Leader, U.S. House of Representatives: This particular piece of legislation may be one of the most fearfully significant decisions that we shall make in this Congress or in this decade. We are here committing ourselves to a Manhattan-type project, accepting the rightful priority of the potential of nuclear fusion as a primary goal of the United States. . . . There have always been at each step up the path of man's increasing physical knowledge those who have balked and dragged their feet. . . . When aviation was in its infancy, some insisted that if God had intended man to fly, He would have endowed us with wings. . . .

Rep. Don Fuqua (D-Fla.), chairman, House Science and Technology Committee: There is a need to revitalize our technology industries. There is a need for development of inexhaustible energy resources. And there is a need to maintain the United States in the number one international position in fusion energy research and development. . . . The Soviets have over twice as many scientists working on the development of fusion power. The Japanese are spending 50 percent more per capita on fusion than the United States. . . .

Rep. Edwin Forsyth (R-N.J.): The pace of fusion research and development is clearly limited by funds. The ingenuity, skills, and knowledge exist for the construction of a fusion test facility. What is lacking is funding and a nationally recognized commitment, like that of the space program of the 1960s that will mobilize our resources so that we may reap the benefits.

Rep. Robert Young (D-Mo.): One of the important aspects of this bill is that it provides for the industry participation which has been so crucial to our past successes. The NASA program demonstrated the enormous long and short term benefits we all receive from government-industry partnerships in high-technology ventures. We have seen major advances in diverse fields from miniaturization of computer components and aids to marine safety to improved container coatings and new devices to correct erratic heart action. . . . We expect similar spinoffs from the fusion program

Warren Hamerman, executive director, National Democratic Policy Committee: The fusion bill opens the possibility for the first time in 20 years of a national scientific research and development program that can take the United States into the 21st century assured of the plentiful energy needed for growth. American agriculture, labor unions, and industry should get behind the bill so that we can implement it and get our economy going again. ■

The Mexican fight for modernization

by Dennis Small

As an American businessman, which would you prefer? A country on our border with 18 million people, and economic growth rates of 1 to 2 percent; with no internal market to speak of, scant industrial development, and no trained labor force; with religious fanaticism sweeping through a largely peasant population? Or would you rather face a market of 70-80 million buyers, with a 10 percent industrial growth rate, engaged in a half-dozen city-building efforts; with a premium placed on rising skill levels, the application of the world's most advanced technologies, and a growing energy base that will be 40 percent nuclear by the year 2000?

Unless you are a victim of Mao Tse-tung-thought, the choice is obvious.

This is not a hypothetical case. We are talking about Mexico, our southern neighbor, so much in the press of late due to its meteoric rise to the position of the world's fifth largest oil producer. The two options outlined above are in fact the two very real choices Mexico now faces, choices explicitly addressed by President José López Portillo in his Fourth State of the Union speech, delivered in Mexico City on Sept. 1.

The Mexican president chose the occasion to reiterate his country's commitment to a high growth model. With characteristic irony, López Portillo told his audience:

There are those who, because of understandable ideological paradoxes or warped intellectualism, question and criticize the economic growth we have achieved as if it were a crime. Let them stew in their own sick juices.

The Carter administration on the other hand, and especially the office of National Security Adviser Zbigniew Brzezinski, has meanwhile restated its standing determination to force Mexico to adopt the low-growth option, known in Mexico as the "Paddock Plan." The outcome of the face-off between these two contending strategies will be shaped in the months ahead, and is of no small concern to Americans anxious to do business abroad—or

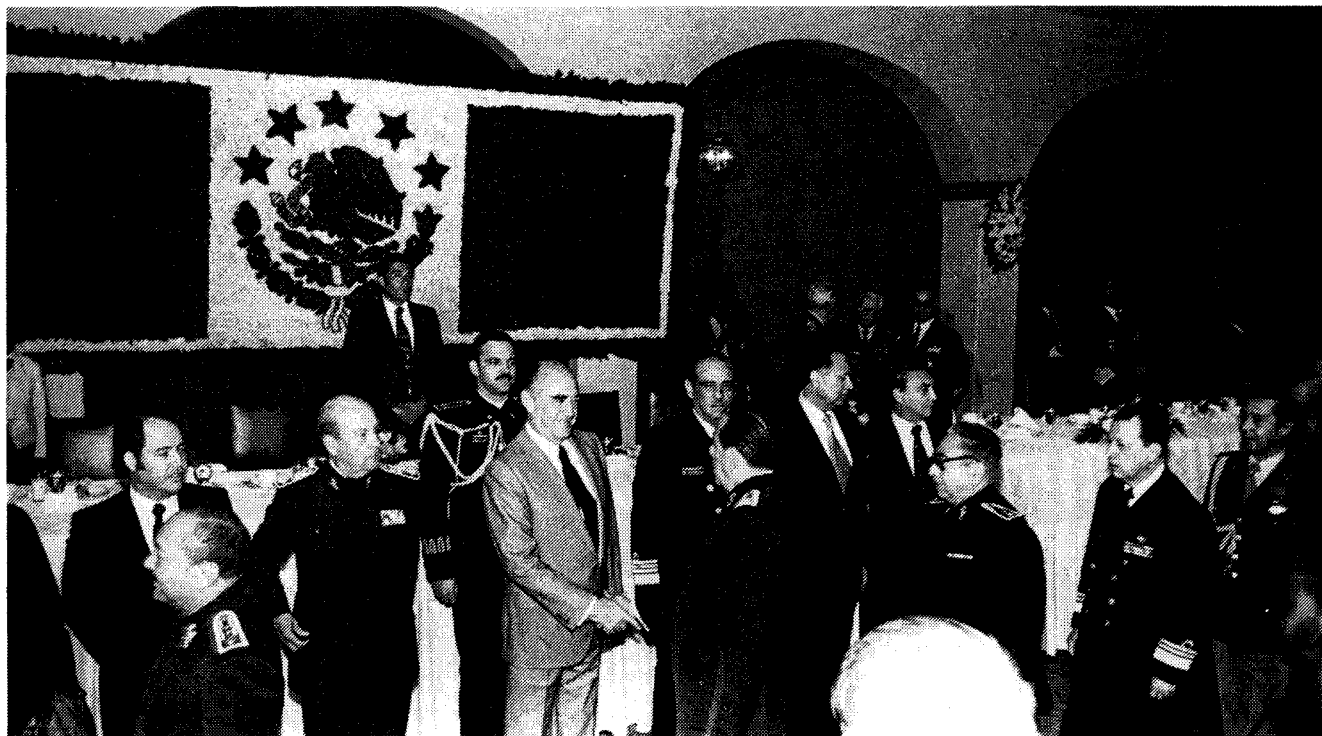


Photo: Government of Mexico

President José López Portillo (center) with Admiral Cházaro Lara (right) and General Félix Galván López (left).

who are disturbed by America's overall relationship to the developing sector. For whether or not America fosters modernization in developing sector nations such as Mexico may well be the issue which decides whether or not *our* economy survives into the 21st century.

Mexico girds for war

What emerges from a close scrutiny of López Portillo's State of the Union message or "Informe," and the related policy statements issued by high Mexican officials immediately before and after it, is the unmistakable sense that what is guiding the Mexican political elite at this moment is the conviction that the world is on the brink of war. As the head of the Superior War College stated on Sept. 2, in the approving presence of the Mexican president: "The absence of armed conflict indeed creates the illusion that we live in a time of peace—a dangerous mistake."

Highly placed Mexican officials have told *EIR* that their concern over the danger of war was immensely heightened last month by the Carter administration's public adoption of Presidential Decree 59, the executive memorandum which adopted as policy a "tactical" nuclear war-fighting posture. Mexico sees the Middle East as being particularly explosive at this time, and thinks that there is a strong possibility that oil exports from that region will be drastically interrupted. As an emerging oil power, Mexico is highly attuned to the ways in which such a Middle East catastrophe would instantly threaten Mexico's own sovereignty over its oil

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and other resources—a principle cherished by the highly nationalistic Mexicans for over a century.

This urgent concern was reflected in the unprecedented way that López Portillo, both before and after the “Informe” conferred on Mexico’s armed forces a new, leading role in the country’s development strategy.

The war danger is also central to understanding Mexican foreign policy in Central America and the Caribbean. Contrary to the disinformation circulated by *Newsweek* and similar publications, Mexican President López Portillo has not signed a pact with Fidel Castro to sow revolution and terrorism in the region. In fact, such extreme developments are viewed by Mexico as threatening their own stability, to the extent that they are used by Brzezinski and Co. to justify a possible American military intervention.

The Paddock plan

Particularly present in the mind of the Mexican executive is the way in which Mexico’s food crisis can be used as a means of pressure. López Portillo’s concern is that Mexico is far from achieving its targeted goal of food self-sufficiency. On the contrary, a serious drought this year will force them to import close to \$10 billion in basic foods, and Mexico’s new oil revenues are in this way being “eaten,” instead of being reinvested in industrialization. Mexico this year adopted a new Mexican Food System, or “SAM,” designed to achieve self-sufficiency, and President López Portillo spent a good deal of time during his speech explaining the nature and purpose of the program. One day later, a top military spokesman denounced the threat of “food war” by unnamed foreign powers, and revealed that henceforth the military will play a role in the SAM, since it is vital to “securing our sovereignty.”

The *Executive Intelligence Review* has found that the preoccupation of the Mexican government on this count is well placed. Through a series of exclusive interviews with the principals involved, and our own exhaustive investigation, the *EIR* has pieced together the following picture which is elaborated in detail in Part III of this Special Report:

- There exists a so-called “Paddock Plan” for Mexico and other developing nations, which consists of using food and other economic weapons to force them to drastically reduce their populations and de-industrialize their economies. The plan is named after the American agronomist William Paddock, one of the originators of the Malthusian concept of “triage.”

- For the case of Mexico, Paddock argues that that country’s 70 million population should be halved, or perhaps even reduced to as little as 18 million, by “pestilence, war and famine.”

- Paddock’s views are shared by National Security Adviser Brzezinski, and Paddock himself is only part of

a larger group of top policymaking co-thinkers who were involved in the creation of NATO and the Club of Rome.

- The same Malthusian, “limits to growth” approach has just been enshrined as Carter administration policy in the Global 2000 report, which calls for reducing the world’s population by the end of the century from an expected six billion down to three billion.

Confronted with such a “Paddock Plan,” it is not surprising that Mexico—firmly committed to modernizing its economy to satisfy a growing population—would now be girding for war.

The 1982 presidential succession

One of the leading questions on the mind of every Mexico-watcher or businessman active in that country, is how the fourth “Informe” will affect the 1982 presidential succession fight. Since the governing president always has the final word in choosing his successor, and since that choice will be made in the next 12 months before the next “Informe” rolls around, Mexican politicians were hanging on López Portillo’s every word on Sept. 1 to try to get a reading on his preferences.

First and foremost, the Mexican president reiterated his characteristic choice of heavy industry and advanced technology as the means to achieve modernization.

This approach bodes ill for the entire gamut of prospective candidates from the “Alemanista” faction, who have argued for a slower pace of industrialization. In particular, the Mexican president gave implicit backing to his Minister of Industry (Sepafin), José Andrés de Oteyza, in his battle with Finance Minister David Ibarra, by endorsing de Oteyza’s strategy of aggressive expansion of the steel industry. Ibarra has received support for his “go slower” arguments from Planning Minister Miguel De La Madrid, heretofore considered by many a strong contender for the 1982 nomination.

Special recognition was reserved for Jorge Díaz Serrano, the head of Mexico’s national oil company PEMEX. Although mentioning no names, López Portillo issued strong praise for the oil sector, whose growth rates led the entire economy and whose actions were responsible for capping the “Ixtoc” oil spill in the Gulf of Mexico earlier this year. Díaz Serrano came under very heavy fire for “Ixtoc,” but he has received the full support of the President for his policies.

Díaz Serrano, however, is not a minister in the cabinet, and is thus ineligible for the presidential nomination, according to Mexico’s unwritten “rules of the game”—*unless* López Portillo creates a much-rumored Energy Ministry and gives the post to his longstanding friend and colleague, Díaz Serrano.

These are some of the questions that remain to be answered in the wake of the Fourth State of the Union speech.



The State of the Union: Mexico's future task

Excerpts from the Fourth State of the Union Address delivered by President José López Portillo on Sept. 1, 1980:

Honorable Congress of the Union:

I come before this sovereign body to report, for the fourth time, on the government's administration of this country's affairs. . . .

Mexico's growth

According to the Tenth Census, the population of Mexico now numbers 68 million inhabitants. Today we are faced with the great question of our political coexistence: how to hold fast to what we are, how to prevail, how to better ourselves. . . .

Despite pessimists, obstinate critics and irresponsible ideologues, we should be proud of what we have accomplished. In the year 1960—at this point as far-removed as the year 2000—out of a population of 35 million, only 17.4 million knew how to read. Today, in 1980, out of 68 million, 45 million are literate. In both cases, the numbers of those who cannot read include children under six years of age.

In 1960 the entire national educational system had 5.5 million students enrolled, with 4.8 million in primary school. Today, enrollment is 21.7 million, with 15 million in primary school alone.

In 1960, 11 million 300 thousand persons had potable water service; today, in 1980, 44 million have it.

In 1960, we had an installed capacity of 2.3 million kilowatts. Today we have 14 million. . . .

In 1960, the total working population was 11 million; today, it totals 19 million.

Few countries in the world can report such progress. We should realize this in order to strengthen our will to redouble our efforts. But far from congratulating ourselves on having half-filled our glass, we must recognize also that the quality of life for many Mexicans is far from satisfactory or even acceptable. No doubt someone will draw up an inverse balance sheet—that of our shortcomings—and they too will be right. . . .

Global development plan

By the year 2000, if we succeed in keeping to our goal of only 104 million inhabitants, and if we wish to meet the goals of the Global Plan, we shall be obliged to build at least a whole new Mexico in addition to the present one, the legacy of its entire history. That is the measure of our responsibility. Let us not act like dogs barking at a passing caravan; let us join it.

There are only two alternatives. Either we continue to press onward in pursuit of our democratic vocation, which means growing, providing work, controlling population growth, generating and distributing wealth, maintaining political stability and, fundamentally, justice, freedom and security, or we shall find ourselves one day a replica of other regimes that still persist and are even becoming more common in the Americas—those which use repression to ensure arbitrary rule, the well-being of the few, the scales weighted in favor of the unjust, and the freedom of those who are themselves slaves to force, to enslave others through their exercise of power, and those, in short, which practice outrageous, irresponsible and inhuman manipulation. . . .

Mexico, through a combination of favorable circumstances, has not only overcome the recession, but its economy has expanded as never before in its history. Just as was proposed in the Global Plan, for the second consecutive year the growth rate of our economy has reached an unprecedented 8 percent, thanks to the country's vitality of all its citizens. Nevertheless, it should also be pointed out that inflation has been higher than expected. . . .

The economic growth of a country such as ours is linked to social development. . . . There are those who, because of understandable ideological paradoxes or warped intellectualism, question and criticize the economic growth we have achieved as if it were a crime. Let them stew in their own sick juices. . . .

We must recognize the limitations in our efficiency as a country. Their existence harms us all and makes us uncompetitive. . . . We cannot go on living in the hot-house environment of inefficient, indolent, irresponsible

protectionism, which costs us dearly within our borders and is futile beyond them.

We therefore affirm that the productivity we are obliged to achieve is in no sense a means of exploitation or of obtaining unjust surplus values. Rather, it is national efficiency; the ability to obtain more and better results that benefit everyone. . . .

Foreign trade and GATT

Our foreign trade reflects the interesting period we are now experiencing as a nation.

Our foreign trade deficit has been reduced considerably since 1979.

Despite grain imports and the substantial increases in industrial imports, which are a short-term phenomenon linked to our economic recovery and to the fact that some investments have not matured, the trade deficit registered between January and June of this year was 887 million dollars—more than 25 percent less than for the same period last year. . . .

Dumping and unfair trade practices are the order of the day in all spheres. The powerful nations are the first to violate the rules of the game in international trade by failing to establish codes of conduct or by changing them to suit their convenience. Therefore, in support of our industrial development policy—which calls for a congruent foreign trade policy—we decided to postpone joining GATT. We must not allow what is accomplished in one area of our development to be undone in another.

Counterrevolutionaries can indulge in all the wishful thinking they like, but the land will never be returned to the old hacienda owners. The unjust system that concentrated land in the hands of a few, liquidated by armed uprisings, by violence and blood in the movement of 1910, will remain as before—historically liquidated, once and for all.

Agriculture

The year just past was a bad one for agriculture. It interrupted a series of unprecedented successes which we had achieved through the Alliance for Production.

Severe droughts followed by early frosts fell pitilessly on the agricultural heart of the country. Much was lost for much had been sown and much was anticipated. The direct losers were the farmers who, up to now, have been the only ones to run risks on crops with only relative insurance protection. . . .

We were not discouraged by the criticism that shifted magically from the obvious climatic causes to their effects: the importation of grains. Ultimately, the armchair critics laid the blame for the failure on the systems and on the farmers. They forgot all about the weather and are joyfully harvesting their crop. It was a good year for them. . . .

The Mexican government is not willfully bent on expropriation. Its aim is to guarantee assured land tenure, but, at the same time, to ensure a sufficient supply of basic foodstuffs for the population while remaining strictly within the law, but we will use it to the utmost to become more efficient. . . .

The PNDI

In accordance with the Industrial Program, we decided to go beyond the simple import substitution model adopted by the country in 1940. Understandable in its day, it is too limited to meet the production and employment needs of today and the requirements of the Mexico of tomorrow.

We have therefore concentrated our resources and capital goods on the most dynamic and productive strategic activities, such as petroleum, steel, chemicals, petrochemicals, fertilizers and electricity. The facilities that we are now installing in the petroleum, electric and steel industries are among the largest in the world. . . .

We cannot afford to make mistakes today. We will never have another chance like this one.

In accordance with the National Industrial Development Plan, the industrial sector, including the oil and construction industries, grew by 9.9 percent in 1979. We expect to surpass that rate in 1980. . . .

We cannot develop a capital goods industry or other machine-tool industries without a solid steel industry. . . . Although spectacular increases in plant capacity utilization indexes and in transformation coefficients for the conversion of iron into steel products have been achieved as a result of the expansion and better use of the industrial complex, a major investment and efficiency effort will be required to meet coming demand, which in 1990 will be almost three times as high as it is now. Steel production in the first six months of this year was 3 million 476 thousand tons, of which 55 percent was produced by the state-affiliated sector; and the rest by small businesses that produce minor amounts of steel for specialized uses. With the second phase of SICARTSA, which is already underway, 31 percent of the total domestic demand, mainly issuing from the construction and automotive industries, will be met.

However, demand projections are of such magnitude that increasing installed capacity to meet them would require the opening of a new complex like SICARTSA every year. We are therefore seeking innovative, efficient and self-sustaining ways to finance state-affiliated industries. The alternatives are simple: either we produce or we import or we do not grow.

The challenge for the next ten years is to increase the installed capacity of the entire industry by 170 percent.

Before 1982, we are going to launch another large-scale project. . . .

Public and private enterprise are not antithetical terms. One cannot take the place of the other; rather, they complement each other and should coordinate their activities. This is both the essence and the rationale of our mixed-economy system. For public enterprises, large and small, government programs and budgets constitute guidelines to which they must adhere, flexibly, but also with discipline. For private enterprises there are the joint-action agreements within the Alliance for Production. Overall and sectional plans rely on both these forces, and are aimed at coordinating their action and directing it toward common goals.

Mexico's oil

For many years to come, for Mexico, as for all mankind, the major source of energy and primary input for industry will be petroleum.

And we have it. As of this date our reserves are as follows:

- Proven 60 billion 126 million barrels
- Provable 38 billion, 42 million barrels
- Potential 250 billion barrels

In December, 1976 we ranked fifteenth in the world as an oil producer. Today we rank fifth. Mexico's proven oil reserves then put us in eighteenth place, whereas today we also rank sixth in that respect, and fourth in recovery of liquid hydrocarbons from gas.

The effort made by the oil industry will enable us by the end of this year, to reach the level of production originally projected for 1982. We are currently producing slightly more than 2 million 300 thousand barrels a day.

The production target set on March 18th of this year is 2 million 700 thousand barrels a day. It will be attained next year, and should be thought of as support for both our domestic economic policy and our foreign policy. As long as present conditions prevail, it satisfies domestic demand and its growth, gives us financial autonomy, and determines the size and pace of the efforts that the other sectors of the economy will have to make. In foreign affairs, it enables us to fulfill the export commitments, that are part of our policy of cooperation, and sets the limits to which we are willing to go if the state of the present international economic order and the corresponding disorder in energy matters continue unchanged. We have met our commitments to other countries without speculating or distorting world prices.

Taking into account our reserves and the relationship between production and the country's development needs, we have a margin of safety of more than 60 years, whereas in the world as a whole the average

margin is around 30 years, and in the industrialized countries it is much less than that. We must maintain adequate installed capacity so as to be able to respond with flexibility to any contingency.

On March 23, 1979, Ixtoc I (which curiously enough means "fire-stone" in Maya) was extinguished and capped.

A year ago that serious accident was like a burning wound that pierced us to the core and split us into opposing camps. Our attitudes and emotions were as uncontrollable as the blowout.

Today it is merely a memory with a valuable lesson to teach us—a source of satisfaction for those of us who faced and overcame the problem, but a perhaps disconcerting and even a bitter pill for those who held up Tezcatlipoca's black mirror. . . .

From abroad, with Zarathustrian gestures and ambitions and a blindness to its own faults, came the voice of utilitarian arrogance, always present in our relations with powerful nations, the same one that in 1900, at the great Philadelphia Trade Congress, came up with this cynical formula: "If the natives and their governments are careless in their use of resources, they are useless servants, and therefore, that wealth should be taken out of the hands of such useless servants and given to those who know how to use it."

Mexico's oil is ours and is for our own development. This has been true ever since we rescued it from being squandered at the powerful and materialistic hands of concessionaires.

Now that the problem has been solved, before the eyes of the nation I render my tribute of admiration and gratitude to the workers and technicians who refused to bow to adversity, but gave battle and won. They conquered both the emergency and the objective. The dark times are forgotten. Let us guard against the envious and ambitious prophets of doom. Mexico came out the winner. We all did. . . .

Petroleum production is not the ultimate objective of the efforts of this administration. For Mexico it represents a historic landmark: the opportunity to abandon once and for all the status of a country that has been stigmatized by a colonial past.

Petroleum paves the way for authentic balanced development with financial autonomy, but we should be aware that this opportunity will not last forever. Today we are in a propitious stage that we must use to best advantage. . . .

International diplomacy

We are all participating in a world threatened by grave omens, whose complexity increases daily. Two-thirds of humanity lives on the outskirts of progress while the great powers who have achieved it stir up the

shades of a new cold war era and create conflicts they spread over the entire planet in their efforts to preserve their advantages. Bent on imaginary Crusades, their political logic has become a historical contradiction. . . .

The alternatives are: to transform international disorder through concerted, fair and congruent actions or to allow violence and poverty to lead us back into the Dark Ages.

On September 17, 1979, Mexico proposed to the United Nations the elaboration and adoption of a world energy plan that would effectively contribute to solving the energy problems faced by a majority of the world's countries. These problems increasingly aggravate the imbalances and difficulties of the international economy. . . . As a partial and temporary expression of the world energy plan we proposed, Mexico and Venezuela have agreed on a program of cooperation with the Central American and Caribbean countries that will guarantee the latter a supply of oil sufficient to their needs. . . .

It has now been almost a year since our meeting with the President of the United States, and in the interim the complex and numerous daily relations between Mexico and that country have grown clearer, and now lie within the natural and logical framework on neighborly relations that we both want to keep on a mutually useful, easy and cordial basis. There is nothing that cannot be solved on a basis of mutual respect for one another and for our individual rights, with firm and independent political determination. We want to stand on our own two feet in our proper place in the world and not be given a back seat in a sphere of influence. . . .

Overall plans for bilateral economic cooperation, were established with Japan, Spain, France, Sweden, Canada and Brazil. These plans call for a unified, increasingly complex and diversified approach to economic relations, including such aspects as trade, finance and industrial and technological complementation.

This totalizing or package process far surpasses relations based on simple and separate trade dealings and establishes a new approach to our bilateral economic relations: oil, and other resources, products, and services in exchange for a partner's role in the economic development of Mexico.

It was also true that in every case, as with the Federal Republic of Germany, there were essential points of agreement, particularly on the need to find peaceful solutions to world conflicts.

In that same spirit, we have just made a trip that included visits to Costa Rica, Panama, Brazil, Venezuela, Nicaragua and Cuba. . . . We believe that Mexico's independent position may represent a factor for unity and a stimulus to the Latin American peoples, so regrettably increasingly divided by positions that appear to be irreconcilable. . . .

The society of nations is a product not of reason but of history. Countries are what they have been able to become; not what they would have wanted to become. To judge Mexico's relations on the basis of personal sympathy or antipathy is a poor attitude. The pluralism we practice at home is also the standard for our conduct abroad. As citizens, even though we may not agree, we owe each other respect. The same is true of nations. That is the best guarantee of peace. . . .

Mexico's tasks

If we deepen the divisions between groups or selfishly capitalize on the advantages of our system by exploiting and stealing from each other, or if we ignore the needs of others, we will destroy the very thing we are working for—the Mexican way of life and its values. Neither class loyalties nor special interest groups can replace it. It would mean a return to medieval times, each man pitted against all others, feudalism and fanaticism, terror and chaos. . . .

We have chosen to persuade, to recommend, and to stress the results of using dialogue and reason, rather than to resort to coercion or scare tactics, to do away with freedoms—a course that is clear at the beginning, but leads we know not where. . . .

We reject the artificial Manichaeian division between politician and technicians. What to do and how to do it are not mutually exclusively questions, but mutually qualifying aspects of a single process. Technical expertise shows us how to do things right. Politics, a science of values and decisions, tells us which ones to do and when. Since the time of Plato, people have condemned technocrats, not because they know how to do things, but because we cannot accept dictatorships of men no matter how knowledgeable they may be. Instead, we want governments of laws, which provide the environment necessary for democracy. We must not fail to make use of those who know how to do things well, if the things they know how to do are part of the political good we aspire to. . . .

Mexico's battle for its progress and independence is the one being fought by the whole developing world. We cannot lose it. It would prove the Zarathustras right. Almost as much as we ourselves, our friends around the world want us to be efficient and hope that we continue to be free.

Neither the whirlwind of inflation nor the dark shadows of our inner demons shall defeat us.

Let us rise up together and fight those phantoms.

Let us defeat them here and now. With our strength and decision. For ourselves and for our children.

Let us grow with justice. Through Mexico; for Mexico.

VIVA MEXICO.

The new role of the military

by Dolia Estevez Pettingell

Over the recent months, the armed forces have adopted a new politically active role in Mexico. Putting aside their traditional role, which has been restricted to little more than periodic expressions of loyalty to the Mexican Constitution, top officers have made it known that the military will henceforth play an aggressive role in defending *and participating in* Mexico's economic development. This, they have stressed, represents the best guarantee for Mexico's security and national sovereignty in a time of great national and international danger.

The Mexican military is taking on this new high profile under the direction of President López Portillo himself.

This policy shift was signaled by a July 24 speech of Defense Minister General Félix Galván López. Speaking to the 7th Regional Meeting of Chiefs of Military Zones, General Galván spelled out for the first time the concept that security equals economic development, and that "the concept of national security is not now, nor has it ever been, set apart from [the concepts of] justice, freedom, and progress." President López Portillo, present at the ceremony, regaled General Galván with unusual praise: "I would have liked to have conceived and written the speech myself; it is made up of the most massive, complete, and structured foundation that I have ever heard."

One month later, on Aug. 23, the head of the Naval School of the State of Veracruz, Rear Admiral Fourzán Márquez, emphasized that "foreign and domestic threats" against Mexico make it imperative that the armed forces play a leading role in protecting the government's industrial development plans.

And more recently, on Sept. 2, Brig. General Alfonso Pérez Mejías, the head of the Superior War College, spoke at the armed forces' annual banquet in honor of the Mexican president and drew the same conclusion, focusing attention on Mexico's agricultural sector. Attacking those who attempt to use "food as a weapon," General Pérez announced that the military will actively help implement the government's plan to achieve self-

sufficiency in food. This is essential, he said, to "eliminating our foreign dependence and securing our sovereignty." The reference to Kissinger-authored threats to blackmail Mexico by withholding food shipments was unmistakable.

All three of these remarkable military statements should be viewed as tantamount to official Mexican policy, since they were all made in the presence of López Portillo. In Mexican politics, the presence of the chief executive usually means that all speeches delivered have been cleared and approved. Furthermore, long-time observers of the Mexican political scene have stressed that General Pérez's speech in particular, delivered scarcely 24 hours after López Portillo's State of the Union address, should in fact be viewed as part of the President's intended message. Pérez merely put in words what protocol prevented López Portillo from stating personally, lest he aggravate the already strained diplomatic relations between the U.S. and Mexico.

The new military role is significant more as a statement of intent than as a deployable capability. Mexico's military strength, as is generally known, is underdeveloped and relatively incapable of confronting a major foreign military aggression of the sort that they fear an oil-hungry American administration might launch. Rather, it should be seen as a commitment by the López Portillo government to correct this situation, by increasing the military budget and granting the armed forces a prominent role in Mexico's development plans.

As for the possibility of Mexico's military deciding to run the country on its own, the fact of the matter is that 60 years of uninterrupted constitutional rule in Mexico have made it virtually impossible to manipulate the Mexican armed forces into such a move. In fact, in 1968, when Mexico went through the worst crisis of recent history as a result of a classical "right versus left" destabilization, the Minister of Defense at the time, General García Barragán, personally intervened to *stop* coup plotting promoted by the U.S. Pentagon.

General García Barragán's personal secretary at the time was the current Defense Minister, General Félix Galván. General Barragán's son, Javier García Paniagua, is today the Minister of Agrarian Reform.

López Portillo's confidence in the military is perhaps best expressed in the increasing budget allocations that his government has been granting to the armed forces. According to U.N. statistics, this year Mexico and Cuba will be the two countries in Latin America with the greatest increases in armaments expenditures. The Mexican armed forces, as well, have gone on shopping tours for sophisticated equipment from Europe. As General Pérez Mejía proudly stated: "Mexico has today, may I say, a better army than it had last year . . . because of the support, understanding and trust shown by our commander-in-chief."

General Galvan Lopez on development

From the speech by Gen. Félix Galván López at a regional conference of military zone commanders, July 24, 1980, in the presence of President José López Portillo:

“At this point in our history, we are looking toward the future, conscious of our needs.”

In making this statement in reference to our national development plan, our president, José López Portillo, affirmed that being conscious of our needs and positing them as problems also makes them solvable.

“We wish to take on,” our commander-in-chief added, “predetermined and free but obligatory action. . . .”

In my judgment, this predetermination is located in our freedom and democracy and has been grounded in the most advanced and coherent Global Development Plan in our history.

That plan, which we have understood to be the fundamental key to the required transformation of Mexico, is a commitment already made by the state sector in which our armed forces are located.

By guaranteeing the integrity, independence and sovereignty of the nation, the Mexican army and air force contribute to the viability and attainment of this national vehicle for planned development.

In this global plan, it is clear that the great objectives and strategies it poses are contingent on the existence and preservation of a climate of dynamic stability, order and peace. . . .

The military offers subordinate obedience to the people, through their government.

Of course, it is impossible to understand the army outside of the government or the state, without confusing those terms. . . .

The military institution, far from eliminating or annulling social potentialities, gives them sustenance through legitimately constituted civil authority.

It takes a vanguard position, incorporating ethical conceptions into its own authority.

It is thus located as an adjunct of political stability which is a precondition of freedom, and it lays a solid basis for the organization that consolidates power and authority. For, “in the modernizing world,” (or so say the theorists), “he who organizes his policies controls the future.” . . .

As a country, we have more to defend today than in previous times. Our coveted resources are greatly expanded. Our vital installations have grown considerably,

and our very population has multiplied in impressive proportions. Even so, we will meet our obligations with the means our country provides.

While it is true that in the history of revolutionary governments, the percentage of public expenditures allocated to national defense has been reduced because of other justified national priorities, we have with great conviction accepted [this fact] in our training, esprit de corps, sacrifices, but above all, our broadened concept of loyalty in which we were trained.

Our enthusiasm and sense of service is not a financial question or matter of pesos and centavos. This is the difference between a mercenary and a soldier of the Republic.

Our president has indicated that there will shortly be more funds so that we may recruit more troops and [improve] our way of life and methods of combat. This is glad news and is proof of the understanding and affection of our head of state toward the armed forces. . . .

The concept of national security is not now nor has it ever been set apart from [the concepts of] justice, freedom and progress. . . .

National security is a dynamic concept; it evolves at a social pace and is based on the certainty that the army plays an unquestionable role. . . .

It is unnecessary to allude to the sharp and ever-present threats to national security facing us from abroad.

We Mexicans know, and have always known them.

History has given us no truce, but we have learned that [threats] do not overwhelm or destroy us. We could almost say that they have given us cohesion and strength.

Admiral Fourzan Marquez on oil field defense

The following article appeared in the Aug. 24, 1980 edition of the Mexico City daily Excelsior. It reported on the speech given the previous day by Admiral Osvaldo Fourzán Márquez, director of the Veracruz Naval Academy.

Admiral Osvaldo Fourzán Márquez, director of the Veracruz Naval Academy, warned yesterday that the country’s oil wealth demands a more advanced conception of national security. “We cannot trust that our interests will be respected based only on our policy of non-intervention,” he said.

Speaking in the presence of President José López Portillo, Fourzán warned that “we cannot continue to develop Mexico’s commercial and industrial infrastructure without also considering the possibility of some external or internal action perpetrated against our interests.”

He added that it becomes more difficult each day for



Photo: Government of Mexico

A banquet given Sept. 2 by Mexico's military command for President López Portillo (center). At right are Admiral Cházaro Lara and Congressman Luis M. Farías; at left is General Galván López.

the Navy to adequately defend the country's oil rigs and platforms.

The Admiral explained that the country's oil wealth has an enormous strategic value, and that this enhances the nation's power, as new industries and new sources of employment are created. But, he continued, "The current world situation is unfortunately such that our geopolitical situation has taken on increased importance."

Fourzán emphasized that in the construction of new industrial complexes, the opinion and advice that the armed forces can offer with regard to national security should be taken into account to guarantee and facilitate the defense of these installations. As an example, Fourzán pointed to the difficulty the Navy faces in protecting the port of Dos Bocas in Tabasco, the oil rigs of Campeche, the complexes at Pajaritos, La Gangrejera and Morelos in Veracruz, and the works planned for Cayo Arenas off the coast of Yucatán.

General Perez Mejia on the food weapon

Speech given by the Director of the Superior War College, Brig. Gen. Alfonso Pérez Mejía, at a breakfast given by the armed forces in honor of President López Portillo on the occasion of his Fourth State of the Union address:

The loyalty of our armed forces, dictated by our laws, our conviction and our nature, has proven to be an important factor in the peaceful development of the country.

The absence of armed conflicts indeed creates the illusion that we live in a time of peace—a dangerous mistake.

The world is presently engaged in a bloodless war, the weapons of which are gold and energy speculation, the shrinkage and restriction of credit, deliberate infla-

tion, and the control of the markets and the imposition of low prices for raw materials, among others.

An economic war exists, then, that has been imposed by the highly industrialized countries to maintain their hegemony and their lifestyle, and which paves the way for an imminent and overwhelming food war.

In this war, the use of food as a weapon promises to exceed what already takes place in economic activities.

The fundamental importance of the Mexican food system, the first objective of which is to attain self-sufficiency, will eliminate our foreign dependence and secure our sovereignty.

The participation of the armed forces in the Mexican food system will also be important and shall be directed to the tasks of guaranteeing peace in the countryside, aiding and supporting the peasants in their agricultural tasks, and maintaining the vitality of communications that make the transportation and supply of their products possible.

This effort fits within the context of one of the postulates of the Global Development Plan, reaffirming and strengthening the independence of Mexico as a democratic nation.

We have been given the mission of securing the nation's integrity, independence and sovereignty through the maintenance of constitutional rule and the effectiveness of law.

As specific tasks that complement the traditional ones, we are responsible for protecting strategic installations and marine resources, as well as protecting our territorial waters, air space and communications. But in all these missions, however difficult circumstances may seem to be, we have not been prevented from improving and expanding our action within the institutions.

Mexico has today, may I say, a better army than it had last year, and this not only because of the commitment made from the lowest ranks to the high command, but because of the support, understanding and trust shown by our commander-in-chief.



Brzezinski's 'Paddock Plan' for the Mexican population

by Tim Rush

On Aug. 11, 1980, the Mexico City newspaper *El Heraldo* published an eight-column front page story: "Brzezinski Tries to Destabilize Mexico: LaRouche." In it, *El Heraldo* reproduced extensive excerpts of the 1980 draft Democratic Party program of U.S. Democratic presidential candidate Lyndon H. LaRouche, in which LaRouche accused U.S. National Security Adviser Zbigniew Brzezinski of trying to implement the "Paddock Plan" for Mexico. The ultimate purpose of Brzezinski's actions, LaRouche charged, was to keep Mexico in maximum economic backwardness, induce a process of "Iranization," and through the resulting destabilization take control of Mexico's oil.

The original impetus for LaRouche's charges were declarations made by Paddock in the 1975-76 period that "the Mexican population must be reduced by half. Seal the border and watch them scream." Asked how population would fall so drastically, Paddock explained at the time: "By the usual means—famine, war and pestilence."

LaRouche characterized this as a policy of genocide, and linked it to the policy planners of the then-incoming Carter administration, in a major nationwide election-eve television broadcast on Nov. 1, 1976, viewed by a minimum of 20 million Americans.

The *El Heraldo* coverage—bolstered by five additional columns and editorials over the succeeding two weeks—sent a shock wave through Mexican political circles: What is the Paddock Plan? And what is the link to Brzezinski?

The *El Heraldo* splash also provoked a panicked response from the U.S. State Department, which dispatched the American embassy in Mexico City to try to discredit the LaRouche charges by sending *El Heraldo* an unsolicited packet of slanderous press coverage of LaRouche.

Brzezinski linked to a plan to reduce Mexico's population by 50 percent and destabilize the country? "Preposterous," argued the State Department.

American businessmen eager to do business with an economically thriving neighbor might also question how any U.S. government would want such a policy implemented.

Yet a series of exclusive *EIR* interviews with Paddock—and with a group of his closest collaborators—not only reconfirm the original 1976 charges, but add new information which fully confirms Paddock's link to Brzezinski—and to even higher levels of the Anglo-American policy elite. Paddock has functioned for 15 years at the inner core of genocide planners directly tied to NATO and its zero-growth propaganda arm, the Club of Rome.

The "Paddock Plan" emerges, in the course of reviewing this history, not as a single published document per se, but as something much more powerful: as a strategic approach toward Mexico and other Third World countries, adopted as policy by the highest echelons of the Anglo-American elite and which determine U.S. policy toward Mexico today.

Who is William C. Paddock?

Paddock received training in plant biology at Cornell University and began a career in tropical agronomy in the late 1940s. For the decade of the 1950s he lived in Central America, primarily Guatemala and Honduras, and took frequent trips to Mexico. In the 1960s, he established a private consulting firm in tropical agronomy, Paddock and Paddock, and devoted increasing portions of his time to work with his brother, Paul Paddock, in researching the issue of world population growth. Paul Paddock (deceased in the early 1970s) was a career State Department officer serving in Mexico in the late 1930s.

The first fruit of their joint research was a 1963 book, *Hungry Nations*. In 1967 they published their magnum opus: *Famine—1975!*

The core concept of this book is that the idea of "triage" has to be extended from wartime use to broad application on entire Third World populations. "Triage" was coined during the First World War to describe the process of dividing war wounded into three groups when medical resources were insufficient: those capable of surviving without medical care, those uncertain of survival even with medical care, and a middle group of moderately wounded who would live if treated.

Only the third group would be given medical attention.

The Paddock brothers immediately emerged as part of a triumvirate of figures today viewed as the pioneers in population control theory. The other two were Paul Ehrlich and Garrett Hardin (see interview.)

Hardin, a University of Chicago-trained biologist, issued a 1968 manifesto for the American Academy for the Advancement of Science which for the first time openly stated that the voluntary birth control programs were insufficient to halt world population growth. "The population problem has no technical solution," Hardin insisted, and what people must face is that the "freedom to breed will bring ruin to us all." Coercive methods by state authorities are required to reduce populations, he argued.

A few years later, Hardin expanded his argument for "coercion" to encompass the concept of "lifeboat ethics," the companion concept to Paddock's "triage." If a lifeboat is overcrowded, and taking on more people will mean the entire boat sank, it is justified to deny survival to the latecomers. In the case of food and population, the "rich nations" are now floating lifeboats in a sea surrounded by drowning "poor nations," Hardin propagandized. "For the foreseeable future, our survival demands that we govern our actions by the ethics of a lifeboat, harsh though that may be," Hardin testified in congressional hearings *against* U.S. aid allocations to famine-ridden countries.

Paul Ehrlich's 1968 book, *The Population Bomb*, popularized Paddock and Hardin's work. It became a national bestseller across the United States. "Many apparently brutal and heartless decisions will have to be made," Ehrlich wrote.

This seminal work by Paddock, Hardin and Ehrlich took place during the same years, under the broad direction of a larger effort: the creation of the Club of Rome by the planning agencies of the North Atlantic Treaty Organization (NATO) (see Part II).

The Club of Rome, officially created in 1969 based on organizing efforts in which Zbigniew Brzezinski played a prominent role, immediately launched the umbrella concept within which triage and lifeboat ethics found their place: Limits to Growth.

The 1973 split-off

A year after the Club of Rome's *Limits to Growth* "computer" manifesto by Meadows and Forrester, Paddock and Hardin split a group out from the more "mainstream" family planning organizations to found an organization dedicated explicitly to popularizing the need for coercive programs to reduce births.

This was the Environmental Fund, created in 1973. Its "statement of purpose" described it as "an effort to stimulate thinking about the unthinkable." The Fund has "no use, no time, and no interest" in merely voluntary birth control programs, observers have stat-

ed. It is with the formation of the Environmental Fund that what can be called the U.S. "Genocide Lobby" formally takes shape.

Two of the Environmental Fund's seven board members are directors of the Atlantic Council, the official policy arm of NATO. These are Justin Blackwelder (see interview), the Fund's president, and Adolph W. Schmidt. Schmidt's background is particularly noteworthy. He served as a member of the U.S. delegation to a half dozen of the most important NATO policy councils of the 1957-1967 period leading into the creation of the Club of Rome. He then served for a period of time as the first chairman of the Population Crisis Commission before being named U.S. ambassador to Canada from 1969-74.

"Almost 100 percent" of the funding for the Environmental Fund, according to reliable sources, comes from the Mellon family (Gulf Oil heirs) of Pittsburgh. There is also a direct family connection. Cornelia May Mellon Scaif sits on the board of directors of the Fund; Adolph Schmidt's wife is Helen Sedgely Mellon. Paddock himself provides funding, from a small personal fortune of unexplained origins but linked by some also to the Mellons. (Paddock owns three homes, including one in the Bahamas.)

Policy in high places

After 10 years of indirect collaboration, Zbigniew Brzezinski directly put his name to Paddock's work. In the summer of 1976, Brzezinski sent in his name as an official endorser of an Environmental Fund's full-page newspaper manifesto printed in the *New York Times* and the *Wall Street Journal*, which demanded more than birth control to halt population growth. Though he refrained from further direct endorsements after assuming his post as National Security Adviser a few months later, Paddock assured a reporter for the *Executive Intelligence Review* last week that Brzezinski "agrees with my views."

At the time of his endorsement, Brzezinski was the executive director of the Trilateral Commission in New York, a leading member of the New York Council on Foreign Relations, and chief foreign policy adviser to Democratic presidential candidate Jimmy Carter.

This was just one of many indications that Paddock's work was being incorporated directly in planning at the top of America's elite.

That same summer of 1976, George W. Ball published a new work, *Diplomacy in a Crowded World*, in which he extolled the work of William and Paul Paddock, along with collaborators Ehrlich and Hardin, as one of the formative influences on his proposals. Ball, an elder statesman of the Eastern foreign policy establishment, served as Undersecretary of State for Economic Affairs from 1961 to 1966, and since 1968 as a senior partner in one of Wall Street's most powerful

investment houses, Lehman Brothers. Citing *Famine—1975!* as back-up, Ball wrote in *Diplomacy* that the U.S. had to learn to “be cruelly kind instead of kindly cruel.”

Ball went on to cite Mexico as a leading example of the problems “foreign” population growth creates for the United States. Mexico’s population will exceed 130 million by the year 2000 “unless new and stringent measures are taken,” Ball threatened, impelling “an increasing number” of “unwanted” Mexicans across the border into the United States.

William Paddock’s work continued. His Environmental Fund again played a leading role in formulating policy in 1980, this time advising the drafting of the State Department’s latest “futurist” forecast: *Global 2000*. Issued last month, *Global 2000* is cited by several Environmental Fund directors as “an excellent report, very hard-hitting. . . . We should be proud that a government report is so good.” (See *EIR*, Aug. 12, 1980.)

FAIR and the drive to shut the border

Paddock’s 1975 commitment to spark population reduction in Mexico by halting the flow of workers to the U.S.—“Seal the border and watch them scream!”—took active institutional form in 1978-79, when he split a separate agency out of the Environmental Fund, which is dedicated to halting immigration into the U.S.

This was the Federation for American Immigration Reform (FAIR). Paddock sits on the board of directors and, according to Washington sources, is a principal funder.

The chairman of the board is Dr. John Tanton (see interview), a Michigan doctor who first worked closely with Paddock in the mid-1970s at the Environmental Fund. At that time Tanton was also president of the Zero Population Growth organization; Paddock served on the ZPG board, whose executive director today is Roy Morgan (see interview). Subsequently Paddock quite ZPG because he felt the organization did not adequately endorse coercive methods of population reduction. Tanton, left because, in Morgan’s words, “ZPG’s position on immigration was too moderate.” Tanton is also a member of the U.S. Association of the Club of Rome.

Also on the board—and a major funder—is Sidney A. Swensrud, former chairman of Gulf Oil Corporation. This is an extension of the Mellon connection at the Environmental Fund.

On the congressional side, FAIR virtually runs the office of the leading Senate proponent of immigration reduction, Walter D. Huddleston (D-Ky.). One top FAIR official terms Huddleston “the key person in the entire Congress” in this area. In June Huddleston led a successful Senate fight to set a ceiling on fourth quarter 1980 legal immigration at a level 30 percent below previous quotas.

On the House side, FAIR is working in collaboration with Clair Burgenor of California and Hamilton Fish of New York, but “neither has an individual staff person who is energetic and really tying into the issue.”

Financing for FAIR was officially \$200,000 in 1979. During the first six months of 1980 it doubled to \$400,000. FAIR contracted a major Washington public relations firm to design a one-million-piece mailing in late spring. Based on this mailing, FAIR is attempting to increase its current membership base of 1,500 to 15,000 by the end of the year.

“We plan to be ready for a big push when the new Congress convenes in January,” a spokesman said.

FROM THE POPULATION PLANNERS

Paddock: ‘Growth is something you have to stop’

On Aug. 28 and 29, the EIR conducted interviews with William Paddock. Excerpts follow:

Q: What is the “Paddock Plan”?

A: I think that what that Paddock Plan is referring to is a proposal that I made in Houston about three years ago, in which I proposed that the U.S. agro-scientific organizations deny research to countries that could not get their population growth under control. If you do anything to increase food production through more agricultural technology, all you are doing is increasing future suffering, because there will be more people, population will expand to absorb that food, and the results will be a greater disaster. . . .

Q: This is Malthus’s theory.

A: Sure, yes.

Q: Did you propose in that plan that Mexico should reduce its population by half?

A: Well, I have never said that. But I think it would be an excellent thing.

Q: How can you motivate people to reduce the birth rate?

A: . . . You’ve got to break the syndrome of wanting more and more children. That is one aspect of it. Another aspect is that you can do it with taxation; you can change the tax fare for people with fewer children rather than more children. You have disincentives for children. In the case of Singapore today, if you have three children,

the third child, the fourth and fifth, are not allowed to go beyond high school. You deny the children certain privileges of education. Now, that is very, very hard on the children, but it gets the message to the parents. . . . Now, in the case of China, they have lowered the birth rate significantly for the past 10 years since the Cultural Revolution, and they have done it largely by making it illegal to get married before the age of 25 or 26 years. . . . In China it's a little bit different because there is no premarital sex and it's a very pure Oriental society, which is not true for Western civilizations. But first the government has to make a decision to have fewer people; once they make the decision they start analyzing what do we do about it. Most countries don't have the guts to do it. Most politicians don't; it's not a popular thing.

Q: And the case of Mexico?

A: Mexico simply can't handle 60 million people, much less 120 million, in 25 years. . . . Any fool knows that . . . Mexico has a very poor piece of real estate. Agriculture is not worth a damn. Iowa has more good agriculture than all of Mexico put together. . . . Think how prosperous Mexico would be today if it had the population of 1933, 18 million.

Q: But you have to have *some* rate of growth.

A: You don't have to have any growth. It would be beautiful if they were 18 million now. You can look at the statistics and see what happens to the world population if it grows one percent. We would all be dead in one hundred years. *Growth is something you have to stop.* No alternative, even a half of a percent, or a quarter of a percent, would eventually completely inundate the world. But don't think you have to have growth. That's one of the most foolish things to think in terms of growth of population. . . . There are two ways to control your population: you either increase the death rate, or you lower the birth rate.

Q: What would be a realistic growth rate for Mexico now?

A: Zero. Or a minus one or a minus two percent would be delightful for Mexico. . . .

Q: You said there are two ways to control the population: increase the death rate or decrease the birth rate. So far we have talked about the second way. How do you foresee the first way being done?

A: Well, of course I am not going to advocate increasing the death rate. Why should I—why should anyone? But you know that the only alternative that you have if you cannot lower the birth rate, then you've got to increase the death rate if you want to lower the population size of the country. I would not recommend war, because war is a very ineffective way of doing it. During the Vietnam

war the population of Vietnam increased by 10 percent. During World War II the population of Europe increased 10 percent. That is why I say that wars are an ineffective way of lowering the population size. So I would not recommend war.

Of course the population size is going to fall in Mexico. You know that. If it continues to grow the way it is, one of the four horsemen of the apocalypse will take over, it will be war, it will be famine, it will be disease, something is going to happen. I don't know when, five years, 50 years, but the population size will come down.

Q: What do you think about the possibility of combining the two ways?

A: Well, increasing the rate of death is a very hard thing to talk about or to analyze. No government is going to stay in power with that policy, even a military government.

The only choice would be that if the government is totally committed to this, they could put more money into services that provide birth control information than they do into caring for the aged, for example. There is always a limit on how much money is available for medicine. The government can't make a commitment to one end of the scale or the other. So when they have \$100 million to spend on medicine, they can decide to spend a greater percentage on birth control information than they do on caring for the aged, or a pure water system. And if anyone objects, well, you say we don't have any more money to spend, money is limited.

Q: Do you have ties to the Club of Rome?

A: No, I'm not a member. I think their Limits to Growth is a computer study of something that we have been saying for years. To me there was nothing surprising about it. The conclusions are very logical. Ultimately you know that industrial society is going to collapse.

Q: LaRouche says that Brzezinski has taken a lot of the so-called Paddock Plan to shape his policies toward Mexico. Can you comment on this?

A: Well, I don't believe that. But Brzezinski did sign one of our early statements for the Environmental Fund and we used his name in some of our advertising. . . . I helped write those statements, so you can say we were in agreement. . . .

Q: So you are saying he generally agrees with all of your views?

A: I would not say in general; I would think he would agree with my views.

Q: Who would be a good President for you?

A: I did like Bush, but of course we don't have that choice now.

Morgan: 'We support holding the line'

Roy Morgan, the Executive Director of Zero Population Growth (ZPG), gave the following interview to EIR on Aug. 29. Paddock split from ZPG in the mid 1970s due to differences over just how radical antipopulation measures should be.

Q: Why did Lyndon LaRouche single out the name of Paddock? Was it his "lifeboat ethic"?

A: Well, he [Paddock] is in the lifeboat school. I can't agree with that lifeboat approach. Their approach is, for their own good, to shut the borders and let them drown in their own waters. That's the whole lifeboat theory, that you're doing people a disservice by letting them come into this country. Our position has been in the middle. We're opposed to reducing immigration. We support holding the line where it is.

Our approach to stopping illegal immigration into this country might be different from FAIR's. I don't think they would be the least bit disturbed if the border were manned. We just don't see an armed border. . . . We've never supported putting the military on the border. We've never supported round-ups, [and other] simplistic, black and white solutions.

Q: Have you been working with the Hesburgh Commission?

A: Yes, we do a lot of work with them, a tremendous amount.

Q: The funding for ZPG, where does that come from?

A: It comes from private members: $\frac{2}{3}$ from subscribing members, and $\frac{1}{3}$ from foundations and funds. We have no federal money. There are about 30 foundations, mainly small ones, but we've also had money from the big ones. We had a little bit of money from the Rockefeller Foundation; we had 2 years of grants. We've had money from another fund in St. Louis, which is the group that developed Emco foam products, birth control products. . . . We've had money from family members of companies such as Life Saver candy. . . . Prentice Hall family money through their personal family foundation money comes to us. A guy that was formerly with Standard Oil; a guy that was formerly international VP of Texaco. We have some ESSO family money. The strangest thing is we get money through the foundations, from companies that would not normally want to be identified with ZPG. You know what I mean. Can you imagine big corporate types from Gulf & Western,

Standard Oil, Texaco, ESSO, Sun Oil Company, Prentice Hall, and candy companies providing money? . . .

Q: Do you work closely with people over at the Club of Rome?

A: Oh, yes, we're kind of friendly. They do international work. We don't do much international work. We know them. They're down the street. We see them at meetings. In the four years I've been here the only thing we've collaborated with them on closely is the "Global 2000 Report."

Q: The Global 2000, I think Muskie had a press conference on that?

A: Yes, it's the report that was put out by the State Department and the Council on Environmental Quality.

Q: Do you know who in the State Department really pushed that?

A: Yes, Assistant Secretary Thomas Pickering. . . . Actually the person who did all the work, the guy who came down from the Rockefeller Brothers Fund about 3 years ago to do it, his name is Jerry Barney, and he was the project director on the report.

Q: So you're very enthusiastic about the report?

A: Yes!

Q: Well, I think you share something then with the Environmental Fund?

A: Oh yes, they're very enthusiastic about it. It's got potential for everybody.

Blackwelder: 'Reduce it right down to zero'

The following interview with Julian Blackwelder, a director of the Environmental Fund, was given to EIR on Aug. 29.

Q: Do you know William Paddock?

A: I guess I know him and his written works better than anyone else here. . . . Obviously the organization, quite aside from Paddock, would dearly love to see stabilized population growth—our corporate purpose is to reduce the world's population, reduce it right down to zero and, if we should really get lucky, lower than that. It will of course happen whether we are successful or not, but there is an easy way and a hard way. . . . Nature is very good about that; when there's too many of something, something happens. . . .

Q: How would you appraise the work of Mr. Paddock?

A: Well, his written work is flawless. . . . Everything worked out the way he said it would. . . .

Q: Rather than focusing it on the need to reduce population, why not look at it from the standpoint of saying we're going to introduce new forms of technology that will allow you to deal with these problems, to produce more food, etc.?

A: Ah, in other words, if we discover that Bangladesh has incurable cancer, we decide to feed the cancer, so that the patient will not die immediately. If you go and feed people whose problem is the fact that their numbers are forever getting greater, all you can possibly do is incubate catastrophe; you keep enlarging the number of people that you know absolutely have to perish in a very unfortunate way sometime in the future, and reasonably soon. . . .

Q: In other words, what you're saying is that there really exist no technologies capable of dealing with these problems.

A: Absolutely not, unless you're talking about a very short-range solution, meaning something that could put off disaster for five years, 10 years possibly. It will of course guarantee that when the disaster comes, it would be much worse than if it came now. So that's another choice you have to make. . . . I think any humanitarian would like to see the population of Mexico reduced in a humane way. Otherwise it will be reduced in a very inhumane way. . . .

Q: Mr. Blackwelder, would you describe your outlook as Malthusian?

A: No, I wouldn't. But if someone said I had a Malthusian outlook, I don't think I would object to it. Malthus was proved right many many years ago, and the people who stand around trying to say he wasn't right, don't have any idea of what he said, and they don't understand the problem.

Q: So, you really have no objections to his thinking?

A: No . . . the principles of course were absolutely right, there's no getting around that. . . . If a country—Bangladesh is a wonderful example—says look, over a period of 50 years we have multiplied to the point where we cannot now or ever again, anywhere nearly keep these people alive and now we want you to do it. I would say the U.S. would be insane to help, because it would just make it worse.

Q: Are you aware of the fact that Malthus was hired as a propagandist for British colonial policy during the time he lived? You know that British colonial policy did not encourage development for its possessions.

A: Oh, in that case, they were wiser than we are—but I wasn't aware of that.

Hardin: 'The best model we have is China'

On Aug. 29 the EIR talked to Garrett Hardin, who is a colleague of William Paddock on the Board of Directors of the Environmental Fund. Mr. Hardin is also a biologist on the staff of the University of California at Santa Barbara.

Q: What is Paddock's population theory?

A: Let me take an extreme example. The country of Bangladesh is almost exactly the same area as the state of Iowa. Iowa has two million people, Bangladesh has 87 million people. Now to say that Bangladesh is short of supplies is missing the point. They're not short of supplies, short of resources; they've got too many people. If they had only 10 million people, which would be five times that of Iowa, Bangladesh would be a rich country. But there's no way that Bangladesh's needs can be met if they continue reproducing.

Q: How would it be possible to reduce a population in such a situation?

A: Well, the best model we have here is what China is doing now. It sounds as though they've got a workable answer. They are divided into many, many small groups; that is, the production group, a group of 100 to 200 people, and each production group is given a budget each year. That is, for the following year you have so many sacks of rice, so much of this, so much of that, and so forth. And on that basis if you want to have five children during the year for the whole group, you can do it. But if you want to have ten children the budget will not be increased. See, the essential thing is to make the group responsible and to give it a fixed budget that will not be expanded just because the need increases.

Q: Are there possible limits on situations, in terms of democratic procedures, where the larger interests of the nation become predominant?

A: Well, that's what we have to wrestle with. And of course this is why the China experience is so interesting because clearly China is not a democracy in our sense at all, and they are not doing this by democratic means, except in part. That is, the decision is made by a very small bunch of people in power and this decision is communicated to the production group. Now within the production group it is carried out by democratic means. That is, the women actually sit down in groups and argue about who's going to have a baby that year, the women

put pressure on each other. Now that is democracy in a sense, but ultimately it's a very coercive democracy. . . .

Q: Do you consider yourself a Malthusian on these questions?

A: Well, if I had to answer yes or no, I would certainly answer "yes." Because I think Malthus essentially had the correct idea. . . .

Q: What do you know about this report by the Council on Environmental Quality, called Global 2000?

A: Well, we kept in touch with that, we know some of the people who are producing that and we were extremely pleased with the final report. We think it's an excellent report . . . very hard-hitting, beautifully done, with adequate backup. We should be proud that a government report is so good.

Tanton: 'Malthusianism is a fine term'

The EIR conducted the following interview on Aug. 29 with John C. Tanton, the founder and chairman of FAIR, the Federation for American Immigration Reform.

Q: Who works with you on the FAIR board?

A: Well, there are five. Paddock I suppose is the best known. Another fellow is Sidney Swensrud, who's been

the president of Gulf Oil for a number of years and has been interested in the population problem for 40 or 50 years. He's worked with Planned Parenthood and the Association for Voluntary Sterilization. Another young lady by the name of Sheri Barnes who was on the Zero Population Growth board with me and on the Planned Parenthood staff for a while.

Q: Have you worked with the Club of Rome?

A: No, we really haven't—although I happen to be a member of the U.S. Club of Rome.

Q: Well, would you term yourself a Malthusian?

A: Well, I think that's a fine term, and I do believe that there is a disparity between the rate of population increase and the rate of substances that support it.

Q: Let me ask you about the situation developing in East Africa, where I understand there's very severe famine at this point and drought. Do you advocate sending in relief in that situation?

A: Well, that's between the rock and the hard spot. I would be willing to send some relief, but I think that in the long term, each region is going to have to learn to feed itself, and its population is going to have to be controlled on the basis of the food that can be produced in that area. . . . It's just not possible to solve these problems by sending them enough food to keep them going, because there's more needed the next year and more the year after that.

The patrons and the theory of Parson Malthus?

Thomas Malthus, widely recognized as the father of today's zero population growth movement, was Professor of Political Economy at the College of the British East India Company from 1805 to 1834. As such, he played an important role in shaping Britain's colonial policies and in implementing those policies in India.

Malthus is best known today for his population theory, elaborated in his *Essay on the Principle of Population*, published in 1798. Malthus argued that population tends to increase faster than food production. Therefore, he concluded, famines and plagues—like those which afflicted India under British rule in

the nineteenth century—were nature's way of checking the inevitable tendency toward overpopulation. To avoid such cataclysms in Britain, he stated, the growth of lower-class families must be discouraged through a policy of high food prices and low incomes.

"The power of population is so superior to the power in the earth to produce subsistence for man, that premature death must in some shape or other visit the human race. The vices of mankind are active and able ministers of depopulation. . . . But should they fail in this war of extermination, sickly seasons, epidemics, pestilence, and plague advance in terrific array, and sweep off their thousands and ten thousands. Should success be still incomplete, gigantic inevitable famine stalks in the rear . . . and with one mighty blow, levels the population. . . .

"Must it not then be acknowledged . . . that the superior power of population is repressed, and the actual population kept equal to the means of subsistence by misery and vice" [first edition, *Essay on the Principle of Population*, Chapter 1].

Mexico's Excelsior features the EIR analysis of Iranian destabilization

In late August and early September, Mexico's leading daily, Excelsior, ran a 10-part series based on an extensive interview conducted by Spanish journalist José Luis Villalongo with Empress Farah Diba Pahlevi, the widow of the Shah of Iran. In the course of the interview, Empress Farah repeatedly emphasized the excellence of the analysis of the Iran provided by the Executive Intelligence Review, and endorsed the EIR's explanation of the strategic causes and consequences of the revolution.

Already syndicated throughout Europe, the publication of the Empress Farah interview in Mexico's leading newspaper caused particular commotion. The EIR has charged that Mexico is targeted for the same kind of destabilization which Iran suffered, a fact well known to Mexico's political elite and probably present in the mind of the editors of Excelsior when they decided to run the interview. In fact, many Mexican readers read the serialized interview—in particular the Aug. 30 segment presented below—as a virtual war manual to be applied to the case of Mexico.

When the ex-Empress of Iran, Farah Diba Pahlevi, left the Jukk Kubbah Palace last night, she gave me a packet of documents which, in fact, make up a complete report on the causes and effects of the Iranian revolution. They were photocopies of documents which the late Shah kept locked up in his safe. . . .

“Read them carefully,” she insisted. “You will sometimes find what is written there incomprehensible. However, in these papers you will find the confirmation of what I believe: that there is someone who is pulling the strings in this tragedy in which we are merely puppets.”

I spent the better part of that night examining the documents. More than once I was filled with a sensation of vertigo. I became willing to believe that these papers originated as a rotten practical joke by some paranoid of the NKVD or the CIA who wanted to cover over even more the true trail of the origins of the Iranian revolution.

On four big sheets of green paper, it is stated that the invasion of the U.S. embassy in Teheran was by Kho-

meini's secret police—not Iranian “students.” Also that other things which happened after Nov. 4 were the results of decisions made in the offices of U.S. Secretary of State Cyrus Vance and Brzezinski.

They also say that the Muslim Brotherhood, controlled by Khomeini and by his Council of the Iranian Revolution, is purely and simply an entity created by the secret services of Great Britain, the U.S. and Israel. And it is clearly indicated that since the Shah's overthrow and Ayatollah Khomeini's takeover, Iran has not had a real government. And that since the beginning of the post-revolutionary period, the country has surreptitiously fallen into the hands of the group which moves the hands of the Muslim Brotherhood.

The truth is that the British control Iran and that the real leaders of the Muslim Brotherhood are Lord McAradon; Sir John Bagot (the famous Glubb Pasha, the former chief of the Jordanian Arab Legion); Sir Harold Beeley and the Royal Institute of International Affairs; His Royal and Imperial Highness Archduke Otto von Hapsburg; Franz Josef Strauss; and the Pan-European Union.

The documents I held also threw a disturbing light on: A) Anglo-American international strategy and movements which provoked the seizure of the Teheran embassy by the cited types and the spider web woven by the “Iran experts” who are silently strangling that country; B) On the activities of Bani-Sadr's agents in France; C) On the top-secret relations between the United States and Iran which show that President Carter has always supported Khomeini's [secret] services and his Islamic regime. And they also prove that the SAVAK is totally integrated into Khomeini's and Bani-Sadr's government.

The documents become really explosive when they reveal that the strategy set in motion by London had only *one* objective: throwing an effective brake on the European Monetary System. It is impossible to believe that the United States and Great Britain ran the destruction of the entire Iranian nation—first by promoting the Khomeini regime and then by provoking the crisis fol-

lowing Nov. 4, unless you take into account Iran's importance in the international context.

On the other hand, the success of the English and American strategy can only be attributed to the Iranian elite's ignorance of the world's political and financial facts of life during the last 25 years.

A *Business Week* article last Nov. 19 explained the reasons for the Anglo-American provocation of Teheran. The article, entitled "Petrodollar Crash of the 80's," broaches the possibility of creating an Arab Banking System which would recycle petrodollars by means of the European Monetary System. This would put an end to the domination of the financial world by the United States and the International Monetary Fund.

Today nobody finds it impossible to imagine the industrialized West or even the United States alone, confronting the OPEC group and invading the oil regions. And to the degree that OPEC has trapped the West, carrying it even to the limits of its survival, this option becomes ever more probable.

Business Week revealed that the Americans have become aware of the links between the European Monetary System and OPEC, and that it could replace the U.S. banking system and the IMF's Eurodollar market which is centered in London, by a monetary system based in Paris and Bonn.

This alliance could lead to only one result: war. I'll explain this more clearly. The United States decided to risk a Third World War—at this time a nuclear war—in order not to lose financial control over the world.

* * * * *

The "Shabanou" [Farah Diba Pahlevi] granted me my second interview in a suite in the Kubbah Palace, in Cairo. . . .

Once we were alone, she asked me if I had read the documents she had given me the night before.

"I spent the whole night reading them, Madame."

"And what did you think?"

"Well . . . if all that is true. . . ."

"If all that were true," she said, "don't you think it would have a weird similarity to a chess match between two insane geniuses? It's all too perfect, too logical. . . . too unreal."

"You are not mistaken, Madame, in imagining the existence of the conductor of an orchestra, of a manipulator. When one reads these documents, he finds that the Iranian revolution had very little Iranian in it."

"I have also read and re-read these papers. Sometimes I say to myself that everything is perfectly clear. At other times I have the impression that I am reading a John Le Carré novel in which all is so marvelously synchronized that nobody understands anything, not the motives, the causes, nor the effects. . . ."

"In any case, one thing was clear: the hostage seizure

was the result of a plan conceived in Belgrade in September 1979 during an International Monetary Fund meeting."

"True. During that meeting a violent confrontation between the Anglo-Americans and the bloc of France, Germany, and their non-aligned Arab allies took place. It was also the moment when the green light was given for the operation which ended up with the capture of the Americans. But all this is only of superficial interest. What concerns me most are the economic factors which at one shot brought my country into the crisis it is in. And, what is strangest indeed is that almost any reader of American magazines could have foreseen what would happen in Iran."

Farah Diba extracted from a green briefcase a series of typed sheets on which a number of marginal notations in red ink could be seen.

"To really understand what happened in Iran," she said, "one must read the 'Special Report' published in the *Executive Intelligence Review* of Nov. 13, 1979. It was written by Middle Eastern affairs specialist Robert Dreyfuss. He reveals that the authors of the plan to destabilize Iran sought the following: provoke a series of spectacular OPEC oil price increases through manipulations by Mobil Oil, Shell, BP and other major corporations; show the Soviets that NATO is powerful and willing to create a Middle East Treaty Organization; disseminate anti-industrial political regimes throughout the Third World, even—if necessary—taking recourse to genocide as Pol Pot did in Kampuchea."

We analyzed the first point. We found it is clear that the United States had designed an oil war strategy against Europe and against Japan. They sought an American Economic Community with membership including England, Mexico, Canada, and Venezuela. This consortium was opposed by France, Germany, and Japan—all dependent on Persian Gulf oil. By eliminating Iran through a revolution in which the Shah was overthrown, the European bloc's disadvantage became evident.

"While all these plots were being spun in the offices of the Anglo-Saxon world," I asked, "did you and the Shah have any idea of what was being planned? Was the Court alarmed in any way?"

Farah barely suppressed her smile.

"A court, you know, is a place perennially filled with tensions. But they are almost never on important things. They are mostly personal problems. In the Court, I always had the impression I was walking on eggs. So the answer is no. I wasn't conscious that they plotted against us in the outside world. I was too absorbed in my daily life and the King did whatever possible to keep me ignorant of problems which I couldn't solve and would have only disturbed my sleep. . . ."



“To understand what has gone on in Iran, one must read what Robert Dreyfuss wrote in the Executive Intelligence Review.”

—Empress Farah Diba Pahlevi,
widow of the Shah of Iran, to the West German magazine *Bunte*

The EIR's Mideast Editor, Robert Dreyfuss, predicted in a series of articles that the fall of the Shah was the first phase in a plan to disrupt Mideast oil flows. The plan, as Mr. Dreyfuss documented, was to blackmail Europe with an oil cut-off and to put a full stop to Iran's attempt to modernize. It was this plot which the Shah only belatedly came to understand—as Empress Farah has reported.

Now the Executive Intelligence Review presents a full strategic assessment of the Arabian Gulf after the Shah's fall. Is the Saudi Royal Family next in line? Will Khomeini's terrorism spread? Get the inside story in:

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International Intelligence

Radical Saudi prince makes Arab tour

Prince Talal bin Abdul Aziz, who was expelled from Saudi Arabia in the early 1960s for revolutionary activities, has surfaced again touring the Arab Gulf states as an official of Unicef. Arab sources report that the aging Prince has never changed his revolutionary tune and is now using his cover with Unicef to "buy influence" on the Arabian peninsula in his activities against the Saudi royal family. Talal, who lives part of the time in Geneva, is reportedly one of the funders of a leading figure in the clandestine Muslim Brotherhood movement, Said Ramadhan, who is also based in Geneva. The Brotherhood, after installing Iran's Ayatollah Khomeini, is challenging the monarchy of Saudi Arabia.

An editorial in the *Frankfurter Allgemeine Zeitung* this week took note of Talal's tour of Europe, where he was also soliciting support for his efforts to create a Unicef-backed financial institution in the Gulf. The editorial observed that Talal exercises considerable influence over younger Saudis who could be swayed against the Saudi leadership. He is presently visiting Iraq, the United Arab Emirates, Kuwait and Qatar.

Italian socialist defends Qaddafi

Giacomo Mancini, known as the "Southern Baron" of the Italian Socialist Party, has defended Libyan dictator Muammar Qaddafi against public charges that Qaddafi finances and trains Italian terrorism.

Mancini, who has publicly identified himself with accused Italian terrorist including his protégé Franco Piperno, told the weekly magazine *L'Espresso*:

"This violent and sudden attack against Qaddafi took me by surprise and worries me. . . I do not intend to align myself with those who present a negative picture of the work of Qaddafi. . ."

The Italian press has recently carried numerous reports from Libyan exiles living in Europe that Qaddafi runs training camps for both left and right terrorists from all over the world. Fascist bomber Mario Tuti, in fact, bragged that Qaddafi financed him. In addition, Qaddafi recently sent \$50,000 to Italy to aid the families of victims of the recent Bologna railway station bombing that took 84 lives.

France fears results of Libya-Syria moves

Paul Marie de la Gorce, a commentator for France's *Le Figaro* newspaper who is close to circles around French President Valéry Giscard d'Estaing, warns in his Sept. 10 column that "new explosions are absolutely inevitable" in the Middle East unless France takes bold action in the Middle East policy arena.

De La Gorce points to the recent Syria-Libya moves toward unification as the surest sign that the region is entering a new period of instability. For one, he points out, the merger indicates how Syrian President Hafez Assad is constrained to move in a leftist adventurist direction because of the growing instability faced by his regime. Second, the Libya-Syria moves "correspond to Soviet strategy in the region" and thereby add a superpower dimension to the event. Third, the union is likely to exacerbate inter-Arab tensions and thereby leaves Israel as the main regional power without any power capable of containing it.

De La Gorce warns that "between the crises that threaten to break out and the weary majestic slowness of the chancelleries calculating the risks of their initiatives and weighing the reactions of public opinion, there is a time-gap which one day will be measured by catastrophic consequences. . . It is to be hoped," he concludes "that French policy will not confuse prudence and inaction and will want to give some real substance to the ideas that it has had the merit to advance."

Sihanouk wants Pol Pot out of UN

Former Cambodian Prince Norodom Sihanouk, in an article in the Sept. 8 *London Guardian*, called for the unseating of the deposed Pol Pot regime from the United Nations where it is still recognized as the legitimate government of Kampuchea (Cambodia).

Writing from exile in Peking, Sihanouk condemned the support of the United States and other Western governments have granted the Pol Pot butchers: "The United States and the other democracies who will have voted to the bitter end for the regime of 'Democratic Kampuchea' will have assumed in history the heaviest and the least honourable of responsibilities: that of changing Cambodia back into an immense Auschwitz."

The population of Cambodia today is not concerned with the presence of Vietnamese troops, Sihanouk maintained, but rather with the threat of return of the dreaded murderers of the deposed Pol Pot regime. Sihanouk charged that the backers of Pol Pot, including China and the Carter administration, ignore this feeling among the Cambodian population. At the same time, Sihanouk still opposes the Vietnamese-backed Heng Samrin government in Phnom Penh.

Sihanouk's castigation of U.S. policy is particularly pointed since at various times the U.S. State Department has attempted to push him forward as an alternative to both Pol Pot and the Vietnamese but always finally fell back to support of Pol Pot when Vietnam refused the deal.

U.S. to equip new Vietnam invasion?

Many of the 400 items China requested U.S. Undersecretary of Defense William Perry to approve for sale to China are intended to equip China for a new full-scale invasion of Vietnam, according to usually reliable Washington sources.

Briefly

Among the new items approved for purchase by China are Lockheed C-130 transport planes, Boeing CH-47 Chinook helicopters and Western Geophysical C. Houston computers supposedly used for seismic surveys but also applicable to sophisticated military uses. In addition to items approved for sale, Perry also approved licensing Chinese manufacture of such items as Bell Helicopter Textron helicopters.

China reportedly asked for approval of direct purchase of "lethal weapons" but, according to Perry this was not approved as yet. However, the Chinese emphasis on telecommunications, electronics, radar, semiconductors, testing equipment and high level computers are seen as aiding their nuclear missile guidance program while the helicopters and other equipment are to be used against Vietnam.

China in return has announced its willingness to sell the U.S. rare metals used in fighters such as titanium, vanadium and tantalum.

Though more than 400 items were approved for sale, in fact no actual contracts have yet been clinched. Previous much-ballyhooed items such as the British Harrier aircraft have not yet been bought by China, simply because China lacks the cash. At the latest National People's Congress, the military budget was cut by \$2 billion. When Perry was asked if this presented an obstacle to the U.S. effort to build up China's military he said, "Quite the contrary," but advisers to Reagan have told *EIR* they are skeptical of China's ability to finance a really significant military modernization.

Libya's feud with Malta deepens

Libyan naval forces shut down oil exploration operations in the Medina Bank, a submarine shelf 60 miles southeast of the island of Malta on Aug. 21. The Saipem II, a marine drilling rig owned by the Italian state oil company ENI, was

boarded by officers from a Libyan submarine, who handed over a letter claiming that the operations, sponsored by Texaco and the government of Malta, represented an unauthorized intrusion in Libyan waters and must be stopped.

According to eyewitness reports in the Rome daily *La Repubblica* Sept. 9, in the next two or three days, while the Saipem II was awaiting instructions from ENI, the seas surrounding the Medina Bank became crowded with warships from all over the world: "Libyan, Maltese, but also two Italian frigates sent by the government to protect us; and also Russian, American, British, Tunisian, Algerian units; it could have been the biggest naval battle in history."

Meanwhile, Maltese Prime Minister Dom Mintoff, stung by such treatment by his former protector, Libyan dictator Qaddafi, made a surprise trip to Rome last week to ask for a military agreement whereby Italy would guarantee Maltese neutrality. Late, unconfirmed reports say that the Italians have agreed to this.

Infight mounts among Zionists

One of Israeli Prime Minister Begin's factional allies, Samuel Flatto-Sharon, has made the startling announcement that the "World Congress for the Defense of Oppressed Jews" with which he is associated had mapped out plans to send some 200 former members of crack Israeli army units into France and Belgium to ensure the security of the Jewish communities there. Flatto-Sharon is a member of the increasingly widely exposed "Israeli Mafia," and is wanted in France on charges relating to his activities in organized crime there.

Within 24 hours of this announcement, the plan was unanimously condemned by the leaders of the Jewish movement in Belgium, including the President of the Zionist Federation of Belgium, Charles Frielis.

● **INTERNATIONAL** Institute of Strategic Studies of London met in Stresa, Italy Sept. 11-14. Papers at the conference include "Sources of Third World Conflict" and "Third World Conflict and International Security."

● **WATERGATES** could develop in Israel out of the current scandal involving Religious Affairs Minister Aharon Abu-Harzeira. A source noted that both Interior Minister Yosef Burg and Prime Minister Menachem Begin are "trying to keep the lid on" information currently in possession of Israel's police forces which documents that Abu-Harzeira had funneled ministry funds illegally into his own private bank accounts in Switzerland and Liechtenstein, and possibly into his own National Religious Party and Begin's Likud Party.

● **ALDO ANIASI**, Italy's Socialist Health Minister, has issued a ministerial "decree law" legalizing the sale of methadone in syrup form in health care centers and pharmacies. If not reversed by Parliament, the decree becomes law on Oct. 1. Aniasi took the action despite warnings by both the Italian Anti-Drug Coalition and the Communist Party that similar programs in Britain have spread addiction. The ADC has begun organizing in Italy to block the legislation. In Milan, the campaign began with an hour-long panel discussion on the Catholic TV network featuring ADC president Rosanna Impiccini and Christian Democratic city councilwoman Ester Angiolini.

● **PRESS TRUST** of India, a major news agency, this week extensively covered the Fusion Energy Foundation's industrial development proposals for India. The coverage was picked up by leading newspapers including the *Patriot*, the *National Herald* (the unofficial paper of the ruling Congress I party) and the *Hindustan Times*, southern India's main paper.

Iran's armed forces receive covert aid from Washington

by Robert Dreyfuss

In the heavy border fighting that flared between Iran and Iraq at the beginning of September, the most important unanswered question is: where did Iran get an army?

Unlike previous clashes in the border region, where rebellious Kurdish tribesmen have been resisting Teheran's authority with aid from Iraq, this time the fighting was not led by the Revolutionary Guard, the paramilitary militia under the command of the Islamic Republican Party and the mullahs. Instead, the regular Iranian armed forces engaged in tank battles, aerial clashes, and missile duels with Iraqi forces across a broad front.

Observers of the Iranian situation have long been aware that the overwhelming majority of the Iranian armed forces is strongly opposed to rule by the Ayatollah Khomeini, and for that reason the Islamic Republic has dealt most brutally with the top officers of the armed forces.

Literally thousands have been executed or jailed, and thousands more forced to flee the country. Since coming to power, the mullahs have relied almost entirely on the Revolutionary Guard to suppress opposition and rebellions from leftists, moderates, ethnic groups and so forth. During that time, the armed forces have been considered almost an enemy of the regime, and consequently it has been disorganized, fragmented, its leadership decimated, and its officer corps terrorized by incessant, arbitrary arrests and summary executions.

The Carter connection

Now, suddenly, Iran is beginning to reassemble a

regular army loyal to the Khomeini regime.

The startling thing is that the effort to rebuild the Iranian army is, according to information from Iranian former military officers and Washington intelligence sources, a project being coordinated by the U.S. State Department and National Security Council. In recent weeks, the United States has quietly begun a major military airlift to resupply the Iranian armed forces with spare parts, arms, and ammunition, including heavy weapons. American C-130 air transport planes are ferrying this equipment to at least three secret NATO bases, including a location in the Azores, where the cargo is then transferred to Iranian transports for the rest of the journey!

At the same time, additional U.S. military supplies are being sent to Iran through Great Britain and Italy, whose governments are shipping arms to Iran out of NATO stockpiles.

The strategy behind the Carter-Khomeini connection is as follows. For the time being, the Carter administration has made a determination that for the foreseeable future the clergy in Iran—and eventually throughout the Middle East—is the power with which the United States must ally in order to control the area. From the beginning of the Khomeini revolution, the State Department and Brzezinski's NSC were in full agreement on the need to support the Muslim Brotherhood forces around Khomeini. During 1978, some opposition to that policy was expressed by the Pentagon and the CIA. Now, even that is changing.



Photo: Kaler/Sygnia

Iranian Air Force members demonstrating in support of Khomeini in February 1979.

"The State Department and the NSC believe that the key for defending the Khomeini regime now is to give 'em a good army," said a Washington source. "The Pentagon guys originally put up a fight, but now they are going along. The CIA is grumbling, but they have caved in as well to the overall policy." In fact, he said, almost no one in Washington officialdom is prepared to launch a serious challenge to the administration's pro-Khomeini strategy.

According to Iranian sources, the Carter administration is working on a timetable that ideally would have the Khomeini regime release the U.S. hostages before the November elections, in exchange for concrete U.S. guarantees to support and defend the Khomeini forces afterward. But the success of that strategy depends on several factors. The chief consideration is that which concerns internal equilibrium in Iran: if it appears in the next few weeks that a workable arrangement of Iran's secular and religious forces and the army can be assembled to hold the Khomeini regime together, then it is likely that Carter and Khomeini will agree on the release of the hostages. Otherwise, both Carter and Khomeini will prefer that the hostages remain in Iran to provide a rallying point for the population.

The letter to Iran last week from Secretary of State Edmund Muskie, addressed to newly designated Prime Minister Mohammed Ali Rajai, said that the United States is prepared to negotiate a release of the hostages, and hinted that the U.S. might be prepared to issue some sort of apology to Iran for alleged past U.S.

misdeeds in Iran. The Iranian response, though equivocal, was carefully studied by the State Department, which issued optimistic forecasts. And, it was announced in Teheran that the Islamic Assembly might begin to consider the hostage question as early as Sept. 15.

Khomeini-army deal?

In the midst of these U.S.-Iranian flirtations, the Ayatollah Khomeini issued an unprecedented declaration concerning the Iranian armed forces. Henceforth, he said, the officers of the armed forces would be exempted from arrest and trial by the civilian courts and instead would be subject only to internal military discipline. The Khomeini decision removed perhaps the major source of resentment in the armed forces against the Islamic government, namely, its penchant for purges of the military command through civilian channels.

The decision by the Ayatollah, channeled through Chief of Staff General Valiollah Fallahi, was a major concession by the clergy to the army command.

At the same time, top commanders of the army forces fighting in western Iran's Kurdistan region issued a joint declaration demanding that Khomeini put an end to the factional squabbles that have rent Iran since the naming of Prime Minister Rajai's cabinet, and they declared that they could not pursue the military campaign against Iraq and the Kurds as long as the political leadership of the country was in such disarray. Such a

statement from the army in Iran is totally unprecedented since the revolution.

Meanwhile, perhaps significantly, the prime minister and President Abolhassan Bani-Sadr managed to agree on the naming of a defense minister, Col. Javad Fakuri, to head the government's military command. Immediately after being named, Col. Fakuri and Gen. Fallahi left on an extended visit to Kurdistan, the scene of the fighting.

The extent of the fighting in Kurdistan indicates that Iran's once decimated armed forces may be fairly advanced in the process of rebuilding. For the first time since the start of the Iran-Iraq clashes that began immediately after the Islamic revolution, both Iran and Iraq reported aerial duels and the downing of some jet fighters on each side. Iran also reported aerial bombardment of Iraqi tank concentrations in the border region, and the Iraqis reported that for the first time Iran made use of ground-to-ground missiles to attack Iraqi border posts.

A dispatch from Iraq reported that Iran was using "rockets, armored vehicles, and sophisticated rifles," and Iraqi television showed large quantities of "American-made" weapons captured from the Iranian forces.

Nevertheless, it is still generally believed that the Iraqi armed forces are far superior to those of Iran, and that if a major war should erupt, Iraq would win handily. Iraq is issuing ominous warnings to Iran should the Khomeini madmen pursue the course of confrontation in the area. Iraqi President Saddam Hussein, while stating that Iraq "does not want war," said on Sept. 10 that Iran was occupying Iraqi territory illegally and that Baghdad intends to "recoup every bit of Iraqi territory now occupied by Iran." President Hussein noted that Iraq has a great deal of popular support inside Iran.

Iraq, of course, has become the base of operations for Iranian exiles who seek to topple the Khomeini regime.

Why Sullivan is protecting Brezezinski

by Lyndon H. LaRouche, Jr.,
Contributing Editor

William H. Sullivan, President Jimmy Carter's former ambassador to Iran, has published a series of unpardonable lies and distortions of the truth concerning the Iranian revolution that cannot be allowed to go unanswered.

Writing in the current issue of the magazine *Foreign Policy*, Ambassador Sullivan purports to present his personal account of the events in which he participated during the rise of the Khomeini dictatorship in Iran. Although the article is filled with a string of witting falsehoods, the ambassador's lies break down roughly into two categories. First, those designed to protect Dr. Zbigniew Brzezinski from criticism of his central role in installing the Khomeini regime; and second, those designed to facilitate what appears to be an imminent consolidation of a public U.S.-Iranian alliance.

Let us consider these two issues separately.

Among those even casually familiar with the background to the Khomeini revolution, it is generally recognized that Brzezinski's National Security Council was instrumental in coordinating almost every dimension of the so-called "Islamic revolution." On several occasions during 1978 and 1979, Dr. Brzezinski stated his belief that "Islamic fundamentalism" is a "bulwark against communism." Yet Ambassador Sullivan, in his account, maintains that Brzezinski was working to oppose the Khomeini takeover, that Brzezinski was in favor of supporting the government of Prime Minister Shahpour

Administration overtures to Khomeini regime

The White House, Justice Department, State Department, and Treasury Department have made significant gestures over the past two weeks toward Iran. The first gesture occurred on Aug. 29, when the Justice Department ordered the release from federal detention of Horace Butler, one of the defendants in the late-July slaying of Iran Freedom Foundation head Ali Tabatabai. By insisting that Butler could

only be tried in a *local* court, Justice prevented the creation of a federal grand jury.

On the same day, the Justice Department filed "suggestions of intent" with American courts to try to prevent these courts from hearing cases of claims made by American firms for compensation of business lost when Carter froze Iranian assets earlier this year.

On Sept. 5, in response to a question from *EIR*, the State Department noted that "the Justice Department, after consulting with the Departments of State and Treasury and receiving supporting factual statements from Messrs. Miller [of Treasury] and Christopher [of State], filed 'suggestions of intent' in cases

Bakhtiar, and that Brzezinski finally tried to precipitate a military coup by the Iranian armed forces against Khomeini's revolutionary government!

The facts of the matter are quite different. First, it is a matter of public record that Brzezinski's NSC in fall 1978 secured the services of George Ball to conduct a top-secret official task force on the crisis in Iran and the Persian Gulf, and that Ball's task force recommended that the United States abandon the Shah and throw its unequivocal support behind the Khomeini-led opposition. Furthermore, during this period Brzezinski commissioned a special team of the Special Coordinating Committee of the NSC to prepare a worldwide study of the potential for an alliance between the United States and Islamic fundamentalism throughout the so-called "arc of crisis," a term coined by Brzezinski in December 1978.

In addition, in the months before the Iranian revolution the NSC, under Brzezinski, ordered the CIA to begin a vastly stepped-up program of radio broadcasts into the Muslim regions of the U.S.S.R. in the belief that the Islamic "resurgence"—which Brzezinski announced publicly that he "welcomed"—would penetrate inside the Soviet borders and weaken Moscow's control in central Asia.

Then, again with Brzezinski's approval, David Aaron of the NSC, working with Vice-President Mondale, assembled a team of specialists in Islamic affairs to oversee approximately 100 field operatives sent to Iran for the denouement of the policy commitment to overthrow the Shah. The Shah, in his recently published memoirs, wrote unequivocally: "The United States wanted me out."

In fact, as early as 1977 Brzezinski had begun making contacts with the anti-Shah religious opposition and British intelligence-controlled factions of the armed forces and the secular National Front. Known U.S. Iran specialists with an anti-Shah bias—such as Dr. Marvin Zonis of the University of Chicago, Dr. James Bill of the University of Texas, and Dr. Richard Cottam of the

University of Pittsburgh—were brought into a consultant relationship with Brzezinski's NSC.

Finally, it is also generally recognized now that Brzezinski's loud public declarations during this period in favor of the Shah were *designed primarily to undercut the Shah* by making him appear to be an American puppet in the eyes of Iranians, and the Shah sent numerous requests to Washington asking Carter and Brzezinski not to issue such statements in the crisis! (Despite public statements of support, in fact, in late 1978 the NSC refused to approve Iran's routine request for tear gas and riot-control equipment for the new martial law government.)

Concerning the second part of Sullivan's report, the lies are equally numerous but more subtle.

Sullivan asserts in his article that Prime Minister Bakhtiar, whose brief government in January and February 1979 represented the only chance to preserve Iran from the hideous Khomeini horde, "had no popular support." Instead, Sullivan reports that he had worked out an arrangement by which the Iranian general staff and armed forces would enter into an alliance with the "revolutionary forces" that would "have Khomeini's blessing."

What Sullivan does not say is that during January 1979 he and certain members of the U.S. embassy staff in Teheran worked overtime to bribe and otherwise persuade and blackmail prominent Iranians not to support Bakhtiar, and thereby probably contributed the marginal force that prevented Bakhtiar from succeeding in stopping Khomeini.

As far as the armed forces is concerned, except for a select group of traitors such as General Hossein Fardoust and General Abbas Gharabaghi, the general staff was irrevocably opposed to Khomeini and was only restrained from unleashing a bloody counterrevolution by the ultimatums from Sullivan and NATO General Robert Huyser of the U.S. Air Force. No such alliance between the army and the Muslim Brotherhood clergy of Khomeini was otherwise possible. ■

against Iran. These suggestions request the courts to stay proceedings in those cases temporarily in order to avoid any risk of prejudicing the continuing efforts of the United States Government to resolve the hostage crisis."

On Sept. 8, the White House itself released a statement asking attorneys and local judges to stop legal suits against Iran.

Justice, after consulting with State, has also filed a request for a stay of proceedings in a case being heard in the Supreme Court of the State of New York in which the Iranian government is trying to "recover" assets from the late Shah's estate. This case was on the

verge of being tossed out of court because the papers presented to the Shah's lawyers had been improperly submitted.

Again in response to an *EIR* query, State noted that it had consulted with Justice to make the request for temporary stays "in order to avoid any risk of prejudicing the continuing efforts of the U.S. government to resolve the hostage crisis."

Finally, on Sept. 9, Civiletti's Justice Department acceded to demands by lawyers representing the Iranian government that the Washington police be investigated for being "excessively brutal" in clamping down on pro-Khomeini demonstrators July 27.

No easy way out for Poland

Or for the factions in the U.S.S.R. and the West who valued Gierek's diplomacy, reports Rachel Douglas.

The ouster of Polish chief Edward Gierek came in the middle of a shift in several Soviet bloc countries into a new, tough posture on all ties with the West, a shift which is moving the international strategic situation closer to the threshold of war between the Soviet Union and NATO.

Gierek was uniquely valued by continental Western European leaders for his contributions to détente. In particular, a "hard line" faction in the East is putting the damper on cooperation with the West European governments—the last remaining element of Soviet President Leonid Brezhnev's strategy to avoid war through détente arrangements.

The disruption of Brezhnev's dialogue with West German Chancellor Helmut Schmidt and President Valéry Giscard d'Estaing of France was one major goal of the destabilization of Poland, and it is well on the way to being achieved. The Polish crisis is evoking the classic Soviet response of a rock-hard foreign policy posture combined with internal crackdowns. The crisis has been conducted by its London-centered orchestrators in such a way as to give the upper hand in Moscow to this tendency in the Soviet leadership, to be augmented by the operations of London's own agents of influence in the U.S.S.R., who will now launch an array of "radical revolutionary" operations in diverse parts of the world.

East-West German summit off

The official East German press service ADN announced Sept. 5 that President Erich Honecker would not hold his planned meeting with West German Chancellor Helmut Schmidt, an East-West first that was to have been the occasion for concluding new economic deals as well as for political dialogue between the two Germanies, before the second half of 1981. The Schmidt-Honecker meeting had already been postponed because of the crisis in Poland.

Muted criticisms of Brezhnev's Europe-centered détente policy have previously been voiced in the East German media, but the East German and Czechoslovak

propaganda of the last week in August moved into a new phase. The East German paper *Neues Deutschland* carried charges of West German "revanchist" claims on the Polish provinces of Silesia and Pomerania (claims usually confined to the small organizations of West Germans who were born there). The attack was so sweeping it elicited a protest from Schmidt's government against "slanderous attacks" certain to damage Bonn-Warsaw relations.

The Soviet Union, too, stepped up official denunciations of Western attempts to interfere in Poland. *Pravda* charged Sept. 6 that funneling of money to Polish "anti-socialist groups"—the dissidents who fanned the Baltic seacoast strikes and pushed through the political demand for new, independent trade unions—was intended to exploit a difficult political situation. The Soviet news agency TASS obliquely warned against attempts to manipulate Poland through its hard-currency debt obligations.

According to published reports on the Aug. 24 PUWP Central Committee plenum that demoted several of Gierek's closest associates, Stanislaw Kania, who was to replace Gierek on Sept. 5, together with Defense Minister Wojciech Jaruzelski, took the lead in the party's upper echelon at that point. Kania, head of Poland's internal security forces, was involved in shaping the strike settlement in the port city of Gdansk, where he traveled Aug. 18. That was the day the regime's negotiating approach shifted from refusing to make concessions on the "political" demands of the strikers, to a give and take process with the Inter-factory Strike Committee that had been formed in the Lenin Shipyards.

Round two

The Polish situation will not be easy for Kania to control. The dissident groups, reported and applauded in the British and American press, have announced preparations for a second round of political demands and disorders. But Poland's dangerous instability is

most evident from the state of its economy.

The new planning chief, Henryk Kisiel, said Sept. 8 that having suffered at least \$1 billion in losses from the two weeks of strikes in August, Poland's chances of covering the increase in salaries granted with an equivalent increase of goods were like Hamlet's "To be or not to be. . . ." His account of how Poland will handle its debt schedule confirmed, as did Prime Minister Pinkowski's Sept. 5 speech to the Polish parliament, that Kania is fully collaborating with the economic liberalizers associated with recently reinstated Politburo member Stefan Olszowski.

Kisiel summarized the economic policy of the new authorities for decentralizing the economy, emphasizing consumer goods at the expense of heavy industry, giving more say to the small-scale peasants who make up Poland's chaotic and unproductive farm sector, and adopting more "market-oriented" prices. Kisiel vowed to correct the flaws of "economic voluntarism," a term which refers to the large, centrally mandated industrial projects of the early 1970s. Rumor has it that Poland's first nuclear power plant project will be scrapped.

Workers Defense Committee (KOR) dissidents and some Catholic intellectuals are predicting agitation for "free student associations" when Polish universities open on Oct. 1. Others, like Polish sociologist Jan Szczapanski, who is an associate of British intelligence's Tavistock Institute, have raised demands for open parliamentarianism to be the new model for Poland. In the Polish parliament Sept. 5, non-party delegate Szczepanski called for rotation of cadres in the PUWP and a revision of methods of choosing government officials. These are demands which specifically and drastically violate the condition which the strike leaders in Gdansk and other towns accepted: for their independent trade unions not to "challenge the leading role of the party" in Poland.

Szczepanski's idea of internal party reform arose again at a party session of the Polish Writers Union, according to PUWP sources cited by Bernard Marguerite in the Paris daily *Le Figaro*. The person to voice them, significantly, was Stefan Bratkowski, a PUWP member and a coordinator of the project called "Experience and the Future" (DiP) to which over 50 liberal PUWP members contributed before the crisis—PUWP members whose economic line is now dominant.

Gdansk strike leader Lech Walesa, on his part, told a BBC interviewer Sept. 9 that after consolidating new, independent trade unions as the second phase of his efforts, he would proceed to a "third and final state . . . [which] it would be dangerous for me to talk about."

If these projects for round two of the destabilization of Poland are launched both from the dissidents and from the DiP party liberals, the pressure from Moscow for ex-security chief Kania to crack down will be intense.



*Jozef Pinkowski,
the new Premier*



*Stefan Olszowski,
reinstated to
Poland's
Politburo*



*Henryk Kisiel,
new Vice-Premier
and economic
planning chief*

Photo: AP

Tavistock's web in Eastern Europe

by Rachel Douglas

Events in Poland could not have unfolded in just the way they did, to the high point of the proclamation of "free trade unions" with an adjunct "center for study of social affairs" in the Lenin Shipyards at Gdansk, without the acquiescence, approval and even the aid of some significant political groups in the Soviet Union.

This observation leads us once again to point out the strategic power of the capability British intelligence has at its disposal *inside* the Soviet Union. If the U.S.S.R., during the weeks and months of crisis ahead, fulfills some NATO prophecies about the "long arm of Moscow" puppeteering Third World revolutionaries or even desert-clad, terrorist bands in locations of strategic interest, then you may be sure of what the Polish case already suggests: the British-engendered, Bukharinite faction in Russia has made a decisive move for policy control.

Philby and Maclean

Kim Philby and Donald Maclean are the best-known names. British defectors, recruits to the British aristocracy's brand of socialism since their youth, each has his niche in the Soviet Union. Philby, the specialist in Middle Eastern affairs, is a general in the Soviet security apparatus, the KGB. Maclean is planted in the Soviet Academy's Institute of the World Economy and International Relations, monitoring Europe. Each has leverage with which to realize his inherited, instinctual antipathy for any international design the continental European nations would try to put together with Leonid Brezhnev or any other leader of the Soviet Republic.

The story does not begin with Philby and Maclean, however, nor does the entrenched British capability in the U.S.S.R. and Eastern Europe end with what they do.

In Poland we have the case of Jan Szczepanski. Not a member of the Polish communist party nor of the dissident KOR group, but the Vice-President of the Polish Academy of Sciences in charge of sociology and education, Szczepanski is a recruit of the Tavistock Institute—the British intelligence center for internation-

al operations conducted through the sociology and anthropology professions, the training center for psychological warfare operatives over three decades.

At Tavistock originated the psychological and ideological profiling of Soviet leaders, pioneered by Tavistock's H. V. Dicks and Dame Margaret Mead. Tavistock trained Jan Szczepanski at its American spin-off, the Stanford Center for Advanced Study on Behavioral Sciences, where Szczepanski went after his early work on "crowd psychosis" in the Poznan, Poland riots of 1956.

Jan Szczepanski is the respected sociologist of Poland. He is a delegate to the Sejm, Poland's parliament, where on Sept. 5 he boasted of having "the precise sociological tools" to understand what happened in the Polish strikes and what has to be done in Poland now. Jan Szczepanski, meanwhile, sits on the editorial board of Tavistock's journal, *Human Relations*.

Dominic Morawski, the Vatican correspondent of the Paris-based Polish émigré magazine *Kultura*, told Agence France Presse Sept. 2 that Jan Szczepanski, together with three representatives of the Catholic group Znak, advised the Inter-factory Strike Committee and government negotiators during the strike in Gdansk. Szczepanski suckered the Polish strikers. Their agreement mandates a "center for study of social affairs" to service the new, independent trade unions, to study and determine what the workers' needs are. The British press writes already about a quality-of-life weighted "Gdansk model" for the Polish economy to replace the "Katowice model" named for the modern steel complex Edward Gierk built in Silesia. The Polish economic reformers, together with the strike leaders recruited by the British intelligence-founded grouplet KOR advised by Jan Szczepanski, are well on their way to subjecting Poland to the Tavistockian devastation of industry and morale inflicted in past years on the citizens of Sweden by Tavistock's Scandinavian networks. The coal miners of Silesia await the experiments in labor manipulation which Eric Trist, of Tavistock and the Wharton School, unleashed on the coal miners of West Virginia.

The Tavistock scenario for Poland and the rest of Eastern Europe is proceeding on the paradigm of "tension release"—a controlled crisis which precedes the consolidation of a new world view. Morawski, in an interview with the Italian bureau of *Executive Intelligence Review*, boasted that the Polish strikes were stopped "just at the right moment." One step more and there would have been a Soviet intervention.

But now, he said, there is a chance to expand the pattern methodically, step-by-step into Hungary, Czechoslovakia, Rumania. A "new Marshall Plan" for Poland is being prepared by friends of Zbigniew Brzezinski in the United States, Morawski revealed—not

just aid, but aid earmarked for exactly the factories and infrastructure projects the investors desire to have built. An East European desk officer at Citibank concurred: "Poland will depend more upon us for loans."

The 'northern route'

Follow Jan Szczepanski, and we are in the middle of a British intelligence creation that antedates the Tavistock Institute: the "northern route" leading into Russia through Scandinavia. The northern reach of the networks developed to carry out the projects of the British operative Alexander Helphand-Parvus for dismembering the Russian empire (the "Parvus Plan"), this was the web of Social Democrats and radicals Leon Trotsky passed through to reenter Russia for the revolution of 1917.

Jan Szczepanski heads the Anglo-Polish Round Table from the Polish side. On the British side is Mark Bonham-Carter of the London School of Economics board and the Index on Censorship, which promotes the erstwhile Trotskyites of the KOR group in Poland.

Szczepanski is also on the editorial board of *Co-Existence* magazine, published in Glasgow, Scotland, which links him into a complex of leftist Soviet studies specialists that descends directly from the "northern route" networks and plays an analogous role vis à vis the Soviet Union and Eastern Europe today.

It was from the Russian Studies departments of Glasgow and Sussex universities that the "Conference of Radical Scholars of Soviet and Eastern European Studies" was developed in the 1970s, by individuals from the Fourth (Trotskyist) International, the Second (Social Democratic) International's left wing, and Zionist intelligence networks. The product of their effort was *Critique* magazine, which features among its editors and contributors Ernest Mandel of the Fourth International, Michael Vale of British intelligence's traveling leftist networks, Swedish social democrats and British Trotskyists. A major purpose of *Critique* is its circulation into Eastern Europe via networks like the KOR in Poland (whose bias against high-technology dirigist economic planning *Critique* shares) and East German dissidents oriented to economic criticism of the system.

The Center for Russian and East European Studies at the University of Birmingham, where Vale's associate Donald Filtzer is currently an Honorary Research Fellow, is another gathering point for this grouping. Birmingham publishes an East-West journal called *Economics of Planning*, edited by Tom Kronsjo who sits with Szczepanski on the board of *Co-Existence*. Also on the masthead of both magazines is the Swede Gunnar Myrdal, whose 1977 lectures on a low-growth perspective for world economic development are currently running in Russian in Donald Maclean's home publication, the journal of IMEMO.

Economics of Planning has drawn in Eastern European editors from Poland, Hungary and Yugoslavia and even lists as its Soviet editor Tigran Khachaturov, who as a top official in the U.S.S.R. Academy's Institute of Economics is one of the deans of Soviet economics!

It has been reported that sociology as a discipline in the Soviet Union only achieved legitimacy on the shoulders of its proclaimed successes in Eastern Europe, for instance in Poland, where sociology means Szczepanski, and Tavistock.

Tavistock and the Bukharinists

In the U.S.S.R., it took until 1968 to establish a sociology branch of the Academy, the Institute of Applied Social Research. Its mentor and chief was A.M. Rumyantsev, one of the top Bukharinite economists in the Soviet Union.

Only a few radical Bukharinites argue for N. Bukharin's original stand for non-collectivized agriculture as the foundation of the economy, which would revert the Soviet Union to the even lower productivity levels which exist in, for instance, Polish agriculture. The watchwords today are different: decentralization of economic planning to give more resource allocation rights to the individual enterprise, a preference for "true convertibility" of Soviet bloc currencies, a linkage of Soviet domestic prices to the world market.

That is roughly the program A.M. Rumyantsev advocates. It resembles, point-by-point, the working policy proposals of the British-connected Hungarian National Bank officials whose example the new Polish finance minister intends to follow.

The British contamination of Soviet thinking thus extends far afield from the foreign policy desks of IMEMO and the KGB. A substantial wing of the Soviet economics community flew into the British camp a long time ago. They go back to Bukharin, and they have no substantial methodological differences with the Cambridge University-centered projects on Marxist economics of the early 1950s.

We have reason to fear for the survival of the opposing, healthy tendency in Soviet economic and strategic policy, the men in the Academy, the party and the government whose commitment to scientific progress and excellence leads them to want sanity and industrial progress to prevail in the West as well as the East.

All this is going on under their very noses, but Soviet thinking is blocked by the attachment to supposed "objectivity," which Lyndon LaRouche identified in an *EIR* analysis of the Polish crisis last week. What Soviet leader will ignore the categories of Marxism-Leninism long enough to see clearly what really is going on between some desks in Moscow and Glasgow and Gdansk? ■

India counters Singapore at summit

Mrs. Gandhi averted a Commonwealth contribution to cold-war tensions.

New Delhi played host city to the largest summit meeting ever held in India from Sept. 3 to Sept. 8 as 16 heads of state assembled for the Commonwealth summit regional conference. The summit was the brainstorm of Australia, where the first such conference was held two years ago. It involved an unusual assortment of countries from Asia and the Pacific—not only India, Australia, Malaysia, Singapore, New Zealand and Bangladesh, but other states of the Pacific archipelago with populations of less than 100,000.

The only thing the assembled countries had in common was the dubious distinction of all having once been a part of the British Empire. Anglophile attitudes dominated the environment of the summit; yet the occasion provided a good opportunity to understand the way various countries in the area are viewing international economic and political developments. The five-day meeting was polarized between the worldviews of the Indian host and those of the allies of the Anglo-American camp such as Singapore and Australia, who seemed intent on turning the summit into a cold war offensive.

When it was all over, notwithstanding the reports put out by the majority of Western correspondents in New Delhi, the perspective of Prime Minister Indira Gandhi prevailed. In the closed-door meetings, it is clear that Mrs. Gandhi

was unyielding in her determination that the summit would not be converted into a unanimous condemnation of the Soviet Union or Vietnam on their respective involvement in Afghanistan or Kampuchea. As she pointedly told one Australian journalist, "India is not pro-Soviet or anti-American. We are solely pro-India."

While most Southeast Asian countries chose to keep a low profile here on the complex Kampuchea issue, Singapore's Prime Minister Lee Kuan Yew fired the first shots with a hysterical denunciation of Vietnam. His speech was received with dead silence. Lee, himself of Chinese descent, is viewed here as a front man for Peking's policies.

Sources say that Mrs. Gandhi responded at length and in an uncompromising manner in the subsequent two-day closed meetings. As the head of the only country that has recognized the Vietnamese-supported Heng Samrin government in Kampuchea, and has come under tremendous criticism from many quarters for this action, Mrs. Gandhi dealt at length with the international political situation. She recalled that India was the target of similar criticism after it recognized the People's Republic of China in 1949. Today the same critics were defending China and attacking the Vietnamese. After reminding her counterparts of the crimes committed by the Chinese-backed Pol Pot

regime, particularly the genocide against the Cambodian people, she concluded that "Vietnam must not be ostracized."

Mrs. Gandhi proceeded to develop the need for a balanced statesmanlike approach to "reduce tensions between the United States and the Soviet Union and set the world on the path of peace and progress." In closed meetings, she outlined the signs of intensified cold war, and the political and economic implications it would have to the world and the region. Citing the developments in the Indian Ocean and the planned deployment of medium-range nuclear weapons in Europe, Mrs. Gandhi warned that the cold war is being brought to India's doorstep.

She also referred to the independent stance countries such as France and West Germany are trying to take in Europe. "Even the allies related to each power felt concerned over the evaporation of détente," she stated. Recent moves by the United States and the Soviet Union often exacerbated problems rather than solving them, Mrs. Gandhi asserted, particularly citing the Camp David devolution in the Middle East. While Lee Kuan Yew and Australia's Fraser tried to explain international developments from the standpoint of the emergence of a "Soviet Empire," Gandhi explained the regional developments, particularly the Soviet action in Afghanistan, as rooted in the general aggravation of tensions in the world plane. India's plan for the Afghanistan situation, she reiterated, was to create stable conditions, and to procure the withdrawal of Soviet troops and an end to outside intervention through Pakistan by the U.S. and China.

Turkey pushed to the brink

A vicious cycle of left-right political violence has engulfed the country.

Not long ago a potentially active bridge between Western Europe and modernizers in the Muslim world, Turkey has been set up for destruction of its republican institutions, through either a military takeover or anarchic disintegration on the Iran model. It is not difficult to imagine the sentiments of the U.S.S.R. at being faced across its border with what it would regard as a NATO coup, or with the ascendancy of the National Salvation Party fundamentalists who have done so much to push the nation to the edge of civil war and/or military seizure of power.

The prime vehicle for the destabilization of Turkey has been the terrorists—from both the left and the right—and the increasing violence emanating from the Khomeini-style extremists of the National Salvation Party.

The violence has reached extraordinary levels. Terrorism, shootouts, and bombings have become the hallmarks of daily life in Turkey. Marauding bands of extremists have taken over whole districts, villages and towns.

In the first five days of September alone, 115 people were murdered in terrorist assaults. In August, terrorism claimed an additional 500 lives. All told, 2,500 politically motivated killings have occurred in the nine months since the minority government of Justice Party leader Süleyman Demirel took power.

“The Turkish republic is gradually dying,” commented one Washington source on the civil war conditions in Turkey. “In effect, there is no state in Turkey.”

The fragmentation of the Turkish state along ethnic and tribal lines has long been the aim of Anglo-American policymakers, under the rubric of the Bernard Lewis Plan. This Middle East policy of imposed backwardness is at odds with Turkey’s commitment to rapid industrialization. A weakened, manipulable Turkey on the strategic southern border of the Soviet Union is prized by these policymakers as a base of operations against the U.S.S.R.

The British press has been quick to cover the terrorism as proof that Iran-style anarchy is inevitable in Turkey.

The Sept. 4 *Financial Times* of London stated: “Turkey has reached its present predicament principally because its democratic system and institutions have been unable to satisfy the demands for a higher standard of living. . . . Some fear the terror marks the first stirrings of rebellion by the masses.”

In the same vein, the Sept. 4 *Daily Telegraph* suggested that a military coup may be on the horizon. “The police are now so divided, the civil servants so demoralised, and the public so fed up with the growing anarchy, that the Turkish generals may be forced into reluctant action.”

What may force the military’s hand is the government’s inability to get the situation under control. Prime Minister Demirel, despite his lip service to stopping the bloodshed, is known to covertly back the right-wing terrorists through his alliance with the neo-Nazi Nationalist Action Party, whose leader, Alparlan Türkes, is the boss of Turkey’s rightist militia hit groups.

Compounding the crisis is the failure of the parliament, after more than 100 rounds of voting over the past several months, to produce a new president. Without a president, the body has been unable to pass the vitally needed antiterrorist legislation the Turkish generals have clamored for.

Now, Turkey has no foreign minister, either.

Last week, Hayrettin Erkmen was forced to resign as a result of a censure motion approved by the parliament. The small but influential Islamic fundamentalist National Salvation Party under the leadership of the pro-Khomeini Necmettin Erbakan accused the foreign minister of being insufficiently “Islamic,” citing Turkey’s refusal to break ties with Israel, its failure to back the Iranian and Afghan rebels, and its weak ties to other Muslim countries.

Erbakan also zeroed in on Turkey’s developing economic relations with Europe. “We shall topple the government as well as the foreign minister,” Erbakan declared in a recent speech. The social-democratic Republican People’s Party opportunistically backed the NSP censure motion.

This column was written two days before the Turkish military assumed power on Sept. 11—ed.

National News

Muskie endorses limited war policy

Secretary of State Edmund Muskie came out unequivocally in favor of Presidential Directive 59, the policy statement that makes "limited nuclear" war U.S. military policy, on CBS-TV's "Face the Nation" Sept. 7.

"I am for it. It makes sense. As I examined my own record back to 1974, I found myself coming around to it. Having the flexibility is necessary. This policy was in place before I became secretary of state." Muskie had previously protested the fact that President Carter had not consulted him on the directive the President signed last month.

Critics of the presidential directive have pointed out that a U.S. commitment to "limited" nuclear war is dangerous foolishness when the Soviet Union continues to maintain a war fighting doctrine that calls for total retaliation in the event of any nuclear attack.

Cline: Carter will reward China for GOP attacks

Ray Cline, a director of Georgetown University's Center for Strategic and International Studies and a policy adviser to Ronald Reagan, said last week that he expected the Carter administration to soon "reward" the People's Republic of China for its attacks on the GOP ticket.

Speaking at a press conference at the National Press Club, Cline, a former deputy director of the CIA, stated: "It seems to me that the administration is using foreign policy as a domestic political tool. . . . I predict that these sharp attacks by Peking on Reagan's candidacy will be rewarded by this administration reasonably soon. I predict that before the elections the administration will complete a number of arrangements between China and the U.S. These arrangements have been under negotiation for

some time, but have been hung up because the Chinese were demanding too much in the way of concessions. I have some reason to believe that the White House has made an agreement with the Chinese to get those agreements approved even if it means making major concessions to Peking."

Mr. Cline later told the *EIR* that he was "quite certain" that many of the "concessions will be military" but that these will not come before the election—or at least not be announced publicly.

Mr. Cline made his comments at a joint press conference with former Ford administration National Security Adviser Brent Scowcroft and defense policy expert John Lehman, called to denounce the Carter administration's leaking of the so-called Stealth technology which would make U.S. weapons systems invisible to radar.

Dems try to oust Brzezinski

A group of leading Democrats has started a move to oust National Security Adviser Zbigniew Brzezinski from office. A letter to the President asking for Brzezinski to be removed from his post has been signed by leading Democrats in Pennsylvania and Ohio and is circulating elsewhere in the country. Democrats unwilling to go so far are urging Carter to appoint other men as key foreign policy advisers to counteract Brzezinski. Ohio Democrats Sen. Howard Metzenbaum, Sen. John Glenn, and Rep. Louis Stokes recently met with Vice-President Mondale to warn about mistakes the administration has made in foreign policy thanks to Brzezinski.

"The basic philosophical thrust of the people I talk to say that if Brzezinski is the chief adviser on foreign affairs, well, he is so much a hawk and not competent. All people are susceptible to power and 'being somebody.' Brzezinski watched Kissinger take power and become secretary of state," declared one Democratic

Party official in Ohio. He also revealed that a number of people who are backing John Anderson's campaign are hoping the Anderson threat can be used to pressure the President to downplay Brzezinski. "A large part of the Anderson campaign support is to put pressure on Carter. Most of the activists in the Jewish community who are with Anderson are doing this." They are concerned about Brzezinski, he declared, because they feel he doesn't understand the "historic perspective" of Israel, viewing it only as part of the East-West confrontation strategy.

Administration charged with 'Royal' clamp on information

The Carter administration is instituting a major new classification system to clamp down on information that they consider "top security," at the direction of National Security Adviser Zbigniew Brzezinski and CIA Director Stansfield Turner.

The most sensitive information will now be classified as "Royal" and given only to a few dozen people in the White House and 10 congressmen.

Congressional sources warn that the new classification system is being established principally to stop leaks of information politically damaging to the Carter administration. The *Daily Oklahoman* has reported that the "Royal" designation has been applied on one cable in which Libyan officials termed Billy Carter an "agent of influence."

Judge impounds grain in bankrupt elevator

Three weeks ago, after the First Tennessee Bank in Memphis called a \$2.9 million note against Donald, Robert, and George James, owners of 11 elevators, the brothers asked Federal Judge Baker in Little Rock, Arkansas, for Chapter 11 bankruptcy. Receiver Robert P. Lindsey

claimed all contents of the elevators to be part of the James brothers' property and Judge Baker allowed shipment of a million pounds of sorghum grain and milo under a contract signed by the James brothers last spring.

"But that is our grain," protested Home Evans, an official of the American Agriculture Movement in Ristine, Missouri. "It's like if you went to a Holiday Inn and that day they announced bankruptcy, and you found your automobile and belongings were part of the bankruptcy pool."

According to Missouri Department of Agriculture Grain Regulatory Services supervisor Tom Hopkins, who has been working hard to save the farmers' produce, "the drought has been so bad that soybean yields have gone from a normal 40 to 10 bushels per acre and corn from 150 to 40 bushels an acre. With this bankruptcy, a fair number of farmers could be ruined."

Farmers wonder if the bankruptcy was contrived to allow land grabbing by a former partner of the James brothers, now the largest land buyer in the area, or to set a precedent that could ruin farmers on a much larger scale if a bigger company went bankrupt.

'Take over Asian defense,' U.S. tells Japan

The Japanese government has disclosed that U.S. State Department officials told Japan that it must take over the defense of Asia in accordance with the American shift in priority of its military capability from Asia to the Middle East, according to the Japanese daily *Yomiuri*. Visiting official Reginald Bartholemew told Japanese leaders that the future of U.S.-Japanese ties hinges on Japan increasing its defense commitment. A private seminar in Japan with such American "heavies" as Gerry Ford, the Hoover Institution, Stanford Institute, and the Heritage Foundation delivered the same message.

Japan is definitely increasing its military spending and defense role, but not as far as Washington would like. And,

according to one American expert who just returned from Japan, some of the top Japanese proponents of Japanese rearmament express caution about a fullscale military relationship with China of the kind Washington has developed. Such leaders as Masamichi Inoki, director of the Peace and Security Research Institute, was one of the strongest advocates of rearming Japan as head of a commission appointed by former Premier Ohira, but he told Americans it is wrong to build up China's air and naval capacity. He said the problem is that it is impossible to tell which direction China may decide to aim these capacities 10 years down the road.

U.S. troops found unprepared for combat

A confidential report prepared for the Secretary of the Army in December found that six of 16 U.S. Army divisions are currently in an "unsatisfactory" state of combat readiness. Three other divisions were declared combat ready but with deficiencies.

The six unsatisfactory divisions and two with major deficiencies are stationed in the U.S. They include two divisions that have been assigned to the "Rapid Deployment Force," a newly created unit supposedly able to rush into action quickly anywhere in the world.

Embarrassed Defense Department officials immediately confirmed the report, published first in the *New York Times*. Pentagon press spokesman Tom Ross tried to downplay the importance of the lack of readiness of the domestic-based U.S. troops by pointing out that all six U.S. divisions stationed in Europe are ready for combat.

The unfit divisions, basic army logistical and personnel units consisting of between 16,000 and 18,000 men, were judged according to a number of criteria including overall fitness of personnel and equipment.

The Army has openly admitted significant problems in recruiting, training, and keeping competent personnel.

Briefly

● **RONALD REAGAN's** Sept. 3 B'nai B'rith address was authored by a founding member of the Jewish Defense League. Sources report that Reagan foreign policy adviser Joseph Churba, a retired Air Force Mideast intelligence chief and a cofounder with Meir Kahane of the Mossad-connected JDL, was the chief architect of Reagan's rabidly pro-Israel speech.

● **PRESIDENT CARTER** won the endorsement this week of 22 environmentalists for his efforts to keep America's resources bottled up and away from developers. Included among the group was the head of the League of Conservation Voters, Marion Edey, who is also a member of the Club of Rome, the organization that developed the notion of "limits to growth."

● **THE OVAL OFFICE**, where the nation's chief executive officer plans out international strategy, has décor carefully selected to help stimulate his mental processes. No Rembrandts or Holbeins for him. President Jimmy Carter is surrounded by stuffed and bronzed animals.

● **DEFENSE DEPARTMENT** officials were forced to announce last week the grounding of the entire fleet of more than 1000 F-4 Phantom jets. It seems that the Pentagon has discovered a minor mechanical flaw in the plane: the pilot ejection seat mechanism apparently works on its own sometimes, much to the chagrin of Air Force pilots.

● **THE TRANSPORTATION** Department, under Neil Goldschmidt, is planning to help eliminate half a million jobs in the city of Detroit, *EIR* has learned. Details will be in next week's issue of *EIR*.

Inside the race for the Texas Democratic chair

by Konstantin George

The Texas Democratic Party will convene its 1980 state convention on Sept. 16, gathering 3,000 delegates in the state capital of Austin to choose a new state chairman and other party officers. Expected to be the scene of one of the sharpest party battles in a long time, the convention will be watched intensely around the nation. Texas "gay rights" activists have used the McGovern affirmative action rules, and watergatings of moderates, to assume a level of party control out of proportion to their strength in the population; in Austin, an all-out fight is expected between the moderate conservatives ("Mod-Cons") and the vocal liberal and radical factions.

A swing toward rebuilding a traditional Democratic constituency party in Texas would detonate explosions in state party machines in every region of the country. Texas's clout in shaping national Democratic politics dates from the period when it was the "party of Rayburn." At the 1932 convention, it was Texas that sprang the balloting loose on the fourth ballot to put Franklin Delano Roosevelt over the top, with his running mate, Texan John Nance Garner; this clout persisted through the era of Lyndon Johnson.

Currently, despite heavy rumblings of discontent among anti-liberal Democrats—many of whom have considered "turning Republican" in protest over the state party's radical drift—the state chairman race itself was viewed as a nondescript race between Robert Slagle, a Sherman lawyer, and El Paso attorney Luther Jones.

Slagle was viewed as a shoo-in, endorsed by the AFL-CIO and reportedly backed by Democratic National Chairman John White and Carter/Mondale national campaign chief Robert Strauss, both Texans.

As of last week, there was no longer an assured outcome. The two-way race has become a three-way contest. On Sept. 3, in a room at the state capitol in Austin packed with press and TV crews, David Samuelson, commissioner for Harris County, seat of Austin, announced his candidacy for the state Democratic chairmanship. Samuelson's charges, carried front page in the Austin press, won him a wide following overnight: "The state Democratic Party has become too liberal and has ignored two of the largest industries in the state, energy and agriculture. . . . More time was spent at the state convention in San Antonio on gay rights than on bread-and-butter issues. . . . We have gone too far. . . . My opponents Slagle and Jones are in line with this drift away from crucial economic principles."

Samuelson's candidacy was the result of organizing efforts by a group of statewide Democratic leaders informally called the "Alliance for Progress," who asked Samuelson to run. The Alliance for Progress says it is "seeking to save the Democratic Party from the ultra-liberals to rebuild the Party as an 'alliance of the producers' (a 'farmer-labor alliance')." As thousands of Texas farmers face bankruptcy from the combined effects of the drought and Carter credit policies, the alliance demands immediate measures such as farmer debt relief and 100 percent parity to ensure food production for home and foreign markets.

On energy, the alliance demands repeal of the wind-fall profits tax as part of a program to encourage and assist increased domestic energy production.

The Texas alliance includes American Agriculture Movement president Marvin Meek of Plainview, promi-

ment businessmen from Houston and Dallas, and the Mod-Con grouping of the state Democratic Party.

Front-runner Slagle brushes off the Samuelson challenge, saying: his campaign is ideological." Samuelson's reply to this: "The issues I raise, food and energy, are what Slagle calls ideology. I speak to the facts."

The third candidate, Jones, dismisses Samuelson's contention that farmers require government credit and 100 percent parity, espousing the "free market" in American agriculture, and calling the present situation "a crisis resulting from overproduction." Jones has refused to endorse the parity demands of farm organizations.

The other major issue brought forward by the Samuelson campaign is his demand that U.S. Attorney General Benjamin Civiletti be impeached for devoting the bulk of Justice Department resources to operations against state and local Democratic Party machines, based on the ongoing Brillab trial of Texas House Speaker Billy Clayton. The Brillab entrapment schemes by the Civiletti Justice Department have targeted the Texas Mod-Cons and, members assert, have provided the basis for the gradual "liberal-gay rights crowd" takeover of the party.

Front-runner Slagle, while not echoing Samuelson's charges, told the *EIR* nonetheless that "The Justice Department did their best to induce folks into engaging in misconduct."

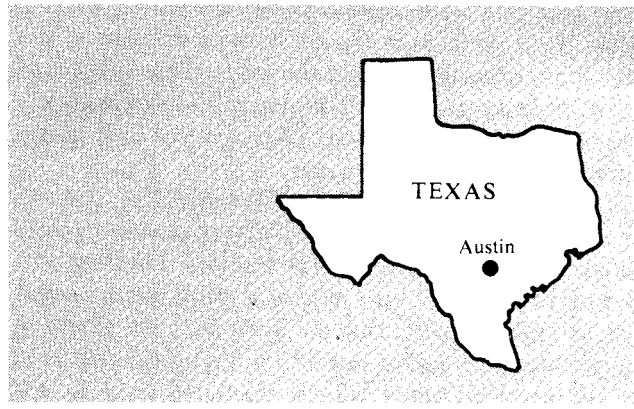
Slagle is playing the role of the cautious front-runner, steering as clear as possible from taking a stand on the issues. A high-ranking state party official says matter-of-factly: "Slagle is favored to win because he is a party hack. He is the handpicked choice of former party chairman Calvin Guest."

There is an interesting story behind this. In 1976, then DNC chairman Robert Strauss asked Guest to supply someone who would "win Bob's approval" to run the state Get Out the Vote operation for Jimmy Carter. Guest picked Slagle, then only 30 years old.

That was before there was a Carter policy record. Now, given that record, it is understandable why Slagle steers away from issues. The contrast on the Carter question between 1976 and now was expressed to this writer recently by a West Texas Democratic official: "We supported Carter in 1976, thinking he would only be a one-term President. We're stuck with him. What's important is to retake the party, build for local races for 1982 and 1984."

Slagle can win via a "fix." A top state AFL-CIO official, key to Slagle's labor backing, candidly admitted as much, saying, "If we were choosing someone for a state legislative post, we would pick Jones because he has a good voting record. Slagle is not the best, but he has paid his dues. Slagle's daddy is also a longtime brass-collar Democrat." (Slagle's father ran liberal Ralph Yarborough's unsuccessful bids to become U.S. Senator.)

Interviews



BOB SLAGLE

EIR interviewed Bob Slagle on Sept. 7. Excerpts follow.

Q: What are the key issues in this campaign?

A: In terms of ideology I don't think that issues are surfacing. It's a question of activism. I supposed that there would have been some ideological implications to the race but it hasn't been that way.

Q: Will you raise some issues?

A: Well, in Texas you say that the two parties have become one, but I think that going from no party to two is a better analysis. Now, statewide, we have Republicans, a lot of conservatives have left the Democratic Party.

There is a third candidate in the race, Samuelson, who is trying to make it an ideological race. He says he represents the conservatives and the farmers but this won't sell. I don't think that it's interesting to people that he's a conservative. . . . He's hollering that the minority caucus has too much power but it only has 40 percent of the DNC seats. The gays—he is talking about them—he is demagogic. One press story said he was counterposing the gays and he's trying to say that the party pays more attention to them than the farmers, but they lost their resolution at the convention and the farmers got it, so this is a phony issue.

The other candidate is a state rep and he says there are no ideological issues between us. We both come from the middle of the road. I have supported La Raza to the conservatives, to blacks, labor, white, Mexican. But some folks are trying to make this a liberal-conservative race.

With Jones, my major opponent, the differences aren't so dramatic. We've spoken 25 or 30 times together and he says there are no major differences. We are interested in building the party and we are both nice guys. I assert I am the most able for the job.

The other gentleman, Samuelson, I don't know where he is ideologically. He claims to be the conservative—the

support he has listed is hard right-wing. He has listed Dick Arlington, John Burnham, Corkey Smith, Marvin Meek. None of these in the last four years were on the state committee, or active in the party. They are out of step with the development of the party. They have always supported the conservatives. They are not into party-building.

I was an associate member of the NFU. . . . I don't have any problems with the programs passed at the state convention on agriculture—they wanted 90 percent parity and we passed it, they wanted a resolution on equal cost of federal water and we passed it, we passed a deregulation of trucking resolution, that if the cost goes up 160 percent then it will be regulated trucking for agriculture. I'm used to working with the Farmers Bureau and the NFU. . . .

Q: What about the issue of gays that he brought up, what do you think about that?

A: All the gays are asking for is that we have a penal code that doesn't make homosexuality a crime. . . . Why should we care what you do in your bedroom?—the cops don't.

Q: What do you think qualifies you for the job?

A: If I was not 45, I would say I am young and good-looking. I was raised in the Democratic Party . . . In 1967 to 1968 I was on the Democratic National Committee and was executive director in Washington for the Young Dems. In 1965 I was also chairman of the southern organizing committee for the Young Dems. I was president of my regional and local bar. In the fall of 1975 Calvin Guest and the president of the AFL-CIO, Hubbard, asked me to organize an activist program. I organized the Texas Dem Party Participation Program—to teach how to participate in the party system. It was also an affirmative action program for minorities. We had a new voter registration law so we had to explain it. . . . In 1976 Guest asked me to do a voter registration drive. The DNC voted it one of the two best drives in the nation, but we did better than the other program because we carried the state. Then I worked for Carter, I headed the get-out-the-vote drive. In 1976-78 I was the legal counsel to the DNC and liaison to the legislature; I have spent my life organizing Dems.

Q: Are you friends with John White?

A: John White and I are friends, we have known each other since I was 18. Bob Strauss and I are acquainted, I would not presume to say friends. He has been so much on the national side since 1968 we don't see much of him.

Q: Someone said that you are backing John White for Governor because Calvin Guest is for him.

A: I was the first candidate to say this: that the state

office and chairmanship must not be used for anybody until there is a nominee. . . . I myself am totally uncommitted. . . . I told John Hill I'm damned tired of saying I am not anti-Hill. I owed it to Calvin Guest to back Briscoe, who was his close friend.

DAVE SAMUELSON

Excerpts from an EIR interview with Dave Samuelson on Sept. 8:

Q: What do you have to say to Bob Slagle's charges that you are a demagogue and that you are making the race an ideological one?

A: My answer is that he can't interpret that fact that we are speaking to the issues. That's just further reason for people supporting me. The issues were not spoken to, and when I brought them in they don't know how to answer an issue. People in Texas have lacked politicians addressing the issues. The issue is the key thing and the economic issue is the number one of these. The moral issues and the economic issues go hand in hand. If you have weak morals you have a weak economy, and if you have a strong morals you have a strong economy.

Q: What economic issues do you see as key?

A: The producers, we have to protect the producers. We have to have tariff or reduction of regulation, so that we regulate to increase production and not to hinder it. Employment and with it high interest rates are important. We have the most debt-infested economy to finance the debt, the interest load, that's consuming the protective capital. We have to rebuild our national industry. It is important under this to have a debt system. We have to cheapen finance, interest rates. We have to have a gold-backed monetary system. This falls into the area of politics. The government is elected by people and they represent people, not the New York bankers and the English bankers.

Q: What about the rumors that Slagle will back John White when he gets into office?

A: I'm probably the only one in the race and the Producers Alliance is the only element which can serve the party as a whole. Backing us is the Mod-Conservative people, religious leaders, farmers, businessmen. Also the fact that the blacks are looking seriously at this group shows that they want to be in the producers' element. They know that giveaways to minorities are an appeasement, not an advancement. The minorities have been waiting for real leadership to invite them to come into this and bring back the country to the great principles that it was founded on, economic freedom for the individual.

Through the producer flows wealth so that we can all advance civilization.

Q: How would you do this as chairman?

A: Through the Producers Alliance, I would seek the leadership for political offices. We have to raise the money to seek individuals to run for office and to return to these issues.

Q: What about the question of labor? There have been major charges brought against some of Texas labor people, the Brilab controversy, the judge in the Brilab case is saying there were dangerous FBI tactics possibly leading to a police state.

A: The day I announced [for the race] I called the Justice Department a political assassination outfit. The Attorney General, Civiletti, handled that. I am of the opinion he should be fired and before this is over with I believe he will be forced to step down. Outside interests can come into the state, that's what this means, and attack leaders here. They attack people before they can become a challenge to the Eastern bankers and the London bankers.

Q: Jones also raised education as an important issue in my discussion with him.

A: To say we are going to pay for education means we have to raise the productivity capacity. When wealth is produced then more can be channeled aside for quality education and higher pay for quality educators. These issues are what Slagle calls ideology. I speak to the facts, not ideology.

LUTHER JONES

From a Sept. 5 EIR Interview with Luther Jones:

Q: What do you think are the most important issues in the race for the state Democratic chairman?

A: The most important is electing a chairman qualified to organize the party so it can deliver meaningful services—that the party can be helping candidates win elections—track those voting in elections in the primaries. Other services have to be provided such as inhouse polling, which has to be both general and special for specific candidates so they can target their resources and which precincts they will try to win. We have to have fundraising so that the state party can contribute to campaigns. We have to publish a newsletter to be sent to all officials so they can be kept abreast of what is happening in Austin and Washington and the issues being debated. I don't conceive of my role as state party chairman as a policymaker, the state Dem committee

would formulate policy. I would have to take care of basics, the nuts and bolts of party politics.

I think the party should issue papers about what is critical and the pros and cons of an issue and what's being talked about in the legislature and campaigns. To the nominees the party should issue briefing papers about what the Republicans' positions have been, their voting records.

Q: What about the issues that the candidates are dealing with, what is your opinion on such issues as education, agriculture, energy?

A: The most important issue is education—we are 46th in the nation in education. This is the one single issue we have broad agreement on. Teachers' salaries have to go up. We have to reduce class size....

On energy we have to establish nationally strong conservation. I am all for alternate sources. I don't understand the windfall profits tax well enough to make a statement on it.

On agriculture we are beset by many problems. I was on the agriculture committee for six years. There are many problems, labor, energy, regarding agriculture that the legislature can do nothing about. We need money for water development and herbicide and crop research. I sponsored and passed the Family Farm and Ranch Security Act because in fact we are losing our farms. This act is for loan guarantees, that the state uses its credit to get loans for new farmers. A constitutional amendment was needed for that here and I had it passed. Agriculture will dominate as an issue when food prices go high, and they will soar. Prices are low as there is overproduction but the farmers don't want their production limited. The marketplace has to right itself.

Q: What is your background? What qualifies you for the job?

A: My background is I am 34, I didn't graduate law school but I took and passed the bar exam from St. Mary's University in San Antonio. Then I was assistant District Attorney in El Paso, and then in 1973 there was an open seat in the legislature which I went for.

Q: Who has endorsed your campaign?

A: I have been endorsed by Rep. Mickey Leland; Rep. Jim Maddox; State Rep. Craig Washington; Hector Garcia, head of the GI Forum; Ruben Bonilla, head of LULAC, Bill Heatley, a senior member of the legislature from West Texas; Jim Hightower, who ran for railroad commissioner; Johnny Bryon; John Hill, a former Attorney General; Billie Carr of the DNC; Jane Heckie and Bonnie Leslie; both of whom headed the women's political caucus; Ann Richards of Travis County, the commissioner; Jerome Friemal, the AAM leader in Texas; and Jay Naman of the Texas Farm Union. ■

Synfuels: boon or boondoggle?

by William Engdahl

The Energy Security Act of 1980, signed into law earlier this summer by President Carter is a grab bag of titles covering everything from biomass, alcohol fuels, and urban waste, to creation of an Energy Conservation and Solar Bank with a tag-on mandating addition of 100,000 barrels per day to the U.S. Strategic Petroleum Reserves. It is Title I of this omnibus bill which creates the United States Synthetic Fuels Corp.

In his June 1980 White House signing ceremony, President Jimmy Carter promised that the new synfuels legislation "will dwarf the combined programs that led us to the moon and built our interstate highway system." In terms of merely initial commitment of federal taxpayer dollars alone, he may well be right. In an election year marked by self-righteous howls from congressmen over big federal spending projects, the Synfuels Corporation managed to garner an initial \$20 billion for the first five-year phase, with an authorization of an additional \$68 billion to be appropriated from anticipated revenues of the Windfall Profits Tax Act of 1980 for Phase II.

A highly controversial aspect of the federal synfuels legislation is creation of the public corporation to stimulate the domestic synfuels industry. Less discussed but potentially holding far greater implications for the future direction of the economy is the unusual way the bill went through Congress. Pennsylvania Rep. William S. Moorhead, with support of House Majority Leader Jim Wright of Texas, engineered its passage in the form of an amendment to the Defense Production Act of 1950. Under rhetoric of national security in event of disruption of Persian Gulf oil supplies, broad sweeping powers have been introduced into this legislation by using legislation originally developed to give Truman emergency "mobilization effort" powers over the Korean War economy build-up. With no declaration of national emergency, the President now has powers to allocate materials and national resources toward the goal mandated in the Act—production of 500,000 barrels of oil-equivalent per day of synfuels by 1987 and a goal of at least 2 million barrels per day (mbd) by 1992.

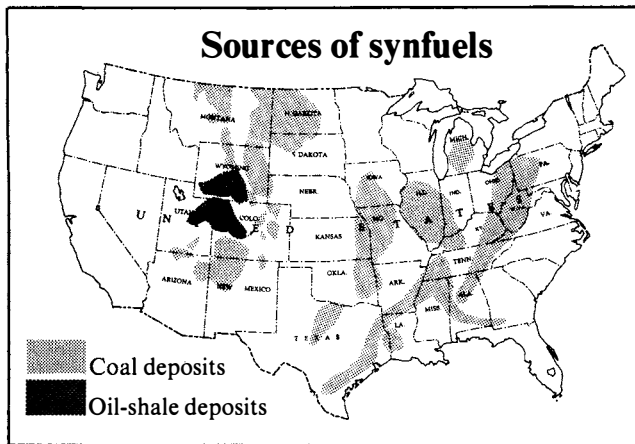
Within days of its enactment into law, the Department of Energy awarded to 110 projects initial grants totaling \$200 million for a variety of feasibility studies, signaling that the scramble for federal capital in scarce markets is on. The scope, claims and implications of the extraordinary manner in which this synfuels venture has been launched warrant careful scrutiny. Are we at the dawn of an era of guaranteed domestic energy independence as the President has indicated, or is the Synfuels Corporation the initial foot in the door for a diversion of national resources that will have catastrophic impact on the shaky economy? The third possibility is simply whether pork barrel-minded legislators have used anxiety over energy supply to justify a \$20 billion taxpayer boondoggle to a variety of fly-by-night corporations while far more scientifically promising areas of energy development, typified by the fast breeder and controlled thermonuclear fusion, are grossly underfunded.

All of the major synthetic fuel technologies have been proven on the pilot-plant scale. This is not at issue. The controversy comes when we speak of scaling up to commercial levels of producing the stated national goal of at least 2 mbd of oil equivalent from these shale and coal synthetics.

The scale of such an industry is staggering. For example, just one 50,000 barrels per day oil shale facility would have to mine, move, crush, and heat over 24 million tons of rock per year. No one is willing to make cost statements, but informed estimates for commercial-scale 50,000 barrel per day plants range anywhere from \$2 to \$5 billion each.

Water needs in the water-scarce western states alone are enormous and a cause of great concern to agriculture and other industry. Between two and four barrels of water are used up for each barrel of shale or coal synthetics produced. A recent study carried out by the National Research Council of the National Academy of Sciences warned that the Carter administration goal of tripling or quadrupling coal production primarily for synthetics and electricity production over the next two decades "will be difficult even with optimal planning" and that we have never carefully analyzed the ultimate capacity of the lower 48 states to supply water, especially in the water-strapped western states where the major shale and coal reserves for synthetics are located. The recent drought in the West further points up the urgency of broader water resource evaluation for the entire western Rocky Mountain region. This problem has been bypassed by the advocates of synfuels.

The capital goods requirements and bill of materials for development of this new industry are also immense. A recent study carried out by the Congressional Office of Technology Assessment calculated that merely to produce 1 mbd of oil-shale synthetics by 1990 will require fully one-third of the total national capacity of construction and engineering design services and up to



up to produce 15 mbd of synthetic oil and gas from shale and coal, over the next 30 years. Their projection of total cost for this scale reaches an uninflated figure of at least \$800 billion in current prices, \$500 billion for shale projects alone.

Inflated cost could push the figure into the trillions of dollars. Exxon recently paid \$400 million to buy out Atlantic Richfield's 60 percent share of an oil shale project near Grand Valley, Colorado for a plant scheduled to produce 46,000 barrels per day by 1985. Based on *EIR* computer analysis of the current undercapitalization and depressed state of the U.S. economy, the industrial base could hardly sustain the energy requirements and production needs of diverting resources even for a 2 mbd capacity, to say nothing of Exxon's projected 15 mbd industry.

The heart of the synfuel story, since early synthetics gave way more than 100 years ago to cheap, abundant oil and gas, has been the far higher cost of producing synthetic oil and gas compared with conventional fossil fuels or more recently, nuclear energy. The Office of Technology Assessment estimates that to guarantee a 15 percent rate of return for development of shale oil product could require a price of \$62 per barrel of syncrude, making it noncompetitive with conventional crude without massive government subsidies and market guarantees.

This appears to be exactly what Exxon et al. have secured with passage of the Energy Security Act of

30 percent of total plant equipment capacity produced in 1978 (see chart 1). And this is only 50 percent of the stated national goal of 2 mbd. A recent market analysis for coal synthetics projects a staggering \$190 billion in cumulative capital expenditures over the next two decades for plant and equipment, not accounting for cost inflation since 1978. By 1980, the adjusted value alone has reached \$250 billion.

Even this is peanut-scale compared with a report recently made public by Exxon, a major investor in oil shale. In a presentation before the Business Roundtable just after passage of the synfuels bill, Exxon chairman Clifton Garvin told a closed meeting of the heads of the nation's largest corporations that the nation must gear

Requirements for the production targets

	1990 production targets, bbl/d			
	100,000	200,000	400,000	1 million
Resources	Requirements			
Institutional				
Design and construction services*	minimal	minimal	12	35
Plant equipment	minimal	minimal	6-12	15-30
Economic and financial**				
Loans, \$ billion	\$0.9-1.35	\$1.8-2.6	\$3.6-4.2	\$9.0-13.5
Equity, \$ billion	2.1-3.15	4.2-5.9	8.4-9.8	21.0-31.5
Total, \$ billion	3.0-4.5	6.0-8.5	12.0-14.0	30.0-45.0
Annual, \$ billion***	0.6-0.9	1.2-1.7	2.4- 2.8	6.0- 9.0
Water availability				
Water, acre-feet/year****	9,800-24,600	19,600-49,200	39,200-98,400	100,000-250,000
Socioeconomic *****				
Workers	5,600	8,800-11,200	17,600-22,400	44,000-56,000
New residents requiring housing and community services	23,000	41,200-47,200	82,000-95,000	118,000-236,000

* % of 1978 US capacity needed each year

** Third quarter 1979 dollars.

*** Maximum annual requirements for a 5-year construction period.

**** Assumes 4,900 to 12,300 acre-ft/yr for production of 50,000 bbl/d of shale oil syncrude.

***** Assumes 1,200 construction workers and 1,600 operators per 50,000 bbl/d plant. Multipliers used for total increase = 2.5x (construction workers) + 5.5x (operators). Ranges reflect phasing of plant construction.

Source: Office of Technology Assessment.

1980. All of this is without reckoning the likelihood of severe cost overruns because of the large demands for labor, equipment and construction services over an uncertain 20 year period of development. Cost estimates for shale plants rose by more than 400 percent alone between 1973 and 1978. This is without consideration for cost overruns caused by environmental or regulatory delays such as have plagued the nuclear industry. In addition, with the current glut in world oil production, OPEC prices are soft. A collapse or even freeze of artificially high OPEC oil prices over this period could

totally alter price economics of synthetics. Indeed, the scope of the Exxon proposal, if enacted, would lock not merely that corporation but the entire political and economic infrastructure of the Western world into a regime of rising oil prices. In fact, an argument can be made in light of recent revelations that the recent 150 percent rise in the price of world oil was an artificial response to an overblown picture of the loss of Iran crude, that such price rises by the major multinational oil companies such as Exxon conveniently made the case for development of synfuels more convincing.

The synfuel options

There are two "mainstreams" of synthetic fuel development being considered for production of the initial one-half mbd goal. One involves deriving oil from shale. The other major technology being considered is deriving from coal either liquid or gaseous fuels.

Oil shale

Let's first consider oil shale. The world's largest known deposits of oil shale are located in the United States, with the richest and most accessible deposits in a 17,000 square mile area at the intersection of Colorado, Utah and Wyoming. Most active interest is currently focused on a small area called the Piceance Basin in Colorado's Rio Blanco County (see map). This area is estimated to contain up to 164 billion barrels of oil. In a recent study, the Congressional Office of Technology Assessment estimated that about 400 billion barrels could be "economically" recovered from the tri-state region. By comparison, the United States currently consumes somewhat more than 6 billion barrels of oil per year.

This oil shale contains a carbonaceous, waxy solid known as kerogen. When heated to about 900°F this will yield combustible gases and shale oil. In addition, it yields sodium minerals and a sizeable residue of retorted shale. Although there presently exists no commercially proven oil shale recovery process anywhere in the world, there is research on three basic approaches. True in situ (TIS), is a process in which the shale is first fractured explosively then retorted underground. This is the most experimental technology for shale. (Occidental Petroleum has invested millions in this area.) The second, modified in situ (MIS), is a process in which a portion of the deposit is mined, the rest turned to rubble explo-

sively and then retorted underground. The third, above-ground retorts (AGR), involves mining the shale in huge open pit mines and retorting on the surface. The result of the processes is a crude shale oil which can be burned as a boiler fuel or converted into a synthetic crude oil (syncrude) by the addition of hydrogen. The syncrude, in turn, can either be burned as a boiler fuel or it can be refined into petrochemicals, especially the heavier distillates such as diesel and jet fuel.

It is the process of transforming the original kerogen into useable refinery feedstock that is the focus of efforts on the part of a number of major oil companies with large reserves of oil shale. The economic cost of retorting the shale and then hydrogenating it when cooled; the cost of removing the toxic spent shale; the degree of air pollution and the water needs in producing the shale; the cost of the large-scale production facilities, all must be reckoned in the calculus of whether oil shale is "competitive." We will look at this in some detail below. For now, it is sufficient to indicate that a commercial commitment to produce even 1 mbd rather than the President's stated goal of 2 mbd by 1992 involves a staggering national commitment of capital resources, plant and equipment, construction services, and water resources.

Coal gasification

Converting this nation's vast coal resources into synthetic gas and liquid form is the second substantial area of synthetic fuels development being discussed by the administration and private industry. The technology has been in existence since an energy-isolated Nazi war economy developed the Lurgi gasifier in 1936. In the more recent period, oil-scarce, coal-rich South Africa, under conditions of increasing political isolation, has developed a domestic coal gasification capability through the government-backed South African Coal, Oil and Gas Corp. (SASOL) using the Lurgi process. The first plant,

The labor aspect

The social implications of the national synthetic fuels program are another entire area for careful study. As a way of "controlling" soaring project costs, it appears that a number of the major construction firms scrambling for the \$20 billion federal pie have decided to use nonunion labor for their projects. A study of the construction firms involved to date in negotiations and hiring in Western Colorado revealed that major national construction firms are doing hiring under nonunion or open shop subsidiaries. In one instance, Becon

Construction, the nonunion subsidiary of Bechtel Corp. is running ads in the Denver papers to take applications on a \$2½ billion oil shale project in Rifle, Colo. Bechtel declined to name the oil company involved. Thus, it appears that federal funds are going to subsidize nonunion activity on a potentially massive scale. In one case, a company found the quality of nonunion workmanship so inferior that it was forced to quietly hire union workers off the books for above union scale to repair the damage. But with federal monies picking up the tab, who cares? ■

which became operational in 1955, now turns out '0,000 barrels of fuel oil equivalent/day. A fivefold expansion program totaling about \$7 billion begun in 1974, is expected to bring the daily output to 50,000, still a pittance when compared to the ambitious 2 mbd being proposed in the U.S. synfuels program. In addition, South African coal feedstock runs about \$6 per ton compared with a U.S. average of \$23. Therefore, the South African experience is not a relevant model for cost economics.

In terms of synthetics from coal, High BTU Gasification and coal liquefaction are the two major areas of development study. In the first generation Lurgi gasification method, small chunks of coal are fed into the top of a pressure vessel where it is met by a combination of oxygen and steam flowing upward from the bottom. Heat and pressure produce methane, the main constituent of natural gas, as well as a synthetic gas of carbon monoxide and hydrogen. This mix is then further processed to remove the carbon dioxide, sulfur and other by-products, to yield a medium BTU gas (350-500 BTU compared with natural gas with 1,000 BTUs per cu. ft.). At this point, the gas can either be consumed as a medium BTU fuel by a limited and relatively inefficient market, or be converted into a mix of liquid or gas products.

The BTUs of synthetic gas can be increased to the point where it can be blended with conventional 1,000 BTU natural gas through a process of "methanation." Such coal gas could then be fed into the existing natural gas pipeline network to industrial application markets. There are a number of alternative methods being mooted for production of high BTU coal gas.

Liquefaction

The other branch of development for the coal syngas is liquefaction. The best known method for coal liquefaction is a process developed in the 1920s, again in Germany, the Fischer-Tropsch process. The

syngas here is passed over a catalyst which converts it into a range of products from methane to waxes. This is then run through a conventional refinery where it yields diesel fuel, jet fuel and gasoline. Coal liquid for transportation fuel has been the main goal of the South African program, unlike the U.S., where natural gas has been the interest of pipeline companies. All high BTU gasification projects developed to date involve the Lurgi gasifier which has the drawback that it cannot use so-called caking coals of the variety found in the eastern United States, virtually eliminating the nation's richest coal region. Western coal is generally non-caking, the reason the same areas being scouted by major corporations for oil shale are also being sought for synthetic coal projects.

Methanol is the prime object of interest for coal liquefaction. The one billion gallons of commercial methanol produced in the U.S. in 1978 for use in producing plastics, glue and synthetic fibers employed natural gas as a feedstock. Coal is seen as a possible alternative to natural gas to produce methanol. Methanol could also be used as a gasoline additive similar to the use of corn-derived ethanol for gasohol. There are technical problems to be solved, but methanol is viewed as the least costly of synthetic coal liquids. A series of second-generation processes involving direct liquefaction technologies is being considered, unlike the indirect and less thermally efficient Fischer-Tropsch method, which gives a thermal efficiency of 45-60 percent. Direct methods range between 65-70 percent efficiency. Three pilot approaches being pursued for direct liquefaction are the Solvent Refined Coal (SCR) method developed by Gulf Oil and the Southern Co., the Exxon Donor Solvent process, and the H-Coal method developed by Hydrocarbon Research Co. with Ashland Oil, now nearing completion of a pilot plant near Cattleburg, Kentucky which will yield either a boiler fuel substitute or a range of lighter products such as naphtha.

Carter forces through rail deregulation

The Carter administration has strongarmed the House into adding railroad deregulation to earlier administration victories in deregulating the airline and trucking industries. By a vote of 83 to 296 on Sept. 9, the House defeated an amendment to the Rail Act (HR 7235) offered by Rep. Bob Eckhardt (D-Tex.) that would have maintained a necessary minimum regulation over railroads.

At issue was whether areas served by a single rail line would continue to be protected from exorbitant price hikes by Interstate Commerce Commission (ICC) ratemaking. On July 24, Eckhardt had successfully pushed through, by a handful of votes, an amendment maintaining that protection. The bill's sponsor, Rep. James Florio (D-N.J.), then withdrew the bill, claiming that Eckhardt's amendment would effectively kill deregulation.

But when Jimmy Carter announced two weeks ago that "rebuilding the nation's railroads" is a crucial component in his "reindustrialization" scheme, it became clear that he would press for the rail act in order to begin rationalization of this sector. The administration ordered the bill's sponsors to draft a compromise which would merely phase in deregulation over a four-year period. The administration also launched a major lobbying campaign of a magnitude seldom seen this year.

Eckhardt and a variety of lobbyists continued to oppose the compromise, charging that it was

"specious," and attempted to amend the compromise itself. Eckhardt argued that "with my amendment [utility] consumers would realize about \$5 billion a year in savings . . . [otherwise] no railroad's monopoly rate may be contested."

The Short-Line Railroad Association, fighting the bill, also stated that "there are endless examples of the methods by which large railroads can injure the small railroads using these [the bill's] powers."

After the defeat of the amendment, final passage on the bill came with a 337 to 20 vote. The legislation now goes to a House-Senate conference, where an administration-sanctioned version is expected to emerge for the President to sign into law.

Committee rejects probe on Stealth leaks

By a vote of 20 to 10, the House Armed Services Committee Sept. 9 rejected a move to require the White House to supply documentation on its decision to declassify the Pentagon's Stealth technology. The previous week Investigations Subcommittee chairman Sam Stratton (D-N.Y.) blasted Defense Secretary Harold Brown and the White House for their decision to declassify the existence of Stealth, allegedly a method of making manned bombers invisible to radar. Allegations were also raised at those hearings that the administration had leaked information itself to the press about Stealth, in order to bolster its poor image in defense matters.

However, Stratton himself voted against the resolution sponsored by Rep. James Courter (R-N.J.). Stratton said it would be a "waste of time" to try to penetrate the executive privilege obstacle that the White House would erect.

Senate Republicans failed on Sept. 8 in a similar appeal to John Stennis (D-Miss.), chairman of the Senate Armed Services Committee. Stennis stated that although he would have preferred that the administration not declassify Stealth, a congressional probe might end up revealing more secrets.

House ambushes strip mining bill

Using some tricks of the trade, the House leadership has stymied Senate Majority Leader Robert Byrd's (D-W.Va.) efforts to weaken the tough laws regulating strip mining. Last year Byrd pushed through the Senate a bill freeing states from federal regulations in developing strip mine reclamation plans. The bill was sent to the House Interior Committee, where Moe Udall (D-Ariz.), an environmentalist supporter, kept it bottled up.

This year Senator Byrd attached an amendment on the strip mining laws to a noncontroversial bill on vessel tonnage, with the expectation that the House Merchant Marine Committee would review it and not Rep. Moe Udall's Interior Committee. But House Speaker Tip O'Neill (D-Mass.) asked for a conference with the Senate on the bill to work out the differences between the two versions, and O'Neill named Udall to head it. As the

majority of the House conference committee members, O'Neill also appointed representatives who favor strong controls on strip mining.

Although the bill is now under Udall's control, and thus will not move, reports are that Byrd might try some maneuvers as the current legislative session draws to a close. When key legislation is stalled, Byrd might offer to help them move if his strip mining bill does too.

Nominee to spark Iran interrogation?

Hearings on the nomination of Henry Precht as ambassador to Mauritania were postponed Sept. 10 by the Senate Foreign Relations Committee. Intelligence sources reported that Precht's previous service as head of the Iran Desk at the State Department may become an issue. Republicans are reported ready to use Precht's nomination hearing as a forum for drawing him out on the subject of the Carter administration's role in allowing the Khomeini regime to come to power.

House demands White House Billygate records

By a voice vote the House of Representatives demanded Sept. 10 that the White House supply all documents and records involving the Billy Carter affair within seven days. The vote successfully preempted Republican efforts to postpone the vote to Oct. 1, when it could be more politically embarrassing.

After House Democrats failed to kill the Republican-sponsored resolution by a vote of 260 to 124, they apparently adopted a strategy to end the affair as quickly as possible. House Judiciary Committee chairman Peter Rodino (D-N.J.) pointed out that most of the documents have already been supplied by the administration.

This Democratic strategy of attempting to air and quickly end the Billy Carter affair is also being pursued in the Senate. Sources report that barring any new revelations, the chairman of the special committee reviewing the Billy Carter material, Sen. Birch Bayh (D-Ind.), will move to wrap up the investigation sometime after Zbigniew Brzezinski, the National Security Council director, testifies the week of Sept. 15. On a party-line basis, Bayh will probably have the votes.

Senate votes up Tenn-Tom, again

The Tennessee-Tombigbee Waterway, a barge canal that will provide easy access to the coal-producing regions of western Kentucky and Tennessee to the Gulf of Mexico, received Senate backing for the second time this year in a vote on Sept. 10. By a vote of 53 to 36 the Senate rejected an amendment put forward by Sen. John Chaffee (R-R.I.) to kill funding for the project for next year. Earlier this year, when Chaffee proposed an identical amendment to the FY 80 Supplemental Appropriation Bill, it was less forcefully rejected.

Since that earlier vote, both sides in the battle over Tenn-Tom

have escalated their lobbying efforts. Opponents of Tenn-Tom gained the advantage of having Sen. Patrick Moynihan (D-N.Y.) ascend to the chairmanship of the Water Resources Subcommittee of the Senate Environment and Public Works Committee in the shake-up following Edmund Muskie's departure for the State Department. Moynihan, a vociferous opponent of Tenn-Tom who has called the project a "federal government effort to clone the Mississippi River," has used the subcommittee to hold hearings airing the views of opponents of the Tenn-Tom project. In addition Sen. William Proxmire (D-Wisc.), chairman of the Senate Banking Committee, had commissioned a GAO report on how much would be saved by stopping the project, which is already two-thirds completed.

Supporters of the Tenn-Tom fought back. In an unusual move the Water Subcommittee of the Senate Appropriations Committee released on Sept. 9 a 43-page rebuttal of arguments used against the canal. The report further charged that the railroad industry has whipped up opposition to the project because it wants to avoid competition. Subcommittee chairman Bennett Johnston (D-La.) and subcommittee member John Stennis (D-Miss.) are two of Tenn-Tom's biggest supporters. Stennis argued: "We need development, we need expansion."

One of the leading environmentalists opposed to the project, Marion Edey, head of the League of Conservation Voters and Club of Rome member, declared, "We will kill it I think in a year."

Inching closer to a constitutional crisis

The League of Women Voters announcement Sept. 10 that it will invite John Anderson to participate in its upcoming series of nationally-televised presidential debates has effectively moved the United States much closer to a profound political crisis.

As most political analysts agree, Anderson's participation in the debates—with or without Carter—can only enhance his credibility as the “third alternative” in the presidential race, thus bolstering his vote-getting capability.

The League's decision capped a week which saw a sudden reversal in Anderson's declining political fortunes. On Sept. 4, the Federal Elections Commission did a 180 degree about face on their previous rulings and decided that Anderson's independent candidacy should be considered a “third party.” The practical significance of the FEC's decision is that it makes Anderson eligible for federal funds if he registers a minimum of 5 percent in the popular vote; this, in turn, greatly enhances his fund-raising abilities.

Then the executive board of the Liberal Party in New York voted Sept. 6 to put Anderson on their ballot line in November, a dubious honor usually reserved for the Democratic nominee. According to Liberal Party chairman Raymond Harding: “We're confident that Anderson will take the state. The Kennedy wing of the party is with us. So are a lot of the unions, despite their pro forma endorsements of Carter. We've got a phenomenal situation in this country. . . .”

If Harding is right, and Anderson takes New York, that would almost definitely ensure that the Electoral College is caught in a



three-way deadlock. This would mean that the House of Representatives would have to choose the next President—which could augur a period of total political paralysis.

Some political observers believe that the political circles pushing Anderson aren't interested in putting him in the White House but want to use his candidacy to disrupt the American electoral system and set the stage for carrying out a drastic transformation of the nation's basic governing institutions. One highly-placed source confided recently that “There's a grouping, let's call it the Harriman circles, who want to create a multi-party system in the United States. They see Anderson as a vehicle for accomplishing this.”

Javits loss an Anderson victory?

Jacob Javits's unexpected loss to Alphonse D'Amato in the Sept. 9 New York Republican senatorial primary could well boost John Anderson's chances of winning the state in the November elections. As one astute observer of the state's politics explained: “There are a hell of a lot of sane, liberal and centrist Republicans who won't vote for

D'Amato under any circumstances. He's too conservative and they don't like the way he treated Javits during the campaign. Since Javits will still be in the race, on the Liberal Party line, I expect lots of those Republicans to vote Liberal. And once they get into that voting booth, I'll eat my hat if they don't also pull the lever for Anderson.”

The best of friends?

Henry Kissinger drove down to Ronald Reagan's Virginia estate last week for a series of consultations on the Republican presidential nominee's campaign. According to reliable sources, Kissinger offered Reagan a deal: In return for being given direct control over the campaign, Kissinger said he would use his influence to tone down the East Coast media assault against Reagan which by then had reached feverish heights.

Did Reagan agree? It's not clear. But another campaign insider told us that a sudden decision had been made in the campaign's higher circles that Reagan wouldn't say another word on the China policy controversy. Reagan's repeated references to improving relations with Taiwan has been a major cause for alarm among the Eastern Establishment types that have latched on to his candidacy.

Meanwhile, Kissinger is receiving some important back-up from media expert James Barber, who heads up a new program at Duke University to teach journalists how to shape the issues and outcome of elections. Barber is mobilizing his friends in the press corps to, as he put it in a recent interview, “mount a campaign to force Reagan to dump some of his old California mafia—Lyn Nofziger, Ed Meese, Mike Deaver—and bring in people with broader experience.”