

# EIR

Executive Intelligence Review

September 30, 1980

\$10.00

Why Anderson is the perfect Trilateral candidate  
Can West Germany weather the oil shock?  
Is Pakistan's Ziaul Haq on the way out?

## **Oil shut-off phase II: London targets Saudi Arabia**



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Executive Intelligence Review  
(ISSN 0146-9614) is published weekly by  
New Solidarity International Press Service  
304 W. 58th Street, New York, N. Y. 10019.  
In Europe: Campaigner Publications,  
Deutshl. GmbH. + Co. Vertriebs KG  
Postfach 1966, D. 6200 Wiesbaden  
Copyright © 1980 New Solidarity  
International Press Service

All rights reserved. Reproduction in whole or  
in part without permission strictly prohibited.  
Application to mail at second-class postage  
rates pending at New York, New York and  
additional mailing offices.

POSTMASTER: Send address changes to  
New Solidarity International Press Service,  
304 W. 58th St., N. Y., N. Y. 10019

Subscription by mail for the U.S.:  
3 months—\$125, 6 months—\$225,  
1 year—\$396, Single issue—\$10

# EIR

## From the Editor

**B**ritish Foreign Secretary Lord Carrington visited Riyadh last month ostensibly to mend diplomatic relations with the Saudis who had expelled the British ambassador after the BBC television screening of the anti-Saudi film "Death of a Princess." But *EIR's* Middle East Editor Robert Dreyfuss has pulled together the real story behind that visit, which centers around London's determination to cut Saudi oil production and send prices soaring to \$60 per barrel.

Only blackmail could provide London with the kind of weapon that would force the Saudis to collaborate with their efforts.

This week's special report, "Oil shut off Phase II: London targets Saudi Arabia," analyzes the threat of terrorism, instability and Iran-style chaos which is being held over the heads of the Saudi elite. For the longer term, the British have aimed the threat of an Anglo-American military policy of occupation and "recolonization" of the Persian Gulf to exact Saudi cooperation with its plans.

Mark Burdman examines the implications of this military strategy and Judith Wyer, *EIR's* OPEC expert, reviews London's plans for using its assets inside OPEC to cut supplies, double prices, and ensure the indexing of oil prices to inflation—a move which would bury the Western economies in deep depression—with the continental European nations the main targets. Wyer also reports on the recent OPEC meeting and the significance of the Saudi refusal to cut production. Renée Sigerson analyzes the key question of the OPEC surplus, who's got it, who wants it, and what's at stake.

We feature a second major report in this issue on the John Anderson campaign. Kathleen Murphy demonstrates why John Anderson is the perfect Trilateral Commission candidate. His campaign is designed not only to cause a major overhaul of the U.S. Constitution, but to wreck the two-party system and knock out the power of constituency-based machines.



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The Saudi Arabian delegation led by Zaki Yamani (c) and Prince Saud Faisal (r) at this week's Triministerial OPEC meeting in Vienna. Photo: Gamma-Liaison

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# The dope in the White House

The "leave of absence" requested by Jimmy Carter's campaign manager Tim Kraft early this month—after it was divulged that he was under investigation for cocaine use—is merely the latest drug-related scandal in the White House.

In fact, the stink of drugs that surrounds the President and his administration makes it the most decadent in the history of American politics. At every level, from the President's family and closest aides to high ranking government appointees, there is complicity in drug abuse and trafficking.

Decadence so blatant confronts the American people with a fundamental moral decision. Will the nation stand by and witness the systematic destruction of its posterity? Will American citizens continue to tolerate the implementation of a foreign policy that is leading entire nations, our country's neighbors and allies, to genocide and economic ruin? Will our citizens continue to look the other way as this same policy crushes the economies of our own industrialized states?

### Personal immorality

Even before Carter took over the Oval Office, as a candidate he flaunted his close relationship to a drug-rock band, the Allman Brothers. Carter made a point of continuing to appear with them in public and use their services for fundraising even after stories appeared in the press linking this group to drug trafficking. Later, Allman Brothers band members were convicted on cocaine charges.

As President, Carter appointed his personal psychiatrist Dr. Peter Bourne as White House adviser on drug abuse. Bourne was already notorious as one of the country's foremost spokesmen for the legalization of marijuana and served on the advisory board of the pro-dope lobby, Norml. In July 1978, Bourne was forced to resign after it became known that he was illegally dispensing narcotics for Carter's White House staff.

The scandal did not prevent the administration from arranging Bourne's appointment to a United

Nations drug abuse post, and Bourne has continued to surface as an active campaigner for Carter in Washington as well as an intimate of the Carter family right up to the present.

Last year, Carter's chief of staff Hamilton Jordan was investigated for charges of using cocaine at New York City's former coke paradise, Studio 54. Despite his acquittal, one must still ask why the President's chief of staff was in a disco run by organized crime's narcotics czars, where jet-setters could snort cocaine and other drugs supplied by the now imprisoned management.

From 1976 to 1980, law enforcement officials were pressured not to investigate two of Billy Carter's close friends and business associates who may be running one of the largest drug-smuggling and money-laundering operations in the West—known to officials as "The Company." George L. Belluomini, the California "farmer" who arranged for Billy's loan from Libya, has a business associate named Mr. Sprague. Sprague is under investigation for dope trafficking. He traveled to Libya in March 1980 to help Billy negotiate the "loan" from the Libyan government and multimillion-dollar oil deals for Charter oil.

Congress is now investigating evidence presented in *Executive Intelligence Review* and the London *Times* documenting that Billy's Libyan connection was arranged by Sicilian Mafia leader and international drug czar Michele Papa. Papa hosted Billy in Rome and provided him with entertainment in Libya, the *Times* reports.

### A deeper problem

Shocking as these examples, and others we are not enumerating here, may be for the glimpse they afford of the personal corruption of Carter and his family, there is a deeper cancer in administration policies which accounts for its commitment to increasing drug abuse. If this cancer is not rooted out, then the Carter administration *and* its successors will preside over the destruction of our na-

tion's youth and our international prestige.

The fact is that America's global economic policy is controlled by the more than \$200 billion dope cartel organized around London banking and its New York appendages. Carter has unswervingly followed the dictates of the International Monetary Fund, which organizes credit flows and lending terms for the entire world.

The IMF and its "radical" appendage, the Brandt Commission, are cutting imports and energy supplies in the Third World to levels that will lead to millions of deaths in Africa alone this year. Moreover, the IMF and World Bank have dropped their mask and are openly pursuing a drug cultivation policy in the Third World, supposedly to create "hard currency earnings" for Third World countries. In a candid admission, the London *Observer* noted that "in the complicated and topsy-turvy world of international finance, the International Monetary Fund is now effectively helping those who want to legalize pot."

It is precisely because the administration is so tightly in the pocket of the IMF—which is now being aided by Carter in its plans to take over increasing control of U.S. private banking, on the model of its Third World policies—that officials are personally partaking of the corruption their policy promotes. And for the same reason, every foreign policy arrangement has entailed alliances with the world's leading brigands and outlaws.

Carter has embraced China, the world's largest exporter of heroin, including to the United States; the rebels of Afghanistan, who buy arms by selling dope; Prime Minister Begin, kept in power by Israel's drug mafia; and the Cossiga-Craxi government in Italy, whose ties to drugs are an international scandal.

Carter appointed Mathea Falco, a colleague of Peter Bourne's on the advisory board of Norml, to head the State Department's narcotics division. No sooner had she taken office in early 1977 than Falco shocked veterans of the United Nations

Commission on Narcotic Drugs with her private avowal that the administration intended to decriminalize marijuana. This is a direct violation of the U.N. Single Convention on Narcotic Drugs of 1961, a treaty signed by the United States.

With Falco at the helm, the State Department's sabotage of drug eradication programs with other countries, particularly Colombia and Mexico, has become an international scandal. Falco refused to grant U.S. aid for a paraquat spraying program to Colombia, and then invited the leader of Colombia's prodrug legalization movement, Ernesto Samper Pizano, for meetings in her office last year.

Ronald Reagan promises even worse. One of his leading economic advisers, Milton Friedman, went on national TV last April to plead for heroin as well as marijuana legalization, and advocates an economy for the United States modeled on Hong Kong, the world's heroin capital.

### **A national antidrug movement**

In the face of these prospects, *Executive Intelligence Review* welcomes the publication and newsstand distribution of *War on Drugs*, a publication of the National Anti-Drug Coalition dedicated to building a movement to stop the drug epidemic. *War on Drugs* since its inception four months ago has documented the U.S. dope lobby's tentacles into the White House and the guiding hand of Dope, Inc. behind U.S. foreign policy.

It is affiliated with the European journals of the Anti-Drug Coalition around which a successful movement has begun to emerge. The recognition that the Coalition is an effective instrument against the drive for legalized dope is attested by a torrent of attacks now spewing forth from the drug lobby against the European *War on Drugs*.

Here in the United States, a national mobilization against the drug lobby is an urgent priority. . . before the stink from the White House becomes unbearable.

# International Monetary Fund under heavy attack

by Alice Roth

The French government has joined forces with a coalition of Third World nations, led by India and Mexico and including a number of other members of the "Group of 77" or nonaligned bloc, to deal a series of embarrassing setbacks this week to the Carter administration-backed International Monetary Fund. The IMF has been targeted by the Group of 77 because of the IMF's policy of attaching severe austerity conditions to its loans, measures which often result in a collapse of economic growth in the borrowing country. French officials and other Western European government and business leaders believe the IMF's "conditionalities" are throttling the expansion of exports by industrialized countries to the Third World, contributing to global depression.

The assault on the IMF began with a vote in the United Nations General Assembly on Sept. 16 on a resolution initiated by Indian Ambassador Brajesh Mishra. Passage of the resolution would have given the U.N. General Assembly a mandate to discuss reform of the IMF as part of the ongoing North-South negotiations. Carter administration officials opposed the resolution on the grounds that such discussion should be conducted within the IMF itself, where the pro-austerity U.S. government has overwhelming veto power. Since the U.N. resolution required unanimous vote for passage, the U.S. was able to block it but was stung by the fact that Britain and West Germany were the only other nations to join in the "nay" vote. Furious at the French backing for the G-77, the State Department has filed a protest with Foreign Minister François-Poncet.

Meanwhile, the IMF and its sister organization, the World Bank, were dealt another setback when they failed to get a quorum last night on the vote on a U.S.-backed resolution which would have barred the Palestine Liberation Organization (PLO) from having observer status at the IMF/World Bank annual meeting later this month. The PLO issue is of no great importance in and of itself but is being used by the Saudis and other moderate OPEC governments, apparently with French encouragement, as a test case for determining whether OPEC will have a say over IMF policy-making. The Saudi and Kuwaiti governments have stated that they will withhold \$25 billion in projected loans to the IMF, if the PLO's observer status is denied.

According to IMF sources, the French hope to take control of the IMF, as a result of their good relations with the Saudis, and push through some far-reaching policy changes. These changes could include an extension in the period in which borrowing countries must repay loans, a return to fixed exchange rates, gold remonetization, and a junking of IMF officials' plans to make the Special Drawing Right the world reserve currency.

While the French maneuver to make world monetary institutions more conducive to industrial development, Carter administration spokesmen are calling openly for the depopulation of Third World nations, even going so far as to cite the Nazi model. At a banking conference in Alpach, Switzerland this week, Richard Cooper, U.S. Undersecretary of State for Economic Affairs, shocked



European bankers with his statement that present world population growth rates are excessive and could, by 1990, lead to "open conflict, greater terrorism and possibly localized anarchy," as well as "congestion, famine, deforestation." The coming decade's population growth will equal "nearly half the total world population when I was born," Cooper said, and even then, "some political leaders were calling for more *Lebensraum*."

According to *Washington Post* columnist Hobart Rowen, the entire U.S. administration, including Carter personally, have conducted "a strenuous lobbying campaign" to win support for the anti-PLO resolution among the 410 IMF/World Bank member nations. However, today's *New York Times* reports that a quorum was not achieved as of the 6:00 P.M. voting deadline last night, and that World Bank President Robert McNamara was frantically attempting to arrange an extension in the deadline. If no quorum is reached, the PLO will be seated, since the chairman of the annual meeting, Tanzanian Finance Minister Amir Jamal has pledged to admit them without a contrary resolution.

According to sources on Capitol Hill, Congress will almost certainly refuse to vote new funding for the IMF, if the PLO is allowed to attend the annual meeting. The administration had requested that Congress appropriate an additional \$5.5 billion for the IMF as the U.S. share in a 50 percent increase in IMF quotas. Both the House and Senate passed bills this week approving the funds, but the House version states that U.S. support for the IMF will be "seriously diminished" if the IMF provides the PLO any kind of "official status."

This places the Carter administration in a tight spot, because voting power in the IMF is weighted according to how much a country financially contributes. If Congress cuts off funding to the IMF, and other countries, such as the Saudis, make up the difference, the U.S. will lose its present veto power. The French could then be in a position to implement the above-mentioned IMF policy shifts.

Alternatively, the French might decide to junk the IMF altogether and proceed with the creation of the long-awaited European Monetary Fund, turning the EMF into a source of low-interest credits to fund Third World industrialization. The latter alternative seems much more workable than attempting to "reform" the IMF from the inside, but the French have as yet given no public indication that they plan to take this route.

The Saudis are willing to collaborate with the French on IMF reform, sources at the IMF say, because "the U.S. is against the Saudi policy of economic growth and cannot guarantee the Saudis politically, witness Iran."

State Department officials have criticized the role which the French have played, both in the U.N. vote and in the Saudi struggle with the IMF. Secretary of State Edmund Muskie has directed the State Department to send cables to the U.S. ambassadors in each of the OECD

(Western industrialized) countries voting with the Group of 77 in the U.N. vote, directing them to register a protest. France in particular has been singled out. According to State Department sources, U.S. Ambassador to Paris Arthur Hartman will see French Foreign Minister François-Poncet "to express our displeasure. We're telling them that they're playing games. What they're doing is regrettable. And," the source added in a threatening tone, "they will get the idea."

## The British plan for the IMF

The British are also plugging IMF "reforms" but for very different reasons. In a Sept. 16 interview with the *Wall Street Journal*, "Kit" McMahon, the Deputy Governor of the Bank of England, stated that international agencies should "lend longer, more and with slightly less rigorous conditions than were appropriate in the 1950s and 1960s."

The British in fact are promoting a plan to transform the IMF into a full-fledged world central bank, which would give the institution more not less power to impose anti-growth policies on national governments. British officials and private bankers are advocating that the IMF become a major borrower on the private capital markets. This, they say, would allow the Fund to assure control over a large portion of the OPEC petrodollar surplus without having to rely on direct borrowings from OPEC, which would give OPEC political leverage over the IMF.

The next step, according to Carter administration officials who support the British plan, is for the IMF to lend in joint consortia with private commercial banks, an arrangement known as "co-financing." In this way, London and New York banks will no longer have to bear the risk of refinancing Third World debts, now amounting to about \$350 billion. More to the point, the IMF will be directly involved in virtually every private credit to a Third World borrower, making it impossible for national governments to resist IMF pressures for austerity measures.

"If the IMF did get more involved in co-financing, in the placing and taking of funds in the Euromarket, we would in effect be creating a truly international central bank or lender of last resort," commented Robert Bench, head of the international department at Treasury's Office of Comptroller of the Currency. "It would be like a discount window at the Fed."

IMF managing director Jacques de Larosière is expected to raise the issue of IMF tapping the private markets at the upcoming annual meeting. The *Journal of Commerce* reported on Sept. 15 that the major New York commercial banks are lobbying for a review of the IMF charter, with the aim of having the Fund "reorganize itself into something more closely resembling a bank." Among the changes they want to end the \$5 billion limit on IMF private borrowing. ■

## Euro-Arab deals mooted

*London and New York are worried over what looks like a new set of steps toward remonetization.*

The old specter of a deal between continental Western European governments and Arab OPEC states such as Saudi Arabia and Iraq to reestablish gold's role in the monetary system is once again haunting the Anglo-American financial establishment. In a Sept. 15 editorial, "Trading Oil for Gold," the London *Financial Times* declaimed against those who wish to remonetize gold at high prices, a move that the *Times* deemed "inflationary."

Although the *Times* did not identify the culprits, it is no secret that since the launching of the European Monetary System (EMS) nearly two years ago, both France and West Germany have been committed to the restoration of gold. Last year, French President Giscard attempted to organize a formal dialogue between the European and Arab OPEC countries.

Although this conference was stalled for political reasons, the proposals floated by the Elysée Palace then are still very much alive—namely, moderate oil pricing and guaranteed oil supplies for the EC in exchange for gold guarantees and a new system for recycling petrodollars which would channel more funds into Third World industrial development.

Very little is being said about this in Paris now, at least publicly, but it would not be too surprising if Franco-German influence was behind Saudi Oil Minister Yamani's

reluctance to lower oil production at the Vienna OPEC meeting.

In a Sept. 15 article, *Financial Times* columnist David Marsh analyzed Swiss customs statistics, revealing that Iraq, Kuwait, the United Arab Emirates and Iran transferred about 145 tons of gold worth \$2.9 billion from Switzerland during the first seven months of 1980. Iraq alone transferred about 74 tons, well up from the 23 tons moved to Baghdad during the whole of 1979. It is impossible to tell from these figures whether the gold was bought this year or represented previously bought stocks which the owners had decided to repatriate.

Nevertheless, the transfers by Iraq could be significant, since the country has not previously been identified as a major gold investor. Iraq has maintained close ties to France and has become increasingly allied with Saudi Arabia against the "Islamic fundamentalist" fanaticism and high pricing policies of Iran and Libya.

Significantly, the *Financial Times'* diatribe against remonetization policy ends with a call to deal with the gold issue within the context of the International Monetary Fund. The *Times* suggests that at the upcoming IMF annual meeting, the world's central bankers "consider how they could best take advantage of the demand for gold to help steer the world monetary system through a period of difficult

economic adjustment."

The *Times* may be hinting at some scheme to use the IMF's gold reserves to back up those institutions borrowing in international capital markets, as part of London and Washington's effort to transform the IMF into a world central bank.

The building of the European Monetary Fund as an alternative gold-backed system with Arab support would obviously threaten such a scheme. In its Sept. 15 *Financial Digest* newsletter, Manufacturers Hanover suggested that the decision by Saudi Arabia and Kuwait not to lend to the IMF would result in these governments deploying still more funds into the precious metals markets.

Meanwhile, there is increasing evidence that the Soviets may be coordinating with European and Arab governments on the gold remonetization question. The Swiss customs statistics show that the Soviets have sold no gold in Zürich since January. This has raised speculation that the Soviets may be selling gold through direct bilateral deals with Arab OPEC countries. Zürich was previously the Soviets' main outlet for sales of gold to the West.

At this point, it is difficult to say exactly how these complicated political maneuverings around gold will be manifested in a specific gold price. The failure of OPEC to proceed with oil production cutbacks implying major price hikes has momentarily halted gold's rise towards the \$700 an ounce mark. It is reasonable to expect that Western European and Arab central banks will continue to provide a floor under gold, as they have in the past at the \$600 level.

### Runaway growth of money supply

*Paul Volcker's monetarist approach to the economy keeps producing more of what it pretends to want less.*

Since taking office in August 1979, Federal Reserve Board Chairman Paul Vocker has pursued a monetarist policy on money supply and credit. It is ironic but predictable that money supply growth is now once again out of control.

According to the figures of the St. Louis Federal Reserve Bank, for the week ending Sept. 3, the two-month growth average of M1-A is 13.6 percent and that of M1-B is 16.5 percent, well above the growth targets set by the Federal Reserve Board for these aggregates. No one on Wall Street is willing to make any firm prediction as to when money supply growth will abate.

In the short-term, there has been an immediate jump in money supply figures over the last two months. In July, there was a large \$5 billion social security increase which was mailed out in checks to recipients and soon entered the banking system. Also in July, there was a large \$8.4 billion mortgage loan commitment by the savings and loans associations, an attempt to stimulate housing growth. It is the resulting housing growth and the lowering of mortgage rates that has accounted for a large share of the economic recovery of July-August, which will prove to be short-lived.

But according to Bob Giordano of Goldman Sachs, the July social security and housing figures, among others, should have had a chance to wash out of the banking

system already. Why then is money supply still exploding?

By attempting to make money growth and not industrial output primary, and by restricting money supply growth in the 3 to 5 percent range in order to theoretically keep GNP growth at 3 percent, the monetarists are already undercutting real growth targets. As two-thirds of GNP is office building, gambling casino and other value less production, this leaves at best a 1 percent real production growth.

In practice, the monetarists impose even lower levels of economic growth. In the U.S., industrial production is down 8 percent since the spring.

Thus, attempting to limit money supply invariably lowers production, lowers productivity, and makes the control of inflation impossible. The U.S. inflation rate is still over 10 percent.

This can be seen in the M1-A money supply bulge. For example, as a result of the sharp cut in production and the tight reins on credit Volcker emplaced in March, corporations were forced to borrow from banks on a short-term basis. When interest rates fell in the early summer, corporations sought to restructure their debt from short-term bank borrowing to long-term bonds. In July, the total corporate bond calendar was a staggering \$5 billion, most of the funds going not to capital formation—which has been falling—but to inventory fi-

ancing and some short-term bank debt retirement. In August, corporate bond issues continued strong at \$2.9 billion. In September, the corporate bond calendar was also strong until interest rates started rising sharply.

This large volume of corporate funding got transferred into checking accounts and show up as money supply growth. Thus, corporate re-funding and inventory financing operations taken as measures against Volcker's tight money policies in the spring have contributed to money supply growth recently! To stop this, Volcker is threatening to once again raise rates.

The corporate fundings, of course, were mostly pass through of funds, but of the kind which aided money supply activity. The increase in the federal budget deficit to pay for increased anti-recession payments such as unemployment insurance has also led to money supply growth.

Volcker's policy will inevitably lead to zigs and zags in money supply growth, with each change in money supply followed by tight contractions of credit. Another shift in money supply is underway. "Because Volcker has been accommodative to financing to keep the economy up, money supply will grow 13 percent in the third quarter," says Robert Synch of Bear, Stearns investment bank. He added, "we see Volcker having to follow this growth up with credit tightening that will push the federal funds rate up to 12 percent by late this year, and the prime up to 15 percent."

This will kick off the same monetarist stop/go cycle. The economy will respond with further production collapse.

## **'The Transcendent Financial Reform'**

*House hearings this week are likely to support administration plans to phase out the regional banks . . .*

**T**he Carter administration's program to "reindustrialize America" by phasing out what Carter refers to as the "sunset" industries, aging sectors such as steel and auto, appear to include the U.S. regional banking system.

White House domestic policy adviser Stuart Eizenstat has prepared as part of Carter's Aug. 28 "reindustrialization" campaign program, a report on the deregulation of the U.S. banking system. Eizenstat, in a recent background briefing to the American Bankers Association (ABA), referred to the program as "the transcendent financial reform of the 1980s." The report, which is the White House response to congressional requests for a review of the International Banking Act of 1978 and its implications for the future of the U.S. banking system, has been embargoed by Eizenstat as "too politically sensitive" until after the November elections.

No wonder. Sources at the House Banking Committee Subcommittee on Financial Institutions, which will be holding oversight hearings on the same subject Sept. 24-25, say that the hearings will air the following reforms of the White House program:

- Revocation of the McFadden Act, which prohibits large New York and other money center banks from branching into other states and, failing that, revocation or loosening of the act's Douglas amendment, which prohibits the

big banks from buying subsidiaries in other states. If the top ten New York banks are allowed to branch or even set up slightly more cumbersome subsidiaries nationwide, the country's 14,500 regional banks will suffer unbearable competition. "Many of them will not be around in 1990," the London *Economist* noted Sept. 13.

- The total elimination by October 1981 of Federal Reserve "float," or cash being processed through a Fed-centered national Electronic Funds Transfer (EFT) system. The Fed float, which is credit banks in effect lend to each other because checks take time to clear across the country, is estimated at \$10 to \$15 billion per day, and constitutes a major source of credit liquidity for regional banks.

This will be effected, Fed sources say, by forcing more and more regional banks to clear their checks and other payments through the Fed's EFT system, Automated Clearing House. "The more dollars that pass through the Fed automatically, the less float," the source said. The less credit, the more bankruptcies among regional banks.

- The establishment of "free banking zones" in U.S. cities. Federal Reserve Chairman Paul Volcker is currently pushing through the Fed Board of Governors a 1978 proposal for the establishment of "International Banking Facilities," as they are called in New York and other cities, House Banking Committee sources said. Free zones

would allow banks who could afford to run them—meaning effectively only the large banks—to take reserve-free deposits like those in the Eurodollar markets. This would drain funds from the smaller banks.

Volcker, who is being aided by New York Fed chief Anthony Solomon, claims to have gotten the regional banks, who for two years bitterly opposed the free zones, to "cut a deal" with the big banks.

Soon after Eizenstat's closed door briefing to the ABA, the U.S. League of Savings Institutions met in Atlanta Sept. 16 and announced it is going on the political offensive against the administration's bank deregulation policies. League chairman Edwin Brooks said the League will begin a massive national ad campaign against banking dereg. "When the new law was passed," said Brooks, "we thought we saw the light at the end of the tunnel. What we actually saw was the headlight of a freight train coming from the other direction."

The entire format for the Congressional oversight hearings is a backdoor approach which leads observers to believe the administration is weak on Capitol Hill, too. The House Banking Committee's financial institutions subcommittee hearings are on the recently published U.S. General Accounting Office Report on the International Banking Act of 1978.

The GAO report calls for total U.S. banking dereg by claiming that U.S. banks will not be "competitive" with foreign banks until they are deregulated. GAO chief Helmer Stats will tell the hearings that Congress should refuse to allow foreign banks in until U.S. banks are fully deregulated, sources said.

# Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Financing	Comment
<b>NEW DEALS</b>				
more than \$3 bn.	Saudi Arabia from France	France will build coastal defenses and supply naval vessels for Saudi Arabia. The contract reportedly includes missile-launching destroyers, anti-submarine patrol boats, and sophisticated electronic equipment. Thomson-CSF is reportedly the principal contractor, but a large consortium of French industry will get shares in the huge project.		AFP sources report deal signed. London <i>Times</i> says will be signed in late Sept.
\$3 bn.	Colombia from U.S.	Development of Cerrejón coal fields to produce 15 million tons per year by the late 1980s, most for export. Project includes mining, processing, railroad and port. Exxon and Colombian government's Carbocol are equal partners in the venture.	Primarily supplier credits.	Contract signed; construction bidding next year.
\$500 mn.	Brazil/Poland	Brazil is working out major trade deal package with Poland. In return for Poland's providing Brazil with 4 million tons of sulphur during the next 12 years, Brazil is committed to loan Poland \$120 mn., some of which will go to expanding sulphur production. Brazil is negotiating purchase of 200-300,000 tons of cement and 8 specialized ships from Poland. Poland has signed a contract to buy \$200 mn. of Brazilian textiles during the next 4 years. Brazil has opened a credit line for financing \$30 mn. of Brazilian manufacture exports to Poland.	Brazil won right to discount Polish promissory notes.	Despite major Brazilian coal purchases, trade balance heavily favors Brazil.
\$310 mn.	U.S.S.R. from West Germany and France	500,000 ton per year aluminum smelting project in Sayansk, Siberia. A consortium of Kloeckner, its French subsidiary and KHD Humboldt Wedag have signed a contract to provide the Soviets with plant and machinery for the huge smelter and a separate contract covering purchase of the aluminum.	German-Soviet govt. deal for German machinery; Société Générale-led consortium for French.	Alcoa, initially Kloeckner partner, was forced out by Carter's Afghan trade embargo.
<b>UPDATE</b>				
\$1 bn.	France from Saudi Arabia	Saudi Arabia is reported by Agence France Presse to have agreed to finance the development and manufacture of Dassault's Mirage 4000 twin-engine fighter-bomber which otherwise would have been cancelled.	Saudis would loan \$1 bn.	Dassault, French govt. and London <i>Times</i> deny report.
\$844 mn. total	Indonesia from U.S.	Doubling of liquefied natural gas plant owned by Indonesian government's Pertamina to 6.4 mn. tons per year. Bechtel of U.S. has reportedly been given the job as a key contractor, despite a Japanese firm's far lower bid in rough competition.		

# Fed economist fakes data

by Kathy Burdman

The *Executive Intelligence Review* is pleased to present its 1980 First Annual Piltdown Man Award for the Most Spectacular Hoax in Economics to Martin Feldstein, president of the prestigious National Bureau of Economic Research.

Mr. Feldstein's powers of econometric forecasting were explained at the Sept. 7 annual meeting of the American Economic Association in Denver, Colo., when two U.S. government economists from the Social Security Administration rose to announce that Feldstein had manufactured all the data in his widely-read 1974 Social Security study. Before the packed session of 2,500 economists chaired by Feldstein himself, Feldstein's landmark study was exposed as based on computer fraud. The major finding of the study which has influenced U.S. aged policy ever since, was that Social Security payments harm the U.S. economy.

NBER's Feldstein, trained at Oxford, England, naturally hails from the long line of British science, made famous by the "Piltdown Man" hoax. British anthropologist Charles Dawson in 1911 claimed to have unearthed an "ape-man" skull at Piltdown in England, proving Darwin's theory of evolution. In 1952, however, the skull was shown to be a man's cranium and an ape's jaw, fraudulently buried together by Dawson.

Feldstein and the economic research bureau are the major consultants to Carter's Federal Reserve Board Chairman Volcker on economic policy. In fact, the bureau has been the Fed's official monetary think tank since its founding in the 1920s. But the ties are even closer. Volcker personally is the protégé of, and once ran the New York Fed for, former Fed chairman Arthur Burns, who was the president of the research bureau for 20 years before taking over the Fed in 1970.

Volcker has instituted the monetarist doctrine of setting the rate of rise of U.S. "money supply," or credit to the economy, to a fixed 6 to 7 percent annual rate, which figure is to be religiously observed no matter what the economic consequences. In the real world, with inflation at 14 percent and U.S. corporations deep in short-

term debt, a 6 percent credit target means that any demand for funds—and there is quite a bit—drives interest rates sky-high and sends industry into bankruptcy.

Voters should note that Feldstein, Volcker's close adviser, is also the leading protégé of Reagan's top adviser Milton Friedman. Feldstein is also an official Reagan campaign adviser.

## The discreet use of the computer

Feldstein's famous 1974 Social Security tract, exposed last week to the American Economics Association membership by Dean R. Leimer and Selig D. Lesnoy of the Social Security Administration, purported to show that Social Security payments are harmful to economic growth, because such payments discourage individuals from saving for their retirement. This, he claimed, reduces the general rate of savings deposits in banks in the economy, and thus the amount of capital available for economic investment and growth.

U.S. government economists Leimer and Lesnoy ran a check for the first time since 1974 on Feldstein's formidable computer program and quickly discovered an "elementary programming error," as they tactfully called it, which was responsible for all of Feldstein's conclusions. Rather than showing that Social Security caused \$63 billion net loss to the nation's savings and thus to capital investment in 1974 alone, when "corrected" Feldstein's model actually showed a net improvement in capital investment due to Social Security. Feldstein was forced to admit to the error publicly.

Feldstein comes from the same long Oxford line of British scientists as behavioral psychologist Sir Cyril Burt, who experienced a burst of international fame when his racist genetic experiments were exposed as fraudulent some years ago. Sir Cyril's experiments maintained that identical twins raised under radically different cultural and educational advantages would show identical intelligence, thus documenting that intelligence is genetically—that is, racially—inherited. Government ought not to educate inferior races, Burt concluded. Researchers subsequently discovered that the original pairs of twins upon which Burt based his claims were not twins at all or never even existed.

## Useless eaters

All this lying does not lack coherent bases in policy. Feldstein's attacks on "over-consumption" by the aged, Burt's attacks on education expenditure, and Volcker's attacks on credit for U.S. industry have a common thread. They twist science in order to confront us once again with the tired corpse of Parson Thomas Malthus and his theory that economic growth is bad because it produces more "useless eaters," a population growth that society cannot possibly support. ■

# Can West Germany weather the oil shock?

by Alice Roth

Earlier this year, it appeared that, except for Britain, the major countries of Western Europe would scarcely be affected by the doubling of oil prices which occurred in 1979. West Germany, in particular, recorded spectacular growth rates in the first quarter of 1980, spurred by a 16 percent jump in real fixed capital formation. West German inflation was then running at about six percent, which although high by West German standards compared favorably with the 18 percent U.S. inflation rate at that time. By the second quarter, however, a rapid decline in industrial production and orders had become evident, in West Germany and throughout Europe.

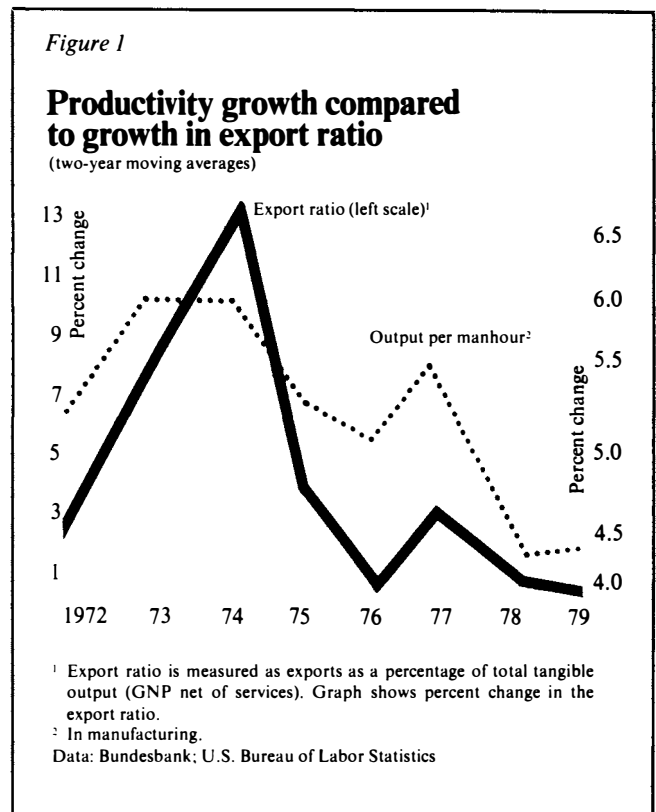
Will this recession prove a mere temporary setback, or is West Germany, like the United States, doomed to a prolonged period of negative or slow growth combined with higher inflation? The answer to this question is critical, especially when one considers that the West German economy is a major prop for France and Italy, as well as Belgium, the Netherlands, and the other smaller European economies.

To answer this question, it is first necessary to understand what lies behind West Germany's relatively better performance when compared with the United States. Although it is widely recognized that rising exports have been the driving force behind West German expansion during the 1970s, the full significance of that fact has unfortunately been missed by the U.S. economics profession. Exports are key in any advanced economy because they permit industrialists, particularly capital goods producers, to produce on a scale which would never have been possible had they been confined to domestic markets. The apparent "overproduction" that arises due to the inability of the domestic market to absorb new capital goods and new technologies rapidly enough is overcome. At the same time, the absorptive capacity of the domestic market is itself broadened, because producers have the financial wherewithal to "depreciate," or write off, old capital investments more quickly, bringing on-line new plant and equipment incorporating the latest technological advances. Such high-technology investments enable industrialists to boost labor productivity, resulting in

lower unit labor costs and reduced prices.

Thus, the answer to our first question, "Can West Germany recover?" depends on the answer to a second: "Can West Germany expand its exports rapidly enough to maintain the high rates of capital formation and productivity growth necessary if it is to offset the higher costs of imported oil?" Unfortunately, the statistical evidence shows that West Germany's ability to do so has seriously eroded since the first oil price runup of 1973-74.

One key indicator, exports as a percentage of total tangible output, continued to grow after 1974, but at an increasingly slower rate. (See figure 1.) Between 1970 and 1974, West German exports grew from 25.5 percent of tangible output to 33.7 percent. In 1979, this ratio, at



35.4 percent, was not much of an improvement over the early 1970s. Similarly, labor productivity growth rates (measured as output per manhour in manufacturing), although still impressive, slowed from an annual rate of 6.1 percent in 1973-74 to 4.3 percent in 1978-79.

The reason for the slowdown in the growth rate of the export ratio is not difficult to identify. West Germany's EC trading partners, who together account for 50 percent of the country's exports, were less able to absorb the impact of the oil price hikes than was West Germany itself. More important, the most promising new market for West German capital goods—the developing sector—was largely shut off as higher oil costs

forced these countries to accumulate huge debts and the International Monetary Fund stepped in to enforce austerity.

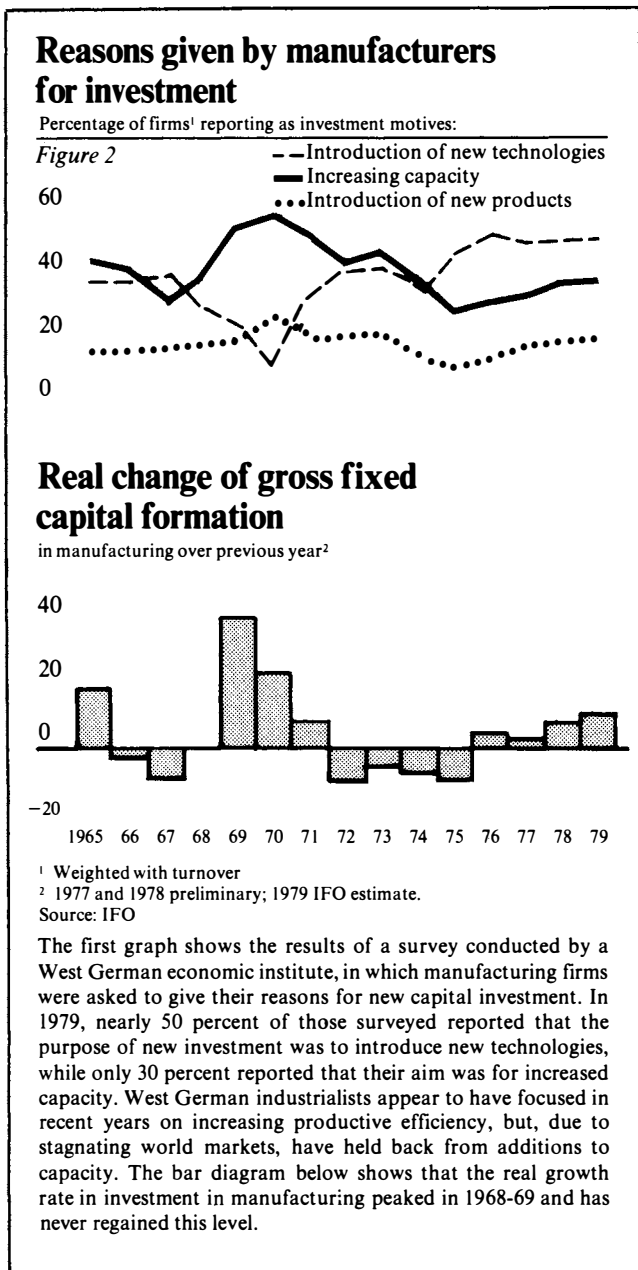
Meanwhile, the growth of fixed capital formation in West Germany, particularly in manufacturing, failed to regain the rates of the late 1960s and was apparently insufficient to wipe out the accumulated obsolescence of four years of under-investment in the mid-1970s. (See Figure II.) According to a study prepared by a West Berlin-based institute (DIW), capacity obsolescence in the West German business sector surged from an estimated DM 25.7 billion in 1970 to DM 46.3 billion in 1976 (in 1970 prices). This increase was aggravated by the fact that part of the capital stock was no longer profitable to operate under the high energy cost regimen. Higher rates of capital formation in the late 1970s succeeded in knocking down this obsolescence figure to DM 36.6 billion by 1979, still DM 10.1 billion higher than the 1970 level.

Another result of the mid-1970s oil price hike was that it changed the character of capital investment in West Germany. Whereas the investment boom of the late 1960s aimed at expanding manufacturers' capacity so as to take advantage of growing world markets, capital spending in the recent period has emphasized modernization, including the installation of more energy-efficient equipment and the application of microelectronic technologies. During 1979, for example, real investment in electronic data processing machines increased by about 20 percent, compared with an overall growth in machinery and equipment spending of 10 percent. However, industrialists have been for the most part merely replacing obsolescent plant and equipment and not making major net additions to capital stock. (See figure II.)

In short, Otto Wolf von Amerongen, the chairman of West Germany's leading industry confederation, was absolutely correct when he warned in a speech on Sept. 9 that without both higher rates of capital formation and faster write-offs of technologically obsolescent capital stock, West Germany would not be able to "ride out the rough seas of the 1980s."

The situation is by no means hopeless, since West Germany's government, unlike that of the United States, is well aware of the necessity of opening up new export markets and is placing strong emphasis on the promotion of trade ties with both the East Bloc and Arab oil-producing nations.

East-West deals similar to the DM 20 billion Ruhrgas project to develop Siberian natural gas could prove a windfall for West Germany, providing that détente is maintained. Western European governments must also move ahead on the long-delayed second phase of the European Monetary System—creation of a gold-backed European Monetary Fund capable of supplanting the





IMF-World Bank and funding high-technology industrial projects in the non-oil-producing Third World.

A report issued by the executive board of Dresdner Bank last week at the World Energy Conference in Munich could point the way to a solution of the energy crisis. Dresdner calls on the Western world to spend \$10 trillion on energy equipment over the next twenty years. About one-half of the monies should be invested in nuclear energy and electrical power grids, the report states, with the rest going into further development of oil, coal, and natural gas.

## Behind Europe's current recession

Industrial production fell at an annual rate of five percent during the second quarter in Western Europe, according to estimates published by Morgan Guaranty in its monthly newsletter *World Financial Markets*. The causes of this recession, which caught many analysts by surprise, are essentially two-fold: first, higher prices for gasoline and heating fuel. Second, Western European governments have been forced to respond to Volcker's high interest-rate policy by maintaining unusually restrictive monetary and fiscal policies in their own countries.

Real personal after-tax income has been declining in most Western European countries for the last six to nine months. In West Germany, for example, it is estimated that households must spend nearly 10 percent of their total budgets on energy this year, as compared with 6 percent in 1979.

The drop in real incomes has had devastating consequences for the European consumer durables sector. Opel, the West German subsidiary of General Motors, expects that its sales in Western Europe will drop by more than 14 percent this year. New car registrations in West Germany for all automakers are expected to decline by 8.0 to 8.5 percent this year.

In Italy, the Fiat management has been threatening to permanently lay off 24,000 employees by the end of 1981, as part of a plan to reduce auto output by 20 percent. It is rumored that Fiat may be trying to provoke the Italian government into taking over Fiat's auto-making division, freeing the company to develop other "more profitable" lines of business. In France, Peugeot is contemplating whether to abandon its plan for building a new auto components plant in Lorraine.

Moulinex, the leading French appliance manufacturer, is reportedly planning to lay off half its workforce, totaling 10,700 persons, in October. Indesit, Italy's second largest producer of electrical appliances and an employer of 13,000 persons, is reported to be on the verge of bankruptcy.

This slump in the consumer goods sector has slashed demand for steel. EC Commissioner Etienne Davignon has been attempting to persuade European steel manufacturers to agree to a 13 percent cut in production during the fourth quarter. West Germany and Italy have so far refused to go along, raising the specter of a European price war, which could further undercut steel-makers' profitability.

Aggravating the recession is the fact that high interest rates in the U.S. and Britain have forced the Bundesbank to maintain historically high interest rates, so as to avoid an outflow of capital. West Germany's monetary policy today contrasts sharply with that of 1975, when the central bank permitted interest rates to drop sharply to help along the recovery. West Germany's restrictive policy has prevented other members of the European Monetary System from slashing their rates for fear of unleashing a wave of speculation against their currencies. In West Germany, prime corporate borrowers must now pay interest rates of 11.5 percent, compared with 14.4 percent in France and 20 percent in Italy.

The Bundesbank's apparent tight-fistedness is intended to offset the country's ballooning current account deficit resulting from increased oil import payments. In July, West Germany reported a trade surplus of only DM 100 million and a current account deficit of DM 5.2 billion, its largest deficit in 20 years. For 1980 as a whole, West Germany's deficit could run DM 30 billion.

The European economic situation could deteriorate further if, as appears highly likely, Volcker continues to jack up rates in the U.S. Leading New York bank economists, such as Morgan's Rimmer de Vries, are predicting a major crisis in the EMS by the end of the year if the reduction in European rates is delayed.

A major question mark is whether European industrialists will begin to scale back capital spending plans. A recent report by the IFO, a Munich-based economic institute, claims that West Germany's capital spending boom, still going strong in the first half of 1980, has now peaked and that capital spending in manufacturing will barely match inflation during 1981. French Premier Barre announced last week that beginning with the new fiscal year in October, French companies will be eligible for investment tax credits amounting to FF 5 billion a year, probably not enough to keep French investment growing. Barre has otherwise maintained a fairly strict lid on government spending and has adopted the slogan "Severity Works." ■

# Business Briefs

## *Foreign Exchange*

### **OPEC into the yen for the long haul**

The Japanese yen is at a two-year high against the dollar, trading in the range of 212 yen per dollar, and is expected to continue strong, perhaps rising to the 210 "psychological barrier" sometime this month, Hiroshi Ogai of Sumitomo Bank told the press this week. Although the Bank of Japan reduced its discount rate Aug. 19 to  $8\frac{1}{4}$  percent from 9 percent, the yen has strengthened. It has risen by about 5 percent against the dollar since the bank's action. If Japan's international payments situation continues to improve, Mr. Ogai says, the yen might fall through the 210 barrier to as low as 180 or even break its all-time high of 176 yen to the dollar next year.

At the rate OPEC is putting its money into Japan, Mr. Ogai could be right on target. OPEC petrodollars flowed into Japanese markets at the rate of over \$1.2 billion in the month of August alone, Tokyo financial sources say, constituting about half of a rising stream of foreign financial investments into Japan which topped \$2.5 billion in August. The rate of both OPEC and total foreign influx is about twice that of July and is expected to continue to grow.

Nomura Securities president Setsuya Tabuchi told reporters earlier this month that the OPEC funds are coming into Japan for long-term investment purposes because OPEC's fundamental problem is the diversified investment of its \$110 billion annual petrodollar surplus, which must be made through long-term planning. This is proven by the fact that "in the past, oil money coming into the Japanese stock market was primarily private funds," but now, OPEC government monetary authorities are "fully confident" of the Japanese economy and are widely placing official funds in Tokyo, Tabuchi said.

The Japanese yen will gain in the long-term from this trend. About \$800 million of the August petrodollar inflow went into high-quality Japanese stocks, and some \$400 million went into the "free

yen" deposits in Japanese banks. Total OPEC investment to date in Japanese stocks is estimated at \$4 billion, and in free yen deposits, which have risen since terms were liberalized in March, at over \$5 billion.

## *International Credit*

### **British financiers ask more budget cuts**

Morgan, Grenfell, the prestigious British investment bank, called for further cuts in government spending, in its latest newsletter. Simultaneously, the London *Financial Times*, in a Sept. 17 article, recommended a "strategic review" of the Margaret Thatcher government's entire austerity policy, saying that interest rates, which are at  $17\frac{1}{2}$  percent, may be brought down by a long-term halt to government borrowing and spending.

Some observers believe the British economy itself may be brought to an end by such a measure.

The Morgan, Grenfell newsletter called for government cuts in funding for wages and investment in public sector industry. If the government would borrow less, there would be a lessened demand for funds and interest rates might be brought down, it reasoned.

## *European Economics*

### **No U-turn for British economy**

The British government announced this week that there will be "no U-turn" on Britain's prohibitive  $17\frac{1}{2}$  percent prime lending rate, and consequently no U-turn for the British economy either.

On Sept. 16, the government announced that the U.K. industrial production index by volume plummeted at a  $5\frac{1}{2}$  percent annual rate during the May-July quarter, with an overall fall of 4 percent for the first seven months of the

year. Britain is also being hit by a national dock strike, which could cut off steel shipments and shut down several steel mills and ports, which the British financial press describes as "over-manned and under-booked."

Undaunted, Prime Minister Margaret Thatcher sent a personal letter to opposition Labour leader James Callaghan, who has been vociferously demanding a cut in the Bank of England's minimum lending rate. There are "no developments in the country's economic situation which make it necessary," Mrs. Thatcher replied. Social Secretary Sir Patrick Jenkin told an Edinburgh audience last week that "We are asked to do a U-turn and abandon the hard high road for softer pastures. There are no U-turns on offer."

## *East-West Trade*

### **Japan, Western Europe break U.S. embargo**

America's industrial allies have begun to punch big holes in the U.S. embargo on the sale of high technology and provision of low-interest state credit to the Soviet Union imposed by the Carter administration in reprisal for Soviet military intervention in Afghanistan. In January, the British and the Japanese joined in the embargo, while West Germany—caught between Anglo-American pressures and the \$25 billion cooperation deal it signed with the Soviets in May 1978—promised not to take up projects dropped by boycott adherents.

Alcoa was forced to drop out of a partnership with Germany's Klöckner to build a \$310 million aluminum plant in Siberia. In early September, however, Klöckner and its new French partner signed the contract—with German government backing.

After three years of tough competition, America's Armco Steel and Japan's Nippon Steel last December won bidding for a big steel plant. A month later they were compelled to give up the project.

France's Creusot-Loire will pick up a

juicy deal now that the market for steel-making equipment has collapsed.

U.S. Undersecretary of State Richard Cooper was sent to Paris in an unsuccessful attempt to block the steel plant deal, according to the *Japan Times*. Though politically supporting the idea of the boycott, the Japanese cabinet has found it impossible to fully adhere to it. A few months ago it broke the embargo to give clearance for Japanese steel firms to build a much-needed gas pipeline from the Siberian fields to Japan. And in the last few weeks, the cabinet has cleared other state-subsidized credits for coking coal and forestry projects in Siberia.

Apparently the only ones totally embargoed are the American companies.

## Labor

### Wage-price controls or tighter Carter guidelines?

Alfred Kahn, chief of the Council on Wage-Price Stability, is leaving the administration because of its failure to really fight inflation, he told the press this week. Kahn believes that the administration, if it is serious about the President's "Reindustrialization of America" campaign program, must implement the Brookings Institution's Tax-based Incomes Policy. TIP would be wage-price controls enforced by tax incentives to business and labor cooperating with the control guidelines, and not by law.

"No industrial policy is worthy of the name without such an approach," Kahn reportedly said of Carter's efforts.

The administration itself is so far conducting some heavy behind-the-scenes negotiations with the AFL-CIO and business to strengthen Carter's two-year-old Wage-Price Guidelines program, which Kahn charges is a failure. Domestic policy adviser Stu Eizenstat wants the guidelines made much more stringent, although labor and business want them "completely dismantled," one Washington source said. On Aug. 28, Carter withdrew federal financing from the W.R.

Grace Company for violating the present guidelines on a federally supported syn-fuels project. Federal Reserve Board chairman Paul Volcker, in testimony to the House Budget Committee this month, threatened to continue to raise U.S. interest rates until labor and business agree to "restraint in wages and pricing." "The hard fact is that the real income of the average worker will decline," he stated.

## International Credit

### Brazil seeks way out of debt trap

Delfim Netto, Brazil's planning minister, wrapped up a 10-day round of highly secretive consultations with financiers in Paris, Frankfurt, London and New York on Sept. 17. While in Paris he negotiated French banks' largest loan ever to Brazil (\$500 million), though his purpose was to find a way of financing Brazil's \$55 billion foreign debt without being forced to submit to the International Monetary Fund, something the military that runs Brazil regards as "just as humiliating to national sovereignty as having to drop your pants in the street," according to one knowledgeable source.

In order to leave open the path of quietly extending his present tight-money policies without seeming to be acting on foreign orders, Delfim pointedly steered clear of Washington, home of the IMF and its affiliates, the World Bank and the Carter administration. However, the daily *O Estado de São Paulo* asserted that in his talks with bankers, Delfim was promoting the IMF as a centralized vehicle for recycling OPEC surpluses back into oil-importing developing countries like his own.

Most bankers think Delfim will be able to drum up the \$3 to 5 billion he needs this year to meet payments. But the writing on the wall is that Brazil will not get the \$15 billion minimum it needs for next year's debt service without radical changes either in Brazil or in the international financial system. Delfim had plenty to discuss with his banker friends.

## Briefly

● **THE IMF** has granted the proudly anti-imperialist People's Republic of China a seat on the Governing Board, the Fund announced this week. The Chinese plan to borrow over \$5 billion from the IMF at subsidized interest rates in the near future.

● **THE NSA** is watching the U.S. Federal Reserve these days. Fed sources say the Fed Electronic Funds Transfer system which clears the nation's checks has become the first in the world to install the National Security Agency's Data Encryption System (DES) to encode computer data to preserve Fed secrecy. Although designed for complete user-only security, DES was widely exposed by *EIR* last year as a code which the NSA can break at will.

● **WEST GERMAN** interest rates fell this week for the first time in six months as the Bundesbank lowered its key Lombard rate from 9½ to 9 percent Sept. 18. Bundesbank chairman Karl Otto Pöhl roundly criticized U.S. Fed chief Paul Volcker's high interest rate policy recently and European bankers hope the German move could exert downward pressure on world rates.

● **ROTHSCHILD** cousins Evelyn and Jacob are having an intense family spat. Evelyn, 49, who heads the family's London bank, N.M. Rothschild & Sons, is aghast at Jacob's own private operation, Rothschild Investment Trust, and its newfangled financial projects, and wants Jacob, 44, to drop the "Rothschild" name. The two cousins fell out as boys over a prized family dog, City sources say.

● **EIR ECONOMICS** editor David Goldman and banking columnist Kathy Burdman are on a "black list" at the Federal Reserve Board of Governors in Washington, Fed sources said this week, for their role in opposing the Hongkong & Shanghai Bank's takeover of New York's Marine Midland.

## Oil shut-off phase II: London targets Saudi Arabia

by Robert Dreyfuss

### In this section

This special report was prepared by an *EIR* intelligence team under the direction of Middle East Editor Robert Dreyfuss. Included:

- 20 Resource warfare and 'recolonization'**  
by Mark Burdman
- 26 Saudi-Iran feud deadlocks OPEC**  
by Judith Wyer
- 29 The British factor inside OPEC**  
by Judith Wyer
- 30 The world impact of the petrodollars**  
by Renée Sigerson

British Foreign Secretary Lord Carrington is running a multibillion-dollar mafia-style protection racket vis-à-vis the Saudi Arabian royal family. Briefly, the Lord is telling Saudi Arabia that unless it places its oil and financial policy in the hands of the City of London, then the House of Saud may get burned down. Lord Carrington is telling the Saudis that what happened to the late Shah of Iran might easily spread across the narrow Persian Gulf to the shores of Arabia.

Late last month, Lord Carrington paid a very delicate visit to Riyadh, the Saudi capital, ostensibly to repair diplomatic damages suffered after the screening of the anti-Saudi film "Death of a Princess" by British television. The Saudis had expelled British Ambassador James Craig, and almost broke diplomatic relations. But the real purpose of Carrington's visit, it now appears, was to convey the implicit warning stated above.

What the British are seeking from Saudi Arabia is as follows.

The British, and the Carter administration, want the Saudis to shape their oil production and pricing policy in such a way that the export price of OPEC oil soars to approximately \$60 from its present level averaging little more than half that. London wants the Saudis to slash their oil output, presently standing at 9.5 million barrels a day, to something like 5-6 mbd, and to go along with a policy of permanent indexing of the price of oil to OECD inflation. At the same time, the British want the Saudis to place their huge financial power at the disposal of the International Monetary Fund.

In the somewhat longer term, as the following report documents, the British are guiding an Anglo-American military policy whose eventual aim is the military occupation and "recolonialization" of Saudi Arabia and the Arab Gulf states. For now, the threat of terrorism, instability, and Iran-style chaos in the Arab Gulf is being held over the head of the Saudi elite and modernizer Crown Prince Fahd like a Sword of Damocles. Do what we want, Lord Carrington is hinting, and perhaps such catastrophes can be avoided.



Photo: Gamma-Liaison

In fact, the British plot against Saudi Arabia is merely Phase II of an overall strategic plan whose initial phase was the toppling of the shah. As the *Executive Intelligence Review* has documented in detail, the fall of the shah was part of a British plan to cut off the supply of Iran's oil to the industrial countries of the West, particularly West Germany, France, and Japan, and send the price of oil skyrocketing from \$13 to just under \$35, as occurred during 1979. It was aimed at undercutting the political-economic power of an emerging coalition between OPEC's largest producers in the Middle East and the countries of the European Monetary System, founded by Paris and Bonn in 1978. Now, Saudi Arabia itself is the target of the same operation—and for the same reasons.

In fact Anglo-American planners have already begun making concrete plans and investment strategies on the assumption that Iran, Saudi Arabia, Iraq, and the UAE will be only marginal sources of oil supply by the middle of the 1980s, and that the Persian Gulf will be all but eliminated as a world energy fulcrum. Instead, they foresee a "North American Common Market" which de facto includes Great Britain and its North Sea resources, Alaska, Canada, Mexico, and Venezuela, along with a major world emphasis on coal resources located in primarily the United States and the countries of the British Commonwealth. Such a new bloc would achieve a strategic superiority to continental Western Europe.

The target of the British scheme is the rapidly developing relations between Western Europe and OPEC.

The key combination there is the Franco-German axis in Europe and the newly established Saudi-Iraqi partnership in the Middle East. Together, Iraq and Saudi Arabia are currently producing almost half of OPEC's entire oil output, and they have stated their intention to increase their production potential dramatically over the coming few years. The basis of the European-OPEC cooperation as envisaged by Paris, Bonn, Riyadh, and Baghdad is an expanding series of oil-for-technology agreements in the fields of nuclear energy, oil technology, agricultural development, and so forth. Part of the European-OPEC package involves putting the OPEC financial surplus at the disposal of the European Monetary System to create what *Business Week* called a "new financial superpower."

For the Anglo-Americans and the City of London, the European-OPEC combination is therefore beyond toleration.

The British want the Saudis to join them in bringing about a complete reorganization of the international financial system. A sharp rise in the price of oil would immediately bankrupt most of the developing nations and throw them at the mercy of the IMF, which intends to impose drastic austerity regimes to force consumption cuts and export drives by raw materials extraction industries—precisely the policy which, on a smaller scale, has led to famine throughout Africa. It would also mean that such key developing nations as Brazil and South Korea would be forced to virtually abandon their industrial

development plans, leading to the onset of a major economic depression in West Germany and Japan. At a single stroke, the European plan to institutionalize some sort of the Trialogue proposal, whereby OPEC would funnel petrodollar holdings through the EMS into Africa and other developing countries, would be wrecked, and the IMF would emerge on top of the ensuing chaos.

Or so London hopes.

But will the Saudis go along? Observers noted recently that just before the arrival of Lord Carrington in Saudi Arabia, the Iraqis initiated a major anti-British propaganda campaign, accusing London of using its Baghdad embassy to subvert the Iraqi state, and accusing Britain of orchestrating the worldwide propaganda campaign aimed at stopping the Iraqi nuclear development program. The Iraqi campaign was aimed as much at the Saudis as it was at the British, in an attempt to dissuade the kingdom from moving too close to the British. But there are signs that the Saudis may be considering going along with at least some part of the British plan, as evidenced by Riyadh's apparent willingness to put forward a plan for indexing oil prices to inflation, as has been rumored in OPEC circles recently.

In fact, despite the shutdown of Iran's enormous production, OPEC still faces a glut of several million barrels of oil per day, and worldwide stocks of oil are overflowing the storage tanks. Thus, the Saudis must consider their own strategy to deal with that glut—including possible production cuts. The problem that the Saudis and OPEC are facing is: Unless they can come up with some strategy for reviving industrial production in the West, and thereby reviving demand for OPEC oil, they will face an increasingly shrinking oil market and fewer and fewer nations capable of supplying them with the industrial technology they need for the era when oil will have run out.

Reportedly, the British are making offers to sweeten the deal as far as the Saudis are concerned. Carrington may have told the Saudis that London can help bring about a change in the Israeli government which would speed the Palestinian autonomy negotiations. But far more important is the club that Carrington is wielding.

The threat of U.S.-NATO military occupation of the Gulf, mentioned as early as 1974 by then Secretary of State Henry Kissinger and Secretary of Defense James Schlesinger, is now being revived by both the Jimmy Carter and Ronald Reagan forces in the election campaign, and serious plans are underway to establish a permanent U.S. on-the-ground presence in the Gulf.

With such plans already underway, the danger of Iran-inspired terrorism in Saudi Arabia—possibly in the context of the Muslim pilgrimage to Mecca, the *hajj*—and other terrorism by Palestinian radicals or Iranian kooks sponsored by British and Israeli intelligence, is a heavy threat which Carrington and his government can use against Riyadh.

# 'Resource warfare' and 'recolonization'

by Mark Burdman

Top-level strategists in the North Atlantic Treaty Organization and in various strategic planning institutes in Great Britain and Israel have recently made operational a political-military strategy for the conquest and recolonization of the oil-producing regions of the Arabian Gulf.

The prime target in this strategy is Saudi Arabia.

This strategy derives from the increasing hegemony in these planning circles of the geopolitical doctrine of "warfare for control of scarce resources."

This doctrine is the updated version of the concept of warfare-subordinated-to-control-of-resources developed by the East India Company and other British feudal institutions over the past 300 years. Its increasing acceptance in Washington and other Western capitals reflects the extent to which traditionalist-republican military planners have been removed from the NATO chain-of-command over the past decade.

In adopting the strategy that control over Arabian oil requires recolonizing Saudi Arabia and other states, the NATO-centered planners are playing with fire. No sane military strategist believes that substantial military action in Saudi Arabia is possible without provoking either a total shut-off of oil by "anti-Western" terrorists and saboteurs throughout the Gulf or a confrontation with the Soviet Union.

The Gulf area, after all, is not distant from the southern borders of the Soviet Union, and under conditions in which the United States has adopted the PD-59 "limited nuclear warfare" doctrine, the U.S.S.R. will undoubtedly perceive military conquest in the Gulf as part of an effort to establish "forward-defense" nuclear weapons across their southern rim.

The NATO strategists think they can pursue this "nuclear encirclement" policy without penalty *now* because they claim that they have the Soviets "off-balance" and "on the defensive" because of developments in Poland.

This is a drastic miscalculation. Soviet restraint vis-à-vis Poland has everything to do with the nearness of the West German federal elections, since the Soviets are eager to pursue détente policies with the government of

Helmut Schmidt and not aid the campaign of Bavarian Franz-Josef Strauss. Once the early-October date for the West German elections has passed, all NATO's bets on Soviet "restraint" in respect to Poland are off.

Furthermore, the NATO recolonization strategy will at a minimum strengthen the hand within the Warsaw Pact of the "national liberation front" radicals associated with British operative General Kim Philby, and thus hasten the likelihood of a NATO-Warsaw Pact confrontation over Saudi Arabia.

Given these evident realities, one might reasonably ask: have the geopoliticians determined that the Saudi Arabian government's increasingly Europe-centered oil and financial policy has become so threatening to Anglo-American influence in the Western alliance that the flow of Arabian Gulf oil must be shut down altogether?

A Sept. 5 op-ed in the *Jerusalem Post* by Washington correspondent Wolf Blitzer provides a blunt expression of how the Saudis and other oil-producers are being targeted. In his piece, Blitzer claimed that the scenario to invade the oil fields outlined by Johns Hopkins University strategist Robert Tucker in 1975 is becoming increasingly popular in Washington.

In an interview following the appearance of the Blitzer piece, Tucker asserted that his ultimate aim was indeed the "recolonization" of the Gulf.

A similar thesis is being propounded by several Israeli strategists. The Tel Aviv Center for Strategic Studies, a sister-institute to the London-based International Institute for Strategic Studies (IISS), has recently circulated a policy document outlining how and why the U.S. must establish a significant ground-force presence in the Middle East.

One Israeli-born strategist (and adviser to the Reagan-for-President campaign) Amos Perlmutter of American University in Washington, D.C., recently espoused the same thesis in blunt language during a background briefing.

Perlmutter asserted:

An American interventionist force has to be created, *not* a surrogate. An American force should make use of the airfields in the Sinai being vacated by Israel, which should now go to America, and not to Egypt. The U.S. should also use Ras Banas on the Egyptian border with Sudan; Kenya; areas in the Indian Ocean theatre; and Oman, which needs support badly. What I am talking about is an American expeditionary force, a naval force, and an air force.

The U.S. has built 30 airfields in Saudi Arabia, and the Saudis only really need one or two, the others are just there because of recycling of petrodollars. America should just take over the rest. It should give Saudi Arabia an ultimatum: "*We're*

concerned with the Soviet threats, and we don't really care what you think."

The Saudi regime will fall, there are many threats facing it. The situation there is plainly untenable. Anything can happen there: two years from now or tomorrow.

Therefore, the U.S. must give the Saudis an ultimatum; it's in America's interest for God's sake. The U.S. should say, "Too bad, you don't like it, we're taking over."

Major conferences have been held during the month of September to elaborate the more comprehensive doctrine of how NATO can be extended into the Third World and how a military build-up in the Gulf can be achieved.

One such conference, held from Sept. 11-14 in Stressa outside Milan, Italy, under the auspices of the IISS, dealt with Third World conflicts and superpower relations and included speeches entitled "Sources of Third World Conflict" and "Third World Conflict and International Security." From several discussions, *EIR* correspondents gleaned that a major concern was "conflicts in the oil-producing areas, such as the Iraq-Iran war and others possibly involving Saudi Arabia."

One speaker, James R. Schlesinger, former U.S. energy secretary and defense secretary and a known advocate of "limited nuclear wars" in Third World "theaters," criticized U.S. failure to create a "necessary base structure to exercise its military power worldwide." This has created a "potential for conflagration" in the oil-producing regions. "The military forces presently and prospectively in place in the region are not sufficient by themselves adequately to constrain Soviet moves," Schlesinger stated.

From Sept. 3-5, the NATO-associated Atlantic Treaty Association held a conference in Madeira, an island off Portugal, again on crises in the Third World and on extending NATO's dominion into the oil-producing regions. One conference speaker, Belgium's General Robert Close, advocated the creation of a European "rapid deployment force" modeled after and integrated with the "rapid deployment force" of the Carter administration. A Johns Hopkins University colleague of Tucker's, Dean Robert Osgood, followed Close by itemizing the several potential triggers or flashpoints that necessitated the immediate development of such a force. According to Osgood, these flashpoints could include a coup in Saudi Arabia, the unification of the two Yemens, new outbreaks of rebellions in Oman, the assassination of Anwar Sadat in Egypt, or civil war in Turkey.

One conference participant, Francis Wilcox of the Atlantic Council in Washington, recounted afterward that the Close proposal was "heatedly discussed." The "breakthrough" in the discussion, Wilcox asserted, "was that it was being seriously thought about and discussed

at all. Some delegates particularly from France and West Germany, were reticent about the idea of extending NATO in this way outside of the juridical NATO arena, so they proposed instead strengthening European capacity to act on the European continent. By sharing the burden in this way, certain pressures could be relieved on the U.S., which would then be able to divert forces to the Middle East.”

Wilcox revealed that one substantive strategic reality was accomplished at the Madeira conference: the “greater role charted out for Portugal in NATO.” Wilcox noted that the conference was attended by the Portuguese Defense Minister, Foreign Minister, Prime Minister, and Deputy Chairman of the Joint Chiefs of Staff. “This helped to develop the strategic triangle of Madeira, the Azores, and Portugal. Because of this meeting, it is now likely that the Portuguese will grant Azores facilities to the U.S. for action in the Middle East.”

If so, this could be a breakthrough for the conceptual architect of the American RDF strategy, Undersecretary of Defense Robert Komer. Throughout the year, Komer has been making a series of jaunts to Europe to armtwist the Europeans into integrating their planning into his RDF. He has met consistent opposition from the French, Germans, and others—but not from the British nor the Italians.

A protégé of the British geopoliticians, Komer has scored his greatest successes in Britain. In recent weeks, the British have granted base facility rights to the United States on the Indian Ocean island of Diego Garcia. Also, in exchange for gaining access to the technology of the American Trident submarine, the British have agreed to form a structure in the United Kingdom parallel to and integrated with the American RDF.

Thirdly, the British have reportedly begun to step up activity at the base of Akotiri on the island of Cyprus. According to Cypriot sources, these expanded activities are geared to intervention either in Iran or in the Arabian Gulf.

### **Facilities, airbases and ground forces**

In Italy, a transformation has developed in strategic orientation, under the guidance of Prime Minister Francesco Cossiga and Defense Minister Lelio Lagorio, the latter a favored protégé of Italy’s vice regent, U.S. Ambassador Richard Gardner. These men are now evolving a “southern-directed” military perspective, centered around deployment into the Mediterranean, but also into the Gulf. The test-case for this new strategy is Malta, where the Italians are now emerging as the “protectors” of the Mediterranean island against the timely incursions and provocations of Libya’s Colonel Qaddafi. The set-up in this is that Qaddafi is a pawn of the same Italian “black nobility” families who control the Cossiga-Lagoria government!

The pressure on Europe to incorporate its thinking into the RDF configuration is an important but subsidiary preoccupation of the Komer crowd in the Carter administration. Their primary idea is to build up a capability for the projection of American units into the Gulf arena, by gaining rights for “facilities” in the Mediterranean-Indian Ocean theater that can be used as supply-logistics “pre-positions” for “rapid deployment forces” based in “over-the-horizon” locations in North America and elsewhere.

The strange military strategy behind this is the *threat* of preemptively injecting minimal ground forces into the area, with the included intent (or bluff) of escalating to the nuclear level if American ground units are challenged by the Soviets.

As many commentators have pointed out, this is a relatively useless strategy in comparison to the massive throw-weight the Soviets are able to bring to bear in the Middle East. Hence, it is clear that the RDF is only a first step—a stalling action—on the road to the direct emplacement of American interventionist units in the region.

In the viewpoint of Komer, the process of installing a major American military presence will take place during a 2-4 year period. In the interim, an aura of “credible threats” must be maintained, to up the black-mail pressure on the Saudis and their neighbors.

To implement this perspective, the Carter administration is working on several tiers at once.

Most immediately, to establish the RDF “pre-position” capabilities, the administration has won facilities in Ras Banas in southern Egypt; in Berbera in Somalia; in Kenya; in Oman; and in the British-run base of Diego Garcia in the Indian Ocean.

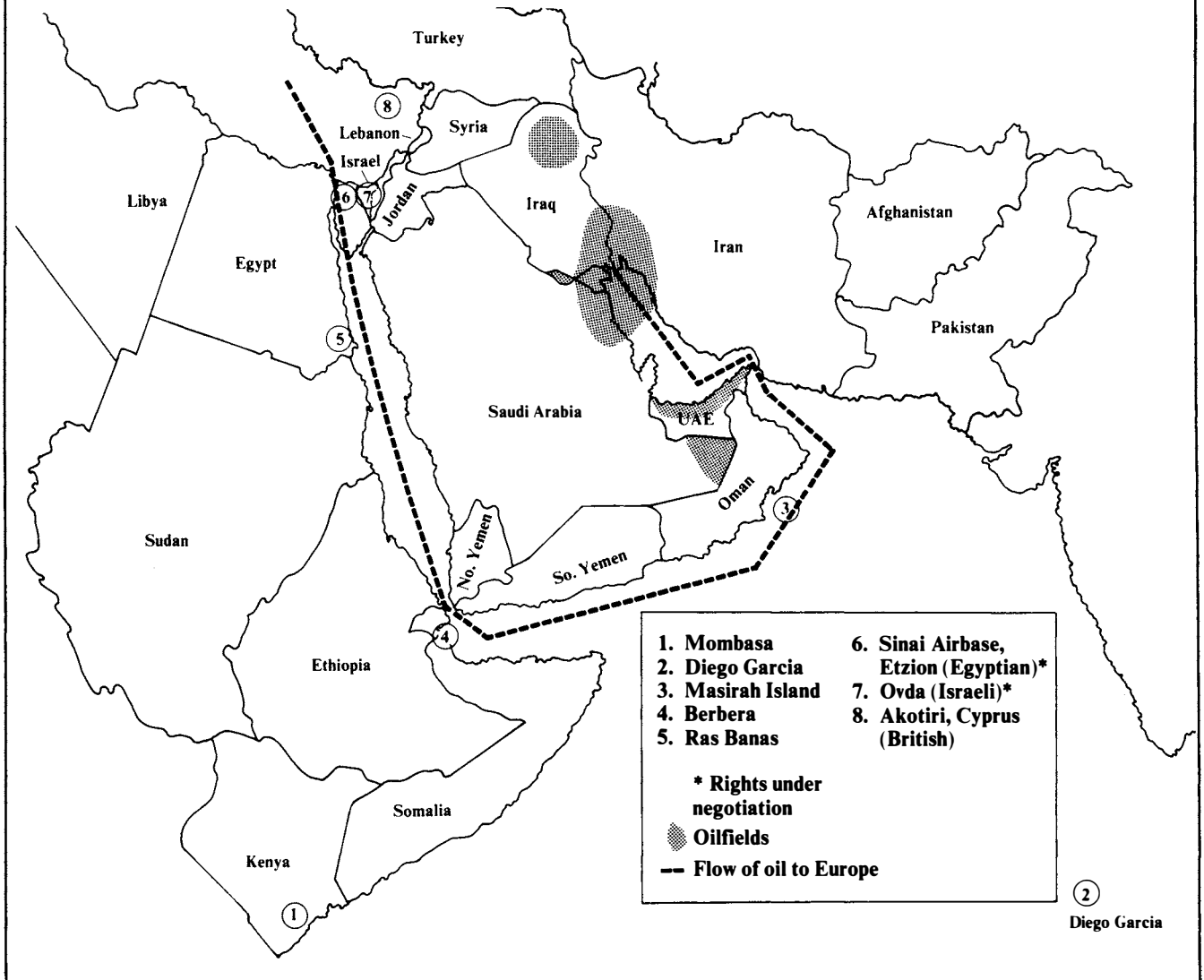
At the same time, the administration is negotiating for usage of airbase capabilities at Ras Banas, at the Etzion base being evacuated by Israel in the Sinai, and possibly at the Ovda base in Israel’s Negev region. “All these bases are Saudi-directed,” an Arab diplomatic source commented. “Because of them, the Saudis feel claustrophobic, surrounded.”

On a third tier, the administration has begun to place ground forces in the region; 1,800 Marines were deployed last month to the Gulf of Oman right off the coast of Iran, not far from the U.S. Arabian Sea fleet which has been substantially built up by the administration.

The administration is also on the verge of airlifting 2,000 soldiers to Egypt “to hold major military exercises . . . to test the abilities of a rapid intervention force the U.S. decided to set up,” according to a Sept. 12 Agence France Presse dispatch from Washington. AFP claimed that in early December “2,000 parachutists and other combat units would be flown to Egypt’s Ras Banas air base on the Red Sea.” This is only the first step, AFP



## U.S. military facilities and air base rights in the Middle East and Persian Gulf



affirmed: the U.S. wants to “modernize the Ras Banas military airport, so that a U.S. army division—16,000 strong—could be encamped there.”

According to a related Sept. 12 *New York Times* dispatch, Egyptian President Anwar Sadat is “determined to assist the U.S. in increasing its military presence in the Middle East.”

### A strategy in search of a pretext

As the military pieces of the resource-warfare strategy begin to fall into place, London-centered NATO planners are increasingly seeking a pretext either to move troops into the Gulf unsolicited or to force the Gulf countries to do the soliciting. Recolonization and protection racket are almost synonymous under this scheme.

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With the Saudis the key target in this game, the Iranians are the convenient bogeyman in the arsenal of the Anglo-Americans.

According to reliable intelligence estimates, the Khomeini regime is intended to send agents-provocateur into Saudi Arabia during the October *hajj*, or pilgrimage to Mecca, to try to carry out a more dangerous re-run of last year’s takeover of the Mecca mosque. For weeks, the Iranians have been broadcasting vitriolic anti-Saudi propaganda, calling on the population in Saudi Arabia to rebel against the government and labelling the Saudis’ oil-production policy “imperialist.”

Israel’s Mossad and agents of British intelligence are reportedly busily at work building opposition net-

works inside Saudi Arabia. According to one well-informed Lebanese source, the Mossad intends to “manufacture a seemingly pro-Soviet coup attempt, which would force the current regime to call in American assistance to crush the rebels.” Amos Perlmutter, who maintains close relations with the Mossad, admitted that the agency “maintains contacts with the opposition in Saudi Arabia.”

Perlmutter then recited a litany of potential problems facing the Saudi regime to prove that a U.S. presence there was required. Among others, Perlmutter pinpointed “the fifth column of Yemeni workers”; the “fight between the primitive, conservative base of society and the whiskey-drinkers like Yamani”; “fights within the dynasty”; “the 100,000 Saudis all over the world who are being trained abroad and don’t want to go back to the camels”; and “dissident elements in the Saudi National Guard.”

The British, who control many of the tribal networks in Saudi Arabia, are offering the Saudis “protection” against the “hordes.” This was the evident purpose of Foreign Minister Carrington’s trip to the region. Since Carrington’s mid-August visit, persistent rumors have developed that the Saudis have accepted a full Pakistani division within their borders to provide security. If this proves to be true, this would be the first time ever that the Saudis had admitted foreign troops. It would also be a major coup for the Anglo-Americans, since the Zia regime in Pakistan is the most persistent advocate of forming a regional anti-Soviet “Islamic Pact” allied to the Red Chinese. Zia has also been given a cover to sidle up to the Saudis by the Iranians, who have persistently attacked him as an American imperialist agent. Zia attributes these attacks to “communists in the Iranian media,” as distinct from the Iranian mullahs who would be willing to make a deal with Pakistan.

## **‘Thinking the unthinkable: invading the oilfields’**

*In a Sept. 5 feature in the Jerusalem Post entitled “Crude Threats,” Post Washington correspondent Wolf Blitzer reports on the growing mood in Washington in favor of military action against the oil-producing countries.*

*Blitzer begins his piece by noting that “oil experts here in Washington are predicting . . . a global financial crisis, of catastrophic proportions within the next five years” resulting from “the continued, unprecedented transfer of wealth from the oil-importing to the oil-exporting countries.” He quotes from a recent article appearing in Foreign Affairs, the house organ of the New York Council on Foreign Relations, authored by Walter J. Levy, the favored oil analyst of the CFR, the Trilateral Commission and the Bilderberg Society: “We will probably be confronted by a series of major oil crises which might take any or all of several forms: fighting for control over oil resources among importing countries or between the superpowers; an economic-financial crisis in importing countries; regional conflicts affecting the oil-producing area; or internal revolutions or other upheavals in the Middle East.”*

*Excerpts from the remainder of his piece follow.*

. . . America’s weakness and decline have been advertised to the entire world—merely emboldening OPEC to pursue its policies of creeping strangulation of the West.

“We’re heading for the greatest smash in history,” one American expert told me during a recent interview. The official, not known for hyperbole, lamented the fact that none of the candidates was really facing up to the situation. Like others in sensitive positions in and out of government, this official is privately beginning to “think the unthinkable”—a reference to Prof. Robert Tucker’s controversial article five years ago in *Commentary* magazine (“Oil: The Issue of American Intervention”). Tucker, who teaches at Johns Hopkins University, suggested that the U.S. consider military moves to take over the oil fields in the Persian Gulf, if necessary, to avert the looming crisis now facing the West.

“Tucker may have been right all along,” the official said, explaining that even a credible threat to use force would probably have been enough to check the successive oil price increases that followed the first one in 1973. . . .

Quietly and without much fanfare, some respected Washington insiders are letting it be known that breaking OPEC and its stranglehold on the West is now, more than ever, the single most important chore of the day. Levy senses that it may already be too late, but others, including Prof. Tucker, disagree. The only way to resolve the crisis, they suggest, is to have determined, consistent leadership—beginning right after the elections.

Specifically, these critics are proposing that the U.S. beef up its air, naval and ground presence in the Middle East, starting with the actual takeover of the soon-to-be evacuated Israeli air base in Sinai. . . .

The British are also probing among certain of Saudi Arabia's neighbors, such as Bahrain and Kuwait, to see if the regimes there will accept British "protection" against internal rebels and dissidents. Both Bahrain and Kuwait have been hit with increasing internal unrest, largely from Iran-run rebels, during the past two months.

On Sept. 15, Bahrain's Prime Minister Sheikh Khalifa Bin Salman Khalifa arrived in London for a two-day official visit with Prime Minister Thatcher and Lord Carrington. According to AFP, citing British sources, "the military situation in the Gulf" was one of the subjects being discussed.

## 'We're talking of recolonization'

*Professor Robert Tucker, the author of the 1975 Commentary magazine article calling for a military takeover of the Gulf oilfields, recently offered his assessment on the current Arabian Gulf situation from his post at Johns Hopkins University in Baltimore, Maryland. This assessment, presented to a journalist who made it available to EIR, locates the invade-the-Gulf concept within the more comprehensive scheme of recolonizing the oil-rich region.*

The *real* calculation involved in the question of the Gulf area is that the Saudi regime, according to all accounts, is growing more unstable; the only thing there is some dispute about is the extent, the growth of the instability. If this instability gets to a point where the regime is in jeopardy, what would we do? Would we have the ability to move in and do something? Right now, I doubt it.

The bottom line is that we need a ground presence in the Middle East Gulf area. The most likely spot for this is Egypt. We should give much more serious thought to the Sinai base. The best thing for us is if we could move into Saudi Arabia directly with a base so that we could breathe easier and be prepared to directly intervene if there is a coup, while at the same time having an on-site deterrence capability against the Soviet Union. . . .

The regime will fall some time between now and the next five years. There's a consensus on that in Washington, among the sources I'm privy to. They'll be destabilized by all kinds of things: there are gigantic fissures, groups in conflict, on a collision course. The collision course is even in the armed forces: the National Guard against the Army. The large foreign labor force is per-

manently disaffected. And the Palestinians are a source of discontent. More generally, the regime is losing its legitimacy by the way it's behaved. There is growing hatred for the corruption of the monarchy among various layers: the middle ranks of the bureaucracy, the technocratic elite, among traditional Islamic layers, and so on. . . .

We've in reality been in confrontation with OPEC for five years. But we've not decided on war with OPEC, even though it's obvious what we have to do. There must be a political-military confrontation. Not over price of oil but over *access* to oil. We must build up our military posture. We must give the Soviets extreme pause. We must show them that we can easily escalate the situation, and that it's not in their interest to mess around. Once there have been positive changes in our *position*, we can deal in a firmer way with the OPEC countries. If OPEC under the new conditions were to raise prices in a way similar to what they did in 1979, then I'd say, "No!" and I would resort to all kinds of pressures on the Arab states, not just using the food weapon. I'd make clear that no regime is sacrosanct, that I don't care about any of the regimes of the Gulf, I just care about access to oil. Once we have the access, the regimes are expendable. I don't care about them. Making that attitude clear to the OPEC countries would be a considerable threat to them. . . .

Once we deal with the problem of *physical access*, we can deal with the problem of pricing. The problem of pricing comes from the liquidation of the Western position in the region since 1969. . . .

### A Mideast NATO and recolonization

Acquiring facilities is fine as a first step, and I applaud the Carter administration for that. I'm only concerned with what they *haven't* done. They've neglected the *supreme* importance of naval presence in the Arabian Sea. We need a Middle East version of NATO, but not *with* the states of the region but rather enacted by ourselves in terms of level of commitment to the region. In the next 4-5 years, we must improve our strength in that area considerably. We can't bring the states of that region into a stable alliance; this region will be unstable for as long as we can see.

So, precisely what I am talking about, the most exact way of putting it, is that the Middle East oil regions must be recolonized. That's what I mean, if you take some of the discreetness away. You can put any kind of shading you want on the word, but that's what it is we're talking about. A blind man knows that a critical area cannot be allowed to go its own way. It's madness to ever liquidate a power-position as important as the Middle East. The converse is obviously also true as well; the area has to go through a process of recolonization.

# Saudi-Iran feud deadlocks OPEC

by Judith Wyer

The OPEC meeting of oil, finance, and foreign ministers broke up this week amid a harsh dispute between Iran and Saudi Arabia over pricing and production policy. Iran with the backing of Libya resorted to what the Saudis referred to as "impolite" language to cajole Saudi Arabian Oil Minister Ahmed Zaki Yamani to agree to raise Saudi Arabia's \$28 per barrel oil price, now the lowest in the cartel, and lower its record 9.5 million barrel per day (bpd) production. Since Ayatollah Khomeini came to power in 1979, Iran with Libya's backing has repeatedly chastised Saudi Arabia for maintaining such a high production level of oil.

In December of last year, Yamani emerged from an OPEC price setting session pledging that Saudi Arabia would produce oil to its ceiling level in order to flood the market and force such countries as Iran and Libya to lower prices. Yamani went into this meeting pledging that Saudi Arabia would only consider raising its price to the \$32 per barrel, the average price of OPEC crude, if Iran, Libya, and those countries selling oil at close to \$40 per barrel would lower their prices to below \$35 per barrel.

Iran and its allies refused the Saudi demand, and Saudi Arabia has pledged to maintain its production and pricing policy.

## Behind the pricing dispute

The Saudi and Iraqi commitment to high production and stabilized prices is underscored by their commitment to monetary and economic cooperation with the founding member states of the European Monetary System (EMS), West Germany and France. A key feature of the EMS is to reform the bankrupt Bretton Woods monetary system around the reestablishment of gold as a reserve asset of central banks. It is no coincidence that during the OPEC meeting the London *Financial Times* ran a lead editorial warning of the "danger of the revival of the status of gold as a reserve asset," simultaneously reporting on major movements of gold bullion to Saudi Arabia and Iraq.

The Saudis, who have come under intense pressure from London to break their alliance with the EMS, have made concessions to policies which both London

and its tool, the International Monetary Fund, have injected. This capitulation is located in the OPEC Long Range Planning document, which was debated at this week's meeting. In substance, the report is a defense of the IMF and London's long-term policy of destroying both the dollar and gold as reserve assets in the international monetary system.

## Saudi-Iraqi leverage

Since the Iranian revolution, both Iraq and Saudi Arabia have produced oil at record high levels to offset the loss of Iranian crude in the world markets. Both countries have consciously kept a high production profile in order to create an oversupply of oil which at present is estimated to be about 2.5 million barrels per day above world demand. As a result of this "glut" of oil, many OPEC producers including Iran have secretly cut their prices slightly in order to maintain sales. The Saudi objective is to create such a severe oversupply that those countries which have priced their oil at or just above the OPEC pricing ceiling of \$37 a barrel will be forced to enact further cuts in their prices.

The oversupply of crude has been intensified by a dramatic decline in world consumption of oil, due to the draconian credit policies introduced by U.S. Federal Reserve Chairman Paul Volcker last year, which not only cut into U.S. industrial operations but had a side effect on the economies of other industrial states.

U.S. imports of crude oil are reported to be down 8 percent for the first half of 1980 over 1979. European Energy Commissioner Guido Brunner announced on Sept. 11 that European-wide imports of crude were down 12.8 percent as compared with the same period last year.

Added to this, world stockpiles of crude oil are at a record high. In the U.S. alone, as of June, stockpiled crude is up to 375 million barrels, as opposed to 310 million barrels for June 1979.

With such a dramatic oversupply situation, not only

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## U.S. oil consumption decline

(millions of barrels a day)

	1st quarter	2nd quarter	3rd quarter
1980 .....	18.0	16.4	17.25
1979 .....	20.3	17.6	18.9
1978 .....	20.1	18.0	19.0

Available figures for oil consumption in the U.S. for the first half of 1980 show a 10 percent drop over the same period in 1979. The winter months of the first quarter are the highest energy consuming months of the year. The nearly 2 mbd drop for the first quarter of 1980 over 1979 marks an 8.8 percent decline in consumption during the winter period.

## Big Seven OECD nations: inland oil consumption

(millions of barrels a day)

	1977	1978	1979	1979*	1980*
United States	18.4	18.8	18.4	20.3	18.0
Japan . . . .	5.0	5.1	5.2	5.7	5.4
West Germany	2.4	2.6	2.7	2.7	2.8
France . . .	2.0	2.0	2.1	2.6	2.3
Great Britain	1.7	1.7	1.7	2.0	1.7
Italy . . . . .	1.5	1.5	1.6	1.8	1.8
Canada . . .	1.6	1.7	1.8	1.9	1.8

\*1st quarter

are certain OPEC countries cutting prices, but many major oil companies have reported shaving prices in the production had dropped to 27.3 mbd, 12 percent below market. Last month four American multinational companies announced they were knocking \$2.00 per barrel off the price of their crude. This has translated into marginal drops in price listings at the gasoline pump here and even in Europe.

Moreover, crude and refined petroleum prices on the open (spot) market have plummeted. Crude oil is selling for \$29.50 a barrel as opposed to this time last year when crude across-the-counter spot sales were going for as high as \$50 per barrel. Last month spot sales of premium gasoline on the Rotterdam market declined by \$43 per metric ton and are \$70 down from the first quarter of 1980.

A number of other OPEC producers have cut production in an effort to offset the glut. In June OPEC production had dropped to 27.3 mbd, 12 percent below OPEC's production level a year earlier. OPEC has not reached this low level of output since January 1978, when both Iran and Saudi Arabia lowered their produc-

## Big Seven OECD nations: crude oil imports

(millions of barrels per day)

	1977	1978	1979	1979*	1980*
United States	6.6	6.3	6.4	6.6	5.9
Japan . . . .	4.8	4.7	4.8	5.1	4.6
West Germany	2.0	2.0	2.1	2.1	2.1
France . . .	2.4	2.3	2.5	2.7	2.4
Great Britain	1.4	1.3	1.2	1.2	1.0
Italy . . . . .	2.1	2.2	2.3	2.4	na
Canada . . .	.7	.6	.6	.7	na

\*1st quarter

tion by 3 mbd to offset an oversupply situation which prevailed in the world markets at that time. This time the glut is much worse.

### No production cut

Following the OPEC meeting, Saudi Deputy Oil Minister Abdul Aziz al-Turki declared that his country would not discuss a production cut unless there was an agreement within the cartel over the long-range planning committee proposal. Both Iran and Libya have refused to discuss the plan unless the Saudis first agree to cut their output.

Yamani is reported to have told the press following the close of the meeting that if Libya and Iran are now willing to negotiate a long-term pricing policy, then the other OPEC members may proceed without them. This is the first time any OPEC member has ever talked of expelling a member from cartel negotiations. The Saudis also introduced another first at this meeting by demanding a reduction of prices of those members selling oil at the OPEC price ceiling.

Should Saudi Arabia continue its 9.5 mbd produc-

## U.S. oil import decline\*

(millions of barrels a day)

	1st quarter	2nd quarter	average**
1980 . . . . .	5.96	5.16	5.56
1979 . . . . .	6.46	6.58	6.47

A comparison of imports of crude for the first half of 1979 to the first half of 1980 shows a decline of 7.10 percent.

\* does not include imported petroleum products

\*\*for two quarters

## OPEC production totals

(million barrels per day)

	1977	1978	1979	1980
1st six months . . . . .	31.25	28.5	30.0	28.4
Yearly average . . . . .	31.1	29.9	30.7	—

The flow of oil varies from quarter to quarter, with the winter months showing the highest consumption levels. Therefore, a true comparison of OPEC flows for the first half of 1980 can only be achieved through a comparison of first half production levels of previous years.

## Britain's agents in Saudi Arabia

Britain's most powerful agent-of-influence within Saudi Arabia is Second Crown Prince Abdullah bin Abdul Aziz. Arab intelligence sources who know the secretive internal workings of the Saudi kingdom call Prince Abdullah "Britain's boy."

Abdullah's power in the Saudi royal family hierarchy is derived from his control over the Saudi Royal Guard and a clique of non-royal family technocrats and ministers who are opposed to policies of the most powerful policymaker in the kingdom, Crown Prince Fahd.

### Abdullah and the Muslim Brotherhood

Abdullah is known to be a leader in the clandestine Muslim Brotherhood movement in Saudi Arabia. The Muslim Brotherhood, a creation of British intelligence, was instrumental in bringing the fundamentalist regime of Iran's Ayatollah Khomeini to power.

Among Abdullah's allies in the kingdom are Saudi Planning Minister Hisham Nazir and Abdul Hadi Taher, the head of the Saudi state oil company Petromin. Both are said to favor a cutback in Saudi oil production to 5 to 6 million barrels a day. They justify this policy, like many of the younger Saudi technocrats, by claiming that the kingdom does not need the immense revenues which Saudi Arabia's 9.5 million barrels a day is yielding. Like Abdullah, they are opposed to the strong cooperation which Prince Fahd and, before him, King Faisal forged with the industrial nations.

Abdullah's Royal Guard, which was created in 1964, is a composite of tribal chieftains whose power is based on the backward tribal structure of Saudi society before it began to modernize. The Guard is known to interface the activities of the Muslim Brotherhood both inside and outside the kingdom.

The orchestrator of the seizure of the Mecca Grand Mosque last year, Juhaiman al Oteibi, spent 10 years in the Guard before he began to organize clandestine anti-Saudi activities. More-

over, Saudi Defense Minister Sultan, the brother of Prince Fahd, countermanded Abdullah during the Meccan affair and replaced the Royal Guard with regular Saudi Army troops in terminating the seizure.

Later it was revealed that elements within the Guard had played a role in arming the Muslim Brotherhood insurgents who had occupied the Mosque.

Informed sources report that Abdullah is one of the chief funders of groups operating in London whose purpose is to overthrow the Iraqi regime. Since the Iranian revolution, Saudi Arabia and Iraq have formed a powerful alliance around ensuring regional security against Khomeini's threat of "spreading the Islamic revolution" through the oil producing nations of the Gulf.

According to European sources, powerful interests within the Qahtan and Oteib tribes in western Saudi Arabia are known to be allied to the Muslim Brotherhood in building an anti-Saudi royal family conspiracy within the kingdom.

The two leaders of the Meccan affair hail from these two tribes. The western-based Idrissi clan is also known to have a hand in building a challenge to Prince Fahd. Arab sources report that historically these tribes have been opposed to the unity of Saudi Arabia around the royal family. Historically the Idrissis have been allies of Britain.

### Familiar charges

In recent weeks, Saudi Prince Talal bin Abdul Aziz has been touring a number of Gulf emirates in his capacity as deputy secretary general of Unicef. The *Frankfurter Allgemeine Zeitung* observed last week that Talal's widely publicized tour may be cause for alarm. Talal ran the "free princes movement" against the monarchy in 1962. He is reported to still command considerable influence within Saudi Arabia, especially with "younger Saudis," and continues to oppose the monarchy.

In July the *Washington Post* reported that a Saudi student organization in the U.S. was increasing its organizing against the Saudi monarchy. Called the Voice of the Vanguard, the group is challenging Prince Fahd for his corruption and lack of adherence to Islam. This is the same claim the leaders of the Meccan affair used to justify their terrorism, and the same claim which the young prince who assassinated King Faisal made against the royal family.

tion level through the Baghdad OPEC heads of state summit in November, where the final decision will be made on the long-term strategy plan, they could force down the world oil price even further. Many of the OPEC countries cannot afford to cut their production any further for domestic economic reasons, and would be forced to shave their prices.

According to French sources, this OPEC meeting intensified Saudi Arabia's commitment to reassert their dominance over OPEC by use of their immense production capacity. He predicts that as a result prices will for the time being continue to ease downwards, which will put the greatest pressure on Iran and its allies.

As for the long-range strategy report, a source from the West German economics ministry commented that it appears to have died. According to European reports, the only initiative which was passed by the 13 members was a call for relaunching the dialogue between the developing countries and the industrial countries to work out a plan for transfer of technology to the so-called Third World. Baghdad and Riyadh know that the only framework in which such a dialogue can occur is the European Monetary System and its sister organization, the European Monetary Fund, scheduled to be inaugurated next year.

## The British factor inside OPEC

by Judith Wyer

The Organization of Petroleum Exporting Countries (OPEC) convened an unusual tripartite ministerial meeting this week to negotiate a long range oil pricing and production plan presented by OPEC's three year old Long Range Planning Committee. The central feature of the Long Range Plan is the indexation of OPEC oil prices to the rate of inflation in the industrial nations and the fluctuating value of a basket of currencies. While the Long Range Planning Committee head, Saudi Arabian Oil Minister Ahmed Zaki Yamani, is reportedly the architect of the plan, as financial and oil industry insiders know all too well, the real brains behind the scheme is the City of London.

Since 1971, the London financial oligarchy through its agents of influence inside and outside the cartel have methodically organized OPEC to adopt the indexation plan. According to Melvin Conant, a well known Washington-based oil consultant, London moved aggressively

to get OPEC to adopt the plan immediately following U.S. Treasury Secretary John Connally's removal of the dollar from the gold standard—a move directed by the Bank of England.

London calculated that an OPEC move to price oil according to the average value of a basket of currencies would bolster its drive to undermine the dollar as the international reserve currency, and in so doing clear the way for making the IMF funny-money called "Special Drawing Rights" or SDRs, the international reserve. Such a development from the standpoint of London and its financial allies in Washington and lower Manhattan is viewed as a major precondition for subjecting the world economy to the zero-growth dictatorship of the International Monetary Fund and the World Bank.

### Manipulating OPEC

In 1975, OPEC's first triministerial meeting of Oil, Finance, and Foreign Ministers briefly enacted the policy of pricing oil in a basket of currencies. The *Financial Times* of London noted this week that the precedent for the current triministerial meeting is to be found in the 1975 parley. OPEC's adoption of a basket of currencies mechanism followed a severe decline in the value of the dollar in the wake of the 1974 fourfold increase in the price of oil by the cartel. It was the decline in the dollar's value and the concomitant rate of world inflation—both of which had devalued OPEC imports from the advanced countries—which prompted the adoption of the basket-of-currencies approach. Shortly after the OPEC move, the dollar rallied on international currency markets and the basket of currencies policy was dropped.

Since then, at every OPEC semi-annual price setting meeting, rumors have abounded in international financial circles of an imminent break with the dollar as the mechanism for pricing OPEC crude. Each time, the Saudis, who hold tens of billions of reserves in dollars, have resisted the pressure to adopt the basket-of-currencies as a pricing mechanism from the so-called radical OPEC producers, notably Libya, Algeria and Iran, who complain of losing money by selling oil based on the sagging value of the dollar.

The combined pressure of OPEC hardliners, which include both anti-Western ideologues such as Libya and Iran, and others such as Algeria with large domestic economic demands which supercede their oil income, and City of London agents-of-influence, have swung the Saudis into accepting the indexing scheme.

In 1978 British Energy Secretary Anthony Wedgwood Benn began a series of meetings with Yamani aimed at working out the technicalities of the indexing scheme. Benn, a leading member of Britain's Labour Party, is a fellow traveller of the Bertrand Russell Peace

Foundation, which played an inside role in installing Iran's Ayatollah Khomeini and advises both Libya and Algeria. Since Saudi Arabia was not amenable to the policy of a basket of currencies, Benn devised a more elaborate plan for additional indexes to determine the price of oil through the rate of inflation in the West and the cost of imported Western goods.

Benn's "advice" to Yamani was augmented by a number of anglophile advisers within the OPEC secretariat in Vienna, the most important of which is the Deputy Secretary General of the cartel, Fadhil Al-Chalabi. Al-Chalabi, an Iraqi who once headed the Organization of Arab Petroleum Exporting Countries (OAPEC), works closely with a prestigious grouping in England called the Oxford Energy Policy Club. Oxford University has been the center for formulating the OPEC policy of London financial interests.

Just before this week's OPEC parley, Chalabi told the press that the indexing plan would take the price of OPEC oil to upwards of \$60 a barrel by 1985, and would make exotic alternative energy sources such as synthetic fuels "economical." According to a New York source, pegging oil prices to the rate of inflation could itself spark a hyperinflationary spiral which would in turn trigger a higher rate of oil price increases. Moreover, given the rate of international inflation, the costs of synthetic fuels has risen dramatically. In 1975 the estimated cost was below \$25 a barrel. The source observed that the effort to raise OPEC oil prices to meet the costs of synfuels "could be like Zeno's paradox," with rising inflation and oil prices increasing the cost of synthetic fuels.

Al-Chalabi, who just completed a book published by Oxford University entitled, "OPEC and The International Oil Industry," refers to the price of oil as "rent" in keeping with the British monetarist doctrine that the world economy is based on "ground rent" from raw materials and commodities in a free market. Al-Chalabi has worked closely with Adnan Al Janabi, the head of OPEC's Economics and Finance Department, and a graduate of the University of London.

From the outside of the cartel, perhaps the most influential force on policy is Robert Mabro, the Anglo-Arab economist who presently works out of St. Antony's College at Oxford University.

A founding member and Honorary Secretary of the Oxford Energy Policy Club, Mabro has been one of the chief organizers of Oxford's annual energy policy meetings, which bring together members of the oil industry, government officials from around the world and OPEC members to discuss such topical issues as synthetic fuels, oil production cuts and, of course, higher crude prices. The Oxford seminars have served as one of London's major vehicles for disseminating policy on energy.



## The world impact of the petrodollars

by Renee Sigerson

During 1980, oil-producing countries in OPEC will have accumulated \$120 billion in surplus oil revenues, the largest OPEC surplus since 1974. Every day, these funds are deployed back into world capital markets as standing investments. By year-end, OPEC's total world investments since 1974 will have reached at least \$360 billion.

Seventy percent of OPEC funds dispersed worldwide are lodged with Western banks as interest-earning deposits. Periodically, Western financial journals and spokesmen generate panic at the prospect that OPEC could use these deposits, as well as holdings in Western government securities, to politically blackmail Western governments. For example, on Aug. 27, Germany's prestigious *Frankfurter Allgemeine Zeitung* ran an editorial along these lines, which asked, "But what happens if individual banks are put on an Arab 'black list' and deposits are suddenly withdrawn?"

In truth, as detailed reports from sources ranging from the Bank of England to New York gold trading houses demonstrate, since 1974, oil-producing countries, and the key Persian Gulf countries of Saudi Arabia, Iraq, Kuwait and the United Arab Emirates, in particular, have pursued stringently "conservative" policies in investing their funds: "conservative" both from the strictly



financial and political standpoints.

Although OPEC has not budged from this “conservative” outlook, this September, for the first time, the Persian Gulf producers did exercise “financial blackmail” against Western institutions in an aggressive way. Led by Saudi Arabia, the oil-producers cut off their subscriptions to the International Monetary Fund (IMF), the institution established under the Bretton Woods arrangements to redress balance of payments discrepancies in world financial transactions. The Persian Gulf producers asserted they would only restore their contributions if the IMF gave representation to the Palestine Liberation Organization.

The real issue involved in this fight is much bigger than the PLO. The Persian Gulf countries undertook this move to establish a bargaining position in an international fight which was first “picked” by the IMF.

In early September, IMF Executive Director de Larosiere went to the Persian Gulf to demand that OPEC lend the IMF and its sister organization, the World Bank, \$24 billion in funds over the next three years. The IMF and the New York and London commercial banks which are presently pushing for guaranteed OPEC funding of the IMF, want to deploy these funds to reorganize the approximately \$80 billion in currently due Third World debt payments to the Western commercial banking community.

The Persian Gulf producers answered de Larosiere by raising the PLO question. Since then, the Group of 10 finance ministers of the 10 leading industrial countries which run the IMF have joined the ranks of financial organizations demanding the other proposed alternative to direct OPEC loans to the IMF. Namely, if OPEC won't lend to the IMF directly, the G-10 announced from its Paris meeting this week, then it should guarantee that it will participate in consortia for IMF bond issues which could be floated on international capital markets.

## Two centers of world finance

If OPEC were to concede to this proposal or to direct IMF financing, its six-year policy of “conservative” investment strategies will have been put to an end.

OPEC's “conservatism” is revealed by the fact that despite its vast financial resources since 1974, OPEC has never independently shaped a single monetary policy.

Its resources have been “even-handedly” meted out in two directions. Currently, due to the growing Western financial crisis around Third World debt refinancing, OPEC is being pressured to decisively throw in its lot with the New York-London camp in global finance.

There are two policy centers in the world which shape international finance: the London-New York axis, and the French-West German core of the European Monetary System. The issue which separates these

two centers is economic development in the Third World. The key “innovations” in world finance which the French-German alliance is committed to implementing, and which threaten London-New York, are: 1) a greater role for gold in government related international financial transactions; 2) pooling of advanced countries' surplus currencies for long-term trade and investment credits into the Third World; 3) lowering interest rates globally, to make it possible for international debt requirements to be repayable.

Examination of OPEC surplus deployment since 1974 demonstrates that OPEC has funneled large sums of investment into both financial policy camps. Since 1979-80, however, OPEC has done that to the extent of supporting the European Monetary System set up by France and Germany to a degree which threatens London-New York's influence more than OPEC policy-makers themselves want to admit.

## Facts of the case

OPEC's “fence-sitting” investment strategies have been clear during 1980.

In the first half of 1980, OPEC disposed of over \$60 billion in surplus reserves. The breakdown of their disbursement, based on Bank of England statistics compared to private consultants' reports, can be reliably estimated as follows:

Direction of investment (in billions of dollars)	
U.S. bank deposits, and	
U.S. placements . . . . .	6
UK bank deposits and UK	
placements . . . . .	13
Purchases of gold . . . . .	6
Direct lending to European	
governments . . . . .	7
Deposits in other western banks	
(Germany, France, Japan,	
primarily) . . . . .	14
Total . . . . .	46

This summation is \$14 billion short of known total disbursed reserves. This “gap” can be mostly explained in the following way.

The major changes in surplus deployment which occurred since 1979, after the founding of the European Monetary System, were the percentage of funds deployed into gold purchases and into direct lending to European governments. Our figures for those categories here are estimates based on reliable reports of the *minimum* funds deployed. Direct lending to European governments—and some say to Third World governments, too—may actually have been twice as large as the \$7 billion cited above, according to some sources.

One analyst predicts that starting in 1981, OPEC may funnel as much as 25 percent of its total surplus into direct government lending alone.

The full amount in this direction is as secret as the total funds OPEC has deployed into gold purchases. Another category which begins to fill the gap is deposits in other Western banks, which although currently declining, may have been substantially larger in the first quarter of this year.

What this chart does not show is that OPEC deposits in U.S. banks have shrunk dramatically. The Bank of England asserts that up until the end of 1979, deposits and placement in the UK and U.S. were virtually equal; this began to shift in 1978 when OPEC started dumping U.S. Treasury securities and continued through the end of 1979. In the last quarter of 1979, OPEC deployed \$7 billion into U.S. placements; in the first quarter of 1980, this amount was sliced in half.

Last June, *Business Week* magazine ran a sensationalist article on the theme: where is the missing \$20 billion in OPEC funds. Bankers reached in New York for comment on the item confirmed that they were panicked about the drainoff of OPEC funds, saying "We're just not getting the funds anymore."

In subsequent weeks, OPEC revealed for the first time that its purchases of gold during 1980 had risen from 5 percent of total deployed surplus to ten percent.

These gold purchases, while protecting OPEC assets, have also helped the French-German moves to give gold a greater role in the international monetary system. For example, OPEC has gone so far as to open negotiations with the Soviet Union on direct oil sales in exchange for gold payments, an arrangement which could greatly expand available international liquidity for Third World financing.

Equally offensive to London-New York is the fact that OPEC loans to France and West Germany were the keystone in allowing these countries to keep interest rates down for the first half of 1980.

As explained in recent *EIR* analyses of the European economies, high U.S. interest rates have exacted a tremendous toll on European economies. If London-New York had their way, Europe's interest rates would be much closer to the 13-16 percent regime in the U.S. and UK, since such rates would virtually strangle the European Monetary System as an effective monetary institution.

In fact, as a German banker reported in an interview this week, the OPEC loan to the German government earlier this year prevented a domestic credit crisis. If these funds had not come in, the German Central Bank would have been forced to yank rates up to the 10 percent and above level.

There is no question that since January, London-New York institutions have become alarmed at the degree to which OPEC has served as support for the

EMS. However, OPEC's "moderation" in monetary affairs is demonstrated by its continuous commitment to massive support of Britain's capital markets and the British pound sterling.

As shown above, the largest single category in OPEC disbursements is placements in the UK. In the first quarter of 1980, OPEC deployed \$1.8 billion into purchases of British government stocks, treasury bills and sterling deposits. This was the largest single rise in OPEC holdings in sterling since mid-1974. Add to that the fact that OPEC deposits large sums denominated in currencies other than sterling with British banks, and it remains clear that throughout the turbulences of recent years, OPEC has sustained a steady bailout of British financial markets.

From the standpoint of its own self-interest, OPEC countries do this to benefit from Britain's outrageously high interest rates (currently above 16 percent). The problem with this type of self-interest, however, is that it is very short-term. The high U.S. and UK interest rates are currently causing the world economy to go deeper and deeper into depression.

OPEC countries showed the same faulty self-interest earlier in 1980, when they purchased nearly \$2 billion in high interest U.S. government paper, after virtually dropping out of the official U.S. securities market in 1979.

OPEC's financial ties to London have been a continuous, steady feature of their overall investment strategy since 1974. Leading London policymakers are keen to OPEC's investment profile, which has halted the Persian Gulf countries from more definitively backing the EMS.

For example, Bank of England Governor Kit McMahon issued an interview to the *Wall Street Journal* Sept. 16 showing that Britain intends to use OPEC's attraction to high-interest speculative returns to ensnare OPEC into financing an increase in IMF regulation of Third World debt.

McMahon stated that since OPEC likes high-interest instruments, the IMF should create a special financial instrument at high interest rates, whose deposits can then be used to "recycle" Third World debt.

McMahon's proposal is the exact opposite of how OPEC deposits with the European Monetary System would be activated to finance the developing sector. By monetizing gold within the EMS, the EMS has the potential to offer OPEC long-term bonds, which may have low interest rates, but which can become inflation-proof through gold backing. By introducing gold-backed, low-interest bonds, the EMS could then relend these funds to the Third World, also at low interest rates. This way, the international monetary system would finance long-term international trade, without being subject to the serious, recurrent liquidity crises and unpayable debt spirals which have wreaked havoc with the world economy since 1974. ■



# “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.

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## Western Europe charts military independence

by Susan Welch

A major speech on defense policy Sept. 11 by French Premier Raymond Barre—totally ignored by the U.S. press—and certain developments surrounding NATO's ongoing "Autumn Forge" maneuvers, portend a fundamental policy realignment on the part of Western Europe. Without fanfare but with determination and a long-range perspective, West Germany and France are putting together an independent military alliance whose policy content will be vastly different from that currently governing NATO.

"France has the mission, due to its history and its geography," Barre said, "of giving back to Europe the political influence which crises and wars set back during the first half of the century."

At the highest levels of government and among second-level advisory layers, the shape of the new Europe is presently being debated and hammered out. A highly unusual discussion piece in the current issue of the West German military magazine *Europäische Wehrkunde*, which we excerpt here, calls in the most direct manner to date for the formation of an independent European Defense Union. This alliance is necessary because NATO does not adequately represent European interests, the author states. Thus, a defense union should be allied to the United States, but with autonomous European control over the British and French nuclear arsenals.

Washington's refusal to support the urgently adopted war-avoidance policies devised by its European allies, and its determination to heighten the danger of world war by encircling the Soviet Union with instability and hostile regimes, have forced Western Europe to look to

its own defense. France and West Germany created the European Monetary System and pursued détente with the Soviet Union and Eastern Europe because they believed that only these policies could prevent war. The United States has strenuously opposed both initiatives, and proceeded to adopt a new military doctrine this summer—Presidential Directive 59—which foresees "limited nuclear war" and the launching of selective strategic nuclear strikes against Soviet military targets and political command centers. This "counterforce" strategy is intended to partially replace NATO's previous emphasis on all-or-nothing "countercity" targeting.

Continental Europe is the battlefield in which any nuclear war would be mainly fought—"limited" or not. Therefore, European leaders viewed the announcement of the Carter administration's PD 59 with alarm, even if not with surprise. Barre's rejection of the concept in his Sept. 11 speech to the Institute of High National Defense Studies is the most explicit yet to come from a high government official.

"In a situation of crisis involving us," he said, "a tactical nuclear exchange which would not spread to the whole of our national territory is unthinkable. . . . There is no counterforce strategy which is not a countercity strategy in the highest degree, a deterrence strategy. For our country there can be no question of choosing between a counterforce strategy and a countercity strategy. The zone of eventual conflicts would be in the immediate vicinity of our country and the risk of a confrontation escalating and affecting our national territory is highly probable. And any atomic action on French soil has

strategic significance, due to the high density of the population; it would therefore automatically lead to a countercity nuclear reprisal."

Barre went further than any French official to date in offering a French nuclear umbrella to West Germany and other non-nuclear neighbors. "The dialectic of the relationship between Russians and Americans demonstrates why we must remain the masters of our decision whether to engage our forces. We mean to avoid being drawn into a conflict against our will in cases where our vital interests are not at stake. In Europe, let me recall, we are directly concerned by the security of our immediate neighbors. We could consequently not remain indifferent regarding any action that would affect their liberty."

"Our notion of defense cannot be restricted to France," Barre said. "It involves not only the protection of our soil and interests, but also our engagement for the ideals and values of civilization, for the peace and balance of the European continent."

Barre's speech reiterates the careful formulation of French President Valéry Giscard d'Estaing in a June 26 national address on defense policy, that "France is directly concerned with the security of neighboring West European states." Giscard also affirmed that France had successfully tested an enhanced radiation warhead ("neutron bomb"), and would decide within a few years' time whether or not to produce the weapon. While Giscard's speech was widely heralded in the U.S. press as an indication that France was moving closer to NATO, *EIR* asserted July 15 that precisely the opposite was the case.

This analysis was borne out when Giscard went to the Federal Republic of Germany for his first official state visit there during the second week in July. Giscard and West German Chancellor Helmut Schmidt together inspected a parade of French soldiers in Baden-Baden, and emphasized their intent to strengthen the two countries' military cooperation. "Your security is indivisible from ours and our security is yours also," Schmidt said.

### **'Europe's contribution to peace'**

Barre underlined in his speech that Europe's defense policy is not aimed against détente, but is part of its war-avoidance concept. As such, the policy is not only military, but also political and economic. "Abroad, our consistent policy is naturally to ensure respect for the legitimate interests of our dependents and to maintain free access of our trade to the supply resources indispensable to the economy. But thus to limit our intention would be to deny our age-old tradition. . . .

"France intends to contribute throughout the world to the development of peace, it aims at reducing the inequalities of development through dialogue and co-

operation by its initiatives; it has the intention to be everywhere, to the extent of its means, a factor of order and progress. . . . France has enjoyed a global defense concept and organization for the past 20 years. The law of Jan. 7, 1959 poses the principle of defense as not uniquely military but as extending to all the domains under the action and responsibility of the State."

The basic concepts outlined by the French Premier were seconded this week by high-ranking West German leaders. Defense Minister Hans Apel, a close associate of Schmidt, gave a press conference Sept. 16 while inspecting German troops taking part in NATO's massive Autumn Forge maneuvers. He declared that the policy of the Federal Republic remains détente, and that the country will not increase its military manpower, since it anticipates that the Vienna East-West troop reduction talks will be successful. Bonn is under pressure from the United States to increase its own deployments in Europe to free up U.S. troops for the Middle East and Asia.

Even Foreign Minister Hans-Dietrich Genscher of the liberal Free Democratic Party, whom former U.S. Secretary of State Cyrus Vance once characterized as "our strong tower" in the Bonn government, is making unusually assertive manifestations. The political status of the Federal Republic must be changed internationally, he said in a speech Sept. 16, since the country has "turned from an occupied country with no rights into a nation with great responsibility in the world." His party's electoral campaign has suddenly begun to feature the theme "cooperation between France, Germany and the Soviet Union."

### **The NATO maneuvers**

The NATO maneuvers occurring from Turkey to Norway for two months this fall have brought to the surface the deepening crisis in the Atlantic Alliance. Belgium withdrew from the Turkish phase of the maneuvers Sept. 15, following the coup in Istanbul. NATO headquarters greeted this decision with "acute malaise," according to Agence France Presse.

AFP also reported that West Germany had registered a protest at the U.S.-proposed scenario for the "48 Hours to Save Europe" maneuvers. Washington wanted to increase the simulated use of tactical nuclear weapons in the exercises, reversing the trend over recent years to curtail such provocative demonstrations. Also under dispute were plans for simulated chemical warfare.

### **What kind of alliance**

The exact nature of the European military alliance which will emerge cannot yet be predicted, and official spokesmen have remained purposely vague. The author of the *Europäische Wehrkunde* article does not agree

with the entire approach taken by Giscard or Schmidt—particularly in his hostility to the Soviet Union and his endorsement of stepped-up U.S. military deployments outside Europe. (These, he says, are an additional argument in favor of a European Defense Union). Yet he agrees that a military alliance in Europe's interest would have to be constructed with a key role for France based on strategic principles closer to those adhered to by France.

This emphasis on the Franco-German alliance distinguishes the new line of thinking from many past "pan-Europeanist" calls for a "Third Way" between the two superpowers. Those proposals came most frequently from British "Europeanists" and Jesuit-linked political currents on the continent who sought to form a new feudalist "united Europe" under British domination, as a battering ram against the republican traditions of both the United States and continental Europe. But the policy content which Schmidt and Giscard have given their alliance assures that no such alignment can now emerge.

## 'A European Defense Union'

*Retired General-Major Fritz Birnstiel wrote the article excerpted here in the current issue of Europäische Wehrkunde, the monthly magazine of West Germany's leading military think tank.*

... Significantly, all previous efforts [for European unity] have concentrated on an economic community. A common European defense policy was not created, because NATO was thought to be responsible for this, even though only NATO's minimal demands were ever met. . . .

Even if the integration of the Western partners in the alliance has proven successful and has led to a firm relation of trust, it seems that the time has come to examine whether the form or the content of the NATO alliance is still suitable in view of the changed political and strategic circumstances, and whether the increased weight of Western Europe would not dictate a stronger concern with Europe's own interests.

The implementation of European political union will take some time, but this should not create an obstacle to looking for preliminary solutions in the military field, as they were found before in the economic field by the creation of the European Community. In times of growing tensions which affect Europe, such considerations of strengthening our own position seem to be urgently required. . . .

NATO has now existed for 30 years. Since its foun-

ation, many of the conditions which existed at its creation have changed. Due to the results of World War II, the European states were not capable at that time of organizing their own defense based on their own power. They willingly subordinated themselves to the U.S. nuclear umbrella and were content with more or less adequate conventional forces. Today, Western Europe is the second-largest industrial and economic power in the world, but this fact is not reflected in the structure of NATO.

The Soviet encirclement strategy, visible above all in the Persian Gulf zone and Africa, will make it necessary to reorient American defense policy and will lead to increased presence of U.S. forces found in these regions. The European NATO partners must face up to the need of filling emerging defense gaps in Europe. If it is possible to turn this necessity into a goal and to arrive at a "European Defense Union," the present ominous development could be turned into a forward-looking creative phase with new impulses.

This should not at all be understood as a third power between the two big powers. Solidarity between the unified Western Europe and the U.S.A. must be maintained. But the inner structure of NATO has to change after the creation of an EDU, basing itself on only two remaining pillars of defense—the U.S.A./Canada as Atlantic partners, and the European Defense Union as the continental component. . . .

The role of France in this concept would be of crucial importance. . . . Maintaining the present structure and strategy in NATO under strong American influence would make it hopeless to expect that France's military disengagement from NATO could be reversed.

A common European defense policy could not work, however, without France. Only by a differently structured concept could her commitment to renewed participation be elicited and French forces be brought back into the European defense grid.

The precondition for such a solution is a strategic concept for NATO which better approximates France's considerations, which first of all view nuclear defense more from a European point of view than from the standpoint of the different interests of the U.S.A. . . .

One must take into account that the U.S.A. endorses the political unification of Europe, but will probably not agree to pass command over the Euromissiles to the European NATO/EDU. But the changed situation also demands a rethinking process in the U.S.A. If NATO has long been accustomed to the idea that the American President alone can decide on nuclear deterrence, the example of France shows that there are also other possibilities. Long negotiations will be required to reach a consensus. But the equality of the U.S.A. and Europe should also cover the field of nuclear weapons, since European interests are concerned about that first and foremost. . . . ■

# Nuclear power focus in Munich

by Dana Sloan

The World Energy Conference ended five days of deliberations in Munich, West Germany Sept. 12, and out of these deliberations, a solid majority of the more than 3,000 government, business and political leaders from all over the world have gone back to their nations convinced that the industrialized countries cannot halt their development of nuclear energy, nor deny it to the Third World nations, without paying the penalty of economic collapse and probable world war.

The message was clearly directed at the Carter administration, which has come under attack from spokesmen all over Europe for its footdragging and outright sabotage of world nuclear energy. National representatives from several countries, including France and India, asserted the need to extend nuclear energy development to the Third World countries as crucial to reverse the accelerating spread of starvation and disease.

Chancellor Schmidt referred to instability especially hitting countries below the Tropic of Cancer, when he warned in a speech to the full assembly that we now risk the potential of a world war for failing to have developed new resources. "We must not close our eyes to the economic and political risks of a war for energy supplies," said Schmidt, who has pressed Carter to pledge support for accelerating nuclear development at every Western heads of state summit since 1978.

The most articulated formulation of the solution to the crisis was put forward by Hans Bandmann, the European head of the well-known pronuclear Fusion Energy Foundation; his presentation was enthusiastically received by 600 delegates at a seminar during the conference, exemplified in a proposed 40-year plan for the industrial development of India, which recently received major attention in India's press.

The scope of the required programs was also put forward in a report issued to the delegates by the Dresdner Bank of West Germany. It states that the West will have to invest about \$10 trillion on new energy equipment over the next 20 years, about half going towards nuclear energy and electricity grids.

Western delegates were therefore encouraged to

note that the Soviet representatives to the Munich meeting came with offers of joint projects for developing Siberian coal mines in exchange for coal exports to participating countries. This perspective, presented by Prof. Styrikovich of the Soviet Academy of Sciences, was supported by a leading West German mining expert, Erwin Anderheggen. Anderheggen said that the problems to be overcome to set up an integrated East-West energy grid—one of the top agenda items in the dialogue between the West European and Soviet leaders—were not technical, but political.

Chancellor Schmidt also indicated receptiveness by speaking in favor of a longstanding Soviet proposal for a European-wide conference on energy.

### "Playing with fire"

One of the leading participants at the World Energy Conference was Michel Pecqueur, chairman of the French Atomic Energy Commission, which has the world's most ambitious nuclear program.

"You have continued to play with fire," he warned the OPEC countries. The industrialized countries are doing what has to be done to develop coal, he said, "but neglecting nuclear." Underdeveloped countries "who cannot afford the luxury of a crisis or of zero growth" should push for international cooperation for energy and join French President Giscard's call for a "trialogue" among Europe, the Third World and the oil-producing nations.

In an interview to the Paris paper *Le Matin* Sept. 8, the first day of the conference, Pecqueur took stock of how nuclear energy has been run into the ground by the Carter administration. "Since 1977 only 36 orders for nuclear plants have been placed in the industrial world, of which 10 were in France, while 48 projects have been canceled, of which 32 were in the United States."

### Hunger and disease

Most of Chancellor Schmidt's remarks were devoted to the Third World, where, he said, the average country spends one-quarter of its export earnings to pay for oil imports. With no alternative energy capacities to speak of as yet, the oil price increases there are measured in "more hunger, more thirst, and more disease."

Schmidt called on the more than 3,000 delegates to inform the public about nuclear power so as to dispel "fears that may be unfounded."

The delegates also heard a major speech by Klaus Knizia, president of the United Electricity Works utility in West Germany. He outlined how the energy needs of the developing sector will increase nine-fold over the next 40 years simply to maintain living standards at the present abysmal level. The industrialized countries and the more advanced developing states, he said, should substitute nuclear and coal production for oil. Knizia said this policy was crucial for peace. ■

# Iran's Aryana seeks exile unity

by Robert Dreyfuss

"They want to turn our country into a silent and cold cemetery, a backward society, as in the era of the *Djahiliyya*, the Age of Ignorance before the arrival of Islam."

The quotation is taken from the manifesto of Gen. Bahram Aryana, former Supreme Commander of the Imperial Iranian Armed Forces, who despite his 74 years of age is trying to forge a unified movement out of the many competing groups of Iranian exiles opposed to the fascist regime of the Ayatollah Khomeini. Although he is not well known in comparison to exiled Prime Minister Shahpour Bakhtiar and Gen. Gholam Ali Oveissi, Aryana just might succeed in becoming the catalyst that can put an end to the divisions in the ranks of the exiles and prepare them for the coming fall of the Khomeini regime.

Now in residence in Paris, General Aryana gave an interview to the *Executive Intelligence Review*, one of the rare interviews that he has given since the rise to power of the Khomeini forces.

Picking up a Persian-language document on the table in front of him, General Aryana began reading out a list of the leading members of the Muslim Brotherhood secret society presently ruling Iran. "The first is Abolhasan Bani-Sadr, the so-called president of Iran," declared the general. "The others are Hossein Fatemi, Mohammed Mokri, Ali Tehrani, Sadegh Tabatabai, Mehdi Bazargan, the former prime minister of Iran, Sadegh Ghotbzadeh, Reza Sadr. . . ." The list goes on. "And now we come to the military 'brothers.' These are the Muslim Brothers belonging to the armed forces: General Qurani, the first chief of staff of the Iranian armed forces under Khomeini, General Abbas Gharabaghi, the famous traitor, Mahmoud Amini, Falahi Taleghani."

The general paused. "And then you have Fardoust. The famous Fardoust." Gen. Hossein Fardoust, the deputy director of the Savak secret police and its Special Intelligence Bureau under the shah, betrayed the shah by covertly joining the Khomeini camp before the revolution and now, it has been reported, is serving Khomeini as a key intelligence aide. "Fardoust is a freemason from the same lodge as Jamal ad-Din al-Afghani. It is a branch of the Grand Lodge of London with Rostow Azzam as master. Its grand master is Edward Green."

Succinctly, General Aryana outlined the means by which the Muslim Brotherhood and the freemasonic cult of British intelligence installed the Khomeini mullahs in Iran. Most Iranians, in fact, who have positions of authority in Iran are quite familiar with the role of the British freemasons in Iran since the 19th century, when the top British secret agent Jamal ad-Din al-Afghani organized the first real "pan-Islamic" movement. The present Khomeini regime is merely an appendage of that long-standing apparatus.

## Who is Aryana?

Certainly, General Aryana has the credentials to be an authority on the question of Iranian politics. Until ten years ago, when he resigned and left Iran in the aftermath of a dispute with the shah, Aryana was the No. 1 military officer in Iran and commander of the shah's entire armed forces. Today, he is the highest-ranking officer still living, far outranking General Oveissi and others in the exile movement. Although until now he has not taken a very active role in the opposition to Khomeini, he is said to be extremely well liked and respected among officers of all ranks.

"Aryana is one of the few top officers who is not tainted with scandals of corruption and of obsequiousness toward the shah," said a former Iranian foreign service officer. "He is clean."

Should Aryana now step forward into the center of the anti-Khomeini forces, there is no question that he would command an instant following. At present, Aryana is said to be making preliminary contacts with officers in Western Europe and the United States, as well as with other leaders of the anti-Khomeini resistance, to prepare a carefully organized counterrevolution.

What, Aryana was asked, do you think of the declaration of the general staff and chief of staff General Gharabaghi in February 1979, hours before the Khomeini takeover, that the Iranian armed forces would remain "neutral" in the struggle that followed?

The general answers in a measured fashion. "As you know, I was not there. As I explained to you, I have been based in Paris for the past ten years. I am not very well informed about these events. But I consider them to be a great betrayal. It is a great betrayal from General Gharabaghi. Why 'neutralize' the army? The army had been created for that very day, to face such a day. This was a great betrayal."

And the Americans? he is asked. Do you believe that they also contributed to this treason?

Aryana is very cautious in his reply. "I did not say anything about that because, as I told you, I was not there. I know only what I have heard, what I have read in the press, what I have been told. But it is only my opinion. And that is not enough." ■



Recently, in a proclamation circulated among exile Iranians, General Aryana announced the formation of the Movement for the Liberation of Iran (MLI). Addressed to soldiers and politicians, businessmen and workers, intellectuals, students, and professionals, the Aryana manifesto called for defending the integrity of Iran's borders, reestablishing order, reconstituting the armed forces, saving Iranian culture, renewing the sovereignty and inviolability of the law, and rebuilding the ruined economy of Iran.

"These last few weeks," says Aryana, "numerous groups of patriots, politicians, intellectuals, and some of my colleagues in the armed forces have made contact with me."

Of course, the crucial question is: does Aryana—and the others—have a chance to succeed? According to reliable reports from Iranian sources, Aryana, despite long-standing ties to American military circles and to European, especially French, military people, is not receiving any substantial support or even encouragement from the United States. Many Iranians have reported that the Carter administration has succeeded in deterring any circles in Washington—whether covert, CIA-type forces or even private and semi-official organizations—from making systematic contacts with the Iranian exiles. A systematic effort is underway in Washington to dissuade Americans from seeking contact with the opposition to Khomeini, such is the fear that such contacts might upset President Carter's long-sought pact with the Iranian mullahs and "Islamic fundamentalism."

Recently, he is reported to have received official French government security for his own protection.

According to Iranians who know him, Aryana is a scholar and a political scientist as well as a soldier. Strongly influenced by Napoleon, Aryana has cultivated for himself the nickname "the Napoleon of Iran." His major treatise at the Sorbonne many years ago was *Napoleon and the East*.

Perhaps more relevant to his present situation, Aryana is also reported to be an expert on the subject of Hasan ibn al-Sabbah, the greatest Persian political-military genius of all time. A scientist, musician, and doctor, as well as a military man, the 12th-century Hasan ibn al-Sabbah built one of the most magnificent political cadre organizations ever established in world history, a movement that almost succeeded in its Grand Design: the elimination of the reactionary Persian feudal aristocracy and the establishment of an alliance with the humanist forces in Christian medieval Europe.

Today, the Persian feudalists have returned with a vengeance in Khomeini's regime. Perhaps the method of Hasan ibn al-Sabbah, if it were understood by more Iranians, would succeed this time in ridding Iran once and for all of the Khomeini pestilence.

## Southwest Asia

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# Is Pakistan's Zia on the way out?

by Daniel Sneider

Washington is awash with rumors that Pakistan's military dictator, Gen. Ziaul Haq, is about to be overthrown. One top Washington policymaker close to the situation, when asked about the coup rumors Sept. 12, replied: "You are the twelfth person in the last few days to ask me that."

The rumors, while unconfirmed by any reliable source, are taken seriously. General Zia's regime, a military dictatorship based on "Islamic fundamentalism," is understood to be fundamentally unstable, with almost no base of significant popular support within the country. While ruthless repression of anti-government political activity has kept Zia in power, the anti-Zia feelings of the population have increasingly defied the threat of repression over the past few months.

In Washington and London, where the rumors have also been circulating for weeks, there are many in policymaking circles who are considering the removal of Zia as the only alternative to a bigger blowup down the road that will "get out of control." According to one Washington source, there are two alternatives being considered: one, that the Pakistani military, Zia's only reliable base of support at present, move to replace Zia in a quick coup; the second, that Zia move to widen the base of his regime by bringing in civilian leaders from the opposition political parties, now all banned.

In the last few days there are reports that General Zia has attempted to move along the latter path. According to reports from Pakistan and informed sources in New York, Zia hopes to put together a new "civilian" government before the end of the month when he will depart for a visit to the U.S. The London *Guardian* reported Sept. 13 that Zia had held meetings with political leaders, including two prominent rightwing leaders of the party of executed Prime Minister Zulfikar Ali Bhutto, offering them positions in a new government. There is no indication however that such a move will have any more than transparently cosmetic success, particularly since the most popular Pakistan Peoples Party of Bhutto has disowned any such deal with the hated murderer of their beloved leader.

Decisions by Washington and London, principal

backers of the Zia regime along with the Chinese regime in Peking, depend largely on geopolitical and strategic considerations. On the one hand, Pakistan anchors the eastern end of the Persian Gulf, now the focus of extensive U.S. and NATO arms buildup and deployment. The Pakistani military has long been involved in training and military assistance to the sheikdoms of the Gulf, particularly Oman, the British-controlled sultanate which is to be the site of a new U.S. base facility for deployment in the region.

The Carter administration is deeply involved with the Zia regime in expanding its role in the region. General Zia will have a long-awaited meeting with President Carter on Oct. 3; it is reported Zia will ask again for arms, particularly sophisticated jet aircraft. The administration, however, particularly Zbigniew Brzezinski, have preferred to push Pakistan in the direction of the Arabs for funding for new arms.

According to well informed sources, this Brzezinski effort is behind the recently reported deal between Pakistan and Saudi Arabia to station significant numbers of Pakistani troops in the Gulf kingdom, supposedly for internal security purposes. Well informed Pakistani sources confirm these reports, which first appeared under Richard Burt's byline in the *New York Times* (a well known leak point for Brzezinski), and add that the forces involved are one infantry division and an armored brigade. The sources report that forward elements of those units are already in place, along with thousands of Pakistani military advisers who have been serving in Saudi Arabia for some time, and that the Pakistani regime will receive a large sum of money, reportedly \$1 billion, for the use of the forces.

Pakistan's importance as a military outpost, once formalized in the now defunct Central Treaty Organization (CENTO which linked Britain, the U.S., Iran, Turkey and Pakistan), has been increased since the Soviet intervention into Afghanistan. Afghan rebels fighting the Kabul government and the Soviet forces there are operating mainly out of bases in Pakistani territory along the border with Afghanistan, where they receive arms and training from Pakistani officers, along with a flow of arms and assistance from the intelligence agencies of China, the U.S. and Britain.

Pakistan also forms part of a growing alliance against India, its historic enemy. Chinese-led efforts to destabilize India, including backing for regional separatist movements in India's northeast, have been coordinated with recent efforts, according to Indian press reports, by the Zia regime to spark Islamic fundamentalist disturbances and communal violence within India. The Chinese-inspired "encirclement" of India is understood to have the backing of the Carter administration's geopolitical madman Z. Brzezinski, who is the key man behind the administration's military alliance with China, the so-called China card policy.

The military coup this week in Turkey was cited by several Washington sources as a clear precedent for a similar "stabilization" move in Pakistan. In the midst of embarking on a vast expansion of U.S. and NATO deployments along the southern flank of the Soviet Union from the eastern Mediterranean across to Pakistan and South Asia, the potential and existing instability of the Zia regime is viewed by many as an unnecessary risk.

The "stabilization" of Turkey and Pakistan, alongside efforts to secure a deal with Iran which could involve an enhanced role for the Iranian military, may be leading to a new, informal CENTO-type structure, but with a much enlarged direct U.S. military presence in the region. The recent visit of British Foreign Minister Lord Carrington to Saudi Arabia fits into this effort.

### **Why Zia runs scared**

The decision to back an effort to remove General Zia or opt for a less drastic form of stabilization may also depend on the internal political dynamics of Pakistan at this moment. The main opposition to the regime is led by the Pakistan Peoples Party (PPP), the party of former Premier Z.A. Bhutto, overthrown by Zia in a military coup in July 1977 and executed in early 1979 following a long frameup trial on flimsy "murder conspiracy" charges. Now led by Bhutto's wife, Begun Nusrat Bhutto and his daughter, Benazir Bhutto, the PPP, despite being banned and subject to intense repression, is acknowledged to be the most popular force in the country and an easy victor if free elections were held.

Zia's fear of the strength of the PPP caused him to cancel scheduled fall elections last year, ban all political parties, and institute a heavy-handed dictatorship in the name of instituting a truly "Islamic" regime in Pakistan. Since that time even former anti-Bhutto parties who backed the coup, such as the Pakistan National Alliance (PNA), have disassociated themselves from the regime and joined others in a call for the end of martial law and political repression and the holding of free elections to form a new government.

The shaky hold of the regime was revealed last month when, for the first time since Bhutto was hanged, Begun Bhutto and Benazir visited the Punjab, Pakistan's most populous province and the political center of the country. Within 48 hours of their visit the regime forced them to leave and banned them from entering the Punjab. The two leaders have been meeting with PPP leaders in the region and planned to address a public meeting the following day.

While other political parties have frequently violated the ban on political activity and suffered relatively light harassment, the PPP is clearly feared by the regime. In an interview with this writer last month, former Punjab Governor Mustapha Khar, a PPP leader now in exile in

London, put the PPP position the following way: "There is no such thing as a political solution without the participation of the PPP at this time. And I think it would be indefensible as a move by anybody who is a well-wisher of Pakistan, inside or *outside* Pakistan, to try to keep the PPP out."

Khar was clearly anticipating, in the context of increased instability over the next few months, an effort to restabilize the country. One figure frequently mentioned as a "moderate" (and U.S.-linked) opposition leader who could replace Zia at the head of a military-backed "civilian" government is former Air Marshal Asghar Khan. Khan heads the Tehrik-i-Istiqal, a small middle-class based party largely created as a vehicle for his political ambitions, but which has been active in recent public opposition to the regime. Asked about the possibility of a post-Zia regime headed by someone like Khan, Khar replied that: "They might try to have another adventure and might think this is a solution. I don't think this is a solution; not because I am a PPP man, but because this kind of thing will again rebound."

Resistance to any kind of deal with Asghar Khan and similar political leaders is strong within the ranks of the PPP. Despite numerous offers to form a united front with the PPP by Khan, this has not been reciprocated by Mrs. Bhutto, although it is well-known that some rightwing PPP leaders are favorable and have had talks with General Zia as well. But PPP cadre remember well that Khan and the other opposition leaders gave full backing to the regime's overthrow of Bhutto, the man still revered by most Pakistanis as the only political leader of stature in recent history.

### **Zia's Islamic terror**

Zia has attempted to stem the discontent in Pakistan through a series of "Islamization" measures, supposedly aimed to make Pakistan a thoroughly Islamic state. These measures however have only sparked further unrest and are only popular among the tiny minority of fundamentalists led by the Pakistani branch of the infamous Muslim Brotherhood, known there as the Jamaate Islami.

One such measure was the forced implementation of the Islamic "wealth tax," the *zakat*, through the confiscation by the government of 2.5 percent of all savings accounts, securities and annuities. Pakistani citizens woke up one morning in June to find the tax withdrawn from their accounts. One section of the Pakistani Muslim population, the minority Shia sect, immediately reacted with mass demonstrations, complaining that the tax should be voluntary and not used for the benefit of the majority Sunni sect.

In a rare display of popular outrage in early July, tens of thousands of Shia demonstrators besieged government offices in Islamabad. President Zia was forced to promise a revision of the tax code—due to be

announced on Sept. 15—in order to disperse the demonstrators. While political circles in Pakistan are not necessarily sympathetic to the particular concerns of Shia religious leaders, the event was seen as a significant sign of the weakness of the regime.

The reaction to the regime's plans to impose "Islamic law" was also significant. On several occasions, in marches and mass meetings Pakistani lawyers have protested the plans to dissolve the civil court system, already undermined by military tribunals, and have called for repeal of constitutional amendments weakening civil courts, a return to civilian rule and free national elections. Many lawyers have been arrested by the regime.

General Zia has tried to use Islam in another way—through a rising tide of anti-Indian propaganda designed to appeal to anti-Indian sentiment long inculcated among Pakistanis. The incidents of communal and Muslim violence in India recently—organized by the Muslim Brotherhood's networks in that country—were the subject of massive anti-Indian propaganda on "Islamic" themes in the government-controlled media of Pakistan. The main result of this, however, has only been to cause a severe deterioration in Indo-Pakistani relations.

According to a recent report in the Indian press, Benazir Bhutto, in a speech delivered to the Karachi Bar Association last May and appended to an appeal sent to Muslim countries, condemned the regime's Islamic fundamentalism as a "theocratic oligarchy." Referring to the creation of a "mullah-military complex" which has "ravaged" Pakistan, Miss Bhutto came down decidedly in favor of a secular state and against the Islamic fundamentalists who she declared are "sponsored by imperialism," a clear reference to Brzezinski's backing for the "Islamic card."

### **'The lull before the storm'**

In the words of Mustapha Khar the situation in Pakistan now "is like the lull before the storm." The unprecedented political repression of the Zia regime, unmatched even by Pakistan's two previous military regimes, has kept a lid on normal political activity. Parties like the PPP, itself a relatively late development in Pakistani political life, have had difficulty facing the impact of mass arrests of party cadre and leaders. But as Khar put it: "For the first time people have realized that to fight this situation you have to be more militant. So we had to organize the party a little differently. It took time and it took patience."

That Zia is now in great trouble is not in doubt. Yet he has managed to survive much longer than most observers, including this writer, expected, in part through the unwavering backing of the military and a campaign of ruthless political terror.

The Afghan crisis has been a boon of sorts for Zia,

giving him the lever to gain financial and military backing from the U.S., China, the Saudis, and others in greater amount than he might have otherwise received. If those same backers decide that Zia is now expendable, he has nowhere to turn, certainly not to Moscow which has taken a hard line toward the regime for its open backing for the interference into Afghanistan.

Perhaps the more interesting question is whether Pakistan's political leaders and parties, particularly the PPP, are fully prepared to take advantage of this situation. Or will they too become pawns of a geopolitical game which has already been responsible for the murder of Bhutto and the threat to the very sovereignty of Pakistan as a nation?

## Ghulam Mustapha Khar: 'The Lull before the storm'

*The following interview was conducted by Asia Editor Daniel Sneider in early August with exiled Pakistani politician Ghulam Mustapha Khar, presently living in London. Khar is formerly the Governor of the Punjab, a member of the Pakistani National Assembly several times, and at one time a close political adviser to the late Pakistani Premier Zulfikar Ali Bhutto. Khar is presently active outside Pakistan as a leader of the Pakistan Peoples Party although he is viewed by many party members as affiliated with the "right wing" of the party. For a period of time in the 1970s Mr. Khar opposed Mr. Bhutto and rejoined him shortly before his overthrow by General Ziaul Haq in mid-1977.*

*Next week the EIR will publish an exclusive interview with Shahnawaz Bhutto, the son of the murdered leader.*

**Q:** The reports which now appear in the Western press concerning Pakistan portray the situation as one of stability with no serious challenge to the rule of military dictator General Ziaul Haq. Could you comment on that view and describe the situation in Pakistan now as you see it?

**A:** . . . The situation in Pakistan is that even if elections are held, the overwhelming majority will vote for the People's Party. As a matter of fact the opposition doesn't gain anything by elections. The main thing is that they have become so unpopular that they also realize now if they have to survive politically, they have no choice but to go and talk for elections. That's why they are talking for elections.

It is this kind of instability. The question is that it has developed in such a way that it is like the lull before the

storm. Before this time, the view was that General Ayub or General Yahya were also military dictators but the difference was that they did not ban political activity in total. They allowed some form of political activity in one form or another.

That is why all the political parties in our country were organized or tuned for two things: one was to take out big processions and the other was to vote in elections for their political party or personalities. But this man [Zia] for the first time, especially after the execution of Mr. Bhutto, the force which he started using—the lashings, beating up and all sorts of things—the full system of politics was disrupted. Anybody who came out was lashed. Anybody who tried to do something was either beaten up or broken, put in jail. So it took time and now I think some of the organizations are coming into being.

The people also have started to organize themselves in a different way because with the manner in which he is using force, the people are also beginning to think that unless they use force they will not be able to remove him.

This is my assessment, that in another three or four months you will see a lot of activity in Pakistan.

**Q:** It was reported in the Indian press that you made some predictions on the political situation including that the PPP plans to launch a mass movement. . . .

**A:** For two or three years there has not been political activity in Pakistan. . . .

**Q:** You anticipated my question.

**A:** In Pakistan the people were organized in normal political parties. This is for the first time that people have realized that to fight this situation you have to be more militant. So we had to organize the party a little differently. It took time and it took patience. Public meetings were not allowed, even in meetings in the houses people were caught and arrested.

Until Bhutto's death people kept thinking this man is promising elections and he is going to have elections, and people thought they will take all their venom and anger out in voting against him. Only last year, about nine or 10 months ago this was decided and we finally realized that no elections would be held, that there was no question after Mr. Bhutto's hanging that Zia cannot afford to have elections. If he can't afford to have elections then we have to restore democracy in our national interest or we don't know what will happen. So let us make an effort and organize it and throw him out.

**Q:** So you feel the situation has reached a point now that the PPP and the other forces have a sufficient organizational capability to be able to act to sustain a movement against Zia?

**A:** All the national forces, all the people who believe in democracy, are absolutely united on one point—that Zia

has to be overthrown at all cost and then we can ensure some sort of normal democracy. He and his few cronies just can't afford to have elections, unless each and every member of the PPP is killed or dead, which is not possible.

**Q:** If you can't have elections now, what is the means by which that government is going to be ousted? Are you thinking in terms of elements of the military acting in support of the PPP? Do you think there is a possibility of a coup against General Zia?

**A:** I don't know, because if the institution of the military is to be saved in Pakistan, and it should not be destroyed, the only sensible thing one can do with army generals is remove General Zia and bring in somebody else who should hold elections, because it will be much easier for him to communicate with the leaders and political forces. This man has burned all his boats and there is nobody who is prepared to talk to him because nobody can trust him. Even if some people trusted him or are able to talk to him, the pressure of the people is such that once you go on to talk to him or trust him you lose your popular support, which no political leader is prepared to lose.

**Q:** To your knowledge, are there elements of the Pakistani armed forces that are thinking in terms of getting rid of him?

**A:** I think there are a lot of officers who are positively thinking of getting rid of General Zia because they see a grave danger. They say, and I think they believe, that if it becomes too late they may have to face a situation similar to that which the army in Iran faced. Because the hatred against the armed forces is becoming more and more intense and ultimately if the power goes to the street then there will be no compromise because then people will want everything. Now there is a time when the army can act and save their situation, and a lot of bloodshed can be avoided. But again, it is a question of time.

**Q:** What is the state of the PPP right now?

**A:** Most of the people are out of jail but most of the people have cases against them, just to keep the sword hanging. . . . As a matter of fact there is no such thing as a political solution without the participation of the PPP at this time. And I think it would be indefensible as a move by anybody who is a well-wisher of Pakistan, inside or outside Pakistan, to try to keep the PPP out. It would not be workable or acceptable. We would again go through the same cycle. This country is a poor country; it cannot afford to go through the business of new arrangements everyday.

**Q:** I think you are obliquely referring to, if I could spell it out, the possibility that circles in the U.S. may consider it necessary to remove General Zia and replace him with

someone more acceptable, let's say [former Air Marshal] Asghar Khan?

**A:** They might try to have another adventure and might think this is a solution. I don't think this is a solution. Not because I am a PPP man, but because this kind of thing will again rebound. The best thing is if a realistic attitude is taken from the beginning. I can assure you that in the PPP and its leadership there are a lot of sensible people who do realize what is good for us and bad for us. There is no such thing as is projected by some people that they [the PPP] have closed their eyes to everything except Pakistan.

We want stability in Pakistan and we want to make every effort for better relations with everybody.

**Q:** One thing on everyone's mind is that Zia has survived the last period in part because of the Afghanistan crisis and the way he has utilized that to shore up his own regime. . . . After the squabble about the "peanuts" and so on, aid has been coming through from the World Bank, U.S., etc. How do you view that whole question? Could you comment on the policies of nations which have supported Zia?

**A:** I have no grudge against any country who has supported General Zia because basically the policies of any country are made in their own interest first and then other aspects come in. The only thing I say is that the policy of the U.S. specially toward General Zia temporarily may have paid some sort of dividend, may have produced some results but finally if this sort of policy continues it will be more damaging to the U.S. than to any other country. The government and people of the U.S. have been very kind to Pakistan from the beginning and they have made a big contribution in building Pakistan and many other things, but now it is not the Pakistan of 15 or 20 or 30 years ago. It is not individual matters with the rest of the country not politically awake.

Today every Pakistani thinks and knows what is good for him and ultimately real friendship will lie with the people. By supporting General Zia it is unfortunate that even the common man of Pakistan gets the impression that the survival of General Zia has been because he has been supported by the U.S.

**Q:** What about the Chinese role in regard to Zia?

**A:** Mr. Bhutto was the architect of the China relations at one time.

**Q:** Now he is being repaid for his efforts in a very brutal way . . . a way I doubt he would appreciate.

**A:** I would rather not make any comment on this.

**Q:** Let me pick up the Indian side for the record. Mrs. Gandhi, when she was out of power made some very strong efforts to save Mr. Bhutto's life and the present

Indian government is not at all happy with the situation in Pakistan. I can say from my own experiences that there is a very clear understanding in India that a stable Pakistan is in the interest of India, and the present government in Pakistan is not going to produce that kind of stability.

**A:** I think Mrs. Indira Gandhi before coming to power has done a very wise and respected thing expected from her, and as a matter of fact there might be some sort of embarrassment from the present government, but I can assure you that the people of Pakistan appreciated these gestures, and they remember it, and ultimately this will pay. Even today if you talk to an ordinary Pakistani, he will say that we are grateful to Indira Gandhi, and this is exactly what he can say. He cannot go beyond that, and there is realization that if Pakistan is going to be stable, a good relationship with Mrs. Gandhi's government will add to the strength of the democratic forces in Pakistan.

**Q:** Let me take you back to something you were talking about earlier . . . how General Zia has managed to stay in power. Now what about the way in which he has utilized Islam as a justification for his rule. What is your understanding of the role of Jamaati Islami, which might otherwise be referred to as the Muslim Brotherhood, in this situation?

**A:** General Zia in my opinion has done more damage to Pakistan than anybody else since he came to power. Now his brand of Islam, to the people, it has not benefitted the people in any way, it has been a great disappointment for the people of Pakistan. So far as support is concerned he has no support whatsoever. If he had support for his Islamic theory or his way of governing the country then it would be the best time for General Zia to have either an election or a referendum or to take a vote of confidence as Zia had initially stated. This he tried but by banning the PPP and allowing basic elections and soon he realized he had no support whatsoever and his real enemy emerged as the PPP. So under these conditions if [Zia's] Islam was accepted by the people then the party which was opposing him or the party which really wants him out their candidates would not have won. Their leaders and chairmen were not even allowed to campaign for one day. After that, he had a complete somersault and went back and said there will be no elections in Pakistan unless he thinks the time has come. He will never think the time has come. So under any circumstances if there was any possibility for support of the people, he would have shown it to the people. He would have shown it to the international world to have some sort of credibility.

**Q:** How would you describe his brand of Islam?

**A:** Disaster. His kind of Islam I would say is as if Islam

was projected 1400 years ago. In this way I think there would have been no Muslims left in the world.

There are certain things you can sympathize with, but in Islam there is one thing: a believer of Islam is not supposed to lie, especially when he makes a pledge to the people. This man, this is the sixth time he goes before the people and still no elections. There is another thing that you give justice. There were instances in the beginning when Islam was spreading even the greatest people were asked questions, even the common man had the right and they replied. So in history there are many cases. The only people who have suffered, who have been lashed and who have been beaten up except Mr. Bhutto, have been the poor people who tried to oppose him. He has made two cases, either this was rape or this was theft, but basically thousands and thousands of people who have been flogged have been his political opponents, just because they did not approve of him. My God, if this is the way that Islam could have survived then it is disastrous.

**Q:** The recent austerity measures adopted as a result of the pressures of the Pakistani debt rescheduling—in fact General Zia seems to be utilizing Islam as the justification for implementing very severe economic austerity. New taxes are put forward in the guise of Islamic tax and so forth. How do you view that?

**A:** Zia's real support was in the high classes of people. Even they are taking their money out and this is because their money is being taken by force. He does not have any concept. Whatever somebody tells him this is good, he does it. Once he goes to a point and then he sees the danger and then reverses himself. He is a sort of cunning person. . . .

**Q:** Do you think if the U.S. and Chinese withdrew support from General Zia that that would have significant impact on his rule?

**A:** My assessment is that he would not last for even a month. I don't know, I might be completely wrong but my impression is coming very soon that this realization must already be there. That he has played all his cards and that his hands are empty. I don't think even the U.S. would be able to keep him for long even if they gave him all their power and support. It would be a futile exercise. He would be doing more damage to the U.S. than anyone else. His rule ended very soon after Mr. Bhutto's execution; now he just has a bonus that might last a few months or a year. That is a different thing altogether.

We have had dictators before. He is not the first dictator ever, but they have created some sort of a base or some sort of support. Ayub ruled for eight or nine years, so he created a system, but this man has no base at all. He is just surviving. ■

## The PCM, Brzezinski, and Pol Pot

*The relation of the Communist Party to America's national security adviser gets more and more curious.*

Many foreigners invited to listen to President López Portillo's fourth State of the Union address a couple of weeks ago were struck by the vehemence of one particular passage. He inveighed against those who, "due to some inexplicable ideological paradox, or perhaps some intellectual deformities . . . question and criticize the economic growth we have achieved, as if growth were a crime. Let us leave them to stew in their own bile." They wondered what lay behind such a condemnation.

Knowledgeable Mexican analysts had no such difficulty. They know just how badly much of the country's left has degenerated, both politically and morally. And they are aware that these left elements have the ideological support of the U.S. official most responsible for aligning U.S. foreign policy with the genocide of Pol Pot, and for installing Khomeini's dark ages regime in Iran: Zbigniew Brzezinski.

Of particular concern to the pro-industry forces in the government and business community is the current course charted by the Mexican Communist Party (PCM).

A long-persisting, though rarely influential element on the Mexican political scene, the PCM recently achieved greater prominence as a result of Mexico's political reform program. It now enjoys legal status, expanded financial resources and increased media access.

Part of the new money is going

into a glossy, revamped monthly "theoretical" magazine, *Machete*. It's unusual theory: nude women on its covers, constant promotion of homosexuality, even listings of bargain-rate bordellos.

In its July issue, *Machete* had this to say on Pol Pot's murder of approximately half the population of Kampuchea between the years 1975 and 1979. "The entire left felt moved by the kind of massacre carried out by the Pol Pot regime; yet it is unaware that this same kind of massacre was characteristic of the Bolshevik regime for years, when its main leader was Lenin."

Was *Machete* suggesting that Pol Pot's Chinese-directed genocide was permissible because Lenin allegedly did the same? Or was *Machete* making the false comparison—even the most raving anti-communist historians do not level such a charge against Lenin—to show the "moral dilemmas" of a PCM recruit in today's world?

It hardly matters. One has only to look at the already famous Thesis 14, part of a policy document prepared by the party leadership for an upcoming PCM congress.

Thesis 14 assails the Mexican state sector involvement in the economy in terms only used otherwise by rabid Mont Pelerin Society ideologues. "The current state must be radically transformed or even destroyed," says the PCM.

The document specifically attacks the aspect of Karl Marx's

writings—his emphasis on constant development of the means of production—which is incompatible with Pol Pot policies. "The identification of socialism with the development of the forces of production" is one of four principal errors which must be rooted out of the party, the Thesis asserts.

Finally, it scolds leftists for clinging to anticlerical prejudice. Party cadre must cease "to deny the transformations in the Church in our country and the emergence of an advanced Christian current," says the PCM, which marched shoulder to shoulder with the Jesuits of the Theology of Liberation to the shrine dedicated to the Virgin of Guadalupe last April.

It need hardly be stressed how closely this PCM manifesto dovetails with the declared policy objectives of Brzezinski for Cambodia and Iran. Toward Mexico, Brzezinski has expressed his determination never to permit "another Japan south of the border"—that is, the development of Mexico's productive forces, based on sovereign use of its oil resources and under general planning coordination of the state sector.

One of Mexico's most conservative dailies, *El Heraldo*, wondered aloud in mid-August if the PCM wasn't part of "the long arm" of Brzezinski in Mexico.

And when former Democratic presidential contender Lyndon LaRouche recently charged that Brzezinski actively sought control of Mexico's oil and the weakening of its industrialization drive by fostering Iran-style destabilization, observers here noted that one and only one political party of left or right insisted the charge was not worth investigating: the PCM.

# International Intelligence

## ***Ambassador Gardner says world must bite the bullet***

Speaking Sept. 18 to the Foreign Policy Association in New York, U.S. Ambassador to Italy Richard Gardner declared that the world is "entering the most dangerous decade" and called for economic restructuring in the world economy and for domestic austerity. On the international front Gardner declared that OPEC money must be relocated into the "multilateral" banking institutions, especially the IMF, that energy consumption must be cut drastically, and that population growth must be curbed.

Referring to the U.S. economy, Gardner said that "the answer is not a quick fix. We must reduce consumption, get conservation, develop synthetic fuels. We must live within our means. We must phase out the dollar as a reserve currency in favor of an IMF currency." This Trilateral Commission member, echoing the 1975 commission study "Crisis in Democracy," which called for limiting republican government in the U.S., attacked Congress for exercising its authorities. Congress must not get involved in foreign policy and other matters because they are "under pressure to deliver short term benefits to the people," i.e., they are, as the Constitution mandates, responsive to their constituencies.

## ***Which way for Turkey after generals' coup?***

The outcome of the Sept. 12 seizure of power by the Turkish military remains uncertain. The coup was carried out in the interests of restoring order to Turkey, torn by left-right terrorism and a revival of "Islamic fundamentalism." The generals pledged themselves to revive the principles of Atatürk. However, the generals' efforts may be seriously hampered by deference to the International Mon-

tary Fund on the question of Turkey's economic policy.

It was the IMF's "economic stabilization program" that gutted Turkey's economy in recent months and set the stage for the social chaos that prompted the generals' coup.

The decision to stick with the IMF is reflected in the retention by the generals of Turgut Ozal, ousted Premier Demirel's economic adviser and the IMF's point man in Turkey. According to rumors from Ankara, the generals are actively considering naming Ozal to the post of premier.

The retention of Ozal was eagerly greeted by the British.

How far the Turkish generals under the leadership of chief of staff Gen. Kenan Evren will go in playing ball with the IMF and with the North Atlantic Treaty Organization remains to be seen. Their commitment to the nationalist-republican legacy of Kemal Atatürk, the founder of modern Turkey, is diametrically opposed to the aims of the IMF, which is out to destroy the "Atatürk conception" of ambitious economic development and industrialization.

## ***Philippine terrorists linked to Americans***

Anti-government terrorists in the Philippines went on a bombing spree in Manila Sept. 12, killing one and wounding 31. President Marcos, meeting with the General Military Council and some ranking military officers on Sept. 13, ordered implementation of a security contingency plan which could lead to the identification and arrest of the bombing suspects.

Meanwhile, the Philippine News Agency reported Sept. 11 that one Baltazar Lovely, younger brother of the suspected ringleader Victor Lovely, had "confessed that he had been asked by his elder brother to take part in a top secret mission order handed down by ex-Senator Benigno Aquino." The Lovely brothers were apprehended by Manila police

on Sept. 6 when one of the bombs they were rigging went off accidentally.

Manila police investigators have also found names of other U.S.-based opposition leaders in contact with Victor Lovely, former Sen. Raul Manglapus and Steve Psinakis (an American related to an exiled Filipino industrialist and wanted for terrorist acts in the Philippines). According to the police, Lovely also met twice with the former Sen. Jovito Salonga, one of Aquino's defense lawyers. Victor Lovely, an American engaged in "importing and exporting foodstuffs," arrived in Manila from the U.S. on Aug. 20. Interestingly enough, Lovely's entry point was the U.S. Air Force Base at Clark Field—51 miles north of Manila.

Opposition leader Benigno Aquino's connection to the whole terrorist operation is extremely significant. Since last month, Aquino in various speeches in the U.S. had been actively promoting violence and terrorism in the Philippines as the tool to oust Marcos. Aquino had vigorously supported the formation of a National Covenant for Freedom in the Philippines under the leadership of prominent liberal politicians and now has called on the Filipino people to "flock to the churches and mosques" on Sept. 21 in a "massive peaceful demonstration" to end the martial law.

## ***Soviets: 'If this isn't interference, what is. . . ?'***

The Soviet Communist Party daily *Pravda* Sept. 6 ran an attack on the Carter administration, UAW President Doug Fraser and AFL-CIO President Lane Kirkland for interfering in the internal affairs of Poland. Ominous in tone, the article was entitled, "If This Is Not Interference, Then What Is it?," under the authoritative byline of A. Petrov.

"Carter . . . and Labor Secretary Marshall" said the article, "spoke out for the establishment of relations and the giving of urgent financial and other as-



sistance to those anti-socialist groups in Poland that have joined, with their own program of a political nature, the Polish workers demanding to resolve the socio-economic difficulties that have arisen in Poland."

It continued: "The position of the U.S. administration was greeted with satisfaction by the leaders of the American trade unions." Doug Fraser, it said, called for "the establishment of direct contacts between the leaders of the trade unions of Western countries with those groups that are working to divide the Polish united trade unions" because this "would strengthen these groups and 'make difficult any steps by the Polish government to preserve the unity of the trade unions.' Through Fraser a large sum of money was sent to Gdansk to support those forces that stood on anti-government positions," said the article. "A set of other measures in the same directions had also been elaborated and none other than the same Fraser said . . . that the American trade unions like those of other NATO countries 'had been drawn into participation in internal Polish affairs.'"

*Trybuna Ludu*, the Polish Communist daily, on the same day attacked "some circles in the West" that "wish to link with the social changes now at work in Poland some definite political plans and hopes.

"It would appear that U.S. leaders, who want to freely pass their judgments on Polish affairs, are profoundly mistaken in thinking that their interference in the internal affairs of the sovereign Polish state may go unnoticed."

### ***Dislike of Gandhi behind congress uranium veto***

"Had Morarji Desai still been Prime Minister of India instead of Indira Gandhi," said a Senate Foreign Relations Committee source, "then Congress most

likely would have voted to send the nuclear fuel to India." He was commenting on the Senate's 8-7 vote last week to deny enriched uranium fuel for the U.S.-built nuclear plant at Tarapur.

Under a 1963 agreement, the U.S. pledges to supply fuel as long as India allowed full inspection of that plant, which it has. Congress is not claiming that India has violated that agreement, but rather refused to abide by a unilateral 1978 Congressional decision, the Percy-Glenn amendment, which required inspection of all plants, whether or not they are built by the U.S. or supplied with U.S. fuel.

India's response to the Committee vote was to say that failure to provide the fuel abrogates the 1963 agreement and that India will find other means to fuel the plant. This could include reprocessing the spent fuel into plutonium which in fact, say administration sources, provides an even greater likelihood of nuclear weapons proliferation than the senators claimed they were trying to stop.

Following the committee vote, Secretary of State Edwin Muskie issued a Sept. 15 statement urging the full House and Senate to override the committee and vote to send the fuel to India. Muskie commented, "If the Congress blocks our decision, India might well claim we have breached the 1963 agreement—and that India is therefore no longer bound by its non-proliferation agreements."

A Senate source indicated that in addition to congressional anger at Prime Minister Gandhi's refusal to support the Carter administration stance on Afghanistan and Kampuchea was the suspicion that India is "more interested in nuclear weapons than in nuclear power." Upon investigation it turned out that the basis of this belief was the view that more than minimal levels of nuclear power are just uneconomical for a developing country. Therefore, a commitment to nuclear energy must simply be a pretext for weapons development. Morarji Desai, on the other hand, an advocate of "appropriate technologies" and ruralism, "had his heart in the right place about nuclear energy," said the congressional source.

## Briefly

● **NORMAN FORER**, the University of Kansas professor who has led American delegations to Iran to open "dialogues" with Khomeini's followers, is an ex-member of the Haganah, the 1940s Palestinian Zionist army that later became the Israeli Army when Israel became a state. Forer's brother was a member of the Irgun, the 1940s militia-terrorist brigades under the control of Menachem Begin. Today, Forer is considered to be one of the prime controllers of the Iranian "militants" holding the U.S. hostages in Iran; many of them were his students when they were in the U.S.

● **HAMMOUD Choufi**, Syria's former ambassador to the United Nations, issued a call from his refuge in Iraq for the "formation of a Syrian national Arab front" to replace Syrian President Hafez Assad. In a statement published by the Iraqi daily *Jumhuriya*, Choufi, who resigned his U.N. post last year in protest, said that the front would "face up to Syria's racist regime and establish democracy in Syria."

● **AYATOLLAH KHOMEINI** is reportedly considering making a pilgrimage to Mecca some time during the October *hajj*. According to Arab intelligence sources, the Saudis are worried that the presence of Khomeini in Saudi Arabia could set off a wave of fundamentalist agitation in the kingdom, posing grave security dangers to the Saudi regime.

● **SAUDI ARABIA** has signed a major contract with France for naval equipment worth \$600 million. The contract provides for the supply of naval defense equipment by a consortium of French firms, among which are included the private enterprises Matra, Aerospatiale, and Thomson-C.S.F., and the state-owned naval shipyards. The main contractor is reported to be Thomson-C.S.F.

## Why John Anderson is the perfect Trilateral candidate

by Kathleen Murphy

Unlike the two major parties, John Anderson doesn't have any constituencies to speak of. Therefore, he can call for the hard sacrifices the American people are going to have to make without having to worry about constituency pressure or his own popularity.

—Bob Walker, chief domestic adviser, Anderson-Lucey National Unity Campaign, in a Sept. 15 interview with *EIR*

With the 1980 presidential campaign as a backdrop, a core group of institutions led by the New York Council on Foreign Relations and the Trilateral Commission have declared war against the U.S. Constitution and the American political system. The objective is straightforward: to destroy those remaining institutions—the trade unions, farm organizations, urban machines, sections of Congress, minority groups, and so forth—that might mobilize political resistance to the economic regime that is already being imposed on the United States, the CFR's "controlled disintegration" policy.

Burying their mostly superficial differences, spokesman for the Carter, Reagan and Anderson camps have all found themselves publicly agreeing that the principles and institutions that have served the Republic for the past 200 years are somehow no longer viable.

To a man, these spokesmen argue that the United States has entered an era of limited growth and finite resources. To make the government capable of imposing the austerity they deem necessary, they call for severing

all links between it and the constituencies it is supposed to represent. They propose to do this by amending the Constitution—which has been the target of British-directed subversion since its adoption in 1787—in such a way as to permit the introduction of the outmoded, anti-republican British parliamentary system into the United States.

It is in this context that the Justice Department's Abscam-Brilab witchhunt must be viewed. With the possibility that 5,000 indictments may be handed down over the next six months, the U.S. faces the immediate prospect of having every remaining vestige of traditional constituency politics dismantled.

The leading Democratic Party spokesman for this anti-Constitution position is Lloyd Cutler, a trustee of the New York Council on Foreign Relations who is now ensconced in the White House as chief counsel to Jimmy Carter. In the Fall 1980 issue of the CFR's quarterly *Foreign Affairs*, Cutler calls for sweeping changes in the U.S. Constitution so that harsh austerity can be imposed.

Speaking for the Republicans is William Simon, the former Secretary of the Treasury and now a top adviser to GOP presidential candidate Ronald Reagan. In a mid-September speech to the Mont Pelerin Society, Simon proclaimed that the real cause for inflation is the unfortunate fact that American elected officials still tend to represent the groups that elected them. Simon intoned, "the realities of the political process still dominate the course of economic events and historically have forced the growth of money and credit needed to accomodate

inflationary pressures to contribute to the reelection of incumbent officials.”

Simon, like Cutler, also suggested that the Constitution be altered, specifically proposing a one-term limit on certain government offices so that public officials will no longer feel constrained by reelection considerations from carrying out the budget-slashing that he calls an anti-inflation program.

### **The Anderson difference**

The vehicle through which the CFR-Trilateral group intends to achieve this radical transformation of the American political system is the “independent” presidential campaign of John Anderson. A member in good standing of both elite organizations (he’s scheduled to address the CFR on Sept. 24), Anderson is ideally suited to play this role. With virtually no chance of being elected, Anderson is an entirely media-made creation. He has no base to speak of, as his aide Bob Walker noted, except perhaps for the “Chablis and Brie” circuit of aging left-liberal activists like Stewart Mott.

In his own program, Anderson makes no secret about his commitment to revamping the way American politics has traditionally worked. In the platform section, entitled “How an Independent Can Govern,” Anderson and his running mate Patrick Lucey state that “The major parties have proved unequal to the task of formulating a realistic post-New Deal public philosophy. . . .” Charging that the Democrats and Republicans are still too “consumption-oriented,” the platform says that “The traditional parties were reasonably effective mechanisms for distributing the dividends of economic growth. But during a period in which the central task of government is to allocate burdens and orchestrate sacrifice, these parties have proved incapable of making the necessary hard choices. We are prepared to tell the American people what we must do, and allocate the burden in a manner sensitive to both economic efficiency and social equity.”

Anderson is on record as favoring a parliamentary form of government for the U.S.

One of his top campaign advisers is Robert Bowie, a former CIA executive who worked with Samuel Huntington on the Trilateral Commission study, “The Crisis of Democracy,” advocating that severe limits be placed on representative government.

### **The Anderson program: no more growth**

His vice-presidential choice, former Wisconsin Governor Patrick Lucey, said on NBC-TV’s “Meet the Press” Sept. 14 that Americans must “bite the bullet on energy by paying higher prices” and then went on to call for a “national convocation on federalism” that would reinstitute states’ rights.

Getting Americans to bite the bullet is precisely the motivation behind the current assault on the Constitution. The Anderson-Lucey platform is a blunt statement of the CFR-Trilateral Commission’s policy of eliminating basic sectors of the country’s industrial and transportation infrastructure, siphoning off what credit exists into a few select industries such as semiconductors and certain limited forms of military production. Thus, in the midst of zero-growth platitudes we find Anderson advocating a revitalized space program.

On energy, the platform asserts that “a healthy economy and a high standard of living for all citizens are not dependent on a given quantity of energy consumed but on maximizing the services or benefits derived from consumption.” Castigating Americans for giving in to their “thirst for a cheap and reliable source of energy,” the platform calls for drastically reducing energy consumption by pushing energy prices through the ceiling, partly through a 50-cent-a-gallon tax on gasoline, phasing out nuclear power, and relying on conservation as “the most important method of providing the energy benefits we need over the next decade.”

In the same spirit, Anderson and Lucey come out in favor of stringent controls over the exploitation of natural resources on public lands (Anderson cosponsored the Alaska Lands Bill which would prevent huge portions of that resource-rich state from being developed, in order to “protect the environment”); and against most waterways projects because they “jeopardize America’s wetlands.”

Anderson would have opposed the Erie Canal.

On the other hand, the platform staunchly favors a huge federal investment in synthetic fuels projects—uneconomical and far more dangerous to the environment.

### **Creating a ‘multi-party system’**

Although Anderson’s role as a publicizer of policies and programs which neither Carter nor Reagan can freely advocate because the weight of their constituencies cannot be underestimated, the most important feature of his candidacy is its potential to provoke a political crisis—or at least the appearance of one—to create conditions under which the American political system can be turned to dust.

The most widely discussed possibility is the so-called House of Representatives scenario, which goes as follows: If Anderson succeeds in winning one or more states in the November elections, this could cause the Electoral College to deadlock, especially in a close Reagan-Carter contest. In the event that no presidential or vice-presidential candidate gets a majority of Electoral College votes (the electors vote on Dec. 15; the votes are counted Jan. 6 before a Joint Session of Congress), the Constitution mandates the following procedure: The

House of Representatives is instructed to choose a President from among the top three Electoral College vote-getters while the Senate is mandated to choose a Vice-President from among the top two vice-presidential candidates. The deadline for both houses is Jan. 20. As various scenario writers have stressed, it is theoretically possible for the House to become deadlocked since each state delegation receives one vote regardless of size. If the Democrats and Republicans each control equal numbers of state delegations, which could happen if the GOP scores significant gains in the Congressional elections, then the House could become hopelessly deadlocked as well. If the House cannot choose a President by the deadline, then the Vice-President chosen either by the Electoral College or the Senate would become Acting President.

But if the Senate also fails to fulfill its mandate (assuming that the Electoral College was unable to select a Vice-President) then the United States could face the worst constitutional crisis in its history, since Congress is left to its own devices to adopt an appropriate course of action.

Under conditions of political paralysis and rapidly declining economic conditions, this could well lead to the imposition of a crisis-management government operating entirely outside the bounds of the Constitution.

Although it is highly unlikely that this scenario will be played out to its endpoint, there are ample indications that partial implementation is under serious consideration by the circles behind Anderson. During the first two weeks of September, several key decisions were made that effectively thrust Anderson's flagging candidacy back into the political spotlight.

The League of Women Voters decided that Anderson should be included in their nationally televised presidential debates, giving the Illinois Congressman tremendous exposure and "major candidate" status. The Federal Elections Commission vastly boosted Anderson's fundraising abilities by deciding to consider him a "third party," thereby making him eligible for federal campaign financing. And the Liberal Party voted to place Anderson on its ballot line in New York State together with incumbent Sen. Jacob Javits, which could well produce a significant number of votes for the Anderson-Lucey ticket in the state.

The Liberal Party decision caused some political analysts to add New York to the list of states where an Anderson-Lucey victory is possible. Others include Oregon, which has a strong environmentalist faction; Wisconsin, Lucey's home state; Massachusetts, where a decision by the Kennedy forces to bolt from Carter could put the state in Anderson's column; and Rhode Island. An Anderson win in any of these states would ultimately depend on two factors: whether the CFR launches a full-scale media campaign on Anderson's

behalf, and how it decides to deploy its vote-fraud capability.

Even if Anderson fails to win any states, thus voiding the whole deadlocked election scenario, he still could prove a potent factor in the assault against the Constitution. The very existence of his candidacy is cited continuously by media commentators and political scientists as "living proof" that the Constitution must be overhauled and that the two-party system is dead.

Anderson campaign aide Bob Walker recently commented that "the parties must reorganize themselves. If you have candidates like Anderson who aren't afraid to tell it like it is, who aren't afraid to demand hard choices of the American population, and they come off with a respectable showing at the polls, this will provoke a fundamental revolution in the way the parties work. . . . It will help free them from their traditional constituencies. . . ."

Austin Ranney, a political scientist who works with two ongoing programs to rewrite the Constitution sponsored by the American Enterprise Institute and the Brookings Institution, has commented at length on the ramifications of Anderson's campaign for the entire political process. In remarks published in the June 8, 1980 *New York Times*, Ranney opined that Anderson's candidacy "is a very good thing if you don't like political parties. . . . A successful Anderson candidacy—not in the sense of winning but in the sense of having a real impact on the outcome of the election—will make them even weaker than they are today. I think we'll see more and more candidates like John Anderson in the future because the parties are so much out of it now."

It is reliably reported that networks affiliated with Averell Harriman see Anderson's candidacy as a vehicle for establishing a multi-party system in America.

In an editorial Sept. 14, the *New York Times*—one of the Eastern Establishment's propaganda organs that publicized Anderson's candidacy into existence—gloated about the damage which his campaign has already wrought. Entitled "Running Against the Television Party," the editorial argued that Jimmy Carter agree to debate Anderson on the following grounds:

"John Anderson is the first presidential candidate of what might be called the Television Party.

"Forty years ago, even 20 years ago, what he is doing would not have been imaginable . . . he wouldn't even have been laughed at, just ignored.

"Parties were once the exclusive instrument of communicating a candidacy to the public and exciting the faithful. . . . There was no other way. But television has now become an alternate instrument, another way of communicating candidacy to the public, another way to excite support.

"For Mr. Anderson, television is not secondary. It's the only vehicle he's got. . . ."

## The rising chorus vs. the Constitution

John Anderson is not alone. As the 1980 presidential campaign has unfolded, several prominent political figures, echoed by media commentators, have taken up the cudgels against the U.S. Constitution. They uniformly call for the British parliamentary system against which the American Revolution was fought. Among the loudest voices are:

- Lloyd Cutler, counsel to President Jimmy Carter. Writing in the Fall 1980 issue of the Council on Foreign Relations journal *Foreign Affairs*, Cutler, a member of the CFR's board of trustees, urges "changes in our Constitution."

"A particular shortcoming in need of remedy," Cutler maintains, "is the structural inability of our government to propose, legislate and administer a balanced program for governing. In parliamentary terms, one might say that under the U.S. Constitution it is not now feasible to 'form a government.' The separation of powers between the legislative and executive branches, whatever its merits in 1793, has become a structure that almost guarantees stalemate today."

The constitutional system is outmoded, says Cutler, because "government is now constantly required to make a different kind of choice than usual in the past, a kind for which it is difficult to obtain a broad consensus. . . . There may have been a time when we could simultaneously pursue all of [our national] goals to the utmost. But even in a country as rich as this one, that time is now past. One of the central tasks of modern government is to make wise balancing choices among courses of action that pursue one or more of our many conflicting objectives. . . ."

"For balancing choices like these, a kind of political triage, it is almost impossible to achieve a broad consensus."

Therefore, argues Cutler, the United States needs to adopt a system where the executive and legislative branches of government are more integrated and thus capable of dictating policy more readily—without the interference of constituency politics.

Cutler proposes the establishment of a "bipartisan presidential commission—perhaps an offshoot of President Carter's first-class Commission on the Eighties to analyze the issues, compare how other constitutions work, hold public hearings, and make a full report."

Cutler personally favors a series of constitutional amendments that would: 1) limit the presidential tenure to one six-year term; 2) have the President, Vice-President, Senators and Congressman elected for simultaneous six-year terms; 3) permit the President on one occasion in his term to dissolve Congress and call for new congressional elections. If he did so, Congress could call for simultaneous new elections of the President and Vice-President; and 4) limit the procedure for mid-term elections, from primaries and conventions through the election itself, to 120 days.

- William Fulbright, former Senator from Arkansas and a lawyer with the Washington firm of Hogan and Hartson. In an op ed in the Sept. 13 *Washington Post*, Fulbright uses the spectacle of the current presidential election to argue for changes in the Constitution.

"Our Constitution and the structure of our government are 200 years old. . . . It seems reasonable to me, without denigrating our Constitution or our history under it, that we might well give serious consideration to making some basic changes designed to strengthen our capacity to deal with modern conditions, especially in the area of our foreign relations. It is no secret that the division of power in our present system presents a major obstacle to effective diplomacy, a weakness we can ill afford in this nuclear age."

Echoing Cutler's proposal, Fulbright suggests merging the executive and legislative branches. "Selection of the executive by the legislature from among its own members could be beneficial to our government in a number of respects, especially in enabling a president, so selected, to carry on our foreign affairs more effectively and more responsibly."

The forum should be "for Congress to propose amendments to the Constitution, or for two-thirds of the state to convene a constitutional convention. . . ."

There are several efforts afoot on Capitol Hill to implement changes along the general lines they suggest, in which Rep. Henry Reuss (D-Wisc.), Rep. Newt Gingrich (R-Ga.), Rep. Jonathan Bingham (D-N.Y.), and Rep. Richard Bolling (D-Mo.) are playing leading roles.

At the same time, two of Washington's most influential think tanks, the Brookings Institution and the American Enterprise Institute, are using the upcoming bicentennial of the U.S. Constitution to sponsor ambitious programs designed to spur public discussion of the Constitution's relevance to current conditions.

# No progress and no Christianity

by Margaret Bardwell

John Anderson, the media candidate, is presented to the American public as a morally and politically “independent” alternative to the Carter and Reagan candidacies. In fact, John Anderson and his every policy are a product of the New York Council on Foreign Relations, the Trilateral Commission and the Bilderberg Society, which entirely control the Carter administration and dominate the Reagan campaign. John Anderson is himself a member of all three of those institutions.

Anderson’s 20-year career in the House of Representatives is exactly what one would expect it to be, knowing the policies of those institutions: He has been a “liberal” on what are termed “social issues,” ranging from a “permissive” ambiguity on legalizing dangerous drugs to professed support for “homosexual rights.” But on economic issues, he has been a “fiscal conservative.” Actually, they come to the same thing—commitment to the CFR-Trilateral Commission policy of “controlled disintegration” of American industrial society.

In the House, Anderson has sponsored the legislation that created the Federal Election Commission, which helped ensure election of the Trilateral Commission’s Jimmy Carter in 1976, and has since become an agency capable of financially making or breaking any candidate’s campaign. For Anderson, the FEC was only one of many steps he wants taken to eliminate the U.S. Constitution’s regulation of American political processes. He has called for the introduction of a parliamentary system like Britain’s into the United States, and as a preliminary step, the inclusion of congressmen in the President’s cabinet, which he called “a very useful experiment, even though we do not have a parliamentary system and even though cabinet people serve at the pleasure of the President, not of Congress.”

In the economic domain, Anderson’s legislative career has been strictly zero-growth. He sponsored the Alaska Lands Act of 1980, which removed millions of resource-rich acres to constitute a permanent wilderness. His economic platform in the presidential race features proposals for wage cuts, energy cuts, deregulation (and so decline) of industry, and a national financial dictatorship of the type that Big MAC has represented in the

collapse of New York City, to be called the Reconstruction Finance Corporation.

## A Christian?

Anderson calls himself a “born-again Christian” like Jimmy Carter. At the age of 9, he underwent a “cataclysmic change” during a local church service, a change “that is eternal in its consequences.”

But Anderson, who opposes economic progress on principle, rejects the call of Apostolic Christianity and the Book of Genesis for Man to exercise “dominion over nature.” Zero growth demands, he says, that man be only nature’s “steward,” but never nature’s master.

The rejection of science implied in this “Christianity” establishes that John Anderson is a “born-again” occultist mystic. So he professes to be. William Whitsun, founder of the California “Novus” (for “New Age”) institution who believes extra-sensory perception may someday be a military weapon, praised Anderson’s views on such subjects highly. “John Anderson could be the lightning rod to attract all the energies of the Aquarian conspiracy,” by which Whitsun refers to the youth drug-rock counterculture and all manner of “California syndrome” cults.

In his 1970 autobiography, *Between Two Worlds: A Congressman’s Choice*, Anderson himself linked denial of the need for progress and acceptance of the occult. He states:

Only now are we beginning to realize that we have paid a very heavy price for what we call progress. We assumed that increased production was itself a desirable achievement. . . . Now, in our time ecologists are discovering that far from dominating nature, man depends on a subtle natural balance of forces for his survival. . . . We must be willing to admit that we are all polluters. . . . We are despoiling our land and befouling our air and water. . . . If we are going to make any real progress to save our environment, we will have to take steps both to limit our own numbers and to change our attitudes about man in nature and society. . . .

Elsewhere in his autobiography, Anderson states:

I see no reason to deny the validity of the supernatural as the price that must be paid to take a sincere interest in the natural phenomena that operate in the sphere of our earthly existence. Indeed we are currently witnessing a tremendous upsurge of interest in the occult and even obscure forms of Oriental mysticism by many who are simultaneously very active in political causes which relate wholly to the material side of man’s existence.

# Anderson's controllers: elites and Aspen liberals

Anderson's independent presidential bid has been a combined project of several institutions including the New York Council on Foreign Relations, the Trilateral Commission (he's a member of both), and the Aspen Institute. Most of his advisers have been supplied either by these groupings directly or by institutions connected to them.

**Alton Frye** is chief issues coordinator and foreign policy adviser to the Anderson campaign. Frye is on loan to Anderson by the Washington office of the CFR which he heads. Frye's background includes stints as a consultant to the State Department and Pentagon and Department of Housing and Urban Development; lecturer at the Air War College and the CIA; staff member at the Rand Corp. and senior fellow at the CFR. He also worked with Cyrus Vance on the National Advisory Committee on Civil Disorders. Frye is a member of the London-based International Institute for Strategic Studies and the World Futures Society, the key popularizer of the "Aquarian Conspiracy."

**George Ball** is another of Anderson's top foreign policy advisers. Now with the New York investment banking firm Lehman Brothers Kuhn, Loeb, Ball, like Frye, is a leading "Utopian" who believes that psychological warfare is *the most important* element of military strategy. A director of the 1943-45 U.S. Strategic Bombing Survey whose psychological warfare approach laid the groundwork for the development of the Aquarian Conspiracy, Ball more recently has been a noted advocate of Third World genocide. Testifying before the Senate Foreign Relations Committee on Jan. 3, 1976, Ball said: "Today we cannot ignore a body of responsible opinion that suggests that in providing aid to countries already crowded . . . we may be multiplying the misery for future generations—this poses distasteful questions . . . the idea expressed in the military term triage."

**Gareth Porter**, chief architect of the China section of the Anderson-Lucey platform, is a fellow at the leftwing Institute for Policy Studies in Washington. He served as a contact point between the North Vietnamese and the

Jane Fonda-type activists during the Vietnam War as part of a broad effort to profile the North Vietnamese political leadership.

On economic policy, Anderson draws on the ideas of **George Cabot Lodge** and, until recently, New York Big Mac chairman **Felix Rohatyn**. A professor at the Harvard Business School, Lodge is the author of a book entitled *The New American Ideology* which served as the blueprint of the radical environmentalist Citizens Party. Lodge wants to see the United States embrace a type of corporate socialism, cautioning one reporter that "We have to be careful. This could easily become Mussolini-style fascism." Lodge believes that "Anderson could come to power under conditions of a shock—such as an oil cut-off—that would shatter its basic institutions."

For energy policy, Anderson depends upon several highly-placed kooks, including Carroll Wilson and Daniel Yergin.

**Carroll Wilson** operates out of the MIT Sloane School of Management, where he teaches courses on how to apply Elizabeth Kübler-Ross's "death with dignity" philosophy to the U.S. economy by getting the population to accept the notion that material progress is no longer possible. Wilson was a member of the CFR's "1980s Project" which called for the "controlled disintegration" of the world economy.

**Daniel Yergin** teaches at Harvard's Kennedy School of Government where he pioneered the idea that economic growth could be "decoupled" from energy, the major thesis of the Anderson energy program. Yergin keynoted the March 1980 meeting of the U.S. Association of the Club of Rome whose major theme was that the world is now in a transition to a zero-growth, low-energy state.

Anderson doesn't just get ideas from these networks; they have also provided a large part of his campaign financing. Federal Election Commission reports filed by Anderson's campaign reveal that he has received sizable contributions from the following individuals:

**Richardson Dilworth**, financial manager of the Rockefeller family assets, together with Mr. and Mrs. Laurence



George Ball

A. Rockefeller, and four other Rockefeller family members;

**Andrew Heiskell**, chairman of Time, Inc., the powerful magazine publishers.

**Benjamin J. Bottenweiser**, advisory director of Lehman Brothers Kuhn Loeb.

**Henry Kaufman, Daniel Sargent and Robert Bernard**, all partners in the investment firm of Salomon Brothers.

**Mrs. Donald Kendall**, wife of the Pepsico Inc. chairman and real estate investor, Alan Tishman.

**Robert O. Anderson**, chairman of Atlantic-Richfield, publisher of the London *Observer*, and head of the Aspen Institute.

**Gaylord Freeman**, the retired chief executive of First Chicago Corp. and an Aspen trustee.

**Mrs. John Hay Whitney**, of the rich, powerful and decidedly Anglophile Whitney family.

### **The League . . .**

There are also lesser institutions which nonetheless have been assigned vital roles in the Anderson option. The most notable are the League of Women Voters and the New York State Liberal Party.

Contrary to its carefully cultivated nonpartisan image, the League of Women Voters is simply an extension of the same elite families which run the CFR and related institutions. Its current president, Ruth Hinerfeld, is a member of the United Nations Association, along with the Aspen Institute's Robert O. Anderson, Cyrus Vance, and U.S. Ambassador to China Leonard Woodcock. She also belongs to the National Committee on U.S.-

China Relations, under whose auspices she led a delegation to Peking in November 1978. Hinerfeld credits the League with mobilizing popular support in favor of President Jimmy Carter's decision to normalize U.S.-China relations. Hinerfeld's husband Norman is a top executive with Kayser-Roth, which maintains close ties to the Israeli intelligence community through the Sonneborn Institute and the Slaner Foundation.

League literature also proudly points to its role in gaining popular acceptance of the United Nations, World Bank, Marshall Plan and the rest of the CFR's postwar package.

The League has collaborated closely with the Aspen Institute and the Twentieth Century Fund in a policy which seeks to develop television as a substitute for the two major parties, primarily through the medium of the League's nationally-televised presidential debates.

### **. . .and the liberals**

The Liberal Party was a British intelligence project from its inception. Founded in 1944 as an anticommunist splittoff from the American Labor Party, the Liberal Party, in the words of one spokesman, "represented the culmination of an intellectual dream to create a multi-party system in the United States." Among the initiators of the project were John Dewey, the father of American pragmatism and the "learning by doing" school of progressive education; George Counts, a Columbia University Teachers College professor and collaborator of Dewey; Reinhold Niebuhr, a theologian who played a key role in the Christian Socialist movement and later became an outspoken critic of the idea of progress; Ben Davidson, a leader of the Lovestone faction of the American Communist Party; and Charles Beard, the Oxford-trained historian who led the charge against the U.S. Constitution in the first quarter of the century with his book, *The Economic Origins of the Constitution*.

Despite its small membership—it has declined from about 400,000 to 70,000 members—the Liberal Party has succeeded in establishing itself as an important swing factor in state and local elections, including that of Herbert Lehman to the U.S. Senate. It has also been implicated in running several seminal institution-wrecking operations, including the early 1950s Kefauver Committee hearings into labor racketeering and organized crime.

According to a top party executive, the Liberal Party sees the Anderson campaign "as a vehicle for creating a multi-party system in the U.S. We at least need a third party for the government officials, feminists, professionals and environmentalists that aren't at home with either the Democrats or Republicans." The official confided that the party is now negotiating "with other networks involved with Anderson's campaign to explore the possibility of setting up a third party in the near future."



# 'Allocating burdens, orchestrating sacrifice, eliminating constituencies'

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## GOVERNMENT

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*Under the heading How an Independent Can Govern, the Anderson-Lucey program bluntly states its view that the primary function of government is to force austerity on the population. The two major parties, they claim, are incapable of doing this because they are still subject to constituency pressure:*

We believe that at this critical juncture, America needs an independent President, and we believe that such a President can work successfully with a Congress organized along party lines to govern this nation.

We now need an independent President, for two reasons:

The major parties have proved unequal to the task of formulating a realistic post-New Deal public philosophy. The Democratic Party is committed to extending the New Deal without providing the means to pay for it. The Republican Party has been captured by forces that offer a curious combination of consumption-oriented economics and pre-New Deal social policies. The Anderson-Lucey National Unity Campaign is based on a centrist philosophy that ties its program of social policies to those measures needed to rebuild the economic base upon which they can rest.

The traditional parties were reasonably effective mechanisms for distributing the dividends of economic growth. But during a period in which the central task of government is to allocate burdens and orchestrate sacrifice, these parties have proved incapable of making the necessary hard choices. We are prepared to tell the American people what we must do, and allocate the burdens in a manner sensitive to both economic efficiency and social equity. . . .

The Anderson National Unity Campaign . . . transcends the irrelevant quarrels between an old liberalism and an even older conservatism, and it offers effective, coordinate means to achieve goals that enjoy overwhelming public support.

We believe, further, that an independent President can be effective. We must, of course, acknowledge that the context within which presidents must act has become more complicated and restrictive during the past two decades. Sober observers have pointed to the decentralization of Congress, the fragmentation of political parties, the risk of single-issue constituencies, and the atomization of the electorate as major elements of this new situation. But we contend that in 1980 an independent Anderson administration can deal with it more effectively than can a major party administration.

We now have four reasons for this contention.

An Anderson victory—in the teeth of the enormous institutional bias against independents—would be a dramatic signal to Congress that the nation wants and expects action, based on the new consensus the campaign has articulated.

Unlike other post-war independent candidacies, the Anderson campaign represents neither a region nor a dissident fringe, but rather a coalition of the center—the traditional basis for governing the American polity.

In the absence of Congressional cohesion and party discipline, the President's effectiveness rests largely on his ability to persuade significant numbers of legislators that his proposals are sensible and fair. John Anderson and Patrick Lucey are superbly equipped to do this. . . .

Congress will work productively with any president who enjoyed the trust and confidence of the American people. A key determinant of this in modern politics is the President's ability to communicate with them, face-to-face and through the media. This ability does not depend upon the party application [sic] of the President, but upon the ability of the President to advocate and persuade. . . .

As President, an Anderson administration will strive to appoint talented individuals, without regard to party affiliation. They will be drawn from a broad range of backgrounds—government, business, labor, academia. Ideally, each will blend general intellectual or theoretical competence and practical experience—both in Washington and elsewhere.

A President must tell the truth to the American

people, even when it is unpalatable and unpopular. In current circumstances, only an individual prepared to be a one-term President, if necessary, can faithfully and conscientiously discharge his Constitutional responsibilities.

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## ENERGY

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*One of Anderson's major campaign themes has been the energy crisis. He has been praised by the New York Times for his "courageous" proposal that the United States add to its economic difficulties by imposing energy price hikes on itself. The Anderson-Lucey platform details the measures their administration would implement to effect sharp decreases in energy consumption, including: a 50-cent-a-gallon-tax on gasoline; a shift to coal consumption without necessary improvements in extraction methods; a phase-out of nuclear power; and a move to "soft" and very expensive technologies such as solar, biomass and wind power. The basic assumption of the Anderson-Lucey energy plank, that conservation and high-cost energy is the key to dealing with the energy crisis, shows the fraudulent nature of their call for a national "reindustrialization" effort, for cheap and abundant energy sources are the foundation of a real industrialization policy.*

### Conservation

The availability and cost of energy have been among the most important structural factors in the American economy during the decade of the 1970s. Our increased dependence upon overseas oil has been responsible for a massive capital outflow. . . . It is not an overstatement to say that our ability to rebuild America will depend in large part upon our ability to reduce our dependence on foreign oil.

A healthy economy and a high standard of living for all citizens are not dependent on a given quantity of energy but on maximizing the services or benefits derived from consumption. . . .

To create an economic environment which enhances competition, energy supplies must be priced to reflect their real economic value. The incentive provided by correct energy pricing will hasten the transition away from scarce and expensive energy sources to economical renewable resources and more efficient ways of using finite supplies. Because these technologies have been at a competitive disadvantage in the past (due to price controls on oil and gas) they lack the capital investment needed to exploit their full potential. The Anderson energy program encourages economic investments in conservation technologies, new sources of oil and gas supplies, coal consumption technologies, and solar applications. . . .

While conservation is often thought of as simply

doing without, conservation policies included in this program emphasize increasing the energy efficiency of housing, transportation, and industrial equipment that is needed to sustain our economy. Since the goods and services required by society can be produced by using various combinations of energy, capital, and labor, a least-cost strategy can be followed by encouraging technologies which require less energy to supply the same level of services. Application of economic conservation technologies to improve energy productivity now costs less than developing new energy supplies and so reduces the total cost of providing energy services to consumers. . . .

Energy conservation deserves the highest priority in U.S. energy planning because it is the least expensive way to provide energy services for homes, transportation, and industry. Conservation must be viewed as an additional option for providing energy benefits in the same way oil, gas, coal, and other technologies do. The energy services provided by conservation have distinct advantages over those provided for conventional fuels: they are cleaner, they are safe, they do not rely on foreign sources, and most important, they are less costly. . . . Conservation can be the most important method of providing the energy benefits we need over the next decade. The problem is that investments of major proportions are needed in conservation. Several studies indicate that \$400 to \$500 billion in capital could be invested. . . . We need to shift capital into energy-efficient improvements, remove institutional barriers to such investments, and provide technical assistance and educational programs to motivate consumers to adopt energy-savings measures. To realize these goals we should:

Firmly support continued decontrol of domestic oil and gas prices. Letting prices rise is the most efficient way to exploit our conservation potential. When consumers face the full economic value of the energy they use (prices which reflect more expensive domestic production costs, the insecurity of import dependence, and environmental risks), they will respond by substituting conservation technology to provide the energy services required.

Urge further reform of utility pricing to better reflect the varying costs of providing electricity service, thereby giving accurate cost signals to consumers. . . .

Use local community action groups to educate consumers on energy conservation opportunities and their costs and benefits. Since effective conservation is the result of many individual decisions, we must establish information and technical assistance programs directed to the individual consumer. Community block grant programs should expand funding for home audits, direct retrofit assistance, promotion of "life cycle" costing and other measures to help consumers make

more economical choices and reduce their energy consumption. . . .

Substantially increase the federal tax on motor fuels and use the proceeds to lower payroll taxes and increase Social Security benefits. A 50 cent per gallon tax would achieve a reduction in gas consumption of as much as 700,000 barrels per day in the short-run. . . .

## Synfuels

*In addition to conservation, the Anderson-Lucey program proposes a series of measures for reducing oil imports, including heavy government investment in synthetic fuels, solar power and other "soft" energy technologies, petroleum stockpiling, and the exploitation—for export—of U.S. coal reserves. Specific proposals include:*

- Continue federal support for research and development programs on enhanced oil recovery from existing reserves, production from oil shale, tar sands, and heavy oil deposits. . . .

- Diversify the sources of foreign [oil] supply by establishing a supply development function—an Agency for International Energy Development—within the International Energy Agency, by providing additional financial assistance to existing World Bank and Agency for International Development programs, and by increasing technical assistance to developing countries that are not currently net oil exporters.

- Continue start-up funding for projects to develop synthetic gas and oil supplies using coal feedstocks. . . .

- Complete and fill the Strategic Petroleum Reserve. At least 1 billion barrels should be in storage in order to provide significant protection from possible supply disruptions. A regional reserve for the Northeast, an area particularly dependent on imported oil, should be constructed. . . .

- Prepare several stand-by emergency conservation plans to promote fuel switching, electric power transfers, and reduced gasoline consumption in the event of an oil embargo.

- Revise the present emergency rationing plan to reduce the length of time needed to put it into operation. A plan that takes longer than three months to be implemented has limited usefulness.

- Continue the phasing out of price controls on oil and gas under the schedules provided in current legislation. The Windfall Profits Tax is necessary to meet national standards of equity. . . .

## Coal

This nation has the resources for coal to assume a much larger share of our energy supply mix. . . . Coal can also serve to improve substantially our balance of payments through exports to other industrialized countries. . . .

To improve the competitiveness of coal while limit-

ing adverse environmental impacts, we should:

- Expedite the conversion of oil-fired electric power plants to coal beginning with the 80 plants targeted in the Senate oil blackout bill. . . .

- Encourage industrial use of coal by offering tax incentives to firms that convert from oil. . . .

- Facilitate the movement of coal to domestic markets by reducing railroad regulation while providing protection for "captive" coal shippers. . . .

- Propose the establishment of a Coal Export Authority to review the need for expanded port facilities to accommodate coal for export. . . .

- Resume the leasing of federal land for coal production. . . .

## Nuclear Power

*Next to conservation, the Anderson program is most blatant in its commitment to insupportably high energy prices in its treatment of nuclear power. Although Anderson has been castigated by environmentalists for being pronuclear, he is in fact an advocate of the strategy for killing nuclear power by drowning it in a sea of regulations:*

Escalating problems with the cost and safety of nuclear power have raised serious questions regarding its role in America's energy future. . . . If the safety and nuclear waste questions cannot be satisfactorily resolved, we must halt the further expansion of nuclear power and phase out existing plants. . . .

The Kemeny and Rogovin reports found major deficiencies in the management and practices of the Nuclear Regulatory Commission and the industry itself. . . . Prudence requires that we respond fully to their recommendations. . . .

We propose a moratorium on new construction permits, beyond those now being built, until work has commenced on a permanent geologic disposal site. We have postponed the nuclear waste question for too long. . . .

Our commitment to nuclear power must be no greater than our commitment to the safety of nuclear reactors and the safe disposal of nuclear wastes. For twenty years now we have allowed our thirst for a cheap and reliable source of energy to outstrip the safeguards that should have accompanied the development of nuclear power. . . .

## "Soft" energies

In the meantime, we must begin in earnest to reduce our demand for electricity through conservation and enhanced energy efficiency, and to speed the development of renewable energy sources, and other alternatives to nuclear power. . . .

Harnessing the sun's energy in active and passive solar applications should be one of our most important

energy sources. . . . The federal government should undertake a much larger effort to promote research and development, improve consumer confidence in solar technologies, remove institutional barriers, and make a substantial commitment in solar energy for its own use. [We should] attain the goal of meeting 20 percent of our energy needs from renewable resources by the year 2000. . . .

There are several technologies, including wind and biomass energy systems, which require no major technical breakthroughs for their introduction. In the longer run, large quantities of energy from ocean power, geothermal resources, and nuclear fusion may be forthcoming, providing technical and economic hurdles can be overcome.

While greater reliance on these alternatives will occur eventually, critical decisions should be made now to speed the timing and reduce the costs of this transition. . . .

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## FOREIGN POLICY

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*The Anderson program demands "human rights" in the Soviet bloc, calls for Europe to shoulder a greater share of the allied defense burden; encourages provocative Israeli actions, and approves an enhanced role for the International Monetary Fund.*

**Europe:** We must recognize that the Alliance must be a union of equal partners. . . . Each must be prepared to share fairly in the burdens of our joint endeavors, and to justify these sacrifices to its own people.

**Soviet Union:** We must attend the second Helsinki review conference in Madrid, and we must insist upon a complete assessment of the degree to which the Soviet Union and the Eastern European nations have complied with the Helsinki Accords.

**Middle East:** An Anderson administration will not label Israeli settlements as "illegal" and as "obstacles to peace". . . . At the conclusion of the peacemaking process, the Anderson Administration will recognize Jerusalem as the capital of Israel and move the U.S. embassy there.

**International Economy:** We pledge: . . . the full use of facilities provided by the International Monetary Fund and the OECD; continued efforts to enhance the effectiveness of IMF exchange rate surveillance; . . . further refinement and extension of the Special Drawing Rights, rather than reverting to an anachronistic and rigid gold standard. ■

# Abscam's purge of U.S. leadership

by Vin Berg

At the end of August, Congressman Michael "Ozzie" Myers was convicted on Federal "corruption" charges in a Brooklyn court.

In the same trial, Camden, N.J. Mayor Angelo Errichetti, also a state legislator, was convicted of "bribe-taking."

On Sept. 5, opening statements were made in a corruption case against Congressman John W. Jenrette of South Carolina, accused of receiving a \$10,000 "bribe" from an FBI undercover operative.

On Sept. 8, the trial of Texas House speaker Billy Clayton commenced in Houston, and a Federal Appeals Court virtually destroyed his defense by suppressing testimonial evidence from an indicted labor leader that would reportedly have proven Clayton innocent of taking a "bribe" in the name of a campaign contribution.

On Sept. 15, Philadelphia City Council President George X. Schwartz and Councilman Harry P. Jannotti were convicted of accepting a pay-off, despite the judge's statement that nothing had been clearly proven.

The list goes on. Week by week, important and influential leaders at every level of the American political system are being removed from positions of influence. Week by week, political leaders, labor leaders and business leaders responsible for the welfare of tens of thousands of Americans are being tried and convicted, in the courts or in the press. Week by week, constituency-based political machines throughout the United States, in the middle of the worst economic and social conditions they have ever faced, suddenly find themselves leaderless, or with a leadership compromised by accusations or pending "corruption trials."

In the press, it is called "Abscam" or "Brilab," or more generally, "the battle against white-collar crime," in which attorney general Benjamin Civiletti's Abscam/Brilab "sting" operations are only the latest. What it adds up to is the largest *political purge* in the history of any nation in recent times.

Prior to 1975-76, "white-collar crime" convictions were at most a few hundred a year. Since the Carter administration has come into office, it has averaged

4,000 per year or more, totalling 17,000 to date.

*Most of these convictions are for offenses that would not have been considered crimes in an earlier period.*

The scale of the deployment that has culminated in Abscam ("Arab scam"), Brilab ("Bribe labor") and Pendorf ("Pension Dorfman") is changing the political face of America, in a way that makes the scope and impact of the 1930s Moscow purge trials pale by comparison. What comes to mind is the famous Hitler "Night of the Long Knives," in which every organized form of opposition to rule by the Nazi elite was crushed.

The latter comparison is more than apt. Abscam and Brilab have proceeded on the basis of what many sources acknowledge to be a Carter "enemies list." But it has not been directed against individuals as such. A Congressman here who threatens to block trucking or maritime deregulation; a city mayor there who wants a local nuclear plant opposed by the administration; a labor leader or farm banker who has denounced Carter-Volcker tight money measures—these are the targets, but not simply because of their position on this or that policy.

What the victims of Carter and Civiletti's "long knives" have in common is political machines and constituency organization. The fundamental policy behind Abscam-Brilab is the destruction of those urban-labor-farmer constituency machines that, at the local, state and regional level, have been the foundation of the American constitutional republic for the past 200 years. Left intact, constituency machines will not accept the "age of scarcity" that is the objective of every policy provided to the Carter administration by the Trilateral Commission and related institutions of the Eastern Establishment and British elite. So, the "long knives" have been brought out against the American form of democracy.

## **Violations of Constitutional rights**

To date, the American purge trials have proceeded without judicial restraint, although the flagrant violations of the Constitutional rights involved have left some presiding Federal judges chafing.

Federal Judge Robert O'Connor, presiding in the Texas trial of Billy Clayton, as well as Philadelphia's Judge John P. Pullam, who presided in the Sept. 15 convictions of Councilmen Schwartz and Jannotti, stopped just short of accusing the FBI of deliberately violating the defendants' rights to due process.

The Philadelphia conviction in fact came as a complete surprise. Schwartz and Jannotti, as well as Councilman Lewis C. Johanson and lawyer Howard Criden who have been given a separate trial, were accused of accepting a large sum of money in an alleged political pay-off. A guilty verdict was thought impossible by observers given the flimsy character of the evidence. Accepting

money is not itself a crime. Judge Pullam, clearly disgusted with the prosecution, warned the jury that a guilty verdict required proof that the defendants had "accepted money with the intent of committing a crime." At no point had such evidence been presented.

In the Clayton trial in Houston, Judge O'Connor

## **The railroad of Billy Clayton**

expressed "grave concern" over government misconduct. He berated FBI agent Michael Wacks in a pre-trial hearing: "You understand the due process rights, don't you, to be free from government-induced criminality? It seems to me that you sort of unleashed [FBI informant] Hauser without any guidelines. . . . Did it ever occur to you that perhaps you were violating the Speaker's due process rights by going forward with the con and thrusting the money on the Speaker [Clayton]?"

Apart from FBI informant Hauser "thrusting" a \$5,000 campaign contribution on the speaker, which Clayton repeatedly states he will have to report, there is no evidence of any wrongdoing whatsoever.

Hauser claims the Prudential Insurance policy which he represents will save Texas \$1 million in comparison to the state's current contract. Hauser asked Clayton for an opportunity to present his Prudential policy's merits.

Review of the tapes reveals the following. After the details on how to arrange a hearing for the Prudential offer are discussed, the following exchange concludes the meeting:

Clayton: Our only position is we don't want to do anything that's illegal or to get anybody in trouble and you don't either. . . .

Hauser: No, no, God no. That's the last thing in the world that I need.

Clayton: . . . This is just as legitimate as it can be because anytime somebody can show me. . . how we can save the state some money, I'm going to go to bat for it.

Moore: If we can save a million dollars that ought to be enough, shouldn't it?

Clayton: You bet. . . .

O'Connor granted limited immunity to defendant L.G. Moore, head of the Operating Engineers Union in a five-state area including Texas, so that he could testify in Clayton's defense that he had been merely bragging about his ability to influence Speaker Clayton. But in an almost unprecedented move, the Fifth Circuit Court of Appeals overruled O'Connor and denied Moore the immunity that it appears would have ensured Clayton's acquittal.

The incredible speed with which O'Connor's ruling was reversed is suggestive of heavy pressure on the Appeals panel from very high places.

A trial is one thing. A political purge is another.

## Hearings open on defense industrial base

Under prodding from Research and Development Subcommittee Chairman Richard Ichord (D-Mo.), House Armed Services Committee Chairman Melvin Price (D-Ill.) convened the first of a series of extensive hearings on Sept. 17 to examine the war mobilization capabilities of the United States' industrial base.

In his opening statement, Price said, "Today questions are being raised about our industrial base, about productivity in America . . . about obsolete plants and equipment and obsolete tooling, and about skill shortages among personnel in critical defense industries. The Congress has given inadequate attention to the availability of materials that are critical requirements of certain defense systems."

At the hearings, Price announced that following several days of full committee review, he would appoint a special panel chaired by Representative Ichord to make a further study and produce a report by the end of the year. In addition, Price said he would name the chairmen of three other subcommittees to the panel, the subcommittees on procurement, seapower, and investigations.

The Sept. 17 hearing opened with testimony presented by the chairman of the Task Force on Industrial Responsiveness of the Defense Science Board, Robert Fuhrman, president of Lockheed Missiles and Space Company. Also testifying was Dr. Eugene Fubini, chairman of the Defense Science Board. They reviewed the findings of their recently completed study on

the United States' lack of industrial preparedness for war.

Rep. Sam Stratton (D-N.Y.), chairman of the investigation subcommittee, quizzed a later witness, United Technologies chairman Larry Gray on the Fuhrman-Fubini report that the U.S. defense industry currently lacks 20,000 machinists qualified to meet present production requirements.

Replying to questioning by Stratton, Gray stated that there was an apparent national policy of discouraging aerospace employment since about 1969, from which the country has never recovered. In addition, Gray noted that education is geared to the "humanities" rather than to developing technical skills. Moreover, Gray said that the shortage of machinists has not even begun to peak, predicting that by 1985, the U.S. will be short 250,000 machinists.

## Hearings confirm cocaine coup

According to Sen. Dennis DeConcini (D-Ariz.), classified hearings held on Sept. 9 in the Foreign Operations Subcommittee of the Senate Appropriations Committee proved beyond a shadow of a doubt that the recent military coup in Bolivia was a "cocaine coup."

Following the hearings that day DeConcini released the following statement:

"Today compounded my most basic and worst fears about the current political situation in Bolivia. Because the information I heard today was classified, I am not at liberty . . . to discuss detail. However, the answers to my questions

confirm the existence of multiple and persistent linkages between the junta and international narcotics smuggling organizations. On that point there is no question. While information on my specific questions about individuals is privileged, it is fair to say that the narcotics connections go to the highest levels of the Bolivian regime. Further action will await my examination of the material I receive today."

## Pass bill to abolish Open Markets Committee

A bill to abolish the federal Open Markets Committee passed the Domestic Monetary Policy Subcommittee of the House Banking Committee Sept. 10. The legislation, sponsored by Rep. Parren Mitchell (D-Md.), passed by a vote of 4 to 2. The federal Open Markets Committee consists of the seven members of the Federal Reserve Board bank presidents. It meets once a month to decide on money supply.

In a statement to the committee, Rep. Henry Reuss (D-Wisc.), declared his support for the bill and his long-standing opposition to the Open Markets Committee because it gives regional bankers too much control over monetary policy, which Reuss believes should be under the control of presidential appointees, and not regional representatives.

"Basic decisions affecting money supply, housing, interest rates, economic growth and value of the dollar . . . should only be made by officials of the United States appointed by the President and confirmed by the Senate. The presi-

dents of the 12 regional bank boards . . . have themselves been elected by the nation's bankers. . . Those who make monetary policy should be responsible to the people, not to banker constituencies."

Reuss has promised hearings in the full committee on the bill, although action by the committee is not expected until after the new session starts.

## **W**heat cartel in the works?

A group of senators and congressmen who are members of the Inter-Parliamentary Group that regularly meets with members of Canada's Parliament have proposed the establishing of a joint U.S.-Canadian wheat exporting commission. The commission could in effect create a wheat cartel similar to the OPEC oil cartel. The group is led by Sen. Edward Zorinsky (D-Neb.) and Rep. Glenn English (D-Okla.).

The U.S. congressional group introduced a concurrent resolution Sept. 12 to establish the joint Canadian-United States Wheat Exporting Coordinating Commission. The aim would be, according to group member Rep. Arlan Stangeland (R-Minn.), "to export wheat at prices above the cost of production, to promote long-range market development, to increase commitments to food assistance programs, and to encourage wheat exporting nations to increase their storage facilities."

The proposal was made in the form of a resolution in order to spur the President to reorganize the agriculture and exporting sections of the government through executive action. The proposal was worked

out by the Inter-Parliamentary group over the course of several meetings held with Canadian parliamentarians, who simultaneously proposed the measure to the Canadian government. In addition to the United States and Canada, Australia and Argentina are being asked to join the commission, which would then consist of the world's four largest producers of wheat for export.

In the U.S., the measure has been referred to the Foreign Affairs Committee of the Senate, while in the House it has been sent to the Agriculture and Government Operations committees, although no action is expected until the next session of Congress.

## **S**enate committee says no on Indian nuclear fuel sale

Nuclear fuel will be denied the Indian government for use in the nuclear power plant at Tarapur, India, if the full Senate backs up the decision of the Senate Foreign Relations Committee Sept. 10. By a vote of 8 to 7, the committee decided to block the sale of nuclear fuel, critical for the plant's continued operation. It is very likely that if the Senate votes against the sale, the Indian government will go elsewhere.

Interestingly, the Carter administration had supported the fuel sale over the objections of the Nuclear Regulatory Agency. By an executive order, Carter ordered that the fuel be delivered. Under an executive order, the Congress has to act within a certain time against the order, or it becomes law, in this case before Sept. 26.

The House has already voted against the fuel transfer. Sen. John Glenn (D-Ohio) was the chief sponsor of the Senate legislation opposing the transfer, and his office and leading environmentalist groups conducted heavy lobbying against it. The matter will be reviewed in the full Senate Sept. 18 or 23.

## **A**sks NSC adviser to explain role in Stealth leaks

Rep. Robin Beard (R-Tenn.), ranking Republican on the Investigations Subcommittee of the House Armed Services Committee called Sept. 16 for further hearings into the role of the White House in the leaks that precipitated the declassification of information on the existence of the Stealth aircraft.

Beard's request was motivated by the testimony of retired Admiral Elmo Zumwalt, who testified that high-level Pentagon and White House officials revealed to him that it was David Aaron, deputy assistant for National Security Affairs, who leaked the information on Stealth to the *Washington Post*.

Zumwalt further charged that President Carter made the decision to leak the information as part of his reelection efforts. Asked if he was merely referring to the President's decision to declassify Stealth after leaks on it were published, Zumwalt said no. "A decision was made by the President to leak the information sometime before that so there would be no need to protect it."

Beard has now requested that Aaron appear before the subcommittee to testify.

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# National News

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## Southern governors jolted by farm crisis

The next 60 days will bring a "severe institutional rattling of the agricultural productive system of the South," warned Georgia American Agriculture Movement leader George Harris to the Southern Governors Conference Sept. 15. Unless action is taken immediately to save Southern agriculture, Harris forecast "a future Southern economy that is stripped of family farms, and that has no future." At the Southern Growth Policy plenary session Harris declared that the cause of the agricultural crisis was not the current drought, although that has had tremendous negative effects.

The real problem, he said, has been the Carter administration's policies that don't allow farmers parity prices or adequate loans. "Hundreds of farmers per county in Georgia are receiving letters of intent to liquidate from the Farmers Home Loan Administration because of the debt crisis."

A press release by the Virginia American Agriculture Movement circulated at the conference declared that "the drought this year is a hammer blow, but it is not the real problem. If federal farm policy had allowed us to earn a fair living for our efforts, we could be financially strong enough to ride out a tough year."

Louisiana Commissioner of Agriculture Bob Odom also spoke about the disasters facing American farmers. Odom, a farmer himself, estimated crop value losses in the southern U.S. due to the drought as over \$4 billion, warning that farmers had no equity base to fall back on.

The immediate response of the governors was stunned silence. Governor Riley of South Carolina, a Carter administration point man in the South, attempted to placate the farm spokesmen by announcing that he was submitting a resolution, passed by the Sept. 17 plenary session, calling on federal and state agencies to implement a case by case debt forgiveness for farmers. Asked why he

did not put forward a comprehensive program for agriculture, including a 100 percent parity for farmers, Riley said, "There is a tendency especially in the agriculture movement to shoot for the moon. We have to accept what we cannot accomplish."

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## London *Times* identifies Billy's Sicilian connection

Last week the *Times* of London added another dimension to the scandal around Billy Carter's Libyan dealings by identifying Michele Papa, Billy's contact man with the Libyans, as connected to organized crime networks in Sicily. The article, based upon information from Mario Leanza, who served as an intermediary between Billy and Papa, describes Papa as "a heavysset lawyer who was active in Evis, the Mafia-infiltrated Sicilian independence movement."

In our copyrighted story last week, the *EIR* showed that Papa's organized crime connections include a number of fronts such as the Lelio Basso Foundation, which has financed both right- and left-wing terrorism.

The *Times* also reveals that Billy Carter was in close contact in Libya with Frank Terpil, a former CIA agent and weapons dealer. According to the *Times*, after the Libya trip, Terpil met with Carter in Americus, Georgia to discuss a deal for machine guns. Shortly thereafter, Terpil was arrested in New York for an alleged illegal weapons deal. Informed sources believe that this was an attempt to keep Terpil quiet about Billy Carter's Libya dealings. Terpil disappeared last week shortly before a scheduled court appearance.

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## Carter administration unveils 'coal OPEC'

In his acceptance speech before the Democratic convention, Jimmy Carter declared that his administration would work to have the United States replace,

through coal exports, Saudi Arabia as the world's prime energy raw material exporter to the OECD. On Sept. 17, testifying before the Senate Energy Committee, John Sawhill, just appointed by Carter to head the Synfuels Corp., spelled out the policy.

Sawhill said that major expansion of rail and highway transportation and port terminal expansion was being considered to allow large-scale U.S. coal exports to Europe and Japan.

Sawhill predicated the plan on "oil production cutbacks by OPEC" through the 1980s, with a corresponding shift by Europe and Japan from oil to coal. In addition, Carter and Sawhill are projecting no expansion of nuclear, and have not ruled out a phaseout of nuclear altogether.

Sawhill asserted that trade delegations exploring U.S. coal export possibilities have recently arrived from France, Spain, Japan and Korea. This fall delegations will arrive from Germany, Italy, Denmark and the Netherlands.

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## Muskie and Brown support PD 59

Secretary of State Edmund Muskie and Defense Secretary Harold Brown appeared for two and one-half hours last week at a closed door session of the Senate Foreign Relations Committee to reaffirm their support for the administration's new strategic doctrine contained in Presidential Directive 59.

In a controlled leak on the testimony appearing in yesterday's *Washington Post*, Muskie states his categorical denial that PD 59 is a first strike doctrine: "It does not signify a shift to a war fighting strategy or to a first strike doctrine."

Foreign Relations Committee chairman Sen. Frank Church (D-Idaho) chimed in with support for Muskie and Brown's contentions: "Both emphasized to the committee that neither they nor President Carter believe it likely that nuclear war, once begun, can stay limited. Nor do they believe that there is such a



thing as a winnable nuclear exchange between superpowers."

Muskie is further quoted as saying that he "doesn't want anyone to wrongly conclude that we have suddenly become confident about our ability to orchestrate nuclear exchanges and control nuclear escalation or that we have become complacent about the use of nuclear weapons."

Despite these assurances, the carefully constructed leak leaves open the use of PD 59 to involve the United States in theater or limited nuclear war. Says Muskie: "PD 59 underscores—and I believe strengthens—the credibility of our capability to retaliate against a nuclear attack, under any circumstances, be it a massive strike against the United States or a more limited one against our forces or our allies."

Apparently, the administration intends to create maximum confusion around the doctrine.

## Republican adviser backs MacKinder's geopolitics

Leading Republican Party adviser Lou Tambs, who works closely with Reagan advisers at the Council for Inter-American Security, declared at the Southern Governors Conference Sept. 16 that British geopolitician Harold MacKinder's policies were exactly correct and must be followed today. It was MacKinder who at the turn of the century called the France-Germany-Russia alliance for mutual economic development the major threat to the British Empire. MacKinder warned that this "land power," as he called it, must be destroyed at all costs.

Tambs told the governors that the Soviet Union today is a "land power" whose activities in Europe threaten the "sea people," i.e., Britain. Tambs showed maps of the emerging land's power and declared that MacKinder had finally succeeded in containing it with World War I.

Tambs also attacked the Soviets for "trying to surround Red China, a potential ally."

## Civiletti announces plan to hamper police

In a speech before 5,000 police officers at the annual convention of the International Association of Chiefs of Police, Attorney General Benjamin Civiletti announced a series of measures that taken together could spell the destruction of U.S. law enforcement capability. Prior to the speech, leaflets were circulating among IACP members calling for them to "effect the impeachment of Attorney General Civiletti."

Civiletti attempted to present his speech in a pro-police posture; but he emphasized that the Department of Justice is planning to take measures to deal with police brutality and the use of "deadly force."

These measures include the setting up of a civil rights unit in every U.S. attorney's office made up of prosecutors responsible for speeding up onsite resolution of police brutality cases, and to examine existing laws governing police brutality to see where there is potential for reform. In addition, a task force is to be formed to establish national guidelines on the use of deadly force by police. This would include research projects by the Urban League and the La Raza Unida party, and a University of California study on the philosophic, social and psychological implications of the use of deadly force. Finally, Civiletti announced an expanded role for the Community Relations Service of the Justice Department, including the establishment of such programs as "intergroup communications" and "increasing cultural understanding between police and the community."

Critics of Civiletti's measures say that if they are implemented, every action local police take will be subject to the constant scrutiny of the DOJ, making police officers more reluctant to take any potentially controversial action for fear of being hit with a civil rights suit.

The response by the IACP to Civiletti's speech was at best lukewarm.

## Briefly

● **WASHINGTON POST** publisher Katharine Graham was seen cooing up to her late husband's half brother, Florida Gov. Bob Graham, at the Southern Governors Conference Sept. 15. Can you deliver Florida for my boy Jimmy? she was demanding.

● **WILL MUSKIE** stay on as Secretary of State if Jimmy Carter wins the election? Word was circulating at the Foreign Policy Association luncheon in New York Sept. 18 that the guest speaker, U.S. Ambassador to Italy Richard Gardner is now vying for the post.

● **THE SYNFUELS** program will mean a great new energy boom for the U.S., according to Roger W. Sant, director of the Energy Productivity Center of the Mellon Institute. "We could save more oil, for less money than we will get from synfuel plants by giving away small cars," Sant said. The Mellon Institute has done some of the major studies on synfuels, somehow showing them to be cost-efficient.

● **HARRY GRAY**, chairman of United Technologies, warned in testimony before the House Armed Services Committee Sept. 17 that "if there were a national emergency today, I seriously doubt that our nation could mobilize its industrial base in time to make an appreciable difference in sustaining a war effort. It might take as much as two years before we'd see any real increase of war materiel."

● **STROM THURMOND** told Zbigniew Brzezinski he was "not sure" Brzezinski was "telling the truth" when the national security adviser claimed he hadn't handled the Billy Carter affair in a "political manner." Thurmond made the remark during hearings of the Senate Select Committee investigating Billy Carter's Libyan dealings.

## Sawhill and synfuels

*The 'number two' man at the DOE has spent a decade destroying every alternative to an energy catastrophe.*

I didn't think it would be so blatant. But Jimmy Carter has nominated his board for the U.S. Synthetic Fuels Corporation, and there sits John Sawhill heading the six-member body. That tells you what synthetic fuels is all about.

This program will pour some \$88 billion in proceeds from the Windfall Profits Tax on crude oil production (not profits) into synthetic fuels installations. It's worse than a boondoggle. It is locking the economy into a series of resource and capital commitments that will collapse the base of our industrial economy. A case in point is the diversion of already scarce capital and equipment, to say nothing of precious skilled manpower and water in western states.

Why do I say Sawhill's nomination is blatant?

Currently, as Deputy Secretary of Energy, John Sawhill runs policy at that agency, according to inside sources. Indeed, since he was brought in in July 1979, the DOE has sharply increased "soft" energy schemes, formulated the "windfall" tax strategy, and generally destroyed the alternatives to synfuels. As Sawhill has quietly worked this damage, the amiable figurehead Secretary Duncan has deflected wrath that the more brazen James Schlesinger drew upon himself.

Sawhill headed the Federal Energy Agency during the Nixon years, and later headed New York University. It was no secret in

Washington that his terms for taking the number two post at DOE were that Carter appoint him to head the synfuels corporation. Sawhill and the policy group he speaks for have been working for the synfuels strategy for more than a decade.

Sawhill was one of the central energy policy strategists of the Aspen Institute for Humanistic Studies, one of those little-known but highly influential "think tanks" which, with heavy input from the British secret intelligence service, formulated the ideology of the limits-to-growth, small-is-beautiful environmentalist movement. Aspen seminars devised Carter's Windfall Profits Tax against domestic oil producers, and the "non-proliferation" policy against the U.S. nuclear industry.

In all this Sawhill was a busy man. He authored the 1978 energy policy of the Trilateral Commission—which automatically became Carter policy. The report proposed that energy prices be driven sharply upward. Otherwise, the astronomical costs of synthetic fuels (now at \$62 per barrel) would not be "competitive." One year earlier, Sawhill authored the Ford Foundation study, "Nuclear Power: Issues and Choices," which became Carter's non-proliferation program. There was the danger that the more reliable nuclear alternative would destroy what the Council on Foreign Relations gingerly called "con-

trolled economic disintegration" in its 1975 "Project 1980s" studies. But the Sawhill-Carter non-proliferation scheme killed the fast breeder and reprocessing, and the vital export market so necessary to the domestic reactor industry.

Sawhill's colleagues at Aspen were involved in the events leading to the Khomeini takeover in Iran, which resulted in more than doubling the price of oil. It was then that Sawhill moved to Washington to develop the synfuels boondoggle. The "windfall" profits tax was a key preparatory step: ensure higher prices for crude, but prevent higher production which would undercut the planned boondoggle.

Mr. Sawhill's underlings on the synfuels board are not strangers to him. The AFL-CIO's Lane Kirkland is a fellow Trilateral Commission member. Cecil Andrus, Secretary of the Interior, was instrumental in sabotaging the development of the nation's most promising oil and gas regions in Alaska and the Western Overthrust Belt. His appearance on the synfuels board is only natural.

Obviously, the nation's energy needs are not the concern of these gentlemen. If someone in the Senate is alarmed about this, they might investigate Sawhill's office for probable criminal malfeasance in doling out synfuel grants.

For starters, Sawhill's department just gave \$9.8 million in tax dollars to the James R. Wade Co. of Franklin, Kentucky. Try your best to locate a company by that name! Similarly for the Banklick Corp. of Blount Island, Fla., which got \$1 million and the Hampshire Energy Co. of Milwaukee, which got \$1 million: it has no phone listed. The list goes on.