EIR

Executive Intelligence Review

March 31, 1981 $10.00

Can the United States rearm?
Anti-Volcker action mounts in Washington
LaRouche's Mexico tour: oil-for-nuclear plan

Western Europe mobilizes against Thatcher's monetarism

[THIS PAGE IS INTENTIONALLY BLANK]

Founder and Contributing Editor:
Lyndon H. LaRouche, Jr.
Editor-in-chief: *Criton Zoakos*
Editor: *Robyn Quijano*
Managing Editor: *Susan Johnson*
Art Director: *Martha Zoller*
Circulation Manager: *Pamela Seawell*
Contributing Editors:
Christopher White, Uwe Parpart, Nancy Spannaus
Special Services: *Peter Ennis*

INTELLIGENCE DIRECTORS:
Africa: *Douglas DeGroot*
Agriculture: *Susan B. Cohen, Robert Ruschman*
Asia: *Daniel Sneider*
Counterintelligence: *Jeffrey Steinberg*
Economics: *David Goldman*
Energy: *William Engdahl*
Europe: *Vivian Zoakos*
Latin America: *Dennis Small*
Law: *Edward Spannaus*
Middle East: *Robert Dreyfuss*
Military Strategy: *Susan Welsh*
Science and Technology:
Marsha Freeman
Soviet Sector: *Rachel Douglas*
United States: *Konstantin George*

INTERNATIONAL BUREAUS:
Bogota: *Carlos Cota Meza*
Bonn: *George Gregory, Thierry LeMarc*
Chicago: *Paul Greenberg*
Copenhagen: *Vincent Robson*
Houston: *Timothy Richardson*
Los Angeles: *Theodore Andromidas*
Mexico City: *Josefina Menendez*
Milan: *Muriel Mirak*
Monterrey: *M. Luisa Gómez del Campo*
New Delhi: *Paul Zykofsky*
Paris: *Katherine Kanter, Sophie Tanapura*
Rome: *Leonardo Servadio*
Stockholm: *Clifford Gaddy*
United Nations: *Nancy Coker*
Washington D.C.: *Laura Chasen, Susan Kokinda*
Wiesbaden *(European Economics)*: *Laurent Murawiec*

Executive Intelligence Review (ISSN 0273-6314) *is published weekly by New Solidarity International Press Service 304 W. 58th Street, New York, N.Y. 10019. In Europe: Executive Intelligence Review, Nachrichten Agentur GmbH, Postfach 1966, D. 6200 Wiesbaden*
Copyright © 1981 New Solidarity International Press Service
All rights reserved. Reproduction in whole or in part without permission strictly prohibited.
Second-class postage paid at New York, New York and at additional mailing offices.
Subscription by mail for the U.S.:
3 months—$125, 6 months—$225, 1 year—$396, Single issue—$10

EIR

From the Editor

Two crucial intelligence pictures are presented in this week's issue. The subjects are continental Europe's open declaration of war on monetarist economic policy, and a LaRouche-Riemann computer simulation demonstrating the results, by the beginning of 1984, of Defense Secretary Weinberger's "in-width" approach to U.S. defense.

Our Special Report features a series of statements by the leaders of France and West Germany, expressing unqualified opposition to Federal Reserve Chairman Paul Volcker's policies, and signaling that after French President Giscard's April re-election, the continent will move to establish a fund for global economic development.

Our Economics section leads with the LaRouche-Riemann study's conclusion: "Weinberger's view is that American military power may be projected onto the globe by throwing into deployment whatever mothballed vessel and weapons system happen to be sitting around. This is wrong, from a straightforward military standpoint. What is even worse is that the program fails on its own criteria. Without an 'in-depth' infusion of effort into precisely those areas of the scientific budget that Stockman intends to cut, the proposed 'in-width' buildup is economically impossible."

To make a point developed more fully by *EIR* founder Lyndon LaRouche at our March 20 conference in Washington on "Europe's Challenge to Volcker," the issue is not free-market versus dirigist policies. The Volcker-Weinberger approach is as strongly dirigistic as Europe's industrial-development approach. Giant powers over credit and industry *are being used in the U.S., but used badly.* Economic and military recovery require *scientific* dirigism, as Dr. Steven Bardwell of the Fusion Energy Foundation documents.

In this connection, you will appreciate the content of LaRouche's Mexico tour, a tour I am continuing in Mexico City. I'd also like to call your attention to our coverage of recent corporate takeovers in the U.S. and in France.

Robyn Quijano

EIR Contents

Departments

To our subscribers: Forgive our appearance this week, which is due to delayed paper shipments to our printer. And our lateness last week: there was a logjam at the bindery. While we're at it, an editorial correction: in the March 17 Business Briefs, the French bank Société Générale was misidentified as Banque Nationale de Paris.

Economics

Volume 8 Number 13 March 31, 1981

Special Report

French President Valéry Giscard d'Estaing and West German Chancellor Helmut Schmidt in Baden-Baden during a July 1980 summit at which they affirmed "the renaissance of European influence." Armel Brucelle/Sygma

International

National

The photograph on page 55 is of General William Draper.

Model shows 'in-width' military buildup is impossible for the U.S.

by David Goldman

EIR has employed the LaRouche-Riemann econometric model to test the assumptions underlying the Weinberger defense budget, and has found that these assumptions will lead the United States toward economic and strategic disaster. As we reported last week, the Weinberger strategy relies on the "in-width" deployment of *existing technology*, in the context of drastic cutbacks in all forms of federal government support for research and development and scientific education.

Weinberger's view is that American military power may be projected onto the globe by throwing into deployment whatever mothballed vessels and weapons systems happen to be sitting around. This is wrong, from a straightforward military standpoint. What is even worse is that the program fails on its own criteria. Without an "in-depth" infusion of effort into precisely those areas of the scientific budget that Stockman intends to cut, the proposed "in-width" buildup is economically impossible.

However necessary, defense expenditures are an economic overhead expense. Investment in industrial capacity for defense purposes may enhance the productive sector of the economy, but the output from that capacity is a pure tax on the productive resources of the rest of the economy. Except in a very indirect way, the apparent ability of the United States to *finance* defense expenditures tells us nothing about our ability to conduct a defense mobilization. Neither do conventional "econometric" models, which merely project past relationships between defense spending and economic output into the future.

The questions we have used the LaRouche-Riemann model to answer are:

1) What amount of *physical product* (plant and equipment, raw materials, consumer goods) must be invested in military-related sectors of the economy to produce a significant increase in defense procurement?

2) How *productive* are the military-related and non-military-related sectors of the economy now, and how productive can they be under the conditions prescribed by Stockman and Weinberger?

3) Can the economy afford to lose this margin of its output from the stream of civilian production?

4) Would such a program succeed?

The modeling method

The LaRouche-Riemann model, in its present generation, is unique in two respects. First, its data base views the economy from the standpoint of a production manager, measuring the quantities of tangible output required to maintain plant and equipment, provide raw and intermediate materials, make up the bill of consumption of goods-producing workers, and finally, to pay the nonproductive overhead bill of the economy: white-collar employees, government expenditures, office buildings, and so forth. It abandons the Gross National Product measurement, which is indifferent to investment, e.g., in gambling casinos versus steel mills.

Aggregate U.S. economy

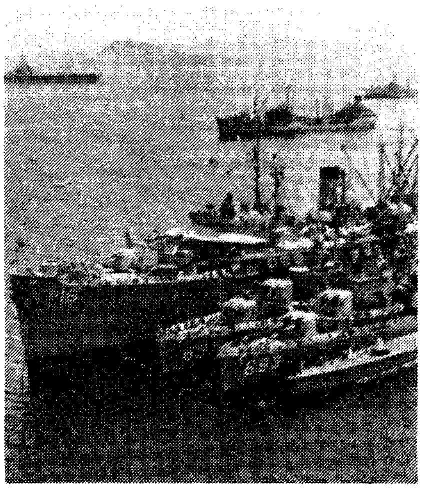


Figure 1

Gross surplus of U.S. economy

(billions of constant 1976 dollars)

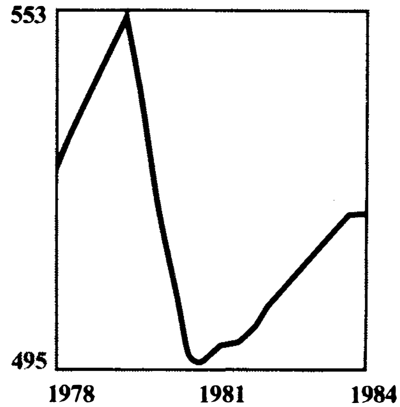


Figure 2

Consumption of productive workforce

(billions of constant 1976 dollars)

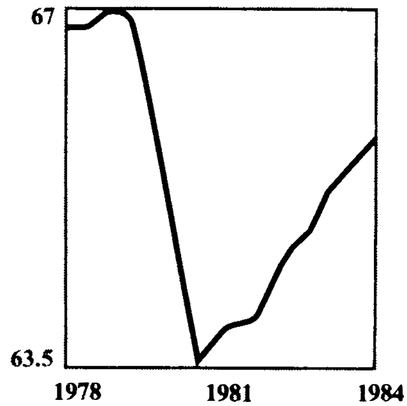


Figure 3

Aggregate net capital investment

(billions of constant 1976 dollars)

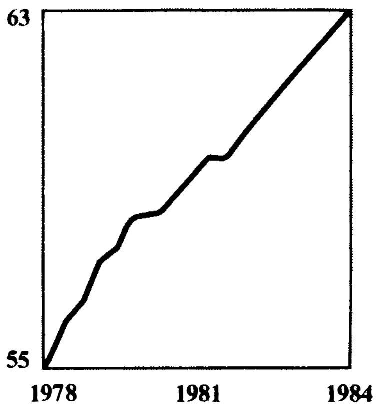


Figure 4

Raw materials and semifinished goods input

(billions of constant 1976 dollars)

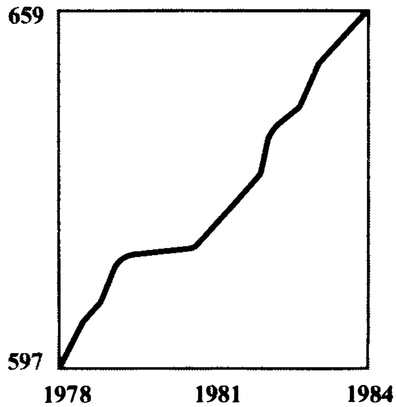


Figure 5

Ratio of surplus to consumption of productive workforce

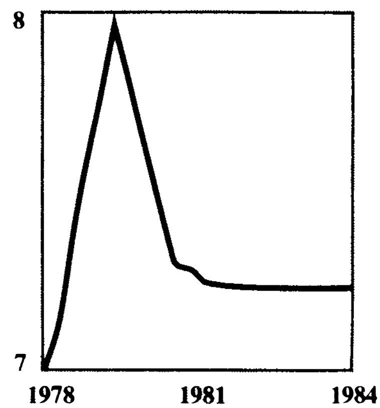


Figure 6

Reinvestible surplus of U.S. economy

(billions of constant 1976 dollars)

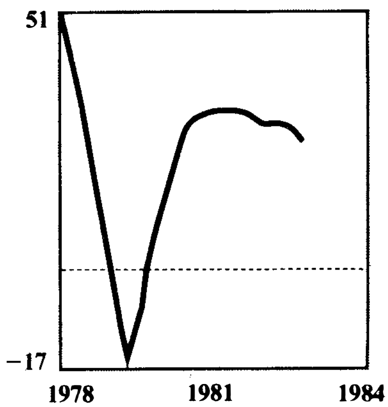


Figure 7

Ratio of surplus to total capital and labor inputs

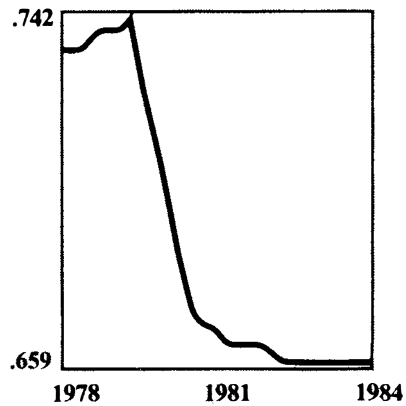
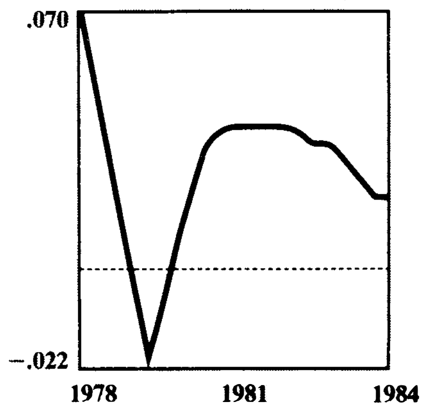


Figure 8

Ratio of reinvestible surplus to total capital and labor inputs



Secondly, it measures the characteristic ratios that describe the economy as a *physical process:* its capital intensity; its labor productivity; and its capacity to generate a *surplus* in excess of tangible production costs, as well as its ability to invest that surplus in further economic expansion. To simplify somewhat, the economic modeller converts political and business policy decisions, e.g., to invest in some sectors at the expense of others, to shift economic surplus from productive to overhead investment, and so forth, into changes in the cited and other *characteristic ratios.* The model then solves 150 simultaneous differential (rate-of-change) equations reflecting the interaction of 30 economic sectors to simulate the result of such policy decisions.

The present simulation shows that a concerted mobilization of resources for defense procurement employing existing technologies would *fail to reverse* the declining growth capability of the U.S. economy. By the end of a four-year program, it would produce a new economic downturn.

Our assumptions are based on the stated policy of Defense Secretary Weinberger and OMB Director Stockman. The model was programmed to reflect use of the existing technology base in the production process, i.e., no rise in the productivity of the physical system; unlimited budgetary and credit largesse for a procurement program enhanced by *$20 billion 1976 dollars;* and a mix of defense procurement from different industrial sectors based on the most recent available input-output data for the U.S. economy. It is further assumed that the program begins immediately, and that Federal Reserve monetary policy and OMB fiscal policy do not create additional economic disruptions in excess of the present still-severe recession.

These assumptions give Stockman and Weinberger the benefit of the doubt in all cases. The last assumption of an otherwise stable economic environment, conducive to defense production, contravenes available evidence that the economy is headed deeper into recession. The assumption that productivity (in the physical terms measured by the LaRouche-Riemann model) will remain stagnant is generous, considering that productivity *fell* by about 12 percent, by our measure, during the past two years (see Figure 5).

We summarize the result of the simulation by referring to the adjoining computer-generated graphs:

Figure 9

Relative weight of industrial sectors in military expenditures

Sector	Amount (millions)	Percentage of total	Output/ gross capital investment*	Increase in reinvestible surplus required to produce $10 billion additional output
Transportation equipment[1]	$17.8	.962	32.6	$1,214 million
Electrical machinery[2]	7.7	.962	28.1	775
Transportation[3]	3.1	.955	5.7	394
Chemicals	1.6	.898	16.4	835
Nonelectrical machinery	1.4	.971	27.8	345
Instruments	0.9	.936	25.0	63
Vehicles	0.8	.824	32.9	99
Construction	0.7	.754	33.4	33
Fabricated metals	0.6	.979	37.5	132
Total				3,860

Notes:
1. Includes ordnance, guided missiles, aerospace.
2. More than 80% of defense $ for telecommunications equipment.
3. This is transportation companies, i.e., railroads, local mass transit, etc.

*Three year moving average. Correlation 1959-69.
Source: LaRouche/Riemann data base

Figure 10

Ratio of reinvestible surplus to total capital and labor inputs, 1978-1983

Sector	1978	1979	1980	1981	1982	1983
Transportation equipment	.0978	.0482	.0030	.0030	.0023	.0011
Electrical machinery	.0902	.0074	.0324	.0318	.0235	.0114
Transportation	.0416	−.0051	.0471	.0459	.0342	.0168
Chemicals	.0894	−.0278	.0384	.0378	.0284	.0141
Nonelectrical machinery	.0915	.0111	.0512	.0495	.0365	.0178
Instruments	.1347	.0261	.0283	.0280	.0178	.0077
Vehicles	−.0059	−.0299	.0588	.0564	.0404	.0193
Construction	.0479	−.0592	.0320	.0307	.0226	.0110
Fabricated metals	.0605	−.0917	.0305	.0294	.0218	.0107

Source: LaRouche/Riemann data base

Figure 9 documents *EIR*'s procedure for the defense-buildup simulation. The second column shows the percentage share of defense procurement of the most important defense-related industrial sectors. Column 3, labelled "output/gross capital investment," shows the result of a study of the relationship between output and capital investment. The correlations between these two series are mostly above 0.9, indicating an extremely close historical relationship. What this tells us is that to get more output from these sectors, we will have to invest in proportion.

For the most part, it shows that a small rise in investment will produce capacity for a very large rise in output, i.e., that most of the additional output costs will turn up in labor and raw materials. These data were employed to calculate the final column, labelled "increase in reinvestible surplus required to produce each sector's component of a $10 billion output rise." This established the precise amount of investment required to make up the simulated increase in the defense procurement budget.

Figure 10 documents the **growing inertia** of the economy under the simulated "in-width" buildup. The numbers listed for each sector (historical data through 1980, projections for 1981-83) reflect the **free energy ratio,** or **potential growth rate,** the critical ratio. The ratio for the total economy was shown in the series of computer-generated graphs.

What is striking is that the military-related sectors, the ones that obtain the *most* capital investment, nonetheless grind to a halt by 1983, due to the shrinkage of total economic "free energy." This is clear in all cases, especially so in the case of sectors that underwent negative growth during the 1978-1979 collapse. Vehicles for instance, had a negative ratio of −0.5 percent and −3 percent in 1978 and 1979 respectively. Under projected heavy defense procurement requirements the sector rises to a positive 5.8 percent growth rate in 1980, but falls rapidly to less than 2 percent in 1983. This is due to the lack of available resources from the rest of the economy to maintain the same production growth rates, i.e., the fizzling of the entire military buildup.

Figure 1 shows the behavior of total economic surplus (value-added in physical terms). Over 1980, surplus fell from an annual rate of $553 billion 1976 constant dollars to an annual rate of $495 billion; as the graph shows, a weak recovery began at the end of 1980. Under the simulated procurement program, surplus rises to an annual rate of $523 billion, recouping less than half of its previous losses by the start of 1984.

The increase in output occurs for the simple reason that a military buildup is a *tax* on some sectors of the economy on behalf of others, i.e., on mainly civilian producers to expand the output of mainly military producers. As might be expected, those industrial sectors that produce for the military are, by and large, the most technologically advanced, and hence the most productive. So a shift in resources toward military producers reduces the output of high-productivity sectors. This change in the production "mix" results in higher average productivity for the economy as a whole. But this is a one-shot affair. If the *product* of the military sectors remains outside the flow of production, as all defense goods do, the *net tax on the total economy* will ultimately drag the total economy down.

For example, the productivity of the total U.S. economy is about 7.8 on the LaRouche-Riemann model measurement, that is, we obtain 7.8 units of tangible surplus for every 1 unit of labor input. The respective productivities of the major defense-related producers are:

Transportation equipment	13.0
Electrical machinery	10.6
Transportation	6.4
Chemicals	15.0
Nonelectrical machinery	10.5
Instruments	11.5
Vehicles	9.6
Fabricated metals	7.2

Except in two cases, transportation and fabricated metals, the productivities of the major providers to the military are substantially higher than the average. Therefore, by taxing less productive sectors to expand more productive sectors, the economy receives a one-shot burst of momentum, although it is not sufficient to compensate for the total rise in overhead.

Figures 2, 3, and 4 show the volume of required inputs for the total economy, respectively labor (tangible consumption goods), capital investment, and raw and intermediate materials.

The final group of graphs shows the continued deterioration of the economy.

Figure 5 shows the value for productivity, pre-set according to the assumptions noted earlier. Because of the changed mix of economic activity, the effective productivity rate for the total economy is slightly higher.

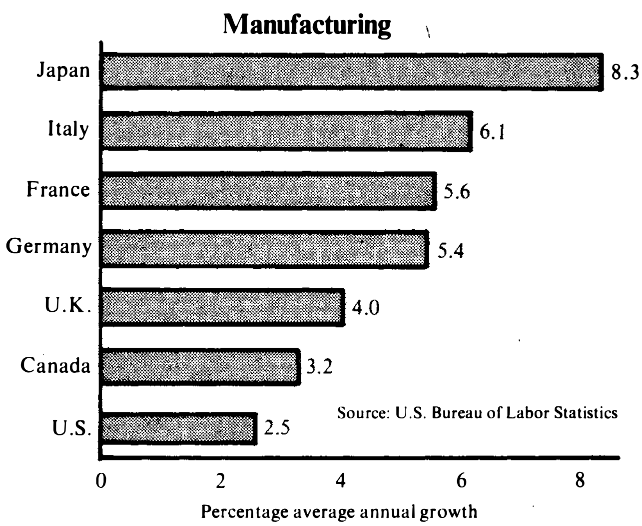
Figure 6 shows the volume of economic "free energy," the amount of *reinvestible surplus.* Immediately upon initiation of the military buildup, this category recovers slightly, but not nearly back to levels registered as of 1978. During 1982, it begins to fall. (It cannot be computed for 1983.)

Figure 7, the rate of gross surplus (surplus divided by all tangible input costs), remains below even recession levels, an unacceptably poor rate of economic functioning. This is due to sharply escalating real input costs, particularly on the raw materials side. A defense buildup would force the U.S. economy to crank up its old, energy-wasting, technologically backward processing industries to full capacity. The inefficiency of this basic industry would force down the crucial rate of gross surplus, a measure of "total factor productivity."

Figure 8, the "free energy ratio," or *potential growth rate,* is the most important in the series. It measures reinvestible surplus (gross surplus minus overhead costs) divided by total input costs. As the graph shows, the economy's rate of growth—after rising from a negative rate during 1979-1980—falls *continuously* through the period of the military buildup, to virtually zero (1.5 percent per year) at the end of the final year.

In summary, a substantial buildup in width would ruin the economy's future capacity to grow, and produce a crisis in the physical economy through underinvestment in the civilian economy by the end of the present administration.

International productivity ranking, 1960-1979



The recommendations

But does this grim forecast show that the United States is too far gone down Britain's economic path to defend itself? Not at all. It merely demonstrates that the Weinberger approach is incompetent on *economic* grounds, all strategic issues aside. But the strategic and economic issues, as *EIR* emphasized in last week's analysis of the proposed defense budget, are in reality susceptible of a common solution. The basis for the qualitative leap in productivity the United States requires is expansion of both basic research and technological applications. During the height of the NASA moonshot program during the 1960s, productivity growth per annum reached 6 percent, the highest the postwar U.S. economy ever achieved. This is the direct result of the rapid absorption by industry of electronic, metallurgical, and other advances produced through NASA.

Both economic and strategic considerations dictate a *basic overhaul of defense technology.* This presumes a crash program for the development of both particle-beam antiballistic missile systems and inertial confinement methods of achieving CTR fusion power. Both these goals require breakthroughs in the same area of basic physical research—the propagation of shock waves through a plasma—and theoretical and technological breakthroughs are mutually applicable.

The Soviets, who are now training six engineers for every one graduated in the United States, announced at this month's Soviet Party Congress that the basis of all economic policy under their direction will be basic scientific research. If we do less, we cease to be a superpower.

The computer simulation for this report was prepared by David Goldman, Dr. Steven Bardwell, Sylvia Barkley, and Richard Freeman.

Why research and development are key to national security

by Dr. Steven Bardwell

In the past two years, there has been a fundamental change in the nature of strategic nuclear war. This change involves two components: first, both the Soviet Union and the United States now possess an arsenal of nuclear armed missiles with essentially infinite accuracy. Using satellite guidance systems and sophisticated computers, these missiles can be targeted within 100 feet of their objective after traveling thousands of miles. Since there is no known method for defending any target against a direct hit by a nuclear explosive (past passive defense systems were designed for protection against the effects of blasts occurring one-half to several miles distant from the target), this new level of accuracy means that there is no passive defense system capable of protecting missile silos, airfields, industrial concentrations, or other targeted objectives.

Secondly, as *EIR* reported last week, there now exists, on the drawing boards of U.S. laboratories and in test facilities of the Soviet Union, a design for a directed energy beam weapon capable of destroying strategic nuclear weapons in flight. In the words of a Pentagon official: "[This weapon] has the potential of tipping the battle in favor of the defense for the first time in the history of nuclear warfare." Edward Teller was recently quoted as saying that the latest step in the development of this weapon was the "most significant breakthrough in military technology since the hydrogen bomb" was invented.

These two developments in military technology present a fundamental challenge to the Reagan administration. It must reformulate the war-fighting doctrine it inherited from the McNamara school of the Pentagon; it must reassess the military deployments of the present U.S. force structure with these new realities in mind; it must devise a budget which can deploy a military force capable of fighting a new type of war. But, by far most critically, the new administration must fund and carry out a research and development policy designed for the quantitative changes now taking place in war fighting and capable of meeting the dramatic and largely unforeseeable changes over the next decade.

The budget proposed last week by David Stockman, especially the military components of that budget, fails dismally to meet these requirements. This budget has the same underfunding of R&D that has plagued the U.S. both militarily and in civilian areas, for the past 20 years. It is rigid in conception with insufficient commitment to new technologies. And it is combined with a disastrous series of cuts in the most critical areas of civilian industrial research—cuts in the nuclear fusion research program, massive cuts in the most advanced areas of space research, and a total gutting of science education. Despite significant funding increases, the Stockman-Weinberger budget does not change the *character* of the U.S. military—we remain prepared with too few of the wrong weapons for a type of war that will never be fought.

A defensive budget

The clearest view of the problem facing the Reagan administration was given by the outgoing Undersecretary of Defense for Research and Engineering William Perry, in a statement to Congress on Jan. 20 when he presented the Carter budget:

> The Soviet Union now has about twice as great an effort as we have in military research and development creating a growing risk of technological surprise. . . . The Soviets have applied their investment program to their research and development base, devoting an increasing share of their total defense expenditures to improving their military technology in an attempt to negate our technological lead. . . . We are losing our lead in some key technologies, including electro-optical sensors, guidance and navigation, hydro-acoustic technology, optics and propulsion. Of particular concern is the Soviet concentration on several unconventional technologies at a level far in excess of the U.S. program. Examples include their high-energy laser program and their charged-particle beam program. We estimate that their high energy laser program is roughly five times the size of our own

program. We believe they have made the commitment to develop specific laser weapon systems, while our high energy laser program continues in the technology base.

Faced with this situation, starkly drawn by the U.S. military, Perry went on to describe the U.S. research and development policy as defensive and reactive: new weapons are designed to match their Soviet counterpart, and advanced projects remain in the laboratory until their "cost-effectiveness" can be proven. Perry summarized, "Our strategy is to equip our forces with weapons that outperform their Soviet counterparts."

The Stockman-Weinberger budget does not change this policy in the least. The percentage of the budget going to research and development remains almost exactly constant at slightly over 8 percent. This percentage has held constant since the Carter administration, and Weinberger's budget does not challenge that. There is a slight increase (of less than three-quarters of a percentage point) in the research, development, and engineering budget line, which results from the increased engineering costs of the significantly larger acquisition budget.

The status of innovative programs like the beam weapon remains the same as under the Carter administration. The "feasibility" remains to be proven; the "cost-effectiveness" has not yet been demonstrated; the same arguments are being made by Weinberger's staff as by Carter's Pentagon.

What the Stockman-Weinberger budget does provide is more of the same—only more so. The weapons systems developed over the last 10 years are to be made in greater quantities, but there is no change in emphasis or direction for the whole military effort. The most egregious failing of the military expenditures of the last 20 years remains the central pillar of the Stockman-Weinberger budget: the conservative R&D policy in which new ideas are evaluated on the same systems-analysis cost-effectiveness basis as established (and frequently outdated) systems.

The results of this essentially conservative approach to R&D are evident throughout the U.S. military. Military industrial capability is outdated and inefficient; there is a pervasive barrier to the implementation of new technologies; and there is a bureaucratic inertia that prevents recognition of new scientific potentials.

Since military R&D spending accounts for more than 30 percent of the R&D funding in the United States, and another 20 percent of R&D is federally funded (energy research and space exploration being the largest part of that 20 percent), the character of governmental R&D shapes that of all new technological development in the country. The results of this R&D policy on the U.S. as a whole have been devastating:

1) The United States has the oldest industrial plant of any Western industrial power. This obsolescence is especially marked in the defense industry. Of the Defense Department-owned plants now in use, only about one-third were built in the last 35 years. Most were built during World War II, four were build before 1900, and the oldest still in use were built in 1813 and 1816.

2) The United States has the lowest growth in productivity of any Western industrialized country. In 1960-1975, Japan's productivity increased at a compounded rate of 10 percent per year; the U.S. at a rate of 3.6 percent per year. The rate of growth of industrial productivity in the U.S. for the last two years has been negative. These productivity statistics are even worse when the directly defense-related industry is studied.

3) Capital investment as a proportion of GNP is lower in the U.S. than in any other Western industrialized country. The rate of new investment in the defense industries is about half that of other industry in the United States. An Aerospace Institute study five years ago showed that the more capital intensive the defense industry, the lower the rate of replacement of new equipment it had and the greater degree of obsolescence. The much-vaunted U.S. aerospace industry was among the most obsolete of any U.S. industry.

4) The inefficiencies of U.S. industry are severe, and worsening rapidly. The lead times for all critical machines parts for military equipment have increased several-fold in the last three years: between December 1975 and August 1979, the lead time for aluminum sheets increased from 14 weeks to 70 weeks, for bearings from 18 to 50 weeks, for nuts and bolts from 7 weeks to 45 weeks, and for titanium sheets from 15 to 76 weeks. A significant amount of electronics in all areas of U.S. industry is now purchased from Japan, because U.S. suppliers cannot provide either the quantity or quality of components needed.

5) There are severe manpower shortages in highly skilled areas like engineering, machinists and technicians. Today, most categories of machinists are 20 percent short; industry projections show a 40 percent shortfall by 1990. The Air Force has more than 7,500 jobs for engineers that remain unfilled for lack of qualified personnel. By contrast, the Soviet Union is graduating six engineers for every one graduating in the United States—a statistic even more frightening since 40 percent of the enrollment in American engineering schools is made up of foreign students.

The 'cost-effectiveness' of R&D

The results were summarized by Gen. Alton Slay, head of the Air Force Systems Command before the House Armed Services Committee: "If you don't have skilled labor you are not going to have capacity to produce; increased lead times because you can't produce at the rate that you need to; increased dependence on foreign sources for processed materials and products; and increased urgency for plant modernization."

As the accompanying study of the economic impact of the "in-width" military buildup proposed by the new administration shows, the industrial base of this country is insufficient to sustain a significant increase in industrial output. The industrial plant and manpower base of the country are too old and too inefficient to increase even the scale of the energy- and capital-intensive goods required by the military. Massive capital investment, innovative management, and new technologies are required. In economic terms, the resurrection of the U.S. economy can only be accomplished by a directed effort at the development and implementation of new industrial technologies. A properly conceived national budget, especially its military component, must stress an aggressive, innovative R&D policy as the centerpiece of a program for national industrial development. There are four essential components to such a program:

- **Advanced energy production.** Nuclear technologies must be funded at an accelerating rate. Advanced fossil fuel technologies like MHD must be funded (the Stockman budget cut the funding for MHD from $76 million to zero). Thermonuclear fusion development must be put on a crash program of the sort mandated by the 96th Congress's passage of the McCormack bill (Stockman's budget cut more than $70 million from the legally required budget of $525 million for fusion research).
- **Space research.** The NASA program for putting a man on the moon resulted in a tremendous boost to the economy. New technologies ("spinoffs"), hundreds of thousands of new engineers, and a national commitment to scientific progress powered the whole U.S. economy through the 1960s. The Stockman budget makes severe cuts in the NASA budget, which will result in delays in the Space Shuttle, a cancellation of all planetary exploration projects, closing of the Jet Propulsion Laboratory, and the delay or cancellation of a multitude of earth-imaging and meteorological programs.
- **Science education.** The most critical component is manpower development. Without scientific and engineering knowhow, economic health is impossible. The longest lead-time item in any bill of materials is the skilled manpower required. The Stockman budget cuts the funding for science education from $112 million to $12 million!
- **A military R&D commitment.** One of the most effective ways to direct a program of national reindustrialization is with a well-conceived, imaginative military R&D policy. Space research, high-energy physics, and plasma technologies are all required for successful military research, and receive task orientation from such research. The essential point is that an expanding, vigorous economy, a large and healthy industrial base, and a strong military are inseparable.

Science & Technology

Europe protests U.S. space budget cuts

by Marsha Freeman

In testimony I attended before the space subcommittee of the House Committee on Science and Technology on March 11, Mr. E. Quistgaard, director general of the European Space Agency, expressed the outrage of the 11 member nations of that agency at the proposed budget cuts in the National Aeronautics and Space Administration (NASA). In particular, the ESA was concerned with the cuts dictated by the Office of Management and Budget in the budget request for fiscal year 1982 for the International Solar Polar Mission (ISPM), which is the largest such cooperative program. Since the project requires two identical spacecraft, and one of them was to be built by NASA, dumping the program on the U.S. side would kill the entire scientific mission.

Quistgaard noted that over the last 10 years, Europe has spent $1.2 billion in cooperative projects with the United States, and never imagined that once NASA had signed a memorandum of understanding on a program that the budget process could simply end it.

Following his testimony, excerpted below, concerned congressmen raised the question of whether the scrapping of the Solar Polar Mission would make the United States an "unreliable partner" in space science cooperation. Mr. Quistgaard emphasized that it would.

My Washington sources report that the European Space Agency has taken its case against the cuts directly to Secretary of State Alexander Haig.

From the Quistgaard testimony

The European director general stated:

"Because it has a bearing on some plain speaking I have to do later, I wish to state at the outset that ESA and its member states are fully committed to the principle of cooperation with the U.S. in space activities. Indeed, over the past 10 years, Europe has spent over $1.2 billion in cooperative projects with NASA.

"You will understand that I cannot but start with space science, and with the International Solar Polar Mission, ISPM, in particular.

"ISPM is a cooperative ESA/NASA venture, in which two spacecraft, one developed by ESA and the other developed by NASA, are to be launched by the [Space] Shuttle. Their trajectories will take them on paths that will overfly the poles of the Sun after using Jupiter's high gravity as an accelerating force to throw them out of the ecliptic plane. This is the first time eyer that a spacecraft will go out of the ecliptic plane.

"ISPM has been under a bad spell almost from the beginning. . . . The latest and most serious blow to the ISPM program and to the European scientists involved came on Feb. 20 of this year when NASA informed ESA, without prior consultation, that the U.S. spacecraft would be deleted.

"It is clear that the scientific value of the mission would be substantially affected by the withdrawal of the U.S. spacecraft, eliminating the possibility of simultaneous measurements over the polar regions of the Sun, a crucial feature of the mission. European scientists from no less than 17 scientific institutes who are participating in experiments to be flown on the NASA spacecraft would no longer be able to fly them. This will have profound consequences on the long-term research activity of these groups, and nullify the efforts already invested in the mission.

"The financial consequences of a cancellation of the U.S. spacecraft would also be serious. European investment in the overall program amounts to approximately $200 million, of which over $100 million, equivalent to almost the whole of the agency's annual budget for space science, has already been committed. This investment was judged against anticipated scientific objectives which would now be seriously degraded.

"Furthermore, the funds already spent by the European scientists participating in the U.S. spacecraft amount to approximately $15 million. This sum would be irretrievably lost.

"NASA has not excluded the possibility of maintaining support for the European spacecraft foreseen in the Memorandum of Understanding; however, it cannot be taken for granted that the ESA Science Programme Committee will decide to maintain the ESA spacecraft alone if the cancellation of the NASA spacecraft is upheld.

"As you may have heard, the governments of the 11 member states of the European Space Agency and ESA itself have voiced strong objections to this unilateral withdrawal. It cannot, in fact, be accepted that at such an advanced stage of development, and after the commitment of more than half of the European funding, NASA presents ESA with the fait accompli of its withdrawal from an international cooperative program, and this without prior consultation.

"The short-term financial advantage to NASA arising from this action may well, in the long term, cost them many millions of dollars, since the present unilateral withdrawal from a cooperative venture cannot fail to have adverse consequences on potential future undertakings of this nature. In Europe's view, international cooperation, in terms of financial constraints, is essential to carrying out cost-effective programs with limited resources.

"In this context, I have to say that when the ISPM project was decided upon by ESA, it was chosen in preference to a number of other, purely European, missions, because of the value ESA attaches to transatlantic cooperation.

"In summary, we consider that the scientific value of the dual spacecraft mission is outstanding and that it is an essential mission in space research that will inevitably have to carried out in future."

Congressional response

Following this testimony, the subcommittee chairman, Ronnie Flippo (D-Ala.) stated: "The NASA programs have the support of this committee. When the International Solar Polar Mission [ISPM] was threatened last year we cooperated to continue funding for ISPM. Is there a fallback position for the U.S. in ISPM if we do not build the second craft? Could NASA provide instruments for the mission for ESA, or could we launch our part at a later date?"

Quistgaard responded that "there is no fallback. You need two spacecraft on the mission. If only the ESA craft were to be launched, we have to reconsider the program. It would be less than 50 percent effective with one craft."

In reply to an inquiry from Representative McGrath, Quistgaard explained that the funding for ESA is about $700 million for fiscal 1981. "Our funding is committed over the life of a program; there are no yearly funding allocations that are not agreed on for a specific program." Rep. Michael Lowry (D-Wash.) then asked about the impact of the proposed U.S. space budget, and Quistgaard reiterated: "We are very concerned. We had ground to think that when we made an agreement with NASA they would continue the program. Up until last May we never thought NASA might pull out. In times when funds are scarce, cooperative ventures will give a greater value to programs than either program alone."

I also got the clear impression from the director general's exchange with the congressmen that Europe plans to use the French Ariane rocket as a launch vehicle, especially if the U.S. shuttle launches are unreliable, in meteorological and communications satellite efforts.

First-quarter results confirm EIR forecast

by Richard Freeman

The announcement March 17 that U.S. housing starts fell from a 1,615,000 annualized level in January of this year to a 1,218,000 annualized rate in February signals that the *EIR*'s prediction last autumn of a downturn in the economy in the first quarter of this year is stunningly verified. Housing starts took a staggering drop of 24.6 percent, the biggest one-month drop since March 1970.

In the Nov. 11, 1980 issue of *EIR*, in an article entitled "LaRouche-Riemann Model Projects First-Quarter Downturn for the U.S.," we forecast that the economy would fall out of bed. Most economists claim that GNP rose 4.6 percent in the fourth quarter of last year, so the economy is doing well; but the concept of GNP, which measures hot air, is meaningless.

EIR wrote last November that "a computer-based simulation of the behavior of the American economy . . . conducted Oct. 23 and 24, [showed] that real output will fall steeply during the first quarter of 1981, comparable to, but not as steep as, the second-quarter 1980 downturn."

We said that the key cause of this downturn would be the loan-shark interest rate policy and credit constriction of Federal Reserve Board Chairman Paul Volcker.

"*The bottom line is a prime rate above 16 percent by year end,* and a high interest-rate level even if the economy dips off sharply," *EIR* wrote. During the "recovery period" dating from May to June 1980, "the corporate sector has not been able to improve its balance-sheet liquidity position." Nor did households have the opportunity to restore their income and liquidity positions.

The basis of accuracy

The key to the LaRouche-Riemann approach is that it interprets the consequences of the Volcker interest rate policy as exogenous economic and political assumptions entered into a *thermohydordynamic system* model of the U.S. economy.

This model measures variables of tangible output in the same way that a scientist measures the temperature, volume, and pressure of a diesel engine. Critical to this tangible physical output economic model is the definition of *labor productivity,* which measures the output of surplus of an economy divided by the costs of both the replacement of plant and equipment and the wage bill for feeding and clothing the productive labor force.

Working on this *real* level of the economy, the *EIR* staff estimated that the *labor productivity of the economy,* as measured above, would fall by the first quarter of this year. *EIR* projected that the *net reinvestible surplus* of the economy—the fund of future expansion of the economy—would also fall.

EIR further predicted that the growth rate of the *free energy ratio*—the rate of net investible surplus divided by the real costs of production—would "fall from its best level of about 4 percent at the end of the third quarter of 1980 to a range of *negative* 4 to *negative* 7 percent by the second quarter of 1981."

With these crucial ratios falling and the debt-to-output for manufacturing industry growing, representing the growing illiquidity of the corporate sector, *EIR* concluded that the only factor to abate the collapse would have been significant relief on the interest-rate front from Volcker, allowing firms to rebuild their profoundly unsound financial situations. With this relief denied, *EIR* concluded that the economy would fall through the floor.

Nevertheless, according to a March 15 *New York Times* release, "After months of predicting a significant slowdown in economic activity during the first quarter, the majority of the nation's economic forecasters have changed their tune. According to Blue Chip Economic Indicators, which *polls 40 economic forecasting services,* inflation-adjusted output during the first quarter is now expected to rise 2 percentage points, a much faster rate than expected [emphasis added]."

The Commerce Department reported March 17 that industrial production fell 0.5 percent in February of this year. Industrial production had risen a scant 0.4 percent for January; thus it is down 0.1 percent for the first two months of 1981. It would have to rise 1.9 percent in March for the consensus of the 40 economic houses to be correct. That is not about to happen.

The stunning drop in housing activity—where mortgage loan rates are at a record 15.4 percent—and the news that personal incomes grew by only $14.9 billion in February, indicate that the consumer side of the economy is drying up again. The savings rate of households is only 4.4 percent, a 20-year low. Auto output, while up from January, is only at 5.8 million cars per year, despite a gigantic rebate program.

Business will not only suffer from the loss of consumer purchasing, which is two-thirds of all final purchases in the U.S. economy. According to the Conference Board, capital appropriations by the largest manufacturing firms, excluding petroleum, were off by 22 percent in the final quarter of 1980 from the first quarter peak. If the commercial paper market, which is fueled by the money market funds, drops off, then industry will have no funds even for operating capital.

A closer look at unemployment

There is a radical change both in the rate and nature of U.S. employment, with serious future consequences.

According to Department of Labor statistics, 1,300,000 workers entered the ranks of the unemployed in the year since February 1980. That is a shocking figure.

In recent testimony to the Senate Banking Committee and the House Ways and Means Committee, Federal Reserve Board Chairman Paul A. Volcker stated that his credit and interest policies would add another million to jobless totals during 1981. That is not shocking; he has already made his intent clear. but it is extremely dangerous.

Behind the gross figures for unemployment lies a more desperate figure for the fate of the U.S. workforce. In the year since February 1980, 835,000 adult women have entered the labor force, essentially to replace the 450,000 adult men and 270,000 teenagers who were unemployed in that period.

The much-vaunted marginal drop in unemployment from January to February 1981 was wholly accounted for by women entering the work force, replacing men who were unemployed.

This shift toward working women in the labor force is the largest since World War II. But the present labor situation is entirely the converse of that period.

While during World War II, women replaced men in industrial production, today those women are largely obtaining poorly paid service industry jobs. Although the unemployment figures remain unchanged if the husband loses his job and his wife finds one, in fact the family income suffers.

Not only is the family income diminished, but at the present levels of female labor force participation, which was 52.0 percent in February, family formation continues to sharply decline.

Statistics indicate that as female employment rises above a certain level, birth rates collapse. For example, in 1950, female labor-force participation was 33 percent and births per one thousand women was 106.2. By 1960, female labor participation increased to 37 percent, and births per thousand women continued to climb to 118.

However, by 1970 a threshold had been crossed. As labor participation by women increased abruptly to 43.3 percent, births per thousand women fell to 87.9.

By 1980, labor force participation soared to 51.6 percent. Births per thousand women sank to 76.0

Over the past year, American families have been quickly pushed toward a condition traditionally associated with the poorest families: an unemployed father and a working mother.

And Office of Management and Budget Director David Stockman's intention to put 800,000 welfare recipients into "workfare" programs will force a further birth-rate decline.

Stockman has stated that the welfare recipients—mostly mothers with dependent children—will take "community-level" jobs, replacing many of the 350,000 CETA employees whom Stockman hopes to purge from the Federal budget.

New Hampshire may be the first state to implement workfare. State House Majority Leader Leigh Bosse introduced legislation there on March 10 to put welfare recipients to work at three-fourths of the minimum wage. Anyone refusing to work would lose welfare, unemployment compensation, and Social Security. Elderly aid recipients would not be forced to work, but would be officially required to pay back whatever financial assistance they received!

Thus the real labor story beneath the apparently static unemployment figures is the two attacks on the American family.

Combine Volcker's wrecking of heavy industry with Stockman's desire to drive an additional half to three-quarters of a million women into the labor force, and America is firmly on the road to the 75 million U.S. population goal announced recently by Club of Rome member and University of Florida Prof. Howard Odum.

To unemploy America's most skilled workers in heavy industries and substitute their earnings with their wives' lower skills and earnings means the collapse of both industry and the family.

To eliminate the minimum wage for teenagers might lead to employment of a marginal number of youth as virtual coolie labor, and fix the unemployment statistics in a more speciously cheerful direction, but the result is both loss of labor productivity and loss of that generation of labor. And on that is staked the future of America.

Supply-siders ship to Third World

The 'cost-benefits' would include cutbacks in price supports and interest rate subsidies.

The World Bank and the International Monetary Fund (IMF), the central multilateral lending bodies which oversee loans to developing countries, are currently being "retooled" to implement the doctrine of "supply-side" economics in the Third World.

Practically, this means that the Third World is slated to be chopped up into a patchwork of regions in which pockets of industry operate alongside stretches of depopulated continents.

A U.S. government Interagency Task Force, announced last week by Treasury official Tim McNamar at hearings before a Senate Foreign Relations subcommittee, is now trying to hoodwink the Reagan administration into fully backing the exportation of supply-side economics to the Third World. Under former McKinsey consultant McNamar's direction, the task force is using the cover of evaluating whether U.S. taxpayers' contributions to the "multi-banks" are supporting policies "coherent with the objectives of U.S. foreign policy" to force the administration to back the IMF and World Bank's drive to reorganize Third World economies.

An official of the Office of Management and Budget working on the task force described current administration objectives in the Third World as aimed to "force Third World economies to totally open up to the free market." This policy includes the following points:

• A coordinated rise in interest rates on international loans. Developing countries "will have to start paying private market interest rates," the official reports. "We need to cut back on subsidized loans . . . at 9 percent, when world rates are 20 percent." This also means forcing Third World governments to dismantle interest-rate subsidy programs, about which the OMB officer said, "This has to stop."

• A coordinated rise in world energy prices, aimed at drastic conservation. OMB reports that the Agency for International Development is conducting a study on the effects on developing countries of removing "their domestic energy price-support systems." By letting "their domestic energy prices rise to world market prices . . . we intend to enforce conservation not by quotas and government programs, but by straightforward rising of energy prices."

• A rise in world food prices. This would also be based on prodding governments to remove price support programs. "We are now restructuring PL 480," the U.S. Agriculture Department's international loan program, "to require recipient countries of U.S. food aid to restructure their domestic food price support systems and bring food prices to world levels."

Simultaneously, the IMF and World Bank are being restructured to guarantee this outline is enforced. The reorganization aims to integrate their lending with the business of the Euromarket banks, which have over $400 billion in outstanding loans to the Third World. This is what OMB otherwise calls opening these countries to the "free market."

To facilitate this integration, the IMF/World Bank need more funds. Recently, the IMF issued over $5 billion in loans to a handful of developing countries in larger chunks than ever seen before in its history. As an IMF staffer explains, "Certainly loans have increased in nominal size—but so have the deficits . . . in real terms," he emphasized. The IMF's resources "have lagged much behind . . . the relative growth of imports" and trade.

The IMF is also gearing up a new program of "non-concessional lending" activities in coordination with Euromarket banks. "There is a general belief that this will lead to additional flows for certain developing countries," with all such loans at market interest-rate levels.

This is where supply-side economics come in. "The general orientation of the World Bank is on 'soft projects' " like health programs and agriculture, "which are not income-generating," the official explains. "To work with commercial banks, one would have to take their preferences into account. We believe commercial banks would prefer industrial projects which are income generating."

IMF teams, the agency's officials report, are now concentrating on advising Third World governments on how "cost-benefit" supply-side economies are the only policies which would successfully attract such private capital.

Foreign Exchange by David Goldman

Can the dollar join the EMS?

A plan raised at last week's meeting of European finance ministers could stabilize a dollar-EMS parity.

The leading West German financial daily *Handelsblatt* reported March 19, "In the confidential portion of the European finance ministers' discussions in Brussels yesterday, a proposal was made to unite the separate arrangements concerning swap credits between the monetary authorities of European countries and the U.S. Federal Reserve into a single comprehensive agreement with the Fund for European Moneatary Cooperation."

These swap lines—central bank to central bank credits to finance currency intervention operations—now total $16 billion. From the European standpoint, there is a valid technical reason to unify the different central banks' relationship with the Federal Reserve, as the German daily notes, namely, to make possible currency intervention in dollars as well as European currencies, to smooth the intervention process.

However, centralizing the swap lines into a single fund through the Fund for European Monetary Cooperation—the joint checking account of the European Monetary System—implies something much broader. The only type of currency operation for which such an action would be indispensable is the stabilization of the dollar against the European currencies, e.g. an intervention target for the dollar parity against the European Currency Unit.

Such a plan was mooted last month in a speech by West German Bundesbank President Karl-Otto Poehl at Davos, Switzerland. Poehl said that "if the dollar were to return to long-term stability, then the dollar and the EMS together could provide the foundation for a stable world monetary system during the 1980s."

What is important in this context—when the principal European economic initiative toward Washington revolves around bringing interest rates down in coordination—is the efficacy of the cited currency proposal on the interest rate front. Most American commentators, including those of the administration, belittle the Franco-German plan for "global interest rate disarmament" on the superficial ground that the plan is not possible. This follows the monetarist argument that increasing the money supply in order to bring down interest rates would, on the contrary, have the perverse effect of raising inflationary expectations and hence raising interest rates.

This form of sophistry ignores the simple problem that the bulk of speculation centers around currency instability in the first place. Currency hedging alone takes up perhaps $200 billion of gross world credit demand. If they were successful, vigorous counter-speculative actions would eliminate the artificially high credit demand ensuing from "floating currency rates," and make it much easier to bring down interest rates.

Obviously, a bigger intervention fund for currency support would not be sufficient to peg the dollar versus the European currency joint float. The United States would have to adopt an economic stance parallel to the Franco-West German commitment to nuclear energy and capital-intensive exports to the developing world, and correct the huge American trade deficit, the original source of dollar instability.

The United States would have to throw out the foreign economic policy (see International Credit) devised by Undersecretary of State James Buckley and his collaborators at Treasury and Office of Management and Budget, and vastly expand the size and functions of the U.S. Export-Import Bank.

By the time Helmut Schmidt arrives in Washington in May, however, some rethinking may well have been done at the White House. The dollar, far from shooting towards the DM 2.50 level that the New York Fed and some others were talking of recently, has fallen back to DM 2.05. This is only indirectly the consequence of the fall in American interest rates; the interest rates themselves have dropped as a result of the second leg of the present economic depression. The multiple consequences of the depression put the dollar into a weak position, and give the Europeans considerable bargaining room in Washington.

Clearly, the DM has bottomed out on the foreign exchange market. The fact that the German current account deficit is susceptible only to slow-working solutions makes a spectacular DM rise unlikely. But now that President Reagan must look to the stability of the dollar, the European offer is a serious one.

World Trade by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
$1.7 bn.	Colombia from U.S.A.	Morrison-Knudsen won contract for 16.5 mn. tpy Cerrejón open pit coal mine. Job includes 100-mile railroad, unloading facilities and a new port, plus airport and city for 3,100 people.	Mine jointly owned by Exxon and Colombian govt.
$300 mn.	Bahrain	Arab Iron and Steel Co. iron pelletizing plant has awarded $50 mn. dredging contract to local firms. Plant will utilize local natural gas and employ otherwise empty returning oil carriers to bring in iron ore. Plant construction will go to Kobe Steel or Lurgi-Hitachi.	Will shun commercial loans by using Japan's Ex-Im Bank and bank guarantees.
$100 mn.	Iraq from U.S.A.	International Harvester won order for 1,800 F-5070 Paystar heavy-duty dump trucks from Iraqi govt. Deal includes service, parts, and training. IH beat out 6 competitors for a contract representing half its total 1981 truck exports.	U.S. relations with Iraq suspended since 1967.
$50 mn.	Iraq from West Germany	Salzgitter subsidiary Karl Walter was given order for 160 mn. brick per year automated brick plant. This is 14th brick plant built by Walter in Iraq in recent years.	Construction of 6 similar plants not interrupted by war.
$100 mn.	Libya from Italy	Foster Wheeler Italiana will build a plant to produce coke from heavy crude oil as part of a huge aluminum complex near Tripoli. Most of the 170,000 tpy calcinated coke will be used in aluminum refining and the rest exported. Value includes a second contract for engineering management of a new 220,000 bpd oil refinery.	Contracts awarded on a turkey basis.
$50 mn.	Spain from U.S.A.	Combustion Engineering has won contracts for engineering and components for 2 coal-fired electrical plants to be built in Spain.	
UPDATE			
$22 mn.	U.K. from Hong Kong	Hong Kong's Yangtsekiang Garment Manufacturing planning a big move into Britain's ragged textile industry with a denim plant in the depressed northeast followed by jeans-making shops for U.K. and export trade.	YGM expects grants from U.K. regional development agencies. Attracted by cheap, unemployed, labor.
$342 mn.	Ivory Coast from U.K.	Plessey was told by Ivory Coast officials it would get $342 mn. Abidjan airport expansion contract. Project has been delayed by collapsing coffee and cocoa prices, but will go ahead if oil found offshore. British firms expecting another $100 mn. in Ivory Coast project orders.	*Financial Times* celebrates first big British penetration of French sphere of influence.
CANCELLED DEALS			
	China from West Germany	China has ordered suspension of 3 petrochemical projects under construction by Lurgi of Germany. Lurgi, however, says it is continuing work, since all components are being fabricated and it would require 100% compensation. Zimmer, a subsidiary of Davy Int. of U.K. also expects cancellation of its 80% complete polyester plant, worth $200 mn.	Cancelled suppliers hope China acting from oil, rather than money, shortages.

All the Queen's men

Behind the wave of takeovers, reports Richard Freeman, is a 'buy America cheap' resource grab by the British elite.

Great Britain and its financial allies have begun to buy whole chunks of U.S. industries, in particular, raw materials firms. They anticipate that with commodity prices already depressed by 20 to 30 percent, a further phase of the recession instigated by the high interest-rate policy of the U.S. Federal Reserve could send stock prices dropping by 25 to 50 percent, and allow the buyout of American firms at 50 cents on the dollar.

In the last three weeks alone, takeover bids and actual takeovers by British interests of U.S. firms have reached the unheard-of total of $15 billion—equivalent to the total volume of International Monetary Fund lending to the Third World in 1980. Many more companies, especially others of the Seven Sisters, are ready to get into the act. "The total takeovers could hit $25 billion in the next three months," report Wall Street sources.

At the core of this invasion are old oligarchic families within the London-Venice-Geneva financial axis, and the corporations and investment banks in their orbit (see the accompanying chart). This group, reaching up into the Queen of England's household, is the command center for British intelligence. Its strategy is in effect the recolonization of the United States: buying America's raw materials and then holding the nation hostage while strategic metals and minerals prices are bid through the ceiling.

Three giant takeover bids have already been announced:

- **Sohio** (Standard Oil of Ohio) announced on March 12 that it had reached an agreement in principle to buy out Kennecott Copper, the largest U.S. copper producer, for $1.97 billion. Sohio is majority-owned by the British Petroleum Company, itself jointly owned by the British government and controlled through the Queen's household.
- **Socal** (Standard Oil of California) one of the British-influenced Seven Sister oil multis, announced this week that it will make a $3.8 billion takeover bid to acquire AMAX, the largest U.S. producer of the militarily strategic material molybdenum and a large coal producer.
- **Seagram,** run by the notorious Bronfman family of Canada, has made a $2 billion tender offer to buy out St. Joe's Minerals, the largest U.S. producer of zinc and lead.

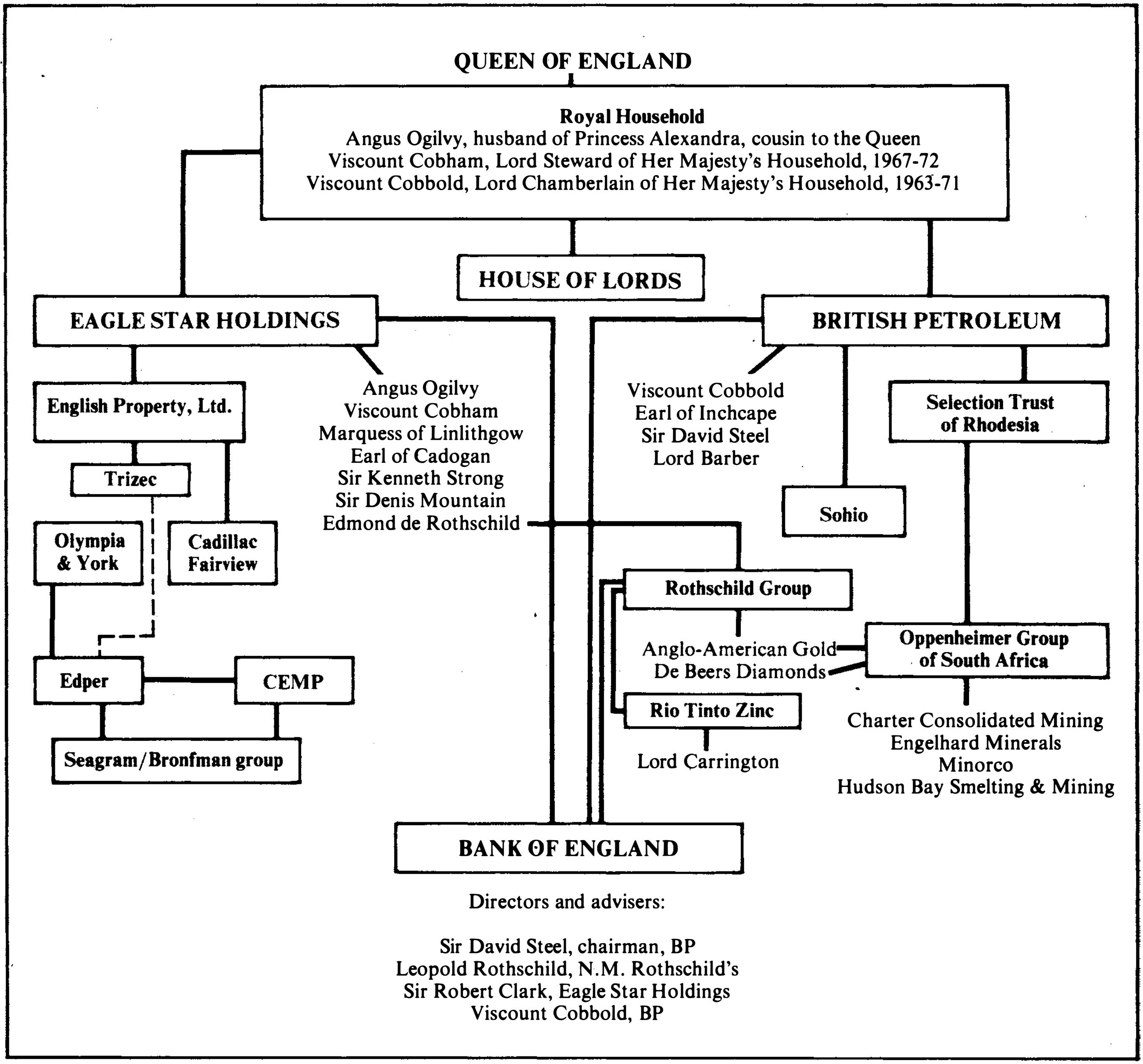
Seagram and St. Joe's

According to an official of the Seagram group, the Montreal-based company "spent months analyzing takeovers, before it settled on St. Joe's Minerals. St. Joe's only owns 20 percent of its own stock. The other 80 percent is owned out there in the market place, and at the price we're offering, which is twice the price St. Joe's shares are trading at, we should be able to buy St. Joe's out."

St. Joe's denounced the Seagram takeover offer as "unsolicited" and "hostile" and labeled the $2 billion takeover price "grossly inadequate."

Seagram wants to buy more U.S. firms. According to its official, "We have about $6 to $7 billion in cash in our treasury and we're ready to move." The Bronfman family "is moving in a big way into U.S. real estate through Cadillac Fairview," a Bronfman holding company, the official reported.

Brascan, the Canadian metals and investment firm chaired by Peter Bronfman, which is tied to the Seagram group, has been buying heavily into U.S. firms. Brascan spent $121 million just last week to increase its share of ownership in the Scott Paper Company, a major U.S. paper producer, from 3 to 12 percent. A Brascan official



says it plans to increase its "stock ownership in Scott Paper to 20 percent," which would give Brascan control of the company.

The Oppenheimer group

Sir Harry Oppenheimer's South African dirty-diamonds-and-gold empire was linked in the press this week to a prospective buyout of Phelps Dodge, another giant U.S. copper producer. Oppenheimer, the world's largest diamond and gold producer via the South African-based De Beers Diamonds and Anglo-American Gold Companies, has promised, "We mean to expand into North America." Oppenheimer has built up a $3 billion reserve in cash for this purpose; he already owns Inspiration Copper, a medium-sized U.S. metal producer, and Engelhard Minerals, the largest U.S. metals company, which figures largely in rigging the world's oil spot market.

Oppenheimer has created a Bermuda-based shell company, the Minerals and Resources Corporation (Minorco), for his buyouts in North America and has appointed Citibank Chairman Walter Wriston and a lawyer from Citibank's law firm, Shearman and Sterling, to the Minorco board of directors.

However, the Oppenheimers' and Bronfmans' vast family holdings, as well as those of British Petroleum, the Seven Sisters, and other multinationals, should not be thought of as powers in themselves. They are merely deployable pawns of the royal households of Europe. This is the command apparatus that is responsible for, among other things, most of the world's environmentalism and deindustrialization. Its center is the Queen of England's immediate coterie and members of the British peerage, who control every firm of importance within Britain, and who have launched the buy-out-America spree.

The Bronfmans, for example, are basically run by the Eagle Star Holdings Ltd., a London-based real-estate, insurance, and investment trust, valued at several billion dollars. Until recently Eagle Star, through its subsidiary English Properties Ltd., owned the giant real-estate firm Trizec, in a joint venture with one of the Bronfman family investment companies, Edper. (The other major Bronfman family investment company is CEMP, as noted on the accompanying chart.) Trizec has now been sold to another Eagle Star-controlled asset, the Reichmann family of Canada; but the controlling links remain between Eagle Star and the Bronfmans. Eagle Star Holdings represents one of the European oligarchy's prize holdings (the eagle represents the Venetian-controlled House of Hapsburg, the star represents Britain).

Control points over Eagle Star include two members of the highest-ranking British nobility. One of them, Viscount Cobham, shaped Eagle Star's policies during the 1970s before retiring. He holds the Order of the Garter, in which at any one time there are only 24 members, including Prince Philip and the kings of Norway and Belgium. The other, Angus Ogilvy, belongs to the family that runs Schroeder's Bank in London and is influential in Lonrho. Angus Ogilvy is also one of the two dozen people considered the Queen's immediate family, as his wife is the Queen's first cousin. Ogilvy heads MEPC Properties Canada, which is controlled by Eagle Star Holdings. Others at Eagle Star are the Marquess Linlithgow, one of the highest-ranking British nobles, and the Earl of Cadogan, who owns major stretches of London's fashionable Chelsea district.

In the case of British Petroleum, the guiding spirit for many years, until his recent retirement, was Viscount Cobbold, who held the highest position in the Queen's household and is a member of both the Order of the Garter and the Order of St. Michael and St. George.

It was British Petroleum that helped direct the ouster of the Shah of Iran and installed the madman Khomeini; it was BP that helped run the 1973-74 and 1978-79 oil hoaxes that crippled industrial production in the Western world. It is Eagle Star and the British royal household that run the World Wildlife Fund, creators of the Global 2000 mass-murder apparatus.

These are the groups that will soon own major chunks of U.S. industry if they are not stopped. The British thought this moment was propitious because, through the Bank of England and Paul Volcker, who is among other things a member of the elite British Ditchley Foundation, they had succeeded in shaking out the U.S. economy.

The list of buyout proposals and actual takeovers of the last two months extends beyond raw materials.

- The Canadian Reichmann family, owners of the Olympia and York real-estate company, just bought for $567 million Abitibi, the Canadian-based newsprint producer. Abitibi sells 68 percent of its paper in the United States and controls the U.S. newsprint paper market because it is the world's largest producer.
- Prudential Life Insurance, the largest U.S. life insurance company, which is under British control, announced that it will spend $400 million this year for buyout investments, mostly in oil.
- Overseas Trust Bank in Hong Kong announced that it will move to take over the $1 billion Long Island Trust Company, the largest bank on Long Island.
- The Gulf and Western conglomerate, owners of Paramount Picture Company, and closely connected to the Venetian oligarchy, announced last week it has bought 6 percent of B. F. Goodrich, the rubber producer, and 15 percent of the stock of the Brunswick Company, the fabricating metals company. Gulf and Western already owns a sizable chunk of seven other U.S. companies, including General Tire and Rubber Company and the Cummins Engine Company.
- Warner Communications, sponsors of the drug-rock counterculture in U.S. entertainment media, has paid $200 million in the last two months to acquire the Franklin Mint, the largest private mint in the U.S., as well as 8.6 percent stake in Harcourt Brace publishers.
- American Telephone and Telegraph has just been given $17 to $22 billion in rate increases by the federal government. AT&T has now been allowed by the courts to diversify into other fields and it is expected to plunge into the buyout of electronics firms.

According to one Wall Street analyst, "Oil companies are going to make the next plunge in buyouts." The oil multis are already hoarding a vast amount of U.S. mineral supplies. As of last year, oil companies owned 35 percent of U.S. copper production, 25 percent of its uranium production and 25 percent of U.S. coal production.

With the U.S. State Department now recommending that several billion dollars be spent to build up a U.S. strategic materials stockpile, the largest supply of basic U.S. raw materials—lead, zinc, copper, molybdenum, coal, etc.—is about to pass out of American hands. Who will benefit from the price runups?

'Technetronic' strategy for France led by Paribas bankers

by Laurent Murawiec

The French business community was shaken the first week of March by the unexpected announcement that the giant investment bank Paribas (Banque de Paris et du Pays Bas) was taking the controlling share of the huge Empain-Schneider conglomerate from Belgium's Baron Edouard Jean Empain. The purchase price of 90 million French francs represents quite a bargain: Empain-Schneider employs more than 132,000 and has an annual turnover of FF 40 billion.

Included in the Paribas acquisitions are the small but powerful Bank de l'Union Européenne; Creusot-Loire and its subsidiaries Framatome and Novatome, which are responsible for fulfilling orders to construct nuclear plants that are placed by the state-controlled electricity monopoly EDF; and a variety of large corporations, mainly in the fields of engineering (civil and mechanical) and steel (including specialty steel and shipyards).

With this move, which reportedly enjoyed the early backing of President Valéry Giscard d'Estaing, Paribas greatly strengthens its central position in ownership and policy control of the French economy. The policy direction it will now take is a crucial element for determining the direction of French global policies, weeks before the April 26 presidential elections.

Paribas, a bank more than a century old with traditional links to Lazard Frères, has—aside from its substantial standing on the international financial markets—a history of geopolitical involvements which have made it a *political* factor to reckon with. Its deep involvement in the pre-1914 Baghdad Railway venture of Deutsche Bank and Germany gave it the clout to set up the Compagnie Française des Pétroles in 1924, the "eighth sister," and to challenge British and American interests in the Middle East.

The current Paribas chairman, Pierre Moussa, a former French colonial office official and former director of the World Bank for Africa—in other words, a leading representative of old French "imperial" policies—shares with the bank a long history of involvement in left-wing politics. This "left" history includes his bankrolling of Giscard's social-democratic challenger in the presidential elections, Socialist Party leader François Mitterrand, and Fabian Gaullist Jacques Chaban-Delmas, who, as prime minister from 1969-72, had infuriated the late President Georges Pompidou with his Kennedyesque "nouvelle société" policies.

Moussa's global conception is that of acting as a "bridge between the key role of the nation-state and the one-world features of modern economic life," which leads to great political-intellectual flexibility and adaptation to dominant policies, including those of French President Giscard. "Our influence," Moussa adds, "is on the Montreal-Hong Kong line," a wholly different set of considerations. Lord Roll of Ipsden, the S. G. Warburg chairman, sits on the Paribas board.

Industrial takeovers

Paribas was also recently involved in the reorganization of the giant communications conglomerate Hachette, which has diversified interests in media, publishing, electronics, and communications. A controlling share of Hachette was recently sold, with prompting from Giscard and support from Paribas, to the high-technology "military-industrial" conglomerate Matra-Industries, a fast-growing business with interests in advanced electronics, in telecommunications, in sports cars, in military equipment, and in one of Europe's leading broadcasting organizations, Europe Number One. Matra-Industries immediately brought in a new partner from Hachette, media king Daniel Filipacchi, a publisher of several well-known pornographic journals with connections to the notorious Permindex intelligence operation.

Yet a third major restructuring that has altered France's political landscape in the past year was the takeover of France's fifth largest corporation, the troubled national computer and electronics manufacturer, CII-Honeywell Bull by Saint-Gobain-Pont-à-Mousson (SGPM). To broaden its horizon in the electronics field, SGPM then bought up 25 percent of Italy's Olivetti.

One underlying logic behind all three affairs is the indispensable consent, if not the initiating impulse, of President Giscard. Another component involves a different kind of business, namely the "technetronic" designs on French and European industry.

Speaking to the Feb. 6 Conference on European

Management in Davos, Switzerland, European Commissioner Viscount Etienne Davignon, whose purview within the European Community now includes industry, energy, and research, announced a "much tougher line" on subsidies extended by the member nations to their industries. "No subsidies [will go] to depressed areas and traditional industries, except to reduce capacity, restructure, and innovate. Community powers will be used to prohibit certain kinds of subsidies. . . . Community funding will be granted to such areas as energy conservation, coal gasification, and data banks."

Davignon's European Commission counts on the support of the European Parliament to ram such policies down the throats of reluctant European governments. Most directly, this strategy aims at isolating the government of France, whose unbending adherence to its nuclear program, including the advanced fast breeder programs and proliferation of nuclear sales to the Third World, has proved a major obstacle to the anti-industrial, anticapitalist designs of such supranational bodies as the Club of Rome, the Organization for Economic Cooperation and Development (OECD), and the German Marshall Fund.

Sir David Nicolson, a Tory member of Britain's parliament, has been especially active in defining such a European-wide sunrise/sunset outlook. In a document soon to be released, Sir David contends that the EC's Common Agricultural Policy (CAP) should be largely dumped and resources devoted to a "coherent industrial policy." What the policy should be he spelled out quite precisely: "moving [the EC's] industrial base up-market away from the old labor-intensive industries into new high-technology ones. This requires a willingness to restructure declining industries. . . . Because of the importance of the defense sector as a market for high technology, Europe should look again at the case for building up its own defense capability and reducing its reliance on the U.S.A."

It is useful to underline the identity of design between such proposals and those outlined at the Washington, D.C. conference of the Socialist International and the German Marshall Fund in early December, titled "Eurosocialism and America." De-industrialization, de-urbanization, and the ascent of energy-poor, electronic-gadgetry industries were the leitmotifs.

In December 1976, Giscard commissioned top civil servant Simon Nora to conduct a study on "The Effects of Informatics on Society and the Economy." *Informatics* is the catchword for the mass use of computers and electronics in daily economic, social, and individual life. Nora himself is a veteran Fabian *haut-fonctionnaire* with a wealth of past associations with Pierre Mendes-France and Jacques Chaban-Delmas as well as with various local subsidiaries of the Club of Rome.

Nora recruited rising young technocrat Alain Minc, currently the vice-president of SGPM's joint operation with Olivetti, as his co-author. Nora enlisted half the French membership of the Club of Rome as consultants: Jacques Lesourne, who led the OECD "Interfuturs" project; Robert Lattes, Paribas chief economist and grey eminence in high-technology affairs; and André Danzin, who heads the Institute for Automation and Informatics Research. Other consultants included mad left-wing terrorist philosopher Michel Foucault, a much-publicized advocate of schizophrenia and paranoia as legitimate social expressions; Mitterrand's chief economist and adviser, Jacques Attali, a proponent of the replacement of the economy with "culture"; French sociologist Michel Crozier, top profiler for the Tavistock Institute, who planned the student component of the May 1968 upsurge against de Gaulle; and Alain Touraine, also an advocate of the postindustrial society.

The Nora-Minc report, "L'Informatisation de la Société," was filed with the president in January 1978, and part of its proposals have actually become executive policy. The Nora-Minc report was published last year in the United States by MIT in book form under the title *The Computerization of Society.* Its approving introduction was contributed by an American ideologue of postindustrialization, social democrat Daniel Bell of Harvard.

The basic thesis is that "the prime challenge of the coming decades is not, for the advanced policies of mankind, the capacity to master matter. This is granted. The challenge lies with the difficulty of building the network of connections that enhance information with organization." What this jargon concretely means, the authors conclude, is the end of capital-intensive employment, and of industry generally, with the simultaneous destruction of centralized forms of political, social, and economic life. Computers, or informatics generally, are precisely the instruments of this shift into the "polymorphous, informational society."

Under the cover of preparing the state to manage the "new emerging conflicts" typical of such a postindustrial society, Nora and Minc are in fact fielding proposals to turn the nation-state into the instrument of its own demise—its powers devolving to decentralized and de-federated basis-groups and communities. Concomitantly, the report presents such proposals of co-opting "environmentalist" policies as the sole defense against the social ferment this movement represents, and, in addition, proposes the "informatization" of the economy in order to meet the "IBM challenge" before it is too late.

A Frenchman is quite amazed to see the policies of Mitterrand's advisers put forward to the president almost verbatim by supposedly faithful senior civil servants, where otherwise Giscard's own policies have been largely marked by a strong nationalist industrial outlook (which the Council on Foreign Relations likes to dub "neomercantilist"). It is time for the president to smell a rat (or a Socialist mole), in his own camp.

Giscard's problem is that he has allowed the monetarist management of his prime minister, Raymond Barre, to lead the country's economy into an impasse summed up by the following figures: 14 percent inflation; FF 60 billion trade deficit; 1.6 million unemployed. Social unrest is so strong that Giscard is by no means assured of his re-election. And if he begins another seven-year term, the success of his policies is in doubt. Drastic measures will be required, starting the day after the balloting.

Already, Giscard is being pushed to effect a "Socialist turn" and go ahead with the "reforms" indicated in the Nora-Minc report. Mitterrand supporter Jean-Jacques Servan-Schreiber gave the proposals a popular form recently in his international best-selling book *Le Defi Mondial* (*The Global Challenge*), and a good many of Giscard's supporters and advisers are now pushing in the same direction.

One of Giscard's possible choices for prime minister is the Paribas-supported, New Left-linked Chaban-Delmas. Among the more "right-wing" profiles, some of Giscard's own ministers have bought the technetronic perspective lock, stock, and barrel through the think-tank influence of the *Nouvelle Droite* (New Right) and its intellectual center, the Club de l'Horloge, which represents important components of Giscard's organized electoral support.

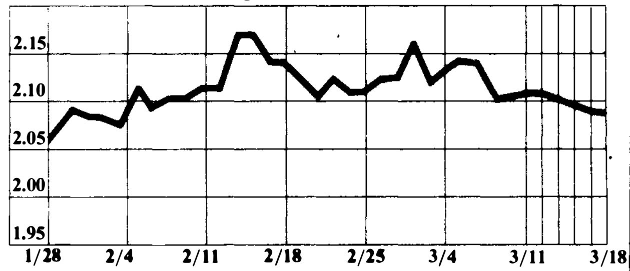
Giscard's trusted personal friend and adviser Michel Poniatowski has himself not been immune to the French version of the Club of Rome's technetronic outlook. In the sphere of science—his principal area of activity—he has presented policies that mix equal parts of the informatics follies of the Socialist International (along with its sister, telematics—telecommunications, bioengineering, and so forth) with proposals for the development of controlled thermonuclear fusion. This is not to say, of course, that there is anything inherently wrong with advanced electronics and telecommunications industries. It is to state that they can only be effective if they enhance global productivity of fusion-powered, capital-intensive forms of production and employment.

In the past few months, France has undertaken sales, or negotiations for sales, of nuclear technology to Brazil, South Korea, Algeria, Morocco, Tunisia, Egypt, and Nigeria—a far cry from the Club of Rome's policy of stopping technology transfer to the Third World and imposing starvation on Africa.

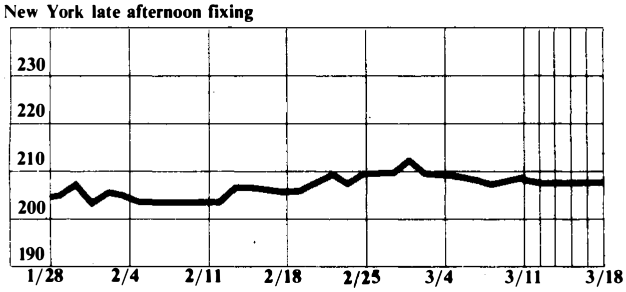
This is the choice that faces France and President Giscard, the fight shaping the election, and the actual international stakes behind the French presidential elections.

Currency Rates

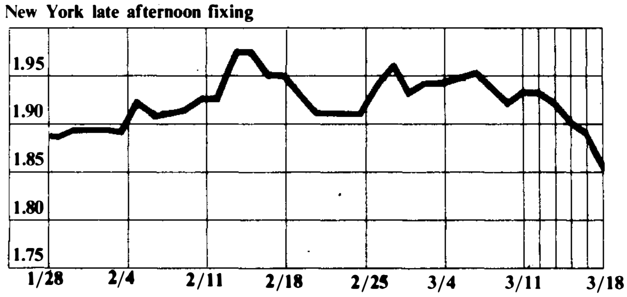
The dollar in deutschemarks
New York late afternoon fixing



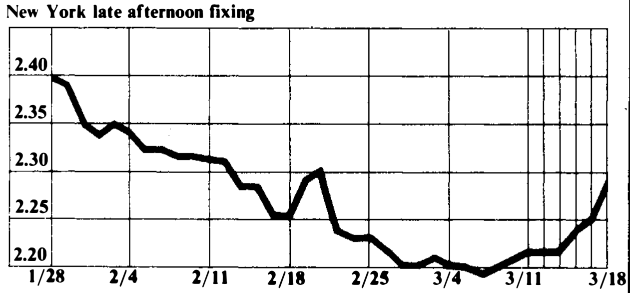
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



Business Briefs

World Trade

Stockman scorched on Eximbank cutbacks

Senator Russell Long (D-La.) challenged Office of Management and Budget Director David Stockman March 28 on Stockman's proposal for reduced funding for the Export-Import Bank. During hearings held by the Senate Finance Committee, Long stated that overseas markets for U.S. manufacturers of airplanes, nuclear plants, and other high-technology equipment would be grabbed up by international competitors if Eximbank funding support were not available.

Reducing Eximbank funding, Long asserted, was "a short-term gain for the Treasury, but a long-term loss."

Stockman countered by saying that U.S. export policy had to be more "targeted" anyway if it were to work. The idea was not just to export manufactures, but to concentrate exports for "direct head-to-head competition" with particular products of foreign countries offering export subsidies. Stockman also stated that cutbacks in Eximbank would have little effect on U.S. export capability overall since 66 percent of Eximbank funds went to only five or six big companies.

Political Economy

Friedman book gets 'best title award'

The *Los Angeles Times* soft-cover book-review column conferred its "Best Title Award" March 15 on *The Ugly Truth About Milton Friedman,* the critique of Friedman monetarism authored by *EIR* founder Lyndon H. LaRouche and *EIR* economics editor David Goldman.

Reviewer Don Strachan comments: "LaRouche and his . . . partner blame Friedman for every economic slump in the United States since the '50s, as well as the fiscal woes of Chile, Israel and Britain. . . . Just when you're about to doze off, they toss a brickbat at Friedman—such as, 'The Nobel Prize committee must have been drinking nitroglycerin when they gave him the award in 1976.' "

Readers don't seem to have found the exposé boring at all. The first 15,000 run sold out last week, after six weeks in publication. Airport newsstands report that Israeli tourists have been grabbing up the book, apparently because of what Friedman did to Israel's economy as an adviser to Menachem Begin.

Budget

European scientists denounce NASA cuts

In a personal telegram to President Reagan, 31 West European scientists and engineers state: "As Europeans, we have long admired the United States' dedication to the development of science and technology, embodied in the Apollo landing of man on the moon, and more recently, in the admirable McCormack fusion bill for the rapid realization of controlled nuclear fusion as an unlimited energy source for mankind. The well-being and security of the entire world depends on such a continuing commitment of the United States.

"We therefore urge you to reverse the ill-advised and dangerous policy of massive budget cuts in fusion research, in the NASA space program, in science education, and other vital areas of R&D, proposed in the Stockman budget. . . . [The cuts] will inevitably undermine European research efforts in the same areas."

The cuts are "particularly-ill-advised" because "adventurist forces" in the Soviet Union "will not fail to read a reversal of decades of U.S. leadership in basic science . . . as a decisive sign of weakness," the telegram states.

Calling for a "more prudent" solution to budgetary problems, the statement concludes, "Would not a reversal of the present high interest-rate policy, [which is also] injuring our European economies," be a more effective means of "bringing the U.S. budget and economy into order?"

The 31 signatories head or work with leading astronomical, physics, construction and research companies and foundations in Germany, Italy, France, and Switzerland. They include Prof. Walter Seifritz of the Swiss Institute for Reactor Research; Prof. Ulrich Hanser, director of the Cologne University Physics Institute; Dr. Klaus Leuthäuser, director of the Institute for Scientific-Technical Analysis in West Germany; Prof. Christian Groeber of the Frankfurt University Physics Institute; Prof. Marcel Felden, director of the Institute for Plasma Physics, Nancy, France; Jacques Houbart, editor of *Industrie et Techniques,* Paris; and Prof. Enzo Menapace of the National Nuclear Energy Committee in Italy.

Conference Report

LaRouches pose Europe's 'challenge to Volcker'

A far-ranging briefing on "Europe's Challenge to Volcker" drew 150 U.S. policymakers, foreign diplomats and businessmen, and leaders of the LaRouche wing of the Democratic Party, in Washington, D.C. In attendance at the conference were officials from Commerce, Defense, State, the Eximbank, GAO, AID and other departments and agencies. The March 20 conference was co-sponsored by *EIR* and the National Democratic Policy Committee, whose national advisory committee Lyndon LaRouche chairs.

Mr. LaRouche warned in his speech that the second phase of the U.S. recession could "Hooverize" Ronald Reagan unless the administration transforms its interest-rate and international economic policies, as Europe demands. Helga Zepp-LaRouche, chairman of the European Labor Party, described in detail the European Monetary System.

Energy

Japan to go nuclear after referendum defeat

Following the recall of a small town mayor by antinuclear forces, the government and industrial spokesmen of Japan have decided to launch an educational campaign among the population on the need for nuclear power, according to the March 17 *Nihon Keizal Shimbun.*

A vote of 6,300 to 5,800 defeated the mayor, who had agreed to allow a nuclear plant to be sited within the 18,000-person town of Kubokawa, in a special referendum.

At present, nuclear energy provides only 13 percent of Japan's electricity. The government has decided to triple nuclear energy production to 51 gigawatts by 1990. However, obstruction by the Japan Socialist Party, the leading opposition party, had made it difficult to find sites.

If site location difficulties limit nuclear energy production, policy-makers fear Japan will suffer a major energy crunch in the late 1980s.

Austerity Debate

Thatcher 'obsessive' about Tory opposition

British Prime Minister Margaret Thatcher, whose name is now globally synonymous with depression, is reported to be frantic about opposition in her own cabinet to her just-announced austerity budget. Based on 15 percent across-the-board reductions, the budget is officially projected to generate 3 million unemployed, or a 12 percent jobless rate by year-end—worse than during the 1930s.

The London *Observer* reports that cabinet members have been leaking to the press that the budget will never work and adds that Thatcher has become "obsessive" about such leaks. Recently, she told the press that her cabinet opponents are "too leaky . . . to be entrusted with major political deliberation." The *Financial Times* commented on this, "If factions cannot be reconciled . . . the choice is between sackings and resignations."

On March 13, West Germany's financial daily *Handelsblatt* described Thatcher's budget as "a Brüning budget," referring to Hitler's predecessor as chancellor. By removing all social security and unemployment inflation adjustments, it will reduce income for several million wage-earners by 15 percent at current inflation rates. This follows an average 25 percent drop in living standards since 1975.

The cuts are due to a collapse in the country's tax base since Thatcher unleashed her infamous experiment in "Friedmanite" economics, and drove industrial output down 21 percent. The reduction of tax revenues has driven up the deficit by $10 billion to $30 billion. In American terms, this would be equivalent to an increase in the federal deficit from $100 to $150 billion per year—about double the current U.S. government deficit.

Corporate Strategy

St. Joe's Mineral cites Seagram's dark past

St. Joe Mineral Corporation, a leading U.S. producer of tin and lead, sued Seagram & Sons March 16, to prevent an attempted Seagram takeover. St. Joe accused Seagram of standing "illegal activities" and failure to disclose the activities of the Bronfman family that owns Seagram's.

The suit cited "Seagram's long history of illegal activities in the United States, including illegal political contributions and illegal payments to state liquor officials, and numerous violations of federal tax law and liquor laws, including 33,000 violations in Pennsylvania alone."

The suit further accuses Seagram of "false and misleading" statements in its takeover bid, which failed to disclose information regarding the integrity of the Seagram management and its control by the Bronfman family.

Briefly

- **TAKEOVERS** can be halted, according to U.S. law, if the unfriendly bidder is shown to be a participant in trafficking of funds related to narcotics. U.S. Code #21, 881(A),(B) states that the federal government can additionally confiscate all properties of a firm related to the drug traffic.

- **WEST GERMAN** business organizations are looking forward to Chancellor Schmidt's April 23 visit to Saudi Arabia, for much bigger reasons than military contracts.

- **THE NEUE ZURCHER** Zeitung reports that West German industry thinks that "without nuclear power, the future cannot be mastered." In a lengthy March 17 article on the fight in Germany over atomic energy, the Swiss financial daily reports that industry supports a program, associated with the giant VEBA utility conglomerate, of a 400 percent rise in nuclear-generated power by 2000, based on 600 billion marks total investment.

- **WILLIAM DRAPER III** was nominated by the White House on March 18 to head the U.S. Export-Import Bank. If he is approved, this could install a peculiar advocate for U.S. foreign trade. Draper is the son of Gen. William Draper, the founder of the Draper Fund/Population Crisis Committee, a major promoter of ZPG and economic contraction.

- **OPEC** may agree to introduce an indexed oil-pricing system at its May 25 oil ministers' meeting, or shortly thereafter, according to Kuwaiti oil minister Ali Khalifa al-Saba. The indexation, widely criticized as a proposal that could severely worsen the world economic downturn, would peg oil prices 2 to 3 percent over the average rate of inflation. This might mean a fourfold rise in oil prices over the next decade.

Western Europe's new mobilization against Thatcher

by Criton Zoakos, Editor-in-Chief

Sometime between now and the scheduled July 1981 "economic summit" among the top five industrialized Western nations (U.S.A., Japan, France, the Federal Republic of Germany, and Great Britain), President Reagan will have to make a clear-cut choice whose immediate consequences will fully determine the future of his administration in both domestic and foreign policy. The choice: line up with the body of broad policies represented by the alliance between France and West Germany, or with the totally opposite policies represented by Mrs. Margaret Thatcher's Great Britain.

The Franco-German alliance at this time represents a fairly clear and consistent policy perspective centered around the concept of *industrial development*. Great Britain, on the other hand, represents an equally clear and consistent perspective centered around the effort to *reduce world population* by approximately three billion people by the end of this century. President Reagan will recognize that this British policy is identical to the *Agenda '80s* report which informed every one of the disastrous policies of his predecessor Carter administration. President Reagan will also recognize that the British *Global 2000* perspective is shared by such members of his own administration as Secretary of State Alexander M. Haig and Defense Secretary Caspar Weinberger. Not accidentally, both Haig and Weinberger are currently engaged in intense efforts to influence the President in favor of Mrs. Thatcher's Britain and against Chancellor Helmut Schmidt of the Federal Republic of Germany and his friend, President Giscard d'Estaing of France.

So, amid the arcane power struggles going on in Washington these days, the underlying, really important question is: will the White House succeed in breaking through the Haig-Weinberger et al. screen (including submarines in the Kitchen Cabinet) and abandon Thatcherism in favor of the Franco-German option, or will the President unwisely squander the electorate's good will and, following Thatcherism, be Hooverized by the summer?

Which way this question will be answered will depend primarily on the following factors: first, the thoughtfulness that the White House and its allies, and potential allies in Congress, will display. Second, the energy and

Schmidt, Giscard, and Thatcher at their first European summit on April 27, 1980 in Luxembourg. Giscard called Thatcher's obstructions "a contemptible spectacle," and the Franco-German directorate of continental policy grew tougher.

determination with which the Franco-German alliance will pursue its aims. Third, how well the American society and economy will be able to resist the effects of Thatcherist economics already rampant in the Reagan administration.

What the stakes are that hang upon resolution of this question: *if President Reagan goes with Mrs. Thatcher,* he will be locked into the type of no-win military posture embedded in Secretary Weinberger's defense budget, thus further weakening this country's strategic position vis-à-vis any potential adversary. The foreign policy implications of Thatcher's monetarism will translate into rapid expansion of destabilizations, upheavals and shooting wars throughout Latin America, western Africa, southern Africa, the entire littoral of the Indian Ocean and Southeast Asia. The domestic implications of Thatcher's monetarism for the U.S.A. will be similar to that lady's impact on the British economy: mass unemployment, shrunken tax base, greater budget deficits, higher inflation rate, collapse of industrial production, shrinkage of industrial capacity, and long-term erosion of the country's ability to put up a credible, science and technology-based strategic long-term defense effort. *If President Reagan goes with the Franco-German option,* he will essentially adopt the international economic policy of the European Monetary System, involving the long-term world industrial-development perspective initially elaborated during the 1975-77 period by Mr. Lyndon LaRouche, the chairman and founder of the *EIR*.

This would mean some type of reorganization of the trillion dollar-plus Eurodollar market, dumping of all the World Bank-IMF genocide policies and the launching of a $200 billion-plus annual export drive from the United States; a concomitant massive industrial and technological expansion of the domestic U.S. economy; and a challenge to the Soviet Union to compete with us on who will better develop and industrialize the Third World.

President Reagan's choice is between becoming a great President or ending up like Herbert Hoover sometime during this year.

For reasons we are not completely privy to, both Chancellor Helmut Schmidt and President Giscard d'Estaing decided to mobilize all resources at their disposal against Mrs. Thatcher immediately after the prime minister completed her visit to the United States two weeks ago. In a March 10 nationally televised interview, President Giscard branded Mrs. Thatcher's policies as "extraordinarily dangerous from a social standpoint." "These policies which are called monetarist policies," he continued, "accept a slowdown of economic activity, and I can tell you that next year the British economy will again decline, that there will be another drop in production in Great Britain." Two days later, Mr. Giscard's treasury secretary, Jean-Yves Haberer, reiterated once more the alternative to Thatcherism: "The European Monetary Fund has protected continental Western Europe from the monetarist epidemic that has spread elsewhere."

The most important observation to be made about the political struggle in Europe is that France and West Germany have no choice in the immediate future but to redouble their energies and efforts on behalf of their current policies, so long as their present governments remain in power. The reasons are primarily military-strategic reasons of national security; the leadership circles in both France and the Federal Republic of Germany, especially over the past disastrous four years of the Carter administration, have conducted an in-depth study of the causes underlying the erratic and disastrous course of United States policies at home and abroad. It was a study which was significantly assisted by the publishing and other activities of the *EIR* and its founder, Mr. LaRouche. The conclusion that any cultured person had to reach upon completion of such a study was that what ails America is not the erratic and inadequate personality of a Jimmy Carter per se, but rather the underlying policies of the Eastern Establishment's long-term policy elite, the policies of Global 2000, Agenda '80s, Project 1980s, and associated neo-Malthusian policy commitments of the New York Council on Foreign Relations, Trilateral Commission, Heritage Foundation, Ditchley Foundation, the Carnegie Foundation, the Ford Foundation, and others.

According to the French and German leaders' estimations, these neo-Malthusian commitments of the Eastern Establishment elite, commitments which are associated with both the "liberal" and "conservative" guises of Thatcherite monetarism, are locking the United States into a full-scale march backward into the "post-industrial" dark ages, with the medieval banners of the Mont Pelerin Society and the Heritage Foundation fully unfurled against the tempest of growing world crises and destabilizations. The rub for the Europeans is this: Thatcherite monetarism must dictate to the United States a military policy very much like Secretary Weinberger's defense budget: not one penny for advanced military R&D and improvement of strategic forces, while at the same time massive increases in colonial-type conventional forces assigned to engage in every conceivable type of combat throughout the Third World. The Europeans, to their horror, see Washington invite them to join this mad, shallow, in-width deployment while they see the Soviet Union continuing to meticulously improve its science and technology-based strategic forces. The Europeans reason thusly: the Soviets already have undisputed superiority in conventional military forces and it would be stupid for the United States to match conventional Soviet strength. If you want to pick a fight at least be smart enough to pick it when you have the advantage, dummy. Second, while the U.S.A. is trying to match the U.S.S.R. in an area where the U.S.S.R. will continue to retain decisive superiority, the U.S.A. is also totally neglecting any efforts to qualitatively improve its long-term strategic capabilities at a time when the U.S.S.R. is moving forward all the industrial and scientific capabilities required for such an effort.

If continental Western Europe, European leaders reason, sides with a continuously weakening U.S.A. in provocations against a continuously improving Soviet Union, what are we to do in the event one of those Third World conflicts escalates into a superpower confrontation with thermonuclear implications?

Under such circumstances, continental Western Europe will either side with the U.S.A. and be incinerated, or will part its ways with the U.S.A. and become a captive pawn of the U.S.S.R. Neither of these two alternatives is appealing to sovereign nations. Therefore, the forces of the European Monetary System have no option available to them but continue to strive to defeat Thatcherism's influence over the Reagan administration and assist President Reagan to appreciate the enormous benefits this country's economy, industry, and technological power would derive by dumping monetarism and, along with the European Monetary System, going into a massive program of technology transfers into and general industrialization of the Third World.

President Giscard blasts monetarism

On March 10, French President Giscard delivered a blast against Britain's monetarist policies in a nationally televised interview to the French nation. EIR *excerpts his statement. Giscard began his attack by describing the two economic policies that destroyed Britain's industry.*

The first . . . is a statist policy. That is to say "let's recruit functionaries, let's nationalize different sectors." This is what the Labour government did in Great Britain, and you have seen the state of the British industry as a result. There are 2 or 2½ million unemployed, despite considerable oil resources. Entire portions of British industry have disappeared. They may have nationalized the auto industry, but now it is being bought up by the Japanese. And the steel industry is having much greater difficulties than ours. In France our industries are struggling with some difficulty, but they are struggling to maintain their activity and jobs.

So the solution that consists of creating nonproductive jobs is a solution that is guaranteed to fail after two or three years, and this failure has a very simple name: bankruptcy. . . .

Then there's the other solution: here we have Mrs. Thatcher's or Mr. Reagan's name being brought up. These are policies which, if implemented in France, would be extraordinarily dangerous from the social standpoint. Because these are policies which accept a slowdown of economic activity—and I can tell you that, for example, next year the British economy will again decline, that there will be another drop in production in Great Britain.

These policies, which consist of unleashing certain forces of the economy—which [otherwise] is healthy when pushed to the limit—result in employment and conjunctural situations that are totally unacceptable, and which are accompanied by interest rates of 20 percent, since as soon as you create large deficits, they are financed by borrowing, and these loans are at 19 percent interest rates in the U.S. and 22 percent in Great Britain.

Can you imagine French farmers with 22 percent interest rates? Can you imagine the construction industry in France with 20 percent interest rates? I am quite sure there would be a revolt within a few months! These policies, which are called monetarist policies . . . would mean accepting interest rates which, in my opinion, the French people—and I understand them completely—have absolutely no intention of accepting.

French Treasury Secretary Jean-Yves Haberer, Paris colloquium in honor of economist Jacques Rueff, March 12, 1981.

The European Monetary System has protected continental Western Europe from the monetarist epidemic that has spread elsewhere.

French Economics Minister René Monory, interview, French national television, prior to departure for United States.

Current U.S. interest rates are a handicap for European countries. It is unreasonable for them to be maintained for any length of time.

European leaders castigate Volcker

West German Chancellor Helmut Schmidt, interview, French Les Echos *financial daily, Feb. 25, 1981.*

I consider the interest rates in America and in other parts of the world to be destructive, and in the long run to be absolutely unacceptable if we do not want to abandon our goal of full employment. . . . The unpredictable character of American monetary policy in the past few years was one of the reasons that the European currencies, in particular the franc and the mark, detached themselves from the dollar, which then led to the creation of the European Monetary System.

West German Chancellory Defense spokesman Lothar Ruehl, Munich conference of the Wehrkunde defense discussion group, Feb. 22, 1981.

If current high interest rates persist, the Americans will have to face up to the fact that the deutschemark and the Swiss franc will suffer a currency collapse in which the currency flight will turn into a capital flight. The West European economies will then lack the resources necessary for recovery.

West German Finance Minister Hans Matthöfer, statement referred to by West German Handelsblatt *business daily in a Feb. 13-14 article, "Matthöfer Pleads for a World Interest-Rate-Lowering Round," which reads in part:*

Federal Finance Minister Hans Matthöfer warned at the *Wirtschaftswoche* [weekly economic magazine] money-market forum of a "tendency for a kind of currency revaluation race" on the basis of international interest-rate policy. This theme should become the subject of international consultations. "A kind of government deficit-financing race or interest-rate raising race, which no longer leads to improved chances for growth and therefore leads instead to a worldwide contraction of markets and decreasing employment opportunities, would certainly not be sensible strategy."

The data for unemployment and inflation in the high-interest countries should, according to Matthöfer, give pause for thought. . . . An internationally coordinated move to lower interest rates would therefore be in the interests of not only the German national economy.

Dr. Eberhard Dettweiler, Bank für Gemeinwirtschaft chief economist, EIR *interview, Feb. 24, 1981.*

Will [Volcker] increase interest rates even more; will he kill off, from the bottom up, the small and middle-sized industries, and move on to the big ones? I don't know a businessman in the world who can keep his shop running on 25 percent interest rates. I see no reason at all why Volcker's resignation would bring the dollar down. . . . If Volcker's resignation had any effect at all, this would be very slight. Reagan's basic program for economic growth, investment, and productivity, is exactly what is needed to give Americans back their sense of confidence in themselves. That is what is good, and on that basis, there is no danger of the dollar's collapsing.

Get the interest rates down! That is what the American economy needs, and that is what we need.

Dr. Andreas von Becker, chairman, Industriebank A.G.-Deutsche Industriebank of Düsseldorf, EIR *interview, Feb. 24, 1981.*

The idea of convening an international conference for interest-rate disarmament with the Big Four countries is a very good one. Our sentiment is indeed that interest rates are too high. . . .

Therefore, it would be very good to have a worldwide cut in interest rates, and it would be very good for the United States, too. This is a question we also ask ourselves: How long can U.S. industry go on with such interest rates?. . . . If Volcker resigns, I do not see any reason why the dollar should go crashing down. Why should it? If the dollar went down slightly, it would do no harm to the U.S. economy. . . .

It is not true that Mr. Volcker enjoys the support of the international banking community. Even if we feel that we should not intervene into American affairs—what is good for West Germany is not necessarily good for the U.S.A.—even if it is not our job to criticize what our American friends are doing, still, this does not mean that Mr. Volcker has our support, not at all!

Let us have lower interest rates. Let the U.S. population tackle their problems and find their own way of doing that. . . .

Finance Ministers of the European Community, meeting in Brussels, as reported in a Feb. 17 New York Times *article which read in part:*

The ministers urged the United States to help reduce the broad gap between interest rates in America and Europe. They said that the substantially higher rates in the United States were the major reason for the dollar's recent steep climb against European currencies.

The ministers agreed to ask French Finance Minister René Monory to explain the European position to American officials later this week at a meeting of the International Monetary Fund's Interim Committee in Washington.

The EC's decision to seek a narrowing between European and American interest rates is understood to be the result of an effort by West Germany, which is seeking support from its Western trading partners, including the United States, for a coordinated reduction in interest rates.

Phase Two of the EMS looks to Third World development

by Dana Sloan

French President Giscard's dramatic denunciation of monetarism has set in motion a powerfully coordinated international combination. According to sources extremely close to Giscard, the French president intends to make the issue of credit contraction—the foundation of monetarist economics—especially with respect to the less-developed countries, the first agenda item for all future contact with the Reagan administration, including the summit of Western industrialized nations scheduled for early this summer in Ottawa, Canada.

Ironically, the high interest rates have had one effect quite the opposite of what their originators had in mind. Giscard and Schmidt, the two initiators of the European Monetary System (EMS), have put implementation of EMS policy on the front burner. The second phase of the EMS, the European Monetary Fund (EMF), would institute a new credit-generating mechanism that would rapidly outdistance the monetarist-dominated International Monetary Fund.

Speaking at last week's Paris conference to commemorate the late Jacques Rueff, who was Charles de Gaulle's brilliant monetary adviser, French Treasury Secretary Jean-Yves Haberer described the European Monetary System as the only thing that has protected Europe "from the monetarist epidemic that has spread elsewhere." Haberer asserted that Phase Two of the EMS would not come about as the result of "technical" measures, but was rather a question of exerting "political will." Within a matter of days, Finance Minister Matthöfer asserted that Phase Two of the EMS should not be delayed much longer, and attributed previous delays to difficulties with the dollar.

France, which maintains historically close political relations with Third World countries, is also closely coordinating its interventions into the U.S. situation with Mexican President José López Portillo. French Economics Minister René Monory visited Mexico a few weeks ago, immediately prior to his official mission to Washington. Following his talks with the Mexican president, Monory told the French daily *Le Monde* that both France and Mexico were extremely concerned with the U.S. decision to cut back its development aid to the Third World.

French policy toward the LDCs is the paradigm of what Mexican-U.S. relations could become. Giscard's "trialogue" proposal was publicly defined at a Paris conference by an economics ministry official recently as a new concept to unite the capabilities and needs of the oil-producing nations, the European countries, and the non-oil-producing Third World around economic development projects in Africa. Under Giscard, France has also pioneered the oil-for-technology, and particularly oil-for-nuclear agreements that Mexico seeks from the United States.

Giscard has signed nuclear cooperation agreements with Iraq, Egypt, and South Korea, among others. Under the "trialogue" proposal, France is arranging for the financial resources of the oil-producing countries to be channeled into capital-intensive development projects in Africa using Western technology, equipment and know how. The EMS/EMF would serve as the mediating institution for these exchanges, and is open to a "hook-up" with the U.S. dollar.

West Germany and France act as strong 'interlocutors for peace'

by Susan Welsh

When West German Chancellor Helmut Schmidt comes to Washington for a state visit May 20-23, the main preoccupation of the U.S. administration faction around Secretary of State Alexander Haig will be to prevent Schmidt and President Reagan from meeting alone, without aides, foreign ministers, and the like. This little conspiracy was revealed by a well-placed source who hopes it will work. Haig and Company fear that Schmidt may suceed in drawing Reagan, who has no foreign policy experience, into the policy framework shaped by himself and French President Valéry Giscard d'Estaing. This is the policy Schmidt has often characterized as Europe's mission as the "superpower for peace": the effort to stabilize East-West relations and turn them into a durable détente through economic and political cooperation, and the implementation of a Western economic policy based on growth—not "Thatcherite" austerity.

Everything that Alexander Haig has done since assuming office has been aimed to prevent this from happening. From his first irresponsible charge that the Soviet Union runs international terrorism, to his latest dismissal of Soviet President Leonid Brezhnev's offer for arms control negotiations as "mere propaganda," Haig has determined to set the United States and the Soviet Union on a course of permanent confrontation. This would mean a head-on clash with France and West Germany too, unless domestic destabilizations run by Haig's friends in the Socialist International succeeded in ousting Schmidt and Giscard from office.

But in the leaders of France and West Germany, Haig confronts skilled and experienced statesmen who are moving to outflank such maneuvers and establish personal rapport with the new U.S. President. Relieved at the demise of the Carter administration, Schmidt and Giscard hope to give Reagan a crash course in foreign policy and economics, bringing the U.S. into their own war-avoidance alliance.

Even before Reagan's inauguration, Schmidt visited the President-elect in Washington, confounding the efforts of Haig and other Reagan aides to keep the meeting short, social, and devoid of substance. Now, as the chancellor's official visit nears, Schmidt has given orders to his cabinet forbidding any public griping about Reagan's policies—even though many of the President's statements to date are by no means popular in Bonn.

In a radio interview March 8, Schmidt affirmed he would "certainly" urge Reagan to take up Brezhnev's offer for a summit meeting. Speaking the next day, Schmidt stressed that Brezhnev's offer of a moratorium on the deployment of medium-range missiles in Europe should be discussed by the West, even if it is "not just what we would like." Schmidt added that Brezhnev's offer is particularly important "at this time"—an evident reference to the transition underway in Washington.

President Giscard has already put relations with Reagan on a cordial footing through personal transatlantic telephone conversations. In an interview with *Le Figaro Magazine* Feb. 28, Giscard spelled out the role he sees for France as the "interlocutor for peace":

"In the coming months, France could play a major role on the international plane. At present, it is the chosen interlocutor of the two superpowers. . . . France wants to be and must be an interlocutor for peace. I know that when the word peace is used, some people compare it—referring to experiences like the Munich experience—to notions of resignation or national retreat. But it does not mean that. The search for peace consists of studying all possible ways of settling problems before their solution leads to catastrophe. If we need to defend ourselves, we will do so; but first, we must do all we can to explore the other possibilities."

Asked whether it was true that the French people most fear "the Soviet threat to Europe," Giscard frankly denied it. "Their main fear is war and destruction," he said. "If a war breaks out in the world, it will be fought once again in Western Europe where the accumulation and concentration of arms is such that it would be the end of West Europe, a relatively glorious end but the end just the same."

To counter the Franco-German war-avoidance policy, media sources ranging from the *Baltimore Sun* and *New York Times* to the Swiss *Neue Zürcher Zeitung* have suddenly begun to put out the line that France has become the most Atlanticist of the allies, advocating a hard line against the Soviets and a cutback in East-West trade, whereas the Federal Republic of Germany is an unreliable ally, "the odd man out," weakened by "neutralist tendencies."

This is a total distortion, as a leading French commentator with close ties to the presidential palace wrote in *Le Figaro* newspaper March 11. Paul-Marie de la Gorce attributed such speculations to "some Atlanticist circles in France," and called them "rather absurd and even a little bit indecent." The fact is, he wrote, that for the first time in postwar history "France is no longer isolated," and the convergence of French and German policies allows for "a functioning European independent foreign policy."

Far from curtailing economic ties with the Soviet Union and Eastern Europe, both France and West Germany are expanding them. The French are calling for an end to the European Community ban on sales of grain to the Soviet Union, and are in fact planning to sell the Soviets 600,000 tons of wheat. West German trade with the Soviet Union increased 10 percent during the past year, with agricultural exports increasing fivefold. Despite pressure from the United States to curtail the scope of the huge deal for construction of a pipeline to supply Soviet natural gas to Western Europe, the West Germans reiterated during the past week that they are as committed as ever to the project. The only problem involved is what interest rates to charge Moscow for loans, since the high interest policy of the U.S. Federal Reserve has pushed up German interest rates above what the Soviet Union is willing to pay.

At the annual international trade fair in Leipzig, East Germany this week, new deals were clinched for the supply of West German coal to East Germany to make up for the losses in coal deliveries from Poland. The head of West Germany's mission to East Germany, Klaus Bölling, met with East German leader Erich Honecker, and the two agreed that relations should be improved, and that relations between the two Germanies should be insulated as much as possible from tensions in global East-West relations.

Defense and arms control

When Schmidt comes to Washington, one of the top agenda items will be U.S. efforts to get West Germany to increase its military budget and to deploy its forces to the Persian Gulf and other areas outside the NATO region. Numerous statements coming from Bonn make it clear what Schmidt will say: 1) deploying West German forces outside NATO is completely out of the question for constitutional reasons, and 2) rising defense expenditures are contingent on the lowering of U.S. interest rates and an improvement in the world economic situation. An official Bonn government spokesman, Lothar Ruehl, said so at an international conference of the Wehrkunde defense group in Munich on Feb. 22. (see *EIR* March 10).

This view was officially reiterated at a meeting of the West German cabinet on March 11, following the announcement by Defense Minister Hans Apel that the increase in the defense budget would not meet the 3 percent target set by NATO. "Chancellor Schmidt thanked Apel for already successful economizing measures in the sum of 1.3 billion deutschemarks," reported the financial daily *Handelsblatt*. "The cabinet stressed their view that German defense responsibilities could be met, because the big procurement programs such as the Tornado fighter and the Leopard II tank would not be cut. The cabinet concluded that the defense capabilities of the Federal Republic of Germany were premised on its ability to finance defense. Economic stability and growth capability are the preconditions for a new division of labor within NATO."

Schmidt will seek to convince President Reagan that Brezhnev's offer for a moratorium on deployment of "Euromissiles" deserves discussion and negotiation, within the framework of the overall Franco-German war-avoidance strategy. In his radio interview March 8, the chancellor explained why the achievement of a military equilibrium would not be enough. "Even if a military balance is a necessary prerequisite for any peace, that does not mean submission to the will of the other side," he said, "this equilibrium alone does not suffice to safeguard peace. What must be added is the sentiment for peace, the will for peace, the willingness to understand the other side, the willingness to take his interests, his requirements into account, the readiness for compromise."

Asked whether negotiations with Moscow could make it unnecessary to carry out NATO's 1979 decision to deploy new missiles in Europe, Schmidt replied: "I believe that it can still be avoided. . . . I am convinced that these negotiations will materialize. Unfortunately, the offer made by Mr. Brezhnev in this respect in his speech at the party congress does not go far enough. It even lags behind ideas he stated once before in East Berlin on Oct. 6, 1979. At the time, he was ready to withdraw a large part of the Soviet Eurostrategic missiles behind the Urals in addition to the moratorium. Though this would not have meant much, because the range of these weapons is roughly 4,000 kilometers, it would have been a gesture toward removing the pressure exerted on Europe."

Schmidt concluded: "Ronald Reagan told me in a talk shortly after his election and prior to his inauguration in Washington that he is prepared to negotiate with the Soviet Union, in particular on arms limitation. . . . Surely he will not be an easy negotiating partner who can be taken in—thank God, no. By the way, the Russians will not be easy negotiating partners either."

U.K. Strategy

Why was Thatcher kept in office?

by Christopher White, Contributing Editor

British Chancellor of the Exchequer Geoffrey Howe secured passage for the third and toughest deflationary budget yet presented by the government of Margaret Thatcher in a House of Commons vote on March 17. For the first time 30 of Thatcher's own Conservatives abstained from voting on crucial features of the package; others voted against.

The rebellion in the ranks of Thatcher's ruling Conservative Party, motivated by increasing recognition of the butchery that is being perpetrated on the wreckage of British industry, disguises the fact that an increasingly desperate and cornered British oligarchy has given Margaret Thatcher another guaranteed six months in which her so-called experiment with the Friedmanite Nazi cure for their depression can be continued.

Sticking with Thatcher

Thatcher is at this point ruling the wreckage of Britain in a de facto coalition with the radical "workers' control" wing of the British Labour Party associated with the high priest of British dissidentry Tony Wedgwood Benn. In the public accounts of the fights leading up to the March 17 passage of the Howe economic package, such an alliance between the two extremes of the public British political spectrum had become a subject of discussion in that country's press.

As was pointed out by Peregrine Worsthorne, columnist for the London *Sunday Telegraph*, the radical capitalist-roaders of the Thatcher free-trade school and the radical workerites of Tony Benn's faction share an antipathy to policies of government backing of industry to secure industrial progress and economic growth. Worsthorne juxtaposed the Thatcher-Benn combination with the opposite approach to political economy followed by the French, the Germans, and the Japanese.

However, the fact remains that despite the squawks of opposition to be heard from such cabinet ministers as Prior, Gilmour, Carrington, Pym, and others, the decision has been made to prolong the agony into the fall of the year. By that time it is to be expected that entire chunks of the remains of British industry will have been consigned to the not-so-metaphorical garbage can, and unemployment within Britain will probably be in the range of 4 to 5 million, between 15 and 20 percent of the working population.

The bigger gameplan

The decision to reprieve Thatcher at this juncture is not so much based on an assessment of what ensues if the psychotic Friedmanite is kept in office—the disaster signs are all over the place—but on what the perverted policy-makers among Britain's section of the oligarchy considers will be lost if Thatcher is tossed out.

London is now attempting to maneuver the Reagan administration into Phase II of the destabilization of the potentials unleashed within the U.S. by the election of Ronald Reagan last November. It was, of course, Thatcher ally Tony Wedgwood Benn who outlined the two-phase project—which was adopted at the conference of the Socialist International in Washington, Dec. 5-7.

Benn projected that in the first phase Reagan could be manipulated into adherence to the high interest rate, anti-industry and antifarming policies of Federal Reserve Chairman Paul Adolph Volcker, and be what he called "Thatcherized," or discredited, in the eyes of the the U.S. population. At that point, Phase II, a wave of terrorist violence and urban confrontations, could be unleashed over the spring and the summer of 1981.

This international faction is based on the neo-Malthusian genocide doctrines avowed most concentratedly by the Thatcher government in Britain, which is its leading instrument globally.

The decision to keep Thatcher in office, in short, signals an upgraded determination on the part of that international faction, identified otherwise by the rallying points of the oligarchy such as the Club of Rome and the World Wildlife Fund, to keep Reagan on his present politically disastrous course.

This decision has been made as President Valéry Giscard d'Estaing of France made the international fight against the suicidal consequences of Thatcher's monetarist doctrines the leading edge of his re-election campaign in France, and as the efforts of leading U.S. Democrat and economist Lyndon LaRouche to pull together an international coalition to reverse the genocidal consequences of the monetarist doctrines of Thatcher and her international factional allies achieve new public prominence in his tour of Mexico.

It must therefore be assumed that the British decision to maintain Thatcher is part of a broader package to push ahead at all costs—rising international opposition to their hideous strategy thus discounted.

The British Parliament's budget vote can thus be properly viewed as the harbinger of a new wave of international wetworks and dirty tricks, for which the climate has been prepared internationally since December by the activities of the Socialist International allies of Thatcher's controllers.

LaRouche's Mexico tour and the oil-for-nuclear plan

by Dennis Small

Lyndon H. LaRouche, the founding editor of *Executive Intelligence Review,* told an international symposium on economics in Monterrey, Mexico on March 9 that if the government of the United States were to immediately agree to trade oil for technology with Mexico, vast benefits for both countries would result. The U.S. could sell Mexico $100 billion in American capital goods and technology during the next decade. Mexico would trade its "20th-century surplus resource, petroleum, for the technology of the 21st century," such as nuclear plants. And there would be a "change in the global strategic geometry resulting, chain-reaction fashion, from the establishment of such a relationship."

LaRouche was the guest speaker before 250 persons at the International Symposium on Economics, an annual event sponsored by the Monterrey Institute of Technology. The institute is the principal think tank of Mexico's industrially powerful, Monterrey-centered private sector.

The address was part of a six-week speaking tour by Mr. LaRouche, which will have taken him from Monterrey and Mexico City back to Washington, D.C. at the end of March to address an executive seminar sponsored by *EIR* on U.S.-Mexico relations, all aimed at influencing the April 27-28 meeting between Mexican President José López Portillo and President Ronald Reagan.

"Shaping the outcome of the upcoming Reagan-López Portillo summit is precisely one of my objectives in coming here," LaRouche told a Monterrey television audience.

Mexico's political elite—both governmental and private sector—has responded positively to LaRouche's call. This is seen clearly in the quality of political debate on matters of energy and population which has emerged in the wake of Mr. LaRouche's interventions (see news excerpts and reports below), and in the exceptional press coverage afforded LaRouche in Mexico. Indicative is an editorial appearing in *Más Noticias,* the largest afternoon daily of Monterrey, Mexico.

"It would be wise to pay close attention to the words of warning that have just been voiced by the American economist Dr. Lyndon H. LaRouche. Mexico would benefit if it traded its surplus of a potentially obsolete source, oil, for modern industrial technologies of the 21st century.

"It is somewhat ironic," the mass circulation daily concluded, "that it takes an American to alert us [but] it is here that we believe that the Mexican government should focus all its attention."

Mexican government officials and leaders of the business community have already taken up *Más Noticias*'s advice. Over the past week they held extensive private discussions with Mr. LaRouche in both Monterrey and Mexico City, responding favorably to the oil-for-technology strategy, and debating out the details of its implementation.

But as much as it is an offer to Mexico, the LaRouche proposal is also a challenge to the Reagan administration: jettison Volcker's high interest-rate policy of economic austerity; reject the Carterite "Global 2000" strategy of reducing world population through genocide; and execute the electoral mandate of re-embarking America on its original course of high-technology industrial development.

LaRouche elaborated on this theme to a packed press conference in Mexico City on March 16:

"If the Reagan administration continues its present policy, we will probably be in an irreversible world depression beginning May or June of this year."

If, however, the Reagan administration adopts a development strategy toward neighboring Mexico, LaRouche explained, this can serve as a model of mutually beneficial economic relations to be followed in all areas of American foreign policy. This, in turn, would go a long way toward cooling out the worst political hot spots—such as Central America and the Middle East—that now have the world on the brink of war.

Such an American policy would work hand-in-hand with the Third World strategy outlined by our European allies, such as President Giscard d'Estaing of France, whose government has announced that its entire Third World policy is premised on transferring advanced technology to aid this sector's industrial modernization. In fact, LaRouche used his Mexico City press conference to issue a call to the heads of state of France, Mexico, West Germany, and India to influence the Reagan administration to reverse the current disastrous course of U.S. policy.

Common Market

Where Mexico is open to an oil-for-technology relationship, Washington is still in the throes of a factional brawl between those—like LaRouche—who support this policy, and those circles that are opposed to the industrial development of the Third World. For example, Secretary of State Alexander Haig and National Security Adviser Richard Allen have consistently opposed a U.S.-Mexican alliance based on economic cooperation.

Aware from past experience that the policy proposal which most rankles Mexico's government is the Carter-concocted idea of establishing a "North American Common Market" among the U.S., Mexico, and Canada, Haig and Co. put out that line to the press last week. Worse, they used Reagan's Canadian trip and his meetings with Prime Minister Trudeau to have "White House sources" tell the press that the Canadian and American heads of state "enthusiastically" agreed to invite the Mexican President to "regular tripartite summit meetings" to work out the idea of a "North American Accord" among the three countries.

The López Portillo government is unalterably opposed to this North American Accord proposal—a rewording of the original "Common Market" scheme—on the grounds that it would undermine Mexico's own industrial development strategy.

In a speech to the Canadian Parliament on May 26, 1980, President López Portillo himself declared that "the creation of such an entity would inevitably hinder our industrial development," and would condemn Mexico to "perpetually extracting and exporting raw materials for their consumption by more advanced societies." That is why, he concluded, Mexico rejects the idea of any "regional economic association" in North America, "be it general or be it in the field of energy."

Reagan's Canadian torpedo was not enough for Haig's boys. They provocatively rubbed salt in the wound in the form of statements to the press issued by John Gavin, the Hollywood actor who has been widely mooted as Reagan's choice for ambassador to Mexico. Gavin is quoted in the Mexican press saying: "I propose to you . . . the formation of a North American Common Market, which would include Canada, the United States, and Mexico. . . . The advantages of unifying our energy resources is obvious."

Gavin called for an end to Mexico's jealously defended industrialization strategy: "What Mexico needs are labor-intensive industries, and not so much those that are intensive in the use of capital . . . such as steel and petrochemical."

Although it is not altogether clear whether Gavin actually holds the views he purportedly uttered, or if he was simply fed a pre-packaged speech by Haig, the effect in Mexico was to provoke predictable outrage.

The Common Market question has been a longstanding—and fundamental—bone of contention between the United States and Mexico. Carter's terrible relations with Mexico in large part were due to his advocacy of this approach. Ronald Reagan, at his first meeting with López Portillo in January 1981, judiciously avoided calling for a North American Accord, despite the strong pressure from National Security Adviser Richard Allen and others to do so. In the weeks leading up to that meeting, Lyndon LaRouche was the most vocal opponent of any such tripartite approach, calling then—as he is today—for a strictly *bilateral* approach to Mexico, centered on the oil-for-technology concept.

The issue now is whether the LaRouche prodevelopment policy or Haig's contrary view will prevail inside the Reagan administration.

Growth rate

The present López Portillo government of Mexico is committed to using Mexico's oil resources to achieve economic growth rates of 7 to 8 percent per year.

The crux of Mr. LaRouche's recommendations is that Mexico can and must raise growth rate targets to at least 12 percent per annum, the minimum annually required to overcome key economic bottlenecks—transportation, education, etc.—and to offset the "overhead cost" of Mexico's large subsistence agriculture sector, which must be replaced with a modern farming sector.

Policy Proposal

Lyndon H. LaRouche, Jr.

'20th-century resource for 21st-century technology'

In his address March 9 to the Monterrey Institute of Technology's "International Symposium on Economics," Lyndon LaRouche outlined an "oil-for-technology" initiative that is provoking broad interest among policymakers on both sides of the border.

Based on agreement between the governments of the United States and Mexico, LaRouche reported, the oil-for-technology approach would "represent in principle the model for a new economic order in North-South relations. Mexico," he continued, "enjoys the special world-historical importance of being among those leading developing nations whose special circumstances enable it to bring the beginning of such a new economic order into being."

Increased production of oil for export

"Let us assume, for purposes of discussion, that the projected increase in Mexico's production for oil exports to the United States were to reach 2.5 million barrels per day," said LaRouche. "Let us assume that this means that over the first decade of such an agreement Mexico would receive the current equivalent of $150 billion in high-technology capital-goods imports, in addition to other categories of purchases effected with oil revenues. . . .

"The export of $150 billion more of capital goods from the United States to Mexico would accelerate investment and capital turnover in the most advantaged basic industries of the United States, accelerating technological progress in those industries, as well as increasing productive employment in the United States. A government of the United States which rejected Mexico's offer of an oil-for-technology program would be a government which ought to be certified to a mental hospital on clear grounds of galloping insanity."

"Mexico would benefit. It would be exchanging a surplus of a potentially obsolescent energy source, petroleum, for 21st-century technologies as well as up-to-date 21st-century industrial and agricultural technologies. . . .

Mexico must go nuclear

"The major feature of global investment over the coming decades must be nuclear technologies. . . . Every nation which intends to have a technological future, including most of the semi-industrialized developing nations, must now begin to develop nuclear technologies. Nations . . . such as Mexico must become masters of thermonuclear technologies, developing the research and training programs required, as Pemex has done in connection with petroleum technologies."

LaRouche also proposed that Mexico complement nuclear with advanced MHD natural-gas-based energy production—especially in the eastern parts of Mexico where natural gas is plentiful. He recommended that American companies aggressively join the international bidding for such nuclear and MHD contracts.

Modernization of agriculture

An immediate development objective must be to eliminate subsistence agriculture, not to subsidize its continuation. "We must end the policy of bringing the price of food down to the reduced income-level of marginally productive households. We must, instead, bring the earned income of households up to the level needed to secure food supplies priced on the basis of parity prices paid to agricultural producers. . . . This enables massive capital inputs into the rapid modernization of agriculture in extensive modes. It requires rapid development of modern industrial workplaces to meet agricultural requirements and to absorb portions of the labor force shifting from rural to urban forms of employment."

Expand education, manpower training

"If I were advising the government of Mexico, I would whisper to the ears of my friends in Mexico: 'Mexico must have not only nuclear plants, it must also have a reprocessing capability, and must have educational and research centers through which thousands of Ph.D.-equivalent physicists and chemists specializing in advanced plasma-physics technologies are developed over the coming two decades.' "

LaRouche proposed the adoption of France's 18th-century Ecole Polytechnique as the model for integrated scientific and industrial centers to be established across Mexico.

Port expansion on both sides of the border

To handle the influx of capital goods and technology involved, Mexico needs a major expansion of port facilities on both its Pacific and Gulf coasts—even more ambitious than that now contemplated by the Mexican government. The same applies to now-languishing U.S. port facilities. "The Caribbean coast of the United States would blossom with new superports at places such as Galveston, New Orleans, and Mobile," said LaRouche. "The riparian transport system, the railroads and air freight capacities, would blossom anew. All this would be catalyzed by the need to process capital goods and related traffic with Mexico and other nations."

Finance U.S. exports through Eximbank

The United States has immediately at hand the institutional means to provide credit for the capital goods this program requires Mexico to import from America. The key, said LaRouche, "is the organization of credit relationships on a state-to-state basis. In the case of the United States, the Export-Import Bank is the obvious vehicle for facilitating oil-for-technology agreements. This requires that the U.S. Congress authorize increases in the capital of the Export-Import Bank up to the level of combined petroleum-earnings deposits and additional credit extended to Mexico."

EIR Seminar

Mexico: America's $100 Billion Neighbor

In California:

Thursday, April 16 2:00 p.m.
Speaker: Dennis Small,
Latin America Editor, EIR

Contact: Theodore Andromidas (213) 383-2912

Documentation

How Mexico views LaRouche analysis

Lyndon LaRouche's Mexican tour received prominent, favorable coverage in Mexico's major press, along with his econometric model, known as the LaRouche-Riemann model, the basis of a major new program for Mexican economic development coauthored by the Mexican Fusion Energy Association (AMEF) and the U.S.'s Fusion Energy Foundation, and presented to the public in a high-level Mexico City conference Feb. 19-20. The more significant articles include:

Feb. 20, 1981, El Sol de México, "Aggressive Exploitation of Crude, Uwe Parpart Recommends to Pemex; Scientifically We Will Soon Be an Industrial Power, Says the Director of the U.S. Fusion Energy Foundation."

Feb. 20, 1981, Ultimas Noticias de Excélsior, "Mexico Must Not Fear Nuclear Energy: Dr. Uwe Parpart," by Edward González. "Dr. Parpart stated that Mexico can leave underdevelopment behind and enter fully into a new economic model, based on the theories of Lyndon H. LaRouche," reported the leading afternoon daily.

Feb. 21, 1981, El Sol de México, page 1, "Political Groups Hold Back Mexican Nuclear Industry: S. Bardwell and Soto Estévez," by Fermín Vázquez Legaria. "The future development of Mexico, driven no longer by oil but by nuclear energy, encounters serious obstacles in the lack of scientists . . . it was said at the wrapup of the seminar, 'Energy and the Economy: Mexico 2000,' organized by the Mexican Fusion Energy Association."

Feb. 21, 1981, El Heraldo, page 1, economics and finance section. "Mexico needs nuclear energy for the development of its human potential, according to Dr. Uwe Parpart," reported this major Mexico City daily.

March 7 and 9, 1981, El Heraldo, "The Topic: Models," by Leopoldo Mendívil. Extensive excerpts from the proceedings of the AMEF/FEF conference and the LaRouche-Riemann forecasts, in two parts.

March 10, 1981, El Norte, page 1, "An Oil for Technology Exchange Would Be Beneficial." Monterrey's leading daily reports on Lyndon LaRouche's presentation to the Monterrey Institute of Technology.

March 10, 1981, Ovaciones, "Symposium at Monterrey Institute of Technology Opens."

March 10, 1981, Más Noticias, "U.S. Economist Believes It Would Be Idiocy If His Country Did Not Exchange Technology for Mexican Oil." Monterrey's wide-circulation daily on LaRouche's proposals.

March 11, 1981, Más Noticias, "Opinion" op-ed by Mr. Nuñez Espinosa, endorses LaRouche's "oil for technology" proposal.

March 12, 1981, El Heraldo, "The Topic: Econometrics," by Leopoldo Mendívil. A full review of LaRouche's background, his econometric model, and his trip to Mexico.

March 14, 1981, The News, "LaRouche Brings Mexico the Word: Technology," by Deborah Moffet. Mexico City English-language daily on LaRouche's Monterrey speech.

March 15, 1981, Avance, page 1, "Mexico Should Exchange Oil for 21st-Century Technology: LaRouche." "Lyndon LaRouche, the Democratic Party's leading economic adviser, advised Mexico to buy $300 billion of technology to avoid an economic collapse in the 21st century," reported this Mexico City daily.

March 15, 1981, El Sol de México, "Haig Will Cause the Death of Millions," by Fermín Vázquez Legaria. Covers LaRouche's charges that Haig's policies toward Mexico and Central America will lead to genocide.

March 16, 1981, El Diario de México, "Political Moment," by Arturo Blancas. This Mexico City daily also reports on LaRouche's accusations against Haig.

March 17, 1981, Novedades, "Indicators," by Neftali Célis. Financial page coverage of LaRouche's March 16 press conference. "The economic program of Ronald Reagan could lead by May or June to the worst economic recession that Americans have ever faced."

March 17, 1981, Excélsior, "Political Fronts." Mexico's leading newspaper also covers the LaRouche press conference. "LaRouche asked the governments of Mexico, India, France, and West Germany to jointly influence Ronald Reagan to change his economic policy."

From *Ovaciones,* Mexico City, March 10, 1981:

Dr. Lyndon Hermyle LaRouche, ex-presidential candidate of the Democratic Party in 1980 and current chairman of the Advisory Board of the National Democratic Policy Committee, as well as founding editor of the magazine *Executive Intelligence Review,* Inc. said: "Since the 1976 election of former U.S. President James Earl Carter, over the course of the recent four years, there has been an increasing threat of general warfare. This has been a conflict spilling over from deteriorating economic situations among developing nations. . . ."

Dr. LaRouche explained that the true cause for the danger of general warfare is not the now-traditional conflict between industrial capitalist and socialist forms of society, but rather is a conflict between two policies which overlap the established divisions between the military-strategic alignments. He indicated that the neo-Malthusian, "one-world" forces are typified in the capitalist sector by the Club of Rome, the Pan-European Union, the World Wildlife Fund. . . . [In the Soviet bloc, and among Communist parties, the neo-Malthusians] are led by the Communist factions tied to the present-day continuation of the old Communist International intelligence institutions, known as IMEMO.

From *El Heraldo,* Mexico City, March 12, 1981:

In a page one banner headline article in *El Heraldo* last Aug. 11, this reporter brought you news from New York about a charge made by Lyndon LaRouche, former Democratic presidential candidate, against Carter and his national security adviser, Zbigniew Brzezinski, concerning a plan to reduce the Mexican population.

On that occasion, the U.S. embassy in Mexico denied LaRouche's charges and denounced him as a charlatan.

In the months since, LaRouche was at least right about one thing: Carter lost. . . .

LaRouche is an economist and he enjoys matters related to physics. He describes himself as a Neoplatonist and says that the *Republic* of that Greek is exactly what the ideal system of government should be.

Among other things he directs is a magazine called *Executive Intelligence Review,* which has an international circulation, and has gained a certain reputation for the importance of the things it has revealed—before such things became concrete political reality. The degree of interest and credibility attributed to it by the Mexican government is best measured, perhaps, by the fact that the President of the Republic used material taken entirely from the *EIR* for press briefing material.

LaRouche has a bone to pick, in the world of economics, with the International Monetary Fund, which, he says, is a decaying institution that is an enemy of the development of the poor countries. And he asserts that he is the intellectual author of a plan for a new monetary system that can be called the European Monetary Fund, which would be closely linked to the development of the Third World. . . .

It turns out that LaRouche . . . developed an econometric system for Mexico that differs widely from the Wharton School model, used in circles of the Budget Ministry, and the Cambridge model, which had a strong influence in the drafting of the National Industrial Plan.

All this is sure to cause quite a polemic in Mexico in the next few days because—did you know—LaRouche is now in the land of Aztlan. In the past few days he was in Monterrey, and today he arrives in this city where, I am told, he will have meetings with various personalities, including some from the administration.

We shall soon see what happens.

Nuclear power advocates spurred by proposal for expanded investment

by Timothy Rush

The small antinuclear forces in Mexico have tried to let Mexico's oil wealth do their work for them. While targeting some youth and leftists for an antinuclear movement, the "greenie" strategists have nurtured the line among those less prone to environmentalist scare stories that "Mexico can afford to wait on nuclear because it has so much oil."

Lyndon LaRouche's formulation during his visit that Mexico "must trade a 20th-century resource—oil—for 21st-century technologies" caught the imagination of the substantial pronuclear sentiment waiting to begin a counteroffensive. The Mexican daily *Novedades* editorialized March 16 that "even the countries with oil, like ours, must necessarily move toward new sources of energy. In the case of nuclear energy, there are, in addition, immense possibilities for applications outside the energy area, such as in food and in medicine.

"In order to move on to the technology that nuclear energy permits us to use," continued the editorial, "we must carry out a great national effort to prepare technicians and professionals in this area. In the next few years the plant at Laguna Verde, Veracruz, and the reactor center at Pátzcuaro, Michoacán, will come on stream. To run these important installations and those which follow them, we will need more than 50,000 nuclear technicians. This requires a rapid and efficient training program for these people. If we don't undertake such a program immediately, we run the risk of losing the enviable advantage which we have been able to gain in the energy field, thanks to the richness of our subsoil in hydrocarbons and uranium." Mexico's twin nuclear plants at Laguna Verde (650 MWe each) are now due to begin

Union leader: nuclear shutdown means murder

Excerpted below is an exchange on the pages of Uno más Uno *in mid-March between Mauricio Schoijet, an Argentine sympathizer with the Socialist International who is currently operating an antinuclear crusade out of Mexico, and Nuclear Workers Union (SUTIN) spokesman Arturo Ponce.*

Schoijet: The workers are the first victims of radioactive contamination. . . . Worker toleration of the dangers of radiation is encouraged by collaborationist labor leaders. . . .

A worker at the Seabrook plant suggested that workers are unable to select the projects they would like to work on and gave as an example the German workers who built the cremation ovens during the Hitler period. . . . What do workers expect from the system which gives them jobs, although they are dangerous and unhealthy? What do they think of their political influence in terms of their ability to promote the kinds of projects they want to work on, which is identical with that of the German workers during the Hitler period when the German working class had no rights at all?

Ponce: In the ecstasy of his anti-nuclear delirium, Schoijet, after accusing nuclear energy workers of being class collaborators, implies that if Hitler-type cremation ovens were being built, the nuclear workers would build them. . . .

Schoijet cites [U.S. social-democratic labor leader] William Winpisinger, "Historically, industry replaces labor with energy, thereby reducing the number of workers needed for production." This means that ideal society would be one in which only human energy is used. That's a really romantic idea. But we are 4.5 billion people living on this planet. If we want primitive means of production, wouldn't many people be in excess?. . . Such a pre-industrial society (feudal, primitive, patriarchal, or what?) May seem attractive to some people, but it won't provide for the population!

operation in 1983; the test reactor and training center at Pátzcuaro, a $30 million facility, is just at the groundbreaking stage.

The reference to the Pátzcuaro facility was appropriate because in the preceding days a new group, calling itself the "Ecological Defense Committee of Michoacán," had suddenly made a bid for national prominence with threats to stop the facility.

The environmental-leftist daily *Uno más Uno*, which gave the committee every favorable mention it could, had to admit that few responded to the call. A glance at the lead speakers in a protest meeting March 13, however, confirmed that an international coordinated intensification of environmental activity was involved.

The most significant name on the speaker's roster was Dr. Adip Sabag, director of the Mexican Public Opinion Institute (IMOP), a subsidiary of the newly constituted Mexican Social Democratic Party, seeking official affiliation with Willy Brandt's environmentalist, proterrorist Socialist International.

Speaking with Sabag was José Arias, head of an offshoot of the United Nations environmentalist apparatus called the "Association of Appropriate Technologies," and Jean Roberts, a collaborator of counterculture brainwasher and guru, Ivan Illich.

Some government officials are playing along. Public Works and Housing Minister Pedro Ramírez Vázquez has put environmentalists on the ministry's payroll and promoted solar energy as Mexico's energy future. Jorge Castañeda's foreign ministry is cosponsoring a late March "new and renewable energy" forum with the U.N.'s Economic Commission on Latin America. Its focus will be the technologies of the 14th-century—windmills, sailing ships, beasts of burden, and swamp gas.

Yet the tide is unquestionably running against these greenie efforts in Mexico. The government has announced that bids will be taken this summer for the next 2,000 to 3,000 MWe of nuclear power construction. The new official Energy Plan calls for 20 new plants by the year 2000. And at the Third Pacific Basin Nuclear Conference in Acapulco in February, government spokesmen sent a strong message to the Reagan administration that one of the actions that could most quickly undo the damage of the Carter years would be to reverse Carter's restrictions on nuclear exports (see *EIR*, March 17).

The aggressiveness of the nuclear advocates, spurred and reinforced by the LaRouche statements, was most audible in the rejoinder of Nuclear Workers Union spokesman Arturo Ponce to diatribes by countercultural columnist Mauricio Schoijet (see box). To Schoijet's likening of the pronuclear labor unions to the workers who built Hitler's gas ovens, Ponce simply asked Schoijet to put a figure on how many millions will die under his own regime of primitive technologies.

Hijacking could clinch to Pakistan—and undo

by Paul Zykofsky, New Delhi correspondent

The Pakistani air hijacking drama that ended in Syria last week has set the stage for a chorus of demands that U.S. arms be rushed to Gen. Zia Ul-Haq's military dictatorship in Pakistan to "meet the Soviet threat." Pakistani government charges that the Soviet Union and Soviet-backed regime in Afghanistan operated in collusion with the hijackers were repeated two days ago by the U.S. State Department.

But, despite the overtly anti-Zia nature of the hijacking, the affair has aroused deep suspicions in neighboring India and elsewhere that Gen. Zia Ul-Haq may have run the hijacking himself as a pretext for gaining U.S. backing to embark on dangerous adventurism to maintain himself in power.

One Indian politico-military analyst did not hesitate to describe the entire incident as a "setup" carried out with the complicity of the Zia regime to brand the opposition as "terrorists." The opposition is the Pakistan Peoples Party (PPP), founded by executed former Prime Minister Zulifikar Ali Bhutto, and the nine parties the PPP recently united into a Movement for the Restoration of Democracy.

The analyst reported that he had first received this impression when, on the second day of the hijacking, British Broadcasting Company had reported from Islamabad that Pakistan was blaming India for the incident. His view was reinforced, he noted, when the head of Pakistan International Airways, Gen. Rahim Khan, went out of his way to charge that the hijacking had been carried out with the full support of the PPP and the Bhutto family. The subsequent arrest of PPP leaders Mrs. Nusrat Bhutto and Benazir Bhutto, the wife and daughter of the former prime minister executed by the Zia government, and of hundreds of opposition members, was taken as further evidence of the suspicious nature of the hijacking.

Some confirmation of these suspicions emerged over one week after the hijacking when a small item appeared in the Indian press to the effect that the head of the hijackers, "Algamir" (also called "Tippu"), was a former member of Pakistan's Secret Service Group (SSG). According to sources near the Pakistani border, the press

U.S. arms shipment General Zia's hold

account stated, the hijack leader had received special guerrilla warfare training in the Pakistan-occupied portion of Kashmir under Chinese instructors.

In a television speech after the hijacking, General Zia tried to link the PPP to the affair, and also charged that the plot involved unspecified "foreigners." Zia went from this totally unsubstantiated claim to say that there was an "anti-state conspiracy" which was trying to lead the country away from the Islamic fundamentalist path his military dictatorship has been pushing. The crackdown against opposition parties was described as a move to crush this "conspiracy."

Indian analysts thus explain the hijacking affair as the culmination of a year-long effort by the Zia regime to brand the political opposition—and particularly the Bhuttos' PPP—as terrorists with links to Libya and the Soviet Union. Pakistan's expulsion of several Libyan diplomats over the past few months, and leveling of charges that some of them were Soviet KGB agents, is thought to be part of this premeditated effort—possibly conducted with the cooperation of Libya.

The moves against the opposition had been made all the more urgent when the recently formed Movement for the Restoration of Democracy demanded an end to the military regime and the holding of elections. In fact, just a few weeks prior to the hijacking, the Zia regime had been shaken by the outbreak of the most widespread unrest to take place in the nearly four years of the regime's existence. Before the military dictatorship was able to crack down, the ferment had spread to include students, doctors, and lawyers fed up with General Zia's rule.

Will Washington arm Zia?

Despite the evidence that it was a setup job, the message being put out in Washington is that General Zia's unpopular regime must be supported for strategic reasons. *Baltimore Sun* correspondent Henry Trewhitt, reporting on the State Department's accusation of Soviet involvement, put it this way: "Pakistan's relative security will influence the administration's developing policy for the entire Persian Gulf region, and its oil. That consideration is magnified by the Soviet presence in Afghanistan and instability in Iran."

The policy of building up Pakistan as an armed base in the Persian Gulf region has its origins in Britain, whose Thatcher government has been pushing the Reagan administration to take this path. British Foreign Minister Lord Carrington will visit Pakistan March 27. According to reports in the Indian press, he will discuss British arms sales to Pakistan and increased arms supplies to the Afghan rebels operating out of bases in Pakistan.

Despite doubts in Washington about the wisdom of such a policy, the Reagan administration appears ready to provide substantial military and economic assistance to prop up the ailing Zia regime. And, given the mood created by Secretary of State Alexander Haig, what better way to get U.S. support than for dictator Zia to portray himself as a "defender of democracy" against terrorist opposition?

India: reason to worry

There is little question that India will react sharply to any large-scale U.S. military aid to Pakistan or to the Afghan rebels. Despite claims that the military supplies will be used to defend Pakistan against the threat of Soviet forces in Afghanistan, neighboring India has reason to be worried. First of all, as Indian analysts point out, there is the historic precedent of Pakistan's use of foreign-supplied arms in past confrontations with India. Furthermore, since the Soviet intervention into Afghanistan, Pakistan has yet to redeploy its forces to face the alleged Soviet threat. Instead, two-thirds of its military forces are reportedly still lined up along the border with India.

Large-scale arming of the Afghan rebels, another mooted policy in Washington, would probably hasten the downfall of General Zia—both as a result of increased Soviet pressure on Pakistan, as well as from the growing unrest in the northwest frontier region, where the more than 1 million Afghan refugees are camped out. Recognizing this, Zia has taken a public posture in opposition to arming the Afghanis.

Most Indian specialists think that the United States' arming of the Pakistani junta and the Afghan rebels would only undermine America's own interests in the region, while intensifying dangerous tensions with the Soviet Union. Nor has the late-March visit of British Foreign Minister Carrington to Pakistan heartened the Indians. Commented one foreign policy expert in New Delhi: "In the 1950s, the British dragged you into the Cold War mess to undermine America's relations with the developing and newly independent nations. Is Reagan going to allow the British to once again set the U.S. up for a major foreign policy disaster in this region?"

NATO to control Arab oil?

Judith Wyer reports on the connections between new pipeline routing, the Rapid Deployment Force buildup, and insurgent activity in the Gulf.

London, together with the multinational oil cartels and allied intelligence factions, is currently maneuvering to reroute Persian Gulf oil flows away from the Gulf into sea lanes that would be controlled by the U.S. Rapid Deployment Force (RDF). The most important new sea lane for crude flows is the Red Sea.

The RDF's role in the Middle East and Indian Ocean is not primarily to counter the Soviet Union, but to establish direct NATO control over the flow of vital raw materials. The idea is based on 20-year-old British intelligence plan for setting up a mobile strike force to police the region.

The command centers in the United States for NATO's bid for control of world raw material supplies are Mobil Oil Company and the Mobil-funded Georgetown University.

Mobil Oil is officially involved in every major project in Saudi Arabia to pipe Saudi oil across the Arabian peninsula, including the construction of a refinery which, sources say, will provide fuel for the future RDF troops slated to be stationed at the Ras Banas base across the Red Sea in Egypt.

As the accompanying map shows, the projected sites for U.S. or NATO-allied troops center on choke points for oil flows, with special emphasis on the Red Sea.

This scenario of bypassing the Gulf as a crude oil export route is premised on a dangerous strategic doctrine known among specialists as a Middle East "Yalta agreement" under which the superpowers would carve up the area into spheres of influence, and write off Iran as a Western ally. Such a plan is calculated to end direct access for continental Europe and Japan to Middle East crude, the lifeline of their economies.

Through the construction of a series of new pipelines, including the Mobil-built Yanbu pipeline, Gulf oil will be routed through Oman and Egypt, designated as sites for RDF bases. Jack Hayes, the director of cultural affairs for Mobil, boasted this week that Mobil "is the brains behind the construction of a new oil terminal and processing center. . . . I guess you could say that Mobil is bullish on the Red Sea."

All crude oil exported from Yanbu would exit the Red Sea, going either through the Egyptian-controlled Suez Canal by tanker, or through the newly built Sumed pipeline that runs through Egypt to the Mediterranean. Egyptian President Anwar Sadat announced last month that he would soon begin a second widening of the canal to allow fully loaded supertankers' transit.

Hayes indicated that the Saudis are presently studying enlargement of the pipeline to carry 3.5 million barrels a day, double its current capacity, to make it the largest and most expensive pipeline in the world—and Mobil is the prime contractor.

The British have urged the Saudis to build a second pipeline through Iraq, terminating in Oman. Following meetings last month between Saudi Defense Minister Sultan and his British counterpart, Lord Carrington, the Saudis proposed this project during a meeting last week of six Gulf states in Oman.

Threatening the Saudis

At the same time, London and its allies in the United States have run a systematic campaign against Saudi Arabia to force Riyadh to accept U.S. military "protection." Middle East scenarist Paul Erdman, author of the novel *The Crash of '79,* in which he promotes the idea of a shutdown of Gulf oil exports, has characterized the Saudi move to pipe oil to the Red Sea as "the result of the Khomeini revolution in Iran. That revolution has forced Saudi Arabia to accept U.S. military protection whether they want it or not."

Arab intelligence sources report that Mobil and its associates are aiming to install U.S. troops in Saudi Arabia, despite the vocal opposition of the current Riyadh regime. The source observed, "In the long term, Mobil and its friend [Secretary of State] Alexander Haig know that they have to shock the Saudis into submission with some violence like what happened at Mecca when the terrorists seized the [Grand] Mosque" during the Muslim pilgrimages in 1979.

As the Saudis and their Arab allies know, even the talk of a U.S. military presence on the Arabian peninsula is enough to invite a violent reaction from radical Arab groups.

Predictably, the public plans of Haig and British Prime Minister Margaret Thatcher for militarizing the

Middle East have triggered Arab extremists against the Saudis and their oil-producing neighbors. During Thatcher's visit to the United States last month, she called for Britain and the U.S. to work together to create a Gulf strike force.

Shortly afterward, the Libyan-funded Beirut newspaper *As Safir* ran an exposé citing an "informed British source" reporting that the Reagan administration had asked the British government to allow American troops to use facilities on Cyprus to back up the RDF. At the same time, Libya's Muammar Qaddafi railed that the U.S. Sixth Fleet was preparing an operation against his regime.

Qaddafi also recently concluded a series of meetings with the president of the People's Democratic Republic of Yemen for a joint backing of the proliferation of "liberation movements" that would challenge the region's pro-American regimes. A key asset in this endeavor is a Yemen-based terrorist group, the Popular Front for the Liberation of Oman (PFLO).

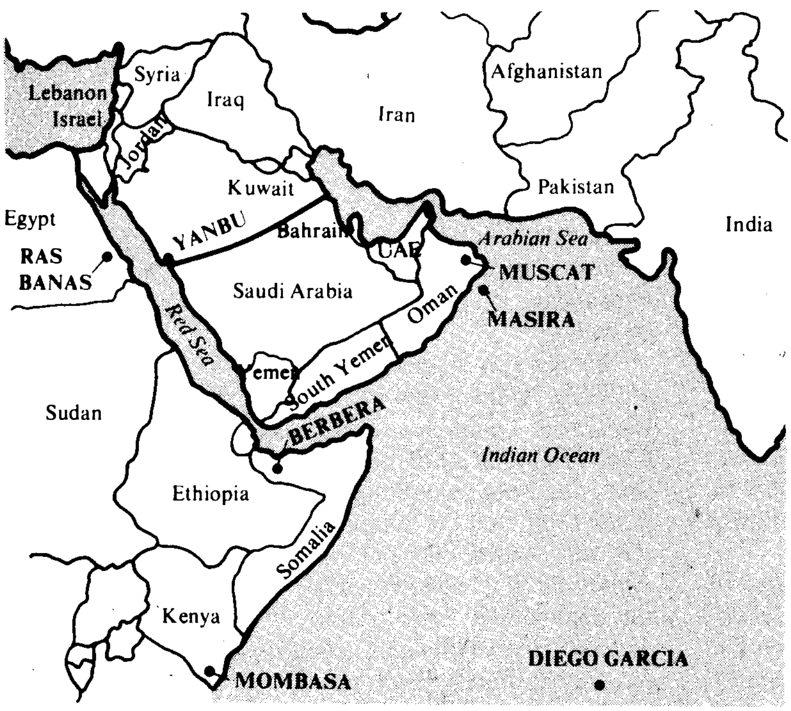
PFLO radio broadcasts have repeatedly linked the recently established Gulf Security Pact, headed by Saudi Arabia, with the just-completed military exercises between the RDF and British-controlled Oman, which is a member of the pact.

The six-member pact was designed to be nonaligned, but Oman's participation in the RDF maneuvers has given the Arab radicals a new pretext for insurgency. A broadcast monitored recently threatened the unleashing of "internal movements" against Gulf states that will "threaten the oil resources" of the Gulf.

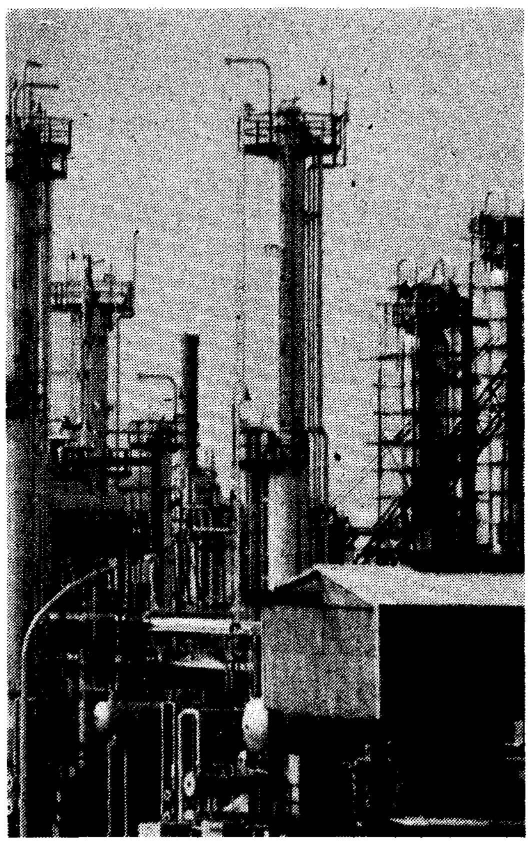
Last month, the PFLO, with Libyan and Yemeni backing, set up a "freedom front" for the Gulf to consolidate Jacobin destabilizations. The Islamic dictatorship of Ayatollah Khomeini is known to be working on a parallel course with the Arab liberationists, with repeated threats to shut down the flow of oil through the Straits of Hormuz at the Gulf mouth.

London journalist Robert Moss, a mouthpiece for British intelligence, last week charged that the Soviets are behind the growing threat to stability in the Gulf. Writing in the London *Daily Telegraph,* Moss reported that the Saudis recently discovered three plots linked to the Soviet KGB to overthrow the Saudi royal family.

Moss's propaganda line is typical of current moves to promote left-right polarization of the Arab world, which moves London reckons will force the Saudis to accept a British-American military umbrella. To do this presupposes that internal destabilization will paralyze or destroy that faction of the Saudi leadership allied to



The U.S. Rapid Deployment Force to be based at Ras Banas, Egypt—just across the Red Sea from the new Saudi oil complex at Yanbu—is part of the plan to put Mideast oil flows under NATO control.



First Crown Prince Fahd, a faction informally allied with continental Europe in a comprehensive plan for petrodollar financing of oil-for-technology industrialization deals.

Resource war

Dr. Alvin Cottrell, director of the Georgetown University Center for Strategic and International Studies and an adviser to the Reagan administration, this week indirectly confirmed that the Saudis are not interested in having an American military presence on their soil. Cottrell stated bluntly that the United States "is aiming to project its power both from Oman and Saudi Arabia . . . but we have to go slow with the Saudis. We have to back in there in such a way that it won't rock the boat."

Beyond the official requests for U.S. military rights at the designated bases, Israel's former Foreign Minister Moshe Dayan, a proponent of extending NATO's forces into the region, has advocated installing American troops on the Sinai at bases Israel is slated to evacuate in 1982 as part of the Camp David accords between Israel and Egypt.

The originators of this policy are centered around intelligence fronts in London including a group that calls itself Aims for Industry. In 1978, Aims for Industry held an international symposium that called for broader cooperation between the private industrial sector and the military to prepare for a resource war—a theme that has gained currency within Anglo-American oligarchical circles as the basis for militarizing parts of the developing sector rich in vital raw materials like petroleum.

The London-based Foreign Affairs Research Institute has also recently released studies on the coming conflict between the superpowers over dwindling resources in order to justify a military buildup in width around the southern hemisphere.

This policy was the topic of a June 1980 conference in Pittsburgh sponsored by the World Affairs Council of Pittsburgh entitled "The Resources War in 3-D—Dependency, Diplomacy, and Defense." At that conference, special attention was given to Saudi Arabia, which, because of its vast oil wealth, was designated as a country that must maintain a "special" military alliance with the United States.

A conduit for this policy in the United States is Frank Barnett, president of the National Strategy Information Center in New York. His call for a tri-oceanic alliance of Europe, Japan, and the U.S. to engage in resource warfare was accepted by the Pittsburgh conference.

This circle extends to the Institute for the Study of Conflict in London, which is associated with Robert Moss, and whose specialty is simulated "conflict studies" for the developing sector. Former Kennedy administration official George Ball helped to set up the institute's Washington office. According to Arab sources, Ball maintains his own connections to Middle East radical circles.

The proposed tradeoff

Policy-making circles associated with the London-based Royal Institute for International Affairs and the New York Council on Foreign Relations have circulated a scenario allowing Iran to be incorporated into the Soviet sphere of influence, in exchange for Soviet acquiescence of a NATO occupation of the Arabian peninsula and the Red Sea.

As an inducement, the Soviets are being offered Iranian natural gas. Under the Pahlavi regime, Moscow and Teheran had reached an agreement to provide the U.S.S.R. with Iranian gas as part of a swap whereby the Soviets in their turn would pipe Siberian natural gas to Europe. Moscow is still pursuing the gigantic gas-export deal with Europe, although parts of the southern U.S.S.R. have been hurt by the loss of Iranian gas imports.

A Washington source notes that "renewed Iranian gas exports to the Soviet Union could make it a lot easier for Siberian gas exports, which Moscow really needs for foreign exchange."

As Dr. Cottrell observed, there is a "stick" in this plan as well. "Even if the Soviets get in there, they might find that they cannot calm things down as easily as they thought. . . . The very fabric of Iran's society, the military, has been torn apart, and now there's nothing to hold the place together."

Reports are mounting in the American press that the dominant party in Iran, the Islamic Republican Party (IRP) is closely coordinating with the Tudeh [communist] party there to assist in the IRP's bid to consolidate its power and oust President Abolhassan Bani-Sadr.

Within this so-called Yalta framework, London is counting on the "class war" foreign policy apparatus in the Soviet Union associated with British triple agent Kim Philby, a KGB general. It is this Soviet faction that is actively promoting Arab extremism on one side of the Gulf, and the fanatical mullahs on the other. It is also this faction that shares the outlook of the Anglo-American elite, exemplified by Mobil, in its plan to use the deployment force to end Arab and Third World national sovereignty and establish still-greater levels of resource control in the area.

Thus far, the Soviet faction associated with Leonid Brezhnev has resisted the Philby policy, but each new move to militarize the Persian Gulf is calculated to increase to pressure on Moscow to agree to "divide up" the region.

Southern Africa's destabilization

If the Reagan administration is drawn into an 'East-West' showdown in the region, stresses Douglas DeGroot, it will also face a crisis at home.

The same group of people who set up the conflagration in El Salvador—U.S. Secretary of State Alexander Haig, the Socialist International led by Willy Brandt, and the "class war" faction of the Soviet leadership around Central Committee member Boris Ponomarev—are now working to spark wars and destabilizations throughout southern Africa. Mozambique and Angola are intended to trigger the scenario.

Haig's role in the operation is to ensure the polarization of the region by allying the United States with South Africa in the escalating regional conflict, thus forcing Angola and Mozambique to ally themselves more closely with the Soviets and Cuba. In the words of one think tanker, "Reagan will contribute to the scenario by polarizing the situation."

Reagan has already come out publicly in favor of the current South African government. In a March 3 interview, he said of South Africa: "Can we abandon a country that has stood beside us in every war we've ever fought, a country that strategically is essential to the free world? It has production of minerals we all must have."

Ironically, this action by the United States will create warfare conditions that will cut off southern Africa's minerals shipments. At the same time, Reagan is setting himself up for destabilization at home by urban riots. In the words of the above-mentioned think tanker: "Americans won't stand idly by while the U.S. lines up with South Africa."

The primary objective in fomenting regional warfare is to drastically reduce the population in potentially rich southern Africa. In the eyes of the U.S. State Department, war, with its resultant population dislocation, chaos and famine—as in El Salvador—is an efficient method for the depopulation demanded by the Carter administration's *Global 2000 Report.* Such wars would also threaten to cut off southern Africa's minerals from those European political forces intent on preventing a worldwide industrial collapse into the postindustrial society envisaged by the authors of Global 2000.

Mozambique: South African provocation

The destabilization operation between South Africa and Mozambique began Jan. 30 when the South African military launched an airborne commando attack near Mozambique's capital of Maputo. The headquarters of the African National Congress was destroyed, and several of its members killed in the surprise attack.

Soviet policy in Africa has consistently been to back what the Soviets term "wars of liberation," which has tended to put the Soviet Union's Africa policy in the hands of its "class war" faction. The ANC is a South African organization opposed to the apartheid system with connections to the Soviets and Cubans. Playing into this profile of the Soviets, Louis Wolfe, who has co-authored two books with *CounterSpy*'s Philip Agee, and who is on the board of directors of *CounterSpy,* made a three-week tour of Mozambique and southern Africa following the South African raid. Wolfe, significantly, is also a co-editor of the *Covert Information Action Bulletin,* a publication which exposes CIA agents.

Therefore, it is not surprising that after Wolfe's tour, the Mozambique government in early March expelled four American diplomats on grounds that they were CIA spies complicit in the South African attack. In addition, shortly after the South African raid, Willy Brandt—who proudly admits his funding of the El Salvador leftist guerrillas—stepped in to loudly denounce South Africa for the raid. And the Soviet Union also responded by sending four ships into Maputo's harbor.

South African press editorials are already calling the Mozambique crisis a "Cuban missile crisis," in the hope they will get more Western support if international tensions are escalated. Reagan's pro-South African statements coincided with the expulsion of the Americans from Mozambique, while two American civilians were also subsequently arrested in Mozambique on charges of spying. Meanwhile, tensions between Mozambique and South Africa are still quite high. On March 18, a few South African soldiers were killed by Mozambique soldiers in a border clash.

Haig is also maneuvering for a war in Angola. The State Department will soon recommend that the five-year ban on covert or overt U.S. assistance to the Socialist International-affiliated UNITA be repealed.

After Angola became independent in 1975, UNITA was a major pawn in a guerrilla war which Henry Kissinger used against the Angolan government of

President Agostinho Neto. During that war, UNITA was supported by South Africa, and Angola is still forced to rely upon Cuban and Soviet aid to counter South African military operations against the country.

According to Prof. Richard Falk of Princeton University, a Socialist International "left" destabilization expert who helped bring Khomeini to power in Iran, Angola is the next target on the State Department destabilization list. "If the destabilization and counterinsurgency operations work in El Salvador," he said, "Angola will be the next country they will try to destabilize."

UNITA, headed by "third-way" socialist Jonas Savimbi, has been almost entirely rooted out by the Angolan military. Savimbi is now only a front man for South African terrorist military operations into southern Angola. What Savimbi claims to be his military operations are made up of black South African soldiers led by South Africans and white mercenaries recruited after the end of the war in Zimbabwe made them no longer useful there. The operations are basically helicopter-borne assaults on southern Angola villages which kill large numbers of civilians and terrorize the population, making the territory difficult for the Angolan government to administer.

Continuing this mode of attack while Haig looks on sympathetically, the South Africans on March 17 launched one of their deepest raids into Angola, striking at Lubango, 200 kilometers inside Angola.

Such South African attacks against its black neighbors will escalate an internal opposition and a predicted wave of terrorism within South Africa. South African Prime Minister P. W. Botha's explicit strategy to keep internal resistance to his apartheid regime in check is to preëmptively strike at those black countries which oppose apartheid in order to forestall what Botha calls the "total Soviet onslaught against South Africa."

By allying himself with such a government, Reagan is opening himself to attack in the United States. Already demonstrations are being called to protest Reagan's policy of support for South Africa.

Resource warfare

Haig is getting the United States to support this regional war operation on the side of South Africa under the pretext that the U.S. must prevent the Soviets from winning the mineral-rich southern Africa component of what Haig calls "the era of the resources war."

This is doubly ironic since such regional warfare will ensure that the resources are cut off; and at the same time Haig is doing nothing to prevent foreign, especially British, interests from grabbing up all the raw materials companies in the U.S. itself.

The only sane approach for the United States in southern Africa, and which would ensure access to the region's minerals, is to aid in the process of building up industrial republics in Africa. this would also bring the United States into opposition to the South African policy of apartheid, which is preventing the industrialization of South Africa by inhibiting the development of its skilled labor force.

Strategic materials and riot potential

The following is an excerpted March 18 interview with a U.S.-based metals specialist.

EIR: There must be a connection between the State Department's push for a strategic raw materials reserve, two Wall Street metal brokers' opening up sales of strategic metals, and the possibility that the U.S. might push for a military presence on the southern tip of Africa.
A: I shouldn't be talking about this for 9 and 10 days [but] your idea that there might be a military force in southern Africa is not wrong. The current situation is a backdrop for how that could happen. The talk about raw materials is great PR for this to happen.

Here's how it may happen. You have everybody talking about the importance of strategic metals. Suddenly on Wall Street everybody forgets about the electronics stocks, and the oils, and start going into strategic metals.

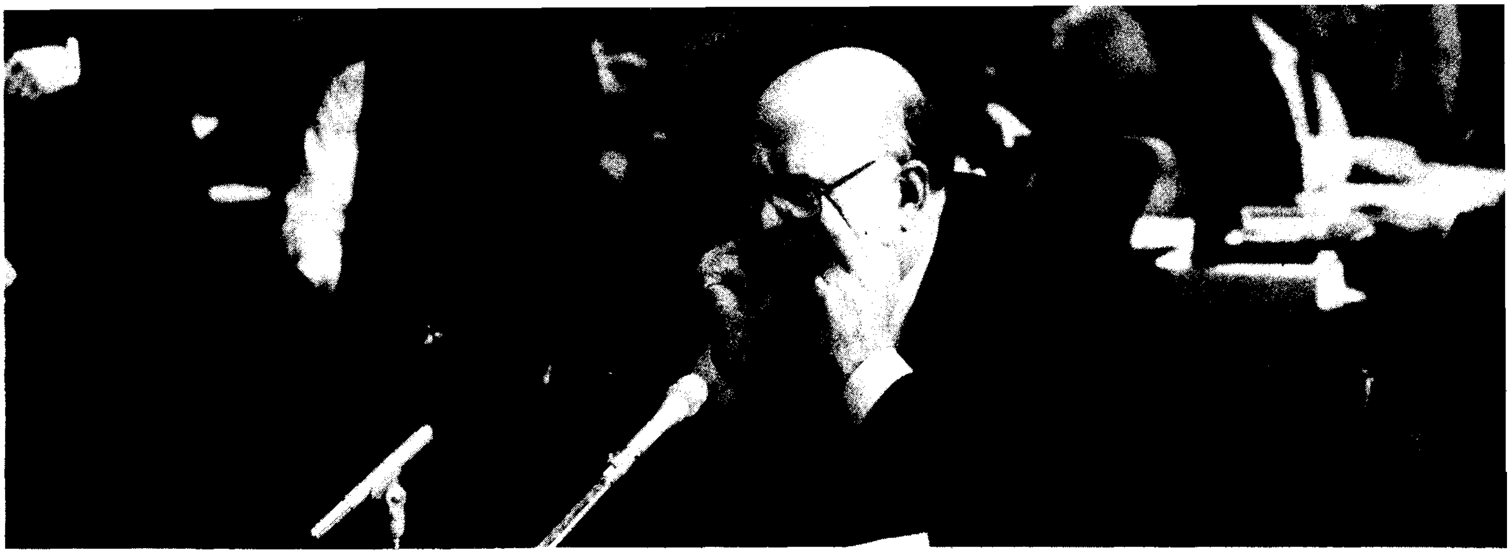
Then they turn around and say "Well, what are strategic materials, and where are they located?" As this atmosphere builds up, given the nationalistic mood building in this country, you will find an increased willingness for public opinion to accept a military activity in southern Africa.

From a March 17 interview with Jerry Herman of the American Friends Service Committee by EIR*'s Cynthia Parsons. The AFSC is involved in support for various African liberation movements.*

We are organizing a conference in New York on Monday [March 23] on Namibia. We intend to put pressure on the U.S. to build the anti-apartheid movement here; and stop the American and British ships from going to Smithstown. One hundred groups came to this [organizing] meeting. We will be forming a steering committee on Wednesday called the Emergency Conference on Namibia. . . . We must get sanctions against the South Africans.

Our problem is in making contact so that we can respond if another Soweto occurs, then people in the U.S. will take to the streets. . . .

Ultimately, there will be a major confrontation—there will be urban strikes with selective boycotts, public demonstrations, urban sabotage, and urban guerrilla wars, because the blacks do come into the cities [to be] cheap labor. The U.S. will help keep the blacks down.



"The Volcker Fed banking reforms may be the single greatest threat facing the American economy at this time."

—**David Goldman,**
Economics Editor, *EIR*

Federal Reserve chairman Paul Volcker and influential members of Congress are spearheading a drive to restructure the American banking system, which threatens to give the Fed and the money center banks top-down control over the deposits of regional financial institutions. Together with the Fed policy of high-interest rates, these "reforms" threaten to deprive the agricultural, consumer, and medium-size business sectors of vitally needed credits.

Now, the *Executive Intelligence Review* is making available a comprehensive study on this danger, exploring in detail the Volcker policies, how the current economic downturn is affecting American banks, and a growth perspective to revive the traditional national banking system.

The Undeclared War Against American Banking

A special report from the Executive Intelligence Review,
available January 1, 1981 $50.

And for ongoing domestic and international intelligence, subscribe to the 64-page weekly journal, the *EIR*. The banking report will be provided free of charge with every annual subscription purchased through this offer.

EIR
Executive Intelligence Review
We sell intelligence.

Enclosed ☐ $50 *The Undeclared War Against American Banking.* Bill me ☐
Enclosed ☐ $65 3-month Introductory EIR subscription. Bill me ☐
Enclosed ☐ $99 3 month EIR subscription, plus *The Undeclared War Against American Banking.* Bill me ☐
Enclosed ☐ $396 Full-year EIR subscription, plus *free* copy of *The Undeclared War Against American Banking.* Bill me ☐

Charge my subscription to: ☐ Visa ☐ Mastercharge
Card No. ____________ Interbank# ____________ Expiration Date ____________

Make checks payable to: **Executive Intelligence Review,** Dept. M, 304 W. 58th Street, 5th Floor, New York, New York 10019

Name ____________
Title ____________ Company/Org. ____________
Address ____________
City ____________ State ____________ Zip ____________
Telephone ( ) ____________
area code

 by Josefina Menéndez

What is the 'Monterrey Group'?—Part I

How Monterrey businessmen's relationship to the Mexican government continues to improve.

A leading businessman here in Monterrey expounded to me last week that the four institutional pillars on which the Mexican System—and therefore the presidential succession fight—rests, are 1) labor; 2) the army; 3) the Church; and 4) the Monterrey Group.

Other pundits prefer variations on this theme—sometimes including the PRI party, the presidency as such, or even Washington's felt influence—but none excludes the role of the powerful Monterrey Group.

What is the famous Monterrey Group, and what is its political orientation?

The Monterrey Group today is an informal association of about 10 large industrial groups based in the northern city of Monterrey, Nuevo León, which together control over 60 percent of that economically powerful state's total assets. This strong concentration of capital is based around a nexus of families (the Garzas, the Sadas, the Lagüeras, etc.), who have intermarried over the course of the past three to four generations, leading to a highly integrated business empire.

Up until 1973, that empire was unified under the personal command of the respected pater familias of the clan, Don Eugenio Garza Sada. In February 1973, Don Eugenio was gunned down on a Monterrey street in broad daylight by a commando of the 23rd of September Communist League, Mexico's version of the Red Brigades.

The story of who ordered the assassination—and why—is a tale in itself. But the net result was that Don Eugenio's tightly run business empire was divided up among his various sons, nephews, cousins, and other family members.

Extensive, and frequent, consultations among the heads of the industrial groups, of course, continue, but significant business and political policy distinctions unquestionably exist, and have emerged increasingly strongly over the past few years.

The main reason for this is the rapid growth of the state sector of the Mexican economy, particularly in defining areas of petrochemical and other heavy industries, under the governments of López Portillo and his predecessor Luis Echeverría. Although a violent hatred developed between Echeverría and the Monterrey Group, especially in the 1975-1976 period over the question of *political* control over the Mexican economy, the relationship has improved dramatically under López Portillo. From the moment he entered office, López Portillo called for an "Alliance for Production" with the Monterrey Group, and after four years of government, Monterrey's powerful industrialists, to a man, now reiterate their "confidence" in the president.

In fact, Bernardo Garza Sada, the head of the powerful ALFA group of Monterrey, recently told the press that if the next president follows in López Portillo's footsteps, "then we have it made."

Despite certain ideological preferences for British-style "free enterprise" and a reduced economic role for the state, prevalent in Monterrey for decades, the tremendous growth now occurring under state direction has introduced a kind of reality principle into Monterrey's thinking. Those among the group who would kill the goose that lays the golden eggs, as some called for in 1976, are now definitely in the minority.

Critical to firming up the government-Monterrey alliance was the March 1980 decision of the López Portillo government to use the direct reduction method for Phase II of the giant Las Truchas steel project, and to grant the prized contract to HYLSA, part of Monterrey's ALFA group.

Monterrey's improving relationship with the government can be seen in their visible calm over the presidential succession fight. Although many businessmen here have told me that the general preference is for Budget Minister Miguel de la Madrid, since he is viewed as being partial toward banking and business interests, they also recognize that his chances of winning are slim. The Monterrey Group will settle for almost any of the other leading contenders: Labor Minister Ojeda Paullada, Interior Minister Olivares Santana, Commerce Minister De la Vega Domínguez, so long as a strident Echeverrista is not chosen as the new president.

This week's column was contributed by EIR*'s bureau chief in Monterrey, Mexico, María Luisa Gómez del Campo.*

The plot to install a Syrian ayatollah

A faction fight in Syria's Muslim Brotherhood—and now a murder—are ominous for the region's stability.

The murder on March 17 of Mrs. Benan al-Attar, wife of the Syrian Muslim Brotherhood leader Issam al-Attar, is likely to spark a new round of factional warfare in Syria and destabilize the Middle East. Up until recently Issam al-Attar had worked out of the West German town of Aachen, where he directed an institute called the Islamic Center. Earlier this month al-Attar went into hiding for fear of an assassination.

Al-Attar told the London-based Syrian journalist Tammin al-Barazi that his wife had been killed by "Syrian agents" and in the same interview made the curious revelation that its aim was to "upset the delicate truce between the Muslim Brotherhood and the Syrian government." The truce was organized at the instigation of Saudi Arabia to cool down growing rivalry between Jordan and Syria. Damascus has blamed Jordan for instigating the Muslim Brotherhood against the government of Hafez Assad. This tension nearly exploded into a border war earlier this year.

A former member of the Syrian People's Party founded by the Saudi Ma'arouf Dawalibi, the current head of the Saudi-based World Muslim Congress, Issam al-Attar became a member of the Syrian parliament in the early sixties and then the head of the Syrian Muslim Brotherhood. He was expelled from Syria in 1964 and, after a short exile in Beirut, established his institute in Aachen where he pursued his opposition to the Damascus government. Al-attar was known to have supported the Muslim Brotherhood takeover of Iran, but in a later interview with this magazine tempered his ardent support for the ayatollah's regime by stating that the dying Shah should not be extradited to Iran as Khomeini was demanding.

Al-Attar is known to have grown more reluctant to maintain his Iranian connection as the genocidal character of the Iranian regime became clear. In fact al-Attar has been challenged by a "Young Turk" faction inside the Brotherhood which espouses the same brand of bloody extremism as in Khomeini's Iran.

In January 1981 al-Attar lost control over the Syrian Brotherhood to a "Gang of Three" headed by Adnan Sa'ad Uddin. This new grouping has received extensive publicity in the West German and British media, culminating two weeks ago with a lengthy interview on German television with Sa'ad Uddin in which he called for violent confrontation with the Assad government. He praised the massacre of several Syrian cadets in June 1979, as exemplary of such confrontation which his "Jihad [holy war] movement" supports.

In another inverview with the British-based weekly *Impact,* the proterrorist Sa'ad Uddin declared that his aim is to "establish the rule of Allah and seek his pleasure," just as Khomeini did in Iran.

Sa'ad Uddin has received powerful support from certain interests in Saudi Arabia and Cairo, the headquarters of his operation. Al-Attar himself has strong ties with the old-guard Saudi religious establishment. His daughter is married to a prominent Islamic judge in Saudi Arabia, Ali al-tantawi.

But this old guard in the Saudi religious community traditionally maintains ties to the ruling family, which has no interest in seeing Syria ripped apart in internecine warfare aimed at installing a Syrian version of Khomeini.

Like the young Muslim insurgents who seized the Mosque in Saudi Arabia in 1979, the new breed of Muslim militant like Sa'ad Uddin aims at destroying the Arab nation-states in the name of Islam.

The Bonn correspondent of the London *Times* reported the day of the murder that a new influx of Syrian refugees reached Germany recently as a result of the violence between Muslim guerrillas and Syrian government forces. Though the *Times* is retailing old news, the publicity which the new Syrian Brotherhood has received, and its threat of renewed violence makes clear that London-based controllers of Islamic terrorism are setting Syria up for a new round.

Other scenarios include a Syrian war against Jordan, coupled with an upsurge of Palestianian extremism which anglophile scenarists see as the preconditions for toppling Jordan's King Hussein. From their standpoint, such a bloodbath is necessary in order to continue the Camp David "peace process" in the Middle East, which Hussein has opposed.

International Intelligence

French official first to visit Ethiopian regime

French State Secretary for Foreign Affairs Olivier Stirn has just completed an official visit to Ethiopia, where he signed agreements providing that country with export credits to finance the purchase of railroad equipment and other capital goods. Stirn also announced that France would be sending a thousand tons of food aid to Ethiopia.

Stirn becomes the first Western government official to visit that country since the pro-Soviet regime of Mengistu Haile Mariam took over three years ago. French sources emphasize tha Ethiopia's leaders are increasingly looking to the West, and to France in particular. Olivier Stirn bore a personal message to the Ethiopian head of state from President Giscard, with a proposal for relaunching Giscard's initiative to convene a conference of the Horn of Africa countries in order to settle regional economic and political problems. France has also invited Somalia, Djibouti, Sudan, Kenya, Saudi Arabia, and North and South Yemen to attend.

Peccei calls for youth 'cultural revolution'

Aurelio Peccei, the founder of the anti-growth Club of Rome, has issued a new book in France titled *One Hundred Pages for the Future.* The publication was timed to coincide with France's national elections.

Peccei calls for the Club of Rome to reorient itself toward youth recruitment, since youth are flexible enough to implement the club's Malthusian policies. Man is but an accident in creation, claims Peccei, and Christianity imposed a specious image of man at the center of the universe. The nation-state is said to be a "remnant of tribalism of old," and must be superseded by supranational institutions.

Peccei says a transformation in man's self-image requires a "kind of people's army," recruited from the counterculture. "The existence of so many spontaneous groups and grouplets bears witness to the vitality of our societies even in the crisis they are undergoing. Some day it will be necessary to find the means of consolidating their scattered efforts to direct them toward strategic aims." He proposes the creation of "research, reflection, debate, and proposal centers on the future of humanity, exclusively led by youth."

Coup attempts fail in Sudan, Mauritania

Sudan President Numeiry stated in a March 16 interview that he had discovered a plot to overthrow his government the preceding week. Numeiry said the plot was led by Sa'd Bahr, a retired general, and five other officers, all of whom had been arrested. Sa'd Bahr has twice before attempted coups against Numeiry, in 1971 and again last May.

Numeiry charged that the coup was instigated by the Soviets and Syria, and that Sovet "infiltration of Africa and the Gulf region" was a "cancer" threatening to take over all of Africa.

In a remarkable turnaround from his previous, more nonaligned, position, Numeiry stressed that only the U.S., as a superpower, can confront such attempts. He called on the West to increase economic and military aid as a deterrent to what he called "Soviet infiltration" of the continent, pledged to give military facilities to the U.S. to stop the "gradual and systematic Soviet infiltration," and said he would welcome U.S. assistance in training the Sudanese armed forces. This amounts to a virtual offer to integrate Sudan into the U.S. Rapid Deployment Force setup.

At the end of his interview, Numeiry also invited Western financiers to Sudan to exploit mineral resources such as gold, silver, iron, chrome and asbestos.

Forced cancellation of Sudanese development projects by the IMF two years ago led to a downward spiraling of the economy and dangers of destabilization, aggravated by large numbers of refugees escaping wars and famines in neighboring countries.

In Mauritania, a coup attempt failed March 16 by two former members of the Mauritanian military who were residing in Morocco. Following the 1978 coup in Mauritania, that country withdrew support from Morocco in the latter's attempt to annex the Western Sahara, a former Spanish possession.

The leaders of the abortive coup had opposed the withdrawal of Mauritanian support for Morocco on the question of annexing the Spanish territory.

EIR founder slandered as 'Zionist,' 'Nazi'

"Apparently the ADL has made another conquest," wrote Alfred Lilienthal, a self-proclaimed Jewish anti-Zionist in his journal *Middle East Perspective.* The Anti-Defamation League's "new conquest," claimed Lilienthal, is *EIR*'s founder Lyndon H. LaRouche, Jr. Lilienthal, who claims to be a "true friend of the Arabs," cites a "recent LaRouche press release and telegram to Menachem Begin calling 'the defeat of President Carter the greatest liberation of Israel since Moses led the people of Israel from slavery in Egypt' and asking for all out aid for Israel."

Lilienthal recently visited London, sponsored by the Islamic Council of Europe and the Center for the Advancement of Arab-British Understanding, two fronts for British ties to the Muslim Brotherhood.

In a related development, so-called Nazi hunter Simon Wiesenthal alleged that the primary threat to American Jews were the Liberty Lobby and Lyndon LaRouche. Wiesenthal made his comments in an interview with the Los Angeles *Heritage Jewish Press.*

EIR has uncovered the fact that Wiesenthal is a member in good standing of the oligarchical Order of Orange-Nassau, and admits he received 80 percent of his funds from non-Jewish sources. Of public prominence among his funders is Prince Reinhardt, a former aide to Heinrich Himmler and top SS officer.

Cholera outbreak In South Africa

The South African Department of Health reports that many of the black homelands and townships in South Africa and Mozambique are suffering an epidemic of cholera. The department states that there has been "neglect and breakdown" of health services for these areas. The outbreak is the worst in 25 years: since last October, 1,800 cases and 27 deaths have been reported, mostly of blacks living in squalid conditions.

The spread of the disease is directly related to the South African government's policy of forcibly relocating blacks into impoverished "homelands." Cholera cases have also been reported in Tanzania and Nigeria, in regions where sanitary conditions are insufficient.

Kirkpatrick backs Israeli provocations in Lebanon

U.N. ambassador Jeane Kirkpatrick is encouraging Israel's Begin government to unleash new atrocities in southern Lebanon.

According to sources at the United Nations, Kirkpatrick and her advisers, all members of the new Committee for the Free World, have blocked a U.N. Security Council resolution condemning the renegade southern Lebanese forces of Colonel Saad Haddad, forces Israel lavishly provides with funding and weapons. The resolution had been put forward following the murder of two Nigerian soldiers belonging to the U.N.'s Lebanon peacekeeping force by Haddad's troops.

The blockage of censure sets the stage for an Israeli confrontation with the head of the U.N. forces there, Major Gen. William Callaghan. Reportedly due to pressure from Western European countries, Callaghan met an Israeli commander along the Israeli-Lebanese border and demanded that Israel withdraw its own forces from the south and stop supporting the Haddad terrorists. The commander, Avigdor ben-Gal, flatly refused. Haddad thus has a green light for his troops, who are randomly lobbing mortar shells into heavily populated parts of Tyre and Sidon, destroying hospitals and schools.

Begin's intransigence will also force a radicalization of Palestinian militia units in Lebanon, with probable spillover effects in various "liberation movements" all the way to the Persian Gulf.

Violence-prone networks descend on Washington

As part of Phase Two of the planned destabilization of the Reagan administration, terrorist-linked gangs poured into Washington the weekend of March 20, including holding a rally and march by the Palestinian Congress of North America, the Muslim Student Association, the Iranian Student Association, and the Anti-Klan Network.

The Palestinian Congress of North America, nominally protesting the deportation of a Palestinian terrorist, Abu Eid, was created by Jawad George, an associate of Kim Philby's KGB/British intelligence operations. The Iranian student groups are controlled by Bahraim Nahidian, a Muslim Brotherhood liaison in the U.S. who has called the weekend demonstrations to disrupt anti-Khomeini Iranian conferences scheduled to begin March 20.

In addition, Daniel Berrigan is calling for a series of antiwar marches on the El Salvador issue, beginning in May, to be preceded by feeder events in Washington.

Briefly

- **PRESIDENT GISCARD** and Chancellor Schmidt did not focus on European Community negotiation strategy at their March 15 summit; that could have been handled over the telephone, stresses the German press. The unexpected meeting was designed as a demonstration of political unity and confidence about their aggressive economic and foreign policies.

- **GERMANY'S** Federal Bureau for Criminal Investigations has issued a national alert against an outbreak of terrorism and violent demonstrations between March and Easter. One danger signal is the reactivation of support networks for the Red Army Fraction group. The terrorists' backers are campaigning to free jailed RAF members.

- **SATO** got a green light during Argentine president designate General Roberto Viola's visit to Washington March 16-19, according to American Security Council sources. Under such a South Atlantic accord, which need not officially involve the U.S., South American regimes would join South Africa in controlling oil routes, but Brazil's ties to black Africa and Arab oil producers are seen as a major obstacle by others.

- **JAMAICA's** national security minister, Winston Spaulding, announced a plan to eradicate the clandestine air strips from which a hundred tons of marijuana are flown each day to the United States. It seems that the grasshopper planes have nearly collided in mid-air with scheduled commercial jetliners so often that the Kingston *Daily Gleaner* warns tourists to avoid night flights. The new Jamaican government of Prime Minister Edward Seaga is on record promoting marijuana legalization in order to minimize such inconveniences.

Anti-Volcker mobilization mounted in Washington

by Laurence Hecht

One hundred fifty representatives of farm, labor, and business groups joined to protest the high interest-rate policies of Federal Reserve chief Paul A. Volcker outside the Fed's headquarters in Washington March 17, and then moved on to Capitol Hill to lobby congressmen against Volcker.

The demonstration, made up mostly of businessmen and unionists from the hard-hit industrial region of Ohio and western Pennsylvania, is the first public showing in Washington of the kind of labor-industry alliance that could develop against Volcker. Their impressive line extended up and down the block outside Federal Reserve headquarters, with blue and white printed signs reading "Cheap Credit for a Strong America," "Bring Down the Interest Rates," and "Dump Volcker and His Policies."

The demands of the picketers were reflected in a letter House Majority Leader Jim Wright of Texas sent to Democratic congressmen the week before the demonstration. The budget cuts are "grossly unfair to the truly needy," wrote Wright, branding the entire budget package as "incompetent."

"Goverment spending is not the cause of inflation," said the House Majority leader, "Interest rates and energy costs are." He warned that high interest rates have raised the price of everything and virtually closed down the housing market for the average American. "What the President is asking is that Congress and the nation risk everthing on one roll of the dice. . . . Congress wants to be cooperative. They do not want to be supine," the Texas Democrat stated. He urged his fellow congressmen to make his statement the basis of a Democratic response to President Reagan's economic policies.

As Wright wrote his letter, the steel and auto unionists and independent auto dealers who formed the core of the Washington, D.C. picket line were organizing their group, dubbed the Ad Hoc Committee Against High Interest Rates, and putting the heat on congressmen and national union officials to remove the Volcker problem.

Their efforts were also backed up by an international organizing drive of the National Democratic Policy Committee to deliver what NDPC Advisory Committee Chairman Lyndon LaRouche called a "shock" to the administration. LaRouche arrived in Washington March 20 for a major policy address and a series of meetings with congressional leaders and other policy-makers.

On the day of the rally, before the cameras of five television stations, PBS national radio, and an array of newspapers, Ad Hoc Committee chairman Stan Hoynitski read a statement of purpose:

"We are here today to call for 1) Federal Reserve Board Chairman Paul Volcker's resignation; 2) an immediate reversal of his policies; and 3) Congress to assume oversight responsibility for present and future Federal Reserve policy.

"Unless action is taken on these issues," continued Hoynitski, who is executive director of the Pennsylvania Independent Automobile Dealers Association, "this country could well be plunged into an economic collapse that could be more catastrophic than that of the great depression. Since Volcker launched his tight money 'anti-inflation' policy in October 1979, both inflation and unemployment have gone up and industrial production has dropped drastically.

"We as leaders of the labor and business community

Philip Ulanowsky/NSIPS

got together to work out a solution to the interest-rate problem, because labor and productive businesses are being equally devastated by Mr. Volcker's policies. We believe that the problem is of such importance and magnitude that only *a joint effort* by representatives from the labor, business, and agriculture sectors will be able to mount sufficient pressure to effect a reversal of current Federal Reserve policy."

The statement was jointly endorsed by committee co-chairmen Mike Bonn, president of United Steelworkers Local 2227, and John McCarrell, president of United Autoworkers local 544, both of Pittsburgh.

Next the demonstrators divided into three groups to conduct their lobbying. Each of the delegates was armed with a "report card" that quizzed and scored congressmen on three questions: "1) Do you support the removal of Paul Volcker as chairman of the Federal Reserve? 2) Do you favor congresssional oversight of the decisions of the Federal Reserve? 3) Do you favor opening an emergency credit window for productive industry by the Federal Reserve?"

After an afternoon of lobbying, the group reconvened in the Cannon House Office building, where they were addressed by four congressmen and three aides. Representatives Don Bailey, William Coyne, Austin Murphy, and Joseph McDade, all of Pennsylvania, came to speak. Ron Mottl (D-Oh.), E. Atkinson (D-Pa.), and Joseph Gaydos (D-Pa.) sent aides.

As each congressman was questioned, his responses were marked on his "report card." The aide to Representative Gaydos, who arrived late, was immediately brought up to the podium to address the group. He asked them what they thought of wage-price and rent controls.

"You have missed the profound insight this group has attained," United Autoworkers leader John McCarrell instructed him. "Interest rates are the problem. We want to put people back to work, not get more welfare." Others got a better reception. Representative Don Bailey of the 21st C.D. in western Pennsylvania was given a few minutes for opening words and then bluntly asked: "House Bill 1640, which if enacted, would give Congress the power to remove the chairman of the Federal Reserve—where do you stand?"

"I would support it," Bailey replied to applause. "But let me throw a caveat in here. Even though under the conditions of that act, what we would be doing in effect is authorizing the Congress to do a recall of either the chairman or the members of the board, given present economic conditions . . . the impact that you could have on Fed policy, on borrowing and interest rates could be minimal." USW official Mike Bonn responded. "I think you agree with us that if we get rid of Paul Volcker, whoever is next has got to be better." "It can't get much worse," Bailey replied.

When the congressman had left, the group examined the "report cards" of their elected officials. Hoynitski announced his upcoming meeting with officials of the National Auto Dealers Association. Steelworkers official Bonn said he would be seeing the international president Lloyd McBride to seek his support, and John McCarrell, a 32-year veteran of the United Autoworkers, announced his intention to rally the national union behind the fight to oust Paul Volcker and break the Federal Reserve out of monetarist control.

World Wildlife Fund and PCC/Draper Fund sponsor Global 2000's attack against science

by Lonnie Wolfe

The sponsors of the Global 2000 report, including the Draper Fund, the Population Crisis Committee, the U.S. branch of the World Wildlife Fund, and their corporate associates, do not doubt that scientific progress would permit the world to sustain and expand population. As one of their spokesmen, Dean William F. May of the New York Univesity Graduate School of Business, put it, they fully agree that there is a "direct relationship" between advances in science and advances in population potential.

Therefore—since they are committed to reducing world population by some 2 billion before the turn of the century—they intend to *curb science.* "Our population policy must determine our science policy," May insists (see interview below).

May issued similar statements at a leadership conference sponsored by the National Audubon Society on Jan. 22. The conference, which launched an organizing effort for the Global 2000 doctrine, was also addressed by Russell Train, president of the World Wildlife Fund-U.S.; Larry Kegan, executive director of the Population Crisis Committee/Draper Fund; and Rep. Richard Ottinger, the New York Democrat who is sponsoring H.R. 907, legislation committing the United States to a domestic and foreign policy of zero population growth. At the conference, May urged business leaders to back the Global 2000 concept and the Ottinger bill.

The Global 2000 machine

A former chairman of the American Can Company and a forthright environmentalist, May confirmed that the World Wildlife Fund and PCC/Draper Fund are central strategists for this effort.

The **World Wildlife Fund** (WWF) is run in the United States by former Environmental Protection Agency chief and German Marshall Fund board member Train. Its most prominent but least important commitment is protection of endangered animal species. Its international board includes **Prince Bernhard** of the Netherlands, founder of the Bilderberg Society; **Prince Philip of Great Britain;** Club of Rome founder and NATO operative **Aurelio Peccei;** Royal Dutch Shell chairman **John Louden;** and **Robert O. Anderson,** chairman of the board of Arco and overseer of the Aspen Institute, which funds and deploys much of the international environmentalist/terrorist movement.

The U.S. board and corporate finance committee of the WWF include senior officers from Citibank, Time, Inc., Coca Cola, McKinsey & Company, the *New York Times*, Philip Morris, American Express, Marshall Field Enterprises, Revlon, Xerox, Reynolds Metals, IBM, and all the major oil companies.

In 1977, the fund, along with its sister organization the U.N.-linked International Union for the Conservation of Nature, commissioned a global conservation study based on the premise that man "must come to terms with the reality of resource limitation and the carrying capacity of ecosystems." Scientific progress can only disguise the conflict between increasing populations and the natural environment, the fund concluded. The product of this study, the World Conservation Strategy report released last spring, was drawn upon for the Global 2000 report.

China's infanticide system

According to *Nan Fang Ribao,* the leading newspaper in southern China, "during 1980 in Jieyang [a small town in Canton's Guangdong Province] eight female infants were found dead, abandoned in front of the local party headquarters. . . . Most had been suffocated."

In deference to the U.S. China Card lobby, the acknowledgment of Chinese infanticide has been blacked out of the U.S. press, although the story broke in European and British newspapers this month.

The murders are a direct result of China's rules limiting couples to only one child. A woman pregnant for the second time is strongly pressured to have an

At the time of the study's release, WWF networks formed the Committee for the Year 2000 to coordinate American deployments. It includes Train, Anderson, former ambassador Elliot Richardson, Walter Cronkite, Smithsonian Institution head S. Dillon Ripley, and former Secretary of State Cyrus Vance. It was this group that in turn put together the newly named "Global Tomorrow" citizens' committee.

The WWF leadership overlaps with the second key institution, the **Population Crisis Committee/Draper Fund.**

Established in 1966, the PCC is dedicated to zero population growth; its founding documents assert that the world is already seriously overpopulated. Its initiators were the late Hugh Moore and Gen. William H. Draper, Jr.

Hugh Moore was a member of the Brown family, partners in Brown Brothers Harriman investment bank; founder of Dixie Cup Company and adviser to American Can Company; active on the U.S. NATO Commission, the American Association for the United Nations, and Planned Parenthood; and a member of the U.S. Council on Foreign Relations. He was also chairman of the board of directors of the Atlantic Union and the Population Reference Bureau.

General Draper was an investment banker at Dillon, Read, U.S. Ambassador to NATO, and economic director of the military occupations of Germany and Japan, where he attempted to use occupation policy to keep population levels depressed.

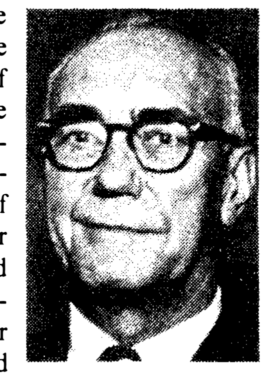
Moore and Draper received backing from the elements in the Kennedy and Johnson administrations who devised the Vietnam War as a depopulation project. The current board of the PCC/Draper Fund is a roster of former Kennedy officials: former Defense Secretary and World Bank chief **Robert "Body Count" McNamara,** former Treasury Secretary **C. Douglas Dillon,** former Treasury Undersecretary **Henry Fowler,** former Undersecretary of State **George Ball,** and former Agriculture Secretary **Orville Freeman,** now at Business International. Other board members are **George McGhee,** former undersecretary of state and former Mobil Oil chairman; **Angier Biddle Duke,** former special ambassador; **Richard Gardner,** former aide to George Ball and Jimmy Carter's ambassador to Italy; former presidential economic advisers **Walter Heller** and **John Kenneth Galbraith;** former Army Chief of Staff **William Westmoreland;** and former special military representative to the President **Gen. Maxwell Taylor.**

As *EIR* has reported, this is the group that created an Office of Population Affairs (OPA) within the State Department, which maps depopulation targets, and continues to do so under Secretary Alexander Haig. Philander P. Claxton, Jr., who directed the OPA for 10 years, is a member of the PCC board.

Like the World Wildlife Fund, the PCC/Draper Fund also includes European "black nobility" and NATO subordinates, including Prince Bernhard, Prince Philip, and Aurelio Peccei.

The Chinese model

Since its inception, the PCC/Draper Fund has promoted the zero-growth Chinese Communist "population program" as its global model—a program carried out in China today through infanticide.



In 1971, Draper held a private dinner in Switzerland to organize for a propaganda blitz in favor of the Chinese model. In attendance were former Maryland Sen. Joseph Tydings, a population control advocate and a member of the Draper Fund board; Draper Fund board members Lord and Lady Caradon; and the pro-Maoist Edgar Snow, another Draper Fund board member and a direct liaison to the Maoist regime. The result of this meeting was a pamphlet titled "Why Not Adopt China's Population Goals?", produced and circulated by the PCC and the Victor-Bostrom Fund, which marveled at the success of the Chinese program.

In a newsletter of the Victor-Bostrom Fund, the architect of the postwar German occupation policies makes the following observations following a trip to Africa:

abortion. If a second child is born, "one of the parents is forced to buy all grain rations at twice the regulation prices for the next fhven years," a Western diplomat told Reuters news service.

A third child is a "non-person," the Population Crisis Committee reports approvingly. "He does not get any identity card. The family's rations are not increased for the new child, so they must lower their own consumption to feed him. And the child is not allowed to go to school."

The national goal of the People's Republic is absolute zero population growth by the year 2000. Full observance of the "one-child" rule would, of course, more than halve the population.

Many parents fear that if their first child is a girl, they will be left without an heir or bereft of support in their later years. Thus they have begun murdering first-born girls. The Chinese newspaper states that the one-child-only rule must be observed, but "equality of the sexes" advises against murder of females.

> We visited the most famous animal reserve—Kruger Park in South Africa. We learned there that the elephants were getting too numerous—at present some 6,000 must be reduced to 5,000, as they are pushing over and killing too many trees and thereby threatening the food supply of other animals. . . .
>
> So the park rangers will act as judge and jury. They will arbitrarily reduce one or another species as necessary to preserve the future food supply and balanced environment for all other animals.
>
> But who will be the **park ranger** for the **human race?**
>
> Who will cull out the surplus in this country or that country when the pressure of too many people and too few resources increases beyond endurance? . . .
>
> Will the death-dealing Horseman of the Apocalypse—war in its modern nuclear dress, hunger already haunting half the human race, and disease which medical techniques could conquer if given half a chance—will the gaunt and forbidding horseman become the park ranger for the two-legged animal called man [emphasis in original]?

The Draper Fund has been one of the principal backers of the Environmental Fund of William Paddock and Garrett Hardin, which advocates "thinking the unthinkable" about the forced reduction of global population through the "triage principle."

Most recently, the PCC/Draper Fund has been working with Henry Kissinger's networks at Georgetown's Center for Strategic and International Studies (CSIS) to refurbish Global 2000 as "national security policy." In the American corporate sphere, Dean May describes PCC/Draper Fund board member Orville Freeman, head of Business International, as the key go-between for Global 2000's ability to, in May's words, "control, and in some cases prevent, the application of new technology."

'U.S. business has to accept technology control'

The following interview with William F. May, dean of the Graduate School of Business at New York University, was provided to EIR *by an independent journalist.*

Q: What do you see as the most important aspect of the Global 2000 report?
A: What has to be recognized is that there is a direct relationship between scientific progress, technological development, and population growth. The Global 2000 report addresses the fact that the relationship must be drastically altered. Now we must be careful to prevent scientific progress from automatically producing new surges of population growth. We need a new sense of science. Our population policy must determine our science policy.

Population control is the number-one issue facing the United States and its business institutions. We are starting very late in getting population under control. There is no choice but to accept that there is going to be widespread starvation and death in the developing sector . . . there is really very little that we can do to help the people in the so-called Fourth World [the over 1 billion in the poorest nations of the underdeveloped sector—ed.]. We can help them help themselves, but if they don't make it . . . the kinds of things William Paddock says may sound extreme [Paddock is a former State Department adviser who openly states that hundreds of millions must die because the globe is overpopulated—ed.], but they are only extreme in precise numbers.

Q: Can you elaborate on the implications you draw for technology and science?
A: The idea is to control and in some cases prevent the application of new technology. Take energy . . . the high price of oil has been beneficial; energy use and consumption have been dropping at a phenomenal rate. It would not be to our benefit to suddenly have the promise of a cheap, abundant source of energy. . . . There are no cheap sources of energy supply, nor should there be; as long as that is the case, we will have a tendency to keep population down.

The World Bank [1980 development and energy] report [is] right on the mark when it says that all development projects must now take into account the permanent high price of energy and scarcity questions. Projects will be scaled down, and this will mean greater population control.

The core of U.S. strategic doctrine for the rest of the century is population control and science control. Population is already pressing the existing population base—we are overpopulated for it. This creates security problems we must prepare for. Populations will spill over the borders. Regional wars are going to be fought over resources. This will create more pressure on population and more wars. In some areas of the world this could become a way of life—continuous war—until population levels drop.

Right now we are forced to respect the sovereignty of nations, at least in the political sphere. The U.S. can't walk in as a government and say, "You do this or else." That is where the private institutions come in. They and the transnational corporations can impose the right policies.

Benchmark decision in Texas on corporate claims against Iran

by George Canning

On Feb. 12, 1981 federal Judge Robert W. Porter enjoined the transfer of $19 million dollars in Iranian funds that he had in May 1980 awarded to Electronic Data Systems (EDS). The Dallas-based EDS had sought the $19 million in damages in July 1979, claiming breach of contract on the part of Iranian entities. In a parallel suit in the Southern District of New York, EDS sought the prejudgment for attachment of $19 million in Iranian funds—a common occurrence in suits against Iranian entities—first, to prevent the funds' flight from the country, and second, because Iranian entities do not, in general bank outside New York. President Carter's seizure of all frozen Iranian assets for transfer to Iran in exchange for the hostages under executive jurisdiction was termed by the court to be decidedly unconstitutional.

"Congress expressly granted this court jurisdiction to hear claims such as the plaintiff's with the enactment of the Foreign Sovereign Immunities Act. Article III of the United States Constitution vests this court with the judicial power to enter judgments and orders within the scope of congressional grants of jurisdiction. I cannot ignore these principles and neither may the executive. Congress is free to repeal the Foreign Sovereign Immunities Act, but the President may not do so by executive fiat."

So saying, Judge Robert W. Porter of the U.S. District Court in Dallas, Texas granted Electronic Data Systems Iran a preliminary injunction against the United States and the secretary of the Treasury, restraining them "directly or indirectly taking any action of any nature whatever nullifying, impeding or interfering with, or in any other way affecting" court orders (including transferring attached funds) or the jurisdiction of the federal courts in EDS's suit against several Iranian entities. The net effect of the injunction is to prevent the transfer to Iran of some $19 million awarded to EDS on May 9, 1980 in Dallas and earlier attached through action in the Southern District Court of New York. Those funds would otherwise be in imminent danger of being transferred, along with other nominally Iranian funds held in U.S. banks, to complete Jimmy Carter's dirty deal with the Islamic Republic for the 52 hostages.

Although the Reagan administration has issued an executive order effectively ratifying the Carter executive orders implementing the deal (including the suspension of lawsuits involving claims against Iran), the regulations issued by the Treasury Department include the proviso that the transfers may be delayed until "the Secretary of the Treasury determines that the authority of the United States to order these transfers has been the subject of a definitive legal ruling." Thus the stage has been set for a showdown between Iran's American allies and the U.S. Constitution, a confrontation the Carterites had studiously attempted to avoid.

EIR termed the deal "illegal and unconstitutional" (Feb. 10, 1981). We publish here arguments from Judge Porter's "Memorandum Opinion," arguments which powerfully expose the assets deal as an attack on the Constitution and statutes of this country. For space reasons we have deleted many of the case citations; we urge executives and legal specialists to read the document in its entirety.

Judge Porter on public interest

I note that both the orders and judgments of this court, and the orders of the Southern District of New York in aid of ultimate satisfaction of this judgment, were rendered pursuant to jurisdiction conferred by Congress in the Foreign Sovereign Immunities Act. . . . Further, Article III of the United States Constitution provides that judicial power of the United States "shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish." It could not be any clearer than that the judgment and orders of this court as well as the orders of the Southern District of New York were rendered pursuant to constitutional and statutory authority. If I assume that the judgment entered in this case is a valid, subsisting judgment, which I think I must, then Executive Order 12279 raises serious constitutional issues with regard to the power of the executive branch to nullify or negate the constitutional and statutory authority of Article III courts with respect to pending cases. As one court has stated, it must "be assumed that the Constitution is the ultimate expression of public interest."

Statutory authority

The grant of authorities under IEEPA [International Emergency Economic Powers Act, under which Carter claimed the authority to arrange the assets transfer—ed.] expressly excluded certain authorities granted to the President under Section 5(b) of the Trading With the Enemy Act including "the power to vest, i.e. to take title to foreign property." . . . Thus, it is clear that under the authority of IEEPA the President may "freeze but not seize" assets in which a foreign nation has an interest. . . .

Executive Order 12279 directs and compels the tranfer of Iranian funds in the possession of banking institutions "to the Federal Reserve Bank of New York, to be held or transferred as directed by the secretary of the Treasury." In essence, the order directs that the funds in which Iran has an interest be transferred to the control of the executive branch and attempts to vest custody and control of the assets in the executive. This is a power which Congress declined to grant to the President with the enactment of IEEPA in 1977. Therefore, insofar as the executive order attempts to vest custody and control of the assets in question in the executive branch, such a directive is without congressional authority. In addition, any claim that the language of Section 1702 was intended to limit or nullify the jurisdiction of Artcle III courts was effectively refuted in a recent decision involving the Iranian Assets Control Regulations. . . . The court refused to accept the interpretation of the government of the United States that Section 504(d) of the Freeze Regulations . . . precluded further judicial proceedings. Citing "the familiar canon that a construction involving unconstitutionality is to be avoided if at [all] possible," the court stated that the government's interpretation would give rise to grave constitutional difficulties. . . .

The constitutional issues resolve to the power of either the executive branch or Congress to negate or countermand valid orders of Article III courts issued pursuant to an express congressional grant of jurisdiction under the Foreign Sovereign Immunities Act. . . . The pertinent inquiry is whether either Congress or the executive can subsequently nullify those exercises of the judicial power. It is my conclusion that neither Congress nor the executive have such authority. . . . There is more than ample authority for the proposition that neither Congress, the executive, an executive agency, nor a state legislature may by subsequent acts negate, disregard, or nullify the judgment of the court already rendered, or the rights determined thereby. . . . Article III of the United States Constitution and the congressional grant of jurisdiction in the Foreign Sovereign Immunities Act provided this court with the judicial power to adjudicate the issues in this case. Concomitant with that power is the power and duty of this court to see that its orders and judgments are effectuated. Therefore, I am compelled to conclude that Executive Order 12279, with or without the blessing of Congress, is constitutionally invalid insofar as it attempts or purports to countermand or nullify valid exercises of the judicial power. . . .

The impact of Executive [Order] 12279 poses a similar and related constitutional issue concerning the power of either the Congress or the executive to delimit the jurisdiction of the federal courts. . . . It is well established that only Congress can confer and redefine the jurisdiction of United States courts. . . . Therefore, executive orders lacking congressional approval or authority cannot possibly interfere with the exercise of jurisdiction of federal courts. . . . The foremost limitation on that power was succinctly delineated in *Battaglia* v. *General Motors Corporation*. . . .

> We think, however, that the exercise by Congress of its control over jurisdiction is subject to compliance with at least the requirements of the Fifth Amendment. That is to say, while Congress has the undoubted power to give, withhold, and restrict the jurisdiction of courts other than the Supreme Court, it must not so exercise that power as to deprive any person of life, liberty, or property without due process of law or to take private property without just compensation.

With respect to any assertion that the directives of Executive Order 12279 are within the inherent or implied powers of the President as commander-in-chief, I note that the facts in this case closely resemble those in *Youngstown Sheet & Tube Co.* v. *Sawyer*. . . . I have concluded above that with the passage of IEEPA Congress expressly declined to preserve a power previously available to the President under the Trading With the Enemy Act—the power to vest custody and control of foreign assets in the executive branch. Likewise, in *Youngstown* Congress had expressly declined to grant the President the power to seize steel manufacturing plants during times of emergency. . . . Just as the court in *Youngstown* concluded that President Truman was without statutory or constitutional authority to seize the nation's steel mills, I likewise conclude that President Carter was without statutory or constitutional authority to order the vesting of foreign assets in the custody and control of the executive branch.

'Yippies' a cover for assassination capacity and terrorism wave

The offices of the National Democratic Policy Committee in New York issued the following statement on the detonation of an explosive device outside New York City premises of the promarijuana Yippie organization.

"According to multiple news and other reports received by our offices March 17, an explosive device was detonated outside New York premises reportedly occupied by the proterrorist, promarijuana sect known as the Yippies.

"According to reports now widespread, the Yippies are alleging that the detonation is suspected to have been effected by persons associated with Lyndon H. LaRouche, Jr., a former pre-candidate for the 1980 U.S. presidential nomination of the Democratic Party, and presently Advisory Committee chairman of the National Democratic Policy Committee.

"There is overwhelming circumstantial evidence that this detonation is most probably part of the preparatory measures being deployed by persons intending attempted assassination of Lyndon H. LaRouche.

"The Security Intelligence section of *Executive Intelligence Review* has compiled the following and other relevant facts of assistance from other leading specialists in antiterrorist and related personnel security matters.

"**Fact:** Since the period of the August 1980 Democratic Party National Convention in New York City, the Yippies organization has been co-deployed in threats of violence against LaRouche in company with such groups as the Communist Workers Party, and other elements coordinated by persons associated with attorney Roy M. Cohn. These elements include the New York City weekly rag *Our Town* and *Our Town* contributor Dennis King. There has been a de facto incitement of elements of the Jewish Defense League by agents of *Our Town* who are clients of Roy M. Cohn and by former Socialist Party of American Reagan-hater Irwin Suall.

"**Fact:** During the recent period of general heating-up of preparations for urban riots and other terrorist-linked violence in many parts of the United States, there has been a focus of inciting elements of the Jewish Defense League and Yippies into a public posture of inciting and threatening attacks against LaRouche.

"**Fact:** The Yippies are avowed drug-users, capable of violence, but regarded as too mentally disturbed through drug-related brain damage to conduct any sophisticated operations independently. However, they provide an obvious and expendable cover for any would-be assassins who wish to deploy the Yippies as a scapegoat cover for a sophisticated operation run behind such a public-relations diversionary screen."

"**Fact:** It is the best information received from various intelligence and security sources of several nations that circles desiring LaRouche's assassination have hesitated to follow through earlier threats to murder LaRouche for reasons of estimated countervailing political advantage. It has been the estimate of expert sources regularly consulted on this matter that new efforts to effect LaRouche's assassination would be postponed until LaRouche threatened to break out of the environment of libel-centered containment directed against his influence. At this moment, LaRouche is breaking out of that containment in a most significant degree.

"**Therefore,** the only visible significant purpose served by an atrocity of the sort reported to have occurred outside the Yippies' premises is to create the conditions useful for making the Yippies a diversionary smokescreen for assassination attempts against LaRouche effected by other, less brain-damaged assailants.

"**Furthermore,** this occurs at a time when LaRouche's increasing influence indicates increased danger of an assassination threat against him, but also at a time when all the indicators of imminent terrorist and urban riot violence are rising rapidly.

"It is stressed that forces of the Socialist International projected a two-phase operation against the Reagan administration at the close of 1980. According to leading spokesmen for Willy Brandt's Socialist International, Phase I of the destabilization of President Reagan's administration would be pressuring President Reagan to 'Thatcherize' himself by capitulating to Paul A. Volcker's destruction of the U.S. economy through usury. According to the same and related sources, Phase II of the destabilization operation would be fomenting of social disturbances inside the United States under conditions of growing unrest caused by a duped President Reagan's 'Thatcherization' of the U.S. economy.

"Phase I of the projected destabilization of the Reagan administration is well underway. There are signs that Phase II is about to begin. Under Phase II conditions of terrorist attacks and urban rioting, various cases of politically motivated individual homicides, such as attempted assassination of LaRouche, would tend to be merely one more of a variety of atrocities."

Congressional Closeup by Barbara Dreyfuss and Susan Kokinda

Legislation to raise rates for federal water

Congressman George Miller introduced legislation March 18 that would require the Interior Department to drastically increase the rates it charges thousands of farmers in the West for federally run irrigation programs. Under the formula Miller is proposing to determine water rates, South Dakota farmers now getting water from the Pollack-Herreid project at $3.10 per acre-foot would have to pay instead $35.34. Other projects would charge even higher rates for their water.

Miller cites a General Accounting Office study released March 13 as confirmation that his bill is necessary. The report on federal irrigation programs says that the projects sell water to farmers at what amounts to a major government subsidy and at these rates the farmers will never pay back the cost of the projects. The GAO reviewed 6 projects of the Interior Department's Water and Power Resources Service in South Dakota, Washington, Nebraska, Colorado, and California.

"The new GAO report finally blows the cover," declared Representative Miller. "For years Interior has been trying to say that farmers will pay back the project costs. GAO says they will never come close to paying them back." But Miller is much more concerned about declaring water a scarce resource and controlling its use through high prices. His aides confirm that he is familiar with the Global 2000 report declaring resources scarce and population too large. "It's very clear with more and more people realizing that water is a valuable commodity, we cannot encourage its misuse," Miller said. "Just as the oil companies say higher prices are the only way to conserve their products, price is the only way to regulate water use."

Senate vote halts Tenn-Tom

In a surprise move, the Senate Environment and Public Works Committee voted March 13 to recommend that the Senate Budget Committee end funding for the Tennessee-Tombigbee Waterway. The 9 to 4 vote was engineered by Sen. Alan Simpson (R-Wyo.), who declared the vote "signals a new antagonism in the Senate toward pork barrel water projects," while environmentalists from the Friends of the Earth stood by applauding.

Only Sen. John Stennis (D-Miss.), who is not even a member of the committee, spoke out against the vote Stennis complained that the decision to take a vote was made so unexpectedly only 15 minutes notice was given.

Not even Sen. James Abdnor (R-S.D.), chairman of the Water Resources subcommittee, was present when the vote was taken.

Stennis was seconded in his call to demand completion of the sorely needed Tenn-Tom, which would connect the Tennessee River to the Gulf of Mexico, by Rep. Tom Bevill (D-Ala.). Bevill predicted that the House would vote to fund Tenn-Tom. "It's 55 percent complete and 88 percent of the contracts have been let," he declared, "and it would be foolish to stop this project." Rep. Jamie Whitten (D-Miss.), chairman of the very important House Appropriations Committee, is a staunch backer of the project and reportedly won a commitment from President Reagan that he would not cut the Tenn-Tom in his budget proposals.

Liberal Dems decry nuclear energy exports

In a speech on the floor of the Senate March 17, Sen. Alan Cranston (D-Calif.) accused Iraq of "blackmailing" Western Europe into giving it nuclear energy technology under threat of cutting back Iraqi oil sales. Cranston, who has been a leading member of the World Federalists, an organization promoting one-world government, urged the Reagan administration to press France and Italy to stop their nuclear energy-related exports to Iraq. If they do not, Cranston suggested, halting U.S. shipments of nuclear fuel to them and any other nation that provides not only Iraq, but Pakistan, with what he called "highly sensitive nuclear assistance."

Cranston also called for the congressional investigation of the spread of nuclear technologies to India and Libya as well. Cranston is the ranking minority member of the subcommittee on Arms Control, Oceans, International Operations, and Environment.

Cranston said that his statement had been prompted by information gotten from the "executive branch." Capitol Hill sources indicated that this included the State Department. There is speculation that Cranston is working with James Buckley, undersecretary for Security Assistance, Science and Technology, who is known to oppose American nuclear energy exports.

Cranston has also been working closely with Rep. Jonathan Bingham (D-N.Y.), chairman of the subcommittee on International Economic Policy and Trade. Bingham sent a letter to Secretary of State Alexander Haig March 3 urging the administration to pressure our European allies against selling nuclear energy technology to Iraq and Pakistan on the basis that it presented a danger to U.S. national security interests in the Persian Gulf and South Asia. Bingham intends to raise this issue when hearings are held on an expected request from the administration for conventional security assistance aid to the government of Pakistan.

Research Revitalization Act introduced

Representative James Shannon has introduced H.R. 1864, the Research Revitalization Act of 1981, in an effort to "promote research and development." The bill is one of a number of amendments to the Internal Revenue Code of 1954, and hearings on these amendments begin in the House Ways and Means Committee March 23 to go through June.

The bill is designed to increase the amount of money available for university research by permitting business firms to establish tax-exempt reserve accounts to receive, accumulate and distribute funds for research for up to four years without penalty. It would provide a 25 percent tax credit plus a tax deduction for this category of expenditures.

A recent survey of the members of the Scientific Apparatus Makers Association has indicated that three-quarters of the respondents to the survey would increase their outlays for university research by about 65 percent should this bill become law.

In a statement on the floor of the House March 11, Representative Shannon indicated the importance of research and development for the nation's economy. "Research and development has played a vital role in this nation's economic success for many years. It has led to the unparalleled success of this nation's high-technology industries since 1945. The position of the United States as the world's leader in innovation and technology has begun to slip. It can be seen in our large trade deficits; in declining productivity; in an increase in the number of U.S. patents issued to citizens of foreign countries; in the decrease in the number of new products being introduced into commerce; and in a shift in emphasis to short-range research by U.S. companies. A declining national commitment to R&D is one of the major underlying causes of the problem."

Congressman warns of Haig power grab

Representative Henry Gonzalez (D-Texas) warned in a statement on the House floor March 12 that Secretary of State Alexander Haig may well try to grab power away from President Reagan just as he did with President Richard Nixon during the manipulated Watergate crisis.

Noting that the 25th Amendment to the Constitution allows a President's staff to declare him incapacitated, Gonzalez warned, "What few people remember is that before President Nixon resigned, it was his chief of staff, together with the Secretary of State, who contemplated using the 25th Amendment to force him out of office if he did not quit. Even though the 25th Amendment was not invoked, the President's powers were effectively shorn because those same two individuals issued orders that they had to approve anything ordered by the President. . . . This is as close to a palace coup as this country has ever been. They were operating outside the law and outside the Constitution by isolating him and not invoking the judgment of anyone else. It was perhaps a well-meant conspiracy, but a conspiracy nevertheless. Now we see Alexander Haig, who was that chief of staff, as Secretary of State—the keeper of the Seal. We know that Mr. Haig did not then and will not today hesitate to use his considerable powers to get his way—and the way could be inviting.

"Whereas Mr. Nixon was criminally guilty and under broad attack," said Gonzalez, "Mr. Reagan is of an age where his powers might suddenly wane. Mr. Haig did not hesitate to become de facto President in 1974 and he would not hesitate to do so again."

National News

White House moves to control foreign policy

The White House has taken charge of planning for all foreign trips of the President, in a direct slap at Secretary of State Alexander Haig. Coordination for briefing the President and arranging details on agenda, etc., with foreign governments will be centered in the office of Edwin Meese, counselor to the President and a personal friend of the President. His office sent out a request on March 18 to all cabinet departments requesting them to submit memos on matters they think should be discussed during the President's trip to Mexico.

Michael Deaver, deputy chief of staff at the White House, has been sent to Mexico to work out details of the April 27-28 trip. "I've been charged with the responsibility for all foreign trips," he declared before departing. "That's the change since the Canada trip." The State Department prepared for that trip and provided briefing material very late and in a format that was virtually impossible to digest, administration sources said.

Reagan names deputy energy secretary

President Reagan has officially named W. Kenneth Davis, vice president of Bechtel Power Corporation, to be Deputy Secretary of Energy. The new number-two man at DOE was director of Reactor Development in the Atomic Energy Commission during 1954-58. Described by colleagues as a hard-nosed "bullet-headed engineer" when it comes to advocating fission plants, Davis wrote the nuclear policy section of the Reagan Energy Task Force headed by geologist Michel Halbouty.

Davis chaired a national industry study in 1979 which warned that unless there was a significant expansion beyond Carter administration-projected nuclear capacity by 2000, together with development of nuclear fast breeder capacity, the existence of the U.S. nuclear industry could be jeopardized, threatening dire overall economic consequences. He has been an early advocate of the "nuplex" concept of integrated nuclear-industrial complexes.

Several scientists who have spoken with Davis, however, point with concern to recent private statements downplaying the importance of a strong advanced science research and development program in controlled thermonuclear fusion as well as other advanced energy technologies.

One source told *EIR* that Davis has argued against fusion because "it doesn't have enough engineering." Some prominent science spokesmen wonder if Davis will be able to grasp the long- and medium-range military, as well as mineral and energy, implications of a vigorously revived fusion research program.

Pewitt backs down on go-slow fusion policy

Testifying March 18 before the Energy subcommittee of the House Science and Technology Committee, Dr. Doug Pewitt of the Department of Energy backtracked on the antifusion energy policy which he had put forward earlier this month in congressional hearings. "My statements today will be more positive than what I have said previously," he announced.

In past testimony Pewitt had said that the Reagan administration would not commit support for the $1 billion Fusion Engineering Device (FED) mandated by the McCormack fusion act to be operating by the year 1990. Under questioning by the House committee, however, Pewitt said that the administration proposes to continue the design studies for the FED, and that construction costs to meet the law's schedule could be included in the fiscal year 1983 and 1984 budgets. The FED construction would not begin until 1984 he said.

Though Pewitt did not change the administration's proposed 1982 budget figure of $460 million for the fusion budget, $65 million less than what the Carter administration had proposed, he admitted that Energy Secretary James Edwards has publicly expressed support for the fusion program.

Representative Marilyn Bouquard (D-Tenn.), chairman of the subcommittee, said that she did not agree with Pewitt's testimony that because the Reagan administration is going ahead with fission, this makes "fusion less urgent." "Congress," she said, "must chart a steady course for the fusion program, and we believe strongly in following the fusion law."

Conoco provokes a coal strike

A strike of the nation's coalminers became inevitable as of March 20 as talks between the United Mine Workers (UMW) and the Bituminous Coal Operators Association remained deadlocked past the strike deadline. The deadlock was not surprising, observers noted, due to the radical nature of the demands brought to the bargaining table by the BCOA's chief negotiator, Bobby R. Brown, of Conoco. Brown's demands have included the reinstitution of Sunday work for coal miners, and the breaking up of the Union's national pension fund into a company-by-company arrangement.

"This is a forced strike," one UMW official commented. "There's no way Sam [Sam Church, UMW president] could have gone along with these demands."

Brown's super-tough stance has disturbed many of the smaller coal operators as well, who need to maintain production in order to survive. However, both Conoco, whose ownership of Consolidation Coal and 13.7 billion tons of coal reserves makes it the largest holder of privately owned coal reserves in the world, and the other oil multinationals which are highly leveraged in coal reserves see the strike as a potential bonanza.

With world demand for U.S. coal exports at record levels, a big constriction of American coal production could cause coal prices to soar.

"In 1972, when oil went for $3 a barrel, a ton of Eastern bituminous went for $5," commented an analyst at the prestigious *Energy Daily*. "Today both go for over $30. They've gone up in direct parallel. Just between you and me, I think it's clear that the move into coal by the oil multis might have a lot more to do with that than production costs."

Panel to 'reform' presidential nominations

A bipartisan panel of prominent Republicans and Democrats has been formed to restructure the method by which presidential candidates are nominated.

Sponsored by Duke University and the Woodrow Wilson Center of the Smithsonian Institution, the panel will attempt to spell out "principles" for the two major parties to utilize in making alterations in presidential nominating methods.

Among the issues the group will investigate, says spokesmen Terry Sanford, president of Duke University, will be the proliferation of primaries and party caucuses, the impact of spending requirements, and the role of party officials in the nominating process.

Robert Strauss is a member of the new panel, as are GOP Sen. Robert Dole, John Sears (ousted as Ronald Reagan's presidential campaign chairman in February 1980), and former Secretary of State Edmund Muskie. At a March 18 press conference to announce the group's formation, Strauss said current nominating methods favor "special interest-group domination." Strauss and Muskie are also members of "Democrats for the '80s," an organization recently established by Pamela Harriman, wife of former ambassador Averell Harriman, which seeks to put the Democratic Party under the control of Socialist International networks.

John Glenn stalls Malone appointment

The appointment of James L. Malone, a prominent pronuclear lawyer, to the position of Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs has roused the opposition of a number of environmentalist groups, with the most vocal resistance being offered by Sen. John Glenn (D-Ohio).

Glenn, who is the minority chairman of the Senate Subcommittee on Energy, Nuclear Proliferation and Government Processes has vowed to use his committee to stall the Malone appointment until possible "conflict of interests" between Malone's former nuclear industry clients and his new position can be explored. However, it was immediately clear that the issues which divided Malone and Glenn were not technical or legal, but strong differences on matters of policy.

Malone was the author of a Reagan transition team report which called for an end to restrictions blocking the export of U.S. nuclear technology to major Western allies, such as West Germany and Japan. He has also been a member for the past three years of the top Washington law firm of Doub, Muntzing, Chartered, which has been a prominent defender of the nuclear industry, especially in cases involving nuclear export deals threatened by the Carter administration's "antiproliferation" guidelines.

Glenn, on the other hand, was the author of the NonProliferation Act, the basis of the Carter policy denying advanced technology to the Third World. At the Senate hearings he focused particular fire on Malone's role in representing Kansai Electric and TEPCO, two Japanese firms whose successful application to have their spent uranium fuel reprocessed knocked a large hole in the Carter antinuclear policy.

Briefly

● **FRED KHEDOURI,** who was brought in by Office of Management and Budget director whiz-kid David Stockman to be OMB associate director for energy and environment, is raising the ire of growing numbers of prodevelopment groups in Washington. Prir to serving as an aide to the young Michigan congressman, Khedouri was a founding leader of the notorious antinuclear Natural Resources Defense Council.

● **MAXWELL RAAB** may soon be named ambassador to Italy, according to Washington sources. A New York lawyer who played a prominent role in Ronald Reagan's election campaign, Raab is director of the American-Israeli Chamber of Commerce, chairs the government affairs division of the United Jewish Appeal, and is a member of the board of governors of Hebrew University. His law firm, Stroock, Stroock and Lavan, represents the Warburg family interests. Supply-side economist Lewis Lehrman is his personal protégé.

● **JIM WRIGHT,** the House Majority leader, says of Reagan's economic program: "The same basic approach did not work in the 1920s. And in [Prime Minister] Margaret Thatcher's England, a similar policy has resulted in 15 percent unemployment, a drop of 14 percent in production, the biggest drop since the Great Depression, and an increase in bankruptcies and business failures." Wright's comments are in a March 5 briefing circulated in letter form to Democratic congressmen.

● **KOREAN** manufacturers, three of whom are investigating color television plant sites in the U.S., are reportedly doing so because of the cheap labor, since they are in no danger of exceeding their import quotas. The South Korean Lucky Group has been awarded a hefty loan by the State of Alabama to build a plant in Huntsville.

Energy Insider by William Engdahl

Regulating America's nuclear future

The Reagan choice for interim NRC head reflects a continuation of intense backroom battles.

Earlier this month, President Reagan announced that he was naming Dr. Joseph Hendrie, the lone Republican on the five-member Nuclear Regulatory Commission (NRC), to retake his seat as NRC chairman until a final choice can be named. Hendrie was NRC chairman until December 1979, when Carter demoted him to commissioner, replaced by Dr. John Ahearne, a systems analyst protégé of ex-Energy Secretary James Schlesinger. The fight now over the NRC could well determine whether America makes it to the end of the century with adequate energy.

In discussions with nuclear industry spokesmen, I got a sense of urgency over the choice of who heads the NRC. A weak or underqualified "political" appointee, no matter how well intentioned, they tell me, would be chopped to mincemeat by the slick anti-industry ideologues on the NRC. Right now, it is taking this country as long as 14 years to limp through the required licensing hurdles, intervenor court challenges, and idiotic labyrinth of delays that such anti-growth think tanks as the Natural Resources Defense Council (NRDC) admit are intended to stop nuclear power growth. Countries such as France and Japan take approximately six to seven years to build a 1,000 megawatt nuclear reactor, with perhaps even more stringent safety standards.

A brief review of recent nuclear history is relevant. One unfortunate event during the Ford administration was passage of the Energy Reorganization Act of 1974 which abolished the Atomic Energy Commission and created a polyglot Energy Research and Development Administration (later DOE) and a separate NRC. With no central nuclear agency or congressional Joint Committee on Atomic Energy, the NRDC and Sierra Club began sharpening their knives.

One of the first commissioners on the new NRC was, and still is, Dr. Victor Gilinsky, a technocrat protégé of Schlesinger's at Rand, the source of a lot of bad ideas in recent years. Gilinsky, together with lawyer-commissioner Peter Bradford, a former Nader-raider from Maine's Public Utility Commission, have consistently provided the inside wrecking and stalling job to ensure that no utility dares to order a new nuclear plant. Ahearne, as chairman, tended to vacillate between pro and anti in his votes. Some 50 to 60 nuclear plants have been canceled as a partial result of a regulatory process which has tended to prioritize willful obstruction above safe, proven energy, jobs, and economic prosperity.

Such delay has meant the loss of approximately 5.5 million tons of stainess, low-grade, and equipment steel and at least 2 million man-years of high-skilled jobs. This says nothing of the absurd regulatory morass created by the Percy-Glenn 1978 Nuclear Nonproliferation Act, which halted nuclear exports, another estimated loss of some 60-plus reactor exports for a minimum of at least $23 billion.

This is only part of the reason a top-flight, no-nonsense chairman is needed, and someone good to fill the seat left vacant by the departure of pronuclear Richard Kennedy.

There are worrisome signs that Reagan is being pressured into filling the post with a political appointee. Thomas Roberts, a Memphis businessman who was treasurer of George Bush's presidential bid, was the reported surprise choice. Sources report that Jim McClure, the pronuclear senator from Idaho, and Majority Leader Howard Baker of Tennessee personally convinced the President last week that Roberts was an inadequate choice for the vital post.

Hendrie was named by the President as a fallback until his old term expires in June, or until a final choice is named. Unfortunately, one of the most respected and qualified choices recommended by the NRC Transition Team, Dr. Ben Rusche of the South Carolina Energy Research Institute, a former nuclear safety official with the AEC and NRC, seems to be a victim of White House rumor mill disfavor. Whatever the facts behind charges of "friendship" with Secretary Edwards (hardly a heinous offense compared with some of the cronies of the previous administration), his last minute replacement by someone of Roberts's limited qualifications indicates the fragile state of the process of getting the nation back on a firm nuclear track.

Strong action by the President here could be a far-reaching accomplishment of his administration.