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# **EXECUTIVE INTELLIGENCE REVIEW**

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**New Solidarity International Press Service**

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# EXECUTIVE INTELLIGENCE REVIEW

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# EXECUTIVE INTELLIGENCE REVIEW

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The City of London's proclaimed policy of **Cold War** is quickly **heating up**...and now the terrorist weapon is being unleashed to force acquiescence to London's "new world order."...In the **INTERNATIONAL** section, a **full report**...with **exclusive excerpts** from the speech delivered by visiting Soviet Central Committee Secretary Ponomarev to U.S. officials...the **highlights** of the Cold War campaign in the press...a profile of kidnapped Luxembourg industrialist Empain that show what message London is transmitting with his abduction...In the U.S., terrorist threats to make **New York a new "Belfast"**...and, in an attempt to stamp out **programmatically opposition** to London's new programs, a new round of strong-arm tactics and threats against the U.S. Labor Party...including the lowdown on the **libelous smears** yellow journalist Jack Anderson is readying against the National Caucus of Labor Committees as we go to press...

\* \* \*

Great Britain has the bomb—**what if London decides to use it?**...Featured in **INTERNATIONAL**, a proposed **counterstrategy** authored by U.S. Labor Party chairman **Lyndon LaRouche: Soviet Strategic Option A**"...that contrasts the sane policy of U.S.

**Soviet alliance** against London war-mongering...to the bitter fruits of the **Winston Churchill legacy**...

\* \* \*

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\* \* \*

**What London wants to achieve:** an "American Commonwealth" divested of technology, of monetary independence from the City of London, of "outdated" democratic traditions...The strategy is candidly spelled

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out by the supranational policy think-tank, the **Trilateral Commission**...in a document that we excerpt extensively in **COUNTER-INTELLIGENCE**...You'll read point for point what the London forces' strategists are pin-pointing for destruction...and what kind of "new order" they hope to impose on the world...

\* \* \*

The outcome of the **energy debate** will determine the United States' future...which is why the NAACP's call for nuclear-led energy growth has **polarized** the U.S. political field...In **U.S. REPORT**, the story of how the fight sharpened this week...with excerpts from **Ronald Reagan's** speech endorsing the NAACP statement...and how his endorsement was **kept out of the "liberal" press**...A look at **who owns the Black Caucusites** who are oh-so-militantly yelling "Sellout" at the NAACP...a sampling of the no-growthers' **racist attacks** on the black organization's energy stand...and how NAACP leaders are **hitting back**...

\* \* \*

Someone's **thrown a wrench** into the plans to sneak Tory traitor Bill Miller into the chairmanship of the Federal Reserve...with revela-

tions that his Textron Corp. is involved in million-dollar payoffs...**ECONOMICS** has the story...with **exclusive interviews** that show a surprising lack of interest in this example of "white-collar crime" from **Ralph Nader and his ilk**...and an analysis of how the stalling of Miller's confirmation will effect City of London plans to **push U.S. commercial banks out of the world market**...**Featured: a history of Miller's Textron** that describes the really dirty deals by this business-cum-financial warfare agency...And leading off **ECONOMICS**, a report on the latest European efforts to **thwart london**...the "**golden Luxembourg strategy**..."

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**Also in this issue**... A new alliance for progress taking shape in Latin America that sent Vice-President Mondale home from Mexico with **his tail between his legs**...counterposed to the reactivated Rand Corp. script for **war across the Southern Hemisphere**...both in **LATIN AMERICA**...and in **ASIA**, a U.S. Labor Party proposal for a **U.S. China policy** that will encourage post-Mao China to become a **positive** international force...instead of the **Kissingerian** strategy of encouraging Chinese efforts for **nuclear war between the "superpowers"**...

# London Unleashes Terror And Cold War To Stop Gold Option

Beginning with the kidnapping of French nuclear industrialist Baron Edouard-Jean Empain on Monday, Jan. 23, the City of London this week loosed a rampage of terror and cold war incitements to back up their campaign to destroy the U.S. dollar as an international reserve currency and to bring the world under the supranational hegemony of a world fascist monetary order directed by the City of London.

The virulence of the new terror wave now sweeping Europe and the shrillness of the war cries emanating from London's leading press outlets is testimony to the growing desperation with which British and allied banking circles now see their strategic situation. The reason is clear. January 31, the date the Rambouillet 1975 constraints on central bank dealing in gold runs out, is the projected date for a European-Japanese action for a new monetary system based on gold and operating out of the tiny country of Luxembourg, an action which has the potential to bankrupt the City of London and end their campaign for world hegemony once and for all.

The answer to this threat has been twofold: terror and the instigation of a cold war climate which would make impossible both economic and monetary cooperation between the Soviet Union and a Middle East peace.

London's intentions were unequivocally broadcast in Britain's *Guardian* newspaper which editorialized that the Horn of Africa war should be turned into a Cuban missile-like confrontation between the United States and the Soviet Union. The *Guardian* lamented that the meeting last week at the U.S. State Department attended by the U.S., Britain, France, Italy, and West Germany on the African crisis did not produce a communiqué strongly attacking the Soviet Union for their continued aid to the government of Ethiopia. The editorial then stated: "No western government with an interest in the Middle East or the Indian Ocean can for long regard the growing Russian presence in Ethiopia only as support for a client in difficulty. In combination with the control of South Yemen it gives the Russians an excessive power, should they choose to exercise it, over the Red Sea and the shipping lanes to the Gulf. It can be argued that whereas at one time this would have been a vital threat to western interests, it is no longer credible to that degree, because the result of using it would be a world war."

There can be no more "proxy war" between U.S. and Soviet client states as took place in Angola, the *Guardian* declares, because the "Russians may be tempted to find similar excuses to intervene all over the continent." The

West must therefore take the following course: "...A policy of support for the Organization of African Unity's attempt to achieve a negotiated settlement must be linked with a clear set of questions to the Russians about what they are doing in Ethiopia (and South Yemen) and how long they propose to stay. If the answers are unsatisfactory there could be a serious crisis, as there was when the Russians tried to put missiles into Cuba."

London's allies in Washington followed the *Guardian's* orders precisely in their reception of a Soviet delegation to the United States, headed by Soviet Politburo alternate member Boris Ponomarev this week. At a press conference in Washington on Jan. 26, in a speech largely blacked out in the U.S. press (see below), Ponomarev stressed that the U.S. and the Soviet Union, apart from all other nations have a "special responsibility" in limiting arms and seeking a resolution to the arms race which is now jeopardizing the progress made by détente. As James Reston cheerily reported, Ponomarev was told by National Security Council Advisor Zbigniew Brzezinski that there would be no SALT or any other arms agreement unless the Soviet Union was willing to withdraw from Africa and give London free rein throughout the Third World. In another affront, Ponomarev's press conference was rudely interrupted by the Senator from New York Jacob Javits who suddenly demanded to know: "What about Scharansky," a reference to a Jewish dissident now charged with treason by the Soviet government.

In addition, led by Javits, the Senate Committee on Governmental Affairs in hearings this week on terrorism demanded that Secretary of State Cyrus Vance take strict sanctions, including embargos, against those nations which harbor terrorists, which include, according to Javits et al. the East bloc nations, Iraq and South Yemen.

### *London's "American Commonwealth"*

The rubric for London's seizure of world control is the imposition of a new "American Commonwealth," a reversion to Britain's constant ploy of laundering its own filthy operations through the United States. This was enunciated Jan. 23 by FIAT president and Trilateral Commission member Gianni Agnelli in an interview in the Paris daily *Le Monde*.

Agnelli parroted a plan first spelled out in a July, 1977 Trilateral Commission Report, "Towards a Renovated International System," for the destruction of consti-

tuency-based national sovereign states and their replacement with an "American Commonwealth."

The July Trilateral report, (see Counterintelligence Report), authored by current U.S. Undersecretary of State for Economic Affairs Richard N. Cooper and recently appointed head of the National Intelligence Estimates Robert Bowie, called for the imposition of energy cutbacks and deindustrialization for the advanced sector and labor-intensive primitive agriculture and raw material extraction for the Third World. With respect to the issue of national sovereignty, Cooper and Bowie offered the following:

"The desire for national autonomy and the traditional concept of sovereignty aggravate the tension between national policies and transnational interaction. The public and leaders of most countries continue to live in a mental universe which no longer exists — a world of separate nations...It rarely pays domestically to raise long-term problems, particularly if this means confronting voters with difficulties ahead and the need for sacrifices to master them. Thus long term problems and stra-

tegies to solve them are not discussed as concrete political issues. The failures of American and Western European politics to respond adequately to the necessity to reduce oil consumption provides a telling example."

In his *Le Monde* interview, Agnelli cited the crescendo of terrorism in Italy and West Germany as evidence that national governments are no longer capable of ruling Europe.

Echoing this sentiment is top British intelligence terrorist controller and head of the U.S. Justice Department's LEAA Task Force on Terrorism and Civil Disorders H.H.A. Cooper (see below). Cooper predicted that Europe would degenerate into a state of armed repression parallel to the "Guatemala model" and that increasingly, national governments would be replaced by more functional local autonomous bodies regulated by "transnational institutions" — like NATO and the International Monetary Fund. "It's about time the United States assumed its place of responsibility," railed the British national Cooper, "at the head of a unified West."

## Soviet Delegate Ponomarev: USSR, U.S. Bear Heightened Responsibility For World Peace

*Boris Ponomarev, an alternate member of the Soviet Politburo, is in the U.S. at the head of a delegation of members of the Supreme Soviet. On the first leg of their tour, which will take them to Houston, Los Angeles, Detroit and New York, the Soviet officials met Congressmen and Administration officials in Washington. Ponomarev's remarks to the Congressmen, which were hardly reported in the U.S. press, are excerpted here in translation from Pravda of Jan. 24.*

Practice shows consistently that every step on the path of developing Soviet-American relations on a mutually beneficial, fair basis, serves the interests not only of our two countries, but of all peoples. It is no accident that the whole world follows the state and development of Soviet-American relations so attentively. Now things are in a peculiar situation. On the one hand many good words are being said in favor of peace, and on the other, the arms race is accelerating....All countries are called upon to contribute to preventing war and to the development of international cooperation in the name of the very existence and future of humanity. But the USSR and the USA bear a heightened responsibility in this great cause....

Increased arming of NATO troops has been started and there are plans to equip them with "cruise missiles," as well as plans to station the neutron-bomb on the territory of West European countries. Such a development of events can lead to a destabilization of the political and military strategic situation. This is laden with great dangers not only for Europe, but for the entire world. The Vienna talks (on force reductions in Central Europe —

ed.) should get moving and stop serving as a cover for a buildup of NATO military strength....

The Soviet-American agreement on trade, signed October 18, 1972, has as yet not entered into force — and you well know why (Ponomarev is referring to the Jackson-Vanik and other amendments restricting credits to the USSR — ed.). And the sorry result is that in 1977 our trade with the USA fell to \$2 billion from \$2.9 billion in 1976....We continue to advocate the development of our trade and economic ties on the basis of equality and mutual benefit. We see in the development of international economic ties an important element of the improvement of international cooperation overall.

### *Reston:* 'Arguing For The Status Quo'

New York Times, "Our Soviet Visitors," by James Reston, Jan. 25:

Ten members of the Supreme Soviet, which is not really "supreme" in Moscow but still influential, have been in Washington these last few days expressing their regrets about the decline in American-Soviet relations, and asking for explanations.

This has been an interesting and maybe even significant event. The Soviet delegation, headed by Boris N. Ponomarev, has talked with the leaders of the House and Senate, and with reporters on the side. They have

been unfailingly courteous and even amiable, but somehow they were not able to agree with officials or Congressmen here, or even to discuss objectively, why Washington and Moscow were misunderstanding one another....

There is a more troublesome dilemma between these two delegations. The Soviet officials ask: What is the primary question of world affairs? Isn't it the control of nuclear weapons and the avoidance of a nuclear world war? This, they insist, is the presiding question in the interests of the United States and the Soviet Union, and of world peace, so why don't we concentrate on that?

Why divide Moscow and Washington over "human rights," they ask. Why not agree on the basics and separate this cataclysmic question of nuclear war from all these other subsidiary questions in Europe, the Middle East, Africa and Cuba?

There have been some really tough arguments with the Soviet delegation here on these issues, and they have the opportunity to argue it out with the Secretary of State, with Zbigniew Brzezinski, the head of the National Security Council, and even to philosophize about all this in the homes of American officials. No such thing, of course, could be imagined in Moscow by Soviet Foreign Secretary Gromyko, or even by Ambassador Dobrynin. But somehow this dialogue does not seem to be working.

The representatives from Moscow obviously want to have it both ways: They want an agreement on strategic missiles with the United States, particularly on the cruise missile. They also want the right to build their own missiles and move their own developing navy into the Indian Ocean and establish their power in Ethiopia along the Horn of Africa and in Angola along the oil sealanes from the Middle East to industrial Europe.

When the members of the Supreme Soviet raised what they called the "main question"—the control of nuclear weapons—Mr. Brzezinski told them quite frankly that they had to choose. They could not get selective agreements with the United States. Either they would work with us for a new world order, limit strategic weapons and arms shipments, or continue the arms race and the strategic game, which was in nobody's interest.

The Soviets are really inviting a big-power deal with the United States. Ever since their revolution in 1917, they have been arguing against the status quo, for the destruction of the old imperial empires, and for the liberation of new nations. But now their tune has changed.

The Soviets are now arguing for the status quo, particularly in Eastern Europe. It is the United States that is now insisting that liberty is the issue, that is arguing for human rights in the last of the imperial domains of Communist Eastern Europe, and challenging Moscow to stop sending arms into Ethiopia, Angola and the other strategic points of Africa....

There is something rather sad about all this. The hope of these talks between leaders of the Supreme Soviet and the Congress and with the Executive in Washington was

that they might be able to look beyond the contemporary struggles and find some ground for compromise; but the Russians seem merely to have had a junket and repeated the same old propaganda.

*Evans And Novak:*

### Carter's New Realism

Washington Post, "Facing Eurocommunism," By Rowland Evans and Robert Novak, Jan. 24:

President Carter's new warning against dangers of "Eurocommunism" in Italy reflects a confrontation with reality after one year in office—by the President in general and by Ambassador Richard Gardner in particular....

This shift is only the latest signal that Carter is reverting to more conventional anti-Soviet policies, following the confusing rhetoric early in his administration. No longer is the Soviet-Cuban intervention into Angola rationalized as "stabilizing." A strong U.S. reaction to the Soviet role in Ethiopia is now given top priority.

The rhetorical shift on Eurocommunism, proclaimed in a Jan. 12 statement, typifies the administration's new realism about military and political vacuums. Carter is now aware they will quickly be filled by Soviet penetrations if the United States fails to make the case for the Western democracies publicly and forcefully.

So the Jan. 12 statement was both public and forceful: "We do not believe that the Communists share" the "profound democratic values and interests" of Western political systems. The United States "would like to see Communist influence in any Western European country reduced."...

The administration's claim that the new policy is a restatement of the old is belied both in the words themselves and in Gardner's profound conviction—the product of one year's experience in Rome—that Soviet influence is pervasive at top levels of the Italian Communist Party. He is also convinced that the Soviet Union, helped by the Czechoslovak and East German Communist parties that has brought Italy close to anarchy.

Gardner's quick flight to Washington two weeks ago to argue for the new hard-line policy was intended as a warning to the old guard of the Christian Democratic Party not to yield to Communist Party pressure without an all-out fight. Strong factions in the old guard, which has ruled Italy for 30 years, would accept alliance with the Communists to cling to power in a coalition government.

Younger, more progressive Christian Democrats seek another course: a top-to-bottom shakeup of their stratified party and its stale, rigid policies. That is also what Gardner wants, on the basis of his political education in Rome.

H.H.A. Cooper:

## 'Ultimately All Politics Rests On Force'

*Exclusive to Executive Intelligence Review*

*Following is an interview with H.H.A. Cooper, a terrorist controller and head of the U.S. Justice Department's Law Enforcement Assistance Administration Task Force on Terrorism and Civil Disorders.*

*Q: Mr. Cooper, what do you see as the motivation for the wave of terrorism spreading throughout Europe at this time? Do you agree with your colleague, Dr. Hubbard of the Texas Aberrant Behavior Center, that terrorism is merely the work of lone, crazed social misfits?*

A: While the individual terrorists are not themselves generally conscious agents of any deploying agency, you have to understand the way this thing really works. There are, broadly speaking, three levels. At the top you have the thinkers, the people who determine how terrorism can best be employed in order to achieve their ends. This level operates in a way analogous to corporate America, you see, and they are never mentioned in the press, never publicized. Underneath them you have two layers, and these are the mercenaries. The individuals who actually perform the terrorist acts are the social misfits who are easily manipulable. They may, and in fact generally don't know that they are working for anybody, but they are. They are a pool of persons constantly available to either the left or the right. Above them, and a very important layer indeed, are the controllers, the sophisticates who deploy the terrorists, figure out the targets for terrorism, work out the logistics, etc.

*Q: Who are the unpublicized strategists, "thinkers" as you call them, of international terrorism?*

A: You must understand that terrorism is the political mass aspect of a global struggle for power. The majority of terrorists are footsoldiers who are utilized for political ends. And the world at this time is divided into two camps each vying for power: the Western system of free enterprise capitalism, and the Soviet system of state capitalism. For example, West German terrorism originates from East Germany, and that in turn can be traced back to the Kremlin. Terrorism is only one facet of the continuing warfare between these two blocs, and other issues such as fuel and energy are also areas of the same power struggle.

*Q: What are your predictions for the future, both in terms of the future of terrorism and the broader context of the power struggle between these two blocs?*

A: National governments have gotten progressively weaker. You have to understand this and see terrorism, for example, on a geographic rather than a national basis. Look at the Labour government of Britain, for instance. Labour doesn't lead the country; it's being swept by events. People are so blinded by the situation in Northern Ireland that they don't see the more significant phenomenon of terrorism inside Britain and its corollary social dissolution. The Labour government doesn't have

any credibility or real decision-making leadership powers. And if the Tories came to power the situation would be the same. What is going on in Britain, as everywhere else throughout the West, is that large nations are breaking up into regionalism. Central governments are discredited, and regional loyalties and entities are on the rise. This is the direction in which we are rapidly moving.

*Q: What you suggest however is an unacceptable situation from the Western standpoint. What will happen in such areas as the management of international trade, not to mention the Western military alliance once national governments become completely impotent and inoperative? The only answer would be complete chaos.*

A: You are right, and this is why we must move now and orient toward the future. The key is the United States. The U.S. has never made full use of its power, and this must be corrected. We need a strong leadership at the international level, and the U.S. is the only possible leader of this supranational community. Carter does not have a firm grasp of the complexities of world events, and this a major problem.

*Q: This supranational agency would have to have executive powers though, wouldn't it, and the means to back up its executive decisions?*

A: Of course I agree with you that ultimately all politics rests on force. Such a supranational governing executive would have to be equipped with force to carry through its decisions.

## Tempest In A Cold Teapot?

The U.S. press devoted its best efforts to turning the disintegration of a Soviet reconnaissance satellite on its return to the atmosphere Jan. 24 into a major public panic over supposed nuclear fallout, improved Soviet spying capabilities, ...and possibly, World War III.

On Jan. 25 the *New York Times*, *The Trib*, and the *New York Post* all used the story as a page-one lead-story item, however the *Post* took the lead in scare stories with the headline "Hint Satellite was Soviet A-Weapon." *The Trib*, on the other hand, made an open bid for the anti-Soviet sentiments of the Cold War era with their headline: "Spy Satellite, Story Behind the Crash of Space Age U-2"

The story of what actually happened, as explained by competent scientists, is far less sensational. According to one U.S. scientist, observer satellites are commonly constructed to disintegrate in the atmosphere. Generally, the nuclear reactor aboard which powers such crafts is jettisoned in space, before the satellite re-enters the earth's atmosphere. This mechanism failed in the case of the Soviet vessel, *Cosmos-954*, not the first time this has happened.

In 1964 and 1970 two U.S. spacecraft bearing nuclear power sources re-entered the earth's atmosphere and disintegrated. Like the *Cosmos 954*, both of the nuclear generators powering the ships disintegrated in the atmosphere without posing any serious threat of pollution of the atmosphere or contamination of the population.

# Soviet Strategic 'Option A'

*The following statement was given by Lyndon H. LaRouche, Jr. on Jan. 25, 1978.*

The Warsaw Pact command professes a special strategic warfare option, which I shall identify for convenience here as "Option A." This option applies to the case in which nuclear forces of the United Kingdom attempt to provoke a general war through launching their own national forces' thermonuclear capabilities.

The feasibility of this option depends on prior agreement between the command of the United States and the Soviet Union for this specific problem. My purpose of publishing this summary evaluation of "Option A" is to bring discussion of this matter into the open at a time when the insane British are visibly pushing toward a threshold of such a new thermonuclear provocation.

The agreement between the United States and Soviet command is as follows:

(1) Under the specific condition that British forces or their surrogates take an action which preemptively activates general warfare between the Warsaw Pact and Atlantic Alliance nations, the U.S. thermonuclear shield is automatically removed from the United Kingdom's territories and bases throughout the world.

(2) To make this effective, the Soviet command must, however, openly announce "Option A" to the world press, stating that if Britain triggers a general thermonuclear confrontation, not one square foot of the United Kingdom will remain habitable within one hour following the provocation. Furthermore, unless Atlantic forces act in support of the United Kingdom, Soviet action will be limited to United Kingdom targets alone.

(3) The basis for the "Option A" understanding between the United States and Soviet command is usefully situated in the policies of John Foster Dulles and the "second Eisenhower Administration" generally vis-à-vis the "Suez crisis" and nother notable related transactions of that period.

(4) Soviet policy to this effect will not work, of course, unless the Soviets also commit themselves to a most-favored mutual relationship along with the pro-technological development forces of the United States, France, Italy, Japan, Mexico, and other nations in which such a strong humanist tradition exists respecting perceptions of national interest.

Clearly, if "Option A" is not established, then British adventures lead rapidly, unavoidably into general, international thermonuclear war.

## *The Winston Churchill Legacy*

This is not a new issue. It was the bitter issue between Franklin Delano Roosevelt and Winston Churchill (as reported by eyewitness Elliott Roosevelt) at the Atlantic and Casablanca Congress. During that period, President Roosevelt, who had learned bitter lessons from the "New Deal" corporatist experience, denounced Churchill for his imperialist policies and for Churchill's reactionary "18th century" zero-growth policies.

Americans have special reason to be bitter against the British. The man in the street knows that it was Prime Minister Neville Chamberlain, of the profascist, Fabian-funding Chamberlain family, that boosted Hitler's career in World War II at the Munich 1938 conference. Unfortunately, the delusion that Winston Churchill was some sort of hero is credulously swallowed by too many.

(Details of these matters will be reported by Criton Zoakos, Christopher White, and others documenting and analyzing the crucial historical background.)

It was Winston Churchill who acted directly to prevent German generals and industrialists from overthrowing Hitler in 1938. *Churchill personally*. It was Winston Churchill who personally blocked Allied support for the German generals toward the end of the war. When challenged on these points, in a parliamentary question toward the end of the war, Churchill submitted a reply drafted by British intelligence executive Hugh Trevor-Roper, "Kim" Philby's patron, outlining the point that Churchill preferred Hitler's continued rule to rule of Germany by the true industrialist anti-Hitler forces.

It was General George Marshall who warned the congressional Vandenberg Committee that the United States must determine the means by which the British were subverting United States' policies. (It is interesting that President Eisenhower and General Marshall were attacked viciously by those Birchite types of "rightists" who today are visibly being controlled by British intelligence influences. The case of British influences conducted through William F. Buckley and Richard Viguerie, and the role of the circle around Winston Churchill III, are also relevant to answering General Marshall's question.)

It should also be recalled by those old enough to remember, and researched by those too young to remember, that Churchill had the policy of fall-back to the colonies for the contingency in which Britain was overrun. This reflects an element of the mentality of the ruling British circles which Christopher White has documented in his soon-to-be-published "the Families." The ruling British families, dating variously from 800 to 400 years in name and conscious tradition, have a certain degree of sentimental attachment to England, but no intrinsic loyalties to those British people they rule. England, for them, is merely one of their family estates, albeit the estate they are most loathe to give up.

Canada, virtually an occupied territory of British intelligence services, has been built up, together with Australia and Oppenheimer's South Africa, as the principal fall-back locations to which the British ruling families run in the event Britain itself "must be sacrificed" in a thermonuclear war.

Adolf Hitler is a representative of an evil that is almost relatively minor with the pure evil that is to this day represented by the British ruling families. The name of Marlborough, the family of Winston Churchill, and Winston Churchill III, is the proper exemplar of that evil.

*U.S. Policy For Britain  
Under "Option A"*

In the case Britain provokes war with the Soviet Union, and that "Option A" prevails, British forces in depth become a Soviet "free-fire zone" in U.S. policy, under conditions that the Soviets take no action to jeopardize the interests of any other forces but those acting in concert with the British, and that the Soviets take no action beyond nullifying British warfare capabilities.

However, the administration of a defeated Britain and its territories must not be attempted by Soviet forces. The Atlantic Alliance — minus Britain — must assume administrative and reconstruction duties in the United Kingdom, and a force headed by India should assume administrative direction of British territories in the developing sector. (Educated Indians have a depth of understanding of the British problem otherwise only approximated by Israeli factional opponents of Golda Meir.)

This discussion of "Option A" will profoundly shock many Americans and others who have not yet fought through the relevant issues. "Are we to abandon our Brit-

ish allies?," of words to that effect, these misguided people will say. They must begin to understand that Britain is our nation's principal enemy. It is Britain, aided by its agents-of-influence inside the United States, which is working to wreck the U.S. dollar, to loot United States' industry, to drive trade unionists and the unemployed from skilled jobs into labor-intensive slavery, which unleashes international terrorism against us, and which now pushes to bring us all into general thermonuclear war. This is our "ally?"

The time has come — if the Soviet leadership seriously wishes to avoid general war — that the Soviets must reveal "Option A" publicly and quickly negotiate agreements with the United States, France, Italy, the Federal Republic of West Germany, and Japan, to that effect. Such an announcement, accompanied by serious Soviet negotiations and initiatives, is urgently needed to stop the British from continuing the evil game they presently have afoot.

Both Americans and Soviet leaders must choose now, between crushing the ruling circles of Britain and general thermonuclear war. There is not much time left.

## London Throws Terrorists Against Progold Europe; U.S. Is Next

A new wave of bloody terrorism swept Western Europe this week, as British intelligence delivered the City of London's answer to the threat from West European governments that they are about to institutionalize a new, gold-based monetary arrangement in Luxembourg.

Next on the target list is the United States.

Western press, in particular British and British-linked U.S. press, covered the most provocative of the terrorist attacks in articles retailing Henry Kissinger's line that the western democracies are too weak and ineffective to deal with the rising incidence of crime and terrorism. The terrorism is specifically designed to force the scrapping of national sovereignty in favor of a supranational political and economic reorganization under the hegemony of London.

As the grid below shows, every act of terrorism being used to justify the demand for global reorganization is a political deployment initiated in the City of London.

### *Target: France*

*Jan. 23:* Belgian industrialist Baron Edouard-Jean Empain, president of the Empain-Schneider industrial group and a close confidante of French President Giscard d'Estaing is kidnapped in Paris by a professional "hit team."

The kidnapping took place in broad daylight as Empain was traveling by chauffeured limousine to his Paris office. Using two vans and a motorcycle, the kidnapers forced the car to a halt in the heavily guarded embassy district of the city, immobilized Empain's driver-bodyguard, and carried Empain off in a matter of minutes. At least one of the terrorists spoke German,

according to sources.

*Jan 24:* No less than three separate groups claim responsibility for the Empain kidnapping in calls to French police and press. Two of the groups — the Armed Nucleus for Popular Autonomy (NAPAP) and the right-wing Flemish Jovis van Severin Group — are known to be controlled by British intelligence. "Organized crime elements" have also claimed responsibility.

NAPAP, linked to West Germany's terrorist Baader-Meinhof (Red Army Fraction), threatened to execute Empain and "other bosses" unless two Red Army Fraction members and one NAPAP member were released in calls to Radio Luxembourg and *Les Republicains* newspaper. One of the terrorists whose release is demanded is Christain Harbulot who is being held in the murder of a Renault factory guard last March. The NAPAP is also implicated in the 1976 assassination of the Bolivian Ambassador to France and the 1975 attack on the Spanish military attaché to France.

The right-wing Flemish group has demanded \$800,000 in ransom. According to the anonymous caller who phoned in the demand, the group is "not political, we are professionals."

The Giscard government today characterized the Empain kidnapping as an "affair of state" and has constituted a small crisis staff that is working with its counterpart in West Germany as well as with Dutch and Belgian authorities. A permanent hot line has been set up between the West German Defense Ministry and the French government. Road blocks and border sealing are set up in adjoining countries.

Jan. 25: Western press coverage of the Empain kidnapping states that it is a "nonpolitical crime," just another example of the breakdown of law and order.

Falling for the British-authored "right-vs.-left" trap, the French Communist Party daily *L'Humanite* charges that the Empain kidnapping is just what Giscard ordered to justify an attack on the left. Similarly, the West German daily *Frankfurter Rundschau* states that it will be very difficult for France to pull together a crisis government to deal with the terrorism because of the resistance from the left.

However, some French and German press correctly draw the parallel between the present terrorist wave and the March through September, 1977 period during which the British intelligence-run Baader-Meinhof assassinated three prominent West Germans — Federal Attorney Siegfried Buback, banker Jürgen Ponto, and industrialist Hanns-Martin Schleyer. The three were on a "hit list" which also included U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Jan. 26: Press today report that the deadlines on every group's demands have passed. No "proof" has been offered by any of the callers that they are holding Empain, and the French police are not sure what group is responsible for the kidnapping. Rupert Murdoch's *New York Post* covers the kidnapping with an alarming description of the crime wave sweeping France, reporting that the French Justice Ministry is urging all citizens to become informers.

*Target: West Germany*

Jan. 23: West German police, following a shootout with three female members of the Baader-Meinhof-RAF who had attempted to purchase drugs on phony prescriptions, capture and interrogate RAF member Kubry in Hamburg. The make and calibre of the weapon found on Kubry matched that of the weapon used in the Ponto and Schleyer murders.

The controversy over the official West German government report on the Stannheim prison suicides of three Baader-Meinhof leaders, including Andreas Baader, resurfaces on the pages of the *New York Times* and the West German daily *Die Zeit*. The reports allege a contradiction between the testimony of Federal Prosecutor Kurt Rebmann that the terrorists were smuggled guns by their lawyers, and the testimony of the police officials in charge of security.

Jan. 24: West German Federal Justice Minister Vogel, speaking at the Aspen Institute in Berlin, announces that 60 members of the terrorist underground are on the loose in West Germany. The government, said Vogel, anticipates renewed leftist rioting in "protest" over the suicides of three Baader-Meinhof members in Stannheim prison within hours of the Mogadishu antiterrorist raid last November. A "new international human rights organization," with probable links to London's Amnesty International, "is reevaluating the suicides," according to West German reports.

The West German daily *Frankfurter Allgemeine Zeitung* reports that Hamburg, where the terrorist Kubry was captured, is well-known as a logistics base for the terrorists; the drugs which the RAF members attempted to purchase were barbiturates and pain killers.

The *Zeitung* notes that Schleyer was apparently drugged when he appeared on a TV tape to give the terrorists demands.

Sources close to the West German government report "boiling anger" over the current "British machinations."

*Target: Spain*

Jan. 23: Three men and a woman armed with machine guns assassinated former Mayor Sauret of Barcelona and his wife when a bomb strapped to the former mayor's chest exploded. The terrorist "International Communist Party" claimed responsibility for the assassination in calls to the state-owned radio station, but gave no reason for the assassination. Spanish press is likening the assassination to last year's murder of Spanish industrialist Bulto.

The *New York Times* writes that the Spanish government has granted amnesty to the murderers of Spanish Prime Minister Luis Carrero Blanco in 1973. The royal decree that pardoned the 14 members of the Basque terrorist ETA group also pardoned nine terrorists who blew up a cafe in Madrid in 1974.

Jan. 26: The *Washington Post* reports that the Basque and Catalonia regions of Spain, known to be centers of British intelligence terrorist deployments, are "plagued by violence."

*Target: Italy*

Jan. 25: Judges in the trial of six members of the right-wing terrorist Ordine Nuovo who are charged with the murder of Judge Occorsio last year gave the terrorists only one to three year prison sentences. In another trial of 132 Ordine Nuovo terrorists facing charges that they were trying to reconstitute a fascist party in Italy, which violates the Italian Constitution, the judges found no grounds for conviction.

The left terrorist Red Brigades threaten to kill every judge presiding over the Ordine Nuovo trials, sparking a wave of reprisals that has characterized British intelligence terrorist deployments in Italy for several months.

Similarly, the Autonomi attacked a Rome meeting of the Italian Communist Party today.

U.S. and British press, notably the *Washington Post*, continue the spate of "news" articles about how Italy is ungovernable demanding a stringent resolution of the current government crisis in favor of Britain's call for a fascist political system and economic austerity. The Evans and Novak column in the *Post* is exemplary of the articles rehashing the Kissinger line that since the Soviet Union is responsible for terrorism world-wide and since it is in control of the Italian Communist Party, then the PCI is responsible for the terrorism and chaos in Italy.

## Who Is Edouard-Jean Empain?

Recently kidnapped Edouard-Jean Empain is regarded as one of Western Europe's most important industrialists. He is France's leading nuclear industrialist and a personal friend of French president Giscard d'Estaing, occupies a major position in the French steel and heavy industrial sector, and holds a leading minority position in ARBED, the steel combine

that dominates Luxembourg's industrial sector.

Baron Empain's crucial position in the French nuclear industry and Luxembourg's industrial sector is what likely qualified him to be the latest target of MI-6 terrorist operations. Empain's Framatome is France's sole producer of nuclear fission reactors, and its twin company, Novatome, builds France's world-renowned Phénix breeder reactor. The steel producer ARBED is the dominant industrial enterprise in Luxembourg, over the otherwise London-oriented financial families of Brussels, centered around the Société Générale group.

#### *International Network*

Born in Budapest, Hungary in 1937, Baron Edouard-Jean is now a Belgian citizen, married to an Italian countess and living as an expatriate in Paris — headquarters for his financial-industrial empire. That empire, the Empain-Schneider group came into existence in 1964, according to the French newspaper, *Le Matin*.

The Schneiders were a Lorrain family which started in the 19th century, building locomotives, ships, and guns at Creusot (now Creusot-Loire). The Empain family enterprises, for their part, trace back three generations. The Empains made a name for themselves as the contractors for, and investors in the Paris Metro; and built transit systems throughout the world. They were also heavily involved in the electrical industry.

The last Schneider, Charles, died without an heir. Accordingly, the surviving female Schneiders sold their 8 percent equity as a package to the Empains who, through other purchases, soon built up their holdings to 25 percent, making them the leading stockholder in the Schneider group — effectively merging the Empain and Schneider holdings into one empire.

In addition to his major holdings in France, Luxembourg, and Belgium, Baron Empain has been a close business associate over the years, and board member of the U.S. electrical and nuclear producer, Westinghouse (itself under extensive financial and environmental attacks in recent years from Rothschild and related British circles). Empain is also on the executive committee of Le Patronat, the French employers' association — the only foreigner to have ever occupied that post.

#### *France's Nuclear Power*

The lynchpin of this empire is Creusot-Loire, a heavy engineering firm which has a controlling 51 percent interest in Framatome, the French company which produces light-water fission reactors for both domestic needs and for export. The principal minority stockholders in Framatome is the CEA, the French government's atomic energy authority, which controls 30 percent, and Westinghouse, which holds 15 percent, to be yielded by the mid-1980s. The Framatome reactors are built under license from Westinghouse. The Phénix breeder reactor, on the other hand, is an exclusively French process.

During the 1960s, Baron Empain faced opposition from Gaullists. Gen. de Gaulle himself, Debré, and Pompidou initially were disturbed that the important Schneider heavy metallurgical group should be passing into Empain (Belgian) hands, for Empain was mootng a possible sale of his Jeumont-Schneider to Westinghouse.

There was also a fight as to whether France would continue developing its own graphite-gas reactor process or scrap this development in favor of the already-developed Westinghouse-licensed process. Empain favored the latter course.

By the early 1970s, under Pompidou and subsequently Giscard, this struggle was resolved in favor of Empain, at which point French nuclear development under Empain's leadership took off.

Other holdings of the Empain-Schneider empire of 150 concerns besides Framatome and Creusot-Loire and participation in Luxembourg's ARBED, include two banks (Banque de l'Union Européenne and Banque Belge pour l'Industrie), an electrical construction firm (Jeumont-Schneider), Europe's number one machine tool producer (Ernault Somua), the world's two leading shipyards building LNG tankers (Chantier de France-Dunkerque and Société Metallurgique de Normandie—being fused in a rationalization move), France's number two contractor for civil engineering and public works (Spie-Batignolles), a uranium mine (Dong Trieu), and others. Taken as a whole, according to *Le Matin*, the Empain-Schneider financial-industrial group is the third largest in France (after the Suez and Paribas group).

— *Richard Schulman*

## NCLC Prepares Libel Suit Against Jack Anderson

Jan. 27 (NSIPS) — The National Caucus of Labor Committees is preparing a multi-million dollar libel suit against syndicated columnist Jack Anderson, in the event he publishes a planned column which describes the NCLC as a terrorist group which might assassinate Nelson Rockefeller or Henry Kissinger.

Anderson's "Washington Merry Go Round" column, entitled "Far Right and Far Left Make for Far Out Politics," libels the NCLC as a violent group about which the FBI is increasingly concerned, and retails various outdated slanders culled from FBI documents.

Anderson is fully aware that the FBI and the Justice Department no longer have the NCLC under investigation and that whatever differences may have existed in the past between the NCLC and U.S. Labor Party, and the FBI, have been largely resolved through legal action and through a common concern about the danger of terrorism which both the NCLC-USLP and the FBI shares.

FBI Director Clarence Kelley, in a letter dated November 23, 1977, wrote to the NCLC that "this Bureau's investigation of the National Caucus of Labor Committees was discontinued in September, 1977, because its activities, as known to this Bureau, no longer brought it within the criteria for investigation under the Attorney General's guidelines for domestic security investigations."

#### *International Implications: Anderson Targets Rockefeller*

In a statement released this afternoon, the National Executive Committee of the U.S. Labor Party em-

phasized the following features of the Anderson operation:

The Anderson case is merely a key part of an international plot coordinated by British intelligence, of which we have been forewarned by high level U.S. intelligence and security circles monitoring British intelligence activities. These same circles have warned of Anderson's particular vile role, and have described Anderson as a "well-known political prostitute."

A 350-page document outlining the plans for the British intelligence operations is in the possession of our security networks. The known British intelligence terrorist-sympathizer conduit in Copenhagen, *Informacion*, has been among the first to conduit slanders associated with this campaign into Europe. The British intelligence circles in Montreal, Canada, have just launched two distinct, but related operations against members of the North American Labor Party there.

A notable added feature of the Anderson column is a thinly-veiled threat Anderson announces against the person of Nelson A. Rockefeller.

Although the U.S. Labor Party has had bitter differences with Nelson A. Rockefeller, because of the Henry Kissinger problem, Rockefeller family funding of British networks' projects, and David Rockefeller's role in the Trilateral Commission, our relations to Nelson himself are distant but amiable, and our relations with some of Nelson's closest collaborators is collaborative.

This is relevant to the threat against Nelson Rockefeller conducted through the Anderson column.

Although Nelson Rockefeller is loyal to family interests and institutions, he is opposed to the radical-environmentalists policies of the book, *The Unfinished Agenda*, for patriotic reasons. He has associated himself with a pro-growth energy policy for the United States. This policy we regard as an unsound compromise with the Environmentalist program which we attack publicly and privately on that account. However, in respect to the positive elements of the energy policies of Rockefeller and his proenergy development associates, our efforts are collaborative, on the basis of coincidence of perception of the United States' vital interests.

The British and their U.S. allies are terrified that elements of the Rockefeller interests might move more openly and forcefully on behalf of energy development. This includes both Nelson Rockefeller, who might be able to swing over other members of his immediate family, and the Stillman-Rockefeller interests associated with Citibank Corporation.

We do not know whether the threat against Nelson Rockefeller in the Anderson column is merely *psychological warfare* against him, or some darker scheme is afoot in that connection. However, since Anderson has acted overtly and complicitly with British intelligence, and since British intelligence has already murdered Jurgen Ponto and other prominent figures opposed to London's desperate evil games, we know that there is no moral inhibition in London against assassinating any prominent individual at this point in time.

## London Targets U.S. Labor Party For Harassment

As part of the City of London's terrorist deployment, *Informacion*, a "left-wing" publication based in Copenhagen and directly connected to a Baader-Meinhof terrorist support apparatus coordinated by the Institute for Policy Studies' *CounterSpy* magazine group, has printed a series of inflammatory slanders against the U.S. Labor Party and its European cothinker organization the European Labor Party (ELP) over the last month. The most recent article, released Jan. 23 under the byline of Jurgen Dragsdahl, is unlike previous *Informacion* slanders in that it offers no "new information." The article serves no other purpose than to target U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. and Danish Labor Party member Vincent Jennings for possible terrorist assassination. Last summer, LaRouche's name appeared on the Baader-Meinhof's "hit list" of key enemies of the City of London.

Other recent publications have contributed in a similar way to identifying leading U.S. Labor Party members as target for "zombie" assassination attempts. Institute for Policy Studies-affiliated terrorist controller Nat Hentoff recently published in *Playboy Magazine* an "ID format"

slander of the Labor Party as a "political brainwashed cult." In Canada, long a center for British intelligence's dirty tricks networks, the Jan. 21 issue of the *Montreal Star* carried an article with a "Josh Freed" byline which grouped the U.S. Labor Party together with the brainwashed cult of Rev. Sun Myung Moon.

A pattern of attacks and dirty tricks against U.S. Labor Party members has also emerged over the last two weeks, strongly suggesting that the Labor Party is an included target of British terrorist activation. On Jan. 10, Paul Gallagher, U.S. Labor Party National Committee member and candidate for Congress from New York City's 18th district, was hospitalized with a serious head injury after being assaulted by David Newsome, an individual with a disturbed psychological and criminal background. Since that attack, two New York City homes of prominent Labor Party members were cased for attempted breakins, two automobiles used by the New Jersey State Labor Party were stolen, and two Labor Party organizers in Michigan were jailed on "soliciting" charges on orders from UAW-Max Fisher networks tied to British intelligence.

# NAACP Statement At Center Of U.S. Energy Fight

The Jan. 8 National Association for the Advancement of Colored People (NAACP) announcement that it will challenge the Carter Administration's no-growth energy plan has polarized the U.S. press. This call for expanded energy development by the largest and the oldest civil rights group in the U.S. has emerged as the major catalyst in a struggle to determine whether Administration policy—both domestic and foreign—can be shaped to return the U.S. to economic stability.

The statement for energy development was adopted at the Association's November 1977 conference on energy. The Carter White House, however, ignored the document, prompting the Association's public action.

Scores of publications have lined up for and against the

NAACP's call for energy expansion, signaling that the fundamental domestic policy fight is actually over energy. White liberals and their media outlets have dropped a decade-long facade of "concern" for the rights of blacks to scream "sellout," but the NAACP has found new sources of support which include conservative Republican leader Ronald Reagan.

In the midst of this motion most of the organized labor movement has remained sitting on the fence, with the exception of the United Auto Workers official who has unwisely committed himself to a public "refutation" of the NAACP's energy policy. For both labor and industry, the NAACP's bold initiative could be a powerful wedge for influencing Congress to develop a growth-oriented alternative to the national energy program.

## 'The NAACP And The Republican Party Are On The Same Wave Length'

*On Jan. 22, former California Governor Ronald Reagan told an Atlanta, Ga. gathering of 300 conservatives from all over the South that the NAACP's energy program is "a most significant piece of news...the NAACP and the Republican Party are on the same wave length." The speech occurred during a day-long series of political workshops sponsored by Citizens for the Republic, the political action group which Reagan founded.*

*The Washington Post's version of the event was, "Ronald Reagan, darling of the Republican Party's right wing, reached out today to an unusual ally—the NAACP—in criticizing Carter's domestic policies." In reality, almost the entirety of Reagan's speech was devoted to the NAACP's initiative; here are some portions of it.*

There is a significant piece of news I'd like to share with you...it isn't news to the White House. They have had this embarrassing information for weeks, hoping that if they didn't look at it it would go away.

Well, it didn't...its impact can hardly be ignored...

The NAACP held a national energy conference for its members. The result was withdrawal of its support for President Carter's energy program...it supported instead deregulation of oil and natural gas, and an emphasis on nuclear power...

With legal barriers removed against blacks, the NAACP is shifting its emphasis to the economic front...the limits to growth people who are so influential in

the Carter Administration are telling us...that the economic pie is going to shrink. That we all have to settle for a smaller slice.

But that's not the American way, nor is it what developed this great land....Those who have only recently opened the door to better jobs and greater opportunity must not now be told that their struggle has been in vain. Millions of blue collar Democrats and independents don't believe it.

Let us Republicans tell them we don't believe it; that we choose the high ground of optimism and that with their help we can keep this land of ours what it always has been—the land of promise—where dreams come true.

### NAACP President Cites American Tradition of Growth

*Benjamin Hooks, President of the National Association for the Advancement of Colored People, speaking before an audience of 100 businessmen, ministers, and politicians at the Association's annual dinner in Philadelphia Jan. 23, likened the situation facing the U.S. population today to the founding of the American republic.*

The British monarchy was rejected 200 years ago, because of its refusal to permit technological advancement in the American colonies, Hooks told the audience.

"The founding fathers labored to create a Declaration of Independence and a Constitution that went against the divine right of kings and that spoke for freedom in a world that still contained slavery in many of its parts."

The contribution of every human being must be utilized, Hooks said. "We will either be 10 percent of your disgrace and defeat and poverty or 10 percent of your success and triumph. If you have 10 percent, or one foot, in the ditch, you're still standing in the ditch." Moving to the immediate crisis of the collapsing U.S. economy and decline in technology development, Hooks attacked functional illiteracy among both blacks and whites as "unacceptable in our highly technical society."

"As for the U.S. energy policy now being decided in Congress, Hooks laid the cards on the table: President Carter is "more concerned with conservation than expansion," he said, and he lambasted the U.S. Congress "which doesn't seem to know what it wants."

## Colorado Civil Rights Leader Backs NAACP

*Clarke Watson, head of the American Association of Blacks on Energy, released a strongly worded statement Jan. 26 endorsing the NAACP's energy report. In explaining why the NAACP is "pro-jobs," Watson's release states:*

The American Association of Blacks on Energy fully concurs with the concerns reflected in the recently released NAACP call for economic mechanisms within the energy policy that will stimulate jobs....Mr. Carter's energy policy inferentially advances the notion of prejudicial poverty for blacks...

The fact is that certain national organizations purporting to represent blacks in service or elected capacities cannot (appreciate) the rather simple dynamics of a free market economy and rely on advice from outside the black community, advice which usually comes from persons whose career depends on welfare-service type

programs — and are threatened by what they see as an eroding source of power — their "poor minorities." There are two paths for blacks to follow — to the breadline or the bank. These days, the bank appears to offer a bit more sustenance and (the) stability of opportunity.

## St. Louis Paper Sees Rejection Of Carter Policy

*On Jan. 16, the St. Louis Globe-Democrat — one of the most respected conservative-oriented newspapers in the country — gave a stunning editorial endorsement to what they called the "Historic NAACP Energy Stand." We reprint here excerpts of that editorial.*

In recent days the National Association for the Advancement of Colored People has delivered a crushing blow to the Carter energy plan that could bring this ill-advised program crashing to the ground...

In words that future generations may cite as a turning point in the nation's quest for an intelligent energy policy, the NAACP said:...

"All alternative energy sources should be developed and utilized. Nuclear power, including the breeder, must be vigorously pursued because it will be an essential part of the total fuel mix necessary to sustain an expanding economy."...As for the controls proposed in the Carter program, the NAACP says that "Those aspects of the plan which would perpetuate price controls on newly discovered oil and natural gas and extend those controls to new areas appear to us to be incompatible with the need for new supply development."

...There is much more in the statement dissecting the Carter energy bill that now is before the House-Senate conference committee for final action. But this should be enough to demonstrate that the advocates of a controlled, no growth U.S. energy industry are now in deep trouble. If they had presumed that black Americans strongly endorsed their energy plan for putting U.S. oil, Natural gas and nuclear energy producers in a strait jacket, they now

## U. S. Press Blacks Out, Distorts NAACP Report

Interneccine warfare has broken out in the ranks of the U.S. press over the coverage of the recent NAACP report advocating nuclear energy development to create employment opportunities for blacks.

The report, a criticism of President Carter's energy plan now before Congress, was released to the U.S. press at a Dec. 23 press conference, which not one reporter attended. The report only began to get coverage the second week of January in the Midwest. When the content of the report became known as favorable to nuclear energy, the *Village Voice*, *The Real Paper* of Boston, New York City's *Amsterdam News* and the *Chicago Daily News* responded by playing up a quite minor aspect of the report — support for deregulation of oil and natural gas prices — as the NAACP's "position," and began attacking the NAACP for being owned by "Big Oil."

Meanwhile, on Jan. 21 in Atlanta Ronald Reagan before a group of 300 conservatives from all over

the South heartily praised the NAACP report and denounced the Carter Administration's coverup of it. The *New York Times*, in its coverage of Reagan's speech failed to report the conservative leader's endorsement of the NAACP report, which was virtually the entire content of his speech. The *Times* reported instead that Reagan called NAACP Board Chairman Margaret Bush Wilson "Mrs. Bush."

Informed sources report that the *Charlotte Observer* has killed at least two stories filed on the NAACP report, while press throughout the South have received calls asking "when Reagan and the NAACP agree on something, it's news. Why isn't it covered?" One Washington D.C. bureau chief, characterized the U.S. press response to the NAACP policy in the last month, saying "I never really believed that there was a U.S. press conspiracy until I saw this."

must recognize they have badly miscalculated.

The Carter energy legislation already is under mounting attack from all sides. This thunderbolt from the NAACP could give it the coup de grace that it so richly deserves.

The NAACP obviously has done its homework well. It has seen through the shallow thought processes of the Carter energy planners.

Mrs. Margaret Bush Wilson of St. Louis, the NAACP chairman, told the Detroit News that the Carter energy package "was put together by a virtually lily-white coterie of White House advisers who subscribe to a limits-to-growth philosophy. A limited-growth policy tends to freeze people to whatever rung of the ladder they happen to be on. That's OK if you're a highly educated 28-year-old making \$50,000 a year as a presidential adviser. It's utter disaster if you're unskilled, out of work and living in a ghetto."

With this kind of perceptive thinking by leaders of one of the nation's most respected organizations, there is new hope that the nation will reject the Carter approach and devise an energy program that will spur development of all forms of energy so badly needed to provide new jobs

and a healthy economy.

## Texas Paper Lauds Energy Push

*In technology-rich Texas, the Dallas Times Herald joined the growing list of those applauding the NAACP's recent call for energy expansion in an editorial headlined "Blacks Focus on Jobs" Jan. 20.*

...The National Association for the Advancement of Colored People recently adopted an energy report in which it urged deregulation of price controls on new oil and natural gas and argued against forced conversion to coal by "job-producing industries in urban areas."

In addition, the NAACP report asserted that environmental and safety concerns about nuclear power are outweighed by future needs for electricity and the "economic and social objectives that are more important to black Americans."

The NAACP recognized that the pessimistic attitude of President Carter about developing domestic energy resources "cannot satisfy the fundamental requirements of a society of expanding economic opportunities."...

# Liberal Press, UAW Slam NAACP Energy Report

Mark Stepp, a black United Automobile Workers (UAW) vice-president and the head of the Michigan UAW Committee on Political Action, has written a letter challenging Margaret Bush Wilson, Chairman of the NAACP's National Board, to debate the NAACP's recent pronuclear policy statement, sources reported earlier this week. The NAACP national headquarters confirmed knowledge of the debate challenge on Jan. 25 in New York.

One black political figure from Detroit responded to Stepp's debate challenge: "Mark Stepp is out of his league."

Although it is now attacking the NAACP for its strongly pro-nuclear energy stance, in the 1950s under the leadership of the late Walter Reuther, the UAW was among the most outspoken supporters of President Eisenhower's Atoms for Peace Plan. Reuther supported the development of the peaceful uses of nuclear energy as the only way to industrialize the underdeveloped nations and erase the poverty which would otherwise lead to confrontations between the U.S. and USSR.

## Black Weekly Echoes Village Voice, Calls NAACP Sellout

*The Jan. 28 edition of New York's largest circulating black weekly newspaper, the Amsterdam News, continues the ongoing "big lie" operation being carried out through the media against the NAACP.*

*In the guise of a news article covering a press conference held Jan. 23 by the Congressional Black Caucus the Amsterdam News charges anew that the NAACP has "sold out to the oil companies" while neglecting to mention the NAACP's strong endorsement of the*

*development of nuclear power.*

*In an unprecedented move the paper cites the Village Voice as the authoritative source on "the economic interpretation of the forces behind the turnaround" of the Association and charges that "the NAACP leadership were instruments used by the oil industry experts on the civil rights organization, to further the interests of the industry."*

*Excerpts from that page one article follow:*

In the first major publicly expressed policy difference among Black leadership groups, the Congressional Black Caucus, Monday, followed the National Urban League in taking positions on the energy program in opposition to the pro-oil industry and anti-Carter administration stand of the NAACP.

NAACP chairman Margaret Bush Wilson, who called in November for a new partnership between "Big Government, the Big Minority and Big Oil," aligned the civil rights organization with big oil, in the final position paper. And the NAACP pledged to mobilize citizens nationwide to urge Congress to pass aspects of the program it backed.

...Reacting to (the NAACP's mention of deregulation in their report) the Congressional Black Caucus noted the claim that deregulated prices would lead to significant new production and thus bring economic growth and new jobs...

...the worst burden of deregulation would fall on the low income, elderly, minorities and poor people and the unemployed...The Caucus noted.

...In a statement issued last Friday, National Urban League director Vernon Jordan took positions similar to that of the Caucus...

"The Village Voice did an economic interpretation of

the forces behind the turnaround... (they noted) that even the Wall Street Journal had a lead editorial heralding the NAACP-Wilson paper...

And the NAACP energy paper thus raised a question about the recent gift of \$500,000 from the Rockefeller foundation..."

## Jesse Jackson Lauded As New Black Spokesman

*Underlying criticism of the NAACP's energy perspective are efforts to put forward the Rev. Jesse Jackson as the real spokesman of black people's desire for jobs and income. On Jan. 22 syndicated columnist Mary McGrory reviewed Jackson's "performance" before the Republican National Committee.*

*Rev. Jackson Conducts A GOP Revival*

With Jesse Jackson and the Republican National Committee it was love at first sight.

And no wonder.

The young black preacher, disciple of Martin Luther King Jr. was the best speaker the RNC probably has ever heard....

For some of them, of course, it was an adventure just to be in the same room with a disciple of King, a scourge of Southern sheriffs and Mayor Daley, veteran of a thousand marches and street fights, alumnus of more jails than he can count, and, of course, a registered Democrat.

They gave him a standing ovation when chairman Bill Brock, in the purr of one who knows he pulled off a dynamite blind date, introduced him at the head table of the Mayflower hotel meeting.

When Jackson finished speaking, the Republicans rose to their feet again. Because they lead sheltered lives, they were taken unawares by his cadenced eloquence, his humor, his play on words.... Make alliance with my people, he said, and I will promise to deliver them out of their bondage to the Democratic Party.

First he opened their pores with the figures. Seven million blacks remain unregistered, despite the Voting Rights Act of 1965. They are the Republicans' for the asking. All the Republicans need to do is offer them programs which will appeal to the blacks' self-interest.

He called the roll of moderate Republicans, who got their winning margins from blacks.

He took them on a tour through black America, through ghettos and jails, continuing deprivations on the land, in the schools, in the professions.

The Republicans were bowled over and not just by the rhetoric.

...It was like a revival meeting. No one would have been surprised to see the Republicans march forward to confess their sin of abandoning blacks, as human beings and voters.

Will it last? Will they backslide? Will the memory of what was for most of them a political and aesthetic experience fade away, and will they return to their old ways of voting massive sums for defense while bidding the slums to pull up their socks?...

"If only," said Brock, "we had Republicans who could talk like that."

*New York Times,*

*"Does Civil Rights Include Energy?"*

(editorial), Jan. 27:

It is ten years since Martin Luther King Jr. stunned his allies in the civil rights movement — and their benefactor in the White House — by leaping into another pasture of protest to join the opposition to the Vietnam War. His foray into foreign policy raised a basic question about the scope of black political activity: Should civil rights groups concern themselves only with racial equality and social welfare, or should they pursue the sources of inequality and poverty in the total fabric of economic and even foreign policies? The question reappeared last week when the National Association for the Advancement of Colored People stepped forward to offer what it saw as a black position on energy.

After decades of intense civil rights activity, during which it routinely supported the general policies of liberal Democrats, the N.A.A.C.P. decided on a sharp break with President Carter. It endorsed the oil industry's desire for the deregulation of the price of natural gas. It supported the accelerated development of nuclear breeder reactors as preferable to coal conversion. It pressed for higher rates of growth even at some cost in environmental damage. Government constraints on energy demand and consumption, it argued, can only inhibit growth and therefore retard the financial and social progress of blacks.

Predictably enough, the N.A.A.C.P. suddenly found itself with some unfamiliar allies. A delighted oil industry reprinted the new statement on energy in newspaper advertisements. The Wall Street Journal proclaimed that blacks finally understood the wondrous workings of a free market. Republicans came scurrying to learn if this was an opening to a long-lost constituency.

A second consequence was a split in the ranks of the civil rights movement. The National Urban League, which had taken the lead in protesting what it regards as President Carter's inadequate response to black needs, broke with the N.A.A.C.P. and held with the White House on energy. Black members of Congress were quick to counter the N.A.A.C.P. position by arguing that deregulation of energy prices would only exacerbate black poverty and unemployment. Other liberals sniffed for sinister connections between members of the N.A.A.C.P. board and agents of the oil industry.

Troubled by the criticism from customary allies, the board and staff of the N.A.A.C.P. are now quarreling about the circumstances of their energy statement and the wisdom of venturing into such unfamiliar political terrain. It would be a pity if they confuse the two questions.

We happen to believe that the N.A.A.C.P. paper on energy was inadequately prepared, poorly reasoned, and, finally, wrong for all Americans. But we applaud the growing recognition by civil rights groups that the great issues dividing the country can, logically, also divide sophisticated black organizations. And we agree with the underlying judgment that blacks, along with the rest of society, will benefit from the spread of black influence to both political parties, in conservative as well as liberal circles, in the business community, the labor

movement and other established power centers. The best politics for us all is a truly integrated politics.

In a prophetic remark only months before his assassination, Martin Luther King observed that, with the elimination of legal segregation, the civil rights movement would have to aim for genuine equality for the disadvantaged. Slums would have to be rebuilt, ghetto schools upgraded and meaningful jobs created. That phase of the effort, he knew, would cost billions of dollars. And to achieve such a redistribution of resources, he said, black and poor people would have to "grasp the levers" of political and economic power to "influence the course of events" generally.

Ten years later those levers remain elusive. Blacks invested virtually all of their political capital in Jimmy Carter's Presidential campaign and now wait impatiently for the results. Implicit in the statements of the Urban League and N.A.A.C.P. is the explicit idea recently expressed by the Rev. Jesse Jackson. He told Republican leaders that a disappointed black community should no longer be considered the automatic ally of any single party or party faction.

In one sense, a black interest in energy policy was only the natural consequence of a growing interest in tax and monetary policy and other broad issues. But the N.A.A.C.P.'s experience also points to new difficulties. The black position on Jim Crow laws was always self-evident; the consequences for blacks of one or another economic or foreign policy are by no means clear. In debating the wider questions, civil rights groups will have to rely upon "outside experts" for their research and analysis, perhaps risking, as the N.A.A.C.P. did, manipulation and exploitation by other interests. It will take a special sophistication to protect the integrity and credibility that black groups have attained over the years.

Still, the disadvantaged need effective representation on all the issues that shape their lives. However flawed this beginning, aggressive black voices on all sides of national policy debates should be welcomed by all Americans.

## *New Republic:* NAACP Energy Policy A Conspiracy

*The New Republic also added its voice to the chorus of liberals objecting to the NAACP's energy policy. In their Jan. 28 issue a column headlined "What's good for Mobil and Exxon is good for the NAACP?" suggested the source of the NAACP's energy policy might actually be a "conspiracy." Here are excerpts from that article.*

...Others advance a conspiracy theory of sorts. The task force that prepared the report, and especially the sub-group directly involved in its drafting, was dominated by black business executives who work for or lobby for the oil companies. The head of that group was James Stewart, a retired executive of the Oklahoma Natural Gas Company. The chairman of the task force on supply was Robert Bates, formerly an aide to Sen. Edward Kennedy and now a Washington lobbyist for Mobil Oil. Affiliations of Bates's task force members reads like an oil industry registry — Standard Oil of California, Atlantic-Richfield, Southern California Gas, Consolidated Edison of New York City....Outside the NAACP, it looked very much like the oil industry had cozied up and snuck one over or perhaps even had bought itself an ally.

There's no direct evidence to support that charge, but it is clear that the NAACP's justification for parroting the industry line on energy is pretty thin. First, to reject conservation on grounds that it will cost jobs is ridiculous. Avoidance of waste, in fact, would be a source of jobs right in the inner cities where blacks need them most — installing heat exchangers in factories and putting insulation in houses just to cite a couple of examples. Then, too, energy waste is a major culprit in the \$30 billion trade deficit which produces economic consequences and sets limits on government programs that directly affect blacks and other urban poor....Finally, nothing is more illusory than the claim that by deregulating prices and giving the industry greater incentives for exploration you will thereby produce more jobs for blacks. The number of blacks employed in oil and gas is proportionally small, and the jobs associated with exploration and refining are neither labor intensive nor located in urban areas where black employment problems are most severe....

## Who Owns The Black Caucus?

The shoe is now on the other foot for the self-righteous radicals of the Congressional Black Caucus — Parren Mitchell, Ron Dellums, and John Conyers — who for years have been throwing "Uncle Tom" barbs at moderates in the NAACP. For these heroes to levy the "sellout" charge at anyone because of their business or industry backers, is hilarious; Mitchell, Dellums, and Conyers have never been against "big dollars" — as long as the money is headed in their direction.

For months the Black Caucus and its white liberal sponsors have been vainly trying to sell James Schlesinger's no-growth energy program and the Humphrey-Hawkins slave-labor bill to their skeptical constituents as "pro-labor", as effecting "anti-poverty" measures, on behalf of British-linked investment banks

in lower Manhattan who initiated those anti-industry policies. Substantial sections of the labor movement are now joined by the oldest and largest civil rights organization in the U.S. in rejection of these British-inspired policies.

Secretly the liberals are cursing the U.S. Labor Party for its role in catalyzing the growth of a bipartisan coalition of forces supporting economic growth. Alexander Cockburn, the author of an article in the Jan. 18 *Village Voice* alleging that "Big Oil" has "bought" the NAACP, admitted to a reporter that the Labor Party's role in creating the setting for the new developments was paramount.

In the latest edition of the Amos 'n' Andy show, Black Caucus Big-mouths Dellums, Conyers, and Mitchell are

shaming the pot for calling the kettle black. Who, indeed, has been sponsoring the political careers of Messrs. Dellums, Conyers, and Mitchell for the last 20 years?

#### *The Money and the Policy*

It is well known that most of the millions of dollars funneled into the civil rights movement in the post-World War II years comes from the big Jewish organizations like the American Jewish Committee, from the United Auto Workers union, from the National Council of Churches, and from big corporations. Ultimately, the money would be channeled through fronts as the Ford and Field Foundation which funded every Black organization from moderate to militant. Behind it all stand Wall Street and London-oriented investment houses.

The Jewish groups and the UAW began delegating notorious union-wrecker Joseph Rauh to directly manage their "civil rights" investments. During the early 1960s, President Kennedy sent his White House aide Arthur Schlesinger, who also represented the interests of the Americans for Democratic Action, and Attorney General Robert Kennedy deployed his aides Burke Marshall and John Doar, to follow the agitators around and watch over them. The rules of support from these august persons and institutions were that voting rights agitation not be directed at the President and his backers, and that it not get so big that Kennedy's relations with the Dixiecrats be disrupted.

Malcolm X vividly recalled the first rule of the civil rights in his autobiography, in which he recounts how the 1963 "March on Washington", or as he called it, the "Farce on Washington", was entirely taken over to benefit the Kennedy Administration and its backers. Even the most militant group, the Student Non-Violent Coordinating Committee, was limited to one indirect, mildly reproving observation on the President's commitment to voting rights for blacks.

The second rule was highlighted the following year at the Democratic Convention in Atlantic City. SNCC had registered 80,000 blacks outside of the closed "legal" channels of Mississippi and organized a delegation to the Convention. Once there, they were counseled by such "friends" as Rauh to accept a totally compromised status as second class delegate-observers.

The heavy hand of Rauh and Company is still evident today. At the 1977 Democratic Convention platform hearings, Rauh testified on civil rights policy, accompanied by Clarence Mitchell — Parren's older brother — sometimes called the "101st Senator" because of his reputed influence as a Washington lobbyist. Mitchell exhorted the committee, "You better listen to this man," while Rauh grinned from ear to ear.

In a recent article in *Commentary*, organ of the American Jewish Committee, Rauh authored an article discussing what black organizations would be obliged to do in order to receive continued donations from guess who.

As long as black groups accept the crushing embrace of British policy's fronts — the UAW, the "Israel Lobby," and various Wall Street foundations and investment banks — no complaints are heard. If they support the liberals, engage in "leftist" exercises against productive industry and labor, or abstain from the political process altogether, the Black Caucus can put itself forward as the most dynamic, determined leadership of the civil rights movement.

#### *Not Bought — Created*

Who are these self-proclaimed leaders, anyway?

Parren Mitchell owes his political career to his brother's position as chief lackey for Rauh.

John Conyers got into politics by being appointed an educational director at a UAW local upon obtaining a job in an auto plant; his father had been a union official. After working for Congressman John Dingell as an aide, Conyers ran for Congress in a district that had been redrawn by Dingell to include Conyers's own neighborhood. Conyers won the Democratic primary by less than 100 votes, but with official UAW-Democratic Party backing handily defeated the Republican opponent.

Ron Dellums, the most fabled "radical" in Congress, was financed by San Francisco bank executive Fortney Pete Stark, who also bought his own way into the House. Stark and an organization called Business Executive Move for Peace (BMOVE) conduited funds directly to Dellums and indirectly to the Peace and Freedom Party, which backed Dellums. BMOVE consisted of top corporate officers of IBM, Xerox, the Bank of America, and Business International.

All three Congressmen rely for "grassroots" support on the small army of Wall Street foundation-supported "community projects" whose paid functionaries find time to help make sure the "right" people get elected, one way or another.

Mitchell, Dellums, and Conyers are in no position to accuse anyone of being "bought." They themselves were not bought, but *wholly manufactured* by British-linked financier circles and their political institutions in the U.S. But now that the NAACP has brought under scrutiny the actual content of the British-inspired fascist economic policies coming out of the Democratic Party, and is posing an alternative to the austerity principles underlying these deals, the agents are screaming "foul."

# Bipartisan Attack On Schlesinger No-Energy Program

Speaking to a national television audience last week, Republican Senate and House minority leaders Howard Baker and John Rhodes vigorously attacked the Carter Administration's un-American energy program, put together by British agent James Schlesinger, as "a pre-

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scription for economic and energy disaster." Notwithstanding the President's good intentions," said Tennessee's Sen. Baker, "he's given us the worst of both worlds...that is high prices and shortages at the same time." Rep. Rhodes of Arizona specifically attacked the de-emphasis on research and development in Schlesinger's energy budget, calling the present research and development efforts "a drop in the bucket" compared to United States requirements "if we are to have any chance of producing our way out of this crisis."

The Republican leadership's caustic response to year two of Schlesinger's continued sabotage of U.S. energy policy is no mere partisan election-year attack; Capitol Hill and trade-union sources report a broad bi-partisan mobilization is underway in both houses of Congress to override the Administration's veto on development of the Clinch River nuclear fast breeder reactor, which has become a symbol for U.S. labor and industrial forces fighting for a policy of high-technology energy growth.

The furious reception given to Schlesinger's testimony at House Science and Technology committee hearings on the new Energy Department budget Jan. 25, documented below, illustrates the anti-Schlesinger sentiment currently building to tidal wave proportions on Capitol Hill. Catching Schlesinger in numerous lies, contradictions and non-answers betraying his determined sabotage of U.S. energy development, most of the committee echoed the theme sounded by Rep. Wydler (R-N.Y.): "The Carter Administration is not interested in solving our long-term energy supply problems."

## Schlesinger Proclaims De-emphasis On Technology In Energy Budget

*The following is excerpted from Energy Secretary James Schlesinger's opening statement before the House Science and Technology Committee Jan. 25.*

...Only through wise use of a broad range of economic incentives, regulations and new technologies can the U.S. hope to weather one of the greatest challenges it has or ever will face.

Development of the 1979 budget afforded the first real opportunity to allocate Federal energy resources in a manner designed to maximize achievement of the national objectives I have outlined....

This request totals \$12.6 billion in budget authority, an increase of \$2.3 billion over 1978. On a budget outlay basis, the request is \$10.0 billion, compared to \$8.8 billion in 1978. This request supports a wide variety of activities, including:

- \$4.2 billion for the Strategic Petroleum Reserve Program
- \$2.7 billion for technology efforts associated with developing new sources of energy supply or new energy technologies
- \$2.8 billion to support the Department's defense program functions
- \$700 million for producing enriched uranium delivering energy from Federal power marketing agencies and operating the Naval Petroleum Reserves

- \$1 billion for grant programs to assist schools, hospitals and low income citizens and State and local government in implementing energy conservation practices, and
- \$170 million for regulation and information activities.

The programmatic content of this budget is different from the energy-related budgets presented to you in prior years. Whereas previous ERDA budgets emphasized technology development solutions to energy supply and conservation efforts, this DOE budget is built in a mix of technology, regulatory and incentive programs to achieve the same end, and recognizes the tax incentives included in the National Energy Plan.

Within this framework are a series of major policy imperatives that shaped this first DOE budget, including:

- acceleration of construction for additional strategic petroleum storage capacity
- expanded conservation and grant programs to decrease end-use demand and improve the efficiency of energy utilization
- aggressive efforts to develop our fossil, solar, geothermal and nuclear energy supply technologies in a manner which supports environmental and non-proliferation objectives
- development of regulatory and incentive programs which rely on market factors to achieve energy ob-

jectives, yet provide basic safeguards to the American consumer....

#### *Strategic Petroleum Reserve*

A major objective of the Department is the preparation of contingency plans for the acquisition and allocation of scarce energy resources in periods of supply curtailment....

The DOE regulatory and grant programs are an important element in creating the proper climate for motivating energy consumers to act in an energy-conserving manner while our conservation technology programs develop the appropriate means to satisfy our energy-saving needs....

#### *Develop Energy Supplies*

We must make more extensive use of our fossil fuel reserves if we are to meet future energy requirements and reduce the level of oil imports. While coal comprises 90 percent of this country's fossil fuel reserves, it meets only 18 percent of our energy needs. This imbalance is due, in part, to the previous existence of relatively cheap oil and natural gas, and to the less convenient form of coal and its greater environmental impacts....

Viability of our long-term energy supplies also requires that we continue to develop and utilize nuclear power. The DOE budget includes funds to address two important problems associated with this major energy source: the need to meet nonproliferation objectives and

development of terminal storage and disposal technology for radioactive waste....

Finally, the Department will continue an intense effort to develop and assist in the commercialization of renewable technologies in such areas as solar, wind energy for use by utilities, and fuels from biomass. We intend to move aggressively in developing these and other renewable technology options through such programs as:

- the Department's wood energy program, for which funding has over doubled between fiscal years 1977 and 1979;
- increased emphasis on use of wind energy on megawatt scale systems, primarily by utilities, as well as development of small-scale systems for rural electricity generation; and
- programs to bring down dramatically peak watt costs for photovoltaic arrays over the next decade....

#### *Regulation and Information Activities*

The National Energy Plan presented a careful balance of incentives and regulation to create a market environment which would enhance economic, societal and energy objectives. In addition to creating a market environment which encourages fuel switching and conservation practices, DOE regulatory activities protect the American consumer against unwarranted energy price increases and assure the equitable distribution of energy supplies....

## House Science And Technology Committee Blasts Schlesinger Budget

What bothers me about our present policies is that we are not stressing production, especially nuclear. Your budget provides nothing to help us move ahead with programs like coal gassification aggressively. Would you comment on this general overall philosophy difference? Schlesinger: When we come out with our Phase II supply study, you will see the emphasis on production.

I am concerned with some of the attitudes in the Department of Energy. There is great stress on the strategic petroleum reserve, but this is not any solution to the long term energy problem. In fact, it could cause us to become complacent. Now, you mentioned that the energy policy is a test of Americans. I did a survey in my district which showed that the *only* area in which people said federal spending should be *increased* is in energy R D. I am concerned that if we do not move dramatically in some areas, we will find our individual freedoms limited by regulations, etc. I am concerned that the transition from a basic research organization, which is what ERDA was, to an organization of social planners and regulators — DOE — has taken place. Regulators can sit in Washington and "regulate" an industrial plant to work on "off-peak" hours or to shut down, but it is the blue collar worker in Pittsburgh who suffers. I am concerned

### McCormack: Budget Is Sabotage Of Nuclear Power

*Following the Jan. 25 House Science and Technology Committee's hearing, EIR interviewed Cong. Mike McCormack (D-Wash.):*

My feeling is that the Administration is not placing adequate emphasis on energy production. With the Administration's programs we will be forced to import between 12 and 15 million barrels of oil a day equivalent in 1985. And even if we tripple our coal production by the year 2000, if we are to avoid economic catastrophe, we will need 600 nuclear power plants just in the U.S. And if we take the best estimates for the best-case scenarios of the government itself—assume, that is, that all their conservation programs work out optimally, that solar is successful, and so forth—then by 2000 we would need 400 nuclear plants just to avoid economic disaster. And this budget does not provide for us to be able to fuel that many plants or have that many plants. Again, my staff put together a study demonstrating this using the government's own figures, cross checked with industry and independent projections for energy supply and demand.

that there is no growth in R&D— it is our responsibility to pick out long term as well as short term direction. But you have cut fission research, and what I view as the only significant substitute for fission, which is fusion, you cut as well— you cut long term fission development but put nothing more in for fusion.

Schlesinger: I agree that the strategic petroleum reserve is not a solution — it is insurance. We have some catching up to do because we have neglected alternative energy sources from World War II to the early 1970's. Conservation is not an alternative to increasing supply. I also have no great faith in regulation. We are trying to make regulation more efficient (Schlesinger did not respond to fusion reference.)

Do we have a specific program for meeting our energy needs in the long, mid and short term, as we used to have before?

Schlesinger: We do not have this at this moment. We hope to have it in three months. I have been distressed that we do not have good knowledge of the time frame for results in our R&D work. We must know when we can expect a payoff.

Q (Lloyd): Which of the "renewable" sources can we expect the earliest payoff from?

Schlesinger: Solar heating — but it is not commercially feasible on a large scale. Some biomass activities I believe are here right now. I have spoken with the TVA regarding using wood chips to produce natural gas. That is going to begin in Georgia.

Q (Lloyd): It is my understanding, from the people directly involved in the solar effort, that even by the year 2000, all forms of solar could only produce the equivalent of 5 million barrels of oil a day — so why do you put that much stress on this?

Schlesinger: Absolutely. Conventional gas and oil will provide 50 percent of our needs in 2000, down from 75 percent now. So we must find other things — geopressurized methane, wood pellets may be a major source. For electricity, we will want to turn to new technology by 2000. And we must make better use of coal.

I am concerned that you and Carter have misread the climate in which you are operating. As Cong. Myers said, in my district also, people by 82 percent are willing to spend more federal money on R&D. The country and congress is waiting for a more massive commitment to solving the energy crisis — waiting for the President to reestablish a sense of urgency. I am very depressed about the testimony here today.

I agree with the comments that we are moving toward more regulation but not enough R & D.

Schlesinger: There is no desire to increase regulation, but to lessen regulation, to make it fit together with incentives to the private sector.

Q (Walker): But we are worried that the history of DOE will mean it is trapped in the regulatory field rather than R&D.

*At the hearing before the Fossil and Nuclear Energy Research, Development and Demonstration Subcommittee of the House Science and Technology Committee on Jan. 26, the following remarks were made by congressmen questioning officials of the Department of Energy.*

This Congressman, at least, had to bit his lip in order to vote for the President's energy bill last year, because it is all taxation and regulation and no production. I assumed that this "Phase II" to deal with production would be forthcoming, but it is not here in this budget.

I hope you do come up with some initiatives soon. I also hope you come up with some initiatives to revise the National Environmental Protection Act, to turn it into a bill which will actually defend the environment and not just be used by the enemies of production to attack American industry.

## Wydlar: Administration 'Not seriously Interested' In Solving Energy Crisis

*The following are excerpts from a press release issued Jan. 25 from Rep. Wydlar's office.*

U.S. Rep. John W. Wydlar, R-N.Y., today expressed deep concern over the level and focus of the Department of Energy's research and development program budget.

In opening hearings on the Department of Energy's authorization request for research and development, Rep. Wydlar, ranking Minority member on the House Science and Technology Committee, said, "less than one-fourth of the Department's budget request is for research, development and demonstration projects for new energy technologies. I think this shows that the Carter Administration is not seriously interested in

solving our long-term energy supply problems."

Rep. Wydlar noted that funding requests for nuclear programs are disappointing.

"The request for breeder reactor programs has been cut in half and the Administration is again seeking to terminate the Clinch River Breeder Reactor project. If this is their intention, where are we heading in breeder development and how are we ever going to test our breeder technology if not by building a demonstration plant?," Rep. Wydlar questioned....

"I am hopeful that a careful examination of the Energy Department's budget request by the Committee on Science and Technology will result in a change of focus so that we may pay some much needed attention to long-term solutions," Rep. Wydlar concluded.

# Stench Of Rigged Watergate Hit Carter

*The same people who orchestrated the first Watergate crisis, the Washington Post and the New York Times, have stepped up charges that the Carter Administration is guilty of obstruction of justice in the firing of U.S. Attorney David Marston and have directly linked President Carter to several new scandals. One Washington insider commented on the climate being created: "The stink of Watergate pervades the atmosphere in Washing-*

## ADMINISTRATION

*ton...Government institutions are being paralyzed with fear of scandal."*

*Vice President Walter Mondale is personally implicated in this attempt to destroy the executive as a functional branch of government. High-level intelligence sources report that Mondale is the "key mover" behind the Marston affair, in particular. By targeting the President personally, the hope is that the influence currently exerted on the Administration by certain Sunbelt forces can be eliminated in time to prevent Carter from joining with Western Europe in building a new gold-based monetary system.*

### New Scandals

Not content with the Marston affair alone, the *Washington Post* on Jan. 26 exposed two other scandals involving President Carter. In a front-page article, the *Post* revealed that two close personal friends of the President, Nathan Landow and Smith Bagley, were involved in a proposal to build a gambling casino with a Mafia-linked figure. In another article the paper charged that Carter fired a second U.S. Attorney, Philip Van Dam, who was investigating possible fund-raising violations during Carter's 1976 presidential campaign.

### Carter Burned on Marston Firing

Last week's firing of U.S. Attorney David Marston by Attorney General Griffin Bell has been dubbed by the *Washington Post* the "Marston Massacre." The *Post's* contention is that Marston was relieved of his duties with the consent of President Carter, the Attorney General, and Deputy Attorney General-designate Benjamin Civiletti at a time when Republican Marston had succeeded in bringing traditional Democrats and Republicans in the Philadelphia area up for indictment. The charge continues that Marston will be replaced by a Democrat.

The attack on Civiletti is particularly noteworthy in that he is heading up the Koreagate investigation and has so far tempered efforts to turn that affair into an all-out attack on Congress.

William Safire, the man who brought "Lancegate" to the *New York Times*, fired the opening shot Jan. 23 in a series of news articles and editorials about Griffin Bell's "scandalous" firing of Marston. Safire declared, "Nineteen hours after Jimmy Carter invoked an uplifting new

spirit in his State of the Union Address, his Attorney General dutifully carried out a presidential order to fire a Republican prosecutor at the urgent request of a Democratic Congressman (Eilberg—ed.), who we all know is under criminal investigation....The central issue is an attempted — and incredibly, a successful — obstruction of justice, involving at least two government officials, possibly some mobsters, and featuring the duping of the President." On Jan. 26, Safire accused the President of lying about his ignorance of Marston's investigation when he demanded Marston's ouster. Safire called on the Republicans of the Senate Judiciary Committee to hire a special counsel to question Civiletti on his part in the case when he comes up for confirmation.

The *Washington Post* has made the Marston case front page news several days running, and White House Press Secretary Jody Powell has been besieged, at his daily press briefing, with questions from a press corps determined to escalate the Marston affair into a major scandal. The charges leveled by the press have forced the Justice Department's Office of Professional Responsibility to take sworn statements from Bell, Carter, and Civiletti on the matter. The *Post* wrote Jan. 24: "We want to know what they know and when they knew it," said one Justice Department lawyer in words reminiscent of the key question underlying the Watergate scandal." On the same day, Marston held a press conference demanding a grand jury investigation into the matter. "When the President plays poker with Congress, I don't think the U.S. Attorney's office should be one of the bargaining chips," he declared. The Justice Department investigative team has since declared there had been no wrong doing.

### Republicans Get in a Few Licks

Republicans have jumped on the Marston affair as an issue to be used against the Democratic Administration, in the hopes of gaining votes from it. Republican National Committee Chairman Bill Brock called for a special congressional investigation on Jan. 19 into the matter as did Senate Minority Leader Howard Baker (R-Tenn). Republican Pennsylvania Senators Schweiker and Heinz are known to be urging the Senate Judiciary Committee to begin an investigation and have already won the support of Senator John Glenn (D-Ohio), who said he was concerned about the "appearance of the obstruction of justice."

### Threats and a Kissinger Whitewash

The so-called Koreagate scandal took on new vigor last week when Representative Allen Ertel (D-Pa.) submitted a resolution that demands Korean businessman and lobbyist Tong Sun Park be forced to testify before the House Ethics Committee on the basis of allegations "that members of Congress have taken favors from Koreans," according to the Jan. 24 *New York Times*.

House Speaker Tip O'Neill and special counsel for the Ethics Committee Leon Jaworski are feeding the tense

environment around this particular scandal with sharp criticism of the deal struck by the Justice Department — especially Deputy Attorney General-designate Civiletti — which would return Park to the U.S. as a prosecution witness with immunity and with no obligation to testify before Congress. The Justice Department proposal would seriously curtail the potential of using the scandal to destroy individual Congressmen. As a result, Watergate prosecutor Jaworski has charged cover-up on the part of highly placed government officials.

Twice in a 24-hour period, O'Neill threatened a cutoff in arms and economic aid to South Korea if he doesn't get the demanded testimony from Park. The Ertel Resolution would make a cutoff of U.S. aid official policy if the

Korean government refuses to cooperate. O'Neill claims to have the support of Republican House Minority leader John Rhodes.

A new wrinkle in the drawn-out scandal emerged in the Jan 24 *New York Times*. According to the *Times* whitewash, former President Ford knew of Korean influence-peddling in 1975 when then-Secretary of State Henry Kissinger submitted intelligence reports alleging that some Congressmen had accepted Korean payments. These reports and the file were turned over to then-Attorney General Ed Levy, who ordered his Criminal Division Chief Richard Thornburgh to launch an immediate and full investigation — an investigation that the *Times* implies was stifled when Carter assumed the presidency.

\* \* \*

# Europe's 'Luxembourg Option' Picks Up Steam

ARBED, the leading steel manufacturer in the country of Luxembourg, announced Jan. 26 that Otto Wolff AG, West Germany's Saarland-based steel manufacturer, had purchased a minority holding in ARBED.

The announcement marks the latest move by allied West German-French-Belgian industrial and banking interests for stepped-up collaboration in building up Luxembourg's financial markets as the dominant capital market in Western Europe — over the head of the City of London.

The largest single shareholder in ARBED is the French-Belgian industrial family of Empain-Schneider. On Jan. 23, Edouard-Jean Empain, the key spokesman for the interest, was kidnapped by terrorists in Paris, an event widely interpreted by informed European circles as a continuation of the London-organized policy promoting terrorist kidnappings and assassinations of Europe's leading prodevelopment industrialists, most prominently including the murder of West German banker Jürgen Ponto on July 31, 1977. Ponto was closely associated with the Luxembourg strategy.

The French and West German industrial and banking interests who are now concentrating their international banking activities in Luxembourg's 91 branches of international banks, are committed to European-wide plans for increases in exports and industrial output. In connection with the Otto Wolff AG purchase of ARBED shares, ARBED also announced that it will be building a new steel plant in West Germany. The decision to expand steel capacity is a direct move against the production cutback and "diversification" program being pushed in West Germany by the dominant Thyssen steel corporation, which has thrown its weight behind London programs for deindustrialization both in Western Europe and the United States.

## *Luxembourg Option Plays to Mixed Reviews*

ARBED's move also provides support for the recent public statements in favor of the Luxembourg financial market center from European government officials and business newspapers.

On Jan. 25, Luxembourg Finance Minister Jacques Poos denounced the West German Banking Oversight Committee, the supervisory commission which monitors West German bank liquidity, for its recent attempts to crack down on banks operating in Luxembourg on the grounds that they are engaged in an uncontrolled speculative "bubble." The audacity of the Oversight Committee's accusations is highlighted by reports from West German finance officials last December that the Oversight Committee investigation of Luxembourg had been engineered by a British-controlled faction in the European Economic Community Commission.

These British forces, themselves sitting on hundreds of billions of dollars of uncontrolled Eurodollar liquidity, are hardly in a position to assume a moral posture against speculation. Rather, as West Germany's industrial weekly *Deutsche Zeitung* stated in an exposé last week, London has unleashed a wide array of banking scandals and "Mafia"-type dirty tricks against European banks to stem Luxembourg's growth.

Exemplary of such dirty tricks were the January rumors circulated on all international wire services that West Germany's Dresdner Bank had suffered major foreign exchange losses during the recent spate of speculation against the dollar. In a report on Finance Minister Poos's speech, the *Frankfurter Allgemeine Zeitung* stated Jan. 24 that the rumors against Dresdner Bank were not coincidental, but were timed to support the Oversight Committee investigations.

The *Allgemeine* added that the time has come for "open warfare" between Luxembourg's proponents and enemies.

Poos's speech was delivered on the occasion of the opening of a branch of the Rhein-Saar-Luxbank, the 91st bank to open offices in Luxembourg. Poos stated that he "didn't welcome interference" into foreign banking activities in his country, and according to the West German daily *Die Welt*, demonstratively handed a copy of his speech over to a Dresdner Bank representative.

## *The Issue is Gold*

Luxembourg is a threat to London primarily because of the determination of European banks there to engage in major gold transactions as a means for shift-international monetary arrangements into a gold-backed system.

On Jan. 1, the Luxembourg government implemented a new tax law which will facilitate gold purchasing by private banks. On Jan. 31 the 1976 Rambouillet accord which banned Central bank transactions in gold will expire, permitting Luxembourg bank offices to link up with what are expected to be a vast increase in international gold transactions.

Last-ditch efforts by London to sabotage international support for gold by extending the Rambouillet accord were completely unsuccessful at the January meeting of Central Bankers held in Basel, Switzerland.

The *Wall Street Journal* ran an OpEd article endorsing a proposal first issued by Switzerland's chief monetary official, Fritz Leutwiler, for the U.S. Federal Reserve bank to issue gold in exchange for central bank "swaps" arranged to support the dollar. The *Journal* also endorsed Leutwiler's proposal to base this gold transfer on the market price of gold, which under continuing dollar instability has maintained record highs of \$170 to \$177 an

ounce since January.

Were the U.S. to implement the Leutwiler plan, U.S. reserve assets would be revalued de facto four times, to \$50 billion, since current valuations are based on a fictitious gold price of \$42 an ounce.

This revaluation would permit the U.S. dollar to remain as an international reserve currency, and would increase its international credibility in performing this role by beginning to soak up the huge excess dollar liquidity over which London exercises dominating control.

Federal Reserve gold transactions would also facilitate implementation of the U.S. Labor Party proposal for the U.S. Export-Import Bank to establish an office in Luxembourg, to attract gold and Eurodollar deposits — on the order of \$200 billion — as a high-technology credit export agency for the U.S. economy.

European bankers have recently been very active in organizing for Saudi Arabian support behind major gold purchases. Swiss authorities are saying privately that if another round of attacks is unleashed against the dollar, they will immediately issue a public call for the establishment of a gold monetary system.

## Mooted British Attack On Dollar Could Backfire On Pound

From the *London Guardian* to the *New York Times*, the City of London's financial press this week began a campaign for a new round of dollar dumping. Their motivation for this sabotage emerged in the interviews with major New York City banks: without such a renewed dollar collapse—which London is trying to force even in the face of massive dollar support operations by the West German, Swiss, and U.S. central banks—the British pound may be in for a beating.

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### FOREIGN EXCHANGE

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On Jan. 25, the *Guardian's* financial page laid out London's strategy: the Bank of England, which has accumulated over \$20 billion in dollar reserves during the dollar's decline, should dump these and get into investments—with a nickel on the dollar buying spree in the U.S. and elsewhere around the world. The implication is that the Bank need no longer hold dollar cash reserves to defend the pound despite the fact that it fell by 30 percent in 1976, and that some dollar-dumping outside the U.S. and the consequent run on the dollar, would not trigger international monetary chaos.

Today's *New York Times* also warns of a new run on the dollar later this year. British banks, reached for comment, all chorused that the dollar is headed for another fall, and that the pound will "easily be up to \$2.00 in a week or two," as one trader put it. Sources also cited the tremendous weakness in the Eurobond market and the U.S. money supply. The Dow Jones reported today that since Christmas, there have been five Eurodollar bond issues totalling \$345 million, while in the Eurodeutschmark sector of the market there have been 13 issues totaling \$900 million (worth of deutschmarks), or triple the rate.

Similarly, the U.S. money supply has risen at a 12 percent per annum rate during the past four weeks, and at an almost 10 percent rate for the last 12 weeks, way out of line with official targets. The entire increase, in absolute terms, is due to an equivalent increase in Federal Reserve credit, i.e., direct money-pumping into the economy.

### *Dollars vs. Pounds*

While it is true the Federal Reserve's money-pumping (still at only a fraction of what can be expected if George Miller takes over the Fed) is hurting the dollar, the central banks' resolve at European insistence to support the dollar actually makes the U.S. currency a better bet at this point than is the pound. Traders at major New York banks said today that British Chancellor of the Exchequer Denis Healey's announcement yesterday that Britain is repaying in advance \$1 billion of its debts to the International Monetary Fund was an attempt to garner psychological respectability in the markets, and make it look as if the pound is "all right, (Union) Jack."

This stance is a defense against the developing tendency for U.S. analysts to view askance the London stock market and government debt bubble as British industrial production collapses and trade grinds to a halt. The Bank of England, in an official statement today, noted that while it would like to build up a "foreign portfolio" (in the terms that the *Guardian* demands) by the end of the year, some \$4 to \$5 billion of Britain's total of \$20 billion reserves is "hot money" which could be pulled out at any time, and so the Bank must retain cash in case some defensive action becomes necessary.

But the real threat to the pound was revealed by a New York foreign exchange trader this week. Any attack by the British banks against the dollar will provoke such a defense of the dollar by European and U.S. central banks that a run on sterling may quickly develop instead, as almost happened in the beginning of this month. Minimally, British banks who bet on an upvalued pound would "lose their shirts" on the foreign exchange markets as the U.S. Federal Reserve intervened.

*What follows are excerpts of a Jan. 27 interview with a sterling trader at a leading New York commercial bank:*

*Q: British banks say the pound's going to \$2.00: What do you think?*

*A: Baloney. During the first week in January, right after the Fed-Bundesbank support for the dollar was announced, it wasn't the speculation against marks or yen but the British banks that tried to drive the pound up. All week they were saying, "We'll have a \$2.00 pound by*

Friday.” They even called me up that Wednesday morning at home in bed at 5 a.m. our time to buy pounds at \$2.00, and I sold it to them. I told my wife, “They’re crazy.”

Then the Fed and the West Germans came in and hit them and the pound fell back to \$1.89 from \$1.99. Later in the day I was selling sterling at \$1.86. At that point the Bank of England got alarmed and came in and supported the pound, or it would have fallen further. As soon as the support operation by the central banks become obvious everyone knew that the pound in particular was over-valued. The British banks lost their shirts. If it hadn’t been Wednesday, the day the Bank of England requires them to clear their positions above £1 million, they would have been caught holding a lot more over-valued sterling and might have lost more than their shirts.

*Q: So you think this is the same situation? Is that why (Chancellor of the Exchequer) Denis Healy unexpectedly announced early yesterday that Britain is repaying £1 billion in debt to the International Monetary Fund? The British are afraid the pound might get into a weak position if the resolve of the central banks to defend the dollar makes the dollar improve?*

*A: That’s right. The British banks are now terrified of the Federal Reserve. They really got hit last time. They might talk but they won’t try that again any time soon. If the U.S. trade deficit is as big as \$2.5 billion this month, that has already been discounted for by the market and the dollar will stand firm; pounds will go down a bit. If the trade deficit is less than that, the dollar will go up to 2.14 marks and 2.05 Swiss francs, and sterling could fall from \$1.96 to \$1.94 or \$1.90. It would take a really big deficit, say over \$4 billion, to get the pound up even to \$1.97.*

## Scandal Threatens:

# Miller Confirmation Stalled

Last-minute revelations of a possible scandal overhanging Federal Reserve nominee G. William Miller have stopped Sen. William Proxmire’s (D-Wisc) attempt to railroad approval for the nomination through the Senate Banking Committee. Textron Corporation Chairman Miller, according to authoritative sources in Washington, New York, and Western Europe, is a British agent, who would use the chairmanship of the Federal Reserve to sabotage the American banking system.

The Miller revelations, reported to Proxmire late on the evening before the railroad hearings began, came from the Central Intelligence Agency, according to Jerry Landauer of the Wall Street Journal. The CIA, like other government agencies, is responsible for background checks on candidates for high office.

According to the CIA report, Textron officials paid \$2.9 million to an Iranian company in 1973 that was owned by the head of the Iranian air force, General Khatemi. Textron’s Bell Helicopter division was negotiating with the same General Khatemi at the time for a \$500 million helicopter sale. At the hearings, Textron Chairman Miller disclaimed any knowledge that the \$2.9 million sweetener was a payoff to a top Iranian military official.

Confirmation of Miller will now be delayed for at least two weeks, according to Banking Committee member Sen. H.J. Heinz, while Senate staffers investigate the charges. Proxmire had called for yesterday’s hearings only four days before on Jan. 20, and had excluded public witnesses — an unheard-of procedure for confirmation of a Federal Reserve Chairman — in what Banking Committee staffers admit was an attempt to shove the nominations through as fast as possible.

### *Most Dangerous Nomination*

Ironically, the Central Intelligence Agency has done what Senate Republicans and patriotic Democrats failed to do: challenge the most dangerous nomination Carter has yet made for high office. Illegal payments to Iranian

generals are the least of G. William Miller’s offenses. Miller is known to be the key instrument of a City of London plan to throw American commercial banks out of the world market, and replace them with a London-centered “Euro-commercial paper market.” Miller is also, as a matter of public record, an intimate collaborator of Lazard Freres’ Felix Rohatyn in grandiose schemes for transforming the American economy into an imitation of Hjalmar Schacht’s Nazi Germany. Rohatyn and Miller co-authored a program for \$100 billion in Federal guarantees for slave-labor jobs projects in the Northeast alone, under the aegis of the Northeast Governors Economic Conference.

The stall in the Senate railroad gives opposition forces more time to prepare a political attack on Miller. NSIPS learned from top Rothschild bank sources in Europe that Miller is programmed to carry out a scenario including capital controls on the U.S. dollar; forced credit allocation favoring the debt structure in the U.S. economy; and full-fledged Schachtian slave-labor and austerity program. In collusion with Sen. Henry Reuss’s House Banking Committee, Miller will try to impose huge reserve requirements on American banks operating abroad, wiping out their ability to compete against London in the international markets. Miller’s supporters among the pro-British New York investment banks, notably Lazard, Goldman Sachs, and Salomon Brothers, are already preparing to replace the commercial banks with London-brokered trading in IOUs, an arrangement resembling the British-controlled banking system before World War I.

Fabian Sens. Proxmire and Heinz are using the Textron scandal with maximum reluctance. “Proxmire was under obligation to bring it up,” said a committee staffer. “In fact, he had to bring it up. Look at what happened to the Senators who put Bert Lance through.”

In fact, the hounds who chewed up Lockheed, Northrup, and other corporations charged with illegal bribes

are immensely embarrassed by the CIA report on Miller. Top hound Ralph Nader told a journalist who asked what he would do about the Textron Scandal, "Nothing. We're not interested." Sen. Frank Church's Multinationals Subcommittee, which parlayed the Lockheed scandal into a wrecking operation against several governments, wants nothing to do with the Textron case. Miller's Fabian friends are gagging on a taste of their own medicine.

#### *Senatorial "Pussycats"*

Politically, however, no indication has yet emerged that Republicans or the business community will resist the attempt to push Miller through — although by now everyone knows what Miller is. A Senate staffer qualified Senate Republicans as "pussycats." Miller has covered up his public-record support for slave labor and credit allocation bailouts, and presented himself as a "fiscal conservative" for the benefit of the gullible. So far, he has successfully played on businessmen's susceptibility to the "fiscal conservatism" charade promoted by the British press.

Key sections of U.S. banking are being taken in by a set of "deals" with the British, and psychological warfare campaigns run out of British consular offices in the United States. In a major coup, the City of London merchant bank Hill Samuel swindled a leading Texas bank, First City Bancorp of Houston, into making a major investment in the British outfit. According to officials of the Texas bank, they put 9 million pounds (nearly \$18 million) of capital into Hill Samuel in order to gain access to international markets and provide special financing for Houston-based international corporations — through London! In Chicago, British consular officials have been meeting with local executives to explain to them that the "British miracle," the \$20 billion financial swindle the City pulled off during 1977, is the result of Schlesinger-style "energy conservation" which must be recapitulated here!

This British line, reported by the Chicago Tribune, does not mention that British energy use has not grown because British industry is producing at the same level as in 1970, while British living standards have collapsed.

— David Goldman

## 'Corporate Crime' Hounds Won't Touch Miller Scandal

*An interview with a staffer at Ralph Nader's Washington, D.C. office revealed that the popular advocate of consumer rights would not be entering the current investigation into the Textron Corporation's payments to Iranian officials.*

*Q: What is your organization doing about the allegations concerning Miller's corporation Textron making a payoff to Iranian officials?*

A: Nothing. We're not interested.

*Q: What do you mean, this is important, I thought you people were concerned with these things?*

A: I said, we're not interested. We have too many other cases. Sorry. (Click.)

#### *We'll Pass*

*Those staffing the Foreign Economic Policy Subcommittee of the Senate Foreign Relations Committee are also planning to look the other way.*

*Q: Your subcommittee led the way in the investigation of the scandals involving Lockheed and Northrup? Will you take similar action in the Textron scandal?*

A: No. The investigation is in Senator Proxmire's hands and we're not involved. We'll have to see what his staff turns up. It's not our jurisdiction...

*Q: But you handled the investigation of Lockheed...*

A: I'm sorry, there is nothing I can tell you on this.

#### *"We Were Surprised, Too"*

*An aide to Senator Edward Brooke had this to say:*

*Q: Why did Senator Proxmire introduce the scandal surrounding Textron's payments to Iranian officials into the hearings to confirm Miller as Federal Reserve Chairman?*

A: Well, we were surprised too. The Senator did not have time to tell Sen. Brooke (who examined Miller with Proxmire during the hearings) or any of us before hand. He (Proxmire) got the story late the night before and once he had it, he was under obligation to bring it up. In fact, he had to bring it up. Look at what happened with the Senators who put Bert Lance through.

*Q: Will there be trouble? You intended the hearings to lead to a quick confirmation of Miller.*

A: Yes, that's why we called them so quickly. We thought we could dispense with lengthy testimony. I don't know what to tell you. Look we're having to have a full staff investigation, staff interviews of all Textron officials involved, letters to be written to all the Iranian authorities and so on. We hope to be done in a week but there is no way to be sure...But we're confident Mr. Miller will be confirmed.

*Q: What if more of a scandal develops? What potential trouble do you foresee?*

A: Look, if in fact a subsidiary of Mr. Miller's corporation was paying \$2.9 billion in termination fees for a contract termination which they were under no obligation to pay, and with the same party, the Iranian Air Force at the same time was negotiating a \$500 million helicopter sale, then I'd say there is a real problem. The question is, isn't the chief executive of the company aware of a deal of that magnitude? I don't know, we'll have to see.

## London Plans Control Of International Markets

*The scandal surrounding the nomination of G. William Miller to Federal Reserve chairmanship could take the wind out of the "Eurocommercial Paper Market" proposal of Rep. Henry Reuss (D-Wisc.). An interview with a Salomon Brothers executive who runs that investment bank's commercial paper operation, provided by congressional sources, makes it clear that the proposal intends to impose huge reserve requirements on U.S.*

banks operating abroad to make them less able to compete against City of London banks in the international markets.

*Q: What would be the effect of Rep. Reuss's proposal for reserve requirements on the Euromarkets on the establishment of a "Eurocommercial paper market"?*

*A:* I would certainly have a very significant effect on the commercial banks, a very significant effect on their international competitiveness. Why, a market in international paper would be greatly encouraged.

*Q: You sound like you are aware of the proposal...?*

*A:* Oh, yes, we have studied it for some 10 years now, but it's really good to know that things are getting closer to implementation...the Reuss proposal means that it's really getting off the ground, going public from an authority like that. Our firm has done a study of the whole situation, we have two senior partners, one on Euromarkets and the other on the commercial paper angle, (who) haven't written anything, you know, but it's all in their heads. Our conclusion was at the time — last year — that at present the banks are more competitive in the international market. But, we discussed that. The imposition of reserve requirements would put a significant dent in that.

*Q: Have you revived the discussion actively towards implementation in conjunction with the appointment of the new Federal Reserve chief George Miller?*

*A:* Yes, it has been mentioned again recently in conjunction with Miller.

*Q: If the reserve requirements went through, in, say, September, how long would it take a real Eurocommercial*

*paper market to develop and what would the volume be in, say, a year?*

*A: September?* Listen, in a market like that, so highly competitive, people get to work damn quickly—a lot of phones would light up right away. It would take weeks at the most...

*Q: Who are the main traders among investment banks in commercial paper, and do you think your current position will give you advantage over the banks?*

*A:* Salomon, Goldman Sachs, Lehman, First Boston, Merrill-Lynch, Becker. Yes, we're real competition...why, do you know we trade the certificates of deposit and deposits for the commercial banks? We find money in the open markets for them.

*Q: You mean you already know the investors who buy bank deposits and certificates of deposit and you would know where to go with your commercial paper once it was more competitive? And the banks would lose those buyers of CDs?*

*A:* Exactly. We know the market. Say the banks have to offer deposits at 7 per cent now, and we're selling commercial paper for that — and as it is the banks don't make much more than 7 per cent on loans, so they're already tight. On top of this they get a 16.5 percent reserve requirement slapped on them — they'd be out of the running compared to the prices we could offer.

*Q: Then the investment banks would get all the desirable corporate borrowers and the desirable government borrowers who like Electricité de France, borrow through state corporations at top rates...and the banks would end up with only the less desirable borrowers, to whom they are already overloaned?*

*A:* Yes, that's it, exactly.

## G.W. Miller And Textron:

# A Study In British-Style 'Asset-Stripping'

If honest businessmen and labor leaders knew the corporate history of Textron — and of G. William Miller's role in it — they would never allow the U.S. Senate to ratify Jimmy Carter's nomination of Miller as chairman of the Federal Reserve Board

Textron and Miller's history is not the story of just another conglomerate or "trust," nor a horror tale of "big business." It is the story of a very specific financial intelligence operation directed against American industry. It is a study in what the British call "asset stripping," a study in financial-political takeovers and, finally, penetration of high-technology American production in order to destroy it.

## The First Fling

The story begins with Arthur D. Little, a professor of chemistry at Harvard, who established in 1886 Arthur D.

Little Associates, an industrial consulting firm that is now one of the City of London's key infiltrators into the American and Arab economies. Little's nephew, Royal Little, the eventual founder of Textron was set up in the rayon business by his uncle's banking connections.

Rayon, the first synthetic textile, was invented by a student of the great French scientist Louis Pasteur and posed a threat to Great Britain's control of the world textile market. Royal Little was set up in his small rayon business in the 1920s probably to give the British a foot in the synthetics market and a base for capturing New England's traditional textile firms.

Beginning in 1943, using the new name — "Textron" — suggested by J. Walter Thompson's advertising agency, Little began to gobble up textile companies. By 1947 and the completion of the first major phase of the takeovers, Little had increased the total sales of Textron from \$8

million a year to over \$110 million.

Yet by 1947, the mills that he had acquired produced *one million yards of cloth per week less* than they had produced two years earlier and employed 10,000 fewer workers. Whole towns from Nashua, New Hampshire to Manville, Rhode Island were wiped out. The scandal was so great that a three-month congressional investigation was called by Rep. Charles Tobey of New Hampshire which resulted in over 1,000 pages of testimony and reports.

Little's operation was straightforward *asset stripping*. Little knew that the New England textile firms, often run as family corporations inherited from their nineteenth-century founders, had large cash reserves and usually adequate stocks of raw materials. Yet, influenced by British propaganda that America would return after World War II to the 1930s depression during which they suffered disastrous losses, many American mill owners were willing to sell to the highest bidder and Little bid high.

#### *More than Mere Asset Stripping*

The purchase of Manville Jenckes in March 1945 is an excellent case study. Its stock was selling for about \$30 a share — Little offered \$55 which he financed with a \$5 million loan from his bank, the First National of Boston, and \$1 million from American Associates, a family-owned holding company. Now in control of Manville Jenckes, Little stripped \$2 million in working capital from the company. He sold the two mills for \$2.2 million against a book value of \$4 million handling Little a paper "capital loss" of \$1.8 million and a "tax loss" of 1.3 million. (Add the \$2 million working capital, the \$2.2 million sale value, and the 41.3 million tax loss and you get the full purchase price.) Little then leased back the larger mill to produce an income of over a million dollars a year.

Little chose to close this mill in 1947, but not without the characteristic dastardliness of his Textron operation. In the spring of 1947, the company union handed its workers a flyer reading, "Highest pay in industry — lightest work load in industry" — three months later, the mill was shut down.

In the case of Nashua Mills, producers of the world-famous Indian Head Brand textiles, Royal added a little twist. Using some of First National of Boston's private "charitable trusts" of which he or one other person was the sole trustee (like the MIT Trust or the Providence Community Trust which did occasionally give \$20 to the Red Cross), Little bought Nashua for \$10.5 million against a book value of \$12.5 million. Then, he entered negotiations with the union and the town of Nashua to lay off nearly a third of the 5,000-man work force, claiming that southern workers carried much higher work loads and that the mill would be shut if he did not get his demanded productivity increase.

At the same time, Little was speculating on the sale of the 40,000 bale cotton reserve at the mill. He realized that the market value of this cotton was probably \$3 million higher than was listed on the company books. He halted hedging operations on the cotton market in early 1946, slapping them back on just before the market broke in October. By then cotton prices had risen 14 cents a pound.

In less than a year, Textron had milked \$9.5 million in *cash* out of Nashua — not to mention the uncalculated tax manipulations. Of course, there wasn't any cotton to produce the Nashua line of cotton blankets, so the mill closed.

Usually, as in this case, the mill machinery was sold to South America or Shanghai, and the real estate disposed of separately. Little was a champion of community-based economic development corporations which would purchase the remains of a Textron operation like this one.

In congressional hearings held in Nashua during September 1947, Little complained bitterly that the union had not held its part of the bargain, that the "community" gave no assistance, and that southern workers worked for 10 cents an hour less, worked on Saturdays and produced twice as much. Congressman Tobey asked point blank whether Little wasn't "mining" the mills. Little, at first ruffled, calmly answered, "Oh no, absolutely not."

Tobey probed another area, the Textron trusts like the MIT Trust, the Sixty Trust, the Rupert C. Thompson Trust (a Textron board member), the Rayon Foundation Trust, and others. What Tobey found puzzling was the fact that the IRS had declared these trusts in default of tax payments — they handled *millions* of dollars but never paid a dime in taxes — yet the IRS Boston office never made a move to collect. Tobey demanded that the Director of Internal Revenue make immediate collection.

Tobey's implication was that there was more than mere asset stripping here. That became clear in the next several years and particularly as G. William Miller entered the Textron scene.

#### *The Defeat*

There was one solution to the post-war plight of the textile industry: a massive export program to clothe a war-torn world. A massive export drive by the textile industry clearly would destroy the remaining British control over textiles and banish the last shreds of the rotten Empire. But, once the export policy was not adopted, once the pre-war depression *status quo ante* for the industry was accepted, the American textile capitalists were beaten financially and politically. The Yankee capitalists and their political machines were set up for destruction by the London-based zero-growth sharks.

As the textile industry collapsed, torrents of abuse were heaped on owners and unions alike. "Management is too often in the hands of the fourth and fifth generation, and these managers often have lost the fire and creativeness of the original builders and seem impervious to change," raved Harvard economist Seymour Harris in the New York Times on July 29, 1951.

During the 1948-49 recession, President Truman's Council of Economic Advisors, a triumvirate of Fabians, organized a New England Committee; the Congressional Joint Economic Committee created the Committee on New England's Economy under the direction of the National Planning Association; Truman appointed a presidential New England-New York Inter-Agency Committee; and the Conference of New England Governors created a special Textile Committee. Harvard economist

Harris served on all of these committees, reaching the conclusion of his 1952 book, *The Economics of New England: Case Study of an Older Area*, that there is an axiomatic "aging process in an economy" and that New England was "excessively tied to manufacturing."

These agencies were the forerunners of the Conference of Northeast Governors (CONEG) which reached a conclusion similar to Harris's during its 1975 meeting in Saratoga Springs, New York: the Northeast is too industrialized, too dependent on foreign energy supplies, and too hooked on the promise of nuclear technologies. At that meeting, G. William Miller, the only representative of a corporation in attendance, announced his Energy Corporation of the Northeast (ENCONO), a plan that would create a \$35 billion federally funded takeover of all energy production in the northeast — asset stripping on the grandest scale.

*Time Magazine*, *Fortune*, *Harpers*, and *Atlantic Monthly* joined the fray against the management and "greedy unions," targeting in particular the conservative Boston Herald and Boston Federal Reserve Chairman Laurence Whittlemore. As *Time* put it, "He likes to preach the greatness of New England industry, and pooh-poohs statistics which sometimes tell a different tale."

In 1955, Arthur D. Little wrote, "Diversification, an Opportunity for the New England Textile Industry" for the Boston Federal Reserve, a swan song for textiles which never mentioned Textron.

#### *The Last Hurrah*

Not all textile capitalists fell easy prey to Textron. One that fought was American Woolen, a large but deficit-ridden company. It was headed by Paul A. Dever, former Democratic governor of Massachusetts, who plainly stated that he would not have Textron steal American Woolen's cash and destroy the mills.

Royal Little brought in his Wall Street attorneys, Cravath, Swain and Moore to handle the job. The case was assigned to George William Miller, a recent law school graduate and former Coast Guardsman who saw duty in Shanghai, China at the time, in 1946, when Michael Werner Blumenthal (now Treasury Secretary) lived there.

There was no "business" reason for Textron to grab American Woolen — not even, as *Fortune* magazine described it, the "fifty million quick" that Textron could mine from American Woolen. Furthermore, Textron had produced its first loss the year before and was in no shape to make acquisitions. The operation was a political attack on what remained of progrowth Yankee capitalists.

American Woolen was long controlled by individuals around the Dumaine family, operators of the New Haven and Boston, and Maine railroads. Paul Dever, the company chairman, was a traditional anti-Kennedy Democrat.

Little fired the opening shot in January 1954 by offering American Woolen to Harold J. Walter of Bachmann Uxbridge Worsted Corp. The problem was that Textron (Little-Miller) held no stock in Woolen, and a stockholders' meeting had been called to retire nearly \$20 in preferred stock, a large part of the "fifty million quick" which Little-Miller coveted. Through Choate, Hall and Stewart, a Fabian Boston law firm, Little-Miller found a Woolen stockholder who agreed to enjoin the holding of

the meeting. There would be a total of 12 adjournments of the stockholders' meeting, usually through court injunctions, before Little-Miller would allow it to meet.

To add national pressure on Dever, the March 1954 issue of *Fortune* magazine ran a major article entitled, "The Twilight of American Woolen."

Little-Miller's next move was to postpone American Woolen's annual meeting scheduled for March 23, during which four directors were to be elected, all surely anti-Textron. This was arranged by having a Trenton, New Jersey stockholder fail to enter his 125,000 shares in violation of Securities and Exchange Commission rules. With the quorum destroyed, the meeting was cancelled and reset for a month later at which time Little-Miller challenged that quorum in federal court and succeeded in having the anti-Textron proxies thrown out.

But Little-Miller needed more time — and money. On top of its loss the previous year, Textron had begun a takeover of the defense industry, picking up a California-based airborne radar company and an eastern vibration testing outfit. Using its Fabian financial networks, Little-Miller found a sympathetic lender: Albert List, the president of R.K.O. Theaters and an operator who had also made a small fortune stripping assets from New England textile mills.

List loaned Little-Miller \$5.57 million for which Textron's southern cotton mills were sold for repayment. These were the mills so highly praised by Royal Little at the congressional hearings in 1948.

Now in control of a majority of voting stock, Little-Miller created a three-way merger with Robbins Mills, a company just purchased under the aegis of Frederic H. Brandt of Dillon Reade and Company. The \$30 million tax loss created was carried forward through 1958. Little-Miller cut American Woolen's sinking fund from 13 to 8 percent, draining a million in cash immediately and a half-million annually thereafter. Then followed the usual pattern of shutdowns through which Textron drained \$20 million in cash for investment in nontextile areas, predominantly in the high-technology defense sector.

The real significance of the American Woolen fight, however, was not the ugly asset stripping, but the fatal blow delivered to Paul Dever's anti-Kennedy forces in the Democratic Party. Now the path was cleared for the London-linked Kennedys to assume political control of Massachusetts as a stepping stone to the presidency. At this time, John was in the Senate and Robert was on Joe McCarthy's Government Operations Subcommittee — the infamous "McCarthy Committee."

In 1956, Miller joined Textron as a vice president. As the October 1971 *Fortune* magazine described it, "Miller came to Textron in 1956 from the prestigious Wall Street firm of Cravath, Swaine and Moore after Royal Little was impressed with his work in a raucous proxy fight with American Woolen."

Asset stripper, political operative for the British-Kennedy interests, wrecker of American progrowth capitalist development, and the 1950s-1960s architect of the infiltration and subversion of American high-technology development in the defense industries, this is George William Miller. This is the man Jimmy Carter has proposed to Congress as the controller of the American dollar in the role of chairman of the Federal Reserve Board.

## Textron Vs. U.S. Aerospace

The massive asset stripping by Textron which had cut production by a million square yards a week and put ten thousand workers on the streets in New England, ruining not merely whole towns but whole regions, was never the ultimate purpose of this operation.

Today Textron doesn't own one textile mill — it hasn't owned a mill in 15 years. Its greatest concentration is in America's most vital industry, the high technology aerospace sector.

Textron's early asset stripping was merely a stepping stone both politically and financially to the penetration and takeover of the American aerospace industry, by the Rothschild-Astor-Morgan controlled Sun Alliance Insurance Group of London, operating through Boston-based allies. Before the present attempt to elevate Miller, one of their top financial agents, to the head of the Federal Reserve Board today, their greatest coups had been to place their top political operatives, John F. Kennedy and Henry Kissinger, in the top American policy making positions.

It was John Kennedy who changed American defense policy from a strategic war winning capability to the hideous British theories of counterinsurgency warfare and "limited nuclear warfare," and thereby changed America's most advanced industry from a high technology breakthrough sector to a gadget-making sector based on game-plan scenario from the California-based RAND corporation. 1960 was the year that Textron bought Bell helicopter and made the extraordinary profits that saved it from certain bankruptcy. It was the year in which Eisenhower made his famous if puzzling valedictory speech warning of the "military industrial complex."

The story begins in 1946, the year that Winston Churchill declared the Cold War in his famous "Iron Curtain" speech in Fulton, Missouri. At that time a major factional battle was being fought in the U.S. over America's postwar role in the world. On the progrowth side stood figures like then Commerce Secretary Henry A. Wallace who in his book, "Sixty Million Jobs," described how even a marginal increase in the standard of living in the undeveloped world would create an unlimited market for American industry and provide the essential basis for capital growth and new technologies. "I foresee the day, thirty years from now (1946), when this country will produce many Henry Fords," Wallace prophesied.

On the other side stood Britain and their largely Boston and New York-based allies. Their strategy was to curb American growth by disrupting world trade, particularly in those areas they had a remaining hold on. The postwar British attack on textiles was merely a prelude to the present attack on high technology exports by the Carter Administration.

The British blocked textile exports by sabotaging the postwar return to convertible currencies, making the dollar the sole trading currency and making that very scarce. Foreign countries therefore used very scarce dollars only for immediate necessities like food, or capital goods. At the same time, Britain purposely suppressed the reindustrialization of Germany, a natural market for the U.S. The U.S. High Commissioner for

Germany at that time, and the one responsible for the postwar degradation was John J. McCloy, a partner at Cravath Swain and Moore, Miller's law firm. McCloy brought to West Germany a dozen Cravath Swain and Moore lawyers to run the Occupation.

France, under the heroic rebuilding efforts of the de Gaulle government, had virtually no credit for textile purchases. Simultaneously, Britain used the impoverished labor of its Empire, in India, Pakistan, Hong Kong, Singapore and Shanghai to produce cheap cloth — often with the machinery sold off by Textron from the New England mills.

Contrary to the canards spread by Harvard economists like Seymour Harris, the Boston Globe, the New York Times and the Luce publications, New England textile manufacturers were very willing to modernize their plants and operated with sufficient inventories and operating capital — which was the basis of Textron's asset stripping.

But the Yankee capitalists simply refused to take the political steps to guarantee a market for their goods.

Textron was merely an "inside" operation of the British Empire; it could never have worked without the postwar wrecking of world trade by the British to which American business succumbed. America lost the Cold War.

## Capturing High Technology

The high-technology branch of Textron operations began quietly in Massachusetts in 1946 as the American Research and Development Corporation, a three million dollar venture-capital firm. It was founded by the Sun Life Assurance of London through its Boston operative, Paul F. Clark, president of the John Hancock Life Insurance Company and director of First National of Boston, the bank whose extraordinary largess built Textron. Also founding ARD was Oscar W. Haussmann, a top corporate lawyer and chairman of the New England Industrial Research Foundation and the Boston Municipal Research Bureau, and Lessing J. Rosenwalt of Sears Roebuck and Kuhn Loeb.

Control is exercised by Sun Life of Canada through its chairman, Alistair M. Campbell who sits on the ARD board, and sat on Textron's before their formal merger in 1972.

Sun Life had been involved in the development of computers, jet engines and radar in England and wanted to control, in British mercantilist fashion, the development of these areas in the U.S. and further shape high-technology development in general.

ARD's 1970 Annual Report described its goals:

"Help create, form, develop and build companies based on new ideas.

"Help develop and build existing small or medium sized growth companies.

"Aid entrepreneurs in developing specific business plans from broadly conceived opportunities.

"Cooperate with large corporations in the development of new companies based on products or ideas which may not fit in the particular business of those companies or for which they are not staffed or experienced.

"Help U.S. companies in the commercialization of their products techniques or ideas in Canada and Europe.

"Help European companies in the commercialization of their products, techniques, or ideas on the North American continent."

Sound like they want to take over the world? Consider this: On October 20, 1977 Textron formed the Textron Advisory Group, Inc., which according to Standard and Poor's, would "offer both general management guidance, temporary 'hands on' management and functional advice in a wide variety of operational areas for manufacturing companies, executive search firms, banks and investment bankers, bankruptcy courts (indeed), venture capital and SBIC firms, government agencies and others.

"The Textron Advisory Group would make available the expertise and services of recently retired senior Textron operating executives and managers from its corporate office and 28 divisions and would also have as a resource active Textron employees and the diverse technologies within the company."

Now also consider the fact that Miller was the only corporate representative at the Saratoga Springs Northeast Governor's Conference in 1976 where Miller proposed an Energy Corporation of the Northeast that would take over all power production in the 9 northeast states. Miller proposed to use one of his favorite instruments, the lease-back arrangement to obtain control of the utilities.

#### *Help From Kennedy*

In the 1950s, ARD moved quickly into computers — now owning a \$260 million share in Digital Equipment Corporation in Maynard, Mass. — and became part of the Kennedy chorus in Congress that demanded more defense contracts for the Northeast. Meanwhile, Textron acquired the California based Dalmo Victor, an airborne radar firm, in 1954.

When Kennedy campaigned for the presidency in 1960, he declared there was an enormous "missile gap" between the U.S. and the Soviet Union. It was a lie, which greatly impaired U.S.-USSR relations and recalled the Cold War days. Meanwhile at Harvard, British agent Henry Kissinger published, under the direction of the Council on Foreign Affairs (headed by John McCloy) his "Nuclear Weapons and Foreign Policy."

This book and the Research and Development Corporation (Rand) limited nuclear war thesis became the cornerstone of the Kennedy reorganization of the Pentagon. The essential shift in government contracts to gimmickry rather than fundamental technological breakthroughs meant that American development was being sabotaged.

Rand madman Robert Strange McNamara became Secretary of Defense while Cravath Swain and Moore partner, Roswell Gilpatrick became the number two man in Defense. This opened a whole new phase in Textron development.

Textron bought Bell Helicopter in July of 1960, four months before the election. Bell's sales were down an even hundred million in 1959 from nearly double that in 1953. Textron bought the company for what was considered one of the worst deals of the year — \$32 million or

exactly the company's book value. Yet Rupert C. Thompson, Jr., then Textron Chairman (Miller was President), boasted, "We knew we had our objective — 25 percent pre-tax profit on our investment — from day one."

That was a pretty cocky statement by the head of a company that had \$98 million in long-term debt, large amounts of warrants and convertible preferred stock outstanding, and was running out of tax credits. Since 1953 the company had not paid a penny in tax, having run up a tax credit as high as \$45 million in 1956. Textron faced full tax liability by 1963.

In fact the company was heading for bankruptcy. Yet somehow, the Prudential Life Insurance Company of Newark, a Morgan influenced firm, provided a \$25 million unsecured note to Textron, with a six-year grace period on repayments. A most un-insurance company-like type of loan.

With the loan, Textron bought Bell and remarkably, helicopter orders zoomed up 50 percent between 1961 and 1962. Bell's UH-1B and UH-1B Iroquois were heavily ordered for JFK's Vietnam War. With this kick, Textron began another round of acquisitions, now heavily defense or machine-tool oriented. The pace was dizzying. For example in 1965 (January), Textron bought Le Progrès Industriel, a Belgian machine tool manufacturer; in February, it bought Old King Cole to supplement the plastics line of Fanner Industries division; in July, it acquired the South Coast Marine Co.; in September, it obtained substantial interest in the American Screw Company of Chile (nationalized by Chilean Govt. in 1972); in October, it acquired the Patterson-Sargent paint business. In 1966 Textron was even more active, buying, selling or rearranging ten companies.

Not only entering aerospace to limit its development, Textron continues its asset-stripping activities in all acquisitions. As one Textron manager explained in 1964, "Our program is based on an incentive-compensation program. Our people request only the capital equipment which really pays for itself. It made the general foreman try to operate on as low inventory as he can."

In 1974, it appeared that Textron would gobble up the ailing and much "watergated" Lockheed Aircraft. Miller decided not to, but maybe it was already in the family. Lockheed was being run by Felix Rohatyn, of Lazard Freres, part of Rothschild ally André Meyer's London-based Lazard group. Rohatyn was the organizer of the Saratoga Springs Governor's Conference at which he and Miller laid out the Energy Corporation of the Northeast.

What is George William Miller's next asset stripping operation? Probably wrecking U.S. commercial banks, the cornerstone of American industry. In the Oct. 5, 1974 issue of *Business Week*, Miller called for "selective consumer credit controls, a mandatory interest surcharge on loans for low priority purposes and a requirement for large bank reserves for certain types of loans." Together with Senator Reuss's proposal for a full reserve requirement for all foreign branches of American banks, these measures would destroy American banking.

Miller will only have to become head of the Federal Reserve Board to do that.

— Leif Johnson

# Japan Nods To U.S. But Organizes With Europe For Gold System

Japan has revealed its true reaction to talks with U.S. Trade Negotiator Robert Strauss last month by joining in intense European efforts to create a new gold-based monetary system and not by signing the U.S.-drafted trade agreements. As a first step, the Japanese are moving to substitute Tokyo for the British crown colonies of Singapore and Hong Kong as the center of the Asian dollar market.

Also, last week the Bank of Japan raised its limits on the amount of gold individuals can hold to \$12,000, and rumors abound in Tokyo that the Bank, perhaps through private bank accounts, is increasingly buying gold. Japanese officials have repeatedly denied these rumors because, as one Japanese banker has explained, "the Bank does not like to reveal its intentions."

Japan is coordinating its efforts with those Europeans who are setting up the Luxembourg gold market as an alternative to the London Eurodollar mess. Swiss central bank head Leutwiler, one of the key supporters of the Luxembourg proposal, requested Japan's cooperation on gold during his visit three weeks ago, according to Swiss sources. It is also reported that Jacques Rueff, a leading Gaullist gold advocate, is now an unofficial advisor to the Bank of Japan, while Trade Minister Toshio Komoto — who is trying to replace Takeo Fukuda as Premier of Japan — is taking a pro-gold approach.

Leutwiler mooted in an interview with the Japan

Economic Journal *Nikkei* the possibility of Tokyo replacing Singapore and Hong Kong as the center of the Asian dollar market. *Nikkei* quoted Japanese officials suggesting the same possibility, as did the German industrialist newspaper *Handelsblatt*.

While Japanese bankers are pushing such a policy, they report that the Finance Ministry, the strongest base of resistance to these efforts in Japan, is refusing to allow the elimination of taxes on international interest payments which would make the shift possible. Since the Strauss talks, however, the Finance Ministry is reportedly more flexible.

As a counterweight to the Japanese-European moves, protectionist hysteria is being revved up. EEC Commission head Roy Jenkins will demand from visiting Japan External Economic Affairs Minister Nogohiko Ushiba that Europe be given trade concessions similar to those supposedly given to the U.S. So far, the prodevelopment Europeans are not falling for the trap. When Ushiba spoke to the German business federation DIHT, German industrialists supported joint German-Japan opposition to reflation demands. No coincidentally, DIHT head Otto Wolf Von Amerongen is linked to kidnapped industrialist Baron Edouard-Jean Empain, who is closely associated with the Luxembourg gold deal. Empain is, in turn, closely linked to Japan's Fuji bank, whose head is a leader of Japan's prodevelopment forces.

# FEF Mideast Conference

## Announcement Of Major U.S. Fusion Advancements

### Call For New Economic Order

NEW YORK, January 24 — The announcement of a major advance in the United States' fusion energy research program and a call by Pakistan's ambassador to the United Nations for a new international economic order to make possible the industrialization of the Third World were the highlights of the historic Conference on Middle East Peace and Economic Development sponsored by the Fusion Energy Foundation here today.

Dr. Stephen O. Dean, Assistant Director for Confinement Systems of the U.S. Energy Department's Division of Magnetic Fusion Energy, surprised the afternoon session of the conference, on U.S. and International Energy policy, by officially announcing that newly available experimental results at the Princeton Large Torus fusion device have for the first time achieved plasma confinement results within the two thousand electron volt range. This range, Dr. Dean said, verges on the level necessary to complete the experimental fusion research immediately preparatory to building working fusion reactors. As a result, he predicted, he is confident that "fusion is ready to be treated and considered as a practical option for future energy use."

Earlier, Pakistan Ambassador to the UN Iqbal A. Akhund highlighted the morning panel session of the conference, on the Economic Development of the Middle East, by insisting that nuclear energy is "the only option" for development of oil-producing and oil-consuming Third World nations alike, and stating that under "the present economic system, the present trade system, monetary system...it is not possible for the poor countries to develop...Therefore," he said, there must be "a new international economic order (which) would overhaul the present system...so that...integrated development of the global economy (can) take place."

Attended by a broad-based audience of more than 200 and addressed by representatives of the Arab and Jewish communities alike, as well as by leading U.S. scientists, political leaders, and strategic thinkers, the FEF conference is certain to play a significant role in advancing consideration of the interdependence of peace and industrial development to the fore not only in international consideration of the Middle East peace problem, but in connection with peace and prosperity in the world as a whole. "The proceedings today should be seen as crucial experimental evidence that the Mideast problem can be solved," declared U.S. Labor Party Director of Intelligence Criton Zoakos at the conference's final session.

The conference brought together a diverse audience

that included eight or more representatives of Middle East diplomatic missions or government agencies, and at least three from Africa. From the U.S. there were representatives of military, intelligence, and energy research and development agencies, as well as of state and local governments. There were three international trade union representatives, and representatives from private industry including the world's largest manufacturer of electrical technology, the nuclear industry, international shipping, and the world's largest construction engineering consultancy firm. From the academic world there were specialists on Jewish and Arabic history, international policy, and science from Georgetown University, Columbia, Stanford, and others.

In addition to Dr. Dean and Ambassador Akhund, the conference attendees heard presentations on diverse aspects of the Middle East development and peace problem from experts including Palestinian economist and consultant Dr. Mohammed Rabie, a permanent delegate to the Euro-Arab dialogue; Hoover Institute senior fellow and noted U.S. strategic analyst Stefan Possony; Mayor Paul J. Lattimore of Auburn New York; FEF Director of Research Uwe Parpart; Dr. Clovis Maksoud of the Center for Contemporary Arab Studies, Georgetown University; the USLP's Zoakos, author of "Ibn Sina and the Dawn of the Humanist Heritage"; Dr. Ellis Rivkin, Adolph Ochs Professor of Jewish History at Hebrew Union College in Cincinnati, a last-minute addition to the day's final panel; and John C. Currey, a former syndicated columnist and U.S. military intelligence officer who is now senior editor of the *Oklahoma Times*.

#### *"Professional No-Growthers" Ripped*

The tone of the conference was set by Mayor Paul J. Lattimore of Auburn, New York, who also serves as Chairman of the National Joint Task Force on Energy Strategy of the League of Cities and U.S. Conference of Mayors. The energy shortage, Lattimore charged, is "one of the biggest scandals in the country." U.S. policy should be "developing energy in whatever manner it might be." Assailing "professional environmentalists, who are no-growth people," Mayor Lattimore declared that "the most sensible way to generate electricity is with nuclear power." The Mayor also welcomed the recent NAACP statement on energy policy.

Ambassador Akhund followed, declaring himself "heartened to hear Mayor Lattimore...say things with which I find myself in considerable agreement."

Motivating his endorsement of nuclear power to meet Third World energy needs, Akhund cited former U.S. President Eisenhower's historic Atoms for Peace, stating that he was confident that all environmentalist objections to nuclear power could be easily met. The ambassador emphasized that even oil-rich developing nations, such as Saudi Arabia and Iran, required nuclear power to meet their energy needs, pointing out that this would free their vast oil reserves for such far more efficient applications as petrochemicals.

In conjunction with his call for a new world monetary system, Akhund emphasized that development of the Third World through technical transfers would provide the outlet for industrial expansion needed by the stagnating economies of the industrial West.

In a separate interview with NSIPS, Ambassador Akhund pointed out that reflating the West German economy — as urged by the Carter Administration — would create only miniscule additional demand in the world economy (“How much can the German people buy?”), while reflation by Japan would only flood the world market with more transistor radios. Criticizing Western multinationals for concentrating their overseas investment in extractive industries, he urged them to “take a longer view” and invest in “technology transfers.”

U.S. Labor Party Executive Committee member Warren Hamerman then presented the Party's proposal for expansion of the U.S. Export-Import Bank, in the context of European moves toward a gold-based international monetary system centered in Luxembourg.

Raising the bank's lending capacity from a ceiling of \$9 billion to \$200 billion, Hamerman declared, will intersect three critical problems facing world economic development: 1) the lack of low-cost credit for the advanced sector; 2) the need in the developing sector for commitments and political and economic contracts for capital, energy, and technology-intensive programs; 3) the need to provide concrete avenues for the Comecon nations into international cooperation around fission and especially fusion development. Such a plan could be ready within two weeks, Hamerman declared, launching a massive revival of basic U.S. industry such as steel, and beginning unparalleled industrial development in the Third World. He called on the audience to push such expansion of the Eximbank at upcoming hearings by Sen. Adlai Stevenson III.

In a joint presentation, FEF Research Director Parpart and FEF Director of Physics Eric Lerner concluded the first portion of the panel on Mideast economic development by outlining a \$700 billion program for economic development of the Middle East. “The raw materials approach is historically an economic transfer approach,” Parpart declared, which will inevitably result in the economic exhaustion of the region if pursued to its conclusion. Proceeding from a basic infrastructure of nuclear development, he declared, and concentrating on Egypt, which has the largest and most highly skilled population of the Arab nations, the region should proceed with development of a petrochemicals and related textile industry, steel and concrete, and basic infrastructure such as housing — a prerequisite to development of a skilled labor force. Parpart also outlined an agricultural development program relying on nuclear energy to

provide vastly expanded irrigation.

The FEF Research Director stressed that it was only in conjunction with such a development program that a Palestinian state — considered a prerequisite to a workable peace solution — could hope to exist as a viable nation.

The next panel session featured three Arab business consultants — Dr. Mohammed Rabie, Dr. Richard Dekmijian of the State University of New York at Binghamton, and Fuad Taima of Averroes, Inc., who discussed the difficulties of industrialization of the Mideast.

#### *Potential of Nuclear Energy*

Speaking at the afternoon session, titled “U.S. and International Energy Policy: Fossil, Fission, Fusion,” Department of Energy official Dean coupled his fusion research bombshell with a presentation showing the rapid progress in the U.S. fusion program in recent years. As recently as 1974, projected fusion reactor designs were feared to be too large to be economical, Dean said, but subsequent research breakthroughs have greatly reduced reactor size. He reported that a fusion device designed to achieve energy breakeven levels, the general atomic Doublet III Tokamak, would be in operation next month.

FEF Plasma Physics director, Dr. Steven Bardwell used a comparison of energy flux densities — a measure of the cost-efficiency of energy sources — to demonstrate the superiority of fission and fusion energy over other sources. He outlined a concept called “nuplex” — industrial and agricultural complexes centered around nuclear reactors — which, he said, was uniquely suited to Third World Development needs. Detailed plans for “nuplex” developments have already been drawn up by India and Puerto Rico, he said.

Noted strategic analyst Stefan Possony presented a wide-ranging discussion of the prospects and requirements for development in the Middle East and the relationship between peace and economic development.

“Development of the Middle East is a mandatory matter. The penalty for not doing it...is catastrophic,” Possony declared.

The objective of development in the Middle East, he continued, must be the immediate introduction of 21st century technology. “You have to leapfrog...You need new technologies.”

“You cannot really plan this as a regional thing,” he said. “You are involved in a worldwide project. I think India belongs in this region, and a place like Japan.”

Returning to the relationship between peace and economic development in the Mideast, Possony proposed that the immediate injection of the development question into the deadlocked Egypt-Israeli talks on the formulation of a West Bank Palestinian state would greatly facilitate the negotiations. “Bring home in their minds that the pie is a growing pie,” he said.

#### *Islamic Humanism and Peace*

The conference's evening session, on the Cultural Heritage of Islamic Science, featured presentations by Parvis Morewedge, Secretary-Treasurer of the Society of Islamic Philosophy and Science and translator of the *Metaphysics* of the Islamic philosopher Ibn Sina;

Criton Zoakos; Dr. Clovis Maksoud; and, a late addition, Dr. Rivkin of Hebrew Union College.

Following Morewedge's presentation, in which the noted Islamic scholar presented the thesis that the philosophy of Ibn Sina was based on process- and development-conceptions in contrast to the fixed categories adopted by nominalist thinkers as Aristotle, Locke, and Hume, Zoakos developed the contribution of Medieval Islamic science and philosophy to the European Renaissance and later the American Revolution. It was Islam that first systematically developed the voluntarist principles which are the basis of Western humanism today, Zoakos said, noting that "at a time when no European king or queen and very few monks could read," mass literacy was the basis of the Islamic faith.

Applying that Islamic voluntarist principle to what he termed the "paradoxes" confronting the parties to the Middle East problem, and reflected in a number of the day's presentations, Zoakos pointed out that the framing of such "paradoxes" — presenting a fixed range of solutions, no one of them expressing the actual interests of the parties involved — was the essence of the method used by Britain to manipulate and control the region. The voluntarist solution, he said, is summed up in a maxim of the Talmud, "When presented with two choices, always

take the third." The same problem was addressed by Dr. Maksoud, who declared that Arabs had historically been torn between the two poles of "consistency" — full recovery of Palestinian lands occupied by Israel — and "relevancy" — complete abandonment of any rights of Palestinian sovereignty.

#### *Destroy Britain*

Both Zoakos and Rivkin addressed the problem of British presence in the Middle East. Rivkin, citing Manhattan Project as the key breakthrough which demonstrated that the nature of U.S. capitalism was developmental, sharply contrasted this impulse in U.S. capitalism to the capitalism of underdevelopment, centered, he said, primarily in London. It is London's effort to assert hegemony in the Middle East, he asserted, which has been the main obstacle to industrial development in the region.

Zoakos noted that the works of the great Islamic philosophers, Ibn Sina, Averroës, and al-Farrabi, had been in the libraries of every major leader of the American Revolution. No solution to the Middle East can be found without combatting the influence and activities of British intelligence in the region, and the key to that problem, he said, is the solution adopted by the Islam-influenced leaders of the American Revolution: "Destroy Britain!"

— Paul Arnest

## Princeton 'Fusion Device' Brings Unlimited Energy Closer

January 25 — Dr. Stephen O. Dean of the U.S. Department of Energy's Magnetic Confinement Division announced yesterday that scientists working with the Princeton University Large Torus (PLT) fusion device have achieved the highest temperature ever to be reached in experimental work with a neutral beam fusion energy reactor prototype. Dean reported that the temperature of the PLT's plasma, the magnetized gas contained in reactor devices that begins an energy-producing fusion reaction if brought to extremely high temperature and pressure, reached slightly higher than 2,000 electron volts (2 keV) in the recent Princeton experiments.

Dr. Dean's announcement came at yesterday's Conference on Middle East Peace and Economic Development, sponsored by the Fusion Energy Foundation as a meeting ground for scientists, government officials, diplomats, and business representatives to discuss the establishment of a lasting Middle East peace via the economic development of the region. (see article this page) The PLT results were of major interest to conference participants because they indicate the rapid achievement of fusion breakeven, that is net-energy producing fusion reactors, and eventually commercial fusion energy production systems.

#### *How It Works*

The Princeton researchers set the new temperature record with the help of a neutral beam heating device

designed and built by a team at Tennessee's Oak Ridge National Laboratory. The beam device is used to first accelerate hydrogen isotopes, then to neutralize them (bring the number of electrons and protons in each atom into correspondence), and finally to direct a concentrated beam of neutral atoms into the center of the PLT's plasma, which is confined in a toroidal, or donut-shaped, magnetic field. Collisions with the ions in the plasma cause heating, which radiates from the center of the plasma outward.

Neutral beam heating allows a high temperature to be achieved with a lower magnetic field strength than is used in magnetic heating of magnetically confined plasmas. In fact, a low-density plasma fusion reactor such as the Princeton device will work only with neutral beam heating. Magnetic approaches to heating, which depend on compression and heating of a relatively more dense plasma, are ineffective in the low-density plasma Large Torus.

#### *Prospects for Breakeven*

According to Dr. Harold Furth, director of the Princeton neutral beam project, energy breakeven will be relatively easy to achieve using the neutral beam compared to other heating systems. In the small region in the center of the plasma where the neutral beam is injected, about 30 percent of the confined ions are quickly brought to 20 keV; these diffuse to heat through the rest of the plasma. It is now thought that an overall

temperature of between 5 and 6 keV will be sufficient for breakeven.

During the spring, further PLT experiments will include raising the neutral beam energy by approximately a factor of three, which is expected to increase overall plasma temperature to about 3 to 4 keV. These experiments will be carried out on a new plasma heating device, designed to achieve breakeven and now under construction at Princeton. This device, the Tokamak Fusion Test Facility, (TFTF), is expected to use neutral beam heating to the 5 to 10 keV range in order to achieve energy breakeven. The TFTF is expected to be completed by late 1981, if the projected construction schedule can be maintained. However, cutbacks in funding for fusion research announced in the national budget for 1979 may postpone the timetable. Although specific funding

for the project has not yet been revealed, Furth thinks funding is "skimpy but not catastrophic."

In other U.S. experiments, the Doublet III device under construction by General Atomic Company in San Diego is scheduled for operation early this year using neutral beam heating. When brought up to full utilization this is expected to produce energy outputs approaching those required for commercial reactors.

In Dr. Furth's opinion, the Soviets are lagging behind the U.S. in the neutral beam heating approach, having entered the field relatively lately. The French TFR reactor, on the other hand, is very nearly as capable a device as the PLT, achieving plasma temperatures only about 10 to 21 percent lower than those reported from Princeton. The British are entirely out of the running, with no comparable results to report.

— Dr. John Schoonover

## FEF Conference Participants

*The Honorable Paul Lattimore* is in his tenth year as Mayor of Auburn, N.Y., where he is well known for his effectiveness in attracting industry to the central New York State Auburn region. He is presently Chairman of the National Joint Task Force on Energy Strategy of the League of Cities and U.S. Conference of Mayors. Mayor Lattimore was the first recipient of the Citizens Award of the New York State Chapter of Professional Planners.

*Uwe Parpart* is the Fusion Energy Foundation's Director of Research. Mr. Parpart is a graduate of the West German Naval Academy and has taught and written on basic questions in mathematical physics and strategic planning. He is the author of "The concept of the Transfinite," an important evaluation of the work of Bernhard Riemann and Georg Cantor.

*Dr. Morris Levitt* is Executive Director of the Fusion Energy Foundation, and also editor of its publications, *Fusion* magazine and the *International Journal of Fusion Energy*. He has testified before numerous congressional committees and state legislatures on energy policy.

*His Excellency Iqbal A. Akhund* is Ambassador Extraordinary and Plenipotentiary, Permanent Mission of Pakistan to the United Nations.

*Eric Lerner* is Director of Physics of the Fusion Energy Foundation. He is a graduate of Columbia University and has written extensively on global and regional economic planning and development.

*Dr. Mohammed Rabie* received his Ph.D. from the University of Houston, and for five years taught economics at Kuwait University. He was also a visiting scholar at Georgetown University's Center for Contemporary Arab Studies, and is the author of a number of books and articles in Arabic. Presently, Dr. Rabie is a private consultant in Houston with Universal Enterprises, Inc., and is a member of the permanent delegation of the Arab League to the Euro-Arab Dialogue with the European Economic Community.

*Dr. Richard Dekmijan* was born in Syria, and was educated at Boston University and Columbia University, where he received a Ph.D. in political and Middle East studies. He is the author of several books, including *Egypt Under Nasser* (1971) and *Patterns of Political Leadership: Egypt, Israel, Lebanon*, as well as numerous articles including works published in the *Middle East Journal*. He is presently writing a book on President Sadat of Egypt. Dr. Dekmijan is currently a professor at the State University of New York at Binghamton.

*Faud Taima* has been recently appointed Regional Vice President of the U.S.-Arab Chamber of Commerce for Washington, D.C., after having served as President of the Baltimore-based Mid-Atlantic Arab Chamber of Commerce. Mr. Taima is a prominent figure in commercial, professional and governmental circles both in the U.S. and the Middle East. For the past eight years, Mr. Taima has been President of Averroes, Inc., a McLean, Virginia-based consulting company, and has worked closely with the U.S. business community and the private and public sectors in several of the Arab countries.

*Dr. Parviz Morewedge* completed his studies in philosophy, mathematics, and Near Eastern studies at the University of California at Los Angeles. He worked as a research mathematician and logician in the computer industry, and has taught at UCLA, the State University of New York at Binghamton, and Columbia University. He is now teaching and lecturing at Fairleigh-Dickinson University, the City University of New York, and the Center for Near Eastern Studies at New York University. Dr. Morewedge is also the Secretary-Treasurer of the Society of Islamic Philosophy and Science, and is the coordinating editor of the series, *Studies in Islamic Philosophy and Science* and translated, with a commentary, the *Metaphysics* of Ibn Sina.

*Dr. Clovis Maksoud* was born in Lebanon and was trained in law, serving as an attorney in Beirut. From 1961

-1966, he was a visiting professor at the Indian School of International Studies at New Delhi; he also served as the Chief of Mission, League of Arab States, in New Delhi. In the past, Dr. Maksoud has served as a senior editor at Al Ahrum and An Nahar. In 1974, he was named Special Envoy of the Arab League to the United States. He is the author of many works, including *Crisis of the Arab Left: The Meaning of Nonalignment*, and various articles in leading journals. Dr. Maksoud is presently a visiting scholar at the Center for Contemporary Arab Studies, Georgetown University.

*Dr. Steven Bardwell* is Director of Plasma Physics of the Fusion Energy Foundation. Dr. Bardwell received his Ph.D. in plasma physics from the University of Colorado in 1976. He has done research in a wide variety of self-organizing phenomena in plasmas and fluids. He has spoken widely in the United States and Europe on fission and the transition to fusion.

*William Cornelius Hall*, a member of the Board of Trustees of the FEF, is President and Chief Scientist of the Chemtree Corporation. He is former chairman of the metropolitan New York section of the American Nuclear Society. Mr. Hall is chairman of the policy board of the *Journal of Civil Defense*. He has published widely on nuclear power and the structural design of reactors, and holds patents on high-density concretes. Mr. Hall is a fellow of the President's Council of the American Institute of Management and is a Member of the *Societe des Ingenieurs Civils de France*.

*Prof. Charles F. Bonilla* is Vice-Chairman of the Department of Chemical Engineering at Columbia University. He is the author of a widely used text, *Nuclear Engineering*, published in 1957, and is a recognized authority on heat transfer and fluid flow processes in nuclear power engineering. He was

recipient of the Kern Award of the American Institute of Chemical Engineering, and is at present editor of *Nuclear Engineering and Design*.

*Dr. Stephen O. Dean* is Assistant Director for Confinement Systems, Division of Magnetic Fusion Energy, Department of Energy. Dr. Dean received his masters degree in nuclear engineering from the Massachusetts Institute of Technology in 1962 and worked in the Atomic Energy Commission from 1962 until 1968. From 1968 until 1972, he did research in laser fusion at the Naval Research Laboratory, in the course of which he received his Ph.D. from the University of Maryland in 1971. Dr. Dean has held his present position since 1972, first with the Energy Research and Development Administration and now with the Department of Energy.

*John Causten Currey* is presently Senior Editor of the *Oklahoma Times*, *Daily Oklahoman*, and *Colorado Springs Sun*. Mr. Currey was formerly a nationally syndicated columnist. He also served with Air Force Intelligence.

*Dr. Stefan T. Possony* is Director of the International Studies Program at the Hoover Institution in Palo Alto, California. He has published many books and articles on strategic doctrine and analysis, and on energy policy. Dr. Possony is presently a member of the American Security Council and Associate Editor of *Defense and Foreign Affairs Digest*.

*Criton Zoakos* is a member of the National Executive Committee and Director of Intelligence of the U.S. Labor Party. A graduate of City College of New York, Mr. Zoakos has recently authored "Ibn Sina and the Dawn of the Humanist Heritage." He presently heads an investigative team studying Arab and Islamic culture and ideology.

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**MIDDLE EAST PEACE *and*  
ECONOMIC DEVELOPMENT**

**Held in New York, January 24, 1978**

Because of the historic significance of this conference, the Fusion Energy Foundation plans to immediately publish a limited number of **excerpted transcripts** for subscribers at a cost of \$25.00 each. Excerpts will deal with the highlights of the Jan. 24 conference, where more than 200 participants — including representatives from a dozen Middle Eastern and African governments, from U.S. military, intelligence, and energy agencies, and from several American trade unions, corporations, and universities — debated the need for industrial development in the current peace process in the Mideast.

Included in this document will be:

- \* U.S. Department of Energy official Stephen O. Dean's announcement of new scientific results which confirm fusion power "as a practical option for future energy use" worldwide.
- \* Pakistani Ambassador to the U.N. Iqbal Akhund's discussion of the need for fundamental changes in the world monetary system to facilitate expanded trade and development.
- \* The conference's keynote address by Dr. Clovis Maksoud, former Arab League special envoy now at Georgetown University, on the crucial importance of a political solution in the Middle East to a workable U.S.-Soviet detente.
- \* Statements by Stefan Possony of the Hoover Institution, Dr. Mohammed Rabie, a Permanent Delegate to the Euro-Arab Dialogue, Oklahoma Times editor John C. Curry, and others.
- \* The FEF's proposed program for Mideast industrial and nuclear development — and part of the conference participants' debate on that program.

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PART I

# Behind Kissinger's Cold War: A Trilateral 'New World Order'

The most important element of the current campaign to devolve international relations back into Cold War has been, so far, left largely unsaid. While Henry Kissinger, Zbigniew Brzezinski, Gianni Agnelli, and their various press allies have painted a paranoid picture of "moral collapse" and the West's inability to deal with crime, Communist penetration, Kremlin-funded terrorism, and strategic "tests of wills" with the USSR in Africa, the Mideast, etc., these same spokesmen have been extremely vague about what a possible solution to this nightmare might be.

We should expect that lack of clarity to be remedied in the coming weeks. The "solution" which Kissinger, Brzezinski, et al. have been converging on — one already agreed upon well before the "Reds are coming" alarm was first sounded — is detailed in a recent policy document by the Trilateral Commission: a new "world order" in which City of London-dominated supranational institutions like NATO and the IMF will replace national governments in enforcing austerity and the end to industrial growth.

In fact, it would be most appropriate to say that implementation of the July, 1977 Trilateral document, "Towards a Renovated International System," is the *primary purpose* of the current pronouncements of Commission Executive-Director Kissinger, and of the increasingly confrontationalist statements coming out of a U.S. Administration which boasts nearly two dozen Commission members in ranking posts (including, as is well known, President).

That is, the current Cold War drive is fundamentally economic in purpose. The roaring anticommunism and hysteria-mongering is the psychological warfare "barrage" which softens the population up for the City of London's control of the globe's political and financial institutions. Already, we see aspects of "Towards a Renovated International System" creeping into statements by Kissinger (who, with a studied vagueness, linked "capital-intensive growth" with the decline of the West), Agnelli (who this week stressed the inability of national governments to deal with terrorism), and the Mondale-Schlesinger-Blumenthal faction in the White House (which is attempting to equate energy conservation, nonproliferation, and labor-intensive "public works" employment with the stability of the U.S.).

This "creeping" process is standard operating procedure for the Trilateral Commission: first the creation of a conducive psychological environment, and only then do the hundreds of well-placed politicians, financiers, and journalists which make up the Commission begin the

"public debate" on what devastating measures are necessary to get the West out of the hoaxed-up crisis. Illustrative in this context is the fact that Henry Kissinger did not — as is commonly believed — first give his "Iron Curtain" speech to open the new Cold War on the well-publicized January NBC-TV special; the original version of that performance was given at the Oct. 1977 Trilateral Commission meeting in Bonn, a meeting at which "Towards a Renovated International System" was also a major topic.

### *New British Empire*

This "debate" will be entirely defined by "Towards a Renovated International System's" goal of the re-creation of the City of London monetarism's "Concert of Europe" looting system on a global scale. Although the document has been worked over by linguisticians to make its Schachtian proposals sound palatable, the contents are clear.

At this moment, the world's ability to resist and destroy the City of London's plans for a zero-growth nightmare relies largely on four things. Firstly, the understanding of competent political forces in the West, East, and developing sector that the end to the current depression — and London's debt stranglehold — must be based on a vast expansion of industrial production and export. Secondly, the understanding by those forces that this solution demands a new monetary system, and that the monetization of gold would be a crucial step toward such a system. Thirdly, the recognition that such industrial growth necessitates a full commitment to nuclear energy development and export. Fourthly, the world's future economic health depends on the ability of the world's leaders to continue to realize the aspirations of their constituents.

This last point is too often underplayed. Today, despite the well-financed and well-publicized ranting of the ecologists, most of the world's population is overwhelmingly committed to technological and intellectual progress — they are republicans who see their own advancement mirrored in the development of their nation. Thus, in most cases, a political leader's commitment to his constituency — to patriotic national interest — coincides with those measures which will ensure world progress and the end to the City of London's domination.

"Towards a Renovated International System" is aimed at the destruction of each of these four vital factors in the world's future:

\*Vitality needed technology transfers and industrial investment are merely advanced-sector "imperialism"

which would only upset the labor-intensive economies in which most developing nations are now enmired. Exports of strategic raw materials including food must be controlled through "reserves"—i.e., diverted into funds to pay off London's debt service.

\*A new monetary system, yes — but based on the genocidal IMF. Gold must be removed from monetary activity.

\*If public sentiment for nuclear power is too massive, then let nuclear energy be put under prohibitive controls and essentially banned from the Third World.

\*The principle of national sovereignty and national interest must end, and be replaced by a "new order" based on already existing supranational institutions, or else the problems of growth and progress will plunge the world into chaos.

No amount of cosmetics by the City of London's linguists can cover up the fact that "Towards a Renovated International System" is the *Mein Kampf* of the 1970s.

## 'Towards A Renovated International System'

*This report, published July 1977, was authored by Richard Cooper, now Undersecretary of State for Monetary Affairs, Karl Kaiser of German Society for Foreign Affairs in Bonn, and Masataka Kosaka of Kyoto University, in consultation with Zbigniew Brzezinski.*

The management of interdependence has become indispensable for world order in the coming years. Its origins lie in the extraordinary expansion of interaction between modern states and societies. Although such interaction existed in earlier times, the development of modern technology and the evolution of the international economic and political system have brought a quantitative and qualitative change....

Among the negative aspects of interdependence are the threats of nuclear proliferation and harmful ecological change. Avoidance of nuclear war is rarely discussed as part of the problem of interdependence. Yet it is a condition for the solution of all other problems of world order, since nuclear war threatens the survival of mankind. Throughout the postwar era a stable nuclear balance, which affects the many states of the global system, has depended on the few nuclear powers, and primarily the United States and the Soviet Union.

Now, however, the worldwide resort to nuclear energy for power creates much wider risks of the spread of nuclear weapons. Effective measures against proliferation, therefore, can no longer be handled by a few; they require joint action by a large number of states with divergent outlooks and interests, and different economic status. Proliferation concerns no longer focus on countries like Germany and Japan — since they have ceased to be a problem in this respect, if they ever really were — but on unstable or adventurous countries in the developing world, especially in areas of conflict and violence, which could acquire a capacity to build nuclear weapons. In fact, unless the states of the world can cooperate in this field, a period of instability and violence

could be opened, compared to which the past quarter century may appear as a *belle époque*.

Undesired ecological changes present a different problem. They may not be foreseen, and may already be serious or irreversible when their first symptoms appear. The environmental problem has its origins in industrialization, modern agricultural techniques and the expansion of population — though the perception of its wide-scale importance is recent. The problem is often international in that pollution in one country frequently affects the environment in others as well. Moreover, outsiders do not have the limited option to reduce the harm by cutting transnational links and interaction, as they can in many other types of interdependence — though at considerable cost.

The pressure of man on the environment has already caused many undesired changes, and could threaten partial breakdowns. A breakdown of the globe's biosphere is unlikely during this century, but there can be no certainty of its avoidance. Later, as the LDCs industrialize, the danger will increase. The prevention of ecological damage and breakdowns (and the repair of existing damage) are major tasks for the globe as a whole....

Interdependence, despite its many benefits, complicates the management of the modern welfare state — it creates disturbances, interferes with national priorities and policies, and transmits problems from other systems. Conversely, conflicting national priorities of modern welfare states inevitably complicate the problem of managing a system of interdependence....

Thus politicization of the international economy lies in the logic of modern welfare states. National intervention is inevitable in the name of a more just society, but it should be guided through international agreement and joint action in such a way as to preserve the advantages of interdependence....

An international system must be able to accommodate shifts in power among nations and their desires for new roles. In the postwar period, the industrialized nations were able to adapt their decision-making structures to reflect the rise of the Federal Republic of Germany and later of Japan. Now the problem arises in two forms.

Certain developing countries have risen rapidly to positions of economic weight and political influence on the basis of the critical importance of certain raw materials (in particular, oil) or of successful development. Understandably, they demand a greater say in the decision-making of the international system commensurate with their newly acquired position.

But the issue also arises at a second and more difficult level as a result of shifts in perceptions. To many developing nations the hierarchy of power characteristic of the postwar world is no longer acceptable. They reject the central legitimizing concept of the liberal world economy, the maximization of global welfare through the market system, and assert that the formal equality of all participants has not been accompanied by a fair sharing of benefits from the division of labor in the present world economy.

For the weaker developing countries, interdependence appears as a system of dependence....

Some intellectuals, groups and governments in the Third World increasingly advocate a strategy of

dissociating North and South. Various suggestions at the 1976 Colombo conference of the nonaligned states and at the 1976 Mexico City conference on economic relations among developing countries clearly express such goals, e.g., a proposals for a developing countries' payments union, the establishment of a joint development bank, preferential treatment, multinational corporations of their own, and so forth.

Such tendencies to "dissociate" need not necessarily be viewed with alarm. On the contrary, a healthy self-reliance may require some cutting of old links or dependencies, though it would have to overcome many obstacles before it could become a feasible strategy. The problem has to be taken seriously, however; for unless interdependence effectively serves the interests of the weaker states, the trend toward extreme dissociation is likely to grow, and to create disturbances damaging for the industrialized world, and probably even more harmful to the developing world....

The conditions of the contemporary world make it obvious that concerted efforts will be necessary to deal with current crises in order to contain violence and prevent breakdowns in the global economy or ecology. That is the minimum cooperation required for managing from day to day.

The effort to get at the roots of many of these problems will take a long time indeed. Thus deterrence and detente should be able to avoid major war between East and West, but it will take a very long period to remove the sources of conflict and rivalry. Similar is the goal of meeting basic human needs of the poorest billion or more people. Even with immediate and energetic efforts, it will take decades to achieve substantial progress on a large scale.

The requisite cooperation for both the short and long term must be based on the shared conviction that it maximizes overall gain and increases the welfare of all those involved. The philosophical roots of such a conviction go back to the 18th century notion of progress, that the human condition as a whole could be improved through human efforts to master parsimonious nature. Such thinking represented a revolutionary departure from the age-old notion that one man's gain must be another man's loss, or that one group could improve its condition only by robbing or exploiting other groups....

...Some global sense of community among human beings is important for a functioning world order. In particular, it is necessary in order to generate the energy and motivation for sacrifices, the transfer of resources, and for support of domestic socioeconomic changes to facilitate economic progress in poorer areas of the world.

Neither the widespread application of cooperative behavior nor the existence of a global sense of community implies that conflict and competition between states, groups, and different political creeds will disappear. In fact, a pluralistic world system is a creative asset to be preserved. But the presence and strength of a cooperative predisposition and of a global sense of community will decisively influence whether the ongoing change in world politics can take place without major disturbances or breakdowns....

### *Obstacles to Cooperation*

A realistic strategy of action must take into account the major obstacles to cooperative management of interdependence. Obstacles of particular importance are the desire for national autonomy, the impact of domestic politics, disparities in conditions among countries, political barriers, and sheer number of countries.

The desire for national autonomy and the traditional concept of sovereignty aggravate the tension between national policies and transnational interaction. They tend to support attitudes and actions which disregard the effects of national measures on outside states or groups. They hinder the observation of the rules of international cooperation and impede the compromises and the day-to-day routines of consultation necessary for managing an interdependent world. These attitudes exist to some extent in all countries, often fluctuating over time in intensity.

The public and leaders of most countries continue to live in a mental universe which no longer exists — a world of separate nations — and have great difficulties thinking in terms of global perspectives and interdependence. Consequently, in the environmental field, for example, there is still widespread belief that countries can in practice afford to pollute the biosphere across their own borders despite commitments to the contrary. In the rich democracies, it is extremely difficult to convince publics of the necessity for substantial aid to developing nations. The development aid lobby is weak, even though aid policy is partially employment policy for the rich countries, and remains imperative for reasons of enlightened self-interest, as well as ethics.

In developing countries, many of which have become independent so recently, the desire for autonomy poses special difficulties. Jealous of their independence, they often tend to regard the types of accommodation and consultation necessary in interdependent relationships as interference in their domestic affairs and an encroachment upon their sovereignty.

Although the social, economic, and political life of many modern states depends on functioning interaction with the outside world, the structure and issues of domestic politics continue to be shaped primarily by domestic concerns. Foreign issues remain secondary except in times of crisis. Political leaders rise or fall primarily on their performance on domestic issues. The concept of legitimacy remains confined to the territorial state, leaving aside the growing involvement of outside forces and the impact of national action on others. Values, traditions, institutions and habits are still heavily dominated by the concept of the traditional sovereign state.

The negative impact of domestic politics on the management of interdependence is two-fold. First, since domestic politics is inevitably more shaped by internal than external priorities, the political process produces varying degrees of parochialism which disregard the impact of national action on the outside world and show little understanding of the requirements of interdependence. The pressures for protectionist measures or export controls provide endless examples.

Second, the pressures of domestic politics encourage a short-term view of problems. The fact that politicians must present themselves to the voters every few years has the unfortunate effect of concentrating their attention on immediate issues which will secure their reelection and not on problems of the longer future. It rarely pays domestically to raise long-term problems, particularly if this means confronting voters with difficulties ahead and the need for sacrifices to master them. Thus long-term problems and strategies to solve them are not discussed as concrete political issues. The failure of American and European politics to respond adequately to the necessity to reduce oil consumption provides a telling example....

In this interdependent world, most countries have an interest in the management of many of its problems, even if that interest is sometimes strongly attenuated. Does this mean that nearly 150 nations should participate in all, or virtually all, matters of international discussion, negotiation, and collaboration?

If so, it would seriously impede the necessary cooperation. The mere presence of large numbers does inhibit the close discussion that is often essential for negotiation and agreement....

Is it feasible to meet this problem by a system of representation, as has been used in the International Monetary Fund for years and tried in the 27-nation Conference on International Economic Cooperation opened in Paris in December 1975 to discuss energy, raw materials, development, and financial problems?...

With interdependence growing, the world community faces two challenging tasks: It must manage the urgent problems of survival and economic prosperity on a continuing basis; and at the same time, it must seek to develop a more adequate system of world order which is more secure, more effective in solving social and economic problems, more responsive to basic human needs, and more respecting of human rights.

The basis for the cooperation among the nations of the world required to achieve these tasks does not now exist. It faces the staggering obstacles....

...In the LDCs, the idea of greater self-reliance, which is, in fact, an indispensable goal of development policy, could degenerate into a rejection of an integrated world economy if present trends continue. Similarly, in the advanced countries, the confrontational atmosphere in North-South relations tends to strengthen tendencies toward a closed and exclusive bastion of advanced countries, leaving the LDCs to their own fate. And the links of cooperation between the communist world and the West are clearly precarious. We believe that the best way to resist these tendencies is through effective, constructive actions by the advanced nations.

...For example, the responsibility for stabilization of the world economy falls overwhelmingly on the trilateral countries and, especially, on the United States, Germany and Japan as the three largest national economies. But other countries have a deep interest in the actions taken by those countries, and coordination among the trilateral countries should take this into account....

During the past decade, the monetary system has been substantively modified, notably by creation of the SDR as a new reserve currency, and by the adoption of flexible exchange rates for the major currencies.

Central tasks for the next decade grow out of these changes. One is to develop a cooperative system among at least the core countries for operating the system of flexible rates, with guidelines to control erratic shifts and competitive manipulation. The second is the management of world reserves and international liquidity with greater reliance on SDRs. For both tasks the International Monetary Fund should play a major role, gradually evolving into a central bank for national central banks....

A global strategy for the trilateral countries must also seek to foster economic development and alleviate poverty in the poorer countries of the world. Inevitably, the major effort for economic development must be made by those countries themselves; development cannot be imported. But the trilateral countries can facilitate economic development elsewhere in the world. They can also help to reduce the risks of interdependence and to distribute its risks and benefits more equally between the weak and the strong....

...Sound economic management can be supplemented by explicit schemes for stabilizing both export earnings of developing countries and prices of certain primary products of special interest to developing countries, either as importers or as exporters. We already have the compensatory financing arrangement of the International Monetary Fund to provide special loans to countries whose export earnings have fallen below certain historical norms ...Some — by no means all — of the risks associated with primary product production could be reduced by appropriate management of buffer stocks....The major food grains (where developing countries are primarily importers) and some of the non-ferrous metals (where certain developing countries are major exporters) offer the best opportunities for success....

At their best, foreign-owned firms can be a powerful stimulus to economic development by introducing more efficient management and marketing techniques, production technologies, and capital. Foreign-owned firms have frequently been charged with introducing inappropriate technology into developing countries, and no doubt many examples can be cited. But that has largely been a response to national policies in the host country that distort the choice of production techniques, e.g. toward capital-intensive means of production. Countries that want economic development would be well-advised to welcome foreign firms on appropriate terms. Where necessary, they can obtain outside assistance, for example from the World Bank, in negotiating with such firms. But the industrial countries should avoid seeming to push direct foreign investment onto unwilling developing countries. There are many paths to economic development and if countries choose one with minimal foreign ownership of local business firms, other countries should not object....

A great deal of our past thinking on economic development has failed to put human beings in the center of transitional strategies. The almost exclusive emphasis on GNP per head in much development planning neglected the conditions of certain strata or groups; rising per capita GNP figures may well obscure increasing misery within the state in question....

Meeting basic human needs is not necessarily the same

as fostering economic development, although it is difficult for a malnourished, rapidly growing population in bad health to make great economic progress. Alleviating poverty is a worthy objective in itself. In addition, there is evidence that it can contribute to economic development by raising the productivity of the labor force and in time contribute to the vitally important objective of reducing birth rates. We would encourage further the tendencies that now already exist in foreign aid programs to shift the relative emphasis away from big capital projects in the industrial sector toward those activities mentioned above which alleviate poverty more directly and tend to provide jobs for more people, especially in rural areas. We would also increase substantially the total amounts of foreign assistance now being offered....

In general, the prospects for achieving effective international cooperation can often be improved if the issues can be kept separate — what we call piecemeal functionalism. Progress on solutions is likely to be faster and the solutions are likely to be more durable.

Where cooperation on a functional issue offers all participating countries potential specific gains, these gains are most likely to be achieved by focusing on the issue in question rather than combining it with negotiations cutting across many areas. By narrowing the negotiation, it can be kept concrete and deal with specific arrangements and procedures. In such cases, specialists (who are more likely to dominate more limited discussions) may be better able to reach agreement than political generalists for whom issues are more likely to become symbolic of victory or defeat for particular national or regional political viewpoints. Specialization creates common bodies of knowledge and intellectual frameworks among experts from many nations. Coalitions of specialists can be built across national boundaries in specific functional areas, blunting the nationalism that might otherwise hinder international agreement....

In devising international arrangements to deal with a particular problem or manage some continuing aspect of interdependence, the objective should be to minimize the extent and complexity of cooperation required. In general, there should be a deliberate effort to design the international regime as a framework of rules, standards, and procedures and to decentralize decision-making and operational management as much as is consistent with attaining efficient and equitable solutions to global or regional problems....

At the international level, emphasis should be placed on *rule-making* rather than management. By rule-making we mean establishing frameworks of rules, standards, and procedures (e.g., for taking or refraining from specific actions or for settling disputes) which leave operating decisions — within the rules — to the participating nations or even to private firms or individuals. Such rule-making constrains operating decisions in such a way that national decisions aggregate into a consistent and beneficial whole rather than working at cross-purposes....

In most cases cooperation can be carried out most

effectively through international or regional institutions....

While new institutions may be required in some areas, the general emphasis should be on the adaptation and reform of existing institutions, such as the IMF, GATT, OECD, World Bank and its affiliates and others. New agencies may, however, be needed for the oceans, oversight of multinational corporations or stabilizing commodity prices. As argued in the earlier report, these reform efforts deserve high priority in the overall task of "making the world safe for interdependence."

...Some group of nations will have to take the responsibility for insuring that the international system functions effectively. No single nation appears to be likely to assume this role in the near term. The United States no longer seems willing to play it fully. Japan and the European Community are not yet ready to assume such leadership. Accordingly, it can only be done collectively for some time by the members of the trilateral region and notably some of its key states. They must act to provide the initiatives and proposals for wider acceptance. They must be on the watch to assure that the system does not break down as a result of the various tensions and pressures....

The monetary system is an area in which rule-making with decentralized management is eminently feasible; with general agreement on actions that should be avoided or occasionally those that should be taken, the actual execution of actions can be left largely to individual countries. The major exceptions to this generalization are international lending and creation of new international reserves. The latter is intrinsically collaborative if it is not to favor particular countries — those that produce gold or those whose currencies are used as international reserves....

Substantial changes have been made in the last decade. First, a new, man-made international money, the SDR, has been created for central banks. Related to this, the monetary role of gold in the international system has been diminished, just as it was diminished in domestic monetary systems decades before....

These are major changes in international monetary arrangements, and they have not yet been fully digested. Central tasks for the next decade are to learn how to operate a system of flexible exchange rates and to assure that the SDR provides most if not all of the incremental reserves needed by the world economy....

The second task is world reserve management. This involves wider cooperation, since the key to world reserve management is restraint in the additions to central bank holdings of gold and of reserve currencies such as the U.S. dollar, the German mark, the British pound, and the French franc. So long as countries build up their international reserves with national currencies, the SDR will remain a secondary source of reserves....

*The next issue of the Executive Intelligence Review will include a history of the Trilateral Commission's role as an "action body" for the implementation of the City of London's policies.*

## Andreotti Negotiates With Communists For New Italian Gov't

Contrary to reports in the U.S. press, Italian designated Prime Minister Giulio Andreotti and the pro-development elements within the Italian Communist Party (PCI) have not yet lost their handle on the situation and are continuing their efforts to establish a viable government to serve Italy's vital national interests. The situation, however, remains dangerous and extremely vulnerable to destabilization. British forces are now threatening Italy with economic warfare and activating terrorism and agents in all the Italian political parties to frustrate Andreotti's efforts. In addition, an operation to bust the trade union movement, in particular Italy's largest union, the communist trade union, the CGIL, has been launched.

### ITALY

Contradicting international press reports that the Christian Democracy (DC) and the PCI are heading for confrontation, the Italian newspaper *Corriere della Sera* revealed Jan. 19 that "two levels" of negotiations for a new government are currently underway. With the headline "The Secret Channels Through Which Negotiations Are Being Conducted," *Corriere* partially unveiled an "underground level of highly productive meetings with an overlapping of contacts, reunions, and exchanges of messages, more or less in cipher." Furthermore, Andreotti has established "solid communication lines with the Communists," sending some of his most trusted allies within the Christian Democratic Party (DC) to negotiate delicate matters with counterparts in the PCI. "Such secret consultations," explained *Corriere*, "can allow for solving calmly and without drama even the most embarrassing problems. In this case, for example, how to replace some ministers who have become uncomfortable even for the DC, with new men agreeable to the left."

The Vatican has been lending crucial support to the Andreotti wing of the DC. The Pope has issued several press statements calling for an understanding between the DC and the PCI, while the current weekly issue of the Jesuit weekly *Civiltà Cattolica* ran an article called by the London *Times* "An Assault on Britain's 'Lie Factory' by Jesuit" (see below).

#### *Seeking Moderation and Stability*

Having finished the first round of meetings with the other political forces Jan. 25, Andreotti scheduled a meeting Jan. 26 with the DC leadership, the outcome of which is expected to be a proposal on how to form a

government. The expected formula is based on the results of a series of meetings Jan. 22 between DC Parliamentary leader Flaminio Piccoli — of the DC tendency represented by Andreotti — and DC Parliamentarians, and between PCI Secretary General Enrico Berlinguer and Andreotti. Piccoli pulled DC parliamentarians — including those linked for former Prime Ministers Aldo Moro and Amintore Fanfani — behind Andreotti's government negotiations. "Andreotti can count on the full friendship and collaboration of the Christian Democratic deputies," stated Piccoli to the press the night after the meeting. While the full content of the Andreotti-Berlinguer meeting has not been made public, coming out of the meeting Berlinguer told reporters that he "did not foresee a long crisis," and reemphasized that the PCI's official position does not favor a left alternative government but a broad agreement of the political parties.

Berlinguer's statement stands in sharp factional disagreement with Central Committee members Gerardo Chiaromonte, Giorgio Napolitano, and Giorgio Amendola, who in separate statements last week said they "would not mind" early elections to resolve the government crisis. *Corriere della Sera* predicted a big fight at the PCI Central Committee meeting Jan. 26-27 between the tendency represented by Berlinguer and that represented by Napolitano, who has demanded that the PCI be in the government with or without the DC. In a statement to the press before the opening of the Central Committee meeting on Jan. 26, however, Fernando Di Giulio — prominent member of the PCI's parliamentary fraction and a known ally of Piccoli — rejected the possibility that "any new line might come out of the meeting," according to the Cuban press service Prensa Latina.

#### *Violence. The "Live Option"*

As a result of the series of fruitful talks, the Republican Party leader Ugo La Malfa and Socialist Party leader Bettino Craxi — two of the City of London's top agents in Italy — have been forced to beat a tactical retreat on their proposal to create an "emergency government," according to the Jan. 25 *Baltimore Sun*. "Emergency government" is a code word for an austerity regime to police Italy on behalf of the City of London creditors and the International Monetary Fund. Instead, the alternative of rampant chaos proposed for Italy and Portugal by Henry Kissinger and enunciated in the Evans and Novak column appearing in the *Washington Post* Jan. 25 (see International Report) has been fully activated with the Republican and Socialist Parties playing a key role in it.

A precondition for unleashing chaos in the country is to destroy the trade unions' proindustry leadership. As a first step in this direction, the Communist head of the CGIO, Luciano Lama, has become the target of a destabilization operation which bears all the marks of the British intelligence service's modus operandi. The Socialist-Radical Rome paper owned by Fiat's Gianni Agnelli, *La Repubblica*, published on Jan. 24 an "interview" with Lama which although disclaimed by Lama later has provoked calls for his ousting by the Socialist component of the CGIL and workers' rejection of his leadership.

According to *Repubblica*, Lama "said" that "if we want to be coherent with the objective of reducing unemployment it is clear that improving conditions for employed workers has to pass to a secondary level. Wages policy must be very contained and companies have the right to lay off the surplus work force." Immediately after the "interview" hit the streets, La Malfa rushed to issue a statement that "finally Lama has adopted my perspective." The Republican Party paper had headlines of Viva Lama! celebrating the fact that "Lama and La Malfa are just the same." The British wing of the PCI was equally set into motion as Napolitano wrote a front page article in the party's paper *Unita* praising Lama's "realistic" posture.

Lama, whose leadership has been instrumental in

rallying the entire trade union movement behind a pro-nuclear and economic expansion policy, was thus prevented from talking at two rallies in Milan Jan. 25 and 26 by enraged workers. On Jan. 27, however, he succeeded in addressing a rally at Sesto San Giovanni, Milan, a predominantly working class neighborhood. There he denounced *La Repubblica* for "publishing lies" which he never said to them. Lama's renunciation of the "interview" was strengthened by the major financial paper *Il Fiorino* which reported Jan. 27 that "Lama and Berlinguer are working more closely than ever."

Simultaneous with the operation against Lama, the random violence option — right-left confrontations — was given a boost Jan. 26. One hundred thirty-two members of the terrorist, neofascist Ordine Nuovo were absolved of charges of trying to reconstitute a fascist party — an act made illegal by the Italian Constitution. Furthermore, six Ordine Nuovo leaders on trial for the assassination of a magistrate a year ago were given extremely light sentences ranging from three to six years in prison.

This provocative action sent the ultraleft terrorists into a rage. The Red Brigades issued a communique announcing that they will kill each and every one of the judges who pronounced the sentence. Bands of so-called Autonomi bombed Carabinieri, DC, and PCI offices throughout the country in retaliation.

## Jesuit Historian Betrays British 'Lie Factory' Against Vatican

*The Jan. 19 Times of London issued a report on recent exposé by Father Robert Graham on the psychological warfare activities directed against the Vatican by British intelligence since World War. II. Excerpts of the Times article by Peter Nichols, entitled "Assault on Britain's 'Lie Factory' by Jesuit," are reprinted here.*

The Vatican among others suffered, and is probably still suffering, from the British wartime policy of concocting and disseminating "authorized lies" as part of the program of psychological warfare.

The number of official untruths devised by the Foreign Office, British intelligence and the military, and circulated by a variety of means, ran into the thousands, according to Father Robert Graham, the Jesuit historian, whose attack on British methods (was) published ...by his order's periodical, *Civiltà Cattolica*.

(The responsible organization) was the Political

Warfare Executive (PWE) established in September 1941, which Father Graham does not hesitate to describe as "a lie factory." Its director was Sir Richard Leeper, head of the political information department of the Foreign Office, a post which he used as a cover for the secret PWE.

Its product was "essentially fictitious, false and mendacious, as all its practitioners admit...

"The falsehoods and fabrications of the...operation," writes Father Graham, "will probably continue to bedevil the serious student for a long time to come....

"It is the natural tendency of historians," Father Graham comments, "after finding repeated references to a sensitive situation...to assume that where there is smoke there is fire. Considering the working of wartime disinformation, they should think that sometimes, instead, where there is smoke, there is a 'SIB'." (SIB is the name given by the British to the stories they circulated—ed.)

# London Scandalmongering Hits Schmidt Government

A handful of West German media, in alliance with parts of the Christian opposition parties, is responsible for whipping up an assortment of scandals and exposés in recent weeks, all of them aimed at halting any improvement in West Germany's relations with its Eastern neighbors, and rekindling the Cold War. In some cases, the scandals are directly aimed against members of the cabinet of Chancellor Helmut Schmidt. There is little evidence, however, that any of these ploys will succeed.

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## WEST GERMANY

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The first assault came in the first week of January when the weekly magazine *Der Spiegel* published a "manifesto" allegedly drawn up by "the first organized opposition" in East Germany (DDR). A series of reprisals and counterreprisals quickly ensued between East and West Germany when DDR authorities closed down *Der Spiegel's* East Berlin offices and excluded a number of other West German journalists.

In this atmosphere, a special committee of the West German parliament (Bundestag) commenced its investigation of Defense Minister Georg Leber for alleged negligence in handling the case of Irwin Lutze, an East German spy who had stolen top secret NATO documents from the Defense Ministry archives. During the hearings, Leber was accused by certain leading military officials of having underplayed the potential danger to NATO defense planning now that the documents were in the hands of the Warsaw Pact. *Der Spiegel* prominently rumored that Leber was just about to resign over the affair.

Next, it was "anonymously" revealed to the daily *Süd-deutsche Zeitung* that Franz Josef Strauss, the neo-Nazi leader of the Bavarian Christian Social Union, had illicitly ordered the destruction of documents pertaining to his relation with the U.S. aerospace firm Lockheed. Strauss proceeded to accuse the federal government of being involved in procuring this information from illegal phone taps, specifically pointing to Defense Minister Leber as the culprit.

This week, it was further revealed by *Quick* magazine that the military intelligence service, MAD, had illicitly bugged the telephone of a secretary working in Leber's office.

The scandals reached the height of outrageousness early this week when *Der Spiegel*, along with Reuters New Service, leaked out a bogus story that Hans-Jürgen Wischniewski, Chancellor Schmidt's assistant on East-West affairs, was going to East Berlin for a meeting with President Erich Honecker. *Der Spiegel* alleged that relations between West Germany and the DDR were getting so close that the Soviet Union has been con-

sidering a military intervention into the DDR.

In fact, as Wischniewski explained later in an interview, he had been planning a discussion with lower-level officials on current topics of East-West cooperation. He added, however, that the bogus leak had now caused even this meeting to fall through.

### *Christian Opportunism*

All these incidents would have gone largely unheeded if spokesmen from the opposition Christian Democratic Union (CDU) had not played along with them. But the CDU's Chairman Helmut Kohl went ahead to demand economic and other "reprisals" against the DDR over their closing of the *Der Spiegel* office, and he has called for Defense Minister Leber's resignation. Kohl thereby has moved a long way toward disrupting the CDU's cooperation with the Schmidt government around the questions of nuclear development and Mideast peace — cooperation which by the end of last year had assumed the proportions of an informal "Grand Coalition" between the CDU and Schmidt's Social Democratic Party.

The impetus for these assaults on the Schmidt government comes from Great Britain. *Der Spiegel* magazine, for example, has been a major conduit of British policy ever since it was founded in 1946 by an intelligence agent of that country. The attacks against Defense Minister Leber are specifically motivated because of Leber's insistence that Britain must relinquish part of its control over NATO policymaking bodies.

The CDU's recent policies are being swayed by the influence British intelligence networks run through the Conservative Party. Nowhere was this more evident than at a recent meeting in Kiel, West Germany of the CDU on security policy. Among those attending was Christopher Bertram of the London International Institute of Strategic Studies (IISS), while the conference was dominated by Manfred Wörner, CDU defense policy spokesman and member of the IISS. Proposals floated at the conference ranged from Wörner's call for Europe to build their own "neutron bombs" and "cruise missiles," to a proposal by Sir Julian Critcheley for NATO to shift from a "flexible response" to a "retaliation" policy modeled on Israeli blitzkrieg methods.

The Schmidt government has held up remarkably well under these assaults. With the exception of the cancellation of Wischniewski's visit to the DDR, there has been no worsening of West Germany's Eastern relations. In fact, an address last week by Chancellor Schmidt on the necessity for détente and the rejection of all provocations, received wide acclaim in the Soviet and Eastern European press. Even regarding the CDU, a recent issue of the Soviet party daily *Pravda* acknowledged the existence of a "moderate" current in the CDU which wants nothing to do with a worsening of East-West cooperation, especially on economic issues.

# The French UOGC: Organizing For Progress

It should come as no surprise that the French state-controlled electricity monopoly, Electricité de France (EDF), has in recent months become the privileged target of various terrorist and sabotage operations by British-manipulated "ecologists." These operations include: a strike against EDF hatched by the neo-Fabian anarchosyndicalist union, the CFDT, a slander campaign by Institute for Policy Studies networks in France which equated the EDF's firm stand for higher levels of energy consumption with "totalitarianism" and a wave of bombings against EDF offices and plants.

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## FRANCE

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The EDF, created as a nationalized institution by the Gaullist-Communist government after World War II, indeed represents a major nucleus of engineers, technicians, planners, skilled workers, and managers who are committed to the "public good" and national interest associated with the economic and social benefits derived from technological progress, in particular the development of nuclear energy.

The "Union des Organismes de Groupement des Collectivités" (UOGC) stands as the organized expression of those vanguard prodevelopment forces in and around the EDF. Its role, principally at the administration level, is significant in the current fight for expanding nuclear energy. The UOGC, highly respected among government and parliamentary circles in France, is a national federation of associations ("syndicats") of locally elected officials first organized in the 1920s to promote and accelerate the electrification of the country, particularly of the more backward rural areas. A staunch proponent of nuclear, cheap, and abundant energy, the UOGC premises its actions upon the following principled objective: "Ensure the country the means of survival and renewal for the improvement of the level and quality of life which would be a meaningless word without cheap and abundant energy, a factor of progress, which alleviates the toil of mankind."

The following are excerpts from the UOGC's "Information Organ," a programmatic package published several times a year and reaching some 3,000 deputies, senators, mayors, and prefects around the country:

"In its 'Resolution for the autonomy and wealth of France through abundant, cheap, and no polluting energy,' reaffirmed at its September 1977 Congress, the UOGC recalled that the evolution of civilization over the centuries and the growth of energy (supplies) at the disposal of the population and the economy, and that the progress of science and the evolution of human resources in energy, notably since the 19th century with the steam engine and then electricity, have allowed a decrease in

the duration of human labor. This decrease in the duration of human labor over the past 130 years is linked to the availability to the national economy and to the population, for the improvement of the quality of life, of an energy — a real mechanical slave — which can substitute for human labor. The alleviation of the toil man and the progress of science — notably in the medical field by the Pasteurian era and by the discovery of antibiotics — have permitted a considerable increase in the lifespan of man, most spectacularly in infants. The UOGC also notes that the increase in the living standard (wages) and the quality of life is directly linked to the growth of the GNP (Gross National Product —ed.) of the country.

"Whereas our country is endowed with unparalleled scientific, technical, technological, and industrial elements which rank us among the first in the world in several fields, enabling us to be within reach of the implementation of a high-technology energy policy through the advantages and advances which are available in the nuclear field;

"and whereas the only solution for the improvement of the economy of the country, which at the same time satisfies the social problems of retirement, unemployment, social security and improvement of buying power,

"and despite the recession of the active forces of the nation resulting from a falling demography with a growing inactive population,

"resides solely in the accelerated and intensive mobilization of cheap nuclear energy which the country can dispose of in unlimited amounts . . . the UOGC therefore

"calls on the Government and the Public authorities to adopt the following supplementary program:

— 3,000 megawatts a year more than the 6,000 initially planned by the government,

— a second fast breeder of 1,800 MW in 1980 and another in 1982-83,

— 10 terawatt per hour (1 terawatt equals 1000 gigawatts) of hydroelectric power by increasing from 10 to 20 percent the electrical capacity of existing plants which would not require major new engineering work,

— 3 gigawatts of pumping during the "off" hours in order to more effectively utilize our hydraulic energy potential and the available nuclear power during the off hours.

" . . . So that our country cannot be cornered at any time (through incidents such as the New York blackout of July 14, 1977), and because of the present delay in the implementation of nuclear plant construction and the tendency toward increased demand, the necessity to promote a supplementary program such as the one we are proposing is absolute . . . .

"This program must be accompanied by a reinforcement of the interconnections between our networks of electrical energy and those of neighboring countries, in order to allow a reciprocal improvement in the reliability of energy distribution as well as allow those countries

involved to benefit from a more even distribution of supply.

“The development of electricity production with the proposed supplementary plan would amount to 10.5 percent a year between 1975 and 1985, compared to only 7 percent with the already existing government plan, and would increase the possibilities of improving the standard of living by 20 percent (increase the minimum wage and wages, decrease the duration of labor, and progression of social benefits, while the supplementary 20 percent rate of economic expansion would allow unemployment to be absorbed . . . .

“The UOGC believes that the extraordinary rapidity of amortization (in the nuclear energy field), unprecedented in the economic history of our country, can only incite the public authorities to the most rapid possible implementation of the proposed nuclear program . . . . The amortization must be achieved through classical methods of fiscal administration, and the energy produced must be sold at the resulting marginal cost of production. This will benefit the economy of the country — and permit it to move back to a level of internal production ranking it second or third in the world . . . .”

## French Nuclear Official Blasts U.S. Approach To Nonproliferation

*At its January 1977 meeting in Tokyo, the Trilateral Commission formally recommended a world-wide, three-year moratorium on the development of nuclear fast breeder and reprocessing technologies. The U.S. Carter Administration had called for such a policy to halt the transfer of technologies it alleges will aid in the proliferation of nuclear weapons by countries which now lack that capability. This U.S. Administration policy has been sharply denounced by leading nuclear experts and governments around the world, including André Giraud, the president of the French Atomic Energy Commission (CEA), whose speech before a recent Trilateral Commission meeting in Bonn, West Germany is excerpted below. Although Giraud did not speak for the CEA, his remarks accurately reflect the public policy position of the French government.*

During the recent London “Summit” meeting, the heads of States and Governments of the seven main industrialized countries have thus defined their policy in the final communiqué:

“Increasing reliance will have to be placed on nuclear energy, to satisfy growing energy requirements and to help diversify sources of energy. This should be done with the utmost precaution, with respect to the generation and dissemination of material that can be used for nuclear weapons. Our objective is to meet the world’s energy needs and to make peaceful use of nuclear energy widely available, while avoiding the danger of the spread of nuclear weapons. We also agree that, in order to be effective, non-proliferation policies should as far as possible be acceptable to both industrialized and developing countries alike.”

You will notice that, in so doing, our governments have committed themselves to select a policy fostering at the same time the aims of nonproliferation and the development of nuclear energy. For us, it is out of the question to jeopardize this development, for two reasons:

- The first one derives from the energy supply situation of most European countries, which cannot accept to see their economy become increasingly dependent upon oil producing countries, and risk to face first an unbearable unbalance of their external trade, and then

strangulation when oil will no longer be produced in sufficient quantities either because of normal exhaustion of natural resources, or due to insufficient investments, or to the decision of a cartel or even of a single country.

- The second reason is linked to our concern about world stability. The experts recently assembled in Istanbul have unanimously agreed that the comparison between provisions on oil demand and supply demonstrates that an unprecedented world energy crisis is due for tomorrow, and not for the day after.

To overcome that crisis, the world must urgently mobilize all its means of action, among which nuclear energy must play an essential and large part. Our world, where ideologies, racisms, rich and starving populations are face to face, is not organized to afford, in peace, an energy rationing — and it would be useless, in order to preserve this peace, to have reduced the risks of proliferation, by means which would simultaneously increase the risks of tensions and world conflagration.

We have even the duty — the European countries are unanimous on this point — to prepare without any delay the conversion to fast breeder reactors in order to avoid the waste of uranium reserves. The energy policy of the next 20 or 50 years cannot rely on a mere gamble. The reserves taken into account must certainly be estimated at a level widely superior to the quantities discovered until now. But in this respect, we have to limit our wishful thinking to what is estimated by the majority of experts. One must remember that the construction of fast breeder reactors can only follow by several years the construction of the first generation reactors, which supply them with the necessary plutonium. Their development is the responsibility of the industrialized countries in which they will normally be built for many years....

We consider that a nonproliferation policy to be efficient must be realistic, or more precisely that it must not be unrealistic. It cannot be based on the fact that only the big industrialized countries control or will control uranium, know-how and money. Nor is it realistic to imagine that the considerable investments which have been made already to develop a certain cycle of nuclear

energy will be abandoned without at least major and agreed upon reasons. Neither is it realistic to imagine that certain countries will jeopardize their vital interests (such as, in the case for Europe, the concern about energy supply) or even, more generally, their dignity and the marks of their present or future sovereignty.

The fight against proliferation of nuclear weapons must, on the contrary, respect if possible these factual elements, and rely on a combination of technical, institutional and political provisions....

In that respect, the European countries consider as unacceptable the recent demands of certain uranium producing countries which seem to have flirted with the idea of forming a political cartel. Not because they require commitments on peaceful utilizations (this is quite natural) but because they went beyond the international rules of nonproliferation to decide, in place of the European governments concerned, the use that will be made of uranium in the energy balance of their countries. How is it possible not to see that such a blackmail on uranium — if I may say so — would constitute the

most decisive incentive, if it was needed, towards reprocessing and fast breeder reactors? Similarly some countries, among which France, feel that the system called "full fuel cycle safeguards" which uses nuclear cooperation as a means to oblige a country to put under international safeguards even the activities it has developed by itself will lead such a country to develop its whole program on a purely national basis, that is, free of any safeguards; this will increase the risk of proliferation in that country and in others.

Finally, one cannot hope that the countries will accept some restrictions and let their vital interests depend on a foreign country or on an international organization, if they do not have the absolute certainty that promises made to that effect will be fulfilled. They will not trust promises for the future if promises made in the past are not respected. The success of a nonproliferation policy requires that agreements are not renegotiated under pressure. The present evolution of the international situation does not appear to us, from that point of view, quite encouraging.

# Kissinger Targeted As Obstacle To Mideast Peace

Statements in the press from Egypt to the USSR are beginning to pinpoint the real perpetrators of efforts to keep the Middle East an explosion point for nuclear war: former Secretary of State and British agent of influence Henry Kissinger and his current collaborators in the Carter Administration, particularly Vice President Walter Mondale.

On Jan. 16, the Egyptian semi-official daily *Al-Ahram* charged that Vice President Walter Mondale is the ringleader of a clique in the Carter Administration who wants the U.S. to "overtly pose as endeavoring to achieve peace but covertly seeks to hamper it." *Al-Ahram* calls for President Carter to "make a decision regarding this plan." (see excerpts below)

From the standpoint of those governments seeking peace in the region, the targeting of Kissinger puts increased pressure on President Carter and Secretary of State Cyrus Vance to get back on a course toward a general settlement. This was the explicit point in the Soviet TASS commentary of Jan. 24, which warned the Administration to stop pursuing Henry Kissinger's "long-discredited" "shuttle diplomacy" and a separate Egypt-Israel pact which would be "unable to bring peace" to the region. TASS charged the Carter Administration with backing away from the joint U.S.-USSR perspective for a Geneva conference, the recognized forum of an overall settlement.

On the same day London's *Financial Times* called in its editorial for a return to Kissinger's mode of shuttle crisis management. (see below)

The West German Foreign Ministry, however, does not agree. A Ministry spokesman stated this week that when Egyptian Foreign Minister Kamel arrives in Bonn, he will be informed of West Germany's commitment to reconvene Geneva and bring the Soviet Union back into the peace process. In addition, M. Sherif Bassiouni, chairman of the Mid-America Arab Chamber of Commerce, which has strong links to U.S. industry and business, called for joint U.S.-Soviet efforts to secure peace in the Mideast. Bassiouni's statement was reported in the Jan. 25 *Chicago Tribune*.

## *Al-Ahram* Targets Mondale

*Here is an excerpt from the Al-Ahram editorial of Jan. 16 on U.S. Mideast policy, entitled "A Pentagon Secret."*

If it is true that the U.S. Administration is still reluctant to make a decision regarding the "extremely serious

study" which we are revealing today for the first time, then the hope of a just peace acceptable to us and to coming generations will be as dim as the light in the darkness of the international political jungle.

But if an American decision has actually been made, then we must immediately prepare the Arab masses psychologically and historically for the worst consequences to come.

The study in question was prepared before As-Sadat turned the tables against all those plotting against the Arab nation but it has now been put before the highest U.S. echelons. The study poses the following strategic question: Is permanent peace between the Arabs and Israel in the interest of the United States?

Unfortunately, the answer to the question is that such a peace would weaken Israel and, therefore, compound the dangers to U.S. strategic interests in the area and thus enable the Soviet Union to swallow it up. Therefore, the answer is that the United States must overtly pose as endeavoring to achieve peace but covertly seek to hamper it because its interests lie in the creation of an alliance to preserve Western interests, whose bulwarks would be only Turkey, Iran and Israel. Under no circumstances should this Iranian-Turkish-Israel alliance be substituted by another that could lead to peaceful solutions in the area such as, for example, Saudi Arabia and Egypt joining Iran and Turkey as the bulwarks of confronting the anticipated Soviet advance.

This would mean seriously reducing the role of Israel. This is why Israel is now secretly insisting upon President Carter maintaining his image before the Arabs by posing as endeavoring to realize peace but without really making a decisive decision.

It has been rumored in highly placed Western political circles that *U.S. Vice President Walter Mondale* has adopted Israel's view of destroying the peace initiative. This is why Waldheim, under Soviet insistence and through covert American-Zionist encouragement, declared that he will not attend the Jerusalem meetings that will open tomorrow.

The secret study in question suggests conducting "secret" contacts with Saudi Arabia, Jordan, and the Arab Emirates with a view of making them join the forces that are seeking to destroy the peace initiative by claiming that the establishment of a Palestinian state in the West Bank would enable the Soviet Union to obtain a new foothold with the help of the Palestinians, which will pose a threat to these regimes.

We are awaiting President Carter's decision regarding this plan. If he has not yet taken a decision, then we are

ready to conduct a study that will prove two things to him:

First, the impossibility of playing this "game" after it has been exposed and after it has bedeviled the area for 30 years; and second, that either he will join the list of "American Presidents whose name is soon forgotten" because of the damage and the destruction that will befall his country's interests, or he will become the American president who will save his country, the Jewish nation, and the world nations—and not just the Arab nations—from dangers whose consequences only God knows.

### *London's Financial Times:* Bring Back Henry

*The British daily Financial Times in its editorial of Jan. 24 spells out the method that the British are hoping to use for another Middle East war. Here are excerpts:*

After last week's setback which highlighted the enormity of the gulf to be bridged between Israel and Egypt—let alone Jordan, Syria and the Palestinians—there appears little to justify the guarded optimism of the U.S. about resumption of contacts. Neither side has renounced the quest for a directly negotiated peace although Mr. Sadat appears set now to concentrate his efforts on persuading the U.S. to bring heavy pressure on Israel. Mr. Alfred Atherton, Assistant Secretary of State, will remain in the region where he is expected to shuttle between the two countries in a bid to save the peace initiative. Last week Dr. Henry Kissinger, Mr. Vance's predecessor who engineered Israel's disengagement agreements with Egypt and Syria, suggested that the parties concerned should "go back to some quiet talks." The time has, indeed, come for quiet diplomacy instead of the practice of conducting negotiations through the media.

### *New York Times: Let's Go to the Brink*

*Following the London Time's line, the New York Times editorialized Jan. 24 like this:*

We are hearing a good deal about *chutzpah*—gall and arrogance—in the Middle East these days. President Sadat and Prime Minister Begin are suddenly discovering great streaks of impudence and villainy in each other's diplomacy. And as usual they look sideways to the United States for a cease-fire signal. They may yet get it because of a special brand of *American chutzpah*. Americans, who needed only 13 years to face up to a shift of sovereignty over the Panama Canal, are shocked, annoyed and frustrated to find Egypt and Israel unable to draw a sovereign border for themselves in the interminable time of eight weeks.

It would be best, however, to let the brawling continue....

Together at Jerusalem, Mr. Sadat and Mr. Begin peered into the promised land of a deal. If they insist now on pushing each other to the brink of failure, let them look over the edge. That Americans see disaster for them there counts for very little; they must themselves experience the fright....

Only at the brink will Mr. Sadat and Mr. Begin obtain a clearer idea of which of the issues between them justify the cry of deadlock in a dash to the television studios....

It should be the American objective now to let the fears of failure, in both Israel and Egypt, overcome the name-calling and posturing. It should be the goal of the Carter Administration to insulate the American public from the passionate television appeals of each side. That means shelving any discussion of weapons sales to Egypt. It means ignoring Israel's bid to be acknowledged as the more injured party. It means resisting the impulse to stretch a safety net beneath the daring highwire diplomacy of both.

## World Bank's McNamara Delivers Ultimatum To Sadat

Robert McNamara returned Jan. 24 from a 10-day visit to Egypt where the World Bank President put the screws on Egypt's Anwar Sadat. His mission was to boot the increasingly panicked Egyptian president into a separate peace with Israel under pain of disintegration of the Egyptian economy. Upon his departure from Egypt, McNamara bluntly declared that Egypt can expect no more aid from the World Bank until it brings population growth under control, that is, the population decreases.

McNamara's visit received wide publicity in London's press. (see below)

In addition to McNamara's strongarming, documents published exclusively in the last issue of *Executive Intelligence Review* (Vol. II, No. 3) from Morgan Stanley, the investment banking institution, show that the In-

ternational Monetary Fund intends to enforce in full the austerity measures which last January caused nationwide rioting in Egypt and almost forced Sadat's ouster. According to the documents dated December 1977, Egypt has not yet "taken the hard decisions to put the economy on the right course, such as the removal of subsidies and rationalization of the general pricing system of the economy."

A key motivating factor in Sadat's decision to launch his "lightning" Mideast diplomacy is the precariousness of the Egyptian economy. The Egyptian economy now teeters on the brink of collapse with a restless unemployed urban population (Cairo, a city with a 2 million capacity is reportedly teeming with 9 million, the majority of whom have no housing) and a soaring foreign

debt—estimated to be approximately \$12 billion.

McNamara's visit, timed on the anniversary of last year's riots, was also expected to be a monetarist antidote to the 10-day visit in December of West German Chancellor Helmut Schmidt to Egypt to work out a comprehensive program of development. Fully supportive of Sadat's Mideast peace initiative, Schmidt informed Egyptian authorities that the West German government was in the process of compiling a comprehensive study of the Egyptian economy and its overall needs, based upon capital-intensive development projects. In addition, Japanese Foreign Minister Sunao Sonoda, who recently concluded an important four-nation Mideast tour, announced in Riyadh, Saudi Arabia that Japan endorsed Sadat's diplomacy. Under prompting from the Saudis to "get involved in Egypt," Sonoda said that Japan "will step up its economic cooperation with non-oil-producing countries of the Middle East, including Egypt."

In contrast, when a reporter for the British *Daily Telegraph* asked McNamara, "What benefits would accrue to Egypt in the event of regional peace?" the World Bank President shot back, "I don't come to a country that is still facing problems in achieving peace and suggest what the size of the peace dividend would be, when it will be achieved or how it should be utilized."

The crucial question is will Europeans and other prodevelopment forces in the U.S. and the Arab world give Sadat the financial support necessary to stave off the World Bank's solution for Egypt?

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## London Press Reports On McNamara Trip

*The Times*, Jan. 24:

Egypt's population growth rate is the main obstacle to its economic development and could "destroy all other achievements" unless it was brought under control, Mr. Robert McNamara, president of the World Bank, said in Cairo today....The years of war have left Egypt with \$11,200 million in foreign debts, the servicing of which absorbed 90 percent of its export earnings in 1975-76...Mr. McNamara was speaking at the end of a visit to Cairo to discuss details of the \$250 million the bank will lend Egypt this year, the five-year development plan now in preparation and the requirements for new loans.

*The Financial Times*, Jan. 24:

Attention has focused once more on Egypt's chronically sick economy—one important aspect of President Sadat's peace initiative—Mr. Robert McNamara, President of the World Bank, who is here on a 10 day visit one year after the country was brought to a total standstill for 48 hours by the worst ever food riots in its history...The balance of trade deficit last year was brought down almost to nothing because the Government persuaded the Arab-backed Gulf Organization for Economic Development (GODE), a \$2 billion fund set up originally for project investment assistance, to channel its remaining \$1,400 million into balance of payments support....Despite the improvement in the short term the Government's economic quandary remains the same this year as in Jan. 1977. Last year's riots were triggered when the government tried to impose cuts in subsidies on basic food commodities which pushed up the prices of different commodities by 10-60 percent...This is why the total spent on direct and indirect subsidies remained as high as \$1 billion last year.

# 'UK Spy Outfit Ditches CIA, Dumps Carter'

*The Indian progressive weekly newspaper, New Wave, a widely respected paper in Indian political circles, published a bombshell front-page story in its January 15th issue exposing the activities of British Intelligence on a worldwide scale and within India. The attack on British Intelligence from India, the former jewel of the British Empire, has great significance not only in India but throughout the former colonial holdings of Great Britain, areas of the world that know only too well the methods and aims of the British imperialists. Excerpts of the article are reprinted here:*

The British Secret Service MI 5 has launched a world-wide offensive to subvert the supremacy of the dollar....

The CIA, which largely depends on MI 5 for assessment of the situation in India and other former British colonies, is reported to have been fooled to believe that the Janata government, constituted as it is, can be humoured, bluffed and blackmailed by President Carter to fall in line and sign the Nuclear Non-Proliferation Treaty. The main argument was Prime Minister Desai's age, his accent on "genuine" non-alignment and his well known Gandhian pacifist outlook. British Prime Minister Callaghan, too, gave a helping hand to MI 5's efforts by issuing a statement calling on India to sign the NPT on the eve of Carter's visit to India.

### *Where CIA Went Wrong*

The CIA was also made to believe that the situation in India is ripe for exacting a heavy political price for normalising relations with the USA and to secure aid from the IMF and World Bank to give a tangible shape to Janata's philosophy of "ruralism" at the cost of capital intensive industries and modern technology so badly needed by India in its fight against poverty and ignorance.

An amateur in world affairs, Carter seems to have counted on the unviability of the Janata regime and its desire for stability to push his anti-nuclear energy programme down the Indian government's throat.

In the process, the USA failed to draw any lesson from Industry Minister George Fernandes' successful venture in ousting from India the Coca Cola and IBM whose bosses were Carter's sponsors for the presidency. President Carter, who was already irked by the elimination of Coca Cola and IBM from India, swallowed hook, line and sinker the MI5 assessment of the Indian government and its susceptibility to pressure.

### *Janata Welcome to UK Capital*

With his well known links with the West German monopolies and their spokesman, Socialist International chairman Willy Brandt, George Fernandes had cleared the ground for West European capital of which newly strengthened pound is an important constituent, to make serious inroads in the Indian market. Already the British

investment in India is nearly double that of the USA.

Pound has lately gained at the cost of the dollar as the petroleum owning Sheikhs of the Arab world have started cycling petro dollars through the City of London. In addition the British currency has also acquired strength as a result of the discovery of huge oil reserves in the North Sea.

In the midst of the growing rivalry between the EEC and USA, on the one hand, and the City of London-backed US trade war against Japan, the British banking and industrial interests along with those of West Germany find in South and South east Asia and China a huge market for capital intensive investments.

The New York bankers and allied interests had sought to destroy the EEC by provoking an oil embargo by Middle East nations and also a price hike during and after the last Arab-Israeli war. There are reasons to believe that the US financial interests are now conniving with the City of London in this sordid game with a view to placing the City of London and New York banks in a commanding position.

The British press, while pretending to gloat over Callaghan's imaginary success in regard to nuclear safeguards, has reasons to feel happy that British will be able to sell more goods to India and improve its balance of payments position.

More importantly, ICIL, an India based subsidiary of the British International Computer Limited, has come forward to replace IBM and has agreed to reduce its equity to 40 per cent as required under the Foreign Exchange Regulation Act. Many other proposals for trade and investment from British are at various stages of negotiations.

### *Seasoned Men from London*

Unlike self-hypnotised Carter who was lost in his human rights mumbo jumbo, Callaghan placed Indo-British relations within the framework of historical ties between the "oldest and largest" democracies, and did not forget to remind his hosts of the democratic traditions of the Congress whose product Prime Minister Desai and some of his colleagues are. He left no one in doubt that the British would prefer to do business with a stable Indian party rather than with a conglomerate of disparate elements.

The CIA, which has been counting heavily on the Janata and had a hand in the chaos that prevailed in the country during the pre-emergency period, is now blaming the MI 5 for sabotaging railways and other installations. US intelligence sources claim that it is MI 5 and not the CIA which is behind the Anand Marg terrorists. The idea behind these acts of sabotage and terrorism is to further weaken the Janata government. These charges and counter charges notwithstanding, there is an obvious convergence of Anglo-American

monetarists' interests in keeping India as the hinterland of advanced capitalist sector.

That the MI 5 is once again in an aggressive mood seems plausible from the reports emanating from Europe. A regional West German radio station from Hessen spent 15 minutes on December 10 and 11, exposing MI 5 officials blackmailing people under surveillance. The radio attacked the British State Secret Act for shielding MI 5 from accountability to the elected representatives of the British people.

#### *European Exposure*

According to James Cleary of *New Solidarity*, Italian daily *Corriere della Sera* complemented this attack on MI 5 in a December 11 article on the ways of MI-5's policy-makers, the City of London banks. The article exposed the fact that, while "bankers of the City of London" flourish thanks to speculative swindles and currency manipulations, British industry has been reduced to a junk heap. The report, singled out British bankers' "support for the deficit-spending proposed by Keynes," as the reason for this collapse of British industry, adding a warning that Italian banks linked to London have the same relationship to Italian industry.

#### *Banks Fleecing Industries*

The same day, *Unita*, the daily of the Italian Communist Party (PCI) backed up the Hessen Radio charges of MI-5 terrorism by denouncing the Northern Ireland situation as a "laboratory for terrorism," run entirely by the intelligence agency. The PCI denounced the British controllers in Northern Ireland, who, ten years ago, perfected the terrorist techniques, including population manipulation, now in use against European governments.

According to the Hessen Radio exposure, British secret service officials never hesitate to reveal their identity to their victims. This is done so that the victim, usually a British subject, is made aware that under the State Secrets Act, he can be charged with treason for revealing any MI 5 operation — even blackmail. The programme underscored the effectiveness of this scare tactic by reminding its listeners that no MI 5 operation has ever been covered in the British press! MI 5 was not set up by a parliamentary law and, therefore, is not answerable to parliament for its actions.

# Brzezinski Pushes Kissinger's China Policy

A group of Administration officials led by National Security Advisor Zbigniew Brzezinski have recently been advising President Carter to follow through with the dangerous policy toward the People's Republic of China (PRC) authored and pursued by Henry Kissinger since 1970. The *New York Times* confirmed on Dec. 16, 1977 that Brzezinski was strongly urging Carter to implement the Kissinger China policy designed to infuriate the Soviet Union and destroy detente between the U.S. and the USSR. Brzezinski was said to have argued for playing on Soviet fears of two-front encirclement by retargeting a portion of American ICBMs against Soviet troops and military installations on the Chinese border, which would assist a Chinese invasion of the Soviet Far East in the event of general nuclear war.

Coincidentally, according to the same source, so-called PRM-31 (Policy Review Memorandum 31) was circulating throughout the Administration with a recommendation strongly supported by Brzezinski and seconded by Carter's National Security Council advisor on China Michael Oksenberg, and by the Assistant Secretary of Defense for East Asia Morton Abramowitz, calling for U.S. military assistance to the PRC that would be directed against the Soviets. The PRM-31 recommendation flies in the face of repeated Soviet statements that such action would constitute a grave provocation.

The purpose of the Brzezinski-led thrust to complete Kissinger's China policy has become unmistakable since early January 1978, when Kissinger himself re-emerged as the leading public spokesman for a new Cold War. As Kissinger and Brzezinski know, recognizing the PRC in the context of a Cold War, and setting up a de facto military alliance with the Peking regime, are actions certain to provoke Moscow into the most isolationist, and anti-West attitudes that have been seen for decades. Kissinger and Brzezinski are deliberately seeking this reaction to insure that East-West economic collaboration to pull the world from its current global slump will not occur, that the SALT and Mutual Balanced Force Reduction talks will become dead letters, allowing a degeneration to total confrontation to become a self-fulfilling prophecy.

This policy, of which Kissinger's China policy is an integral part, diametrically opposes the United States' interests in Asia and globally. Nonetheless, since Secretary Vance's refusal to accede to Chinese demands during his visit last August, unlikely allies, spanning the political spectrum from the ultra-Cold War Committee

on the Present Danger (CPD) to Fabian liberal Senator Edward Kennedy, have acted to give outside support to the Brzezinski-Oksenberg initiative.

As early as August 1976, Edward Kennedy advocated "normalizing" U.S. relations with the PRC, and implicitly dumping U.S. support for Taiwan; he is known to still support that position. Kennedy recently returned from a two-week visit to Peking, no doubt to bolster his case for this course. California Democrat Alan Cranston also recently journeyed to Peking, at the head of a 10-member Congressional group, and will no doubt join the chorus calling for U.S. recognition.

Outside academic voices, as liberally represented in the testimony released in early January by the House Subcommittee on Asian and Pacific Affairs, are also nearly unanimous in their support for recognition and de facto abandonment of Taiwan.

From the other side, a delegation of the Washington-based CPD visited Peking for a week in December 1977, following in the footsteps of top CPD'er Elmo Zumwalt who met with high Chinese officials in a visit there last July. The CPD, including its crypto-member James Schlesinger, favors any and every means to oppose the Soviet Union, and thinks nothing of supporting the regime in Peking to this end.

Their opposition comes from both within and outside of the Administration, including those favoring detente with the Soviets, and others loosely termed the "China Lobby" who support the Nationalist regime on Taiwan. The weakness of these opposition forces is their failure to develop a counter-policy based on the real interests of the United States. Under revived Cold War conditions, should they come to the fore, the China lobby stalwarts could rapidly find themselves outmaneuvered and unable to prevent the U.S. and the People's Republic from forming their alliance against the Soviets.

The U.S. Labor Party holds it is past the time for political forces committed to American interests to define an appropriate American policy toward the Far East, and China in particular. The Labor Party is issuing at this time a policy statement on U.S. policy toward China intended to begin to remedy this shortcoming. The following statement is adapted from written testimony submitted to the House Asian and Pacific Affairs Subcommittee of the Committee on International Relations on Nov. 17, in preparation for oral testimony to be given at the second round of subcommittee hearing scheduled for February, 1978.

# U.S. Labor Party Statement

## For A United States China Policy

*based on testimony submitted to the  
House International Relations Subcommittee  
on Asia, November 7, 1977  
by Peter Rush*

Since 1971, the United States has followed a policy toward China, designed by Henry Kissinger, which attempts to "use" China as a weapon against the Soviet Union and against the nations of the developing sector. This policy is directly contrary to the actual national interests of both China and the United States.

To their credit, Presidents Richard Nixon, Gerald Ford, and (so far) Jimmy Carter have refrained from complete implementation of this policy. Nonetheless it is still basic U.S. policy, and top Carter advisors led by National Security Council Advisor Zbigniew Brzezinski currently seek to make it fully operational at the earliest opportunity.

The effort to ally the United States of America with the People's Republic of China in a military bloc against the Soviet Union — as recently advocated by Brzezinski and as favored by a vocal minority of politicians and academics — must be openly exposed for what it is: the adaptation of Britain's China policy, dating from the 1940s, of creating and manipulating an anti-Soviet "Asian communist" counter to the Soviet Union — and colaterally aimed at defeating proper U.S. policy objectives in East Asia.

Our nation must define the question of proper relations with China as a subsumed feature of U.S. foreign policy as a whole. U.S. foreign policy must further the United States's basic interests in the world.

The United States is an industrial power, and world industrialization should be the paramount concern of this nation. The application of an overall policy of industrialization involving massive transfers of capital and advanced technology from the industrially advanced to the underdeveloped regions and coupled with the atmosphere of international cooperation thus created, is the surest guarantee of lasting world peace and of prosperity for all the world's people.

### *Peking's Policy: Anathema to U.S.-Soviet Interests*

At the present time, China's paramount foreign policy objective is to provoke conflict and war between its two perceived principal world enemies, the United States and the Soviet Union. It seeks to the full limits of its power — far from negligible, even if still quite circumscribed — to sabotage the primary objectives of both U.S. and Soviet foreign policy: détente, arms limitation and reduction, East-West economic cooperation, and joint cooling of world hotspots, such as the Middle East. China uses whatever limited influence it possesses in the Third World to foment instability and bring the U.S. and USSR into confrontation, as in Bangladesh, Pakistan, East

Africa, and southern Africa, to name only a few recent cases.

It tirelessly counsels Europe to break off positive contact with the Soviet Union and recently stepped up its anti-Soviet campaign — activities urgently requiring public condemnation by the international community. Vice Premier Teng Hsiao-ping has now called for a world united front, against the Soviet Union. Such a call is a recognized *causus belli* under international law, such that had China the ability to bring about even a partial blockade of the type it seeks, the Soviets would be fully justified in declaring war.

Chinese diplomacy is not only fully committed to the above aims, but China, unique among the major powers, has no regard for the norms of international diplomacy or national sovereignty. It unabashedly interferes in the internal affairs of other nations by inviting Western politicians, in and out of power, to China for the purpose of convincing them to push China's policies in their own countries. Senator Henry Jackson was turned into the "Manchurian candidate" in the 1976 primaries in this fashion, and Energy Secretary James Schlesinger has been made virtually a foreign agent. It specializes in inviting out-of-power politicians from countries whose Soviet or China policies it opposes and using these visits to insult the governments involved. The major welcomes accorded Germany's Franz Josef Strauss, England's Margaret Thatcher and Edward Heath, and Richard Nixon (after the latter's removal from office) are telling examples. No other nation would consider making the snubs that China delights in — and gets away with. These visits are far from harmless and constitute active organizing *within* the United States for a foreign policy of provoking a war with the Soviet Union. Were the United States to follow China's, Schlesinger's and Jackson's policies of a close alliance with China, the Soviet Union would rightly interpret it as a provocation for war, and any advocacy of policy along those lines is a prowar policy.

China actively supports the destabilization of governments, such as that of Germany, whose Soviet policy it opposes, through the agency of Maoist-terrorist groups in Western Europe, Japan, and the United States. Public support for these groups is reportedly backed up by Chinese training, funds, and perhaps arms; *Izvestiya* recently charged China with training the Japanese Red Army. The full knowledge of our intelligence community on this matter should be made available to our policymakers for appropriate exposure and action. China's widely reported role in the international drug traffic should also be investigated.

In recent weeks, it has become clear that Peking is directly tied to British efforts to sabotage East-West détente, to destabilize the Indian subcontinent and to incorporate most of Southeast Asia into a Chinese-dominated bloc. Specifically, Peking is involved with British

networks in Yugoslavia to destabilize Eastern Europe; is using its influence in Bangladesh and Pakistan to exacerbate pressures and tensions within India; and is pressuring Burma and wooing Thailand to join with Peking and Cambodia in isolating the pro-Soviet states of Vietnam and Laos. Can there be any doubt of the menace that Peking's every policy holds for U.S. interests and the interests of a global peace?

What makes Peking's efforts at provoking war doubly dangerous is the *irrationality* of the thinking of Peking's leaders. China's foreign policy has one aim, and one aim only today: the most rapid possible assertion of Chinese hegemony first in Asia and then the world. The long-range goal is inconceivable, except over many centuries, unless the U.S. and the Soviet Union destroy each other, taking most of Western Europe with them. It is Peking's hardly veiled policy to provoke this Armageddon. There is every reason to believe that China's leaders are convinced that in the event of nuclear war, China alone of the great powers will survive to rule the world and that they look with equanimity on this prospect. The ruling regime recently reiterated Mao's infamous remarks delivered to the Soviets in Moscow in 1957, to the effect that while a world war would kill off over half of mankind, the other half would have a "bright future" (sic) free of capitalism (and be predominantly Chinese).

Before the death of Mao Tse-tung, China stood against everything that our nation stands for. It stood explicitly against industrialization, technology, and progress. It exalted the backwardness of its own economy and put forward labor-intensive, peasant-based rural economy as a model for the rest of the world. It became the example for Maoists around the world who attacked progress in their own countries, from terrorists in Europe and in the U.S. and their "environmentalist" compatriots to Robert McNamara of the World Bank and the bulk of U.S. and European "China scholars, who coo about the virtues of the "Chinese way." The peasant outlook has infested Chinese leaders, starting with Mao, who extended it to the realm of foreign policy, resurrecting a hideous form of the Great Han Chauvinism of imperial China dating from before the birth of Christ.

Within the past year, the post-Mao leadership has junked one aspect of this policy, the anti-technology, anti-science emphasis, and now overtly favors rapid industrialization of the country. But, so far, nothing else has changed. Taken by itself the new direction is laudable, but unrealizable within the broader framework of maintaining China as an isolated, "self-reliant" economy premised on the Han Chauvinist world outlook — in fact, a glorified "scheming peasant" ideology of paranoia and hatred for the outside world. Hence, we have seen an intensification rather than an abandonment of China's prowar foreign policy, proof that the post-Mao changes have not gone very deep.

#### *The Danger of Playing China's Game*

Even though China makes no secret of what it stands for in the world, policymakers and would-be policymakers in this country have chosen to ignore or even applaud the obnoxious features of China's foreign stance, in what is a grave error of shortsightedness. It is proposed, from such quarters as Henry Jackson, James

Schlesinger, Zbigniew Brzezinski, Edward Kennedy, the Rand Corporation, the Brookings Institution, the National Security Council, and numerous university chairs, that far from seeking a change in China's foreign policy, the United States should *encourage* it by *allying* with China in the interest of gaining some presumed leverage over the Soviet Union.

It is truly an amazing spectacle to find the United States, the greatest industrial power in the world and the greatest nation in world history, pandering to and propitiating a political remnant left over from the time of the Roman Empire in order to realize a putative foreign policy objective. But that is exactly the character of U.S. foreign policy toward China since 1971, a characteristic that the cited figures would have us intensify. If the Soviet Union were to adopt a foreign policy posture modeled on that of China — looking for world war and based on total irrationalism — it would be of the utmost concern to this nation to oppose and seek to change this policy. But from China, it is not only tolerated *without criticism or comment*, but applauded — provided it stays directed against the Soviet Union.

The thinking — usually unspoken — behind this approach runs as follows: we need China as important leverage against the Soviets, and we must prevent any kind of significant détente between those two powers at all costs. The more rabid will point out that China holds down many Soviet troops on its eastern border, and will be a valuable military "second front" against the Soviet Union, both as a threat now and in the event of war. In pursuit of this objective, the Great Han Chauvinists must be pampered and not aggravated unduly. If we can't give them Taiwan for the moment, we certainly mustn't annoy them by criticizing their foreign policy or commenting on their handling of human rights. Actual and proposed U.S. policy within this framework is premised on *manipulating* another major nation over which we have very little influence — a wretched, petty, and impotent game unworthy of a great power.

This obsessive cold war approach must be repudiated in favor of a policy based on an assessment of what China's foreign and domestic policies really are, and on how our nation can influence these policies to bring them into general consistency with our national interests throughout the world.

The psychological basis of Chinese policy making rests on the leadership's perception of the outside world as barbarians ultimately inferior to the Chinese race and culture. China thinks of itself as doing nothing more complicated than "manipulating the foreign barbarians." The beliefs of the credulous Schlesingers and Jacksons notwithstanding, China's "tilt" toward the U.S. vis-à-vis the Soviets is not based on some sincerely felt common interest with the U.S. (of the sort exemplified by the Soviets' desire for détente), and it will last only as long as China no longer sees the Soviets as the biggest roadblock to their hegemonic pretensions. China's "U.S. policy" is, "Let's you and him fight," or, in Chinese, "sit on the hillside and watch the tigers fight." While it is the avowed aim of many Americans to "use" China as a pawn, it is China that will use America.

The irrationalism, peasant-outlook, and racial chauvinism that China has fostered for decades is the root problem to be addressed by U.S. China policy.

*Item:* China's lack of a legal system denies the population of the sensuous knowledge that human society is ruled by laws and *lawfulness* and inculcates irrationalism in every member of society, because the crypto-Confucian system of broad moral-political maxims and serendipity application of justice is itself irrational. The fact that in China, the accused not only has no right to counsel of any sort, but has no right even to assert his own innocence — is horrifying.

*Item:* the present regime, like its forebears (only much more completely) denies its population the right of privacy, the right even to private belief that might go against party prescription. It maintains the most articulated system in the world of popular spying on everyone, a resurrected "pao-chia" system. This reinforces irrationalism because the ability of the individual to develop a sense of his own personal judgment of right and wrong is sabotaged from birth; he is taught to mouth precisely dictated dogma, and his ability to do so perfectly replaces personal judgment of what is right or wrong. Morality is determined externally, not internally.

*Item:* China is by far the most closed major society in the world. This is extremely dangerous as it denies all but a handful of individuals any sensuous knowledge of the rest of the world, and it reinforces the peasant and racial chauvinism that progressive Chinese intellectuals have fought against since the time of Sun Yat-sen. The opportunities for Western notions of humanism and progress to penetrate the country are so circumscribed as to be almost negligible.

To these factors must be added the specific effect of the mass madness of the "Great Leap Forward" of 1958-61, the "Cultural Revolution" of 1966-68, and the arcane factional twists and turns since then in which black became white became black, etc., with great rapidity. We must ask ourselves the question of what is the psychology, the mental stability, and the judgmental quality of China's under-30 generations, who will one day rule this populous nation. What, indeed, is the outlook of the 50's generation that will shortly take over?

#### *Commitment to Industrialization — Cornerstone of China Policy*

This is the empirical background against which U.S. China policy must be formulated.

A comparison with U.S. Soviet policy is very much in order. In the Soviets, we have an adversary who nonetheless shares our basic belief in industrialization and progress and the need for peace. It is basically a Westernized country, which, for all its faults, has a functioning legal system, with substantial latitude for the individual. If international developments erased the Soviet Union's empirical need to maintain itself as a garrison state, and if it became fully integrated into a world cooperative effort for industrialization, we would see major positive changes in those aspects of Soviet society we do not like. Thus, our proper concern with respect to the Soviets, as indicated before this (Asian Affairs Subcommittee) committee by Marshall Shulman on Oct. 26, is to encourage the coming generation of Soviet leaders to move toward greater economic interaction with the West and thereby to encourage their every impulse toward Westernization.

A comparable policy is required toward China. This committee should ask pointedly: why has no one yet testified to this subcommittee on how U.S. China policy must be shaped in accordance with such considerations, that is, in influencing China to function as a viable member of the international community?

The United States must adopt a two-fold strategy: (1) strengthen détente with the Soviet Union and give no credence or support to Peking's prowar policies by trying to "play the China card" against Moscow or sell arms to China; and (2) make every effort to encourage China to industrialize and modernize, to import capital from the West, to accept foreign credit to accelerate this process, and to partake in the world development effort outlined below.

The centerpiece of this policy should be joint U.S.-Soviet initiatives for peace and development throughout the world. Such a development will let Peking's leaders know that their manipulation game is an utter failure and worse, simply irrelevant to world reality. What is needed are concrete policies from this country to realize global industrialization goals. This is not the location to spell these out in detail, as they have been elaborated in numerous briefs prepared for the Congress by the U.S. Labor Party, but they must center on the provisions of hundreds of billions of dollars in low-interest, long-term credits to the underdeveloped nations and to the Comecon nations, with which they will purchase capital equipment and technology from the U.S., Western Europe, Japan, and the Soviet Union. Domestically, some of the credits must go to modernization of our own economy, centering on nuclear energy development so as to prepare the way for the transition to controlled thermonuclear fusion power.

These policies will draw every nation involved, including the entirety of the Third World, into a mutually advantageous net of intercooperative relations that will augur a new era in international affairs. The mutual interest of this nation and the Soviet Union in industrialization, progress, and peace will grow proportionately as this plan is carried out and will profoundly influence the populations and societies of both countries. We have nothing to fear, and everything to gain, by the evolution of "détente" into this much closer relationship.

The possibility of realizing the above may seem remote to less informed members of this subcommittee, but it is not only immediately feasible, but essential if we are to get out of this deepening world "stagflation" crisis. It is also being actively considered in various forms by millions of American citizens, dozens of labor and business leaders, congressional and other political forces here, French industrial interests, leaders in Italy and Germany, and many Third World and East bloc governments. A modicum of leadership from the U.S. executive would suffice to bring the new order into being.

In such a situation, China would find itself odd man out by its own choice. It could decide to stew in its own juice, bypassed by a world intent on peace and development, or saner forces in China would begin to assert themselves and to effect a revision of China's odious policies. Since the aggregate and nation-by-nation rates of economic growth outside of China, especially those of its two principal enemies, the U.S. and the Soviet Union, would

exceed that for China in every case, the danger for China of an ever-widening economic gap between it and the rest of the world would ensure a near-term political reversal in the Peoples Republic of China. This would be hastened by the fact that China would have a standing and very tempting offer to take part in the new world economic order.

Prior to such a welcome development, the United States should under no circumstances contemplate selling arms to China. Secretary of State Vance's recent affirmation of U.S. opposition to such a course is to be applauded. Moreover, the U.S. should take the lead in discouraging such sales from Europe or Japan. To sell arms to China is to support directly and to encourage implicitly the very foreign policy we should seek to discourage. If necessary, we should consider carefully invoking the COCOM sanctions against the sale of anything of military value to communist nations if private negotiations with Europe fail to this effect. Very simply put, the West should not sell arms to any power that envisions and works for war. Resort to COCOM can probably be avoided because the new trade opportunities proposed will obviate Europe's need to export arms.

The second part of a proper China policy — contingent on the first — must be our attempt to speed the industrial transformation of China. The United States has a very great interest, as it does everywhere else in the world, in industrialization and the social implications thereof. The United States should propose, in the context of the world development patterns to be established, the quadripartite development of the North Pacific. The U.S., Japan, the Soviet Union, and China should cooperate for the crash development of Siberia, Manchuria, North China, and Korea, involving raw materials extraction, oil and energy production, and industrial development treating the whole region as one unified economic unit. This may not be accepted right away, certainly not by China until it makes major changes in its overall policy, and probably not by Moscow until a large measure of friendship and cooperation is reestablished with China. It should, however, be our long-range policy. China should also be offered the same easy credit for capital imports that the rest of the underdeveloped sector will be offered and every possible encouragement given for China to accept it.

This policy offers the best prospect for inducing sanity and rationality where it is now lacking in Chinese policy and for influencing the evolution of the Chinese ideology in positive directions without in any way infringing on China's national sovereignty. Nothing less is worthy of our nation. It is high time we affirmed that the responsibility of this country to the people of China is not to help maintain their backwardness, but to facilitate their fastest possible entry into the 20th century, economically and culturally.

#### *Coming to Terms with Taiwan*

Viewed in this light, the "Taiwan problem" is, in reality, quite different from the narrow "either-or" formulation we are familiar with. Once we are free of the illusion that we must curry *China's* favor for fear of some dire consequence, several new options open up that make

the Taiwan issue no longer a U.S. problem, but a Peoples Republic of China problem.

In short, we have the absolute obligation to base our approach on the *realities* of the situation, not on fictions maintained by any side. The realities are these: 1) the legal status of Taiwan is at least an open question; 2) the de facto status of Taiwan is that it is an entirely independent and sovereign entity; 3) U.S. policy contains both a stupid fiction and a hidden danger for Taiwan in referring to the effective government of Taiwan as the "Republic of China"; and 4) the "Shanghai Communiqué" is a clever, but shallow, diplomatic ploy that *prima facie* becomes invalid the moment Taiwan decides it is not part of China.

1) While Taiwan's population is ethnically Chinese, Taiwan's connection to the mainland has always been tenuous, at best. Ming imperial authorities did not protest when the Portuguese took over the island in 1590, and it only became an official part of China when conquered by the Manchus — with "barbarian," that is, Dutch, help — a hundred years later. It did not become a province of the mainland for another 200 years and was then ceded to Japan seven years later, in 1895. Only under a 1952 peace treaty did Japan hand the island over to the Chinese Nationalist (Kuomintang) government, which had been set up on Taiwan. The latter cession is a legal anomaly because the Kuomintang controlled the mainland then no more than it does now, and therefore hardly had the right to make peace for the mainland. There is still no peace treaty between Japan and the Peoples Republic of China. In any event, such legal arguments can not be decisive but are relevant to discredit Peking's claim to undisputed sovereignty over the island of Taiwan.

2) Talk of peaceful or voluntary merger of Taiwan with the Peoples Republic of China by our "China hands" is wretched double-talk. Everyone knows that no formula for "autonomy" or any other possible merger arrangement will safeguard the current relative personal freedom, cultural life or standard of living of Taiwan's population. Merger is submersion, whether rapid or gradual. There is no reason to believe that the native Taiwanese want anything but independence from China as it is today.

The only impulse for merger comes from the Kuomintang (KMT) government, but this only on the condition that it reconquers the mainland. As everyone knows, even the KMT itself, hopes of reconquest are a fantasy. In fact, we are in no sense dealing with a "part of China," but with a sovereign, independent country in everything but name. The only thing lacking is official declaration to this effect and international recognition of the fact.

3) For this reason, U.S. policy should be designed to bring about this result *de jure*. First of all, despite the objections that will be raised to this by our allies on Taiwan, our obligation to protect the government and people on Taiwan — assuming they so wish it — from absorption by the Peoples Republic of China can only be discharged in the long run if a self-proclaimed "Republic of Taiwan" replaces the indefensible fiction of a "Republic of China" located on Taiwan.

Recognition of the Peking government by Washington is inevitable (and desirable) and could occur in the future. The moment that happens, Peking gains enor-

mous leverage with which to destabilize the Taiwan government, from fomenting internal subversion to exerting pressure on Taiwan trading partners. Taiwan's only long-run defense against this eventuality is to have the status of an independent nation.

The one stipulation the U.S. must make is that an independent Taiwan is not China. No "two-Chinas" policy, on either Korean or German models, is applicable here.

4) The Shanghai Communiqué — and almost all thinking on this question, — has assumed the U.S. can do what it wants with respect to Taiwan. Taiwan has been assumed a constant in the equation. But we ought to assume just the opposite: the moment the question of absorption by the Peoples Republic of China or independence is raised, the KMT will issue a unilateral declaration of independence on the spot and seek international recognition. Such an action would free the U.S. — by the very wording of the Shanghai Communiqué — from any obligation to recognize Peking's claim to Taiwan.

#### *Defining a China Policy*

The above is the reality of the situation. Our policy properly follows directly from this.

The U.S. should de-recognize the "Republic of China" and downgrade its embassy in Taipei to a consular office pending determination of the final status of the island. This de-recognition should be explained as just what it is, the ending of an unnecessary and counterproductive fiction which leaves Taiwan more vulnerable in the long run.

This should in no way be interpreted as affecting the U.S. understanding of the existence of Taiwan as an undeclared sovereign nation de facto, nor should it affect

any U.S. treaty or commercial ties to the island, including Export-Import Bank loans, arms sales, and foreign aid. Any alteration in the status of these commitments should be frozen pending the final determination of Taiwan's status.

We should also propose the establishment of normal relations with the Peoples Republic of China, and indicate our readiness to proceed immediately as soon as Peking is prepared to exchange ambassadors. We may anticipate that Peking will respond to this in rage and refuse to establish relations on this basis. If that is Peking's course, so be it. We shall have nothing further to say on the subject, except to support whatever course Taiwan eventually chooses. The U.S. under these circumstances cannot be accused of meddling in China's internal affairs for once the "Republic of China" label is dropped, relations between Taipei and Peking, as any honest observer must admit, will hardly be "internal" in any accepted meaning of that term.

If the KMT government declares its independence as, for instance, the "Republic of Taiwan," or if, a United Nations-supervised plebiscite on merger or independence yields the same result, the United States will have only one legal and moral choice: recognition and the advocacy that other countries take the same action.

The only obstacle to this is political: it will offend Peking. It is high time this nation began "offending China" in far more substantial ways by decisively repudiating any policy of allying with Great Han Chauvinist war provocations. It is likely that under the indicated U.S. policy, recognition of the Peoples Republic of China will foreshadow the same changes in Chinese leadership and policy necessary for China to rejoin the world community on a positive basis.

## Mexico-Brazil Summit:

# A Real Alliance For Progress

The first extended meeting between the Presidents of Mexico and Brazil in thirteen years ended successfully Jan. 18, with the signing of a "friendship and cooperation" agreement between the two strongest economic powers in Latin America. The implications of that agreement extend far beyond the two countries, and far beyond Latin America.

President Ernesto Geisel of Brazil returned home last week after a four-day visit to Mexico, having received the full support of Mexico's Lopez Portillo Administration for the unprecedented Brazil-West Germany nuclear deal — an agreement harshly opposed by the U.S. government. The lengthy communiqué that marked the end of Geisel's visit endorses the "right of all nations to develop nuclear energy for peaceful uses," while President Geisel reported that President Lopez Portillo agreed: "Brazil's nuclear energy program is on the right track."

### *The Third World and Europe*

The successful outcome of the Geisel visit, coupled with intensified planning for expansion of Mexico's nuclear program, provides the framework for an alliance for industrial growth between the two "giants" of the Third World and France and West Germany. This alliance could potentially break the Third World free from its gigantic debt burden and monetarist-imposed technological backwardness, while simultaneously providing an avenue for European forces to pursue policies of advanced-technology exports — in opposition to City of London policies.

In 1964, when Brazilian President Goulart and French President de Gaulle visited Mexico, a similarly oriented alliance was developing among these four countries, under the aegis of General de Gaulle, West German Chancellor Adenauer, Goulart, and Mexican President Lopez Mateos. When President Goulart took initiatives toward declaring a debt moratorium on Brazil's foreign debt, he was overthrown in a bloody coup d'état in April of that year.

This time, however, resistance to the debt-collectors is greater, as Vice-President Walter Mondale discovered to his dismay when he arrived in Mexico City Jan. 20 (see below).

### *"Alliance of the \$70 Billion"*

The two Latin American leaders agreed on the issue of human rights, but went out of their way to emphasize that, quite contrary to the Carter-Mondale formulation of

the question, the real meaning of "human rights" is the right to higher standards of living. The communiqué issued by Geisel and Lopez Portillo stressed that full achievement of this right requires the establishment of "a new, more just international economic order."

Political observers in Mexico City dubbed the summit the beginning of "the Alliance of the \$70 billion" — Mexico and Brazil's foreign debt put together comes to \$70 billion. Besides the signing of a number of trade and cooperation agreements, a permanent "joint commission" was established to study future cooperation between Mexico and Brazil. Because Geisel will be stepping down within a year and a half, the creation of the permanent commission is seen as an attempt to give the agreement a more binding character. Brazilian observers feel that if Lopez Portillo returns the visit within a year, Geisel's successor Figueredo will have a hard time if he decides to reverse the present rapprochement.

The significance of the Mexico-Brazil summit for Latin America itself was reflected in an editorial in the Uruguayan daily *El Dia*: The summit "constitutes an important step toward Latin American unity." *El Dia* points out that Geisel could meet soon with Argentinian President Gen. Videla, and announced the Brazilian President's visit to Montevideo this week.

The Mexico-Brazil rapprochement coincided with the Mexican government's release of the outline of its ambitious nuclear energy development program. The key to the program, presented by the head of Mexico's Nuclear Energy Institute, would be the construction of uranium enrichment and reprocessing facilities in cooperation with France or West Germany. Earlier this month the director general of France's state energy monopoly, Electricité de France, Marcel Boiteux, stated that it was "indeed possible" that a Franco-Mexican accord could be worked out "similar to that between West Germany and Brazil" for nuclear technology transfer.

### *Point of Resistance*

The issue of nuclear power development has been a major point of Mexican resistance to monetarist pressures. The U.S. State Department has threatened to cancel an agreement to supply enriched uranium for Mexico's first two nuclear reactors, now under construction at Laguna Verde, Veracruz, unless Mexico waives the right to reprocess spent fuel for plutonium. The controversy over the enrichment of Mexican uranium reached a high point when the Mexico City daily

*Universal* led its Jan. 22 front page with the headline: "The U.S. Sequesters Mexican-Bought Uranium...It Was Bought in France and the U.S. Refuses to Give it Back." U.S. State Department officials have denied any U.S. "embargo" of Mexican uranium, although they acknowledged that negotiations are now under way to get Mexico to agree to the establishment of unspecified "adequate safeguards." Although the Laguna Verde Plant won't be completed until 1982, lag time in orders demands that the enriched uranium be lined up now.

On Jan. 17, the head of Mexico's Nuclear Energy Institute, Vizcaino Murray, made it clear that Mexico would never renounce the "reprocessing option." No matter what type of reactors Mexico decides to get, light water or heavy water, said Vizcaino, Mexico would "immediately (have) to establish the largest number of industries which enter into the fuel cycle," including reprocessing and enrichment facilities. The state-owned and -operated Mexican Electricity Commission has since announced siting studies for 10 new nuclear plants, and reporters were given a progress tour of the Laguna Verde facilities.

In an interview with the semiofficial Mexican daily *El Nacional*, Vizcaino Murray hinted at a possible major deal with France for the construction of a jointly owned uranium enriched plant in Mexico, to process extensive uranium deposits and to export nuclear fuel to third countries. He reported that a full-scale energy program would "generate tens of thousands of jobs" and "lead to the establishment of new related industries which will give rise to a whole new industrial movement in Mexico." Emphasizing that Mexico must begin to develop the necessary trained technicians and scientists now, Vizcaino Murray noted that nuclear energy "will multiply *n* times the possibilities for man's activity."

As followup to the Vizcaino interview, *El Nacional* featured a series of interviews with French, West German, and Canadian officials who suggested other cooperation deals, including construction of enrichment plants, personnel training, and joint investment. French ambassador to Mexico Jean René Bernard stressed that "there are many points of reciprocal interest in nuclear cooperation but...when and what type of technology to use in the development of nuclear energy will be an exclusive and sovereign decision of Mexico."

## Mondale Strikes Out In Mission To Mexico

U.S. Vice-President Walter Mondale's just-concluded visit to Mexico was supposed to have been a major diplomatic tour de force.

It was virtually the first visit of a high-ranking Carter Administration official to Mexico, and the forum for the first top-level discussions since Mexican President Lopez Portillo's journey to Washington in February 1977. When the trip was announced last Thanksgiving weekend, it was widely expected that such issues as the stalled U.S.-Mexico natural gas deal and "illegal alien" workers would figure prominently in Mondale's discussions with Mexican leaders.

But Mondale's mission was a flop. He was treated to a cool reception by Mexican officials and Mexico's press, and according to informed accounts on both sides of the border, he found the issues of the "illegals" and the gas deal completely closed off for serious discussion. Most of his visit was reduced to a junket of tourist sites.

Part of Mondale's problems flowed from his trip's timing. Mexico had just concluded five days of negotiations with Brazil in the first extended summit between the two nations since 1964. The two Latin American giants had for the first time indicated agreement on goals for nuclear development, in the teeth of fierce contrary pressure from Washington.

Another strike against Mondale was the complete breakdown in negotiations for a Mexican-U.S. gas deal in late December, when Energy Secretary James Schlesinger peremptorily informed the Mexicans Dec. 21 that he would not accept Mexico's asking price of \$2.60 per thousand cubic feet. Schlesinger was apparently convinced that Mexico would meekly revise its price. In-

stead, Mexico cut off negotiations and, in repeated statements — including during Mondale's visit — Mexican officials stressed that they will only renew negotiations when pressure inside the U.S. is sufficient to turn the Department of Energy veto around.

Further, the Mexican press gave wide circulation to charges that Schlesinger had offered to relax his opposition to the gas price if Mexico would soften its opposition to the Carter Administration's program to shut off U.S. work opportunities for Mexican unemployed.

The Mexican Labor Party took the lead in calling for repudiation of the Vice-President. It warned in a national manifesto that Mondale sought to use threats of shutting Mexicans out of the U.S. to force Mexican acceptance of labor-intensive rural work camps and renunciation of its long-standing commitment to full-scale industrialization. Over 25,000 Labor Party leaflets were distributed in Mexico City and regional centers; on the eve of Mondale's arrival, a Labor Party-coordinated rally in the industrial and commercial center of Puebla attracted a crowd of 5,000. The speeches at the rally urged repudiation of Mondale and gave firm backing to the Lopez Portillo government in negotiations with the U.S. Vice-President.

### *"The Stage of Industrialization is Over"*

Closed off from serious discussions on the "illegals" question, on gas, and on nuclear energy, Mondale turned to promoting labor-intensive development models as the only way to deal with the illegals issue at its "root." He announced that World Bank president Robert Mc-

Namara had authorized him to express the joint interest of the U.S. and the Bank in stepping up the Bank's lending for labor-intensive programs in areas of high emigration to the U.S.

The World Bank is currently funding a gigantic \$1.2 billion rural development program in Mexico called PIDER, and is considering a \$100 million pilot program to extend labor-intensive methods to small and medium industry. According to Mondale, the U.S. will also encourage the Interamerican Development Bank to expand lending for such purposes.

To highlight this proposal, Mondale met for a highly publicized session with zero-growth agronomist Norman Borlaug, who is credited with pioneering the conception of the "green revolution" in Third World areas. Three days before, Borlaug had announced that "Malthus was right" and that the growth of human populations must inevitably fall behind increases in food production. Mondale's wife, Joan, declared to Mexican reporters that "the stage of industrialization is over," and that "no more machines or technology" should be sought. She advised Mexico rather to look for other roads to "development."

#### *Administration Lineup*

Mondale's failure to achieve accord on, or even serious discussion of, the gas deal and the illegal aliens issue does not mean that the U.S. Administration is backing off from pressuring Mexico on these points. Washington in fact has lined up a series of officials to visit Mexico in the near future. Agriculture Secretary Bergland arrived Jan. 24 to conduct an on-site inspection of rural districts thought to be appropriate for increased agricultural exports to the U.S. Attorney General Griffin Bell is due to arrive in Mexico City for discussions on the illegal aliens question Feb. 3-5. And Labor Secretary Marshall, Secretary of State Vance, and President Carter himself are all tentatively scheduled to follow the same route sometime during the late winter and spring.

## 'USLP Charges U.S. Blackmail Against Mexico'

*Among the factors that made the U.S.-Mexico natural gas deal too hot for Mondale to handle in his Mexico visit was a Jan. 17 Washington, D.C. press conference called by the U.S. Labor Party to demand congressional investigation of Schlesinger's role in the breakdown of negotiations with Mexico. The conference attracted a cross section of representatives from the gas industry, energy trade publications, U.S.-Mexico trade organizations, and Latin American press correspondents. Here's how the USLP call was covered on the international page of the Mexican daily Excelsior Jan. 18, under the headline "USLP Charges U.S. Blackmail Against Mexico on Gas Question."*

An opposition political group in the United States today called on Congress to investigate alleged blackmail by the United States executive branch against the Mexican government on negotiations concerning natural gas.

The U.S. Labor Party announced that it has evidence that James A. Schlesinger, Secretary of Energy, violated the powers of the department under his charge by linking the purchase of natural gas to the problem of undocumented workers from Mexico....

Spokesmen of the USLP started in a press conference that they will present this evidence to the Congress. They declared that they have evidence of the following specific charges:

—that the intervention of Schlesinger and the Department of Energy in the negotiations between six U.S. gas companies and Petroleos Mexicanos, before the signing of contracts, flagrantly violated the jurisdiction of the department, and

—that Schlesinger introduced into the negotiations matters not pertinent to the nature of the contracts, that is, the question of undocumented Mexican workers.

The spokesmen stated that the hearings could be called by the Energy subcommittee of the Senate or the Foreign Relations Committee, also of the Senate.

## Rand Wargames In Latin America Feed Global Conflagration

The incursion of Ecuadorian troops into Peruvian territory on Jan. 17 and 18 confirm that British monetarists and their American allies, nested around Henry Kissinger, are intent on activating the Rand Corporation's scenario for regional wars in Latin America. The dispute over the contested oil-rich Peruvian jungle, which that nation won from Ecuador in a 1941 border war, is only the hottest of a chain of tense border situations stretching to the southernmost tip of the continent at Tierra del Fuego.

The British have directly intervened to fan the smouldering fires of longstanding, often bitter territorial disputes between Chile and Argentina by handing over to

Chile three islands in the Beagle Channel, which formerly belonged to Argentina. This British action is precisely tailored to the prescriptions of the Rand Corporation's 1975 document predicting a "second War of the Pacific," and reaffirmed in an updated 1977 version.

On Jan. 17 and 18, Ecuadorian troops attacked a garrison well inside the oil-rich jungle territory of Peru, that Ecuador still claims as its own. Peru's Foreign Minister issued an angry protest to Ecuador Jan. 18 charging a series of such territorial "incursions" since June 1977, and warning harshly that any further violations "could affect the peace" between the two neighbors.

The situation quickly cooled down, however, after an emergency meeting between high-level military delegations from the two nations on Jan. 20. The Inspector General of the Peruvian Army announced on television the following night that a "friendly accord" was reached settling the affair and stressed that "no greater dimension" should be attributed to what he termed "simple border incidents."

Since the 1968 "Peruvian Revolution" led by nationalist General Velasco Alvarado, Peru has been a special target of Rand war games. The threat of border conflict with neighboring Chile, and Ecuador, has been used at several key political conjunctures to influence internal policymaking and decide political factional struggles in behalf of Peru's Anglo-American creditors.

Despite two years of battering from the International Monetary Fund (IMF) and New York commercial banks, Peru, now utterly bankrupt, is still not totally under monetarist control. Peru's creditors fear that President Morales Bermudez's government is too weak to impose the "total austerity" demanded by the IMF because of escalating pressure from a politicized labor and peasant movement and from the still sizable nationalist layer of the army.

#### *Rand's Xenophobic Profile*

Playing on ingrained geopolitical rivalries, the Rand scenario creates the spectre of a perceived "external threat" that necessitates "national unity" and an end to all factional "differences" that might weaken "national defense." In the Chile-Argentina cases, the territorial dispute succeeded in drowning out the anti-British, anti-IMF organizing of Argentine nationalist forces around retired General Juan E. Guglielmelli in a wave of feverish calls for "national unity" to "defend the *Patria*." Similarly in Peru, last week's incident served an immediate internal purpose. The communist-led CGTP trade union federation announced Jan. 21 the suspension of a national general strike protesting IMF austerity dictates that had been planned for Jan. 23-24, at the personal request of President Morales Bermudez. The reason given for the cancellation was the "grave situation of national defense" around the border incident with Ecuador.

One U.S. think-tanker termed the border incident purely "fictitious," designed to quell internal opposition to government economic policies, an estimation supported by another Latin America specialist who asserted that Peru deliberately chose to "blow up" this incident.

#### *The "Frankenstein Principle"*

While the border incident was obviously tailored to provoke just this terrified reaction within Peru, the overall danger of an actual outbreak of regional war remains serious. In much the same way that Kissinger's insane attempts to foster an anti-Soviet Cold War environment in Europe increases the possibility of general war, so the Rand war games in Latin America greatly reduce the threshold for a real conflict.

As Kissinger and the Rand scenarists know, deliberate cultivation of Peruvian paranoia can, at some point, propel that country into preemptive military action against Chile on Peru's southern border. Ecuador repre-

sents, for Peruvian military strategists, a danger only as a "second front" to the militarily stronger Chile, with whom Peru has a border dispute dating back to the original 1879 War of the Pacific.

If one such regional conflict is set off, a chain reaction of hostilities is not only probable, but almost certain. As one State Department official put it, implicitly recognizing the "Frankenstein Principle" inherent in the Rand scenario war games, such a conflict "cannot be controlled by any formula."

The fact that war has not broken out in the region, despite numerous "close calls" in recent years — particularly the summer of 1975, when border tensions were used to aid in the ouster of Peruvian nationalist president Velasco Alvarado, and again in the winter 1976, when a war scare helped squelch opposition to imposition of the pro-IMF "second phase" in Peru — can be attributed in large part to the intense organizing against the wargame manipulations by the U.S. Labor Party and its fraternal organization, the Latin American Labor Committees.

Inside Peru, organizing around the Rand scenario is already well advanced. The "leftist" weekly *Marka*, connected to the terrorist-controlling Institute for Policy Studies, based in Washington, D.C., featured last week a lengthy, paranoia-inducing article on the "facts" of Peru's "border problems." Undoubtedly penned by *Marka* founder and writer, retired officer Victor Villanueva, who helped Kissinger protégé Luigi Einaudi profile the Peruvian nationalist military, the article calls on the Peruvian left to get involved in questions of the "border, peace, and war."

The centrist weekly *Oiga*, meanwhile, warned this week that the Ecuadorian border incident was coordinated with Chile, to divert Peruvian military attention from its southern border and thus give Chile greater freedom in its dispute with Argentina, Peru's traditional ally.

#### Rand Scribbler: "Small-scale War Not Unrealistic"

*These extracts are from the October 1977 Rand Corporation document, "U.S. Arms Transfers, Diplomacy, and Security in Latin America and Beyond," written by David Ronfeldt as one chapter in a Council on Foreign Relations book on arms transfers policy. As in his 1975 paper outlining the Rand Scenario for provoked regional wars, Ronfeldt concludes that the U.S. should maintain a policy of "unrestricted but unsubsidized" arms sales to Latin America, asserting that arms sales have no impact on the possibility of outbreaks of regional war on the continent:*

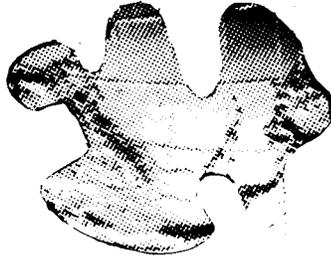
The potential for intraregional conflicts has increased in Latin America.... Small-scale war in the Latin American region is not an unrealistic scenario. Indeed, evolving trends are similar in important ways to trends that transpired in the 1930s, when several border engagements and one protracted conflict (the Peru-Ecuador 1941 border war, and the famous "Chaco War" between Bolivia and Paraguay, in fact a "proxy war" between Exxon and Shell for control of oil in the region — ed.)

took place in South America. At present, the trends include a decline of U.S. power and presence....and locally rising tensions based in part of geopolitical perceptions. Earlier decades of peace, stretching from the end of the Peru-Ecuador conflict in 1942 through the Honduras-El Salvador clash of 1969, may be attributed in part to U.S. hegemony and to the greater priority that Latin American governments gave to relations with foreign powers over relations with their neighbors....

There are no reliable formulas for judging whether arms transfers are likely to alleviate conflict potential or stimulate arms races under various circumstances.

Assessment in this area becomes especially complicated when a country such as the U.S. provides arms to two neighbors — as in the cases of Peru-Chile, Venezuela-Colombia, and Honduras-El Salvador — for defense against a third-party internal or external threat, when in fact the two neighbors become more interested in using the weapons for defense against each other....Symbolic strength provided by arms acquisitions may facilitate diplomacy to resolve some dispute at least temporarily, as may have been the case with Peru-Chile and elsewhere with Iran-Iraq....

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THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO DENUNCIATE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA. THE JOURNAL STATES: "SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: 'IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE NIXES AND IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS HAND, PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, TODAY'S SECRET LONDON DAILY TELEGRAPH ADDS ONE IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DISCLOSING DETAILS AT THIS TIME. DESAI'S SECRET 'PROMISES AND PLEDGES' TO PAKISTAN WHERE HE WOULD USE THESE SAFEGUARDS TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND ASSURANCES ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES ONTO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BY THAT THEY REGARD THE SITUATION AS 'CRITICAL'. THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT A DAY. HOWEVER A SECOND COLD FREEZE IS PRE THE UTILITIES AFFECTED ALL EXPECT TO HAVE T WEEKNEND. THE ONGOING MINERWORKERS' STRIKE ALTERNATIVE USED LAST WINTER DURING SELF IN FRESH COAL TO REPLACE FROZEN COAL. THE ONTO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE GOVERNMENT MAKES A STATEMENT THAT THE GOVERNMENT PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH FIRING OPPOSITION

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