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IN THIS WEEK'S ISSUE —

What "democracy in India" will mean... probable chaos on the subcontinent... a sharp setback for the non-aligned movement. Our **International Report** draws out the global strategic implications of Indira Ghandi's unexpected election defeat... analyzes the returns... identifies the real reasons why Ghandi's base deserted her... contrasts European and U.S. reactions.

* * *

Opposition to David Rockefeller's insistence on a multibillion dollar IMF bailout for the New York banks has surfaced in the United States... and internationally. For a **transcript of U.S. Congressional hearings** reflecting American resistance... and a complete report on what bankers, government officials and press are saying abroad... see **International Report**.

* * *

"Command economies... a nice way of saying fascism." That's how one of the authors of Zbigniew Brzezinski's latest global policy document described the Rockefeller prescriptions in an **exclusive interview** with EIR. See **National Report** for the complete transcript.

* * *

Cyrus Vance's mission to Moscow... provoke a new Cuban missile crisis. The Carter Administration has **torpedoed** the SALT II disarmament negotiations... with demands that the USSR adopt the same

deindustrialization policy the **Trilateral Commission** wants to impose on American business. See **International Report** for the breaking news, **Soviet Sector** for Brezhnev's pre-SALT warning to Carter.

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The **Ford Foundation** has released Carter's nuclear energy program for the USA... "Scrap it!" Our **National Report** cites chapter and verse from the Ford study... tells you who's behind it and why.

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The nuclear fast breeder is one of U.S. energy czar James Schlesinger's top targets. Our **Science and Technology** section carries a detailed study of the fast breeder... shows why it's vital to meet U.S. energy needs now.

* * *

Senator John Glenn promises to hold Schlesinger accountable to answer U.S. Labor Party charges on Administration energy policy. A score of Congressional and embassy representatives attend **Fusion Energy Foundation briefing in Washington**. A groundswell against the "conservation" idiocy is building... See **National Report**.

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Moves are afoot to break the Rockefellers' international stranglehold on oil. Our **Energy** section chronicles Great Britain's struggle to develop its North Sea oil fields... Arab efforts to expand output in the oil rich Middle East.

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See **Asia** for the 20-year history of the Japanese "resource faction's" battle to secure their country against oil blackmail.

* * *

The outlook for world business... grim if the trends revealed in the latest trade figures are allowed to continue. The rising price of gold betrays the fact that confidence in the dollar monetary system is at a new low. The transfer ruble... key to a new monetary system putting the world economy back together... is ready to go... Only political obstacles stand in the way. See **Economics**.

* * *

The Carter Administration is determined to take out all opposition... by creating a "Watergate atmosphere" with a series of staged scandals beginning with the Teamsters' union. An insider in the plot has spilled the scenario... and conceded "all we have is the press." See **Labor** for this exclusive story.

* * *

"Investigative reporting for fun and terrorism"... that's how an Institute for Policy Studies agent described his role in manufacturing such scandals. See our **Press** column for a rundown on the "journalistic terrorists" who ran the **Goldwater smear**.

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The tide of destabilizations against Europe's governments has been stemmed for the moment. The **Callaghan** victory in

Parliament was key... so was Christian Democratic backing for West Germany's **Schmidt**. But **Andreotti** has conceded to the **IMF**... leaving it up to the Communists to fight **austerity** in Italy. And the **French election results** show pro-development **Gaullists** haven't much time to forge an **alliance** with the anti-Atlanticists in the **French left**... or watch De Gaulle's legacy of independence go down the drain...

* * *

Why Israel Must Have Peace... a specific report on what the arms buildup has done to the **Israeli economy**. See **Middle East**... Plus an exclusive on the recent **Palestinian National Council** meeting... and an analysis of the week's developments in the world's most dangerous "hotspot."

* * *

The Carter crew is gambling on a showdown with the Soviets in **Africa**... and may sacrifice U.S. puppet **Mobutu** in **Zaire** to get one. Pressuring the USSR to fight back politically, Cuba's **Castro** has been touring the continent emphasizing **economic development** as the "life or death question." Our **Africa** report also includes the transcript of **Castro's** press Conference.

* * *

Japan's **Fukuda** in Washington... between a rock and a hard place. Carter demands total **subservience**... Japanese business demands **no concessions** to the U.S. See **Asia**.

India: Delay In New World Economic Order Fatal To Gandhi

The electoral defeat suffered by Prime Minister Indira Gandhi of India last week and the return of every pro-U.S. politician in the country to form India's new government has strategically changed the international balance of power. The Non-Aligned movement, where Mrs. Gandhi played a key role in molding its call for a new world economic order, and the Soviet Union, India's close ally, have for the time being lost a foothold on the Indian subcontinent, while the U.S. and in particular the World Bank have placed their allies in power. Gandhi's resignation on March 21, removed from power the sole national figure who represents a secular, socialist, and unified India; it also removed from power the Congress Party, the institution which has governed India for the last 30 years, plunging the country into a period of uncertainty and impending chaos and violence.

Internationally, the change in government in India has had an electric effect. For the Non-Aligned movement, it has been demonstrated beyond any doubt that the Gandhi government 'fell' for the very same reason that pro-growth governments in Peru and Mexico have had to give way to pro-IMF governments during the past year: the Non-Aligned, at their meeting in Colombo, Sri Lanka last August expressed an intent to bring down the debt-strapped Wall Street banks and the International Monetary Fund through a new monetary institution, but as yet they have not done so. In the meantime, governments committed to pro-growth policies have been caught in the crossfire — implementing World Bank "low-growth" policies that eroded their own mandate to govern based on industrialization and growth programs. India was one of the most powerful members of this group and contributed a forceful voice for a pro-Soviet policy. Ironically the Soviet Union's hesitation and vacillation in holding back critical international support for a new monetary institution by making the Comecon transfer ruble available as an alternate international trading currency, also contributed to Gandhi's fall.

These factors were hammered home by Morarji Desai, the ardent anti-Soviet leader of the victorious Janata Party on the eve of his selection as the new Prime Minister. In his first international statement, on West German radio, Desai stated that a rollback of India's pro-socialist policies is inevitable. "India has been too one-sided. That will change," Desai mused, adding, "The Indo-Soviet treaty will not be scrapped, but if there are one-sided interpretations, India would have to 'reevaluate' it." Since India has been up to now a centerpiece not only of Soviet foreign policy, but of Leonid Brezhnev's personal foreign policy successes, Desai's intention to reverse this relationship must lead to a Soviet reassessment of their entire foreign policy. Similarly,

the Non-Aligned Coordinating Committee foreign ministers meeting, scheduled for New Delhi, April 5, will be hardpressed to explain how India, the most economically and politically stable member for the last 20 months fell victim to the World Bank in what seems a mere six weeks of election campaigning.

What Happened

The Indian situation can be explained only by looking back over the past 21 months. Gandhi forcefully declared a nationwide state of emergency in June 1975, charging the U.S. CIA with plotting for India the very fate they successfully bestowed on the government of assassinated Chilean leader Salvador Allende. Gandhi then proceeded to build one of the strongest Third World economies through support from the Soviet Union, as an alternative to threats and blackmail from the World Bank. The peasantry and the working class backed her, giving the nation a degree of domestic stability which in turn allowed Gandhi to play a critical role in the Non-Aligned struggle for a new world economic order.

However, domestically Gandhi hesitated on the implications of that international struggle, and looked the other way when Ford Foundation and World Bank-written programs were being implemented by agent forces in all cabinet ministries, and by her own son, Sanjay Gandhi. The major such campaign was the compulsory sterilization drive implemented against Gandhi's own political base — the peasantry and the working class. This blunder by a government she led but through a policy she publicly did not support, cost the Congress Party the election, as the largely illiterate electorate voted for any candidate other than the Congress in last week's election in protest.

These newly elected leaders now threaten to make India ungovernable in the next few months. The Janata Party is forming the government on the principle of democratic distribution of cabinet positions among its four-party coalition members: the pro-landlord Bharatiya Lok Dal (BLD), the pro-decentralization Socialist Parties of India, whose leader Jayaprakash Narayan is the main proponent of ruralization; Desai's landlord based Congress-O; and the Hindu chauvinistic Jan Sangh. At least three other independent parties with completely opposing ideologies give the Janata government a two-thirds Parliamentary majority, leaving aside the Communist Party of India-Marxist (CPM) which made the exception of supporting the "bourgeoisie" for the first time in its history this election. This is a majority that can disintegrate on the weight of its own widely diverging ideologies when faced with a country where at least 25 major languages exist along side five major religions.

In almost coordinated moves, the Carter Administration has stepped up its flow of "human rights" statements against other governments in the region, with the aim of shifting balance of power in the Indian Ocean:

*Pakistani Prime Minister Zulfikar Ali Bhutto has been plagued by "Islamic" riots in all major cities. As the *New York Times* fans these riots by calling Bhutto "(Gandhi's) fellow authoritarian," he has been forced to use the Pakistani military to maintain "peace." The great gainer in this situation has been the Pakistani military establishment, trained by the CIA and known to be very anti-Indian. Reliable source indicate that Bhutto has been captured by the military to push these repressive policies under a threat of a coup.

* In Southeast Asia, following Congressional hearings on "human rights" violations in Indonesia, the March 22 *Washington Post* carried a major feature naming a successor to President Suharto and charging Suharto with corruption and other malpractices in fabricating scandals just before Indonesia's elections this May.

* A Series of "human rights" attacks against Vietnam have appeared as well, on the aftermath of Trilateral Commission member Leonard Woodcock's mission to Vietnam. *The New York Times* led this campaign, designed to tie U.S. reconstruction aid to the war-battered nation to "human rights." In an editorial March 21, the Times warns that "Russian totalitarianism" is being implemented in Vietnam!

How The World Reacted

Il Giorno, Italy, March 23: "Gandhi decided to resign before the whole results were known to create a political vacuum...to throw the country into chaos with an obvious calculated plan...The Opposition leaders are only held together by their common hatred for Mrs. Gandhi. This cannot last very long...She will be invited again on the scene to save India from total chaos...and this will be an indefinite coup d'etat..."

London Times, March 23: Mrs. Gandhi said to the people: Choose. Doubtless she expected them to choose her. Yet the choice offered was genuine...But what of India's daunting and intractable problems, of which we hear so much? He knows India little who knows not how many of these problems have been, if not created by bad and meddlesome government (then made worse by it)...The incoming ragtag may not agree on much."

West Germany, high-level confidential source: "Through electoral means or other means, there is no choice. She must be returned to power."

Le Monde, March 22: Gandhi lost because reality was hidden from her by "courtesans...The Soviet Union must be the first concerned, as they have lost a powerful ally."

Le Figaro, March 24, Alain Vernay, "The Meaning of a Defeat": "The first (lesson-ed) is that the behavior of Mrs. Gandhi exonerates her of all the calumnies and insults. By deciding to hold elections, something she could postpone into the future, and insuring freedom in the electoral campaign, she has proved that she had used the 'state of emergency' not to 'institute her dictatorship or impose her dynasty' but for the triumph of her conception of greatness and national independence through the struggle against the profiteers, through forcing the bureaucracy to work, and the relaunching of productivity, alas accompanied by numerous excesses in the execution. The choice she made of calling upon the Indian people is not the outcome of an error but of an option, comparable to that of General De Gaulle taking his distances before the last referendum which he lost. When I met Mrs. Gandhi two weeks ago she was ready for her destiny. Second given, India is weakened in her unity.

For a long time the only national movement, the Congress, threatens to become, at best, a Southern party. India now needs a leader whom it could follow. This is no doubt beyond the scope of either Mr. Ram or Mr. Desai. This void in the country constitutes a grave threat."

Joseph Kraft, *Washington Post* columnist, March 23: "The setback suffered by Mrs. Gandhi and the Congress Party in India tilts the world balance of power. It offers fresh opportunities to this country and — even more — its quasi-ally China to advance their positions at the expense of the Soviet Union...In international affairs the forward foreign policy favored by Mrs. Gandhi will come in for review — if only because it has strained Indian resources so greatly and tended to isolate the country internationally. The outlook is for a deeper understanding with China, and even a settlement of the border dispute. Together China and India will probably work to limit Soviet influence in Indochina...Similarly with the traditional rival Pakistan. There is at least a chance now for a new effort at settlement of the Kashmir problem, which has bedeviled relations...and destabilized the whole region from Iran to Burma...All these possibilities represent something of a windfall for Washington. There is reason now, as there was not in the recent past, for this country to pay attention to India — which means, first of all, appointing an ambassador to New Delhi who can command Washington's attention."

New York Times, "India Reclaims Its Freedom": "The news from India is an inspiration to all democracies. A people repressed by Prime Minister Indira Gandhi through 18 months of 'emergency' seized a moment of freedom to turn on her government and party, even though they were subject to the threat of further suppression. An impoverished people rejected the siren song of authoritarians everywhere that bread must be bought at the price of freedom. This historic election will reverberate through many lands. Even some Americans had begun to despair of the fate of democracy before the seemingly inevitable march of tyranny...

It is apparent now that the Prime Minister was herself

taken in by it, as dictators are so often taken in by counselors who tell them what they want to hear. Otherwise she would have probably tried to rig the election just as her fellow authoritarian in neighboring Pakistan rigged his recent election, using armed power to make the result stick...

All indications from the victorious alliance, known as Janata, are that a friendly attitude can be expected toward the United States, with a noticeable cooling of feelings for the Soviet Union...

"Whatever its foreign policy, India has begun to earn a new claim on American sympathies, and perhaps aid. All who love freedom are measurably safer today than before the Indian election and they have an obligation to encourage the spread of the democratic habit."

Baltimore Sun, "India: Democracy Wins":
 "Indian election results should substantially restore

the faith of those who had always wanted but not recently dared to believe, that the rights of the people...are universal values...In India, it was said the trampling of civil liberties during Prime Minister Gandhi's 19 month state of emergency was the mere loss of privilege for a thin Anglo-Indian educated veneer on top of society...

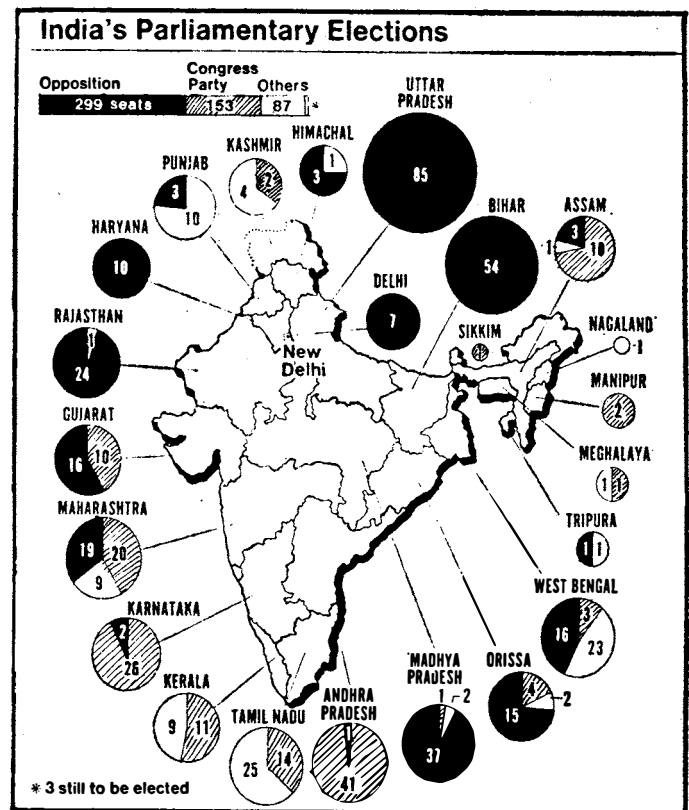
"But the meaning of the election goes far beyond India. It stiffens the opposition in Pakistan that courts prison by calling foul at Prime Minister Zulfikar Ali Bhutto's reelection. It demonstrates the deep worldwide yearning for freedom on which President Carter's human rights crusade depends. It suggests that in the Philippines and Russia, South Korea and Czechoslovakia, Chile and Poland, handfuls of courageous dissidents may indeed be speaking not for the self-interest of a small elite, but for the basic beliefs of the greater part of humankind."

How The Congress Was Defeated

The Janata Party, a four party coalition will form a government next week as final parliamentary returns in India's lower house elections gave it 271 seats, exactly half the total 542. Janata allies in independent parties and the Communist Party of India-Marxist (CPM) captured another 40 seats and any support in parliament for the Janata by the Congress for Democracy (CFD) will give that disparate grouping a two-thirds majority to pass legislation. Indira Gandhi's Congress Party plummeted from a two thirds control of the Lok Sabha, achieved in 1971 elections, to a dismal total of 153 seats. Gandhi, who has been Prime Minister since 1966, lost her parliamentary seat as did at least five other cabinet ministers, and many leading Congress party figures who contested in northern Indian constituencies.

The electoral patterns not only show up the devastating defeat suffered by the Congress, the party which had governed India without interruption since 1947, but isolate the electorate's no-confidence motion against the Gandhi government around one issue: the compulsory sterilization program, initially formulated by the Ford Foundation and energetically carried out in northern India against Gandhi's own public position, by her son, Sanjay Gandhi and World Bank sympathizers in all government ministries.

The situation in the country now is extremely unstable as the Janata comes to power. The Congress Party has begun to regroup its forces, choosing former foreign minister Y. Chavan as its parliamentary opposition leader. Chavan, in his first statement, paid tribute to Mrs. Gandhi's leadership and indicated that she will continue to play a very significant role in the Congress party organization. A close aide to Mrs. Gandhi, according to the London Times, revealed that Mrs. Gandhi has rejected an offer to take a seat in the Upper House or take the seat of another Congress Party member in the Lower House. Instead, she is weighing the launching of a major reorganization of the Congress Party to put it in shape for a bid to return to power in six months. Various



state government elections are already scheduled for that period.

India is full of apprehension in assessing both the devastating Congress defeat and how its new disparate leaders will govern. Morarji Desai, the Prime Minister, was the very man who in the 1960s enforced the International Monetary Fund's austerity mandate against India's Soviet-aided state sector based economy. Further, he has gone on public record opposing India's bank nationalizations and any concessions to industrial

workers in salaries or cost of living indicators, making his election promises illusory.

How the Vote Broke Down

The election was tipped in the Janata's favor in northern India. In Uttar Pradesh and Haryana and Bihar, the states where the highest number of sterilizations were conducted under threats of the rescinding of work licenses and delays in the awarding of peasant debt moratoria. In Uttar Pradesh and Bihar which account for more than one-fourth of the seats contested, the Congress returned zero votes, with the former state the scene of Mrs. Gandhi's defeat by a 55,000 vote margin to Raj Narain. Sanjay Gandhi also lost handily here, while former defense minister Bansi Lal was beaten in Haryana by an overwhelming two-and-a-half-to-one margin. Both Sanjay and Lal were most closely associated with the sterilization program, and Gandhi herself was further hurt in the balloting by Sanjay's false assertions that "in 300 villages I have not seen a single forced sterilization."

In contrast, in the southern states of Andhra Pradesh, Kerala and Karnataka, and Tamil Nadu, the Congress won 89 out of the total 146 seats and its allies, the Communist Party of India (CPI) and other regional parties also fared well. This is because of two factors: the sterilization drive did not hit this region as severely and the southern states are more committed to the Congress as a secular, linguistically just party. Tamil Nadu in particular did not forget that it was Mrs. Gandhi who in 1966 solved the language riots. Desai on the other hand fanned those flames, proposing an even stronger push to have Hindi, the national language that originates in the North, imposed on the South indiscriminately.

Left Forces

It is ironic that the Communist Party of India-Marxist (CPM) captured 22 seats while the Communist Party of India (CPI), Gandhi's ally, fell from a 1971 total of 23 to 7. The CPM vote is basically a worker protest against government austerity measures, in particular the

freezing of worker bonuses, but it also pointedly reflects the no-confidence quality of the vote. The party itself has never proposed any economic program to solve this problem. The CPI on the contrary, did push for a solution, organizing its campaigns around the Non-Aligned Colombo Accords calling for international debt moratoria and a new monetary system. However the CPI did support Gandhi during the 21 months of emergency while failing to decisively influence her to break with the 'sterilization' wing of her own party. Its returns reflect a backlash of the Congress defeat, in particular Mrs. Gandhi's own personal setback.

The Wild Card

A great deal of the realignment of Indian politics depends on what Jagjivan Ram, leader of the Congress for Democracy (CFD) will do. Early in February, Ram split off leftist and centrist tendencies in the Congress to form the CFD as a protest the CPI characterized as a principled rebellion against Sanjay Gandhi, Bansi Lal and other Congress leaders associated with the Birla financial group. Ram then opportunistically made an electoral arrangement with the Janata, revealing to the electorate the depth of the Congress Party schism.

Ram's landslide personal victory in the elections and the CFD victory in 28 out of 50 constituencies it contested aptly describes how powerful a factor he became in the Congress's loss. But Ram's personal prospects of becoming Prime Minister took a new turn with the Congress's lopsided defeat. His faction is not large enough to defeat Desai's bid for prime minister, and Ram's decision today to abstain from supporting the Janata for the time being reflects his own misgivings of the Janata's ability to rule. From his standpoint, a CFD-Janata link would put him into an alliance with his lifelong political enemy, Desai, and pit him against Chavan, the new Congress parliamentary leader who is known to be close to Ram. Further, should he at any time push his own base, the Untouchables of the Indian caste system, into an alliance with the Jan Sangh, whose policies are defined by caste supremacism, sure chaos and violence will ensue.

Opposition To IMF Bailout Surfaces In U.S., Europe

Sections of the U.S. Congress, regional bankers and conservative political groups are moving to block United States participation in expanded lending and financial control powers by the International Monetary Fund (IMF), an expansion proposed by the Chase Manhattan banking group and supported by the Treasury Department and the New York and Washington Federal Reserve Banks. Western European governments and businessmen are maneuvering to stall the issue; within each country, some are looking toward an alternative restructuring of the world monetary system, while others are consoling themselves with the implausible

idea that new IMF loans could be turned into a slush fund to finance Third World imports of European goods. It appears that Saudi Arabia, sought as one of the principal contributors to new lending, will put up a few billion dollars if a political and financial package is achieved; they have rejected a role as unilateral safety-net providers.

The new fight in the U.S. Congress was called to President Carter's attention March 24 at his Washington press conference. Laura Chasen, a correspondent for this news service, asked the following question: "Yesterday, several Congressmen accused your economic policies of

being dictated by New York banks. Now, your plans for bailing out New York banks through using the IMF with a hyperinflationary process indeed does sound like a recent speech that David Rockefeller made in which he called for hyperinflating the banking sector and imposing so-called command economies on the Third World, which means massive austerity. Over recent weeks, a number of our NATO allies have indicated that they would rather see the problems of Third World debt resolved through a debt moratorium (referring in particular to the Italian government —ed.) And I'm just wondering if there's any chance that you go along with our allies in that direction or if you would insist on this kind of hyperinflationary bailout."

Visibly shaken, Carter repeatedly interrupted, saying "What is your question?" and replied, "I've had no entreaties from David Rockefeller concerning the New York problem, nor have I had any of our allies that have called on me to join them in a debt moratorium. And I'm not in favor of a debt moratorium."

Contacted for comment, Chase Manhattan's press office said March 25 "I'll tell you what I just told the *New York Times* and the *Wall Street Journal* — we're not talking about it."

The full transcript of the press conference, with the Chasen-Carter exchange headed "debt moratorium," appeared in the *New York Times*. With one exception, the U.S. press had blacked out the Congressional opposition Chasen referred to in her question — evinced in vigorous and hostile treatment of New York Federal Reserve spokesman Henry Wallich during the March 23-24 Banking Committee hearings. Only the *American Banker*, daily journal of the regional banking-based American Bankers Association, accorded the ambush of Wallich front-page coverage.

At the same time, the IMF's aspirations were cast in a grim light by a report, as yet unconfirmed, in the March 25 issue of the Italian daily *La Stampa* on secret conditions for the award of a \$530 million loan. *La Stampa* writes that the IMF insists on an immediate end to credit from the central government to the municipalities through the centralized banking system; a cutback to 500 billion lire of Italy's present balance of payments deficit of 23,000 billion lire by March 1978; and an end to Bank of Italy support of the Lira on the foreign exchange markets. Prime Minister Giulio Andreotti has repeatedly said that the already drastic public conditions for the loan, which include elimination of cost-of-living wage increases, are perfectly acceptable to his government. Andreotti announced at a press conference March 24 that he sees "no difficulties" in gaining Parliamentary approval for the IMF letter of intent formalizing the loan. It is possible, however, that agreement will be postponed by a combination of forces within the Communist and Socialist parties and Andreotti's own Christian Democracy until a significant Western European-wide resistance to the IMF has coalesced. In this connection, Treasury minister Gaetano Stamatì was quoted by the Milan daily *Corriere della Sera* March 25 as urging the kind of European monetary union that would permit a new world reserve currency, a restoration of fixed exchange rates, and an expansion of world trade and investment, as an implicit alternative to IMF austerity.

The possibility of Italy's reduction to Third World status was one impetus for the unexpected mobilization of Congressional conservatives at the March 23-24 hearings of the House Banking Committee's subcommittee on international financial institutions. On March 23, the key witness before the committee was Henry Wallich of the New York Federal Reserve, who intended to testify on behalf of expanded IMF lending. Wallich found himself facing questions from Reps. Frank Annunzio (D-Ill.), George Hansen (R-Idaho), and other committee members about the lending policies of the major New York commercial banks which have shifted away from U.S. industry into uncollectable loans which the banks now demand that Washington arrange to bail out. Annunzio demanded that Wallich explain U.S. government collaboration with "a drive on the part of the banks to stop making loans to the government and private sector of Italy" which has forced Andreotti to consider IMF assumption of sovereignty over one of America's closest "friends and allies." The committee also directly targeted Wallich on lower Manhattan's plans to prop up Third World revenues for debt payment to the banks, asking whether Chase Manhattan was not promoting a transfer of the Panama Canal to Panamanian hands for the purpose of using canal fees for debt rollover. At the March 24 hearings, Hansen pursued the issue of the New York banks' unsupervised flood of short-term rollover lending operations in the Cayman Islands — an issue which, ironically, had been raised earlier this year by Senator Frank Church, the *New York Times*, and other advocates of a banking system reform that would salvage Chase Manhattan and other "problem banks" from the collapse threatened by their insolvent debt holdings.

At the conclusion of the hearings, Rep. Fernand St. Germain (D-R.I.) told reporters that the subcommittee, which he heads, possesses evidence that New York banks have induced regional banks to take shares of syndicated Eurodollar loans to countries which New York knew could never repay them.

The Carter Administration and the Federal Reserve had apparently hoped that they could rush through an agreement to enlarge the presently miniscule bailout funds of the IMF. A meeting of the top-level officials of the IMF's powerful Interim Committee has been quietly scheduled for next week, in preparation for the April 28-29 conference of the 20 foreign ministers of the Interim Committee nations. This conference in turn was intended to get a package in shape for the May economic summit meeting in London.

The buildup for turning the IMF into the international lender of last resort on behalf of New York banks unable to continue the rollover on their own was first mounted last fall, when Senator Jacob Javits and other announced that a grave recession would occur unless a "new Marshall Plan" were arranged for Western Europe's deficit countries. The West German government, however, vetoed the creation of a \$25 billion "safety net" and the expansion of the IMF's General Agreement to Borrow (by which ten advanced-sector nations lend extra assets to the IMF for its own loans) at the end of December. At this point, Chase Manhattan head David Rockefeller began a series of speeches on the need for

"international institutions" to assume the bailout burden, climaxing in his March address to the Economic Club of New York. Rockefeller there described how the IMF would administer its loans: a list of countries would simply be denied new credit, and their economies shut down, while a second list, those who have the potential to extort high commodity payments from the rest of the world, could borrow if they agreed to "a painful slowing of growth."

The January 1977 blueprint "Towards a Renovated International System" issued by the Trilateral Commission states, "It is desirable that the IMF increasingly evolve into a central bank for national central banks," and become the chief lender and controller for the world, using Special Drawing Rights to augment international liquidity. The Commission, founded after the 1973-74 oil hoax by David Rockefeller as a supranational quasi-governmental body to promote the diversion of financial resources away from capital-intensive economic activity into debt collection, has a dozen members in the Carter Administration, including Carter himself; Zbigniew Brzezinski was its former executive director. One of the authors of the Trilateral "Renovated International System" report was Brookings Institution fellow Richard Cooper, now Carter's State Department Undersecretary for Economic Affairs. According to Chase Manhattan's public relations office, it was Cooper who provided David Rockefeller with the exceptionally frank exposition of the link between Third World raw-materials earnings and the need for debt repayment in Rockefeller's Economic Club Address.

Part of the propaganda effort around the bailout has been to present the IMF scheme as a *fait accompli*.

The March 28 issue of *Business Week* ran an article, effusive to the point of self-parody, entitled "The IMF Wields Sudden New Power," which claimed that IMF head J.J. Witteveen has already lined up both the West Germans and the Saudi Arabians behind a \$20 billion bailout fund. Along with its "central bank" function, writes *Business Week*, "a second expanded role for the IMF seems destined to be that of global cop." An expert on debt economics at the Overseas Development Council was even more explicit last week, describing the political implementation of IMF control as the introduction of "command economies" in deficit countries — "you know, a nice way of saying authoritarianism or fascism."

Western European Hedging

In view of the evidence that a beefed-up IMF means the triage, or selective death, of the export markets on which West Germany depends, starting with Italy, it was surprising to hear public statements of support for expanded IMF lending last week by West German Finance Minister Hans Apel and his subordinate, Karl-Otto Poehl, who had been visiting Washington. Apel variously proposed new funds for the IMF's compensatory facility, which lends to Third World countries whose exports have abruptly dropped, and an altogether new bailout fund. West German officials indicated that no formal government position had yet been reached, but that Apel might be seeking a trade-off: West German agreement to IMF bailouts in exchange for killing the international com-

modity buffer-stock fund for increased raw materials prices proposed by the United Nations Conference on Trade and Development (UNCTAD) in Geneva. West German interest in such a deal has probably diminished, however, since the fund proposal itself seems to have already died. The Apel thrust, in any case, reflected fear of the debt moratorium alternative to the IMF rather than any passion for seeing the IMF become a world central bank.

One well-informed member of conservative, pro-industrial development circles in West Germany maintained last week that the West Germans and others could wrest control of an expanded IMF fund from the Carter administration — contemptuously identified as a creature of the Brookings Institution — and use new credits to create foreign orders for West German manufacturers. He conceded however, that once the IMF agreement was in place, the current destabilization of West German and other governments could rapidly produce a situation where new governments in Europe and elsewhere would uphold Trilateral-Brookings policies. A monetary affairs official at the State Department insisted March 25 that "the Germans will have to go along" with the IMF plan; "they don't want to, but we'll pressure them into it!" "They killed the safety net plan," he added, "but this is much better — it will bail out everyone," not just the Western European deficit countries.

The same day, however, officials at the Finance Ministry in Bonn said that the Schmidt government is well aware of the congressional resistance to the bailout plan, an awareness which undercuts State Department efforts to bluff the proposal through. West German industrialists are leery of the IMF; an official of the national chamber of commerce said March 24 that the Apel endorsement was merely one option being floated, not a commitment. In a departure from the business-as-usual idiom of West German industry, he stated that "in the context of the current monetary system, there is no way to bring about a recovery." It has been the lack of readiness to consider implementing the new financial structures required after a moratorium on "bad" international debts that has put many Western Europeans in the position of viewing an IMF bailout of those debts as a necessity that might even be turned into a virtue. The March report of the West German central bank, for example, warns about West German commercial banks' deep involvement in international lending, presumably to frighten advocates of a debt moratorium. Signs of congressional willingness to take responsibility in creating new institutions after the demise of the Chase group, however, have the potential to dispel such fears, and to intersect with Stammati's renewed initiative toward a new international monetary system.

In Great Britain, Prime Minister James Callaghan has, like Apel, endorsed an expansion of IMF lending. In a speech to Parliament last week, he justified the endorsement by echoing what the U.S. State Department has said privately; without a bailout, the Third World might initiate "protectionism" against British and other imports. This threat might seem to have the credible leverage of a hunger strike by the inmates of Buchenwald, but efforts are also being made to give the IMF the

appearance of support from the Third World. A two-year study made on behalf of the British Commonwealth was issued March 21, characterizing the proposed IMF bailout fund as a "far-reaching reform" that should satisfy advocates as well as opponents of a new world economic order. The fund would lend more on longer terms with greater "flexibility," circulating Special Drawing Rights (a proxy U.S. dollar with hitherto marginal scope) as "an international central bank." "Some financial discipline" of debtors would be involved. The "central bank" formulation, the SDR emphasis, and the promotion of the fund as the alternative to a new world economic order are transcribed from the Trilateral Commission's January report.

The *London Times* and *London Financial Times* have taken a generally favorable view of the proposal on the grounds that there is no alternative, since the use of the transfer rouble to initiate a new world monetary system is only "a theoretical possibility" unless the USSR promotes it, as the *Financial Times'* Eastern European correspondent comments. These two British papers, Italy's *Corriere della Sera* and other continental press have described a conflict over the form of bailout, with the Federal Republic of Germany supposedly insisting on short-term facilities with prompt return by borrowers to balance of payments equilibrium, while other Europeans are described as wanting a new, permanent lending arrangement with easier terms. These reports may indicate West German maneuvers to wreck the bailout proposal, or simply another propaganda attempt to portray broad consensus on IMF ascendancy over world finance.

Japanese authorities have apparently taken a fatal-

istic view of the proposal, although opposition is reported in government and central banking circles, and Brookings Institution strategists see "tremendous pressure from more nationalist business circles" on Prime Minister Fukuda.

The remaining key potential "surplus nation" partner in an IMF bailout is Saudi Arabia, who, along with the United Arab Emirates and Kuwait, has been counted on to provide as much as a third of the new debt financing. It is probable that the Saudis would go along with a worked-out political package involving IMF loans, as opposed to the kind of unilateral bailout gifts they prefer to minimize on their own. One well-placed London merchant banker claims that Saudi Arabia is prepared to give \$4 billion to a \$14 billion total fund, with \$3 billion from the U.S., \$1 billion from West Germany, and the rest from Japan et al. *Business Week* had reported that IMF chief J.J. Witteveen had persuaded them to participate, and Nelson Rockefeller this week paid a personal visit to Riyadh. The State Department denies that the Saudis have agreed to anything as of yet; an IMF executive director calls them favorable. It is not known whether the Saudi government believes it might win concessions by Carter toward a more peaceful Mideast policy in exchange for IMF contributions. Last year the Saudis rejected an invitation to assist in forming the debt "safety net."

The death blow to that safety net, however, was U.S. congressional opposition. At this point it is clear to Europeans, Arabs, and at least a minority of Americans that another veto of such schemes will not suffice unless active policy alternatives to the bailout are negotiated.

—Susan Johnson

New York Bank Bailout Draws Congressional Fire

At a close cross-examination during hearings of the House Banking Committee's Subcommittee on Financial Institutions on the role of domestic banks in international financial operations, Henry Wallich, of the Federal Reserve Bank, drew the ire of subcommittee members. On several occasions Wallich found it difficult to answer questions regarding the banks' illiquidity or their influence on U.S. foreign policy. For that reason his answers appear only when informational. Another round of hearings from this subcommittee is scheduled for April 4 and 6.

St. Germaine (D-NH), (Chairman of the Subcommittee): Should international regulations be left to the banks? Do you classify foreign loans like you do domestic loans, for example, loans to New York City?

Annunzio (D-Ill): I inserted in the Congressional Record on March 16 a statement on "Redlining" — cutoff of loans — to Italy...Has there been a drive on the part of the banks to stop making loans to the government and

private sector of Italy? Has the Comptroller of the Currency conferred with the Federal Reserve on the ban on Italian investments? Has there been, then, no discussion with the Comptroller regarding the ban on loans to Italy?

Wallich: (denies redlining.)

Annunzio: We have been trying to deal with redlining in problems of housing and in local neighborhoods in the United States, are we redlining our friends and allies?

Wallich: No Comment.

Hansen (R-Idaho): What did the Federal Reserve do when Franklin Bank went into difficulties?

Wallich: We opened the discount window. We are the lender of last resort.

Hanses: So you did act as the insurer of last resort. What effect did this have on the consumer? What effect did this have on inflation?

Wallich: We let it out through the window and took it back through the market, so there was no effect on inflation.

Hansen: Is this always the case?

Wallich: Well, there are countries where this was not always the case. But we have the largest open market in the world. We can handle this sort of thing.

Hanley (D-NY): I notice a great deal of foreign investment in Great Britain. I am concerned, noting Britain's financial position and the effects on U.S. banking if Britain should default...Burns has suggested that the International Monetary Fund (IMF) takeover international regulations. How would this be accomplished?

Wallich: Burns' suggestion was to slow down the pace of international borrowing. One way to do this is for countries to sign a standby agreement with the IMF in which they accept IMF conditions on the organization of their internal economies and have IMF backup in the international market.

Hanley: Then Burns is concerned about the momentum of international borrowing. He is expecting trouble, right?

Wallich: That is correct.

Hansen: The Federal Deposit Insurance Corporation's (FDIC) list of problem banks increased in total amount of assets from \$25 billion to \$75 billion including two major New York banks, Marine Midland and Banker's Trust. Many more are coming into this position...Many of these banks are exposed in both the Less Developed Countries' (LDC) debt and New York City debt. In order to protect their position many of these banks are exerting strong pressure on U.S. foreign policy to protect that position. (Hansen reads from an article in the March 3 *London Daily Telegraph* on the role of Chase Manhattan in the Panama Canal Zone.)...Chase Manhattan is pressuring President Carter to give the canal to Panama so that Panama can use the canal revenues to pay off its debts to Chase Manhattan...Does the State Department or Treasury ever confer with the bank supervisors regarding our foreign loans? Aren't the bankers trying to dictate U.S. foreign policy? Are these loans creating a drain on U.S. capital?

Wallich: (denies ever having heard of such things.)

Hansen: Mr. Wallich, you're up there in the money swim, I thought you might have heard of this.

Rousellot (R-Cal): Mr. Wallich has never heard of these things. Oh? Just put it in writing, Mr. Wallich.

Hyde (R-Ill): The total amount of debt in Mr. Wallich's report is \$207 billion. Doesn't that amount trouble you, Mr. Wallich?

Wallich: No trouble...

Hyde: Are the laws adequate to protect individual banks that are overextended?

Hansen: Regarding Panama again, banks from various nations are in this operation...Don't you think this could get so big that no one has control over what's going on?

Annunzio (D-Ill): What is the experience of Italy with U.S. banks' investment in Italy? It's good isn't it? Isn't it?...What can be done to rectify the good name of Italy?

Wallich: Well, the IMF is in there negotiating now with the Parliament. This involves difficult negotiations with the trade unions. It is up to Italy itself to put its internal situation in order.

Annunzio: Will they get the loan?

Wallich: Well, if they can meet the conditions...

Annunzio: That doesn't fit political reality. The whole Mediterranean could go communist and we are being squeamish about a loan to a country with a good record.

St. Germaine: "Mr. Wallich, did I hear you say that Federal regulators do not have to examine branch offices of U.S. banks. Then how do we know if their *collateral is fictitious*?"

Leach (R-Iowa): The concentration of LDC loans are in the banks where there is also a concentration of New York City loans, Real Estate Investment Trust loans, Euro-dollar market loans, and tanker loans. And these are also the banks most dependent on short-term deposits. Now what is the policy on bailing out these banks?

Hansen: I'm concerned about the fact that the Federal Reserve is the insurer of last resort...Is the U.S. taxpayer going to pick up the tab, then, on the entire LDC debt?

Set Up New Cuban Missile Crisis

On the eve of U.S. Secretary of State Cyrus Vance's journey to Moscow, the Carter Administration has pulled the rug out from under the SALT II disarmament negotiations Vance is ostensibly going to complete. A probable intended outcome of the Vance negotiations — as Evans and Novak advertised in a March 26 syndicated column titled "Vance in Moscow: Mission Impossible?" — is a new "Cuban missile crisis," a quick U.S. march to the brink of thermonuclear confrontation with the USSR.

The only alternative satisfactory to the White House, outlined by Carter himself in his March 24 press conference, and amplified by his associates in the press, is a Soviet agreement to "negotiate" for itself a series of swift international strategic defeats comparable in scale to last week's demise of the Gandhi government in India, and Soviet agreement in principle to adopt domestic policies which would speedily compromise the existence of the Soviet state itself.

Vance will tell the Soviets they must make this choice now; the Administration calculates that only rapid-fire Soviet capitulations, or a "breakdown" in negotiations which would provide the U.S. with the pretext for a full scale war mobilization, can provide the White House with the necessary leverage to overcome U.S., European and Third World opposition to its proposed multibillion dollar bailout of the New York banks by the time of the May economic summit in London.

The Carter gameplan became dramatically evident this week with Carter's reported comment on Brezhnev's anticipated "hardline" speech in response to continued U.S. provocations on human rights respecting the socialist bloc. "Some people are concerned every time Brezhnev sneezes," said Carter, and promised a continuation of the U.S. "human rights" campaign Brezhnev had characterized as interference in Soviet and East European internal affairs.

This calculated insult was followed by the March 25 presidential press conference at which Carter linked a SALT agreement to negotiated concessions from the USSR on Africa, the Middle East, "demilitarization of the Indian Ocean" etc. At the same time the U.S. press was reporting Administration "conditions" for SALT II including in effect, the renegotiation of the original SALT agreement, something the Soviets have publicly stated they would not consider. Sources close to the Administration spelled out related demands amounting to a 10 percent across the board Soviet reduction in general technological R and D development.

The Administration calculates, as one U.S. diplomat told the *Washington Post*, that the new demands will cause Brezhnev "to stomp and yell," producing "apoplexy," "dismay" and "venting of spleen" in the Kremlin, and which will "require the Russians to plunge into their own negotiations in the Politburo," perhaps even paralyze Soviet policy.

But, think the men around Carter, the Soviets will agree to "negotiate" away their military strategic posi-

tion because as a *New York Post* editorial put it March 25, "if the Vance mission fails...it may be impossible for the President to restrain forces in the U.S. that proclaim negotiation with Moscow is not only futile but dangerous, and insist that American safety lies with a 'first strike capability' dependent on weapons of annihilation."

Or as chief arms negotiator Paul Warnke put it, "we're making the Soviets an offer they can't refuse" — deal with "nice guys" Vance and Warnke, or the acknowledged U.S. "hardliners" — Zbigniew Brzezinski, James Schlesinger, and the Committee on the Present Danger — will be "unleashed."

Evans and Novak, well known in Moscow and elsewhere as mouthpieces for the CPD line, detailed the scenario in their column: "Some diplomats who publicly praise Carter's human rights crusade warn privately that Brezhnev will never accept it as a price for doing business with the U.S. Consequently they regard Vance's mission as a possible precursor of a major Soviet propaganda attack on the U.S. designed to test both the new President's will and the bonds between the U.S. and its European allies." Evans and Novak then reminded Brezhnev that "Khrushchev drastically underrated Kennedy and ultimately paid for it with his office when Kennedy forced him to back down in the 1962 Cuban missile crisis."

Carter personally invited Brezhnev to avoid this fate by hewing to the "détente is irreversible" negotiate-at-any-price line spouted by his spokesman Georgii Arbatov. We don't intend to overthrow the Soviet government," Carter pointedly noted in his press conference.

But the Soviet leadership will not respond according to the Carter Administration's psychological profile. That any Soviet leader, including Brezhnev, could long accede to the kind of deals being offered by the Carter forces is unthinkable; the Soviet military and party apparatus is politically stupid enough to allow Indias to occur, but not so stupid about military-strategic matters as to negotiate new Indias as a matter of policy. Moreover, a hardline Soviet "freakout," while anticipated by Brzezinski, Schlesinger, et al. and perhaps enabling them to whip the U.S. Congress, Europe, etc. into line on their confrontation and bailout policy, will not ultimately result in the step escalation to the "missile crisis" psychological warfare over the USSR they are banking on.

The faction fight inside the Politburo, contrary to the Carter belief, will produce either the political-economic offensive around the transfer ruble necessary to destroy Carter's "base," the New York banks, or a decision to go to war. Should the war option prevail in the Kremlin, any Soviet backdowns before or after a "missile crisis" will be purely cosmetic. One morning in Moscow, almost certainly before the end of 1977, a full Soviet thermonuclear first strike will be launched against U.S. military and population centers, and 160 million Americans will die in the first hour thereafter.

Ford Foundation—MITRE Report Previews Carter's Energy Program

A 418-page report issued March 21 by the Ford Foundation serves as an ominous preview of the energy program that President Carter is expected to release next month. The Ford Foundation team, which coheres tightly with the advisors who are constructing the Carter policy, recommends the cancellation of development programs on all the more advanced nuclear technologies, including fusion power, in favor of far costlier and less efficient — but “safer” — energy sources.

The report, titled *Nuclear Policy: Issues and Choices*, eschews the hysterical anti-growth rhetoric of the Ford Foundation's “radical ecologist” fronts in order to present a “reasoned and objective” argument for a certain amount of economic growth and nuclear energy development. This is merely the bait, however. The hook is the fact that under the incompetent investment and development policies advocated by the report, energy costs will shoot up phenomenally, making even the most harebrained coal gasification and solar power pork-barrels economically competitive with conventional energy modes.

This study is therefore simply a “moderate” version of the Rockefeller Brothers Fund “Unfinished Agenda” proposals for strangling U.S. energy use, in the interest of making profitable the energy boondoggles of the Rockefeller brothers and their circle and allowing them to use “high energy costs” as a vehicle to grab the loot they need to keep their financial operations afloat. The Ford Foundation sponsorship of the report is clear enough evidence that the Rockefeller group's political impetus is behind it. Further, the report was administered by the MITRE Corporation, a Defense Department adjunct that serves as a haven for “former” intelligence officers and that has been a leading promoter of the “nuclear terrorism” operation against nuclear energy.

The report states candidly that “the long-range energy problem is one of higher costs.” Yet, the results of greatly increased energy costs on the U.S. and world economy will not be great, the study says, adding, “There is no direct relationship between energy cost and the number of jobs.” But with business organs like the Journal of Commerce predicting (for example), a near-term four- to 20-fold increase in natural gas prices (see below), and others mootting comparable giant leaps in other energy costs, businessmen and the workers they employ will have a hard time swallowing the Ford Foundation report's breezy assurances.

All the more frightening, then, is the study's Aesopean description of the national security measures which “nuclear terrorists” may force the government to employ — a full array of police state tactics against foreign and domestic “dissidents.” This 1984, the report says, can only be forestalled by the timely banning of plu-

tonium reprocessing and some other nuclear technologies, and tight restrictions on the export of nuclear technologies generally to especially the developing sector.

What Is The Ford Foundation ?

The Ford Foundation, the largest in the world, representing a full third of all the foundation money circulated annually, also constitutes the largest private intelligence and counterinsurgency operation.

The entire Ford operation took on an upgraded character in 1966 with the appointment of McGeorge Bundy as the foundation's president. Bundy's experience as national security advisor to President Kennedy enabled him to direct the creation of the “radical” black nationalist apartheid strategy, associated domestic race war operations, and the creation of a nationwide Gestapo-modeled policing apparatus, the Law Enforcement Assistance Administration.

By 1968, the Ford Foundation was openly funding domestic terrorism. The Weatherman organization represents the most open case, although during the 1968 New York City teachers strike the Foundation bankrolled the Progressive Labor Party, the Socialist Workers Party, and the Communist Party USA — all by that point under the control of the National Security Council-created Institute for Policy Studies. By 1970 New York City's Lower East Side District One, run by thug Luis Fuentes on the basis of gun- and drug-running, prostitution, and street gang violence, represented a fairly typical Ford Foundation inner city project.

In the late 1960s the Ford Foundation turned particular attention toward building the so-called environmental movement. The Foundation funds practically every one of these organizations including the Laurance Rockefeller-led Natural Resources Defense Council, the Environmental Defense Fund and Friends of the Earth.

This counterinsurgency thrust proved too blatant for Henry Ford II, who recently resigned from his position as chairman of the Foundation's board, denouncing the Foundation as too “anti-capitalist” and condemning the “philantropoids” who work there.

Excerpts From 'Nuclear Power: Issues and Choices'

The following are excerpts from Nuclear Power: Issues and Choices, the report of the Ford Foundation's Nuclear Energy Policy Study Group, just issued in book form by the Ballinger Publishing Company.

"Plenty of Energy . . . At Much Higher Cost"

The debate over the future of nuclear power has become increasingly dominated by dedicated advocates and opponents of this source of energy...Imminent decisions with far-reaching domestic and international consequences must be made on the following issues: (1) the reprocessing and recycle of plutonium, (2) the breeder reactor program, (3) the management of nuclear wastes, (4) the expansion of uranium enrichment capacity, and (5) the export of nuclear technology and materials...

To put nuclear power in some perspective, it must be recognized that the world is not running out of energy...Further in the future, solar energy, probably fusion energy, and possibly geothermal energy can provide essentially unlimited sources of power. If these options are successfully pursued, the world can have plenty of energy in the future, although probably at costs significantly higher than those of 1976. Thus, the long-range energy problem is one of higher costs rather than one of absolute limitations on energy availability.

Over a reasonable period of time, the impact of increased energy costs on the world's economy in general, and the U.S. economy is particular, will not be as great as is often assumed...Economic growth can be sustained even with large increases in the price of energy. In any case, higher future energy costs, which are probably inevitable, are largely independent of the rate at which nuclear power is developed and deployed over the next 25 years...

"Substituting Human Energy for Energy"

The principal justification for nuclear power is that it can make an important contribution to the U.S. and world economy...

Specifically, our analysis indicates that the (social and economic) costs of delaying nuclear power would not be significant in this century...Plutonium recycle can be delayed indefinitely, at essentially no economic cost. Breeders can be postponed several decades into the next century at costs that are small...

For the long run, we can say with confidence that there is no direct relationship between energy cost and the number of jobs. It may be that unemployment will remain a serious problem in the future, as the composition of the labor force, personal attitudes toward work, and the availability of socially provided goods and services change. But gradual increases in real energy costs need not make the employment problem more difficult...If it becomes increasingly difficult to get safe, usable energy there will be work, producing what energy

we do produce, substituting human energy and other factors for energy, and continuing to deal with the other scarcities of life. Given time, jobs can be redefined, equipment can be redesigned, and habits can adjust to

What Is The MITRE Corporation ?

In his foreward to *Nuclear Power: Issues and Choices*, Ford Foundation president McGeorge Bundy praised the MITRE Corporation, the think tank administering this Ford Foundation-funded project, as "open-minded," "fair," and "objective." The Corporation's history and activities argue otherwise.

Created 18 years ago as a specialist in artificial intelligence projects for the U.S. Air Force, the MITRE Corporation is one of many private, research and development think tanks which interface with government-military-intelligence agencies. Their semi-official status and their links into almost every government intelligence agency gives them a unique capability for specialized operations.

MITRE is a haven for "former" officers from Military Intelligence, the CIA, NSA, FBI, and so on. MITRE's Boards of Directors and Trustees assemble individuals recruited from higher level intelligence posts, such as James R. Killian, who served on the Foreign Intelligence Advisory Board, and Dr. Gordon MacDonald, the vice president of the Institute for Defense Analysis.

Although 80 percent of MITRE's work is done for the Pentagon, it is also an active advocate of deindustrialization and deschooling schemes, and has played a primary role in the creation and marketing of "nuclear terrorist" scenarios. For example, in May of 1976 MITRE's David Rosenbaum, billed as an "expert on terrorism," toured the U.S., Western Europe, and the Mideast to meet with police, military, and NATO officials on the danger of nuclear terrorism as a form of "surrogate warfare" emanating from the USSR.

MITRE played a major role in preparing the Energy Research and Development Administration's initial report, "Creating Energy Choices for the Future," has been influential in pushing that agency toward a zero-growth perspective favoring regressive energy projects, including oil-from-shale technology, propounding "energy conservation" and the creation of a national coal reserve, and advocating solar energy as a solution to the energy crisis.

provide employment whether energy is cheap or expensive...

Whatever is done about nuclear power over the next few decades, real energy costs will continue to increase into the next century...In the long run, however, the economy should be able to absorb higher energy costs with little effect on growth or employment...

Whatever the income loss due to higher energy costs, nuclear power can do little to reduce it in this century since nuclear power will at best have only a small cost advantage over coal...

"Defer Indefinitely Commercial Plutonium Reprocessing"

The principal immediate issue affecting nuclear power is whether the United States should proceed with the reprocessing and recycling of plutonium...

On the basis of our analysis of plutonium reprocessing and recycling, we have concluded that the international and social costs far outweigh economic benefits, which are very small even under optimistic assumptions. We believe therefore that a clear-cut decision should be made by the U.S. government to defer indefinitely commercial reprocessing of plutonium. Although the question of plutonium reprocessing and recycling is now before the Nuclear Regulatory Commission, we believe that, in view of the important international implications, the President should make the decision to defer plutonium reprocessing...For this reason, we conclude that the government should not take over or subsidize the completion and operation of the Barnwell facility.

"Postpone Commercial Breeder Beyond End of the Century"

The priority and timing of the plutonium breeder is inevitably a central and budget and policy issue since the commitment to this program currently dominates federal energy research and development activities. The plutonium breeder which produces more plutonium than it consumes in operation, can in principle improve the utilization of uranium by a factor of as much as 100...

The Liquid Metal Fast Breeder Reactor (LMFBR) has become the centerpiece in the U.S. energy research and development program...The present U.S. program, directed at the early commercialization of the LMFBR, is not necessary to the development of the breeder as insurance...We believe therefore that the breeder program should deemphasize early commercialization and emphasize a more flexible approach to basic technology. In such a program, with a longer time horizon, the Clinch River project, a prototype demonstration reactor costing \$2 billion, is unnecessary and could be canceled without harming the long-term prospects of breeders...

Although long lead times are required for a project as complex as the breeder, we believe that the decision on commercialization, now set for 1986, can safely be postponed beyond the end of the century...

"Greater Reliance on Coal"

Three years after the Arab embargo, the coal industry is still not operating at full capacity; and, in the absence of new demand, coal prices have fallen from their peak.

'Carter Administration Has No Disagreements'

In interviews this week members of the team that authored *Nuclear Policy: Issues and Choices* said that the Carter Administration looks favorably on the program outlined in the report. Asked about the Carter Administration's response, a spokesman for the MITRE Corporation, which oversaw the report's preparation, said, "I know that Mr. Keeny (the chairman of the report's study group — ed.) has met with Dr. Schlesinger at least twice recently. In fact, he met with him last Saturday (March 19)." The spokesman concluded, "The results were favorable."

Hollis B. Chernery, a member of the study group and vice president for development policy at the International Bank for Reconstruction and Development, confirmed the MITRE spokesman's evaluation. "The Carter Administration has responded quite favorably," he said. "There is a coincidence of views and I know of no disagreements."

Nevertheless, the prospects for coal should not be underestimated since coal will be generally competitive with nuclear power for a long time to come and will in all probability become the material from which synthetic gas and oil will be manufactured...Energy for the United States in the period after 1990 will be characterized by a much greater reliance on coal.

"Solar and Fusion In the Next Century"

It is frequently argued that solar, geothermal, or fusion energy would be viable alternatives to nuclear power if they received a fair share of the research and development funds. It is our judgment that these forms of energy cannot compete with nuclear, coal, or other fossil fuels as major sources of electric power until well into the next century.

Solar: For the long run, solar energy is especially interesting, since it is essentially unlimited...However, solar electric power will become competitive only after considerable research and development and a large increase in the cost of electricity...

Present capital costs per kwe of rotor-style windmills are substantially higher than for fossil or nuclear plants...Nevertheless, wind power has the potential of meeting a significant portion of electrical energy requirements in some areas, albeit at a cost which may be three to five times that of nuclear electrical power...Biomass methods are unwieldy and of low efficiency, but well-proven in small scale...

These (solar, etc.) sources cannot be counted on as an economic alternative to coal and nuclear power in the next three decades. They should be considered as possible alternatives to or competitors of breeder reactors, fusion or coal later in the 21st century...

Fusion Power: Fusion, like solar energy, offers the promise of practically unlimited energy...Although it is

still premature to predict success, we believe that fusion reactors will probably demonstrate a useful energy output by the year 2000. There is little prospect, however, that fusion will supply electricity on a competitive basis in the next 50 years. Fusion reactors will involve large capital costs and complex systems with unknown capacity factors, and it remains for future generations to see when they will become competitive...

Alternatively, it has been suggested that the fusion neutrons be injected into a "subcritical" fission reactor loaded with natural uranium or thorium... Such a "fusion-fission hybrid" might appear to be a potential competitor to the breeder reactor, since it would avoid the possible danger from criticality accidents, which are an inherent although remote possibility in the breeder. It would have, however, most of the other negative characteristics of the breeder in terms of safety and plutonium traffic and would involve all of the technical complexity of fusion reactors. Accordingly, there appears to be little reason to pursue this approach.

"Conservation Instead of Expansion"

Conservation is one of the most effective means of making available additional energy to produce desired goods and services...

Higher energy costs in the future will prevent energy consumption from continuing to grow at the high rates of the past several decades... Of course, society may evolve in rather different patterns if energy is expensive, adjusting social institutions and personal lifestyles to conserve on energy instead of simply expanding its productive machine and energy use as though energy were cheap...

"Nuclear Safety"

The safety of nuclear power plants is a central issue in the debate on the future of nuclear energy. Thus far the safety record has been excellent... The lack of serious accidents in the past, however, is of only limited value in predicting a future... The predicted consequences of accidents at different sites can vary a hundredfold... A more restrictive siting policy would increase somewhat the costs of nuclear power in some locations, but we believe it is warranted by the uncertainties in the probabilities of accidents and by the large risk reductions that are possible.

"Stop Nuclear Power to Stop Nuclear Proliferation"

In our view, the most serious risk associated with nuclear power is the attendant increase in the number of countries that have access to technology, materials, and facilities leading to a nuclear weapons capability...

The nonproliferation system will inevitably be flawed and unstable if plutonium and highly enriched uranium, materials suitable for nuclear weapons, and the facilities to produce them become increasingly widespread. The time required for achieving a nuclear weapons capability would be greatly reduced and the temptation to make an irreversible decision to fabricate, and even use, nuclear weapons might be difficult to resist in a crisis. Facilities for plutonium separation and enrichment of uranium are thus particularly sensitive.

We believe the consequences of the proliferation of nu-

clear weapons are so serious compared to the limited economic benefits of nuclear energy that we would be prepared to recommend stopping nuclear power in the United States if we thought this would prevent further proliferation.

Actions and policies regarding the U.S. domestic nuclear power program, discussed in other sections of this study, would affect proliferation in important ways. The following measures would have major nonproliferation significance:

- A clear decision to defer plutonium reprocessing and recycle.

- Deemphasis of the breeder program with deferral of the early date for commercialization.

- Reduced priority for nuclear power in energy research and planning, in a framework giving equal weight to coal...

- Avoidance of promotion of nuclear power both at home and abroad.

- Continued refusal to export plutonium separation and enrichment technology, coupled with efforts to achieve similar action by other suppliers.

- Approval of nuclear exports only where consistent with U.S. security interests and obligations and nonproliferation policy.

"The Danger of Terrorism and Civil Liberties"

If terrorists were to obtain reactor-grade plutonium, a small group of technically trained people might be able to build a bomb that might have a few hundred tons of explosive yield...

Preventive or responsive actions may impinge on civil rights and liberties of those employed in the nuclear industry, those living or working near nuclear facilities, and the general public... Problems could be posed by domestic surveillance to identify potential terrorists. Likely targets would include criminals, terrorists, and possibly domestic dissidents. Surveillance of foreign nationals can be conducted under the national security authority of the President...

If terrorists had stolen nuclear materials, there might be calls to subject hundreds or thousands of citizens to blanket search, warrantless surveillance, forced evacuation, and detention and interrogation without counsel or probable cause... Once the crisis is past, there is the risk that some tactics employed in the crisis might be carried over into routine operations or extended to other law enforcement problems...

Well thought out and well understood guidelines and contingency plans for federal, state, and local law enforcement officials would minimize the confusion and panic in which ill-advised actions infringing on civil liberties might be taken. Uniform response procedures should be developed and subjected to realistic testing by utilities in conjunction with appropriate authorities at all levels...

"The President Must Be Involved"

We are convinced, after a year's exposure to the range of problems involved, that the President must be directly involved in the formulation of both overall energy and nuclear energy policy. There is no lower level that can have the authority to resolve the diverse domestic, foreign policy, and security interests...

Journal Of Commerce

Predicts 20-Fold Hike In Natural Gas Prices

This is excerpted from an article titled "Industrial Gas Users Face Sharp Price Hike" by Dr. Glenn E. Burrell, which appeared in the March 24 issue of the Journal of Commerce.

CARMEL, Calif. — A 20-fold increase in natural gas prices is in store for some industries under the energy program the Carter Administration is expected to unveil April 20. But most industrial users will face a four to five-fold jump in the price of this clean-burning fuel.

Sources close to Washington have indicated that the guts of the new program center on a federal tax on gasoline and deregulation of natural gas.

A program to eventually push the price of gasoline above \$1 per gallon through additional federal taxes now seems a sure thing.

But, the program to deregulate the price of natural gas and decisions on just who will pay the higher price of natural gas are still developing, although the direction of that program seems clear.

The front-running proposal for the new natural gas program appears to be a plan to charge industrial users of the fuel the deregulated or free market price and to charge residential (and commercial) users the lower, regulated price....

The possible 20-fold increase in prices for some is based on the following logic: a major Houston-based natural gas producer, under long-standing contracts, is selling some of its natural gas at 20 cents per thousand cubic feet (MCF). Another Texas producer said that the program reported here would push the free market price of deregulated natural gas to more than \$4 per MCF — a more than 20-fold increase.

Several experts are giving high marks to the preliminary outline of the Carter energy program a copy of which was obtained by *The Journal of Commerce*. Some see the overall plan as a "brilliant integration of the invisible hand of the market place with the controlling hand of government." Others see serious problems which they say must be resolved before any plan is enacted....

Nuclear Energy Policy Study Group — A List Of Members

Spurgeon M. Keeny, Jr. (Chairman), Director, Policy and Program Development, The MITRE Corporation, Washington Operations; Columbia University Russian Institute, 1946-47; Chief of Special Weapons Section, Dir. of Intelligence, Headquarters U.S. Airforce, 1950-55; Senior Staff member for the National Security Council, 1963-69; Asst. Dir. of

Science and Technology, Arms Control and Disarmament Agency, 1969; Recipient of Rockefeller Publication Services Award, 1970.

Seymour Abrahamson, Professor of Genetics, University of Wisconsin.

Kenneth Arrow, James Bryant Conant University Professor, Harvard University.

Harold Brown, Current Secretary of Defense; former President, California Institute of Technology; Trilateral Commission.

Albert Carnesale, Associate Director, Program for Science and International Affairs, Harvard University.

Hollis B. Chernery, Vice President, Development Policy, International Bank for Reconstruction and Development.

Paul Doty, Director, Program for Science and International Affairs, Harvard University; former Rockefeller Fellow.

Philip Farley, Senior Fellow, The Brookings Institution.

Richard L. Garwin, IBM Fellow, IBM Corporation, Thomas J. Watson Research Center.

Marvin Goldberger, Eugene Higgins Professor of Physics, Princeton University.

Carl Kaysen, David W. Skinner Visiting Professor of Political Science, School of Humanities and Social Sciences, Massachusetts Institute of Technology; economist, Office of Strategic Services, 1942; Dir., Woodrow Wilson Institute for Advanced Studies; Dep. Special Assistant for National Security Affairs, 1961-63; Carnegie Commission for Higher Education.

Hans H. Landsberg, Co-Director, Energy and Materials Division, Resources for the Future.

Gordon J. MacDonald, Henry R. Luce Third Century Professor of Environmental Studies and Policy, Dartmouth College; expert on implication of weather modification for weather warfare.

Joseph S. Nye, Jr., Under Secretary for Security Assistance, State Department; former Professor of Government, Center for International Affairs, Harvard University.

Wolfgang K. H. Panofsky, Director, Stanford Linear Accelerator Center.

Howard Raiffa, Frank P. Ramsey Professor of Managerial Economics, John F. Kennedy School of Government, Harvard University.

George Rathjens, Professor of Political Science, Massachusetts Institute of Technology.

John C. Sawhill, President, New York University; former Dir., Federal Energy Agency.

Thomas C. Schelling, Lucius N. Littauer Professor of Political Economy, Harvard University.

Arthur Upton, Professor of Pathology, State University of New York at Stony Brook.

In addition, Dean Abrahamson served as a consultant to the study group. Abrahamson, public affairs director at the University of Michigan, is on the Board of Directors of the Laurance Rockefeller's Natural Resources Defense Council. He is a close associate of David Rosenbaum, the MITRE Corporation's terrorism expert, and is an outspoken advocate of zero growth.

Brzezinski's Command Economies: 'A Nice Way Of Saying Fascism'

The Overseas Development Council, which styles itself as a "liberal" version of the Brookings Institution, last week released their 1977 program under the title "Agenda '77." Couched as a series of proposals to the Carter Administration, the major strategic aspects of the report have in fact already been approved by National Security Advisor Zbigniew Brzezinski.

According to press reports, the ODC's Agenda '77 includes: the promise of debt relief for the "worst cases" among the lesser developed countries (LDC's); a Brookings-type common fund commodities mechanism; the establishment of a World Energy Council; convocation of a world conference on alternative energy sources; cutbacks on international arms sales and distribution; increased U.S. aid to the worst-off LDC's; a more comprehensive human rights program; a mechanism for securing 10-15 billion dollars for the IMF containing a provision for IMF aid to the LDC "worst cases."

The real content of the report is spelled out in the following interview with the ODC's Paul Watson, who was instrumental in drafting the report.

Q: Press accounts of "Agenda 1977" indicate that this report was specifically written as a policy proposal for the Carter Administration. If this is so could you indicate the Administration's response to the report?

A: Yes, the report was intended as a policy statement for the Carter Administration. In fact one section of the report contains a letter to Jimmy Carter. It was written by Roger Hansen and sets forth a number of policy options for the developing world. I know Brzezinski has read the document and approves of the thrust. Hansen, in fact, is now Brzezinski's top staffer on the North-South issue.

Kissinger Joins Chase Manhattan

Henry A. Kissinger, former U.S. Secretary of State and 20-year personal foreign policy advisor to Nelson Rockefeller, has been appointed vice-chairman of Chase Manhattan Bank's International Advisory Committee. Early next year, he will replace John Loudon of Royal Dutch Shell and the committee's chairman, the New York Times reported March 22. According to the Times, "David Rockefeller, chairman of Chase, expressed delight, 'that a person of Mr. Kissinger's stature and achievements...has agreed to lend his considerable expertise to Chase.'"

Q: Since I have only read press accounts of the report could you elaborate on the specific policies, particularly those policies geared to the international debt situation?

A: Let me first run down how I see the international debt situation. There are two categories of heavily indebted countries. There are the countries with very low national income — the LDCs — which aren't going to make it unless they get more concessional loans. Zaire already defaulted. If these LDCs all defaulted, it would not be serious in terms of its economic impact on the banks. But it would be a terrible human tragedy. It would be psychologically very bad for the economy.

The real problem is with the middle and upper income countries like Thailand, the Philippines, Brazil, and even some European countries. The OPEC oil price rise really hit them and most of them ran up a big deficit. Who was going to finance the deficit? The banks moved in on this. If they hadn't it would have caused a major contraction of the economies. This overextended the banks — particularly the U.S. money centers which financed two thirds of the debt. The only thing that partially saved the situation was the inflation.

Q: Could this second group of countries weather another crisis like '73-'74 oil price rise?

A: I don't know what would happen. I don't want to think about it.

Q: So what do you see as the solution to this situation? What are your proposals?

A: The Common Fund is important in putting a floor on commodity prices . . . The main thing is that consumption must be cut. This second group of countries I talked about must increase their capital base rather than consumption. They must also adopt petroleum-saving measures.

Q: Do you think this is realistic? It seems that most countries have tightened their belts as far as they can without unleashing political unrest.

A: You are right but we must put clamps on the economy. I suggest establishing an external debt management system which can be run out of the central banks of possibly the treasury. This management system can look at the debt situation and decide what to recommend. Generally, it has to be to force countries to increase internal savings; more aggressive exports and throttle-down the economies.

Politically can it be done? That's the problem. The way I see it only command economies can do it. Without command economies, developing sector nations will be unable to repay their massive debts. Mind you I'm not advocating these kind of economies but . . .

Q: What do you mean by "command economies?"

A: You know, it's a nice way of saying authoritarianism or fascism like what we have in Brazil or Korea.

Q: I've heard people make charges that the Rockefellers would like to institute a few more "command economies." What do you think?

A: I don't want to speculate but you may be right. (laughs)

Q: What countries do you think are in the most trouble?

A: About a year ago the Treasury Department gave out — this is off the record, right? — with a list of the countries in most trouble. Israel and Egypt headed the list but this was because of their military spendings and therefore they are put in a different category with less concern attached. Sudan, Peru, Chile, Argentina, the Philippines, Zaire, Indonesia, Korea, India, Pakistan and Chad were all on the doomed list. Mexico is a new addition but because of their large oil reserves and a more favorable regime the investors are looking at Mexico more favorably.

Most will pull through with a little help from their friends. (laughs)

Q: Do you see the IMF and the World Bank as the main institutions to prevent defaults.

A: Yes, these are the "friends" I was talking about.

Q: Some of the Third World countries have threatened to declare a general debt moratorium and junk the IMF. What is your reaction?

A: I think they will think twice because they know we

would isolate them . . . shut them out entirely from any future market.

Q: Won't they just move closer to the Soviet Union particularly with all this talk about a transfer ruble and the actions that Italy has taken?

A: Yes, that's a frightening thought. The main thing again is to put a lot of pressure on them around the threat of being totally isolated from the money markets.

Q: Changing the subject somewhat, I have come to the conclusion that energy development is the key determiner. If the developing sector can't develop cheap and abundant energy, I think they are pretty much doomed. What do you think?

A: I strongly agree . . . that's why the ODC and myself propose the development of wind and solar power. Oil is no longer a real option because of the price. You know I think oil has reached a proper price but the bad thing is that it all happened at once. If the price started going up in the 1950s and rose gradually, it could have been absorbed and economies could have made adjustments.

Q: Come on now, you don't really think that wind and solar power will provide the developing sector with the energy needed, do you? I think nuclear energy is our only option.

A: Nuclear energy scares me. Jim Howe here at ODC is a recognized expert on energy and he has fully briefed me on the political ramifications of nuclear energy.

Q: Well, I think we have a choice between nuclear energy and letting these countries go down the drain.

A: If I had to choose, I would rather see them go down the drain.

'Rearranging The Deck Chairs On The Titanic'

In testimony before the Senate Foreign Relations Subcommittee on Foreign Economic Policy, Richard Cooper, Undersecretary of State for International Affairs identified four major structural problems facing the world economy: 1) the major balance-of-payments surplus held by OPEC (otherwise broadly identified as the \$45 billion deficit of the rest of the world); 2) the gross external debt of the Less Developed Countries, and certain advanced sector nations; 3) protectionism; 4) deficiency in world demand.

The following interchange is between Subcommittee Chairman Frank Church, Jerome Levinson, Chief Counsel to the subcommittee, and Cooper. Church and Levinson question whether or not the State Department has developed a solution to the impending international financial crisis.

Church: This is very disturbing. It would appear from the world economic tendencies as you have described them that we are headed toward a serious economic collapse like that of 1929. (emphasis added) This is a dramatic problem that requires dramatic solutions.

Cooper: Yes sir. So it is. We cannot assume that if economic disaster hasn't hit us that it will not hit us in the future.

Church: What is it that has to be done?

Cooper: We need to restructure the balance of payments of the petroleum importing nations....

The International Monetary Fund has anticipated the approval of additional quotas (to these countries) and has already begun lending more money. The Fund cannot proceed as usual in its negotiations in the present circumstances.

Those countries very badly in debt must take the necessary adjustment measures to avoid impairing their credit-worthiness. This is going to mean difficult economic adjustments. It's going to mean taking investment away from consumption. Even with these measures, the debt will increase, but it will be manageable.

The large private banks are severely over-extended. We have to find ways for the IMF and the World Bank to pick up this slack.

Levinson: Mr. Secretary, can you tell us precisely what is President Carter's policy regarding commodity agreements?

Cooper: The U.S. cannot accept the UNCTAD position regarding prior financing of commodities agreements before knowing what these accords are and what they're going to be used for.

Nevertheless, once the United States knows how these agreements are going to be structured and what they're going to be used for, it will support the creation of a common fund that can be used from one (given) product to another. For example, if the coffee reserves are being sold out and a country wants to buy steel, the Common Fund can be transferred from one product, coffee, to another, steel.

The U.S. would support this type of financing, but has said that it wants to see first how each individual agreement will look.

...The U.S. is worried, very worried, about the reduction in investment and resources for development. I mean in terms of developing raw materials, this should be done by the IMF or the World Bank.

Church: Who is going to finance this fund?

Cooper: Contributions to this fund — the Common Fund — will come as the result of individual case-by-case agreements among producers and consumers.

Levinson: Would the Group of 77 accept the IMF and the World Bank as administrators of this Common Fund? In other words, who is going to control this Common Fund?

Cooper: This whole affair is barely in its formative stages. But I assume that the control of the Common Fund would be exercised through individual resources and commodities between the consumers and producers.

Levinson: Who will have the majority?

Cooper: It would be half-and-half, although I don't know if the lesser developed countries would accept it that way.

Levinson: Frankly, Mr. Cooper, I would like to ask you directly if the U.S. is abandoning the Kissinger plan of creating an International Development Bank. This Common Fund looks to me as though we are abandoning the plan....

Cooper: We are not abandoning Kissinger's idea which is only an idea and was only an idea. We believe that perhaps there are better ideas.

Levinson: What...?

Cooper: The World Bank, throughout its history, has always stayed away from financing the development of natural resources, and we are suggesting that perhaps it could begin to move more into this area.

Levinson: Developing natural resources?

Cooper: Yes, sir.

Levinson: I ask again — financing the development of natural resources in developing countries?

Cooper: Yes, sir.

Levinson: This is totally new. This indicates that U.S. contributions to financing institutions will be designated to develop natural resources of developing countries. Is this what you wanted to say, Mr. Cooper?

Cooper: Of course. We all have to politically recognize the enormous problems that have been created between the multinational corporations and the less developed countries. Politically we must confront the fact that the less developed countries are not going to allow the multinationals ownership of their natural resources. We have to politically confront the fact that the development of these resources will have to be realized another way.

This is why I believe that there are other, better ideas, much better, than Kissinger's International Development Bank.

Levinson: Mr. Secretary, does this mean that the U.S. is going to revise its positions in the World Bank and in the Inter-American Development Bank to change the rules of these organizations so that they can provide funds to national development organizations such as PEMEX (Mexican state-owned oil company — ed.) which traditionally have been funded only by the commercial banks?

Cooper: Yes, sir.

Church: In other words, Mr. Secretary, what I think is that we haven't found a way to contend with OPEC capital accumulation and all that you have discussed here today is only rearranging the chairs on the deck of the Titanic.

Cooper: We are trying to find better ways, Senator.

Senator Glenn Hears USLP On Energy; Gives Schlesinger 10 Days To Reply

"You have attacked Schlesinger personally and vitriolically," Senator John Glenn of Ohio told U.S. Labor Party spokesman Alan Ogden yesterday. "This committee will give Schlesinger ten days to reply to your charges." Ogden had just completed testimony before the Senate Energy Committee strongly opposing Jimmy Carter's proposal for a cabinet-level energy department and its designated chief James Schlesinger.

Ogden detailed Schlesinger's plan for deindustrialization of the American economy under the cloak of "energy conservation" and declared that the President and his energy czar represented a "monetarist outlook" indistinguishable from that of Great Britain's Tories, whom America's Founding Fathers battled for the industrial progress of their emerging nation. Senator John Glenn was prompted to quote Benjamin Franklin's familiar aphorism, "A penny saved is a penny earned," whose vulgar implication Ogden immediately corrected by describing Franklin's struggle to establish scientific research, and cadre education, improved agriculture and industry in the new Republic. "If what you say is true," Glenn responded, "then God bless Ben Franklin."

When Ogden was finished, the Senator issued his challenge to Schlesinger. The Carter Administration's energy czar now has ten days to convince the Senate Energy Committee that he is not a Tory traitor to the United States of America.

Level Energy

Were Schlesinger to accept Glenn's challenge, he would find it well-nigh impossible to defend the constitutionality of his policies, whose destructive purpose regarding domestic economy is increasingly a matter of public record. Schlesinger politely informed a small group of citizens this week that "for the immediate future, we will not be using plutonium recycling" — a statement of intent to destroy the fast-breeder reactor program, the frontline of nuclear power research in the fission field.

The same remarks amount to a public endorsement of the energy report issued March 20 by the Ford Foundation and MITRE Corporation, a blueprint for negative energy growth. Indeed, spokesman for MITRE report that Schlesinger worked with the authors of the report directly, and the authors included Secretary of Defense Harold Brown.

On March 24, the *Journal of Commerce* published the leaked outline of the official energy program Carter will present to Congress on April 20, a confirmation of the Administration's intent to level whole sections of U.S. indus-

try so thorough that it shocked many legislators. A cornerstone of the plan is a "two-tier system" of gas-price deregulation designed to rocket costs to industry and the consumer through the ceiling. Utilities would be forced to pay prices 300 percent higher than presently, while industry would face fuel costs 400 to 2,000 percent higher. This and a planned gasoline tax (driving the per gallon price up to \$1 at the pump) would efficiently divert \$100 billion out of the productive economy and into the sinkhole of debt held by the Rockefeller banks.

A Public Outcry

As Schlesinger declared to the National Wildlife Association today, Americans will just have to accept "a new life-style." Today's *Wall Street Journal*, however, summarized popular feeling under the headline, "Carter May Be Right In Predicting Outcry Over His Energy Plan."

Opposition in Congress, motivated by what one Congressman declared to be "two-to-one sentiments in favor of nuclear power" among the population at large, is becoming just as open, under the direction the U.S. Labor Party has provided. Congressman Rinaldo (R-NJ) is leading a group on Capitol Hill which is circulating a letter to the House Subcommittee on Nuclear and Fossil Fuels (Rep. Walter Flowers, D-Ala., chairman) demanding that the committee fully restore the fusion power program's budget, so drastically cut in Carter's program. "Ironically, this massive budget cut has been recommended at a time when the prospects for fusion power have never been more promising," declares the letter, which was signed by 10 legislators in the first day.

The same sentiment was reflected at hearings of House Banking Committee's Subcommittee on Financial Institutions, where Administration witnesses were grilled to force them to admit that Carter's foreign policy is entirely determined by the bankruptcy of the New York commercial banks.

At Glenn's Energy Committee hearings, the testimony of the USLP's Ogden was followed up by representatives of the labor movement and the scientific community condemning Schlesinger in narrower but just as vehement terms. Kenneth Blaylock, the President of the American Federation of Government Employees, warned that Title 6 of the new Energy Department plan would create a "new quasi-fourth branch of activities "similar to the CIA." George Pake, President of the American Physical Society, demanded assurances that the new department would not divert money from basic scientific research, which he called "the essential life-blood of the future."

Fusion Energy Foundation Spokesman Addresses Diplomats, Congressional Aides On Necessity For Crash Nuclear Fusion

Two special briefings were given in Washington, D.C. by scientists from the Fusion Energy Foundation (FEF) on March 22.

At the monthly luncheon of the Association of Scientific Counsellors and Attaches at the city's Cosmos Club, FEF Executive Director Dr. Morris Levitt and Professor of Physics Winston Bostick of Stevens Institute of Technology and the FEF addressed scientific representatives of 17 embassies. Dr. Levitt reviewed the recent success in both "brute force" and "self-ordering" plasma physics experimental approaches to controlled fusion and the unique role of fusion in transforming processing and extractive industries through its high energy density.

Prof. Bostick, an editor of the FEF's just-initiated International Journal of Fusion Energy, reviewed the history of the pinch effect in the plasma focus device as an example of high-efficiency low-budget research based on self-ordering behavior in plasma — research that could reach the energy break-even point for as little as \$10 million. Bostick then proposed to the scientists from Latin America, Africa, Asia, and Western and Eastern Europe that they send graduate students to Stevens to be trained in advanced plasma physics research of the sort Stevens has already helped to set up in Buenos Aires, Argentina.

Questions following the presentations included the FEF's position on the breeder reactor, and how the scientific question of high energy density technologies was connected to the political and economic issues of development. Levitt replied that the nuclear fuel cycle had to be closed — requiring the breeder — if rates of economic development sufficient to resolve international tensions and bring a fusion-based economy on line were to be realized. Bostick reemphasized that nature provided in the vortex filaments of energy dense plasmas the most efficient and high-intensity fusion outputs, which could solve the world's energy and materials needs for the foreseeable future.

Physics and Biology

At a later afternoon briefing session for congressional aides held in the hearing room of the House Education and Labor Committee, 15 staff members, a reporter from UPI and an observer from the embassy of Jamaica attended the first in-depth report on the relationship between energy policy, fusion prospects, and fundamental research to be held on Capitol Hill. Prof. Bostick stressed that 25 years of basic research, with practically no government support, had brought science to the "next to

the last chapter" in understanding the critical role of microscopic fine structure in determining plasma stability and energy transport processes. Breakthrough to a qualitatively new understanding of the "almost biological" properties of plasmas, he added, now required vigorous government support of basic research in U.S. universities.

Questioning opened with an aide to Rep. Lujan (R-N.M.) asking Dr. Levitt if it might not be politically realistic to divert funds cut from the federal breeder reactor program into fusion research. "Absolutely not," Levitt replied, "that would be playing directly into the hands of the forces politically committed to killing fission and fusion and splitting the pro-development forces. As a practical matter, we need the energy, technology and skilled workers that the breeder will provide in the transition to fusion. We have to be willing to take losses in these early battles to build the coalition of unionists, industrialists, and pro-development forces in the Democratic and Republican Parties to win the war."

Dr. Bostick was asked about the effects on scientific research of security classification restrictions. He characterized security classification as a "poison" in the body of research, which protected scientific mediocrity more than national security.

In the hour of close questioning that followed, the major issues that were raised included the safety and radioactive levels of fusion, whether fusion involved reprocessing of fuel, the size and cost of fusion reactors, and again, why fusion couldn't be developed while fission is cut back. While some of the questions reflected the influence of the latest Ford Foundation strategy to kill nuclear power by attrition, most questioning reflected the growing commitment of Congress to arm itself with the advanced scientific conceptions required to defeat the Carter deindustrializers.

Symptomatic of this tendency, one staffer asked Prof. Bostick a series of questions to elaborate on his earlier statements on the relation between micro-biology and micro-physics and the more general implications of his research, which Bostick had characterized as the advent of the "Pasteur Era" in plasma physics. It is just this relationship between scientific breakthroughs in the understanding of plasmas and the more general unified field problem and the rapid development of the most economical fusion reactors that the FEF, in concluding its briefings, called for the Congress to now fully investigate through extended hearings and to act on in the form of a crash program.

Carter Universal Vote Fraud Package

Presented To Congress

Last week, the Executive Intelligence Review outlined for its readers the three basic planks of an electoral package to institutionalize vote fraud which the Carter Administration would be presenting to Congress — legislation for “universal” same-day voter registration, the elimination of the Electoral College, and public financing of Congressional campaigns. This week, Carter and Mondale presented the package to Congress, with the addition of a call to allow political campaigning by federal employees.

The U.S. Labor Party, before the House Appropriations sub-committee on Treasury, U.S. Postal Service, and General Government, launched the first attack on the proposed Carter package, testifying against the further funding and expansion of powers of Carter’s watering unit, the Federal Elections Commission (FEC). Committee to Elect LaRouche Chairman Marcia Merry Pepper and former U.S. Labor Party candidate for Governor of Delaware, Leroy Jones, also called on Congress to investigate the FEC; a former Democratic candidate in Michigan concurred in his testimony. Attorneys Paul Kamenar and Joel Joseph, both former employees of the FEC, documented the FEC’s unusual investigation procedures, which left obvious fraud untouched and caused innocent parties undue harassment. Under the new Carter electoral bill, the FEC would be given expanded powers to administer elections.

Official sponsors of the Universal Registration Voter Act are few, including Rep. Frank Thompson (D-NJ) and Senator Howard Cannon (D-Nev). Both, according to Mondale’s message, helped develop the package. Senators Alan Cranston (D-Cal) and Edward Kennedy (D-Mass) also worked with the White House in drawing up the legislation.

The *Chicago Tribune* on March 24 carried an editorial entitled “Carter Versus the Electoral College,” terming

the elimination of the electoral college vote “a revolutionary change totally opposed to the concept of our founding fathers.” The *Tribune* continued by citing two of the nation’s “best presidents” — John Quincy Adams and Abraham Lincoln — as having been assured the election through the exercising of this constitutional provision. “Mr. Carter’s scheme,” the editorial continues, “will at best embroil Congress in a long constitutional battle...at worst, it will overturn basic principles...” The *Chicago Daily News* attacked more directly in their March 24 editorial, “No on Quickie Registration.” “Quickie registration would open the door to widespread fraud and we doubt that eliminating a bother is worth the vote.” Explaining the necessity for pre-registration as enabling numerous checks and re-checks for registration fraud, the *News* continues: “That is no small protection in a place like Chicago where the dead often continue to vote and the election day slogan is ‘Vote Early — Vote Often.’ (Used by Walter Mondale on Election Day, Nov. 2, 1976 — ed.). ‘Well, Mr. Mondale, Minneapolis is not Chicago, and Minnesota is not Illinois. Chicago ain’t ready for this kind of election reform and neither are a lot of other places in this big country.’”

The test of whether or not such opposition, in the media and in Congress, will be successful is in their capability to launch a full-scale investigation into the extent of vote fraud in the 1976 election. In Wisconsin, the Justice Federation is considering challenging the constitutionality of the Wisconsin same-day registration law, using massive evidence of the resulting vote fraud already documented by the Labor Party and the Committee to Elect LaRouche. In Congress, a timely investigation of both the FEC, registration-by-mail and on-site registration used in the 1976 election would provide enough evidence not only to hang the Carter package but Carter as well.

European Currencies Under Fire

FOREIGN EXCHANGE

Political instability and economic deterioration in Great Britain and France triggered heavy speculative pressures against those countries' currencies early this week. The near collapse of the British Labour Party government produced 6 point and 13 point drops in the London stock market index on Friday, March 18, and Monday, March 21, respectively.

Although the pound sterling managed to rally later in the week based on Bank of England intervention and the Callaghan government's winning of a critical vote of confidence, this week's crisis was an important danger signal. Up until now, the pound's stability has been largely predicated on speculative short-term capital inflows into British stocks and Treasury securities — at the expense of long-term industrial investment. This short-term capital inflow could easily turn into a panicky outflow, as this week's experience attests.

In France, sell orders deluged the Paris bourse in the wake of the Left coalition's victories in the recent municipal elections. The Paris exchange index fell 4.5 percent on March 21 and quotations of six stocks had to be delayed because of lack of buying orders. The French franc was stabilized only at considerable cost to the Bank of France.

In Italy, meanwhile, the Andreotti government averted another lira crisis by accepting the International Monetary Fund's conditions for a \$530 million loan — conditions so onerous that their implementation is likely to bring down the government itself and propel Italy into chaos.

U.S. Payments Deficit Deepens

Ironically, the European currency turmoil erupted in the same week that the U.S. Commerce Department released balance of payments figures underscoring the actual weakness of the U.S. dollar. The U.S. current account deficit mounted to \$817 million in the fourth quarter of 1976, compared to \$729 million in the third quarter, and a \$11.7 billion surplus in 1975 as a whole. The deficit was aggravated by a record \$20.7 billion surge in U.S. bank foreign loans and transfer of funds to U.S. bank foreign branches — an amount approximately equal to the shortfall in internal funds experienced by U.S. industry from the level required to keep U.S. plant and equipment at replacement levels! Nearly half of this \$20.7 billion outflow — \$9 billion — occurred in the fourth quarter alone, as U.S. international banks rushed funds abroad to roll-over non-accruing Third World and other loans, an operation euphemistically termed "end-of-year book balancing."

Given this record foreign lending and the \$9.2 billion merchandise trade deficit, how did the dollar manage to survive the fourth quarter of 1976? The same Commerce Department figures provide the answer. The central banks of Western Europe, the Middle East oil producers and other U.S. trading partners might have accumulated dollars reluctantly — but lacking any alternative international reserve — simply reinvested their dollars into interest-bearing U.S. Treasury paper, bank certificates of deposit and other U.S. assets at the record rate of \$33.1 billion. Official foreign assets in the U.S. soared by \$18.1 billion in 1976, half of which represented central bank purchases of U.S. Treasury securities. This inflow neatly balanced the record \$43 billion jump in total capital outflow and the \$9.2 billion trade deficit, providing the U.S. with a small but steadily worsening deficit on current account.

Such figures point up the extent to which the dollar's

GOLD

Gold Keeps Going Up

Gold prices soared to a new two-year high of \$153.25 an ounce in London this week as fears of new European currency turmoil and U.S. dollar inflation continued to mount. Heavy bidding on the Chicago Mercantile Exchange boosted June futures to as high as \$155.50. One Chicago source noted that Arab "double orders" in New York and Chicago had bid up prices and accounted for much of the sharp increase in volume traded. In addition, French interests were reported to be feeding the Chicago market with rumors of a gold-backed monetary system.

Pro-gold articles have begun to appear in even such staunch "Eastern banking establishment" organs as the *Baltimore Sun*. According to the gold analyst at the New York-based brokerage firm, Drexel Burnham, "Today, it is the *disbelievers* in Gold who constitute the lunatic fringe... gold is undergoing de facto remonetization."

An indication of this is the fact that Western European and Kuwaiti central banks are attempting to sustain East-West trade through large gold-collateralized loans to the Soviet Union. The European Bank for International Settlements (BIS) is reportedly playing an intermediary role — accepting the physical delivery of Soviet gold so that sudden increases in supplies do not disturb the markets, while European central banks arrange the loans. This is regarded as an alternative arrangement to the expanded use of the transfer ruble — albeit a limited one.

apparent strength is pure political fiction, based on the willingness of Western European governments and others to assist in financing the U.S. national debt — a charade which cannot continue indefinitely.

Yen Hits 34-Month High

The Japanese economy meanwhile, suffered this week from not a falling but a rising currency — as the yen hit a

34-month high of 277.4 yen to the dollar. Rumors are rampant in the market that Prime Minister Fukuda made a deal with the Carter Administration to allow the yen to appreciate — possibly to as high as 270 to the dollar — so as to reduce Japan's huge trade surplus with the U.S. According to the twisted logic of Carter economic advisors, such as C. Fred Bergsten, such a yen revaluation would strengthen the dollar in the long-run.

Common Fund Hoax Dies Quietly

SPECIAL REPORT

Wall Street's Common Fund proposal — to arrange commodity price supports as a mechanism for bailing out their \$300 billion of Third World debts — has died. The refusal of the Europeans and Saudi Arabians to contribute to this fund to keep Rockefeller's banks alive led directly to its failure. Final word on its early demise came from the chief of commodities at Chase Manhattan Bank, Mohung Che, who flatly stated in an interview March 21, "I do not think a Common Fund for commodities will be set up, there is even very little chance of reaching a resolution on a commodities-by-commodities basis."

By March 23, the *Journal of Commerce* had published a strong editorial against the scheme, and the following day an aide to Senator Jacob Javits (R-NY) on the Joint Economic Committee indicated he concurred with the Chase assessment. The point was highlighted by failure of the UNCTAD Geneva meetings on copper between consumer and producer nations to even "establish a basis for negotiating an international copper agreement," according to the *Wall Street Journal* March 21.

While the Coordinating Bureau of the Non-Aligned Nations (established at the Colombo Conference of the Non-Aligned in August 1976) still has the Common Fund on its agenda for their April 6-11 meeting in New Delhi, the Yugoslav press reports that the North-South talks scheduled for May might be postponed because of doubts that the major industrial nations will resolve their differences at their early May summit in London. As stated by an analyst at the Wall Street investment banking house Salomon Brothers, "the possibility of any international agreement on commodities is extremely remote; there are so many competing interests they will never be able to agree."

What was clear from the beginning, however, was that the Common Fund proposal, floated by Wall Street's agents within UNCTAD, was never designed to aid the developing countries in their fight to improve their living standards. Not only were the increased revenues to be channelled into debt service, but the rising commodity prices would lead to an increase in world inflation, particularly in the finished goods the developing countries hope to import from the advanced sector. Additionally, the increased commodity costs would result in a secular

decline in demand, further exacerbating the LDC earnings crisis.

The only solution for the Third World would have to be one similar to the U.S. Labor Party's *International Development Bank* proposal which calls for a debt mora-

T-Ruble Set To Go

According to a high official of a Comecon member government, every technical and financial arrangement requirement to make the Comecon's transfer ruble the basis for a new monetary system is already in place. Numerous countries outside the Comecon are immediately prepared to join a new monetary system based on the transfer ruble, the source said.

Only political wavering by the Soviet Union stands in the way. The Soviets are afraid that a direct move against the bankrupt dollar would be viewed as an intolerable "provocation" against the United States. Accordingly, last month the Soviets refused to give final approval to a \$5-6 billion deal between the USSR and Italy, which would have brought the transfer ruble into major international circulation for the first time.

The Comecon source's judgement was corroborated from the Italian side this week. In a commentary published March 17 by the leading Italian newspaper, *Corriere della Sera*, Italian Communist writer Carlo Boffito explains that setting up three-way trade deals between the Soviets, Europeans, and Third World based on the transfer ruble represents no technical problem. "The operations would require a series of technical agreements and banking guarantees," Boffito says, "that do not present any special difficulty. The reason that there has been so much mystery around the broad utilization of the transfer ruble is obviously political."

The Italian commentator adds, "Given the international level of (dollar) interest rates and the problems in finding international financing, it would be to Italy's advantage to use the transfer ruble." This is also the publicly-stated view of many Italian industrialists, 200 of whom participated in the February delegation to Moscow that tried to negotiate a transfer ruble deal for Italy.

torium, followed by triangular trade agreements between the industrial West, the Comecon, and the Third World based on a gold-backed transfer ruble.

As if the link between commodity prices and debt had been lost on anyone, a study by the subcommittee on Inter-American Economic Relationships of the Wall Street-dominated Joint Economic Committee released a report on Feb. 23 entitled "The United States Response to the New International Economic Order" which made the point perfectly clear. Under a subheading, "The NIEO and a Debt Moratorium" the report states, "the sharp reversal in commodity prices, recession in the developed world, and the consequent trebling of current account deficits may have had a great deal to do with the growing pressure for a new international economic order. In addition to calling for more concessional aid...higher prices for commodity exports, the new international economic order program included a request for assistance in dealing with the mounting external debt of the developing world — including the possibility of a debt moratorium."

The study then warns the developing countries that "The United States is strongly opposed to a debt moratorium. It is the view of the United States that a moratorium on debt is a particularly arbitrary way of increasing development assistance and will make it more difficult for the defaulting countries to obtain additional private and even public funds in the future." This threat concludes with a gloating reference to "a general backing away from the call for debt moratorium. The Group of 24...of the IMF has recently dropped any demand for a debt moratorium."

However, increasing resistance in Congress and among the industrial and food export interests in the U.S. over the past several weeks has proved that the refusal to acquiesce to debt moratorium is not the "United States" position, but merely the position of a few banks in lower Manhattan.

Faced with their failure to put the commodities hoax

over on the Europeans or the Third World, the New York banks are seeking new mechanisms to keep their debt payments coming in and themselves afloat. Chase Manhattan's Che is now taking the position that "the only way is to set up an international financing scheme not tied to commodities." This international financing is precisely the IMF operation which came under strong attack in Congress during this week. The JEC subcommittee report calls for a similarly absurd system of multilateral policing of raw materials production linked to the banks' demands for a collateralized looting scheme — the infamous Kissinger proposal for an International Resources Bank. "The United States has accepted a somewhat diminished role for the multinationals in the exploitation of natural resources," the JEC report notes, "Identifying the principal American interest with a secure, reasonably priced supply of raw materials, the United States has sought alternative means of channeling private funds into raw material development in the developing world."

Adding to the flurry of new proposals being floated by representatives of Wall Street, Robert Roosa of Brown Brothers Harriman admitted in a long Op-Ed in the *Journal of Commerce* March 21 that the UNCTAD Common Fund was unworkable, objectionable and ineffective, and suggested that a much better way to do the job is to provide commodity producing countries with loans collateralized by their commodities shipments held in stockpile. The National Commission on Supplies and Shortages (NCSS), chaired by Rand Corporation President Donald Rice, several weeks ago called on Congress to increase the U.S. stockpile of various raw materials, a move which would provide a temporary price support, although the NCSS admitted in their report that it was so late that, as far as they were concerned, the major purpose of stockpiles was to prepare the nation for wars on Third World nations which would temporarily cut off raw materials shipments.

Without New Credit System, Europeans Will Be At Each Other's Throats

BUSINESS OUTLOOK

Figures just released by the West German Economics Ministry show that West German industry, Europe's vital engine, is now badly crippled. Export orders — reflecting deliveries for the next six months — to the whole of German industry collapsed by 10 percent in January. The key investment goods sector plummeted 14.5 percent. Total foreign and domestic orders to West German industry fell 6 percent. This is the clearest sign that the 1975-76 European "recovery," artificially based on consumer credit without the backing of capital investment, is over.

Europe's deal-by-deal approach to foreign trade with new Arab and Soviet partners will have reached an impasse as well, if a new credit system based on industrial development is not created. Without it, these countries have no other choice but to slice each others' throats in an attempt to expand their share of a shrinking international market and slow the rate of collapse. In the process, the Europeans will propel their countries to economic disaster, pushing both the West and the socialist bloc over the brink of bankruptcy.

From Trade Contraction...

Initial international trade figures for February confirm the January collapse, labeled by official sources as an "accident" due to "seasonal factors." Imports took a sharp 14 percent dip in Great Britain, wiping out an equal

advance in January. The January figures had been artificially inflated by speculative oil purchases and exceptional foodstuff orders in the wake of this summer's drought.

In France, February imports dropped 2.2 percent. Exports of both British and French goods, in particular technologically advanced products continue to stagnate.

Italy, under the Andreotti government, saw imports rise by 35 percent and exports by 43 percent in 1976. These figures are based on high consumer demand and extension of government credit to public and private industry. The austerity measures imposed last autumn and aggravated by both the recent cuts in public spending, imposed by the International Monetary Fund, and the Treasury deficit will undoubtedly put a brake on "Italian growth."

The fourth quarter of 1976 was the turning point. No new productive capacity was built during the paper-based "recovery" of 1975-76, and inflation once again began to reach double digits in France, Great Britain and Italy last autumn. Inflation netted heavy balance of payments deficits due both to trade deficits — imports growing faster than exports — and liquidity flows out of the country.

Europe, unable to organize a new monetary and credit system oriented toward capital-intensive development projects, was compelled to apply traditional medicines to their trade situation: cut domestic demand and stimulate exports.

If all the European countries follow the same austerity measures at the same time, they will all soon *face together a contraction of their foreign trade*, which is exactly what is happening now. That problem is aggravated by the increase in commodity prices. The latest oil price increase alone adds no less than \$3 billion to the European Economic Community's 1977 import bill.

Faced with this trade contraction the West European governments are following a spiral downward, cutting further their imports to balance out the collapse of their exports! And the EEC Commission has just proposed this crazy policy for European-wide implementation.

...To Industrial Collapse

For the battered European steel industry, which is at present working at about 60 percent capacity with a total debt equal to one year of sales, the EEC has created a special fund to finance "voluntary" production cuts, and is proposing minimum prices and import licenses against foreign competition. The EEC also has a plan to "solve the problem" of the oil refining sector which is working at 62 percent of its capacity: cut it by 16.5 percent and stop all new construction!

The EEC has sentenced the whole of European industry to destruction by its criminal policies.

At the end of 1976, the total capacity utilization was 10 to 20 percent below that of 1973; plant and equipment were not renewed except in consumer-related sectors. Official unemployment levels started to rise again by the end of 1976, and they are now up by 20 percent over 1975

levels. So-called temporary unemployment is also high, while some workers are being kept on as slave-laborers with cuts in wages.

The auto industry, key to the late "recovery," is now threatened by the new ratchet of austerity, as both its domestic and foreign markets shrink as a result of the economic policies being applied by the European countries.

Not Just Europe's Problem

The only way out for Europe is long-term oil-for-technology or commodities-for-technology agreements with the Arab sector and the Comecon countries, to be joined by U.S. industry within the framework of a new monetary system. The present deal-by-deal approach is hamstrung by the Europeans' credit problem.

In particular, under the dictates of Rockefeller's dollar system, the Soviet sector will not be able to meet its debt payments without restricting its own imports and cutting its rate of growth. The New York Times is already moot-ing that the Soviets will have to cut their imports and reduce their trade deficit to \$3 billion in 1977 (as versus \$6.4 and \$5 billion in the last two years) in order to meet their payments. The effect would be a slowdown in their production by 30 to 50 percent of their expected growth.

The Council on Foreign Relations' Zygmunt Nagorsky gloated in Money Manager this week that this "is the end of Soviet trade expansion." Others are pointing out that while China has just sold 80 tons of gold on the Western markets, the Soviets are planning to sell 600 tons during 1977-78.

The alternative to debt moratorium and the International Development Bank is trade contraction and trade war. The Japanese, with one of the most advanced and trade-oriented economies in the world, are particularly vulnerable. The country's industrial activity fell by 0.2 percent in January. The government is relying entirely on exports to keep the economy afloat. But both imports and exports fell in February. Protectionist measures in Europe — against Japanese steel — and the U.S. — against both Japanese steel and TV sets — are threatening to bring the whole economy down.

In the U.S., exports only represent about 5 percent of the Gross National Product, but the national economy is wholly integrated with world trade. The liquidity ratios of U.S. firms are better than they were a year ago — only due to the fact that there is no capital spending, no inventory buildup, and no bank borrowing. At the same time, the ratio of household debt to dispensable personal income is increasing. The whole economy is still afloat on consumer credit, a fact corroborated by the huge trade deficits of the last months. In a word, the U.S. will follow Europe, and very soon. New orders for factory goods failed to recover in February from a 6 percent drop in January. The Wall Street community is now fearfully commenting on the results of a questionnaire sent by Citibank to more than a thousand firms. The firms were asked how long they think it will take to recover from the January cold wave. Their predictions are between one and three years. It is definitely more than a bad cold.

The North Sea: Britain's Fight For High-Energy Growth

British Energy Secretary Anthony Benn last month completed a takeover of 51 percent of Britain's North Sea oil by the government's British National Oil Corporation (BNOC). Not only does BNOC intend to see that North Sea oil is produced rapidly in large quantities to provide high energy throughput for Britain's industrial growth, but BNOC plans to market the oil itself, taking over 30-50 percent of the United Kingdom's market in the next three years, to provide complete security of oil supply.

The BNOC triumph caps an 18-year effort by the British Labour Party and industrialists associated with the British Petroleum Company to develop the energy resources of the North Sea — bucking the efforts of the Rockefeller family's Standard companies, Exxon, Mobil, and the Rothschild family's Royal Dutch Shell to suppress such new energy resources. Its success will mean the end of these monetarist oil majors' current 50 percent control of the United Kingdom oil market. Moreover, BP and BNOC, in cooperation with the Italian, French, German, and Belgian national companies, are planning to move North Sea oil in quantity into the West German market — a critical Exxon profit center — as well as the rest of Europe.

Britain's fight for North Sea development has been conducted for the express purpose of providing more and cheaper energy for both industrial development and high-technology exports to the Third World. That pro-growth strategy is diametrically opposed to the long-standing energy policy of the monetarist majors, whose entire financial history has been based on finding the oil or gas first, in order to sit on it — driving up prices and bankrupting competitors. Admittedly, in the North Sea as elsewhere, the preferred Exxon-Shell strategy has been to have no one find it at all.

As a result, BP, European government companies such as ENI (Italy) and CFP (France) and U.S. and UK independents like Phillips have made every major "first" discovery in the North Sea. (BNOC was not established until 1975.) Together, the BP-independents group accounts for 40 trillion of the 50 trillion cubic feet (TCF) of North Sea gas reserves so far identified, and 190 million of the total 250 million tons per year (mt-y) peak production of oil projected for the North Sea (British and Norwegian areas).

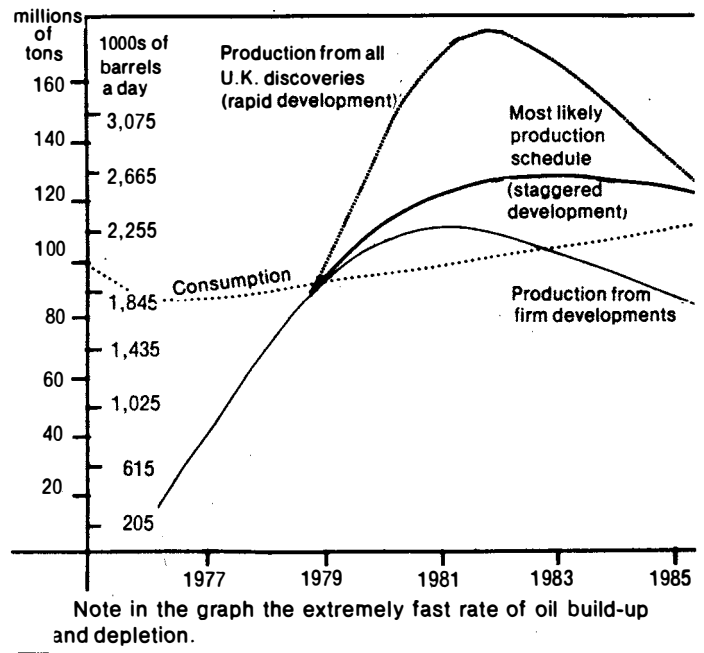
The North Sea project did not derive from a conservationist "energy independence" policy for oil. It has always been a part of a broader energy expansion program to phase out Britain's backward coal economy, on which 80 percent of national energy supply depended in

1959 when North Sea exploration began. The overall program has been aimed to modernize industry with an integrated natural gas and oil policy and the world's oldest non-military nuclear energy program.

North Sea oil production is oriented toward maximum short-term output (meaning maximum depletion rates).

Figure 1

UK Annual Oil Production And Consumption To 1985



(Fig. 1). Britain does not intend to sell the oil to pay its debts, as New York bankers demand. Its energy and financial benefits are to be reinvested, as Energy Minister Benn has pledged, in a forward-looking fast breeder nuclear fission and fusion program.

North Sea oil, BP's ex-chairman Eric Drake stated recently, is "an extra breathing space... (to) give us more time... to realize the full potential of coal, gas, oil, and nuclear power... without a decline in living standards." BP Managing Director A. Walters told a European energy conference last December that Europe must build another 800 nuclear power plants by the time the North Sea is depleted, since "solar, wind, wave, and such

energy types can never supply more than 5-6 percent of our needs at best."

The development of the North Sea has been part of the post-1945 international war over energy resources and energy policy. U.S. independents, and Europe and Japan through their national oil companies, were compelled to challenge the high-price cartel operated by Standard and Royal Dutch Shell after World War II. With the stagnation of industrial development under the Marshall Plan, there was an incredible glut of oil, so that the monetarists kept up prices by restricting production everywhere but in their own Saudi Arabian and Venezuelan preserves. When the Standard companies succeeded in having BP thrown out of Iran and deprived of 75 percent of its oil, BP and the Europeans began to move toward heavy exploration. To lower prices, they had to bring in more oil.

In rapid-fire order, Italy's ENI, headed by Enrico Mattei, BP's former "correspondent" oilman in Italy, BP itself, and then France's CFP made arrangements with the Soviet Union for purchases of 15 million tons per year by 1969. Simultaneously, Pierre Guillaumat, the Gaullist Directeur des Carburants in France, ordered a large-scale increase in the output of Algerian oil and gas, whose proximity to Europe meant further price declines. U.S. independents such as Sinclair went into partnership with BP in Alaska in 1959; Hunt Oil and BP worked together in Libya and Phillips' Executive Vice President W.W. Keeler negotiated new exploration rights in the Soviet Union.

With Britain in the lead, Europe opened yet another energy front — nuclear power. The UK in the early 1950s led even the U.S. with its Calder Hall program of plutonium production, which had second stage reactors generating electricity by 1956. During the 1956 Suez crisis, the British nuclear program was revved up to permit 6,000 megawatts of electricity to be nuclear-generated by 1965 — (Britain's total capacity today is the largest in Europe, at 8,097 MW).

The UK nuclear reactor program was based on the "proliferation" of UK exports to the continent. Although Euratom, the nuclear arm of the European Communities, was U.S.-organized and NATO-controlled, the French, with British support, in 1957 presented "A Target for Euratom" to that body, demanding a 15,000 MW nuclear electricity program for the EEC by 1967.

The Rockefeller oil companies were terrified. NATO's Organization for European Economic Cooperation and Development issued a series of reports on "Cutthroat Energy Competition," asserting that anyone who tried to develop nuclear energy would be bankrupted because of the glut of oil already on the market. Finally, Congress signed a \$350 million aid program for the continental European nuclear industry, to persuade Europe to at least buy American reactors instead of British.

What originally opened the North Sea for gas exploration was the development of a process to liquify and ship natural gas which had been burned as waste at the oil wells in vast quantities before then. In Feb. 1959, the government's British Gas Corporation, which runs Britain's domestic gas network, took the first shipment of liquified Louisiana natural gas from the U.S. independent, Continental Oil, which had developed the

process. The implications for France's Algerian gas and the Middle East were obvious.

Exxon and Shell immediately tried to get in on the deal, and when they failed, they played a forced hand. The Exxon-Shell joint venture which runs the Dutch oil and gas market announced in August 1959 the existence of an astoundingly large natural gas field at Greningen on the Dutch coast — right in the heart of the pivotal European energy market. Greningen is the second largest gas field in the world, and so large it supplies most of French, Dutch, Belgian, German, and half of Italian gas needs today. The Continental-British gas venture folded with this "discovery" and it seemed the monetarists has won another monopoly.

But Dr. George Lees, BP's chief geologist, immediately saw what the announcement of Greningen made inevitable — the huge field's structure must extend under the North Sea, with the possibility of greater gas and perhaps even oil development. Lees, who had personally made many of BP's key finds in Iran, Iraq, Kuwait, and around the world, was also the foremost expert on Britain's own geology, since under his direction BP had been the only company to drill for on-shore oil in Britain itself. In the fall of 1959, BP initiated a series of exploratory seismic ship voyages to chart the geology of the North Sea.

To Shell-Esso, as the Rockefeller-Rothschild venture was formally called, this was a calculated disaster; they, of course, had known of Greningen all along (and indeed had explored every corner of Holland, Shell's home base, for over 20 years). Lord Balegh, one of the brains behind the BNOC, charged as much in 1974, noting that Greningen's "true magnitude was not, at any rate publicly, acknowledged for a very long time."

The Shell-Esso plan was, first, not to offer cheap Greningen gas to Britain, but to propose oil gasification, still at a price cheap enough (7 d-therm: old pence per thermal unit) to undercut the Louisiana gas deal (at 8 d-therm). Gas in Britain, as in France, has always been government owned, with set costs, such that it would be very difficult for Shell-Esso as the gas supplier to get in on the distribution networks and control prices at all levels the way they do with oil. Christopher Tugenhat, the British independent oil man, noted that, "In Belgium, Holland, and Germany, municipalities had the local gas monopolies, which the companies greatly preferred, since they can buy their way into the district organizations which supply the cities and sell directly to large industrial customers....But in Britain and France, this is impossible."

In 1961, Britain made 94 percent of its gas supplied to homes and industry from coal and water, and some 2 percent from oil gasification. With the new oil gasification, the use of oil in the gas industry tripled, from .5 million tons in 1960 to 1.5 million in 1965. The plan was to go completely to oil by 1974 and turn the gas industry into a customer for 25-30 million tons of oil a year — about 25 percent of British oil consumption today, and no mean addition to the shrunken world market.

All the while, prices to Britain at 8 d-therm, while lower than the coal gas price of 12 d-therm, were being artificially kept twice as high as sales of Groningen gas on the continent at 4 d-therm.

Meanwhile the Shell-Esso strategy was to lock up as much of the promising areas of the North Sea as possible, to make sure no one developed it. Shell-Esso would be "in a very difficult position when large reserves were found in the North Sea," Tugenhat commented, since it would destroy the high price of Groningen gas. Since Shell-Esso had known of Groningen for years, they also had a much better map of the North Sea than anyone else — but BP was overtaking them fast. Shell-Esso therefore led the push for a first round of North Sea exploration licenses to be granted as soon as possible and covering as much territory as possible, before the fall 1964 could bring in the Wilson labour government with its expert energy team.

A British National Oil Corporation

As early as July 1973, Professor Peter Odell, colleague of Wilson's top economic advisor and of the present No. 2 man at BNO, Lord Balegh, was calling for a *state oil company* to manage North Sea development and British oil imports. "Labour, it would seem, would support the coal industry, saying oil will run out and where will we be... but this will tie the country to a high cost source of energy, inhibit our competition in world markets with other industrial countries... which a Labour government, dedicated to increasing the country's rate of economic growth, could not afford... A program based on a radical approach to energy supplies and costs is worth considering," he wrote in "Labour's Policy for Oil," an article that appeared in *New Statesman*.

Odell attacked the artificially high oil prices charged to Britain, noting most of the rest of Europe was getting a 60 cent discount per barrel of crude from the posted price due to the glut. The government "should set up a state owned refining company" to pick up cheaper crude from ENI and other independents, and force the majors to sell crude, "and thus establish price levels."

The savings on energy should be split three ways, said Odell: one-third to the British consumer, one-third to phasing out and industrializing the coal mining regions, and one-third to the industrial development of the OPEC nations.

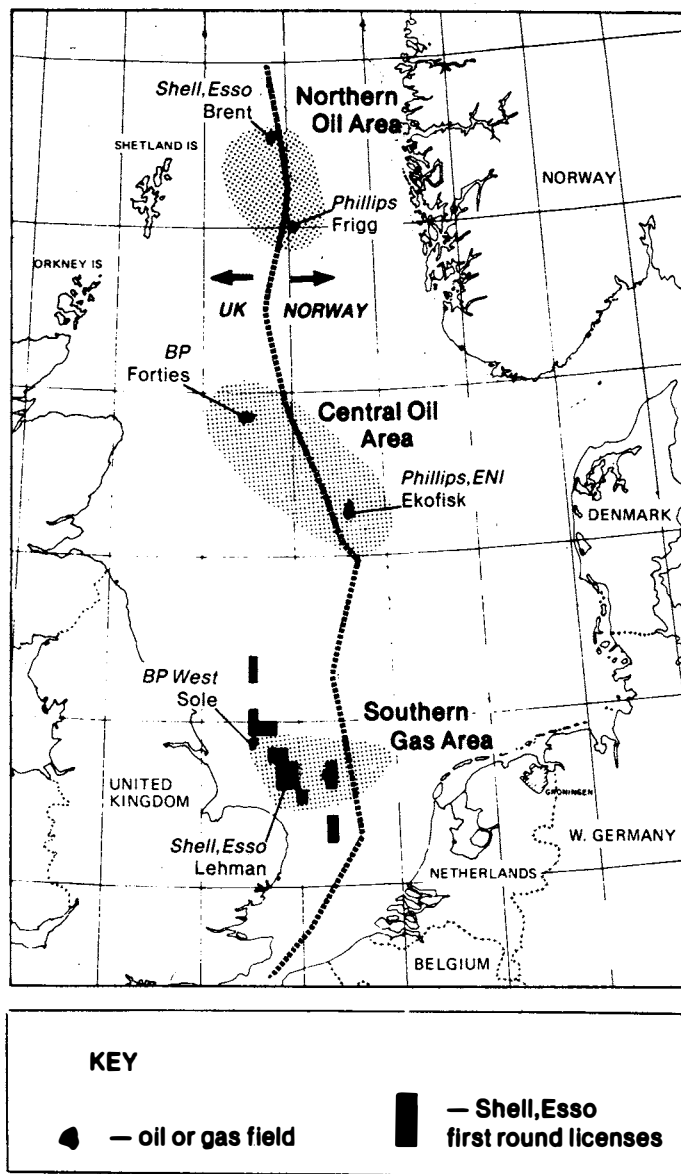
The state oil company would also take charge of the rapid development of North Sea resources and was pushed by Balegh from the beginning. "The physical possession of oil in times of emergency," he wrote, "cannot be matched by mere taxation." It was an integral part of the upcoming Wilson government's plan to stop the destructive effects of continual sterling crises upon the economy through a planned restructuring of industry under a high-technology state sector. A national oil company, wrote the *Guardian*, "must be established if Wilson's vision of a new, dynamic state enterprise is to have real meaning."

A state oil company pushing fast development of the North Sea, along with Odell's pricing proposals, would have totally wrecked the Exxon, Mobil, Shell price structure for Britain, and severely weakened prices around the world. In record time, Exxon et al. pushed the governments bordering the North Sea into a treaty establishing territorial claim to the North Sea, at the May 1964 Geneva Sea Law convention, and one week later the Tory government announced that the first round of North Sea licenses had been granted. Fully 40 percent of the entire

UK sector of the North Sea, the richest area, had been given away with no conditions. BP got its fair share, but the fields taken up by Shell-Esso were the lion's share of what eventually became the southern gas district and the central oil district (Fig. 2). But at the time, Exxon and friends announced no discoveries.

Figure 2

The Major Hydrocarbon Provinces



The map shows: a. Area licensed to Shell-Esso under the Tory first round of give-away licenses. b. Eventually-found concentration of gas fields in exact same location.

Source: Shell Briefing Service, Sep. 1974

At each stage in North Sea development, discoveries by BP or its allies forced Shell-Esso to cough up some of what they were sitting on to maintain their share of the British market. In November 1965, BP announced the West Sole gas field, the first major hydrocarbons strike

in the North Sea. Immediately, in February 1966, BP signed a contract with the British Gas Council to sell the gas as 5 d-therm, decisively undercutting the oil gasification price of 7 d-therm, with provisions that the 15-year contract "could be renegotiated with the price significantly below the level adopted in this first case" when more gas was found.

The BP deal not only dissolved the price cartel, but set up a state natural gas industry. A 1965 Labour ruling called for British Gas to be the sole buyer of North Sea gas, though the other companies had demanded the gas be sent abroad to keep high prices for oil in Britain. The BP deal created a British natural gas market and forced

the rest to sell to the state. Oil gasification had been defeated.

With the BP deal in its pocket, the Labour government devised a plan for cheap energy to British industry and higher consumption levels for the population. In early 1966 the Balegh energy group began studying a proposal, based on the high availability of North Sea gas, to triple UK gas consumption from 4.5 billion therms in 1967 to 13.5 in 1975. In doing this, the coal, water, and oil gas production, which then accounted for 100 percent of British gas supplies, were to be totally phased out and replaced by North Sea natural gas, run by the state. (Fig. 3).

Figure 3 — Evolution Of British Energy Sources

3a. Sources Of Gas						
	1950	1960	1968	1970	1973	1974
GAS MADE						
COAL GAS	1,887	1,732	768	296	} 31	} 10
WATER GAS	405	446	141	40		
OIL GAS	3	65	1,885	1,336	677	590
ALL TYPES	2,295	2,243	2,794	1,672	708	600
NATURAL GAS ALL TYPES	321	690	2,077	4,646	10,906	13,000
TOTAL UK GAS CONSUMPTION	2,616	2,933	4,871	6,318	11,614	13,600

Source: UK Energy Statistics Digest, Gas Council, Annual Reports

3b. Retail Prices For Energy

INDICES, JANUARY 1962=100

	1964	1967	1970	1973
GAS	109	114	126	146
ELECTRICITY	114	130	146	175
COAL	107	127	162	208

SOURCE: UK ENERGY STATISTICS DIGEST;
GAS COUNCIL, ANNUAL REPORTS

3c. UK Overall Energy Consumption

(MILLIONS TONS COAL EQUIVALENT)

	1958	1970	1975	CHANGE 1970-75
COAL	202	154	104	- 50
OIL	47	147	129	- 18
NUCLEAR	.1	10	NA	
NORTH SEA GAS	.1	16	46	+ 30

The charts show: a. Due to BP and the Philips consortium's aggressive exploration policies, Britain was able to phase out oil used to make domestic gas, and hike its consumption of North Sea natural gas. b. Gas prices helped keep overall energy prices low. c. Gas consumption lowers oil dependency.

Conversion of the entire nation's gas appliances to accommodate the natural gas, which was twice as rich in caloric value as coal gas, was decided upon (rather than watering the North Sea gas down). Though conversion was estimated in 1966 at over £400 million, watering the gas would have meant large and continuous capital expenditure on outmoded watering plant. More importantly, the effective capacity of the existing storage and distribution network was doubled by using the rich natural gas. It was estimated that conversion would in fact save £1.4 billion.

The government similarly made a commitment to bring industry, which could not use gas unless its price declined drastically, off oil and onto British gas. Fully 5 billion therms out of the projected 1975 consumption of 13.5 billion was to go to heavy manufacturing "to reduce industrial costs and improve the international competitiveness of British industry," wrote A. Reid in "The Nationalized Fuel Industries."

This huge market, Shell-Esso could not stay out of so, in April 1966, they announced the huge Lehman Bank gas field in block 49-26. If they had not, the independent groups next door in blocks 49-27 and 28 led by British Gas, Amerada, Arpet, and British Sun Oil, might have announced it.

As a flood of new fields were discovered, British Gas killed the Shell-Esso price cartel for good. BG announced their new offering price "to increase consumption with as much price reduction as possible to the final customer" : 1.8 d-therm, less than half of the initial BP contract price and well below the lowest selling price for Groningen gas at 4d-therm. It was BP ally Phillips, leading a consortium of the Italian, French, and Norwegian state oil companies, which first agreed to a compromise price of 2.5 d-therm, forcing all the rest to follow and bringing down the rate structure across Europe.

Stage Two: North Sea Oil

During the gas stage of North Sea development, Royal Dutch Shell geologists were the most vociferous pessimists as to the likelihood of finding oil; but the Shell-Esso group still took up all the right areas. During the first three licensing rounds in May 1964, November 1965, and September 1969, they locked up choice blocks in what are known today as the central and northern oil formations. But no discoveries were announced.

Meanwhile, the Labour Party was pushing hard to undo the licensing precedents set by the Tory first round in May 1964, when 40 percent of North Sea was given away for nothing. In late 1967, the Labour Party National Executive Committee issued a formal White Paper entitled "A National Hydrocarbon Corporation," defining what has today become the BNO. The main points of the White Paper:

"To adopt a National Hydrocarbons Corporation (NHC) for exploration, storage, transportation, refining, and marketing of North Sea gas, and oil if discovered; to engage in exploration partnerships and to be responsible for importing liquefied gas from North Africa and the Western Hemisphere. To adopt a scheme similar to the Norwegians' who have the options to take 40 percent of the share in discoveries if made, and in return share in the costs of exploration and development..."

A bill establishing an NHC was put to the 1969-70 Parliament, but was stopped by heavy lobbying by Exxon, Mobil, and Shell, backed up by the U.S. Department of State. After David Barran, chairman of Shell U.K., denounced the Labour Party's "excessive intervention," Henry Kissinger's State Department informed Britain that BP's explorations in Alaska were in grave danger if any nationalizations occurred in the North Sea. The bill was voted down and the Labour Party fell from power at the end of 1970.

But by that time, BP and the independents had changed the face of the North Sea for good. In December 1969, Phillips, together with the Italian state oil company ENI, the French state companies CFP and ELF, and the Belgian state company Petrofina, announced the first significant oil strike in the North Sea, the giant Ekofisk field, in the central area on the Norwegian side. At the same time, the Gas Council and Amoco struck oil, in what was not determined until 1972 to be the Montrose field; BP announced the first major UK strike, the huge Forties field; Amoco announced the Tor field in Norwegian waters; and the Phillips group again struck oil in the Josephine field.

By November 1970, structures whose peak production will total 74 million tons per year, or more than half of Britain and Norway's combined oil consumption, had been found by BP and the independents — without a single strike announced by Shell-Esso! Finally in February 1971, Shell-Esso announced the small Auk field in the central zone, and an extension of the Forties into their own block.

The Northern zone was similarly opened up by the independents, this time the French CFP and Elf with the Norwegian government's Statoil, who, as the Petronard Group, announced the major Frigg gas field in June 1971. Shell-Esso then announced they had found "some oil" in the Brent field in the north, but it was only after they snapped up more of the area under the August 1971 third round of licensing, and as British Gas and Burmah Oil were about to announce their major northern discoveries Beryl and Thistle, that Shell-Esso admitted Brent was of major size (August 1972).

By the time the Rockefellers' October 1973 oil embargo hit Europe, the BP-independent group had announced fields totalling 135 million tons per year at peak production, compared to the belated announcements of 46 million tons per year by Exxon, Mobil, and Shell.

January 1974

The Mideast war itself and the Exxon-organized boycott which followed gave the final push needed to the Conservative and Labour parties together to set up the British National Oil Corporation and establish real political independence from the monetarist companies.

On Jan. 8, 1974, Conservative Prime Minister Heath announced he was joining French President Pompidou and Foreign Minister Jobert in their drive to set up oil-for-technology direct barter deals with the Arabs to stop Henry Kissinger's proposal for a consumers' 'International Energy Agency' to "break" OPEC and enforce conservation upon Europe. France announced it had tied up 34 percent of its oil needs in a 40 million ton per year deal for 20 years with Saudi Arabia. Heath "warned the U.S. it intends to seek the same arrangements with the

Arabs, in spite of Kissinger's call for a united consumers' approach," reported the Financial Times. British Trade and Industry Minister Peter Carey and industrialists at BP, British Steel, and Imperial Chemicals toured the Middle East and were promised 40 million ton barter deals by the Saudis, with similar negotiations from Iran, "casting a cloud over the Kissinger effort." Germany and Italy began to follow suit.

On Jan. 9, the Conservative government announced it was forming a new Department of Energy "to speed production programs in the North Sea, methods of expanded coal production, and the choice of the necessary nuclear reactors for an expanded nuclear development program," the new Energy Minister Lord Carrington stated, "My first priority is the quickest delivery possible of North Sea energy." "The new ministry is to be welcomed without reservation," said the Labour Party. Sir Eric Drake, then chairman of BP, urged that "if the transition to future energy needs is to be smooth, investment decisions and research commitments are called for now."

Much was done in New York and Washington to halt these developments, including renewed State Department threats against any British national oil company. The International Monetary Fund even precipitated a political crisis by demanding the Heath government hold an election to demonstrate its mandate in order to receive a \$1.5 billion loan Britain desperately needed for food and energy imports. Heath was eventually forced to join Kissinger's IEA.

But when the Labour Party won the election, Lord Balogh and Anthony Benn from the Wilson days immediately set about establishing the BNO. Balogh opened a strong press campaign, hitting at the theme, "The physical possession of oil in times of emergency cannot be matched by mere taxation." In a major article, "The North Sea Blunder," he lit into the Shell-Exxon suppression of the Groningen field, and the "unacceptable attitudes and policies" behind the May 1964 licensing agreement which they had forced through. "The use of the Official Secrets Act to hide the facts and decisions in this case inflicted grievous damage on the coun-

try's fortunes." As a solution, Balogh called for "a National Hydrocarbons Corporation, which would carry state interest in operating North Sea consortia, both those which will be formed in the future *and those which have been formed in the past.*"

In July 1974, the Department of Energy issued a White Paper proposing the British National Oil Corporation to "invite the companies to negotiate its 51 percent participation in future and previous licenses..." Exxon and the New York banks threatened the government heavily, and the outraged conservative London Petroleum Economist reported that September that if BNO was set up, New York would pull out funds and capital development equipment from the North Sea, destroying it.

British Petroleum, however, accepted the principle of BNO 51 percent participation in its North Sea fields in the summer of 1975, and called the bluff of Exxon and Shell, who didn't dare leave. The BNO was officially created by the Petroleum and Submarine Pipe Act of November 1975.

Today, the tide has turned. Not only has BNO taken over 51 percent of the North Sea, but it has forced Shell and Exxon to accept it as a partner in their own fields. As BNO begins to do its own refining and marketing, the oil from the North Sea will be the edge that drives Exxon, Mobil, and Shell (unless it joins the Europeans) out of the UK and the European energy market.

A working coalition of BNO, BP, Italy's ENI, France's CFP and U.S. independents such as Ashland Oil is now maneuvering to hit Exxon and Mobil where it will really hurt — Saudi Arabia, long the bastion of the monetarists' world oil production strategy. Saudi Arabian oil minister Zaki Yamani is negotiating the nationalization of the Exxon-Mobil-Texaco cartel which controls 99 percent of Saudi Arabian oil production. The British-led group is giving Yamani maximum support for full nationalization — and intends to market Saudi oil in Europe, putting the brothers Rockefeller off the continent.

Arab Output Shows The 'Oil Shortage' Is Baloney

The International Energy Agency released a report last week which concludes that by 1985 the world may find itself short of oil by 14 million barrels a day. James Schlesinger, designated U.S. Department of Energy chief, is currently justifying the Carter Administration's policy of sharply reducing energy consumption by citing just such doomsday predictions concerning "finite oil supplies."

The IEA-Schlesinger "scarce resource" line adds up to a big lie. Proper development of the world economy, including transition to a fusion-based energy system, mandates vastly *increased* oil consumption, and there is

every evidence that the oil is available. To cite only one example, the French Daily *Les Echos* recently estimated that based on current known world oil reserves of 640 billion barrels, a real petroleum shortage would not *begin* to materialize until 1985. And geological surveys reveal numerous relatively untapped areas with sizable additional reserves just waiting to be exploited.

Moreover, the Arab oil producing countries, the source of the cheapest and most accessible oil supplies, have already begun to initiate a major *expansion* of oil production. Leading the way is Saudi Arabia, presently in the midst of an effort to increase its production

**Comparison Of The Number Of Exploration
And Producing Wells In OAPEC And Other Countries
1970 - 1974**

	1970	1971	1972	1973	1974
Exploration Production					
OAPEC Countries	$\frac{134}{419}$	$\frac{101}{251}$	$\frac{101}{348}$	$\frac{67}{534}$	$\frac{60}{520}$
Nigeria	$\frac{31}{137}$	$\frac{55}{172}$	$\frac{61}{197}$	$\frac{45}{194}$	$\frac{51}{198}$
Iran	$\frac{11}{33}$	$\frac{6}{98}$	$\frac{2}{59}$	$\frac{18}{63}$	$\frac{27}{73}$
Far East	$\frac{118}{112}$	$\frac{185}{287}$	$\frac{208}{175}$	$\frac{275}{340}$	$\frac{287}{459}$
Western Europe	$\frac{159}{203}$	$\frac{199}{219}$	$\frac{210}{249}$	$\frac{217}{183}$	$\frac{243}{246}$
Latin America	$\frac{574}{1757}$	$\frac{548}{1763}$	$\frac{542}{1592}$	$\frac{488}{1572}$	$\frac{503}{1635}$

Source: International Petroleum Encyclopedia, 1971-76.

capacity to 16 million barrels per day, almost twice the 1976 output. In the most recent issue of the Bulletin of the Arab Organization of Petroleum Exporting Countries (OAPEC), Assistant Secretary General Mahmoud Amin calls on Arab oil producing states to expedite a program for oil exploration, and links "the transfer of the oil industry to the hands of the Arab national oil companies" to the "responsibility" of meeting growing world demand for petroleum. Early this year Saudi Arabia issued a call for a worldwide energy conference to scientifically assess the state of global oil reserves and alternative energy sources including nuclear power — demonstrating the Arab concern to plan the most efficient use of oil to maximize global economic development.

The Saudi Example

Last year alone the Arabian American Oil Company (Aramco) discovered three new fields in Saudi Arabia, increasing its proven reserves to over 150 billion barrels of oil. The net addition for the year, after extraction, was 2.3 billion barrels proven and 1.7 barrels suspected. In every year of production, Aramco has shown the

existence of new reserves which are greater than the total output! Saudi government sources generally agree that the 150 billion estimate is conservative and figure Saudi proven reserves are 1.7 billion barrels upwards. These estimates do not even take into account the vast desert of central Saudi Arabia, the Empty Quarter, where only minimal exploration has occurred and where many industry sources believe there is bound to be additional oil. On the basis of presently known reserves the Saudis could pump an average of 12 million barrels a day for a century, says Aramco. Exploration cost is no problem for the Saudis and the oil is relatively accessible. The current production cost per barrel is only about 10 cents, the cheapest in the world. The major obstacles the Saudis face in achieving increased exploration and production are political.

The Saudis are at present in a drive to increase crude output to a target figure of 16 million barrels a day (mbd). Riyadh is also mounting a concerted effort to finalize the nationalization of Aramco. Saudi diplomatic sources say this is now being completed by Oil Minister Sheikh Ahmed Yamani, presently in Europe for that purpose. The *Financial Times* of London characterized

current Saudi oil policy and Saudi relations with the four Aramco partners — Exxon, Socal, Texaco and Mobil — as “just as if its 100 per cent takeover by the government had been completed.” Saudi Arabia hopes to be operating already existing producing capacity to full use at about 14 mbd by the end of 1977, the equivalent of adding another Kuwait to the world’s oil producing community. Presently, Aramco has only 15 of the 35 producing fields working, but the government has called on the company to bring two offshore fields, shut down last year as a result of the production ceiling, back on-stream.

Enormous revenues have been expended by the Saudis to install the necessary capacity to reach the 16 mbd target (almost twice as much as production for 1976). Construction of massive sea-water injection facilities is also underway to maintain pressure in older fields, thus extending their productive life.

The Saudis have begun to take political initiatives to determine the use of newly produced crude. The incremental oil will go in three directions: to the Aramco

partners; to existing third partners of Aramco, including British Petroleum and Royal Dutch Shell; and to new customers such as Italy’s ENI and Montedison, and the French national company CFP. The Saudi state-owned company Petromin is itself preparing to market increased amounts of Saudi crude. Shortly after the December 1976 OPEC meeting, Petromin hired a special consultant to aid in its drive to boost its direct sales (mainly on a state-to-state basis) which since late 1976 have doubled to just under a half million barrels per day.

UAE Follows Suit

Saudi Arabia’s neighboring Persian Gulf sheikhdom, the United Arab Emirates (UAE), is also seeking to increase petroleum output. The Abu Dhabi National Oil Company (ADNOC) has approved a \$1.5 billion project to raise offshore oil production by 450,000 barrels per day or about one-third of current production. ADNOC has contracted with France’s CFP to do the job for them. The target of the project is the offshore field, Zakum, which currently only yields 50,000 barrels per day. The large

Comparison Of Cumulative Production To Added Reserves (1960—1974)

	Reserves in *	Reserves in	Cumulative *	Net Added	% of 1960
	1960	1974	Production	Reserves	Reserves
			1960-1974		
OAPEC Countries	283.9	343.0 **	46	59.1	21
Iran	28	66.2	16	38.2	135
Venezuela	27.7	18.6	17.2	9.1	33
Indonesia	8.4	15.1	3.7	6.7	80
Nigeria	1.6	20.2	3.9	18.6	
W. Europe	2.0	20.7	1.7	18.6	91
Far East	10.0	20.0	5.7	10.3	64
Latin America	34.8	30.3	24.2	(4.6)	(23)

* Petroconsultant S.A.: World Production and Reserve Statistics, Geneva, 1975.

** Average figure of reserves published in: World Oil Report, 1974. Oil & Gas Journal, 1975. Twentieth Century Petroleum Statistics, 1975. International Petroleum Encyclopedia, 1975. Petroconsultants, 1975.

offshore field Umm Shaif is slated to up its output by 130,000 barrels per day during the course of 1977. The UAE's Oil Minister Mana Saeedal-Oteiba said last month that the UAE could produce right now an additional 300,000 barrels per day and up to one million barrels per day by the end of 1978.

Offshore petroleum reserves in the Persian Gulf are thought to be extremely abundant, as are suspected reserves in the Gulf States of Kuwait and Iraq. Iran, as the OAPEC report indicates, has been the only Middle Eastern Producer to consistently pursue a policy of continued exploration. It has just made a large offshore strike near the Straits of Hormuz near the mouth of the Persian Gulf estimated at an eventual 300,000 barrels per

day yield. Like Saudi Arabia, the Iranian government has contracted for the installation of gas and water injection systems to keep its older fields going strong. Iran's national oil company (NIOC), one of the upcoming regional state owned companies in the area, is anticipating moving a record 1.5 mbd independent of the consortium of multis during 1977.

With a global commitment to rapid research and development in nuclear fusion and fission energy, which could begin to come onstream for the industrialized countries in the 1980s, plus a concomitant effort to supply the world with necessary oil for industrial expansion, the solution to the world's energy problem is well within reach.

The Fast Breeder Reactor: Its Political, Economic And Scientific Implications

The major focus of the virulent opposition to nuclear fission generated power on the part of the New York financial community and such allied "environmental" organizations as Laurance Rockefeller's Natural Resources Defense Council, has become an escalating attempt to completely terminate the development of the fast breeder reactor, both in the United States and abroad. President Carter's recently proposed budget cuts of \$200 million in the breeder program and his administration's support of the recommendations of the Rockefeller Brothers Fund-sponsored report, the "Unfinished Agenda" which advocates the phasing out of nuclear power over the next 10 years, clearly implicates him in this effort.

The main attack on the breeder reactor has been couched under three outright bogus issues, the so-called "dangers of plutonium," "nuclear terrorism," and "nuclear proliferation," coupled with a schwärmerei of Naderite-inspired environmental issues. To the politically naive person, these issues may appear legitimate, but a look underneath these "doomsday cries" will identify quite different real reasons for the vicious attack on nuclear power and related forms of progress and industrial development.

Monetarists' Policy of De-Industrialization

The real issue is simply one of economics and investment policy and has absolutely nothing to do with fast breeder reactor safety, plutonium hazards, nuclear weapons or environmental questions. The Wall Street banking community and its political arm, David Rockefeller's Trilateral Commission (which includes President Carter, Vice President Mondale as well as 20 of the Administration's cabinet and other high-ranking officials) are insisting that the New York banks' bulging portfolios of bad debt be refinanced at all costs in order for these banks to maintain nominal solvency and their enormous political and financial clout over the world's economy.

To accomplish this refinancing, they are diverting every possible penny of liquidity available in times past for new capital investment, food, agriculture, trade, etc., into debt repayment. While the public reads about the dangers of "nuclear terrorism," etc., the talk in lower Manhattan boardrooms is of the unjustifiable capital cost of fission development — an investment which power companies have found well worthwhile but that must now be sacrificed to keep David Rockefeller out of bankruptcy court. This fact is beginning to be admitted

publicly, for instance in the just-released Ford Foundation report on energy which complains of the allegedly too high capital cost of fast breeder technology.

It is with these considerations in mind that one must view the Carter Administration's proposed Fiscal Year 1978 slash of \$200 million from the Ford Administration's budget proposal for the federal Energy Research and Development Administration's (ERDA) Fast Breeder Program, a cut which actually would bring the 1978 authorization \$30 million under the FY 77 budget.

The biggest Carter cut was in the Clinch River Breeder Reactor (CRBR) being built by Westinghouse and Burns and Roe, a vitally important 380 MWe demonstration power reactor. However, almost as important was the complete elimination of funds for designing of commercial size, fast breeder reactor power plants. Three commercial projects of this type had been underway for over a year now, by General Electric Co., Westinghouse Corp. and North American Rockwell's Atomics International, all in cooperation with the Electric Power Research Institute and ERDA. Similarly, the ERDA fusion budget was cut a full 20 percent across the board, or \$80 million, to begin a process of scaling it down to a "low level program" to ensure that fusion will never be achieved.

What Is The Fast Breeder Reactor?

The Fast Breeder Reactor (FBR) is a more advanced, next generation nuclear fission power reactor that operates in principle in much the same way as current light water-cooled fission reactors (LWR). Two major differences in the fast breeder reactor are its much higher power density and its ability to actually create or "breed" more fissionable fuel than it burns up during its operative cycle. Its use of higher energy neutrons, in the range of 0.1 Mev (Million Electron Volts) to several Mev, for the fission process, permits a much more efficient use of these neutrons through an appropriate reactor core configuration. These high energy neutrons (*fast neutrons*) not only enable a compact reactor core design through the elimination of neutron moderating material, but also provide a large, high energy neutron leakage flux that escapes the core region and is eventually captured in the adjacent "breeding blanket" region. The fuel produced in this region can be used to refuel the reactor itself or to fuel additional FBRs or LWRs.

Because of the power densities of the FBR, which are on the order of 3 to 5 times greater than in LWRs, the heat transfer medium therefore must also be much more effi-

ient in the FBR. That is, for comparable 1000 MWe generating units, the heat transfer rates, or more particularly the heat fluxes, must be roughly 3 to 5 times greater than in an LWR. This is accomplished by providing a more conductive reactor coolant, the most commonly used now being liquid metals and more usually liquid sodium. Other coolants have been suggested and in fact used in several designs, including high pressure, high velocity helium gas and high pressure, high velocity steam. However, because of the many technical and material advantages of liquid metals, the international fast breeder reactor community has converged on liquid sodium as the first choice of a coolant at this time. This has led to the labeling of the breeder reactor as the Liquid Metal Fast Breeder Reactor (LMFBR).

The procedure for removal of the heat generated in the reactor core and blanket region is relatively straightforward and similar in principle to that in LWRs or fossil fuel power plants. Heat is transferred via a primary sodium circuit to an intermediate sodium heat transfer circuit. It is then transferred from this intermediate circuit to the steam generator-turbine system where the heat energy is converted to mechanical energy in driving an electrical generator. This generator finally converts the energy to electricity which is fed into a utility company's power grid for transmission to consumers.

The blanket region of the FBR completely surrounds the active core region and is purposely designed to absorb as many escaping neutrons as possible. The blanket fuel material starts out as depleted uranium oxide (i.e., uranium in which the fissionable isotope U-235 has previously been almost entirely removed in the enrichment and manufacturing process for LWR fuel), but over several months and years time gradually builds up a fissionable plutonium concentration, Pu-239, through the breeding process. The process is as follows: The reactor core fuel material starts out as a mixture of approximately 20 percent PuO₂ (mostly non-fissionable uranium). High energy neutrons are produced primarily from fissioning of Pu-239 and are absorbed in both the UO₂ in the core and in the blanket regions as well as in fissioning of other plutonium atoms. Neutrons are also absorbed in control rods which are used to regulate the power level of the reactor. The capture of a high energy neutron in the nucleus of a U-238 atom results, through a decay chain, in the production of Pu-239, i.e. new usable fuel, in both the core and blanket region.

Both the core and blanket fuel is contained in bundles of closely packed rods, numbering from anywhere between 91 and 271 rods depending on the design. The rods are filled with small pellets of the oxide fuel material on the order of 0.3 inches in diameter. Several hundred core and blanket region bundles make up the reactor for a commercial size power plant. As the core region fuel burns up, usually over a two or three year period it is removed for reprocessing and new fuel is added. Likewise, as the blanket region material breeds plutonium and eventually reaches material design limitations, it too is removed from the reactor, at the same time as new blanket bundles are added, and shipped to the reprocessing plant where the newly bred fuel is extracted.

Breeding ratios for these plants must be greater than

one, in order to generate more fuel than is burned, and will vary between 1.2 to 1.5 for first and second generation breeder reactors respectively. In terms of doubling time, a commonly used term for the time it takes to double the amount of fuel that was started with, these reactors will achieve values from a near-term of 30 years to less than 10 years for the more advanced fuels. In practical terms, this means that during the reactor's lifetime of 40 years, it will produce enough fuel for itself plus at least one more FBR of the same size, and eventually up to three and four additional reactors. Plutonium also makes an excellent fuel for LWR's and is clearly the solution to the eventual problem of the limited resources of uranium-235 from the world's reserves of uranium ore.

Are There Problems With The Fast Breeder Reactor?

Most of the so-called safety and national security problems that have been associated with fission reactors and the fast breeder reactor in particular, are either pure fabrication or at best a deliberate exaggeration of litigious issues in order to play on the psychological fears of the ordinary citizen. In general, the same can be said of the technical problems associated with achieving a viable commercial fast breeder reactor, however since it is still considered to be a developing concept there are some practical engineering problems that must yet be solved.

Probably the most pressing technical problem that still needs a solution is that of the steam generator design for these plants. It is in this piece of equipment that a very thin (i.e., 0.10 inch) barrier between two extremely incompatible heat transfer fluids, liquid sodium and water, must be maintained. That is, if sodium and water get together, a rather turbulent reaction occurs in which sodium burns and hydrogen is produced. Therefore, the problem to solve is to design and fabricate very large steam generators that do not leak or that leak very rarely. This requires higher quality materials manufacturing, fabrication techniques, welding methods and quality assurance procedures than have heretofore ever been achieved in the heavy equipment industry. Although considerable progress has been made over the past several years, a viable commercial liquid metal steam generator is still not a reality. Prototypes of such units are (or at least were before Carter's announced cuts) being built and tested in the United States and elsewhere, particularly in France, which should produce solutions to this key problem area in the heat transfer chain.

Beyond this, although there are many engineering and technical details that must be worked out and tested throughout the FBR heat transfer, fuel handling and safety systems, there does not appear to be any problem that cannot be handled with a well-funded and well-planned development program. The breeder concept itself was first proven way back in 1951 when the very small Experimental Breeder Reactor-I (EBR-I) went into operation in Idaho. Since then, several other experimental breeder reactors and more recently prototype breeder power reactors have verified these results in several different countries. The materials and

engineering problems associated with both the core and blanket fuel and structural components have been, for the most part solved, with testing of fuel in progress and/or planned in several countries. Furthermore, fuel handling systems, heat transfer systems and the systems for handling of liquid sodium are quite well established now and any additional "bugs" will be worked out in current or future prototype plants.

Most of the so-called safety issues have been thoroughly discussed and debunked by myself and others in previous articles* and will not be repeated again here. Suffice it to say that it has been thoroughly proven that a nuclear explosion is impossible in both LWRs and FBRs, and that any discussion to the contrary is either a lie or at best a product of abysmal ignorance. The safety of these reactors is absolutely guaranteed, even in the event of such an incredible, essentially zero-probability occurrence as a core meltdown.

The issue of the dangers of plutonium has similarly been clearly debunked and exposed as a "hoax." The source of this hoax, in fact, has been directly traced to those very financial interests who benefit from the current, artificially inflated uranium prices and who are trying to make sure that a cheaper replacement, i.e., plutonium, is not available to reactor owners. The question of refinancing of New York bank debt holdings through vastly increased oil and uranium prices, i.e. increases of three and five times present levels, is clearly involved in this issue.

Nuclear terrorism a la "five Palestinians and a shoebox filled with plutonium" is also a hoax, as are all alleged "backyard atom bomb" schemes. Nuclear terrorism could in reality only occur if a government handed over a nuclear explosive device, ready made, to a so-called "terrorist group."

Finally, the real facts of the "nuclear proliferation" issue, the breeder foes' last objection, are actually the opposite of their argument. Their alternative of depriving energy, and therefore development, to other countries by withholding nuclear power will in fact very likely provoke exactly what they say they are seeking to prevent, i.e. a nuclear war, as hungry energy-short nations battle one another for dwindling supplies of energy and other necessary goods. Providing a world environment for development through access to raw materials, energy, agricultural and industrial research for all countries will quickly eliminate the international environment associated with the "need" for nuclear weapons. Thus the diffusion of breeder and other peaceful uses of nuclear power will actually reduce the underlying causes of all forms of war.

The Role of the Breeder Reactor in the Transition to Fusion

Nuclear fission and particularly the Liquid Metal Fast Breeder reactor will play an extremely important role in the next 15-20 year period during which, scientists now predict, the world can make the transition to on-line fusion reactors as a primary energy source (provided

there is adequate funding of the fusion program). There are three major reasons for this. First, the breeder will provide a significant amount of the high transitional period energy requirement for fusion development (approximately 25 to 30 percent) that cannot be supplied by oil, gas or coal. Secondly, it will provide a very important several year "energy safety margin" to cover any problematic delays or unforeseen difficulties in achieving a viable fusion powered generating system. Third, the techniques and the skilled manpower associated with the liquid metal breeder reactor fuel systems, and the steam generators in particular, are absolutely essential for first generation fusion-fission hybrid reactors and-or pure fusion reactors.

A reasonably rapid rate of expansion (10-15 percent) of current state-of-the art LWR's will result in the depletion of the world's "reasonably assured uranium reserves" well before the end of this century. Although LWR's will generate some new fissionable plutonium, this amount will not be nearly sufficient to refuel an ever increasing number of LWR's. Therefore, fissionable plutonium fuel (and eventually Uranium-233 from naturally-occurring Thorium-232) must be produced in large quantities from first the fast breeder reactor and eventually the fusion-fission hybrid reactor in order to provide the fuel for even continued operation of the existing LWR's at that time. The fuel generating capability of LMFBR's and FFHR's will also provide a vast resource of fuel for the construction of more LWR's and LMFBR's during the transition period. This fuel production capability for fissionable materials can be either limited or expanded depending on the progress towards on-line fusion reactors and will cover any delays in the program.

In addition to energy and fuel, an extremely important contribution that the fast breeder is making and will continue to make during its development is that of advancing the technology needed for fusion power plants. This is especially true for the fusion-fission hybrid reactor since it is quite similar to the LMFBR, but it is also true for the first generation fusion plants which are likely to use various liquid metal systems. Therefore the continued development of the LMFBR and its skilled engineering cadre, and particularly of the difficult liquid metal sodium steam generator system is absolutely essential to the rapid development of fusion plants. As is well known by any competent engineer or technician, the engineering and development problems associated with large, advanced technology power plants are difficult and sometimes complicated. These problems and requirements for the development of fusion power will be considerably more challenging than any past project and therefore require all of the skilled manpower and technological capability that we can muster starting now.

The fusion-fission hybrid reactor, which will be fully described in a future article, is a system that combines the advantages of the liquid metal fast breeder reactor with those of a near-term fusion reactor, and achieves a potentially even more efficient nuclear power system. The advantages of high energy density and thermal efficiency are inherent in this system. In addition, however, the reactor efficiently employs its dense high-

*See "Plutonium Fuel: Safe...And Necessary" and "'Nuclear Terrorism Threat' Is a Hoax" in *Stop Ralph Nader, The Nuclear Saboteur*, Campaigner Publications, 1977.

energy neutrons (from the deuterium-tritium fusion reaction) to produce large quantities of both fusion and fission fuel as well as nuclear energy. Fusion fuel — tritium — and fission fuel — plutonium — are produced as neutrons react with the lithium coolant and uranium blanket of the system respectively. The tritium is continuously used to fuel the fusion reaction of the hybrid reactor while enough plutonium is produced to fuel from six to ten large fission reactors. Therefore, as this technology eventually becomes available, it will be a better plutonium breeder than the fast breeder reactor.

The Current Status of Fast Breeder Reactor Development

It is well established throughout the international nuclear community that France has the unchallenged lead in the development of the Liquid Metal Fast Breeder Reactor and in fact could probably start committing resources to large-scale construction of its Superphoenix design at locations throughout the world (including the U.S.) in the *early 1980s*. France in combination with a consortium of major European electric-utility companies, last fall made a commitment to start construction of the first Superphoenix power plant, a large 1200 MWe commercial LMFBR. Expected completion and operation of this power plant is scheduled for 1985. The Superphoenix design will be based to as large an extent as possible on the design of the smaller 250 MWe Phoenix demonstration plant, which completed its first two years of successful operation last summer. Again, such performance by an LMFBR demonstration plant of this size has only been achieved by France.

Although the French achievements in this area are the most heralded, several other countries, including the U.S., Soviet Union, Great Britain, Germany, Japan, India, Italy and a few others have major and significant efforts underway for the FBR. All programs characterized by first the construction of a medium-size (200-400 MWe) demonstration plant, followed by a full-size commercial power reactor a few years later. Great Britain probably has the second most advanced fast breeder reactor program with the completion of their 250 MWe Prototype Fast Reactor about two years ago. This reactor, however, has not yet been run at full power because of difficulties experienced with the steam

generating equipment.

A similar situation exists in the Soviet Union with their 350 MWe demonstration plant, BN-350. However the steam generator problems have plagued them even longer. The steam generator problems in the Soviet Union have been primarily caused by poor welding techniques and quality control measures, while in Great Britain they have resulted from a few bad welds and faulty sodium purification and start-up procedures.

The effort in the U.S., although off to an early start in 1951 with EBR-I, the Fermi Fast Breeder Reactor start-up in 1965, the Experimental Breeder Reactor-II (EBR-II) start-up in 1967, and the Southwest Experimental Fast Oxide Reactor start-up in 1968, has since lagged considerably. These four reactors were essentially small-sized fast reactors (from 2 to 60 MWe), although two had steam generators and turbine generators incorporated in the plants and produced some electricity. The U.S. is currently well along towards the completion of another fast flux test reactor (FFTR), scheduled for start-up in 1978, but again this is primarily a fuel element test facility and not a proto-type power reactor.

The U.S. demonstration plant project, the 380 MWe Clinch River Breeder Reactor (CRBR), is just getting off the ground — site work is just beginning — but is currently threatened with further costly delays and probable cancellation by the Carter Administration's anti-nuclear power policies. With this anti-development position taken by the Administration, a commercial sized breeder reactor is way out of the picture and, as mentioned earlier, the funding for designing studies for such plants was just cancelled by the President.

In sum, it is clear, particularly from the French experience as well as other countries', that a viable LMFBR commercial power plant is assured and is simply a matter of a continued development commitment. With France, Germany and Great Britain already exporting light water or gas-cooled reactors and rapidly developing a capacity to export fast breeder reactors in the near future, the Carter Administration's anti-breeder campaign seems likely to give the U.S. another black eye among its once-closest allies, while possibly freezing qualified U.S. companies out of a major international market.

— Jon Gilbertson

Brezhnev's 'Hardline' Speech Fits Trilateral Commission Profile

Soviet Communist Party General Secretary Leonid I. Brezhnev appeared in the Kremlin Palace of Congresses this week to tell a trade union audience that "we will not tolerate" continued U.S. administration support for Soviet dissidents. Brezhnev's fist-banging performance fell right into a trap laid for him by President Carter and the other members of the Trilateral Commission in charge in Washington.

Brezhnev's warning against "interference in our internal affairs from any quarter under any pretext" and threat that "a normal development of relations on such a basis is, of course, inconceivable" fit precisely the Trilateral Commission's psychological profile of the Soviet leadership. Carter's foreign policy has been predicated on the expectation that the Kremlin would eventually explode in anger at U.S. affronts, especially Carter's ham-handed support for the dissident networks run by the man acting as Minister of Provocations, Zbigniew Brzezinski.

The Soviet General Secretary's outburst can easily be and has already been used as evidence of Soviet "intransigence" by Carter and Brzezinski. It may be expected that the text of Brezhnev's speech will be a major tool of Carter operatives trying to organize a wary U.S. Congress to consent to the administration planned new Vietnam war against "Soviet-Cuban subversion" in Africa.

The creation of this environment will likely be aided by next week's trip to Moscow by U.S. Secretary of State Cyrus Vance. If the Soviets refuse Vance's terms for a new strategic arms (SALT) agreement, expected to include demands to curtail research and development programs vital to Soviet military and economic security as well as linkage to agreement on Africa and other areas, Vance can add his voice to the clamor about "intransigence."

A Mix of Kremlin Lines

Notwithstanding propaganda to the effect that Brezhnev's warnings on the dissidents question mark his transformation into a "hardliner," the speech actually confirms that Brezhnev has a slippery grip on Soviet decision-making. The speech itself is made up of components, some contradictory, showing three different political inputs.

The "we will not tolerate" line was clearly forced upon Brezhnev by hardliners in the military and the party. This faction has characteristically asserted itself every

time the Soviet motherland appears to be decisively threatened. Its crude "stop it or we'll blow you up" response was grist for Trilateral mills.

The hard line was contradicted throughout the speech by input from the soft faction, which includes Brezhnev himself and the suspiciously pro-Brookings Institution head of the USSR's American Studies Institute, Georgii Arbatov. Brezhnev added his personal touch with a remark, after all the tough warnings, that Soviet-American relations will assuredly turn out satisfactorily in the long run. More dangerous than this remark, was the nature of Brezhnev's Middle East proposal, which was formulated to counter Carter's explosive idea of "double-borders" for Israel. Brezhnev reportedly confused some Arab leaders by failing to mention the Palestinian Liberation Organization as he called for reconvening the Geneva Peace Conference. This suggested that the Soviets might drop what the Arabs consider a crucial element of any peace negotiations and thereby strengthen the hand of the warhawks in the U.S. and Israel.

The final voice in Brezhnev's presentation was that closest to sanity. At points in the speech there were statements made from neither a paranoid sabre-rattling nor a capitulationist perspective: this was the voice of that faction of the Warsaw Pact leadership which fairly well understands the Trilateral Commission's scheme to box them in. This faction is committed to breaking out of the Trilateral box by offering the socialist sector's transfer ruble as a means of replacing the dollar monetary system whose bankruptcy is driving the world to war. It was from this standpoint of reality that the speech included analysis which correctly linked the current machinations in Zaire "by NATO countries," the assassination of Congo President Nguabi and Lebanese leftist leader Jumblatt, and the "operations being conducted against the socialist world" as part of a unified imperialist plan.

The continuing activity of this faction was indicated as well by the emphatic support expressed by Soviet ally Fidel Castro as he toured the African continent for speedy establishment of a new world economic order and implementation of the Colombo resolutions of the non-aligned movement. In Europe, journalists with and without Communist Party connections raised the prospect of transfer ruble financing of international trade as an issue still very much alive.

Excerpts From The March 21 Address

By Leonid Brezhnev

The following is excerpted from the March 21 Speech of Soviet party chief Leonid Brezhnev, delivered to a trade union congress in Moscow.

There are still influential circles in the capitalist world who are interested in destroying the constructive international dialogue. Reactionary forces of the old world do not at all want to be reconciled to the growth and consolidation of the new.

They do not, for example, want to be reconciled to the free and independent policy of Africa and Asia.... The latest examples of this are the interference by NATO countries in the internal military conflict in Zaire and the new campaign of slander against the Peoples Republic of Angola. This is also indicated by the foul murders which in the last few days took as victims President Marien Ngouabi of the Peoples Republic of the Congo, and (Lebanese leftist leader) Kamal Jumblatt. The Soviet people hotly condemn these murders.

With no less vehemence, operations are being conducted against the socialist world.... Our enemies would like to find at least some forces opposing socialism inside our countries ... invent some sort of ersatz, and by lying publicity create the appearance of an "internal opposition" in the socialist countries. Precisely for this reason, a ruckus has been organized around the so-called "dissidents" and an outcry raised all over the world on the "violation of human rights" in the socialist countries....

...Persons who have broken away from our society actively come out against the socialist system, take the road of anti-Soviet activity, violate laws and, lacking support inside the country, turn abroad, to imperialist centers of subversion. Our people demand that such so-called public figures be treated as opponents of socialism, as persons acting against their own motherland, as accomplices and sometimes agents of imperialism. Quite naturally, we have taken and will take measures against them as envisaged by law....

Concerning Soviet-American relations ... the situation is defined by three basic factors, I would say. The first is the sound foundation provided by the important treaties and agreements on cooperation in various fields concluded in 1972-74. The second is a certain state of stagnation. The American side at first explained this in terms of the election campaign, but the first two months of the new administration do not seem to reveal a striving to overcome that stagnation. And the third factor is the existence of a great objective potential for further development of equal and mutually beneficial cooperation for the good of both countries and universal peace.

I want to mention several specific and, as we see it, fully reachable tasks. First, the completion of preparations and the signing of the new agreement on limiting strategic offensive weapons, already agreed upon in the main in 1974, and further movement forward on this basis for mutual reduction of armaments with

strict observance of the principle of equality and equal security of the sides involved.

Furthermore, there are the following: possible joint initiatives of the USSR and the USA in the area of banning and liquidating the most dangerous lethal types of chemical weapons and other measures to restrain the arms race...; the broad development of mutual trade and economic ties on the basis of removing discriminatory barriers...; finally, coordinate action of our countries to attain a just and firm settlement in the Middle East.

...But there are also circumstances which directly contradict the further improvement and development of Soviet-American relations. One of these is the escalation of a slanderous campaign about a fabricated "military threat" from the USSR.... A second is the direct attempts of official American bodies to interfere in the internal affairs of the Soviet Union.... I repeat again: we will not tolerate interference in our internal affairs from any quarter and under any pretext. A normal development of relations on such a basis is, of course, inconceivable.... In a few days the U.S. Secretary of State Mr. Vance is coming to Moscow. We will see what he will bring with him. Everyone, of course, understands the importance of how Soviet-American relations develop. We would like these relations to be good-neighborly. But for this it is necessary to have a certain level of mutual understanding and at least a minimum of correctness.

Of course we are certain that the interests of the peoples of both our countries and of maintaining universal peace will win out and that in the long run, relations between the USSR and the USA will work out. The whole of the matter is when this will happen, and how much time will pass before then, during which it would have been possible to do a lot of useful things.

We omit Brezhnev's very brief summary of Soviet bilateral relations with Western European countries, from which he proceeded to preview the second European security conference, scheduled for this June.

...We consider that the main content of the Belgrade meeting ought to be concern for peace and security in Europe, and the development of cooperation among European peoples. Not just to sum up what has been accomplished already, but to agree on some concrete recommendations and proposals on questions of further cooperation — this is how we view the main tasks of the meeting in the Yugoslav capital.

The Middle East is another region which continues to attract attention. In recent weeks, there has been a heightening of diplomatic activity there. It would appear that the renewal of the Geneva Conference is gradually becoming more likely. This course of events can only be welcomed.

But the conference in Geneva, of course, is not an end in itself. The most important thing is that it have fruitful and just results. It goes without saying that working out

the conditions of peace in detail is above all the affair of the conflicting sides themselves. The Soviet Union, however, as co-chairman of the Geneva Conference and a state immediately adjacent to the region concerned, has its own opinion regarding the main principles and directions of the future peace settlement.

We consider, in particular, that the final document (or documents) on peace in the Middle East ought to be based on the principle of the impermissibility of acquiring territory by means of war and the right of all states of this region to independent existence and security. Of course, the inviolable rights of the Palestinian Arab people should be ensured, including its right to self-determination and creation of its own state.

We consider it beyond any debate that the documents on peace should provide for withdrawal of Israeli troops from all the Arab territories occupied in 1967. This withdrawal could be carried out not all at once, but by stages — over several months, for example — in a strictly defined period. The relevant borders between Israel and its Arab neighbors participating in the conflict, should be clearly defined. These borders should be declared finally established and inviolable.

We proceed from the standpoint that from the moment of completion of the withdrawal of Israeli troops, the state of war between the Arab states participating in the conflict and Israel will cease and peaceful relations be established. All sides will accept mutual obligations to respect the sovereignty, territorial integrity, inviolability and political independence from one another, and to resolve their conflicts by peaceful means.

On both of the established borders, there could be created — with the agreement of the states concerned, of course — demilitarized zones, without unilateral advantages for anyone. Within these zones would be located, for some clearly defined period, either extraordinary armed forces of the U.N., or U.N. observers.

Obviously, the final documents of the conference should also contain an article on the freedom of passage for the ships of all countries, including Israel (after termination of the state of war) through the Straits of Tiran and the Gulf of Aqaba, and a statement by Egypt on the passage of ships through the Suez Canal, which is entirely under Egyptian sovereignty.

Implementation of the conditions of the peaceful settlement could, in our opinion, be guaranteed, if the agreeing sides wish, by the U.N. Security Council, or possibly by individual states such as the Soviet Union, the United States, France, England. The guarantor states would have their observers in the U.N. contingents in the appropriate zones.

Such, comrades, in the briefest summary form, are our preliminary ideas on the possible basis of a just peace in the Middle East. We are not forcing them on anyone, but considered it useful to speak out about them, just as, it goes without saying, we will be prepared to become acquainted with the ideas of others.

We have already spoken about how, in connection with a peaceful settlement in the Middle East, the relevant states could consider the question of helping stop the arms race in this region. In general, the problem of international weapons trade obviously merits an exchange of opinions.

Brezhnev recalls the history of the SALT talks and says that success in limiting nuclear proliferation is dependent on good will and trust.

dent on good will and trust.

I will give a concrete example. Four years ago, negotiations began about the reduction of armed forces and armaments in Central Europe. About the *reduction*. It would seem that nothing could be more logical and natural than for the participants in these talks to refrain at least from increasing their armed forces in the given region, for the duration of the negotiations. The USSR and its allies have repeatedly proposed exactly this. For several years we have not increased the combat strength of our armed forces in Central Europe. How have the NATO countries reacted to our example? They have continued to build up their armed forces.

What should we do now? Should the Soviet Union follow the example of the Western powers? But this is a negative example, and frankly speaking, we would not like to follow it.

We are prepared, right up to the achievement of an agreement on reduction of armed forces and armaments in Central Europe, not to increase the number of our troops in this region. On the condition, of course, that the NATO forces will not grow either. Accept this proposal, respected negotiating partners, accept it as a first real step on the path of reducing armed forces. No one will lose from this, while the cause of peace and security of peoples will only gain.

Hindsight

India, and its ruling Congress Party, have been a cornerstone of Soviet policy in the "Third World" for many years. The Soviet Union's government daily Izvestia commented March 22 as follows on the defeat of the Gandhi government:

...Summing up the first results of the elections, local observers are remarking that the loss by the Indian National Congress of significant numbers of the places it had gained in the National Assembly after the 1971 elections is not coincidental. Mistakes and excesses in the implementation of measures arising from the laws passed after the introduction of the state of emergency in 1975 took their toll. Agrarian reform proclaimed by the leadership of the Congress Party came to a standstill because of the opposition of the landed gentry. The leadership of the Congress Party antagonized part of the working class by cutting back wage increases.

In left circles they are pointing to the negative role played by the disunity of the democratic and patriotic forces in the elections. The leadership of the ruling party, unlike in past elections, refused cooperation with the Communist Party of India in the majority of states. This played into the hands of the bloc of opposition parties, the Janata Party, which had defied the National Congress.

It is indicative that the candidates of the Congress Party were most successful where there existed pre-election agreement between the Congress and the Communist Party of India or where, without official agreements, the CPI actively supported progressive candidates from the Indian National Congress.

The Response To Brezhnev

After Leonid Brezhnev spoke March 21...

Jimmy Carter was reported by Senator Alan Cranston (D-Cal) to have remarked to a group of Congressmen: "Some people are concerned every time Brezhnev sneezes." Carter found "hopeful signs" in Brezhnev's words, Cranston said.

The New York Daily News March 22 banner-headlined: "Brezh to Carter — STAY OUT OF SOVIET AFFAIRS" and "Stay Off Our Turf."

The New York Times Moscow correspondent Christopher Wren took the occasion to review the recent history of the dissidents' campaign and Carter's support for it. Wren wrote: "While Moscow's response to Mr. Carter showed evident pique, it was also calibrated to avoid going too far. 'Given their feelings of inferiority toward the United States, the Russians in their panic and fury did a good job of restraint,' a Western diplomat said."

Cyrus Vance, U.S. Secretary of State, declared upon hearing of Brezhnev's speech: "I hope it will not inhibit our conversations when I go to Moscow. There is nothing more important than making progress towards reduction of nuclear arms. I hope very much we will find a constructive attitude on the part of the Soviet Union when I get to Moscow."

The New York Times followed Carter's remark with an editorial headlined "The Sneeze from Moscow," advising Brezhnev's anger be ignored, and a backup op-ed by James Reston, called "Gesundheit!", and observing that "Leonid Brezhnev, now 70 years of age, is probably the last of the Soviet leaders who will retain memories of the two World Wars, and...he wants to finish his career with an arms accord in Washington next October. This is what Secretary of State Vance will be testing in the Soviet capital next week."

The Christian Science Monitor (Boston) editorialized March 23: "Mr. Brezhnev's prestige is on the line...his comments on human rights were explicitly blunt, (but) he did not foreclose the possibilities of moving forward on the most crucial areas of Soviet-American relations...The Russians are clearly eager to break what they call the 'stagnation' in relations."

Al Ahram, the semi-official Egyptian daily, said that Brezhnev introduced "new elements which are not at all under discussion" in regard to the Middle East. The paper suggested that Brezhnev was preparing to reestablish Soviet relations with Israel, but not saying so, and said that the questions left open in the speech "require a quick answer and clarification from the Soviet Government."

The Israeli Foreign Ministry issued a statement greeting Brezhnev's failure to mention the Palestinian Liberation Organization in connection with a possible reconvening of the Geneva Peace Conference on the Middle East.

Callaghan Weathers Confidence Vote

BRITAIN

British Prime Minister James Callaghan successfully weathered a vote of "no confidence" last night, due to a last minute agreement worked out with the 13-member Liberal bloc in Parliament. The 322-298 victory for the Labour Government thwarted efforts by Conservative Party leader Margaret Thatcher to precipitate a General Election just as Callaghan was preparing to embark on diplomatic initiatives for a peace settlement in Rhodesia and action to ensure international economic stability.

"We are only halfway through the job we started," Callaghan told supporters as he indicated his willingness to collaborate with other parties if necessary to ensure that the Government could remain in office to complete its task.

Callaghan was able to consolidate the voting support of the Liberal party in exchange for provisions which will neither seriously compromise his domestic economic program, nor hamper his international role as a spokesman for trade and development. Under the arrangement — called "unique" in British Parliamentary history — a joint Liberal-Labour consultative committee will be set up to review all future legislation. This represents a tactical retreat for the Liberals, whose original "laundry list" of demands called for the reversal of Labour's entire strategy for industrial growth.

The agreement is *not* the type of centrist coalition which could trap Callaghan into moderating his industrial policies — as hoped for by a broad spectrum of the U.S. press. Both Callaghan and Liberal Party leader Steel made clear that nothing in the "deal" binds the Government to accept Liberal views and nothing in it requires the Liberals to vote with the Government. Furthermore, Callaghan emphasized to Parliament that the "experiment" with the Liberals would be reviewed in the fall to "see if it had been of sufficient benefit to the country."

Callaghan described the agreement as providing the Labour Government with "the opportunity of maintaining a stable position to carry through its economic and social policies." Welcoming the respite from Tory pressure, Callaghan asserted: "We shall use the time of this Parliament to plan how best to distribute the fruits of our economic success."

With most major bills, including nationalization of the shipbuilding and aerospace industry, already on the statute books and other contentious legislation having been temporarily laid aside, the only major domestic proposals which would be subject to Liberal Party scrutiny are

the Government's 1977-78 Budget (due March 29) and the third phase of pay agreement with the trade unions. There is unlikely to be a clash on the Budget since early reports indicate that its mildly reflationary proposals will command widespread support from the trade unions, industrialists and a broad majority in Parliament. Pledges of support from top trade union leaders during the tense days of maneuvering prior to the vote of confidence show that the "special relationship" with the Labour Government will be preserved through a third round of wage restraint to achieve the necessary economic goals under current conditions of general economic decline in Europe.

The very limitations of this legislative program reflect the fact that the reinforced Callaghan government is now faced with completing its most important task in guaranteeing the country's economic future: making decisive moves against the dollar empire by organizing for Western European debt moratoria. Indicating government thinking on expanded East-West trade, the British newspapers have been giving regular coverage to proposals for extending the Comecon transfer ruble outside the socialist sector as the basis for a new world monetary system. Foot-dragging on bringing this about has given the New York banks and their allies within Britain — such as Conservative Party leader Margaret Thatcher — the opening for destabilizations such as last week's attempted toppling of Callaghan.

Thatcher herself was livid following the confidence vote, as she denounced Callaghan's "shabby" deal with the Liberals. The Tory leader's annoyance is perhaps also explained by the effect Callaghan's successful maneuver may have on her own far shabbier alliance with West German neo-Nazi Franz Josef Strauss, consummated during a meeting in Munich last week. The purpose of this meeting was to set up a pan-European conservative moment to overthrow the governments of Britain and West Germany, both dominated by parties of social-democratic stamp with a labor base. Thatcher also sent her "Shadow" Foreign Secretary John Davies to the U.S. last week to collaborate with the Trilateral Commission members of Carter's Cabinet in new proposals for racial conflict in southern Africa.

The Callaghan government, however, had already announced that Foreign Secretary David Owen will be undertaking an "independent" tour of the Middle East and Africa during April to discuss peace initiatives in both areas. Meanwhile, Callaghan is personally organizing specific proposals for trade and development to be presented for the May 7 economic summit in London and the meeting of Commonwealth heads of state in June. During a week in which a Bulgarian trade delegation arrived in London and final touches were put on a joint British-Polish shipbuilding venture, British Trade Secretary

Edmund Dell stated in Parliament that "it is our wish to build up trade with the Soviet Union and that seems to us the right objective."

Further, in his opening speech of the two-day parliamentary defense debate which began on March 22, Callaghan's Defense Minister Mulley argued for Government-proposed cuts in the British defense budget on the grounds that the monies are needed for domestic economic expansion. "This was why the Government had

given overwhelming priority to the tasks of industrial regeneration and fighting inflation on which Britain's future depended," *The Times* of London quotes Mulley. Importantly for British intentions on expanding East-West relations, Mulley stressed that "NATO's policy of deterrence was still working and there was no imminent risk of aggression by the Warsaw Pact," reports *The Times*.

Andreotti Says He'll Bow To IMF But The Battle Is Not Over

ITALY

Italian Prime Minister Giulio Andreotti emerged yesterday after three days of preliminary consultations with the top leadership of all political parties to announce that his government will soon ratify the "Letter of Intent" which stands as the conditions Italy must agree to to receive a \$530 million loan from the International Monetary Fund (IMF). Andreotti further enunciated that *all* parties agreed that acceptance of the IMF conditions would be "to the advantage of workers."

To substantiate Andreotti's statements, both the Christian Democracy (DC), and the Italian Communist Party (PCI) issued press statements accepting the Fund's austerity packet.

Aldo Moro, DC factional right-wing leader, told the press that the party concurs with "the objectives indicated by the IMF," while Luciano Barca, PCI economist, authored an article in *Unità* fully exonerating the IMF from its genocidal policies. The decree-law to slash the cost of living escalator (COL) and increase the added value tax — the two most controversial clauses — wrote Barca, were not invented by the IMF, but were approved by the Council of Ministers even before the IMF delegation arrived in Italy. Therefore, the Fund cannot be accused of posing demands that were already up for approval. The PCI, however, is willing to propose "alternative" methods to slash the COL that will be acceptable to the trade unions, while simultaneously yielding the same or *better* results — without touching the "symbolic" COL system.

The IMF demands will gut the Italian economy and throw the country into Latin American levels of austerity:

- * The Treasury deficit for 1977 must be contained at 9,800 billion lire.

- * Internal credit for industries must be contained to 30,000 billion lire to be divided half and half between the public and private sectors.

- * Public spending rate of growth must be less than the inflation rate for the 1977-78 period.

- * The rate of inflation must be less than 10 percent in 1978.

- * The increase in the cost of labor must be less than 16 percent in 1977 and less than 10 percent in 1978.

- * The effects of the cost of living escalator must be "sterilized" (i.e. offset) by an across-the-board increase of added value tax on all products.

A few days after these demands had been made public, the Italian newspaper *La Stampa* revealed March 23 a number of secret clauses contained in the agreement:

- * Immediate cutoff of all national government loans to the cities through the nationalized banking system.

- * The reduction of Italy's balance of payments deficit from 2,300 billion lire to 500 billion by no later than March 1978.

- * Central bank interference on the foreign exchange markets in defense of the Italian lira must be ended.

The question arises as to how the pro-growth Bonapartist faction in the PCI, the Andreotti government, and its allies can accept these outrageous demands when — until recently — they were leading spokesmen of the world anti-dollar battle. How could they embark on a path that will most likely lead them to a dangerous clash with the trade unions?

The answer dates back to the negotiations between leading Italian industrialists led by Eugenio Cefis and Soviet officials to set up a transfer ruble for trade credits. The criminal refusal of the Soviets to go ahead with the transfer ruble precipitated a process of factional weakening for Cefis which was most notably seen in the ousting of some of his key collaborators from Montedison. Recent reports from one of his closest associates indicate that, following the Soviet backdown, Cefis has been forced, under extreme pressure, to retreat from the arena of international politics and economics and get rid of Montedison's most financially sound operations: its banks and insurance companies considered to be the "family jewels."

As a result, the strength of the PCI's former staunch fight against the austerity typified by the IMF demands, as well as its commitment to technological growth, was severely hampered. Cefis's alliance with PCI bonapartists rested on the East-West trade networks and policy tendencies built in the party by Enrico Mattei, the late president of the public-sector oil company, ENI. With this alliance broken, the PCI bonapartist faction is left without viable industrial allies and is thus vulnerable to isolation.

By No Means Settled

Although the PCI's hegemonic leadership is presently agreeing with imposing the kind of top-down austerity demanded by the IMF, the battle within the Party and its trade-union base continues. There are several indications of this. First, the Confederation of Trade Unions (CGIL-CSIL-UIL) held a general strike yesterday in the Lazio region explicitly in support of industrial growth and the cost of living escalator. Communist CGIL Secretary General, Luciano Lama, in his rally speech, issued a strong attack against the IMF to the point of polemicizing with Andreotti's government. Second, well-placed inside sources report that the CGIL — controlled by the Communist Party — is organizing internally its networks and locals in preparation for a gross denunciation of the IMF flunkies inside the government and the trade-union movement.

As per press reports today, there are initial indications coming from the DC and ministerial circles that Italy's commitment to fight for a new economic order are by no means entirely squashed. Under the headline "The New Challenge," the DC newspaper *Il Popolo* writes today

that the economic crisis is threatening to plunge European countries into the narrow logic of "national interests... Thus, it must be strongly stressed that until national policies continue to be conceived and realized without taking into account the broader supranational reality in which they fit, the existence of the (European) community itself is in fatal danger." It is illusory to think that single European countries can face international problems, continues *Il Popolo*. Whatever the problems may be, these must be faced together "harmonizing single strategies in view of the final meeting of the North-South Conference, whose ultimate goal is that of a more just re-equilibrium of the world's economies." Writing in the daily *Corriere della Sera* today, Treasury Minister Gaetano Stammati called for a new European economic system to replace the dollar as reserve currency. Only the creation of such a system, Stammati said, "can solve in the mid-term the structural crisis of the international monetary system, by flanking the dollar — with a European currency — as reserve currency. This is the indispensable condition for (having) an ordered growth of international trade, in turn premised on world development."

'Union Of The Left' Coalition Sweeps French Municipal Elections

FRANCE

The Socialist-Communist "Union of the Left" coalition will now control about three-fourths of France's large cities following its "landslide" victory (by U.S. standards) in the second round of the country's municipal elections March 20. The key to the left's success was an unexpected cross-over by many previous supporters of French President Giscard d'Estaing's heterogeneous government coalition — referred to as "Presidential majority" — primarily from pro-development Gaullist voters.

The key nationwide vote patterns were as follows:

— The Union of the Left gained significantly in vote percentages over the previous week's first round, partly as a result of increased voter participation in close races, but mostly due to unexpected transfers from minority slates eliminated in the first round.

— Wherever a run-off opposed a "Presidential majority" list of Atlanticist and Gaullist candidates headed by a Giscardian or centrist advocate of monetarism or deindustrialization on the one hand, and a Union of the Left slate on the other, many Gaullist voters ignored the instructions of RPR Gaullist party leaders — who had called for a unified vote against the "collectivist" Union of the Left — and supported the latter, the *Communist candidates in particular*.

— This Gaullist swing factor role was especially obvious in large industrial cities like Nantes, Saint-Etienne and Le Mans, where the followers of independent Gaullist and former Foreign Minister Michel Jobert literally "gave" the election to the left. In Paris, a similar dynamic prevailed in many districts, with the consequence that Communist-led Union of the Left lists defeated three key Giscardian contenders — Giscard's handpicked mayoral hopeful Michel D'Ornano, former City Council president Dominati and Independent Republican parliamentary group leader Chinaud — sweeping seven districts, against nine for RPR President Jacques Chirac and two for the Atlanticists.

— Reciprocally, the Giscardian electorate often balked at the idea of supporting RPR-led slates, with the result that *all* components of the Presidential majority ended up on the losing side nationally. RPR organizational secretary Yves Guéna acknowledged this reality in an unusually frank radio statement March 20: "There is no point concealing it, we suffered very bad setbacks throughout the country."

Predictably, Atlanticist circles around the President and Interior Minister Michel Poniatowski now claim that the major cause of the government coalition's stinging defeat was the protracted tug-of-war between its Gaullist and Giscardian components, and more precisely the "divisiveness" introduced by Chirac's Paris candidacy, which the President opposed. Conversely, Chirac has denounced the Giscardians' lack of anti-left "voluntarism."

"Insults to Reality"

However, if the continuous bickering between the two governing factions did indeed exasperate a number of voters, it is clear from the general behavior of the electorate that dissenting members of the "Presidential majority" consciously meant to express their disapproval of government *policy* and their general commitment to the economic and social development programs previously identified with Gaullist rule, but now almost exclusively represented by the left, the Communist Party in particular. Former (Gaullist) Prime Minister Michel Debré, who had repeatedly predicted the voters' evolution, stated in the March 23 issue of *Le Figaro* that "a majority of public opinion" condemns the government's "insults to reality" — Giscard's illusion that one can rule France without implementing a growth-oriented anti-inflation policy.

From this correct insight into the reasons for the government coalition's defeat, it is easy to deduce why so many Gaullist and other voters opted for the left, rather than simply cast blank or null ballots — the usual procedure in France for registering a "protest vote." In effect, large sections of the RPR base are mandating their leaders to withdraw support for Wall Street's ally Giscard and to seek instead an immediate programmatic convergence for social and economic progress with the working class and its representative political institutions, as did General de Gaulle in the World War II Resistance movement, and again at key junctures between 1958 and 1968.

Whether or not the Gaullist movement *as a whole* will understand this "message" is problematic. RPR leader Chirac had predicated his party's entire campaign on a mixture of support for the deflationary austerity program of Prime Minister Barre and visceral anti-Communism. Though he scored an unquestionable personal success in the rather "bourgeoisified" city of Paris, this tactic turned out to be a miserable failure nationally. Under Chirac's virtually programless

leadership, the RPR has only demonstrated its ability to defeat Atlanticist *capitalist* parties, but most emphatically *not* the left, contrary to his own repeated claim.

The Gaullist movement is thus faced with momentous strategic decisions. It can either continue to follow Chirac into a stormy alliance with the Giscardian monetarists and thus alienate its electoral base to the benefit of the Union of the Left, or return to De Gaulle's policy and regain programmatic hegemony within the left itself, at the expense of various and sundry "Socialist" exponents of zero growth and their accomplices in the Communist Party's leadership. It is an open secret that many workers would like nothing better than to trade the Union of the Left's incompetent — if well-meaning — "Common Program" for the kind of progressive national capitalist program advanced in the 1960s by Debré.

A good indication of this pro-Gaullist dynamic within the left was provided March 20 by the new (Communist) mayor of Saint-Etienne, Joseph Sanguedolce: "The incumbent mayor (arch-Atlanticist Minister of Finance Michel Durafour — ed.) was an anti-Gaullist who practiced an anti-national policy... I was an officer in the Resistance, and it seems that many of our Gaullist friends preferred to vote for me." Between the two rounds, Sanguedolce, a regional leader of the CGT trade-union, had openly defied Union of the Left policy by promising to involve the Gaullists in managing city affairs after the election.

In other cities, the pro-Gaullist tendency in the working class asserted itself with less bravura, but equal determination. In the Marseilles run-off March 20, several thousand Communist voters refused to obey party orders and cast blank or null ballots rather than support Gaston Defferre, the incumbent Socialist mayor known for his Atlanticist proclivities. In the nearby city of Aix-en-Provence, 4,000 Communist voters backed the RPR slate against the independent "Socialist" incumbent.

CDU Chief: Foreign 'Coalitions' Responsible For Plethora Of Scandals In BRD

WEST GERMANY

In a surprise gesture, the leader of West Germany's opposition party, the Christian Democratic Union, last week came sharply to the defense of Chancellor Schmidt's coalition government over the issue of foreign intervention in the country's intelligence agencies. Addressing a congress of the CDU's youth group in Schleswig Holstein on March 20, CDU chairman Helmut Kohl defended the right of the Bundesamt fuer Ver-

fassungsschutz (Federal Office for the Defense of the Constitution, the "West German FBI,") to carry out its vital functions. "It is possible that there are also forces involved in criticizing the bugging action that do not come from the BRD at all...there are remarkable coalitions, that are not at all concerned with individual liberty, but with the obstruction of state institutions..."

Mr. Kohl was referring to a series of Watergate-style bugging scandals which have multiplied over recent weeks in West Germany. Not accidentally, the major target of these scandals is the BfV, the agency within the Interior Ministry charged with investigating subversion of the Federal Republic's Constitution, and the

stronghold of "traditionalist" forces in the West German intelligence community which owe their loyalties to European industry rather than to Rockefeller's Interpol. Kohl's statements join those of the Social Democratic Chancellor Helmut Schmidt, who has announced that he does not intend to fire any minister or make other personnel changes in the wake of the scandals, which have formed the most publicized aspect of a destabilization effort against the Schmidt government.

The original scandal appearing two weeks ago in the weekly magazine *Der Spiegel* on the technically illegal bugging of a nuclear engineer, expanded over this week with the "revelation" of three additional incidents, one of which threatened to involve not only Interior Minister Werner Maihofer, but also Günther Schüler, chief of Chancellor Helmut Schmidt's own staff. A number of spokesmen within the ruling parties (the Social Democrats and Free Democrats) have been vehemently demanding the resignation of Maihofer and have called for drastic restrictions of the BFV's ability to investigate the domestic activities of terrorist networks. Among those demanding the protection of "individual human rights" against electronic surveillance are the lawyers of the Interpol-controlled Baader-Meinhof terrorist gang, the youth groups of both the government parties, and Horst Ehmke, a leading Social Democratic politician close to SPD chairman Willy Brandt.

But after a series of all-party meetings held in Bonn over the past few days, the government appears to have stemmed the tide and may even be able to turn the situation to its own advantage. All the major parties called for centralization of information pertaining to surveillance activities, in order to avert press "leaks" calculated to provoke hysteria. Interior Minister Maihofer has released a list of every emergency surveillance conducted over the past decade.

Behind the Scandals

Two events this week have put the underlying purpose of the "bugging" scandals into bold relief.

The first event is last week's call by the SPD parliamentary fraction leader Herbert Wehner for an independent West German initiation to speed up the Mutual Balanced Force Reduction (MBFR) talks in Vienna, which are currently stalled over "tactical nuclear weapons." Although the call, published in *Neue Gesellschaft*, received relatively little publicity, over the weekend Wehner's name suddenly appeared at the very center of the bugging scandals. The major newspapers began asking such questions as "Does Wehner Want to Topple the Government?", while the Hamburg daily *Die Welt* wrote that Wehner might want to give the SPD "a recovery spell in the opposition." Another *Die Welt* article broadly hinted that Wehner is even collaborating with the Soviet Union to create a

Watergate atmosphere, so as to avoid dealing with the Soviet "military buildup!"

But Wehner has summarily brushed this nonsense aside in an article printed early this week in the *Kölner Express*. He wrote that he has absolutely no intention of upsetting the present government, and went on to praise Chancellor Schmidt as the only West German leader qualified to handle the country's international affairs. West Germany, he wrote, has an important international role, and "especially...has to push for troop reductions and arms controls...It is decisive for democratic and social development that the BRD remains a peace-ensuring factor in the world."

The second event is this week's announcement of the government's new energy policy guidelines for the period 1977-1985. Economics Minister Hans Friderichs has thrown down the gauntlet to the U.S. Carter Administration, stating that the government is "resolved" to develop its nuclear technology and secure economic growth. Friderichs warned that a collapse of his nuclear program would result in an energy deficit of 20 percent by 1985, zero economic growth and a tripling of unemployment.

This determination comes in the face of a recent court decision banning the construction of a new nuclear generating plant in Wyhl. The judgment, which has already been attacked by the Federal Nuclear Security Commission, sets impossible standards to protect the reactor vessel from bursting, even though the likelihood of this ever happening is already one in ten. The capricious decision not only sets an ominous worldwide legal precedent; it has also injected new vigor into the Naderite environmentalist "movement." Over the weekend approximately 12,000 of these low-life held a bloody demonstration at another nuclear construction site near Grohnde, chanting such slogans as "Black Or Red, We'll Strike You Dead!" The Schmidt government's fight against the environmentalists is scheduled to come to a head at a special SPD energy conference in April.

Rumors and lies continue to circulate about the fate of the West German-Brazilian nuclear deal. *Der Spiegel* reported that the Soviet Union's ambassador to Bonn, Falin, met with State Secretary Peter Hermes in order to discourage Bonn from going ahead with the deal. The Soviet Union, the magazine said, wants to sacrifice its interest in West German technology for good relations with President Carter. This report was contradicted, however, by the *Frankfurter Allgemeine Zeitung*, which wrote that Falin really told Hermes that the Soviet Union is not interested in participating in any nuclear technology proliferation agreements.

Meanwhile, Brazil still has not received initial shipments for the disputed nuclear fuel reprocessing plant, and it is rumored that this will not occur until Schmidt meets Carter at the London summit meeting May 8.

BRD Atomic Power Shut Down By U.S. 'Experts'

The Freiburg Administrative Court in West Germany has nullified a two-year old construction permit for a planned nuclear power station at Wyhl on the Rhine. The decision marks the first time anywhere in Europe that a court of law has nullified such a nuclear construction permit.

The court decision was largely based on testimony from two United States "experts" who were flown in to influence the proceedings at the last minute by the West German Burger-Initiative environmentalist group, the same group responsible for major occupations of nuclear construction sites. The testimony was given by Ernest Sternglass and Robert Pollard, both involved with the Natural Resources Defense Council of Washington, D.C. The NRDC has emerged in recent months as the primary immediate link between U.S. and European anti-nuclear operations. These are being financed by the Rockefeller family through the Rockefeller Brothers Fund, the Kaplan Fund and the Ford Foundation. Laurance Rockefeller, the brother who handles the family's "environmental" concerns, runs the NRDC board of directors.

Sternglass and Pollard succeeded in persuading the local court to call for "safety design" criteria not applied anywhere else in the world in order to make the Wyhl reactor "burst-proof." The court's gullibility, a dangerous international precedent, makes mandatory expensive "fail-safe" features, including construction of a whole outer reactor shell to contain the existing reactor plant. The costs of such a precaution are prohibitive.

A spokesman for the Wyhl construction contractor, the

same Kraftwerke Union (KWU) whose contract to provide Brazil with a full range of nuclear capacity has come under attack from the Carter Administration, called the judge's decision "difficult to understand." The KWU spokesman asserted that the likelihood of any "burst" was so remote as to make the environmental risk less than that of commonly accepted industrial installations like oil refineries.

All in the Family

Ernest Sternglass, a radio-biologist at the University of Pittsburgh who travels around the U.S. claiming that nuclear plants cause cancer, is the laughing-stock of his own colleagues. Sternglass has used brazenly manipulated statistical data to make his predictions. The Wyhl witness Robert Pollard, and Greg Minor and Richard Hubbard, who have been brought in to testify at a second reactor case at Grafenrheinfeld, West Germany, all operate out of the Cambridge, Massachusetts Union of Concerned Scientists, an anti-nuclear operation set up in 1970 by McGeorge Bundy's Ford Foundation. Minor and Hubbard made headlines last year when they dramatically quit their engineering jobs at General Electric saying they now felt nuclear power was "unsafe." It subsequently came out that both Minor and Hubbard have undergone "attack therapy" sessions in a quasi-religious "consciousness-raising" cult in California called the Creative Initiatives Foundation. This outfit has received Rockefeller funds, laundered through Ralph Nader, to elicit their participation in last year's unsuccessful California anti-nuclear referendum campaign.

Carter Puts Sadat On The Line

State Department sources this week revealed that the Carter Administration intends to apply intense pressure on visiting Egyptian President Anwar Sadat early next month to "work the Palestine Liberation Organization over." Another source who worked with Carter's National Security Council head Zbigniew Brzezinski on the 1975 Brookings Institution Middle East policy study which has since provided the framework for Jimmy Carter's Middle East policy, confidently told interviewers that "if the Egyptians can get a peace that is acceptable to the Egyptians and the PLO doesn't accept it, the Egyptians will break with the PLO."

For a variety of reasons, Brzezinski has determined to force the Egyptian president to accept the political analogue of the intense economic pressure that the International Monetary Fund has been applying on Egypt, at the risk of toppling his shaky regime, for the past year. As the core of his Brookings-authored scheme, Brzezinski is intent on levelling the Palestinian resistance movement, the nerve center of Arab sector opposition to the Carter Administration. More generally, Brzezinski is demanding that Arab leaders break from negotiations toward a new world monetary order to replace the bankrupt dollar.

To force the issue, Carter this week issued ultimatums and insults at the Arab leaders. In leaks intentionally conducted through the Israeli embassy, a new Carter peace plan, the fourth in two weeks was revealed. The plan, billed as a "final" diagram of U.S. policy aims in the Mideast, calls for the stationing of Israeli troops 12 to 34 miles into Arab territory, the permanent extension of eastern Israeli defense borders to the Jordan River, and the subordination of a "Palestinian homeland" to the sovereign control of the Kingdom of Jordan. According to WCBS radio March 23, Arab leaders were "furious" and the Israeli leadership "pleased" by the scheme; Brzezinski immediately issued a pro forma denial that he had suggested any such idea in order to cool down the reaction.

Behind Carter is an increasingly open Israeli threat of a preemptive strike. Israeli Premier Yitzhak Rabin suddenly told an election campaign audience this week in Israel to "expect the unexpected" in the coming weeks. Right-wing Israeli General Ariel Sharon, Rabin's opponent for the premiership, warned on Israeli television that an Arab attack against Israel could be expected by mid-summer. According to CBS March 24, the Israeli capital was "jittery" earlier this week over Israeli intelligence reports that Egyptian troops had been carrying out maneuvers similar to those carried out on the eve of the October, 1973 Arab-Israeli war.

No other source has mentioned these maneuvers, and it is likely that their reporting was geared to terrifying the Egyptians and other Arab leaders to submit to U.S.

policy or face a new war. But two factors make an actual war possible.

One, former Vice President Nelson Rockefeller arrived in Israel this week after stopovers in Egypt and Saudi Arabia. Two, Carter's confusing Mideast policy statements have successfully provoked a paranoid "breakaway ally" mentality among the Israeli leadership. A pro-Israeli Capitol Hill source complained this week that Carter's statements were undercutting Israel's "trust" in the U.S. and forcing Rabin to be "inflexible" on Arab-Israeli issues. This would be especially the case in reaction to a new Carter human rights campaign aimed at Israel, he stressed.

Arabs Planning to Boycott Carter?

While informed U.S. thinktankers insisted this week that the Egyptian and Saudi Arabian leadership would treat Carter's most recent Mideast statements as an "outrage" and "the last straw," it is still unresolved at this point what concrete decisions vis-a-vis the U.S. Administration will emerge from a matrix of Arab sector strategy sessions in the coming days, especially a March 29 summit meeting involving Egypt, the PLO, Syria and Jordan.

Will Arab leaders react to the Carter policy by falling into a patterned anti-Israeli mindset, or will they encourage an international break with the dollar? Short of answering this question, leading experts this week nonetheless expected Sadat to seriously consider postponing his U.S. trip, following in the footsteps of Saudi leader Prince Fahd, who, one source noted, "sees no point" in discussing Arab-Israeli issues with Carter.

If Sadat were to publicly accept the totality of the Carter policy, it is likely his regime would not survive the internal political consequences. An informed Palestinian source just returned from the Palestine National Council meeting in Cairo reported that the pro-Palestinian layers in the Egyptian military and intelligence apparatus, whose career predates Sadat, are "much stronger than Sadat." Given Egypt's economic crisis, the source estimated, Sadat would be overthrown if he went with Carter's "Jordanian option."

The Soviet Complication

In this crisis, Soviet leader Leonid Brezhnev, in a major Soviet policy address last weekend, offered no assistance. Brezhnev neglected mention of the PLO and held back from any programmatic statement for the Mideast that would provide a basis for thawing the crisis and delivering a counterweight to Carter. State Department sources confidently assessed that Brezhnev was eagerly trying to be "flexible" prior to a visit to Moscow by U.S. Secretary of State Cyrus Vance. But Arab leaders and journalists responded with enraged surprise.

“Egypt Will Break With PLO”

The following is an interview with a participant in the 1975 Brookings Institution study on the Mideast in which Zbigniew Brzezinski and NSC Mideast advisor William Quandt participated:

Q: How do you think the Arabs are responding to the Carter policy statement on the Middle East?

A: Well, the Egyptians, Saudis and Syrians probably find it troubling. The quality of the peace and the lengthy time of eight years.

Q: Do you think the Egyptians will continue to back the PLO under any circumstances?

A: If the Egyptians can get peace that is acceptable to them and the PLO doesn't accept it, yes, they will break with the PLO. The nature of the link to Jordan is important. The confederation idea has to be looked at in its nature of modalities. Will the PLO be inhibited in its foreign or military stance? This remains to be worked out in discussions. The Saudis and the Syrians would cooperate in this type of agreement. But these issues won't come up now. Sadat will play it soft at the beginning as a lead to the Geneva peace conference. The Egyptians are interested in what they can get out of this.

Q: If there were a break with the PLO, wouldn't this be dangerous consequence?

A: Yes, there would be trouble with Libya and Iraq. There would be fighting and trouble.

Q: What would be the outcome if the Palestinian demands were met?

A: Do you see what is going on in Lebanon today? Arafat wants to make a deal. He won't come out directly and demand a Palestinian state. He would lose on that score. But if we offer him a Palestinian state, that's different. He'll go for it. If the PLO doesn't accept, there is Iraq and Libya. But what can they offer them. Only money, nothing else.

Q: What about the Soviet Union?

A: The Soviets are in weakened position in the Mideast. They have lost a lot of credibility because of Syria and Lebanon. No problem.

Q: What will make Sadat make a deal? Is there any economic deal in the making?

A: No. That has nothing to do with it immediately. The Egyptians will be happy to solve the military angle which is bleeding the country. The economic issue is not a part of the settlement. It is a consequence of it.

Egyptians, Saudis “Angry, Outraged” at Carter

The following is an interview with a leading American analyst on U.S.-Arab relations:

Q: Sadat is reportedly under strong pressure by the Carter Administration to break with the PLO. What is your

assessment of the situation.?

A: I don't think they can move Sadat on the PLO. That is really the last straw. On financial matters, the U.S. has Sadat up against the wall. Politically, the U.S. is doing nothing to help Sadat. The Arabs are outraged by Carter's latest statements. If anything, Sadat may move away from the U.S., but that remains to be seen.

The key is what the Saudis will do over the next six months. The Saudis are angry. If the Carter Administration continues to pursue its current policy, the Saudis will get even angrier. They know the implications of Carter's policy: no Geneva, no peace settlement, no substantial aid to Egypt. The Saudis will be left standing with an egg on their face. Believe me, the Saudis won't tolerate that.

It's not accidental that a whole group of Saudis are here now, running around this country. They are very uneasy about the Arab boycott; they know of the dangers that the U.S. Congress will pass the legislation. Unless the Carter Administration stops playing around politically, the Saudis can move in several directions. It is unlikely that they'll go along with Carter; they may go along with the IMF on certain issues here and there, but overall it's my guess that at some crucial point—which I think is going to come soon — the Saudis will do something very drastic to solve the financial questions facing them and the rest of the Arab world.

Sadat's Only Hope

Following is an assessment by a leading Arab Middle East expert of Carter's recent statements on the Middle East:

All the talk about Palestinians being an obstacle to a Middle East settlement is not true. The real obstacle, the most devastating obstacle, are Carter's recent statements on the defensible borders (for Israel) and the “Palestinian homeland.” His statements are a bombshell and have seriously set back prospects for a settlement...I seriously doubt whether Sadat or the other Arab leaders will come to Washington now as a result of Carter's statements.

Just on the basis of Carter's statements over the past two days, it is my estimation that Sadat won't go along with Carter. The real meaning of Carter's strategy has been made very clear in the past two or three days — he is out to start a war. If Sadat is smart, he'll know that if he goes along with it, he'll face civil disturbances, and possibly be overthrown. I think that Sadat will change gears. I cannot give you any hard evidence, but I think he will turn to the Soviets and cut with the U.S. I think he knows that is his only hope.

Saudis See “No Reason” To Discuss With Carter

Following are excerpts from an interview with Mr. E. Garlich, an oil analyst at the Washington Forum:

Carter could have been more forthcoming in the Middle East. You see the whole issue is very complicated

beginning back with the Lebanese civil war which did not pan out. The war did not pull the Palestinians into line. If it had, it would have been fairly easy to put pressure on Israel to get negotiations going. But now with the PNC (Palestinian National Council) not amending its charter, things look much worse. The Palestinian militants are just refusing to budge on that issue of changing the charter (to recognize Israel —ed.). Therefore the Arab-Israeli front has not moved toward peace. I think that the

Saudis feel at this time there is no reason to discuss the matter with Carter, given this situation...

Also the assassination of Jumblatt really jolted the Saudis. There is a list of other prominent Middle Eastern leaders named for assassination like Arafat and Camille Chamoun...

I cannot tell you (who is putting this list out), but I will say that it is one of my contacts in the Middle East who told me in September that Jumblatt would soon have an accident!

Palestine National Council: Political Consolidation — But No Direction

The dilemma of the Palestinian movement emerged in its sharpest form at the meeting of the Palestine National Council, which ended last week in Cairo.

On the one hand, the meeting of the PNC resulted in a new political and military unity among the various factions of guerrillas and "independents," on the basis of the 15-point political program issued at the end of the meeting. On the other hand, however, the results of the PNC meeting, the first such gathering in almost three years, did not include the emergence of any realistic strategy for Middle East peace.

The conference, which did not take any decision to recognize Israel, did authorize the leadership of the Palestine Liberation Organization (PLO) and Chairman Yasser Arafat to take up contacts for the purpose of negotiating possible attendance by the PLO of "any international conference or gathering which treats the Palestine question."

Arafat who was reelected as chairman, was also named as commander of a unified military force that places the armed units of the guerrilla groups and of the regular Palestine Liberation Army under his direct control.

According to reports from Cairo, the leftist Palestinian "Rejection Front," largely supported by Iraq and Libya, did not oppose the political program presented by PLO Political Department director Farouq Kaddoumi, and although the Popular Front for the Liberation of Palestine (PFLP) refused to join the PLO Executive Committee over certain disagreements with the PLO program, the pro-Iraqi Arab Liberation Front and other leftist Palestinians reached an overall accord with the main body of the PLO, represented by Arafat's Fatah.

However, the militant tone of the meeting and the hardline resolutions largely fail to address the real issues that were on the minds of every participant, especially after 18 months of civil war in Lebanon that decimated the PLO. The hollow reaffirmation of "armed struggle" against Israel did not cover the complete lack of a political program dealing with the international issues that lie at the core of the conflict in the Middle East and which make the Palestine issue so explosive.

"We are fighting for our survival," said one participant at the Cairo meeting, "and we therefore cannot be

expected to take up broader issues of international scope."

Shadow of Carter over PNC

Throughout the meeting, the shadow of the Carter Administration hovered over the gathering. In fact, for the Carter regime, the decision by the PNC not to change its covenant — which calls for the destruction of Israel and its replacement with a "democratic, secular state" — was a desired goal. Sources in Washington have reported that the Carter forces intend to confront and crush the PLO in coming months, and thus sought in the weeks preceding the conference, and in the days of the conference itself, to ensure that the PLO would not be able to adopt a more "moderate" position.

Since last fall, the Palestinians, backed by Egypt, have sought to elicit a quid pro quo from Washington that would indicate that the U.S. was considering making concessions to the PLO, beginning with an invitation to attend the Geneva conference. But the stone wall presented to the PLO by Carter since January ensured that the organization would not ease its hard line.

For instance, the statement by Carter only days before the convening of the PNC that Israel must have "defensible borders" — code words for annexation of occupied Arab land — fortified the hardliners at the PNC and completely "undercut the position of those few who said that perhaps the PLO must expect something positive from Washington."

"Then they sent us the message of terror," said a PNC member, referring to the assassination of Lebanese leftist Kamal Jumblatt, the chief ally of the PLO during the Lebanese civil war. The Jumblatt murder, he said, convinced any doubters that the U.S. was seeking a confrontation with the PLO, not a conciliation.

A key indication of the intention of Carter and the Israelis was the decision by Israel not to allow a group of West Bank Palestinians to attend the Cairo meeting. Since the group of West Bankers was considered relatively moderate, and could conceivably have influenced the direction of the PNC vote on crucial issues, the Israeli action can only mean that Israel was actively seeking to block a possible shift in tone by the PLO. According to reports from Israel, the Israeli Government was "satis-

fied" that the PLO did not change its tough anti-Israeli stance.

PLO "Octopus"

Strategically, the key issue addressed by the PLO was the question of its political relations with the Communist parties and leftist movements of the Arab world. For instance, Kaddoumi received a standing ovation from the PNC delegates when he announced that the PLO had begun and would continue contacts with the Communist party of Israel (Rakah). In addition, there were signs of stepped-up cooperation with the West Bank and Jordanian Communist parties and the Lebanese CP and Lebanese national movement led by the late Kamal Jumblatt. Such a decision by the PLO places the organization in a critical position of leadership of the opposition forces throughout the Arab East.

The PLO also strengthened its links with the leftist opposition in Egypt. After Egyptian President Anwar

Sadat spoke at the PNC meeting, in a widely publicized speech in which the Egyptian leader loudly proclaimed his intention never to give up "an inch" of Arab territory, then in a little-reported event the PNC invited a leader of the Egyptian left to address the conference. The links to the Egyptian left and Nasserist movement, which go back to the pre-Sadat days after the 1967 war under President Nasser, are still being maintained at the highest levels of Egyptian military and intelligence establishment, and represent an extremely important impediment to the pressure on Sadat to break with the PLO.

According to the *Jerusalem Post*, the PLO is an "octopus" stretching into almost every Arab country which, if put into danger, can threaten the existence of key Arab "moderate" — i.e., pro-Carter — regimes, including Sadat's.

— Bob Dreyfuss

Why Israel Must Have Peace — The State Of The Israeli Economy

SPECIAL REPORT

Israel's economy is geared to her maintainance as a military garrison state. Since 1967, the United States has maintained Israel on a course of increased military spending accompanied by drastic austerity. The defense burden now being carried by three-and-a-half-million Israelis is destroying her economy and population, just as the policies of Schacht destroyed the German economy during the 1936-39 period. If this policy of auto cannibalization is carried to its logical conclusions, then Israel must commit itself to war by the end of 1977.

This catastrophe can be prevented by those saner Israeli leaders who have devoted their lives to making the deserts bloom, those who know that development, and collaboration with the Arabs over such mutual development, is the key to ensuring the survival of, not only Israel, but all humanity as well.

During the past year the working class has been voicing increasing protest against the New York banks' austerity demands, culminating this month in the biggest strike wave to hit Israel since the 1966 recession. The Israeli newspaper Ma'ariv has called the situation "the very edge of sanity." Nearly every trade union has been on strike or threatening to strike, paralyzing the port and virtually bringing the economy to a standstill. An IMF mission is now in Israel demanding more austerity.

The Budget: Defense and Debt

The crisis facing the Israeli government is directly caused by the commitment to a militarized economy.

Since the October 1973 war, larger and larger

proportions of the national budget have been allotted to defense — and the resulting debt burden from that defense spending. (See Table 1)...The religious commitment to these two items has caused social services to

Table 1

BUDGET 1976-1977

TOTAL BUDGET - \$12 BILLION

MAIN EXPENDITURES

DEFENSE \$4.7 BILLION

DEBT
REPAYMENT
DOMESTIC \$2.6 BILLION

BUDGET 1977-78

TOTAL BUDGET - \$15.3 BILLION

DEFENSE \$ 5.2 BILLION

DEBT
REPAYMENT
DOMESTIC \$ 3.8 BILLION

be cut to the bone. Health care has deteriorated, medical services are no longer free. Transportation has been slashed, and the bus companies are bankrupt. Housing and construction have been brought to a halt. Education standards are falling as class size is increasing. Municipalities can no longer afford to pay their workers.

With the announcement of the 1976-77 budget, headlines in the Israeli papers screamed, "New Budget to Cut Standard of Living." A 40-50 percent increase in food prices was promised as one way the cuts were going to be made. Food subsidies were cut in November 1976, raising prices by at least 20 percent in one shot. Fuel prices, also

Main Items Israeli Budget (minus defense and debt) 1976 — 77		Main Items Israeli Budget (minus defense and debt) 1977 — 78	
EXPENDITURES	MILLIONS OF DOLLARS	EXPENDITURES	MILLIONS OF DOLLARS
<u>ADMINISTRATION</u>		ADMINISTRATION	444
POLICE	111	LOCAL AUTHORITIES	515
INTERIOR	12	<u>SOCIAL SERVICES</u>	2,010
TREASURY	46	EDUCATION	(862)
LOCAL AUTHORITIES	397	HEALTH	(207)
EDUCATION	606	SUBSIDIES ON BASIC COMMODITIES	(311)
HEALTH	145	ECONOMIC SERVICES	845
SOCIAL WELFARE	100	<u>INVESTMENTS</u>	
SUBSIDIES	228	— ADMINISTRATION	10
EXPORT INCENTIVES	468	— LOCAL AUTHORITIES	21
<u>ALLOCATION FOR PRICE INCREASES AND RESERVES</u>	2,078	— SOCIAL SERVICES	658
<u>DEVELOPMENT BUDGET</u>	2,550	EDUCATION	(66)
EDUCATION	58	HEALTH	(59)
HEALTH	64	HOUSING	(505)
HOUSING	428	INVESTMENTS IN THE ECONOMY	542
AGRICULTURE	45		
INDUSTRY	97		
TRANSIT	28		
COMMUNICATIONS	87		
RESERVE	285		

Table 2 — Consumer Price Index

PER CENT OR INDEX NUMBERS
(1970=100)

1972	1973	1974	1975	
126.4	151.6	211.9	295.2	
1976				
I	II	III	SEPT	OCT
338.2	372.4	400.8	408.6	422.2

Source: IMF Statistical Yearbook

received subsidies, which were also cut, increasing prices by 11 percent. (See Table 2)

By introducing the Value Added Tax at eight percent in June 1976, prices of, not only food, but all commodities and capital goods were being pushed out of sight. The hoped for income from this tax was \$355 million, but in the first six months alone \$445 million has been collected.

To illustrate what the cutting of food subsidies meant for the average housewife: bread prices went up 26.3 percent; frozen poultry, 22 percent; cheese, 19 percent; and milk, 12 percent. Real wages of civil servants, in particular, have been declining for the past three years, even with so-called generous wage increases. The decrease in real wages in accounted for, among other reasons, by the fact that workers have had to increase their working hours per week without corresponding pay increase.

Besides real cuts in wages and increased food prices, the construction industry was targeted in the 1976-77

budget for a 15 percent decrease in housing investments, following a 5 percent decrease in the 1975-76 budget. The 5 percent budgetary decrease represented a 50 percent decrease in planned construction of new apartments. A Ministry of Labor spokesman, referring to the decreased allotment for road and highway repairs, apologized at the time of the 1976-77 budget announcement, "We will be unable to maintain road and highways as well as we would like to, nor will we be able to build new ones we deem required. For maintenance we requested I£155m but are given I£75m. For new road building, we are offered I£175m in lieu of the I£450m we asked for."

Development and services allocations were slashed 15-25 percent in the proposed budget for 1977-78. Threats of at least a 30 percent price increase for basic commodities and even the removal of the few remaining subsidies are planned. The subsidies given to exporters of fresh vegetables and fruit — the "green market" — are also being reconsidered.

The major thrust of the new budget is to increase exports at all costs. To do this export incentives are to be increased 50 percent, costing the government I£750m in order to achieve a 20 percent increase in exports this year. Indeed the IMF demanded that Israel pay the export incentives at a higher rate of exchange than the lira commands, intending that exports should pay for 65 percent of imports by 1980.

Despite the huge cuts in spending for the domestic economy, by mid-1975 the Finance Minister had to add an extra \$1 billion to the \$12 billion budget, adding another

\$452m to defense spending and national security. He also had to shunt monies into housing, municipalities and pensions so that they could each pay their commitments. But deficit financing — \$634m in all — was still needed to pay for this supplementary budget, making the total budget deficit for that year 1975 \$857m — amounted to \$1 billion.

Two things left uncut in the budget were defense and domestic debt repayments. As a percentage of the budget, defense allocations comprised 39 percent of the 1976-77 budget and approximately 34 percent of the proposed 1977-78 budget. While debt service on domestic debt without interest payments took 23 percent of the 1976-77 budget, they will take 25 percent of an increased 1977-78 budget.

Three Years of Ineptness

After foreign reserves fell below the "red line" during 1974, the government introduced the New Economic Policy. Explicitly designed to get the population to live "within its means" and foster efficiency and "productivity" — per capita speed up — the policy started with a 43 percent devaluation of the Israeli lira. This was accompanied by a "package deal" between the workers, the government and the trade unions to "boost production and efficiency without increasing consumption"; a bank loan freeze; a development budget freeze; budget cutbacks; an end to free medical services and the announcement of massive new tax increase.

By mid-1975 these measures were considered inadequate and in June the Brazilian system of creeping currency devaluations approximating 2 percent a month

Table 3 — Current Deficit And Capital Account

	(millions of dollars)			
	1972	1973	1974	1975
<u>CURRENT DEFICIT</u>	-1,101	-2,642	-3,387	-4,036
<u>LONGTERM CAPITAL</u>				
TOTAL, EXCL. U.S.GOV'T.AID	1,514	2,117	1,548	1,406
THEREOF: TRANSFERS	995	1,377	1,062	1,113
U.S. GOV'T AID	262	1,057	822	1,855
SURPLUS OR DEFICIT (-) NET OF LONGTERM CAPITAL	675	532	-1,017	- 775
LONGTERM LOANS	580	815	537	1,425
<u>IMF CREDIT</u>	- 33	---	39	215
<u>SHORTTERM CAPITAL</u>	- 663	- 297	1,323	663
FOREIGN CREDIT TO NON- FINANCIAL SECTORS	- 36	17	82	160
LIQUID FOREIGN OBLIGATIONS OF ISRAELI BANKS	- 93	212	464	531
CHANGE IN FOREIGN EXCHANGE RESERVES OF MONETARY AUTHORITIES	- 534	- 526	778	- 68

Source: Adapted from 1975 Bank of Israel Report

whenever the government thought it necessary was begun. To date this has amounted to a 49.3 percent overall devaluation at an average annual rate of 28.2 percent. Following this, the Tax Reform program was introduced in July, culminating in the July 1976 Value Added Tax. But even with these severe measures, the debt situation did not improve.

Foreign debt today is soaring at around \$15 billion (although official figures conservatively put it at \$10.7 billion), almost three times the 1973 debt of \$5.7 billion. Long and short term debt ending 1975 was, according to the central bank, a staggering \$7.6 billion, half of which was repaid by a further borrowing from the following sources: 20 percent short term; 36 long term, mainly from the U.S.; 28 percent from unilateral transfers (gifts and monies from world Jewry); and 16 percent in U.S. grants. (See Table 3)

Things were so bad by the end of 1975 the U.S. had to pump in \$500m in transitional aid until the 1976-77 fiscal year began. A shift can be seen in the nature of the deficit borrowing since 1974, with a marked reliance on short-term credit to finance the deficit. Such borrowing in 1974 was \$1.3 billion, by 1975 it was up to \$2 billion. The 1976 estimated short-term borrowing was near \$3 billion. The 1974 debt was owed mainly to foreign banks; but the 1975 borrowing utilized credit granted by local banks, based on deposits of foreign residents. This was used to finance imports. (See Table 4)

The non-military trade deficit for 1975 was \$2.37 billion — Israel having run a constant trade deficit since 1948 because its economic base is too tiny to support its population. Of the \$2.37 billion, \$1.85 billion was paid for by long term capital imports from U.S. aid. The 1976 trade deficit including military spending is said to be about \$1.80 billion, a decrease of about \$800 million. While due in part to increased exports, the decrease is largely because of a policy of holding back goods at port of entry and delaying military imports until 1977. (See Table 5)

The debt service on the ballooning debt over 1974-76 is estimated in the region of \$3 billion; in 1976 alone it was \$800m.

Foreign currency reserves at the end of 1976 were \$1.15 billion, running at 1972 levels and enough for only three to four months of imports at the 1976 level. In 1975 \$300m short term borrowing went to boost the sagging foreign reserves.

Aside from debt on foreign borrowing, Israel is often short of cash to pay for imports and resorts to simple money printing methods, only last month she flew in \$200m from printing presses in Europe to pay government wages. One doubts the government's official inflation rates, reportedly running at 40 percent for 1976 and threatening to escalate to the 1974 level of 56 percent.

Back in 1975 Finance Minister Yehoshua Rabinowitz said, "Israel has been living beyond its means from the day the State was born, thanks to charitable contribut-

Table 4 — Money Supply

(MILLIONS OF ISRAELI LIRA END OF PERIOD)

	1973	1974	1975	1976		
MONEY	7,393	8,721	10,614	10,904	11,663	12,052
QUASIMONEY	13,147	22,498	30,791	33,496	40,995	34,739
TOTAL	20,540	31,219	41,405	44,400	52,658	46,791

SOURCE: IMF STATISTICAL YEARBOOK

Table 5 — Balance Of Trade

(BILLIONS OF DOLLARS)

	1972	1973	1974	1975	1976		
					I	II	III
EXPORTS	1.20	1.52	2.14	2.00	.566	.552	.548
IMPORTS (EXCLUDING MILITARY)	2.08	3.13	4.74	4.43	.915	1.05	.948
BALANCE OF TRADE	-.88	-1.61	-2.60	-2.36	-.349	.508	-.400

The Biggest Little Army In The World

U.S. Military Assistance				Israeli Military Exports	
	LOANS AND GRANTS	LOAN	GRANT	(MILLIONS OF DOLLARS)	
1974	2.48B	982.7M	1.50B	1974	90M
1975	.30B	200.0M	100.0M	1975	190M
1976	1.50B	750.0M	750.0M	1976	350M
1976-77 TRANSITIONAL QUARTER	.28B	128.6M	150.0M		
1977-78	1.50B				
Israeli Military Budget				Military Expenditure Per Capita	
	(BILLIONS OF DOLLARS)				
1975-76	4.7			1972	\$ 506.00
1976-77	3.6			1973	\$1,130,000.00
1977-78	4.6			1974	\$ 910,000.00
				1975	\$1,110,000.00

ions from abroad and from other governments and loans. Today we can no longer rely on these sources to cover our foreign currency depletion. Let's face it; we must all drop to a lower standard of living." And living standards have dropped in real terms — 3 percent in 1975 and another 3 percent in 1976. Real dispensable income per capita dropped 5.5 percent in 1975 and another 3 percent during 1976 reaching 1973 levels. Direct taxation soared 53 percent in 1975 on top of a 38 percent increase in 1974. Indirect taxation also jumped 41 percent in 1975, although less than the 65 percent leap in 1974.

Military

Israel is the most armed country in the world outside of NATO and the Soviet Union. Military expenditures are a whopping 34.6 percent of the GNP — 12 percent more than Cambodia ever spent at the height of the Vietnam war.

Since 1973 approximately \$10 billion has been spent on arms. Military expenditures per capita for 1975 were \$1.1 billion, only \$20,000 less than during the 1973 war period, and 45 percent of all imports. Current military expenditures are in the \$4 billion a year range, and the 1977-78 budget increases military spending to \$4.5 billion.

Along with the money increase on arms spending, there has been an enormous push to militarize the whole population. Figures published by the International Institute for Strategic Studies in 1975, show that after 1973 regular troop strength was increased from 30,000 to 34,000 and conscripts from 85,000 to 122,000. Within 72 hours of a mobilization, the totals can be raised to 400,000 compared with 300,000 in 1973. (See Table 6)

While the levels of militarization are probably now as high as they can go, given the present Israeli population size, Israel is psychotically trying to out-arm the combined military strength of her Arab neighbors.

Armed forces strength is on a par with Egypt, whose population is 12 times larger. Tank numbers are nearly half those of combined Syrian, Egyptian and Jordanian tanks. Combat aircraft is at 60 percent of the combined Arab totals.

Israel has developed a military industry that now exports, according to official figures, \$350m worth of military goods during 1976. Unofficially they are exporting at least \$1 billion worth of arms and equipment. This industry has started to dominate all others.

Mainly because the Defense Department is bankrupt, military production is becoming export-oriented. Tank

Table 6 — Middle East Arms Balance (1973-75)

(1973 FIGURES IN BRACKETS)

	EGYPT	SYRIA	JORDAN	ARAB TOTAL	ISRAEL
ARMED FORCES	342,500 (298,000)	227,000 (132,000)	67,900 (72,000)	637,400 (502,000)	400,000 (300,000)
TANKS	1,650? (2,000)	2,300 (2,000)	490 (420)	4,400* (4,400)	2,700 (1,700)
COMBAT AIRCRAFT	488 (620)	440 (326)	66 (52)	994 (998)	550** 488

* APPROXIMATE
** PLUS 60 RESERVE

and plane production are being sped up. Israel has managed to produce over 700 different military items over the past year, 120 developed for armored and artillery corps alone. Another 280 developments were related to ammunition and light weapons.

The Ordnance Corps of the Israeli Army is in contact with 1,015 factories in Israel which produce for the armed forces. Along with the domestic production of arms, Israel buys huge amounts of spare parts, assembly parts and finished systems from the U.S. There are three major branches of the aircraft and weapons industry, the Israel Aircraft Industries; Taas, producing military arms and ammunition, and Rafael, the government armaments development authority. IAI employs some 18,000 highly skilled workers including more than 50 professional engineers and produces some of the most technologically advanced aircraft and missiles available today. The Kfir combat aircraft and the Gabriel missiles are world famous names in military hardware. The twin engine transport plane, the Arava, is now being displayed in more than seven countries.

Technology for Development

Israel's Arab neighbors are badly in need of Israeli technology. Israel's military production industries can be retooled for capital goods such as tractors and machine tools. Israeli shipyards, besides producing surface-to-surface missile and gunboats, also produces container ships of the 9000 dwt caliber, cargo ships, dredgers, landing craft, and sea-going tugs. A \$5 million investment has gone into the industry for an additional production line for fast craft, in which the yard specializes. The yard employs highly skilled naval architects, engineers, technicians and researchers.

Israel has the scientific know-how to have developed and maintained research institutions for two atomic reactors, and are leading the field in research into lasers for industrial and medical use.

Certain technologically advanced industries now geared to the military industry can be regearred for peace. These high technology industries include: electronics, including computers and telecommunications; machinery; metalworks, mining and chemicals. All but the chemicals industry are nearly exclusively used for defense industries, and are now being oriented to the export market, after reaching saturation of the domestic economy.

Israel's traditional industries, which compete on established world markets and form the backbone of the domestic economy include agriculture and food processing; chemicals, rubber, plastics; textiles, clothing leather and wood. At present the traditional industries have been down graded in favor of high technology industry. It is policy to consolidate them into a few large industries, with the intention of retooling the labor from these industries for the military-related industries. This can only be done, as the government has said, by slashing living standards.

But the traditional industries are the producers of the real limited wealth of the state. If they are eliminated the Israeli economy would collapse in very short order. As one Israeli economist recently said "If all the GNP was used for defense our security would not improve. Because we would have nothing to eat and drink."

The traditional industries are desperate for new capital investment for both expansion and modernization. The 1976 investments in fixed assets was 22.5 percent below the 1973 war level and investments in productive assets fell 10 percent in the same time period. Ironically reduced capital investments as a means of holding down inflation will result in a decrease in future production. Therefore, even with increased productivity and running the machinery at full capacity, the policy of 'export of die' is doomed to failure.

This sector has also suffered from the world market collapse in trade. Exports have been sluggish since 1974,

with only a 6 percent growth for 1972-74. The 6 percent industrial export increase reported for 1976 was mostly military. Real exports continued to stagnate. The chemical and mining industries, fighting to stay in the forefront of leading research and development techniques, could be utilized to particular effect to complement the resources of the Arab oil producing countries.

The industries span the mining of raw materials, manufacture of chemicals and oil refining and by-products, and are differentiated into production of pesticides, pharmaceuticals, basic chemicals, soap and detergents, paints and lacquers, and cosmetics.

In 1973 there were over 200 such plants with a labor force of 14,000. Over 50 percent of the output of the chemical industry is used as raw materials, both in the chemical industry itself and in other branches of the economy. The rest is exported. Pesticide production is dominant, including acaricides, insecticides, fungicides, herbicides, plant growth regulators and fruit coating waxes, many of the processes being the original invention of Israeli scientific research.

The pesticide and pharmaceutical aspects are expected to boost Israeli exports last year by over \$100 million. Exports from the mineral and chemical industry as a whole should total \$350 million.

Quarrying phosphates in the Negev, though small now is expected to increase. But the Dead Sea is virtually an unending source of minerals *with vast amounts* of phosphate being mined there, although in order to increase production a channel from the Mediterranean to the Dead Sea is envisaged as solving the problem of a decreased water level of the Dead Sea. The scheme will cost a mere \$200 million, yet no one so far has the money to fund it.

The production of bromium compounds has lately been expanded, Israeli production being second only to the

U.S. Dead Sea magnesium, used as a soil disinfectant and as an agent to make materials fire resistant — again an Israeli technological breakthrough — goes into fire resistant bricks. The related plastics and rubber industries are also expected to be expanded since Israel pioneered in the manufacturing of irrigating and sprinkling equipment from plastics, which eliminates the burden of transportation and movement within the fields.

Agriculture, an industry Israel has developed above all others, the lack of increased mechanization and desalination plants is holding down its tremendous potential for want of investment. Agriculture continues a five to six percent annual yields of citrus and wheat growth rate with only five to six percent of the population employed in it. It is highly mechanized and is extremely efficient and productive. But because of the export drive, nearly all the crops grown are exported, — some 35 percent of the total agricultural output with expectations of rising to 40 percent in 1980.

Wheat production has fallen because land is being taken over for growing high export earners like flowers and soft fruits. In 1975 Israel had to import 400,000 tons of wheat, or two thirds of her requirement, and in 1976 imports are estimated to be higher than 1975. The rationale is that it is cheaper for Israel to buy grain from the U.S. under PL 480 loans than to use more acreage and water in increased production. The high export earners are being grown to get immediate cash.

If mechanization was brought to the citrus industry, using the Israeli invention of magic-eye ripe fruit detector pickers, it would reduce the labor time involved and make picking and marketing more efficient.

Surprisingly enough Israel has only just developed a desalination program that doesn't involve miles of expensive cooling pipes. But it is unlikely that it will ever get implemented given the tight investment budget.

Carter Goes For Showdown With USSR In Africa

ZAIRE

The Carter Administration is rapidly completing arrangements for a Vietnam-style confrontation with the Soviet Union in central Africa. The spreading and ongoing internal revolt in Zaire which began in Shaba province (formerly Katanga) is to be the pretext for the showdown. The generally detested Zairean regime under Mobutu is asking Carter for more and more military aid to stop the rebellion, according to U.S. State Dept. spokesman Fred Brown and officials of the Carter Administration, "spurning formal consultation with Congress, have already made a tentative decision to send fresh 'non-lethal' military supplies to Zaire." according to press reports. The aid is called essential to deal with what Mobutu and the Carter Administration call an invasion from Angola by Katangan gendarmes, former members of Moise Tshombe's army who have been in exile in Angola since 1963. And the essential element in the scenario: Carter and Mobutu both claim that the Soviet Union and Cuba are behind the long-standing unrest in Shaba.

Laying out the Carter policy, a prominent Washington-based thinktanker said March 22 that "the Soviet Union is making strategic inroads in Africa, which has priority over the Mideast for the Carter Administration. If Carter does not take an unambiguous line on Africa," he continued, "Carter will be faced with another Angola crisis." He went on to predict an "explosion" in Africa.

The goal of this new Vietnam is to toss the Soviets and Cubans out of Africa. In a just-released report by Nelson Rockefeller's Commission on Critical Choices, the policy is made plain: "The U.S. should do everything to back the Cubans down by forcing the Soviets to withdraw their support for Cuban actions in southern Africa." The report saw a crisis as the only way to accomplish this: "The Soviet Union and Cubans won't change until confronted by the U.S."

By alleging that the internal disturbances are the result of a so-called invasion from Angola, backed by the Soviets and Cubans, the report made Angola the centerpiece of the confrontation.

That Zaire's internal rebellion is being deliberately made into a superpower confrontation was made clear by a major New York bank's Zaire desk officer who last week said that not only was confrontation inevitable, but it would happen quickly: "There are a number of people who want to force this confrontation. It may be a good

time for Carter to show his decision-making powers. It is a test of U.S. will."

Indicative of the tack taken by Cyrus Vance and Zbigniew Brzezinski, syndicated columnists Evans and Novak March 21 predicted "the fall from power of Zaire President Mobutu Sese Seko whose hapless 'army' cannot begin to turn back the Soviet-armed, Soviet-supplied Katangan troops." Without outside intervention "...Zaire, or at least its vital copper-rich heartland, seems doomed to go the way of Angola..."

Carter Begins Military Buildup

While Carter is already sending in military equipment and arranging for other countries to send in arms, he has reportedly told the Pentagon to prepare for many more airlifts. According to a senior White House official: "We are explaining the gravity of the situation to leaders of Congress. We are telling them why there will have to be an air armada for an operation to lift war materials from France, Belgium and America into a friendly African nation threatened with economic ruin by a Kremlin-sponsored adventure." The official was explicit — the crisis is intended to restore the flagging ability of the Carter Administration to impose policy on Africa: "If we roll over and play dead in Zaire it must destroy our prestige from the Horn to the Cape of Africa."

France and Belgium have already sent planeloads of arms and military equipment to Zaire, and the French have rushed in Mirage jets that were ordered by Zaire previously. Denials of having sent aid by the French government have been dismissed by the French press as *pro forma* and due to a desire to maintain diplomatic relations with the Angolan government.

However, since direct U.S. intervention to prop up long-time U.S. puppet Mobutu would be so clearly an "imperialist" move that it would cause most African countries to line up on the Soviet side of a confrontation, that approach is highly unlikely. Rather, Vance and Brzezinski are priming the abjectly servile Nigerian government to intervene into what it calls a "Zaire-Angola dispute," to carry out the wishes of the Carter Administration under the guise of African unity.

Nigerian External Affairs Minister Joseph Garba said March 22 that "We and other African countries are trying to see if we cannot get Angola and Zaire to straighten things out among themselves." Garba, reportedly eager to intervene, met with Secretary Vance and Assistant Secretary of State for African Affairs, William Schaufele a day earlier, and with U.S. United Nations Ambassador Andrew Young on the day he made the statement.

The *Washington Post* of March 24 described the Nigerian intervention as designed to get the Cubans out of Angola: "If Nigeria is successful in mediating the conflict, Angola in turn would expect the U.S. to move toward normalizing relations with it," which the U.S. has so far refused to do explicitly because of the Cuban presence. Adopting an air of impartiality, Garba has already asked both the U.S. and the Soviet Union not to provide arms that could lead to a spread in the fighting in Zaire. Garba said this week that Nigeria does not want to see a super-power confrontation in Africa, thus opening the way for Nigeria, which has the largest army in Africa, to send a so-called peace-keeping force in to prevent a super-power confrontation. Nigeria would be policing southern Africa for the Carter Administration.

Secretary Vance may have difficulty, however, in lining up other African countries behind the Nigerian effort. Everybody in Africa knows that Mobutu has always functioned as a direct extension of the U.S. State Department. This raises the possibility that it may be necessary to sacrifice Mobutu for someone who appears to be more acceptable to Zaireans, a move reminiscent of the Diem assassination in Vietnam.

Today's *Washington Post* goes out of its way to describe how much the Shaba population loves the Tshombe family, while they hate Mobutu, who persecutes the Tshombe family. Moise Tshombe led the Katangan secessionist movement in the early 1960s. By describing the rebellion in Shaba as based on personality preferences, instead of politics, the option is left open for the imposition of a new puppet, possibly with connections to the Shaba region.

The Swedish connection, which played an important role for Wall Street interests in the Belgian-Congo crisis of the early 1960s, is being activated through Second International member and Wall Street agent Olof Palme, who is popping up in Africa more often. Nigerian Ambassador to the U.N., Leslie Harriman, has invited Palme to address the Security Council on the subject of South Africa.

On March 22, Garba delivered a blistering attack on South Africa in an address to the Security Council which called for immediate action. Now, Young is attempting to negotiate a watered-down "declaration of principles" which has no teeth, in return for stronger action later. Whatever the final resolution, the glaring contrast between Garba's speech and Young's proposal is calculated. It will provide Garba with a militant image to pursue his Vance-defined role as mediator in Angola.

Military "experts" associated with Henry Kissinger have called for the inclusion of Nigeria in the proposed extension of NATO, known as the South Atlantic Treaty Organization (SATO). Such a connection would back up Nigeria's anti-socialist intervention in Angola with Latin American military power.

Even now, the Vance Administration is trying to open up the possibility for Brazil to intervene into Angola by pushing the fascist Medicista faction in Brazil to attack Cuban solidarity with socialist Africa. *Estado de Sao Paulo*, mouthpiece of the Medici, this week editorially called for "something to be done" about Castro's present tour in Africa, since it "threatens south Atlantic trade routes." *Estado's* call for some version of Kissinger's still-born SATO was echoed by the head of the Brazilian

Navy Chiefs of Staff, who warned that Brazilian sea routes in the Atlantic would be endangered by any war in southern Africa. On March 21, the Cuban press agency *Prensa Latina* announced that Brazilian ships will shortly carry out joint maneuvers with the French Navy off the South Atlantic coast of Brazil, described by *Prensa Latina* as an increase in Brazilian participation in NATO operations.

Nigerian integration into some kind of informal SATO structure, while it is also connected with France, would make Nigeria part of a formidable military bloc and give it access to a major supplier of military equipment. Of course, this power Cyrus Vance and Zbigniew Brzezinski will pretend to have no control over as they deploy it into southern Africa.

Angolan Army commander Dibala has already targetted the Carter Administration's attempts to internationalize the Zairean crisis: "Angola hopes that the foreign powers from whom Zaire asked for aid do not intervene in problems which concern only the Zairean people." He added that "If foreign news agency reports are correct, it seems these countries are preparing to create the conditions for a new Vietnam in Zaire, in the heart of Africa."

Already Zaire has conducted air raids into Angola; on March 15 and 16 three Angolan towns near the Zaire border were bombed by Zairean planes, according to an Angolan Defense Ministry communique. Angola "will not tolerate for very long attacks on its populations," the communique warned. Mercenaries based in Zaire have also increased their attacks on the oil producing Angolan province of Cabinda; last week another village was attacked, killing 31 civilians.

Mobutu, meanwhile, in the face of a spreading rebellion, is trying desperately to hang on. A New York banker reports that "The problem is that Mobutu is very weak, and he may not be able to motivate the Kinshasans to defend his regime. There is a bad situation in the capital, there's no food and rampant demoralization. People are ready to turn against Mobutu."

Mobutu's attempt to reassert control over the areas in rebellion in Shaba is meeting with no success. He has not dared to send in very many troops because he is afraid of subsequent unrest in areas from which the troops are removed. Of the troops that have been sent, numbers are deserting, while the local population is fleeing as the troops appropriate food and goods for their own use. This activity, in light of the critical food shortages throughout the area, has resulted in the population siding with the rebels.

The rebels have been distributing food to the population, and according to African sources, the first planeload of arms flown in by Belgium has already fallen into the hands of the resistance. But despite claims by Mobutu that he has launched a counteroffensive against "invading mercenaries," sources in European capitals are reporting that there have not even been any shots fired. Mobutu's claim of a bombing and strafing campaign is exaggerated, according to the same sources. And the March 23 French daily, *Le Figaro* reports that the village of Kisengi, which Mobutu loudly proclaimed his forces had retaken, was empty when the loyalist forces arrived.

Disaffection with Mobutu is so strong that even the

Catholic Church is opposing him. This was strongly expressed in a recent pastoral letter by Catholic Archbishop Kabanga in Lumbumbashi which criticized the exploitation of the people by those in power. Mobutu called in the Catholic bishops and demanded that they repudiate the letter, but they refused.

The murder of Congolese Cardinal Biayenda on March 22 is being said by observers to be a result of his links to the Catholic resistance to Mobutu in neighboring Zaire.

However, Cardinal Biayenda was a close political ally of Congo President Marien Ngouabi, himself assassinated on March 19 in Brazzaville. According to highly placed sources in Washington, the assassination of Ngouabi is a pre-planned part of the overall Vance operation to plunge central Africa into chaos, laying the

basis for a show of force by the Carter Administration against the Soviets. The assassination of Ngouabi, according to the sources, was carried out under private contract by David Stirling, former head of the British Special Air Services (SAS) who now operates his own private intelligence operation separate and counter to the British government's.

Cardinal Biayenda was the last person to meet with Ngouabi just 30 minutes before his death. The elimination of Ngouabi and the abortive associated attempt to topple his pro-Soviet government appear to have been intended to clear the way for an escalation of attack on the enclave of Cabinda, surrounded by the Congo on two sides.

Castro In Africa: Economic Progress Defines Your Political Struggles

In a March 24 speech of welcome to visiting Soviet President Podgorny, Tanzanian President Julius Nyerere told him that the socialist countries are not assuming the leadership they must in the movement for a new world economic order, according to the Frankfurter Allgemeine Zeitung. American newsmen crowed over Nyerere's remarks in their reports, thereby demonstrating their failure to understand their import.

Nyerere's speech reflects the vigorous organizing tour through Africa undertaken in the last few weeks by Cuban President Fidel Castro. While the U.S. news media tries in every imaginable way to portray Castro as a stalking horse for the Soviets, Castro is touring the continent to organize the leaders of non-aligned Africans to apply the kind of pressure on the Soviets to lead which Nyerere applied to Podgorny. In this context, Castro is dealing with the region's political and military problems as properly subsumed aspects of the question of economic development: the liberation of southern Africa; the politico-military defense of the front line states facing Rhodesia and South Africa; the eradication of destabilizing tensions on the Horn of Africa and so forth.

Speaking March 21 at a press conference in Dar Es Salaam, Tanzania, Castro told reporters that socialism — economic development — is a question of "life or death" for the underdeveloped countries, adding "the peoples (of the underdeveloped sector) are not going to resign themselves to die, they will struggle for progress, and for their lives." These comments were consistent with the tone he set at the beginning of his tour in Libya, where he and Libyan Premier Muammar al-Qaddafi issued a Mar. 10 joint communique calling for the implementation of the resolutions of Last September's Conference of Non-Aligned Nations in Colombo, Sri Lanka. That Conference defined the new world economic order, specifying declaration of debt moratoria by the Third World and creation of a new monetary system to finance vastly accelerated high-technology development in the Third World.

A statement March 23 by Cuban Foreign Minister Isodoro Malmierca demonstrated that Castro's remarks were not *pro forma* diplomatic comments. "The econo-

mic crisis affecting the developed capitalist world...has not diminished," said Malmierca, "and one can affirm that it is being aggravated. This crisis has been accompanied by a growing financial and monetary disorder, while the monetary system imposed on the postwar world destroys itself and absorbs the scarce financial resources of the developing world..." Malmierca commented that despite the good intentions of the developed world to negotiate a new world economic order and a Charter of the Rights and Duties of Nations issued by former Mexican President Luis Echeverria.

The same theme was reaffirmed in a joint communique of Mozambique and Cuba issued today. It called for the independence of the five former Portuguese colonies in Africa — all of which are pro-socialist — as a bloc "reinforcing the fight for peace, progress, democracy and the new world economic order."

After emphasizing economic development as the foundation of liberation, Castro elaborated a strategy transition to majority rule in Rhodesia which will not internationalize the conflict. "It is not Cuba's intention to send soldiers to free any part of southern Africa," he said in his March 20 news conference, dismissing contrary implications in the American press. "Independence is never delivered from abroad; the people concerned must fight for their independence." He added, however, that the Cuban military would be at the disposal of the front line states to defend their own territory against any Rhodesian or South African aggression.

This strategy coincides with the ideas expressed by now-British Foreign Secretary David Owen in a 1972 book. Owen wrote that a socialist country's military presence in black Africa would serve as a deterrent to any South African military adventures designed to stop the liberation of Rhodesia or Namibia.

Castro's offer to the front line states, in which he specifically said that Cuban initiatives would follow policy set by them, helps to free those states from fear of attack by armies vastly superior to any they can field, enabling them to take a determined politico-military offensive against the Ian Smith regime in Rhodesia.

Castro's attitude stands in stark contrast to that of

“brother” Andrew Young, the Carter Administration’s UN Ambassador, who recently misquoted and distorted statements of Tanzanian President Julius Nyerere to imply that Nyerere was pushing for an *apolitical* race war. Young’s comments directed at South African ambassador Roelof Botha according to the New York Post, quoted Nyerere as saying that South African whites — in general — were “the enemy” and had to “be destroyed.” Such remarks are calculated to feed the paranoia of South Africans, and can only bolster the right wing militarist faction there.

The Cuban initiatives, which may very well move the Soviets off dead center on the related issues of the Transfer ruble and the new world economic order, will also strengthen the hand of Great Britain’s Callaghan govern-

ment, freed last week by a parliamentary vote of confidence to continue its initiatives toward a peaceful transition to Rhodesian majority rule.

Foreign Secretary Owen is scheduled to go to southern Africa on Easter for an extended round of diplomacy. In addition to the mandate given him by the vote of confidence for Callaghan, Owen’s trip received a mandate from a faction of the Conservative Party, which this week issued a policy paper on Rhodesia. That document ruled out any U.S. veto over British initiatives on Rhodesia in consultation with the front line states, and to include British troops if necessary to keep the peace and escort the Smith government out of office. The conservative position paper also called for “persuading South Africa to close off its borders with Rhodesia.”

Castro Press Conference In Tanzania

The following is excerpted from a Prensa Latina dispatch covering the new conference given by Cuban President Fidel Castro just before leaving Tanzania for Mozambique.

DAR ES SALAAM, March 22 (PL) — The President of the Council of State and of Ministers of Cuba, Fidel Castro, categorically rejected Zairean accusations on the presence of Cubans in the south of that country....

Castro affirmed that there is not a single Cuban involved in the recent confrontations in Zaire, confrontations which constitute an internal problem.

The Cuban President said that to his knowledge, neither did the government of Angola have anything to do with this situation, and emphasized the efforts of the Angolan authorities to improve relations with Zaire and create a climate of peace in the region, despite (Zairean) aggression against Angola.

He emphasized the solidarity and assistance of the Cuban Revolution to the liberation movements of Africa....

The leader of the Cuban Revolution said, nevertheless, that the independence struggle is the task of the people themselves.

He said that independence does not come from outside, it is won from within, with the assistance of progressive countries, citing as an example the People’s Republic of Angola.

The President of the Council of Ministers said that the direct, external aid (to Angola) was sent when there was external aggression against this country, specifying that the Angolans had already gained their independence. In regard to southern Africa, Fidel Castro asserted that the principal role of solidarity concerns the

countries of the so-called front line, and said that his government will offer its collaboration to the extent of its ability.

Fidel Castro referred to the situation of the underdeveloped countries, and emphasized that socialism is a question of life or death for these countries.

He asserted that “these peoples will not resign themselves to die, they will fight for progress, and fight for their lives.”

During the press conference, the Cuban President also covered the problems over possible re-establishment of relations between Cuba and the United States.

He affirmed that while the United States is said to be disposed toward bettering relations with Cuba, sometimes they have conditions, as for example, the cessation of Cuban solidarity with the African revolutionary movement.

Fidel Castro emphasized that such questions were not subject to negotiation.

He cited the numerous aggressions perpetrated against his country coming from the United States, the blockade imposed on Cuba, the existence by force of a North American naval base on Cuban territory.

“We,” he said, “have no blockade against the United States, nor any base, neither do we organize subversion or mercenary invasions. It is they who must cease this type of activity.”

The President said that Cuba would not make any concession of principal for the betterment of relations with the United States.

Fidel Castro made reference to the usefulness for both peoples of the cessation of this state of hostility, “We,” he said, “will not tell them to renounce capitalism, but at the same time, we will not accede to any concession of socialist and revolutionary principals.”

Fukuda Goes Home Empty-Handed

JAPAN

Japanese prime minister Takeo Fukuda left Washington this week a disappointed man. Fukuda came to this country for summit talks with Jimmy Carter hoping that his factional allies who now govern the United States would make a deal which would allow him to return to Tokyo with some form of compromise agreement on Japanese development of nuclear power. Fukuda needs such an agreement to appease Japan's top industrialist circles who are outraged at the U.S. moves to cut off Japan's ability to reprocess uranium. In return, Fukuda was prepared to use all his considerable influence in Japan's business and financial circles to tightly link Japan to the United States and against Europe in joint action to funnel funds into a proposed International Monetary Fund "bailout" scheme.

Fukuda also badly needed an appearance of success for his Carter trip for another reason: according to popularity polls in Japan's major newspapers, Fukuda's cabinet now enjoys the lowest popularity ever for a new government.

The Energy Debacle

Fukuda returns to Japan with nothing. Not only did Carter refuse to compromise on the nuclear issue but Carter used the talks to up the ante on the nuclear question. In his first meeting with Fukuda, Carter made it clear that the U.S. opposed even the opening of a Japanese built nuclear fuel reprocessing plant scheduled to be test-operated this summer! Carter also suggested Fukuda read the just-released Ford Foundation study on the role of nuclear energy (see National Report). The Ford Foundation report calls for a complete moratorium on the commercial development of fast breeder reactors until at least the year 2000 and a total ban on uranium enrichment reprocessing plants (like the one scheduled to be test run this summer).

After hearing Carter out, a stunned Fukuda could only reply that Japan needed an alternative source of energy to oil. The Japanese head of state pointedly added that his country did not have to be lectured about the dangers of atomic weapons by the United States.

Later at a press conference Fukuda was even more adamant, telling reporters he "disagreed with Carter's statement," there was "no understanding" between the two men over the issue and that both sides held "completely different positions." Fukuda also announced that a ministerial-level delegation would be sent to the United States to try to break the deadlock.

The Pressure From Tokyo

Fukuda's intransigence is a direct result of business arm-twisting. Before Fukuda left Tokyo the president of

Japan's business federation Keidan ren, Toshio Doko, told Fukuda that the current delay in the development of new energy sources could lead to energy blackouts within three to four years. While Fukuda was in Washington, Doko sent an urgent telegram warning Fukuda not to yield one inch on the energy issue.

The poisonous atmosphere generated in the energy talks put a pall over any discussion of Japanese cooperation with the U.S. in bailing the New York banks out of their problems with insecure Third World loans. A high U.S. Treasury official explained prior to the talks that Carter would discuss with Fukuda Japanese participation in one or more of the following bailout schemes:

1) a hefty Japanese contribution to a large International Monetary Fund (IMF) bailout fund (which New York City banking sources estimated at several billion dollars out of a total \$20 billion in additional funds to the IMF); 2) direct government-to-government loans by Japan to developing nations; 3) increased loans by private Japanese banks; and 4) Japanese agreement to some form of commodity buffer fund aimed at raising prices of raw materials exported by the Third World.

However, the energy dispute prevented any substantive discussion of this issue. Fukuda himself is personally in favor of bailing out the New York banks, but is restrained by business in Japan. Before leaving for the U.S., Fukuda privately pressured the Japanese banks to increase loans to the LDCs. But the Japanese banks issued what bankers here labeled a counterstatement, saying the LDCs were too uncreditworthy for the banks to risk further loans.

The U.S.-Japan communiqué on the subject was vague. Both Fukuda and Carter "agreed that the economic recovery of the industrialized democracies is indispensable to the stable growth of the international economy, and that nations with large-scale economies including the U.S. and Japan, while seeking to avoid recrudescing inflation, should contribute to the stimulation of the world economy in a manner commensurate with their respective situation." The communiqué was even harsher over the question of trade disputes, merely stating that Japan and the U.S. agreed on the "importance of the international principles of free trade."

Fukuda's Fears

The failure of Carter and Fukuda to work out any serious deal was made abundantly clear by Fukuda in his address to the National Press Club before returning to Tokyo. Abandoning his prepared text Fukuda declared: "I am not suggesting that we are once again on the road to a world war. Yet I feel a deep anxiety about the social and political consequences for the world if we slide once again into protectionism, or a breakup of the world economy into rival trading blocs."

For the Japanese the Washington meeting was proof that the new United States Administration is as bad if not

worse than rule under Henry Kissinger. According to one Japanese source, Fukuda now understands that "the U.S. and Japan do not share the same position on many issues. Above all, trade disputes and differences on defense policy on Korea and opposition to nuclear energy, Fukuda was forced to see that Washington

regards Japan not as an equal ally but as a retainer. One Japanese reporter described the summit well: the meeting "marks the beginning of some kind of deep conflict and disagreement between the U.S. and Japan which will grow in the next coming years."

EXCLUSIVE

Japan — The Politics Of Oil

There is a war going on between Japan and the United States today — an oil war. Led by a group of Japanese industrialists dubbed the "shigenha," or "natural resources faction," major Japanese business missions are quietly fanning out throughout the world — to Saudi Arabia, Iran, Iraq, Venezuela, Central America, Australia and Canada. Their purpose: to secure for Japan a long term supply of natural resources — oil in particular — free from any interference from the Rockefeller-controlled multinational oil firms groups around the Exxon corporation.

Behind the missions is the sense of crisis in Tokyo over Japan's continued dependence on oil supplies from the United States, and in particular from the Rockefeller group. Many Japanese in high circles correctly view recent moves by the Carter Administration to restrict Japan's independent development of nuclear power as intimately related to a general U.S. foreign policy aimed to strangle future high-growth economic policy for Japan.

Japan's leading businessmen, the "zaikai," have felt Rockefeller's pressure on their vital oil lifeline before — most recently in 1974 when the international oil majors (not the "Arabs"!) refused to unload oil-laden tankers, and created a de facto oil embargo spreading economic panic across Japan. A deeper probe into the thinking of these industrialists will reveal an even greater terror, that evoked by memories of an earlier Rockefeller oil embargo. Japan was forced into World War II after the U.S. moved to cripple Japan's navy with an oil cutoff.

A member of the recent (and largely unsuccessful) Nagano mission to Saudi Arabia captured the Japanese fears of challenging the domination of the United States in a March 7 interview with the *Yomiuri Daily News*, Japan's second largest paper and a long-time advocate of greater Japanese control of resources. "Japan depends upon Saudi Arabia for one-third of its imported oil, while nearly all of the U.S. oil imports come from Saudi Arabia. Hence, there is a possibility of a struggle for oil taking place between Japan and the U.S. in the near future. Japan will be completely defeated in the struggle since the Japanese have made little contribution to industrialization efforts in Saudi Arabia, whereas the U.S. is on intimate terms with Saudi Arabia."

The business leader concluded: "Where shall we be if Saudi Arabia hesitates to supply oil to Japan in an emergency? I spend sleepless nights out of anxiety."

Japanese Dilemma

Of all the advanced nations, Japan is today in the worst

position in the struggle against the multinationals. Japan lacks the historic ties that nations like Britain, France and Italy have with the Middle East and the Soviet Union. Even worse, Japan is only now attempting to put together a Japanese multinational modeled on ENI (the Italian state sector oil company). Until now Japan's independent oil firms have been a hodgepodge of small *refiners* mainly dependent on the U.S. multinationals for their supplies.

— Table 1 —
Ownership Of Refineries

I. Refineries owned by international majors	
<u>FIRM — OWNERSHIP</u>	<u>% OIL REFINED</u>
<i>Nippon Oil</i> — In 50-50 partnership with Caltex for refining arm	23%
<i>Showa Oil</i> — 50% owned by Dutch Shell	7%
<i>Koa Oil</i> — 50% owned by Caltex	4%
<i>Toa Nemryo Kogyo</i> — 50% owned by Exxon-Mobil	7%
II. Independents	
<u>FIRM — OWNERSHIP</u>	<u>% OIL REFINED</u>
<i>Idemitsu</i> — family-owned	19%
<i>Maruzen</i> — Sanwa Bank group	12%
<i>Daikyo</i> — Industrial Bank of Japan group	8%
<i>Toa</i> — C. Itoh Trading Company	4%
III. Mixed	
<u>FIRM — OWNERSHIP</u>	<u>% OIL REFINED</u>
<i>Mitsubishi</i> — 52-48 owned by Mitsubishi group and U.S. Getty Oil	10%
<i>Asia Oil</i> — Mitsubishi (Fukuda supporter) but under MITI's umbrella	2%
<i>Others</i>	4%

This fundamental Japanese weakness was highlighted during the 1974 crisis. At that time, the multinationals, despite the supposed "Arab" boycott, were having no difficulty supplying their own directly controlled firms like Nippon Oil (see Table 1) with cheap oil, but the Japanese-controlled firms were being charged exorbitant prices for crude. Then Ministry of International Trade and

Industry (MITI) chief Yasuhiro Nakasone opposed raising the domestic prices of oil, an act which would give the majors an unfair competitive advantage because of their ability to supply cheap oil. But in February 1974 Nakasone was forced to partially back down after receiving a threat from the Rockefeller oil majors that they would not send *any* oil to Japan if it did not raise domestic oil prices, even though Japan was already paying the majors the new market price for crude while MITI helped protect the domestic companies against any losses.

At the height of the 1973-74 "oil crisis," the Japanese government, under Premier Kakuei Tanaka, a spokesman for shigenha interests, for the first time in its postwar history embarked on a major project to secure oil supplies from the Middle East free from U.S. control. In 1974 Tanaka sent MITI head Nakasone and cabinet member Takeo Miki (soon to become premier) on major missions to the Middle East. As a result of Tanaka's initiative, Japan today maintains established ties with socialist Iraq and expanded relations with other Arab and other OPEC nations.

Two Networks

Tanaka was ousted from power in the fall of 1974 as a result of a U.S. "Watergating" attack on him using trumped-up corruption charges. As *Chuo Koron* magazine writer Seiichiro Tahara phrased it in his series on the former premier, Tanaka was "the man who stepped on the U.S. tiger's tail." More accurately, Tanaka had "provoked the wrath" of Kissinger and his mentors, the Rockefellers.

Tanaka's downfall was no simple affair. His ouster, and the subsequent weakening of the shigenha's influence in the Japanese government, was directly aided by a pro-Exxon network inside Japan grouped around Japan's notorious former premier Nobusuke Kishi, long-time Atlanticist businessman Ataru Kobayashi and Japan's current premier Takeo Fukuda. These men, and the networks around them, have played a consistent role in sabotaging Japan's quest to break free from U.S. control since that struggle began in the mid-1950s. To appreciate the current power struggles going on in Tokyo one must first understand the role these men have played in harnessing the "shigenha."

The "Shigenha" Networks

The shigenha have not tried to hide the policy they are pursuing. Fundamentally the shigenha are industrial capitalists committed to high economic growth who are allied with members of Japan's ruling Liberal Democratic Party (LDP) and sections of Japan's powerful bureaucracy, in particular the Ministry of International Trade and Industry. All these forces firmly believe that the national interests of Japan and the wellbeing of every Japanese, are tied to a national policy of technological and economic growth. (See Table 2)

The key industrialists in this "pro-growth network" are:

Sohei Nakayama — Current counselor to the MITI-linked Industrial Bank of Japan, Nakayama is at the center of every current Japanese move for energy

development. It was Nakayama who, under Tanaka, successfully established the Japan Oil Development Company after securing drilling rights in Abu Dhabi. The current head of the Japan-Mideast Businessman's Committee, he has reactivated the "Energy Policy Promotion Committee" in Tokyo as a lobbying group for the shigenha. He has very close ties with the Japan Line shipping group which carries oil from the Middle East to Japan. Nakayama was one of Kakuei Tanaka's major funders and has ties with former premier Miki and LDP leader Nakasone.

Yoshihiro Inayama — Inayama, the current chairman of Nippon Steel, the world's largest steel corporation, is the "zaikai" leader most responsible for developing independent Japanese oil ties with China. A long-time ally of MITI (which first helped to put Nippon Steel together in the late 1960s through a merger of Fuji and Iwata Steel), he is heading one of the two Japanese consortia which buy oil from China. The group includes independent oil firms (like Idemitsu, Maruzen, Kyushu, Kyodo, and Daikyo) as well as Nippon Steel and major electric power firms which also have MITI ties. Inayama also heads the Japan-DDR Businessman's Committee.

Hiroki Imazato — Co-chairman of Kakuei Tanaka's business advisory group when the latter was premier, Imazato, the board chairman of Nippon Seiko manufacturing company, represented Japan in negotiations with the Soviet Union on the huge Siberian Tyumen oil field development project which Tanaka was instrumental in pushing.

Hiroshi Anzai — Board chairman of the Tokyo Gas Company, Anzai has played a major role in promoting the development of the Sakhalin area of Siberia. Sakhalin has enormous natural gas reserves which the Japanese hope to exploit.

Around these men are other business leaders like **Soichi Matsune**, Chairman of the Board of the Alaska Petroleum Company; **Tatsuzo Mizukami**, top advisor to Mitsui and Company who is hoping to develop Vietnam's oil reserves; and Japan Chamber of Commerce and Industry head **Shigeo Nagano** who despite his past closeness to Exxon agent and ex-premier Kishi has encouraged Japanese economic development of Siberia. Nagano, also the honorary chairman of Nippon Steel, has played a leading role in Japan's economic relations with Australia, whose enormous supplies of uranium and coking coal for Japan's steel industry are vital for Japan's economic health. Men like Mizukami, Nagano and **Toshio Doko**, current president of the Japan Federation of Economic Organizations (Keidanren), are all to a greater or lesser degree supporters of the shigenha policy or what is sometimes called in Japan "natural resources diplomacy."

— Table 2 —

Key Individuals In The Oil War

AGENTS

- Fukuda, T.*: Current Prime Minister of Japan and a long-time ally of former premier Nobusuke Kishi
- Ishizaka, T.*: Former postwar Keidanren president, member International Advisory Board Chase Manhattan Bank
- Kishi, N.*: Japanese prime minister from 1957-60. A long-time postwar ally of the Rockefellers, Kishi has helped sponsor the career of both Fukuda and Kobayashi
- Kobayashi, A.*: A U.S. crony since the days of the U.S. occupation, Kobayashi was placed in charge of Japan's first major overseas oil development company, Arabian Oil.
- Tanaka, T.*: The new head of the Ministry of International Trade and Industry under Fukuda
- Yoshida, S.*: Japanese prime minister from 1946-54 (with a one year interruption)

SHIGENHA

- Doko, T.*: Current Keidanren president
- Hatoyama, I.*: Japanese prime minister in 1955-56
- Imazato, H.*: Backer of Sakhalin oil development projects in Siberia and a long-time business supporter of Kakuei Tanaka
- Inayama, Y.*: Nippon Steel lender, head of Japanese business committees with China and East Germany and a long-time ally of MITI
- Kono, I.*: "Gaullist" LDP leader and mentor of current LDP leader Yasuhiro Nakasone
- Miki, T.*: Japanese premier from 1974-76 who was overthrown and replaced by Fukuda
- Morozumi, Y.*: "Gaullist" MITI official
- Nagano, S.*: Honorary chairman of Nippon Steel, current head of the Japanese Chamber of Commerce and Industry
- Nakasone, Y.*: Former MITI minister under Tanaka, Nakasone is currently allied with former premier Miki inside the LDP
- Nakayama, S.*: Senior councillor to the Industrial Bank of Japan
- Tanaka, K.*: Prime minister of Japan from 1972-74

The Oil Companies

The Japanese independent refining companies, Idemitsu, Maruzen, Daikyo and Toa oil, also back the shigenha, although these companies are relatively weak due to their dependence on oil from the majors. It is these companies which are intended to be the core of MITI's recently announced policy to create a Japanese multi similar to Italy's ENI, a move which has ruffled the feathers of even independents like Maruzen. Perhaps the most interesting of these companies from a "political" standpoint is Idemitsu, a family-owned firm.

It was Idemitsu which in the early 1960s made a major drive, with the cooperation of the USSR, to oust the Rockefeller-dominated Nippon Oil as Japan's top refiner. At that time the Soviet Union was involved in a

major deal with Italy's ENI, under the leadership of its president Enrico Mattei, to bust the Rockefellers' control by supplying cheap Soviet oil to Italy. Idemitsu was also aided by the USSR, which supplied the refining company oil 25 per cent cheaper than could be obtained in the Mideast. The move so infuriated Rockefeller that the U.S. Defense Department — which had major contracts with Nippon Oil — threatened to cut all purchases from Idemitsu unless it broke off ties with the Soviets. Since the U.S. Defense Department only accounted for 2 per cent of Idemitsu's sales, and the USSR supplied the firm with 20 per cent of its crude, the Japanese told the U.S. to buy its oil elsewhere.

MITI

The section of Japan's bureaucracy which oversees the development of Japan's heavy industry directly is the Ministry of International Trade and Industry. MITI's "responsibility" is the growth of a strong industrial infrastructure and it takes its "responsibility" very seriously. Since the late 1950s MITI has had a clear anti-Rockefeller oil policy. The ministry first moved to take control of the domestic refining market and at the same time began planning the creation of a Japanese "major" to rival the Seven Sisters. At every point MITI tried to secure major points of access to oil supplies outside U.S. control. This has led MITI to encourage Japanese cooperation with Iraq, the Soviet Union and China. The ministry has estimated that by 1985 these three countries, along with Saudi Arabia, will replace the multinationals as Japan's main suppliers of oil.

MITI's policy toward oil is in keeping with its general policy of promoting high-technology industry, especially through mergers. It was MITI, for example, which pushed through the merger of Fuji and Yawata Steel to form Nippon Steel, the world's largest producer, in the late 1960s. Today MITI is attempting to build a major Japanese computer industry, through a similar merger policy, to compete with IBM.

MITI's role has led many Japan experts to wonder if the ministry is actually running Japanese industry. One Japanese writer has likened its role to that of a "mama" in charge of "educating" Japan's heavy industry to perform well.

It is no accident that MITI today is under study by Chalmers Johnson, a notorious U.S. "academic" and member of the Committee on the Present Danger. For men like Johnson, MITI is a "den of iniquity" harboring hosts of "unrepentant" Japanese nationalists from the pre-war days.

Today MITI's official head is Tatsuo Tanaka, a long-time crony of Fukuda's. But the people who really run the show at MITI are the senior bureaucrats. These men, along with business leaders like Nakayama, are struggling to create a Japanese multinational oil firm in defiance of the Rockefellers, and are coordinating a push to get Japan's stalled nuclear energy development projects off the ground.

During the 1973-74 crisis, MITI developed a plan for taking control of all Japanese imports of oil. The plan would have channeled all imports through the semi-governmental Japan Petroleum Development Corporation. Such a takeover would have totally broken up the

majors' advantages in sending cheap oil to their own refineries. The MITI group hammered out the takeover plan in an exhausting five day planning session, only to be told later that the move was cancelled.

To fully appreciate MITI's influence it must also be kept in mind that a high percentage of former MITI officials leave the ministry to take top jobs in Japan's heavy industry. The former president of Nippon Steel is one such example.

The Tanaka Era

Pro-development forces inside Japanese industry lacked a firm political "voice" to lead shigenha policy until the ascension of premier Kakuei Tanaka to power in 1972. Tanaka and the shigenha's increasing power were the direct result of the growing dollar crisis highlighted by a series of Nixon "shocks" — in particular the U.S. announcement on August 15, 1971 that the Bretton Woods system had collapsed.

The shift in U.S. global policy away from a commitment to capitalist industrialization after August 15, to a policy of zero economic growth was met with growing resistance from key Third World nations. The 1972 Algiers summit of the non-aligned group, where the Mideast nations took the lead in stressing the necessity for technological advancement from the West in exchange for natural resources, had a profound effect on the resource-conscious Japanese.

It was in this context that Tanaka, in 1972, defeated Takeo Fukuda, ally of Exxon agent Nobusuke Kishi, for the post of LDP president and new leader of Japan. Crucial to Tanaka's victory was LDP leader Yasuhiro Nakasone, who swung his faction to Tanaka, insuring Fukuda's defeat. As a political reward Tanaka made Nakasone the new head of MITI.

In the struggle Tanaka was backed by such shigenha leaders as Hiroki Imazato, a proponent of joint Japanese-Soviet development projects, and Tatsuzo Mizukami, now a senior advisor to the Mitsui zaibatsu's trading company. Both men co-chaired Tanaka's business advisory group.

With Tanaka in power the shigenha policy took off. The Japanese did not limit themselves to outflanking Rockefeller's blackmail. They used oil-for-technology deals with OPEC countries as the leading edge of a general economic strategy aimed at industrializing the Third World and spurring technological advancement in Japan. Japan's business policy, as outlined by the MITI-linked group of business leaders, the Industrial Structure Council, was to transform Japan into a high-technology capital goods exporting nation, through a policy of industrial infrastructure development for the Third World.

A major shigenha organizer under Tanaka was new MITI minister Nakasone. For years Nakasone had been a leading advocate of Japanese energy development including both oil and nuclear energy. Nakasone was and is a firm supporter of joint Japanese-Soviet development of nuclear and fusion power. Nakasone's role is not surprising when one considers that he now heads the faction formerly led by Ichiro Kono, conservative LDP politician who was a nemesis of the U.S. throughout the 1950s and 1960: It was Kono who, as early as 1962, first began discussions with the Soviet Union on Siberian

development projects.

During the summer of 1973, before the October Mideast war, U.S. National Security Advisor Henry Kissinger proposed a bloc of oil consuming countries to confront OPEC. U.S. Secretary of State William Rogers arrived in Japan that summer to put pressure on Japan to join the bloc. To drive home Japan's dependence on the U.S., Kissinger and Treasury Secretary John Connally ordered an embargo of U.S. grown soybeans, a vital feedgrain, to Japan.

Nakasone forthrightly rejected the Kissinger policy. In a June 19, 1973 interview in the Japanese magazine *Economist*, Nakasone outlined Japan's policy: "(The OPEC countries have adopted the) principle of not selling oil to any country which does not cooperate in their industrial construction, or not allowing such a country to mine oil. In fact the phenomenon of selling "direct deal" (not through the majors) to a country which cooperates in their industrial development has appeared...This led Japan to offer positive cooperation...The majors side, taking this Japanese bid as a threat, advanced that consumer country bloc idea...European countries do not agree to the consumer bloc idea...European majors are unfavorably disposed. The consumer bloc idea is Dulles diplomacy in oil...We have no intention to follow servilely any idea that is not reasonable globally..."

In the same interview Nakasone outlined Japan's own understanding of the *global* necessity for economic growth. He told the magazine: "How to dispose of the oil dollars in such a way as will contribute to the world economy is an important problem. We must think of this not merely as an 'oil-producing countries vs. oil consuming countries' problem but as a problem of the world economy. I think herein lies one point of resources diplomacy . . . There are many plans and desires to start oil refining, petro-chemical, electronic and auto industries in the Mideast countries, to promote fisheries there and construct their tanker fleets. The (Japanese) government wants to have them materialized by all means."

The Crisis

Nakasone travelled to the Mideast in 1973 to discuss oil for technology deals; the government of Abu Dhabi and Sheikh Yamani of Saudi Arabia proposed that Japan pay for oil in yen (and the Europeans pay in marks) due to the lack of confidence in the dollar. Yamani also offered a deal which would have the oil producers buy from Japan an amount of technology up to the amount of oil they sold. (Yamani also invited Sohei Nakayama to serve as co-chairman with him of a Japan-Saudi Economic Cooperation Committee.) While Nakasone and MITI were generally agreeable to the proposal, severe U.S. pressure, exerted through the Ministry of Finance, blocked it.

Tanaka was also on the move. The premier made a trip to the Soviet Union in 1972 to discuss energy development projects with the Russians. There were three critical projects under discussion: (1) Tyumen Oil, in which Japan would get 25-40 million tons of oil annually, compared to present annual consumption of 280 million tons (2) Sakhalin offshore, in which Japan

would get half of the oil discovered at 8 per cent below world market prices and (3) a huge natural gas project in Yakutsk. Japanese cooperation with the Soviet Union for the development of Siberia is a central demand of the "core" group of shigenha leaders Sohei Nakayama, the senior advisor to the Industrial Bank of Japan, as well as Nippon Steel head Yoshihiro Inayama and Tanaka business advisor Hiroki Imazato.

Today many of these projects are still only on the drawing board. Not surprisingly the major problem for both the Soviets and the Japanese has been the U.S. government. Despite support for the deals from U.S. companies like Gulf Oil, a group of U.S. banks, led by Chase Manhattan, has refused to fund the projects.

Tanaka's other major policy thrust was aimed toward Europe. The Japanese understood at a very early point that expanded ties with Europe (as well as the Third World) would be absolutely crucial for Japan. As far back as the early 1960s the shigenha saw themselves as Asian allies of men like former ENI head Enrico Mattei and then French president Charles de Gaulle. This sentiment had been voiced openly by Nakasone, who is fond of telling reporters that he hopes to become "Japan's de Gaulle."

Tanaka went on a European tour (England, West Germany, France) in early October 1973. Besides negotiating on the oil question, Tanaka also sought European-Japanese cooperation on the development of nuclear energy — a favorite project of Nakasone.

Prior to Tanaka's visit, resources faction leaders Sohei Nakayama, H. Imazato, current Keidanren president Toshio Doko and leading MITI official Yoshishige Morozumi (who had spent many years in France) met with executives of Europe's major independent oil firms to secure cooperation. Around this time, discussion began on forming a consortium of European state-owned firms together with Japanese independents to purchase oil from OPEC directly, without going through the Rockefeller controlled majors

The Oil Hoax

While Tanaka was in Europe, the Rockefellers struck back. In October the Arab-Israeli war broke out. The war was immediately followed by Rockefeller's oil hoax. There was no Arab oil embargo against Japan or Europe. The actual embargo was carried out by the international majors, who refused to allow oil-laden tankers to unload. The 400 per cent price rise was engineered by the majors partly as a "bribe" to OPEC. The subsequent outflow of "petrodollars" from the Mideast wound up either in U.S. banks or as fresh props to the wobbly Eurodollar market. Thanks to the hoax, the U.S. dollar gained a new lease on life at the expense of the economies of Europe and Japan.

In the crisis, Kissinger again began pushing his old "consumer bloc" energy scheme, aimed at enforcing energy consumption cutbacks. This was unveiled under a new name — the International Energy Agency (IEA).

The IEA met fierce opposition from a Japan unwilling to align itself against the Mideast in a bloc with the U.S. It was only after Kissinger threatened to end Japan's military security agreement with the United States that the Japanese finally capitulated. Simultaneously MITI was forced to back down from its decision to put Japan's oil distribution network under its direct supervision.

Tanaka Fights Back

In 1974 Tanaka sent two missions to the Mideast to secure oil supplies, one led by Cabinet minister Miki and the other by Nakasone. The Japanese government also began making significant overtures to the Palestine Liberation Organization. Today Japan is the only advanced nation to recognize the PLO. All of which led Kissinger to complain that Tanaka must obviously be anti-Semitic!.

Tanaka's overture to Iraq was the most successful result of this Mideast push. Tanaka also solidified ties with his allies in Indonesia's state oil company. Tanaka visited Indonesia in January 1974. In desperation both the CIA and the Fukuda faction inside the LDP helped organize riots in Jakarta against Tanaka. On top of being an "anti-Semite" Tanaka was now also a "Japanese imperialist." Later these same forces would also label Tanaka "corrupt" in the notorious "Bungei Shunju" and Foreign Press Club attack against the premier which led to his downfall in the fall of 1974. Tanaka was replaced by Takeo Miki.

The Fukuda Question

Since 1974, Japan's oil and energy development policy has stagnated. It is not that Miki himself lacked shigenha ties. As the *Yomiuri Daily News* pointed out, Miki's problem was his government's own perpetual instability due to the Rockefellers' manufactured Lockheed scandals. The nest of Rockefeller agents inside Japanese industry and the LDP, led by Miki's Economic Planning Agency director Takeo Fukuda, was another headache for Miki. In December 1976 Fukuda succeeded in his ambition to replace Miki as premier.

Today Japan's industrialists have two major tasks before them: to develop an alliance with Europe, the Middle East and the Third World on behalf of a new monetary system; and to prevent the group of "Caltex" agents led by Fukuda from interfering. This means getting rid of Fukuda and his cronies permanently.

Like all Japanese who lived through World War II, Fukuda is terrified of the United States. Since for Fukuda the United States is the Rockefellers, he and his mentor Nobusuke Kishi have followed a consistent policy of maintaining Japan's alliance with the Rockefellers at all costs — even if it now means the destruction of Japanese industry.

Fukuda's main hostility to "resources diplomacy" as practiced by Tanaka and Nakasone was captured in a speech he gave in the summer of 1973, as reported in the July issue of *Current* magazine:

"Of the difficult problems, the biggest is resources . . . I think the world situation today strikingly resembles that before the War . . . During the 15 years before that War the world was in an economic war, which was touched off by the Hoover shock resulting from the Hoover (international government debt) moratorium of 1929. (Actually the Hoover moratorium did not occur until 1930 but Fukuda, ever the banker, rewrites history in order to blame the debt moratorium for the Great Depression. — ed) . . . This led to World War II . . . The monetary war now underway internationally is another similarity with the prewar days. The monetary war is a trade war; it does not concern the tactics of currency

— Table 3 —
International Creditors Of
Japanese Oil Firms

FIRM — JAPANESE CORPORATE AFFILIATION	LEADING FOREIGN CREDITORS
<u>I. Resource Faction Firms</u>	
<i>Idemitsu</i> — family-owned	Bank of America (BOA) Gulf Oil
<i>Maruzen</i> — Sanwa Bank	BOA, Union Oil (U.S.)
<i>Nippon Mining</i> — Industrial Bank (IBJ)	Gulf, CFP (France)
<i>Kyushu</i> — Nippon Steel	BP, ELF (France) Pertimina (Indonesia)
<i>Daikyo</i> — IBJ	CFP, Shell (UK) and regional U.S. banks
<i>Fuji Oil</i> — C. Itoh, Dai-ichi Kangyo Bank, Kyodo Oil	Gulf
<i>Kansai</i> — Sanwa, Maruzen	Mobil
<u>II. Atlanticist or Rockefeller Firms</u>	
<i>Nippon Oil</i> — Mitsui	Caltex
<i>Kyokuto</i> — Mitsui	Mobil
<i>Koa</i> — Nippon Oil	Caltex
<i>General Sekiyu Seisei</i> — Toa Nemryo Kogyo	Exxon, Chase Manhattan
<i>Seibu</i>	Shell
<i>Showa</i> — 50% Shell-owned	Shell
<i>Nichimi</i>	Exxon
<i>Teikoku</i> — Dai-ichi Oil	Chase Manhattan, Exxon
<u>III. Mixed Firms (or not definite)</u>	
<i>Toa Nemryo Kogyo</i> — IBJ-Fuji	Mobil, Exxon
<i>Mitsubishi Oil</i> — Mitsubishi, Getty	CFP, regional U.S. banks
<i>Asia Oil</i> — Kyodo-Mitsubishi	Mobil, Exxon, CFP
<i>Kashima</i> — Tokyo Electric, Mitsubishi	Mobil, Mellon Bank
<i>Source: Japan Petroleum Consultants, Inc.</i>	

manipulation. My view is that this trade war will soon develop into a resources war . . ." Fukuda's solution to the crisis? Japan must "change our direction to stable growth."

The fact that a coward like Fukuda is now Japan's premier does not mean that the Rockefellers have great strength *inside* Japan. Indeed since the mid-1950s the Rockefellers' actual internal power has been consistently weakened.

The Rockefellers' attempt at internal control of Japan's oil industry began in the late 1940s. In February 1949 Standard Oil Vacuum (Exxon and Mobil) bought 51 per cent of Toa Nemryo Kogyo. In March, Mitsui's Nippon Oil and Caltex (Texaco and California Standard) began initiatives leading to Caltex 50 per cent ownership two years later. In June 1951, Royal Dutch Shell bought 50 per cent of Showa Oil. Today, these three firms plus another Caltex subsidiary, Koa Oil, refine about 41 per cent of the oil used in Japan. Nippon Oil, Japan's leading refinery, refines 23 per cent. Not accidentally, Kishi and Fukuda kept their offices at Nippon Oil's headquarters in the 1960s.

During the same period, all oil, both foreign-owned and independent, was under the control of the Ministry of Finance (MOF) because of the control on foreign exchange. The MOF has been a bastion of pro-Rockefeller sentiment, due to its dependence on the U.S. and London banks.

The Counterattack

Despite this the Japanese have largely pushed back the Rockefellers' influence. Under the leadership of former premier Ichiro Hatoyama Japan first began to move away from the U.S. embrace. Hatoyama and his close ally Ichiro Kono finally managed to oust the pro-U.S. Shigeru Yoshida in late 1955, and Hatoyama became the new premier.

Faced with the stagnation of Japanese industry at the end of the Korean War procurements boom (in 1953-54) Kono and Hatoyama proposed a policy similar to today's oil-for-technology strategy. They used this policy to force open relations with the USSR, and infuriated John Foster Dulles, U.S. Secretary of State and partner at Standard Oil's law firm, Sullivan and Cromwell, with talk of development projects with the Soviet Union. Dulles threatened never to return Okinawa if Japan ever went ahead with such deals.

In order to block Hatoyama and Kono, the U.S. mobilized its top agent networks to overthrow the Japanese government. The agent web centered on three men: Fukuda's mentor, war criminal Nobusuke Kishi; then Keidanren head Taizo Ishizaka of the Moral Rearmament Movement, a member of the International Advisory Board of Chase Manhattan Bank; and their pupil Ataru Kobayashi. (See Table 2)

Kobayashi was chosen by Kishi and Ishizaka to play a major part in their struggle to prevent the shigenha from ever gaining real access to oil supplies outside the control of the United States. Kobayashi's value for Kishi was his notoriously pro-American attitude. A minor pre-war business figure, Kobayashi was an underling to Mitsui Bank President Seihin Ikeda. (Ikeda himself played the role in Japan comparable to that of Nazi Finance

Minister Hjalmar Schacht.) Ikeda at that time had his own extensive ties to both British and Standard Oil networks.

After the war Kobayashi was picked up by the Occupation. In 1949 Washington sent Detroit banker Joseph Dodge to run Japan's economy and end rampant inflation. As part of the program, Dodge established the Japan Development Bank (JDB) to supply foreign exchange to industry. Given the dearth of foreign exchange, the JDB exercised tremendous political leverage. Kobayashi was recommended as head of the JDB to Prime Minister Shigeru Yoshida by Jiru Shirasu. Shirasu, whose own Wall Street connections preceded the war, was Yoshida's liaison to U.S. military intelligence.

As John Roberts points out in his book *Mitsui*: "Being of non-zaibatsu background and conspicuously pro-American, he (Kobayashi) was acceptable to the occupation authorities. Yoshida endorsed the appointment . . . and Kobayashi, as the shrewd and forceful president of the Development Bank became custodian of the U.S. Aid Counterpart Fund (\$800 million) . . . It was by means of this reservoir of industrial funds that he extended his influence into every sector of Japanese business."

Hatoyama Vs. Kishi

When in December 1956 the Hatoyama government fell, under pressure from Kishi, Ishizaka, and Kobayashi orchestrated from the U.S., Japan's ability to develop an independent industrial policy was severely set back. After a brief interim government, Kishi himself marched into power in February 1957.

But Hatoyama and Kono had made a significant impact on Japan's business circles, an impact Kishi could not ignore. Due to business pressure, Kishi was forced to establish Japan's first government backed overseas oil company in the post-war era — Arabian Oil. Initially led by an old Manchurian adventurer, Taro Yamashita, Arabian Oil in December 1957 obtained a concession in Saudi Arabia that today supplies about 6 per cent of Japan's imported oil. Yamashita was soon replaced as Arabian Oil head by Ataru Kobayashi.

Despite the pedigree of Kobayashi, the Rockefeller majors were *still* enraged. For one thing, the Arabian Oil site in Saudi Arabia was the first time in postwar history that any firm not directly controlled by Aramco had succeeded in establishing sites there. Even a Kobayashi who would later loyally help run the Kishi-Caltex networks in Indonesia, and actively collaborate with the CIA there, was hardly enough to appease the U.S. multins in 1957.

Outflanking the Rockefellers

Today MITI and its allies are very close to "capturing" Arabian Oil for the shigenha, and last year Kobayashi finally retired as chairman of the company. When the president moved up to the chairmanship, a former high MITI official took his place.

This was the result of a long MITI-led struggle centered on the development of a Japanese group created to explore for world oil. In April 1962, under the Ikeda administration, Japan's Diet passed MITI's Petroleum Enterprise Law, which transferred control over the oil

industry from the MOF to MITI. One of the key provisions of the law gave MITI power to control refinery construction through the issuance of licenses. MITI liberally used this power to increase the capacity of the national firms relative to the ones owned by the international majors. Not surprisingly, Nippon Oil opposed this law specifically on the basis that it would antagonize the international majors.

Kono . . .

MITI's ability to pass the oil reorganization bill was a direct result of the downfall of the Kishi regime in July 1960 and the rise of the Ikeda government, and the return of Ichiro Kono, under Ikeda, to a position of power.

Kishi fell largely because Japanese business was fed up with both his refusal to expand trade with the Soviets and Chinese as well as his pro-militarist, low-growth stance which the United States found so pleasing. Kishi was replaced by Hayato Ikeda. Ikeda's government was essentially a centrist amalgam of the two warring factions. This was reflected in his cabinet. Both Ichiro Kono and Kishi's pro-U.S. brother Eisaku Sato held posts under Ikeda. Ikeda's economic policy, however, was definitely high economic growth. In this policy he was supported by most honest U.S. as well as Japanese businessmen. But Kishi and Fukuda attacked high growth as "destructive" of the traditional Japanese ideology of "thrift and austerity."

Central to the entire period were developments in both France and the United States. As a result of the Council of Foreign Relations push for "limited nuclear war" against the Soviet Union as early as 1957, leading European statesmen like Charles de Gaulle began to develop an "independent" policy for Europe. Europe's fears were also fed by the outbreak of the worldwide 1958 recession.

They had a profound effect on Japan. The Japanese did not overlook, either, the role that the Soviet Union was playing in aiding Italy's ENI head Mattei in his struggle to weaken the same U.S. multins who tried so hard to prevent Japan's own ventures into the Middle East.

In May 1962 Agriculture Minister Ichiro Kono visited the Soviet Union, ostensibly for fishery talks. But during the tour he met privately with Nikita Khrushchev. The Japanese press reports that they discussed potential Japanese cooperation in the development of Siberia. Kono's move came at the same time that the Soviets and Idemitsu were working together to send cheap oil to Japan in order to weaken Rockefeller's Nippon Oil. It was in the month prior to Kono's trip that the Diet passed MITI's Petroleum Enterprise Law.

. . . Or Kennedy?

The Rockefellers launched a quick but unsuccessful counterattack against the "Gaullists" inside the Ikeda government. Following the July 1962 elections, Kishi's brother Sato presented Premier Ikeda with an ultimatum: either he dismiss Ichiro Kono or Sato would resign. Ikeda took the threat very seriously and fired Sato. And Sato's motive for all this?

A month later, in the August 3 issue of *Shukan Asahi*, Sato revealed the reason for his ultimatum. In May, former premier Shigeru Yoshida had visited the U.S. and

met with President Kennedy. Upon his return he told Sato that the Americans wanted Kono out of the government on the grounds that he was too pro-Soviet. From then on Sato and Yoshida worked to depose Ikeda and replace him with Sato; they finally succeeded in late 1964.

The Ikeda regime opened up another Pandora's box for the Rockefellers which they have yet to close. Despite Sato's accession to power, MITI was still on the offensive. In 1965 MITI set up Kyodo Oil, an umbrella group consisting of private independent refiners but under direct MITI influence. Initial members included Nippon Mining (a firm linked to Sohei Nakayama's Industrial Bank of Japan), Toa Oil (in the group of the C. Itoh Trading Company which itself has links to Italy's state-owned ENI), and Mitsubishi's Asia Oil. Today the Kyodo group refines 18 per cent of Japan's oil.

MITI's first major challenge to the Rockefellers outside Japan came in 1967. In that year the Diet passed another MITI-sponsored law which created the Japan Petroleum Development Corporation (JPDC). The JPDC was not involved in direct exploration itself but funded private consortium exploration and production ventures. The chairman of the JPDC, Yoshito Shimada, is an ally of Sohei Nakayama. By the seventies the JPDC had established or funded over 30 foreign exploration ven-

tures. In the Mideast, the JPDC backed major ventures. In the Mideast, the JPDC backed major ventures by Sohei Nakayama and Tanaka advisor Hiroki Imazato. In the early 1970s MITI proposed a merger of these firms with Arabian Oil, but Kobayashi refused.

From the very beginning, as well, the shigenha tried to some degree to conduct joint ventures with Europe's anti-Rockefeller oil firms. H. Imazato's Japan Oil Development Corp. (JODOC) launched several cooperative ventures in the Mideast with British Petroleum, France's CFP and the American independents Cities Service and Sunoco. Imazato's Sakhalin Oil Corp. projects in Siberia also involve cooperation with Gulf Oil and Occidental Petroleum. C. Itoh Trading Company established links with Italy's ENI. Other firms with whom cooperation has been conducted or discussed include West Germany's state firm VEBA-Deminex, Belgium's Petrofina and France's state-owned ELF.

Today the shigenha are on the march again inside Japan. This time, unlike the Tanaka years, the monetary crisis is terminal. In order to defend Japan today her industrialists must develop not only "economic" ties with Europe, but the political ability to move against the enemy. In 1977 the question is not merely the control of oil — it is the future of Japanese heavy industry itself which is at stake.

'Investigative Reporting For Fun And Terrorism'

The recent spate of mud-slinging linking prominent union officials and political leaders to "organized crime," aimed at Senator Barry Goldwater among others, says more about the morality of the journalists involved than that of their intended targets. Consider the statements of Jim Drinkhall, staff reporter for the Wall Street Journal, and one of the co-founders of the group — Investigative Reporters and Editors, or IRE — which authored the recent "Arizona Mob" slanders of Goldwater.

Drinkhall described his job to an interviewer last week as "investigative reporting for fun and terrorism." He also spilled the beans on how this particular episode of journalistic terror was manufactured — a story which reveals that the IRE group itself was simply a pawn, a disposable front group, in the machinations of the Carter Administration's "house radical" networks run by Marcus Raskin's Institute for Policy Studies (IPS), and its reportorial arm, the Fund for Investigative Journalism (FIJ).

Let it be said at the outset that when Drinkhall uses the word terrorism to describe his profession, he is not speaking loosely. The Institute for Policy Studies, the "mother" agency which directs his operations, has been repeatedly identified as the controlling agency of such assassination-and-bomb-throwing outfits as the Weathermen and the Japanese Red Army. Drinkhall himself is an alumnus of "Overdrive," an overtly fascist publication which fomented the violence-riddled "independent truckers" strikes in the U.S. in 1973-74.

Who-Done-It

In the winter of 1975, IPS deployed a number of its personnel including Drinkhall and members of the FIJ to set up its midwest-based front for investigative terrorism, the IRE. The IPS planners and organizers of the IRE — Drinkhall; CIA conduit Seymour Hersh and David Burnham of the New York Times; Len Downie of the Washington Post; Les Whitten of Jack Anderson associates and Ron Koziol of the Chicago Tribune — addressed the groups' first public convention following the murder of Arizona investigative reporter Don Bolles, in June, 1976. Their theme: war on conservative politicians, businessmen and labor with links to "organized crime;" and war on any "conservative editors and publishers who get in our way." Their credentials: IRE president Ron Koziol of the Chicago Tribune, a known conduit for FBI leaks in the press, first cited in this role by the Church Committee on intelligence agency abuses; IRE vice-president David Burnham, New York Times "reporter" on nuclear terrorism; IRE board of directors members, Len Downie, Les Whitten and others.

The group's organizers launched its "Phoenix Probe" with funding from the FIJ, the notorious Stern Family Fund, and a team of 37 reporters — most of them dupes — dispatched into Arizona on a six month fishing expedition. The resulting 23-part slander on Sen. Goldwater and others was so full of holes that many contracting newspapers won't even publish it; but it has initiated a whole new barrage of "organized crime" rumor mongering and speculation in print.

Real Criminals Leave the Scene

An interesting thing happened, however, before the Arizona story ever hit the press. All the rats jumped ship. Former directors and officers of the group Burnham, Downie and Koziol resigned; and Drinkhall made his noisy exit by writing an "expose" of the group as his first assignment on his new job: "staff investigative reporter" for the Wall Street Journal.

What Drinkhall does and doesn't "reveal" in his Journal expose points to the *real* reason behind the IPS-agent exodus from the group, belying their cover story of "ethical disputes."

Drinkhall makes no mention of the IPS-FIJ affiliation of resigning members; he makes no mention of IPS-FIJ funding for the Arizona project; he makes no mention of Ron Koziol's cozy relationship with the FBI. What *is* clear from Drinkhall's interview, is that the agents are abandoning the group in order to leave a scapegoat — the IRE — to catch the flak from politicians, labor and industry, while they go on to new assignments.

About his own plans for the future, Drinkhall chirped: "I'm going to be stirring up lots of trouble (at the Wall Street Journal) ... no, I haven't gone over to the establishment. I don't like the term investigative reporting. I would call it reporting for fun and terrorism."

FIJ co-founder of the IRE and formerly the group's vice-president, David Burnham of the New York Times, made similar predictions on IRE's future in a conversation leaked to this column:

"There's a low probability of IRE's survival. Looking back on it now, the Phoenix Probe was a bad idea, a big mistake. Bob (Greene, Phoenix team leader and Newsday editor) has a good reputation, but he had no one to edit his story. I haven't seen the Phoenix Probe ... I had nothing to do with it. Some of my friends persuaded me to jump ship ... no, there's nothing IRE can do for anyone now. It won't survive."

What new front page headlines smearing Carter's political opposition will these "radical journalists" create tomorrow? We advise Senator Goldwater and anyone in Congress and the press concerned about terrorism and organized crime, to look into the Institute for Policy Studies without delay.

Phoenix Gazette Airs Carter Link To Goldwater Smear

The following article appeared in the March 21 issue of the Phoenix Gazette, under the byline, John L. Carpenter.

The U.S. Labor Party charged here today that the Investigative Reporters and Editors (IRE) group was sent to Arizona "to wipe out (Barry) Goldwater and the forces he represents."

"The 36 agents, disguised as journalists who are — wittingly or unwittingly — deployed by the Stern Family Fund and the Institute for Policy Studies to 'Watergate' Sen. Barry Goldwater, are doing so for a specific reason," Mrs. Janis Chaitkin, Arizona-raised and educated representative of the party, alleged.

In a Phoenix Press Club conference, Miss (sic) Chaitkin claimed "a parallel operation is being conducted against the International Brotherhood of Teamsters — also for a very specific reason."

She said both Goldwater and the Teamsters "think the country should be run at a profit.

"The U.S. government — the trilateral ad-

ministration of James Earl Carter — is committed to collecting David Rockefeller's debts at all costs...

"Rockefeller-linked agents are deployed to stop anyone whose commitment is to a national policy of getting a return on investment — a policy of expanded production, growth and development."

Miss Chaitkin, of New York City, alleged that beside the Goldwater "wipe out," the Teamsters union is "being slammed with scandals for the same reason" — they both favor the same investment policies.

The Labor Party spokeswoman alleges "the IRE group was conceived in February 1975 and created in June 1976 to, among other things, box in the conservative press which was, in the words of Seymour Hersh (New York Timesman) "the biggest enemy facing investigative journalism today."

She charges the "IRE was the child of the Fund for Investigative Journalism formed in 1969 by the Institute for Policy Studies and funded by the Stern Family Fund.

Bare Plot To Watergate Carter Foes On 'Mob Connections'

This newsservice learned last week from highly reliable sources in the nation's capitol that Trilateral Commission's Carter Administration is prepared to conduct a public witch-hunt against its opponents in the trade unions, Congress and industry over their alleged connections to "organized crime." The climate for this attack, our sources say, is to be created through a national media blitz of which both the current investigation "exposing" the "crime connections" of the International Brotherhood of Teamsters (IBT) and a syndicated smear story about mob control of the state of Arizona are "only the beginning." These same sources report that Carter is even willing "to hit some of his friends" with the scandal to make it appear more credible.

Involved in this conspiracy are members of the Justice and Labor Departments, members of Congress and their staffs, especially the Senate Permanent Investigations Subcommittee, several Rockefeller-linked law firms, Rockefeller-linked press conduits, especially the Institute for Policy Studies-controlled "Fund for Investigative Journalism" and its related spinoffs; IPS-linked "trade union democracy" countergangs, such as the Ralph Nader-founded PROD grouplet within the Teamster union.

Congressional sources report that Trilateral Commission members Lane Kirkland, the Secretary Treasurer of the AFL-CIO and Leonard Woodcock, the President of the United Autoworkers union are both "privately" in support of this operation and are "helping behind the scenes." They are unable politically to say or do anything publicly; at this time the sources say. Marching orders are being given from the White House.

"We must create the climate for a new round of McClellan hearings," John Sikorski, the director of PROD, told a reporter. The McClellan hearings of the late 1950s were a travelling road show that went from city to city to allow anyone to give "evidence" of mob and communist penetration into the trade union movement. They set the stage for the passage of the notorious anti-labor, Landrum-Griffith Act.

Sikorski, who stressed that "at this moment we really don't have anything that would stand up in court," called on the nation's press to take responsibility for making sure that justice is done. "If it weren't for a few honest journalists in this country, we could never get anything going," Sikorski told a reporter, "The press must carry the ball now...just as they did in Watergate."

Target the Teamsters

The PROD director, while himself not in control of the overall "mob Watergate," interfaces with all but the top levels of the operation. He is therefore well situated to

pick up the outlines of the Carter gameplan, which he described as follows.

The first phase of the operation consists of the Watergating of Frank Fitzsimmons, the hapless IBT president. Sikorski revealed that "a major scandal" would break "in a big way" when the Senate Permanent Investigations Subcommittee released a report on March 21 which would show that the Teamster chief and his sons were involved in an insurance kickback scandal with known organized crime figures. PROD had conducted some of this information into Congress.

The scandal broke right on cue. The committee report featured chapters on Fitzsimmons and his two sons alleged involvement in an insurance swindle involving convicted felon Louis Ostrer. Assistant Committee Counsel Mike Aguirre, the man responsible for the preparation of the report, admitted during hearings that he had "no evidence that warranted prosecution" of Fitzsimmons or any other national Teamster leaders for alleged connections to the swindles. "It is a problem with the laws," he stated.

Aguirre none-the-less insists that Fitzsimmons and others are guilty of "non-feasance" in carrying out their fiduciary responsibility as trustees of health and welfare or pension funds.

Invitation to Murder

Sikorski had reported that FIJ member and syndicated columnist Jack Anderson who had received an advance copy of the Committee report, would come out with a column within a few days of the report, claiming that "Fitzsimmons won't be around much longer...he wants out as Teamster President."

In this situation, Sikorski said, Fitzsimmons is profiled to act besieged and to look for a way out — "some sort of deal." His resignation "won't be far off," and the press will keep up the pressure regardless.

On March 23, Anderson came out with the pre-prepared column. Part of a barrage of articles focusing on the innuendo against the Teamster President in the Committee report, it is of particular note for its slant. Quoting unspecified "sources," Anderson claims that Fitzsimmons would like to resign, but his mob controllers will not allow it. Anderson then sets up Fitzsimmons and other Teamster leaders for possible Trilateral Commission-ordered "hits," by alleging that former Teamster President Jimmy Hoffa had "refused to listen to suggestions from crime czars...and he suddenly and permanently disappeared."

A Broader Strategy

Sikorski made clear that Fitzsimmons was not the target of the operation, only an initial target. Removing

Fitzsimmons, he said, would be a pyrrhic victory unless a "much broader Watergate strategy" is employed. You have "to pull down the whole Teamster leadership," he stated, and with it "the whole rotten mob-connected leaderships in the trade union movement and various mob-connected politicians."

The strategy here is to shift the focus from the current on-going investigation of mob-connections to and mismanagement of the Teamsters \$1.4 billion Central States Pension Fund, first to other Teamster pension and health systems and then to pension and insurance systems in other unions. If this is done, Sikorski said, there will be a "huge scandal involving many Congressmen and others on the outside (of the trade union movement)." This is the "proper environment" for a McClellan hearing witch-hunt.

Planted Stories

Last week, the *New York Times* and *Washington Post* broke stories about the mob "fleecing millions" from union welfare and insurance funds through insurance swindles. Such schemes involved the purchase of "group insurance" for union members at rates astronomically higher than what an individual would have spent if he had bought it on his own. Mentioned as the mob-connections in these swindles, were several of the names appearing in the serialized expose on corruption in Arizona released through the FIJ-linked, "Investigative Reporters and Editors, Inc."

Sikorski revealed that such stories were "plants" and were part of "the same operation" going after the Teamsters. The release of the articles on Arizona had been purposely timed to coincide with the hearings on mob connections into the Teamsters, he said. "The scandals feed off each other." For example the Goldwater family, whose "mob connections" were alleged in the IRE pieces, "were close to Fitzsimmons," he said. "Any attack on either weakens both."

Sikorski also reported that "a really big nursing home scandal involving a mobster figure connected to both Goldwater and the Teamsters" will be broken soon in *Rolling Stone* magazine.

More Scandals

Sikorski then rattled off a number of scandals which are slated to break in the press and in Congressional hearings over the next few weeks:

*A major kickback scandal involving the Culinary Workers union as "a spinoff" of the recent assassination of the Las Vegas union chief, Bramlett.

*A kickback scandal involving the leaders of the bartenders union who allegedly "loaned money from the union treasury" to a known mobster.

*An insurance and kickback scandal involving leaders of the Laborers Union "which will produce indictments."

*"Sensational revelations" about mob control of the East Coast docks which will involve the International Longshoremen's Association. A grand jury probe is already underway.

NSIPS has since learned that the Senate Permanent Investigations Subcommittee is scheduled to become the principal Congressional vehicle for the Trilateral witch-hunt. This was confirmed early this week by Sen. Charles

Percy, the ranking minority member of the committee, who told a reporter that he sees the present "investigation rapidly evolving (into) McClellan-type hearings." Percy, a Rockefeller in-law, was backed up in his assessment by New York's Sen. Jacob Javits, known as the Senator from Chase Manhattan who told a reporter that the Senate Committee could and should quickly "gobble up" and give direction to all other Congressional probes into union-mob connections.

Aside from Percy and Javits, the Committee's membership includes: Senators Roth (Del) and Chiles (Fla), both members of the Trilateral Commission; Sen. Nunn (Ga) the committee chairman, a NATO operative and a member of Carter's Georgia mafia; Scoop Jackson (Wash); and Sen. McClellan, (Ark), the man who ran the 1950s probes.

What these men all have in common — aside from their connection to Rockefeller — is their support for the Trilateral Commission-Ford Foundation energy policy. Their targets, beginning with the Teamsters, are in the forefront of the battle against such plans for deindustrialization of the U.S. Secretary of Labor Ray Marshall has placed former Ford Foundation operative Eamon Kelley in charge of a special unit heading the probe into union pension-scandals.

Besides its charges against the Teamster leaders, the Committee report presents equally unsubstantiated charges of non-feasance in the insurance plans of other union locals including those of the ironworkers, the machinists, the laborers and the production employees. Sen. Percy, meanwhile entered a Chicago newspaper article attacking both the bartenders and culinary workers union in the hearings.

In his testimony, Aguirre made clear that what was being "uncovered" by his investigators was "far bigger" than "just the Teamsters." The mob is buying up legitimate business and using union money as a cover..., he said. "It is worse than in the 1950s....millions of dollars is being stuffed into paper bags and satchels to avoid detection."

Aguirre told a reporter that he was counting on a "surge of public interest" to enable the committee to quickly extend its investigation to focus on improper activities involving a "lot of unions and others." He called on "anyone" to give "any information" they may have about the unions criminal connections.

"We will investigate anything," he said.

The Role of the Press

Sikorski stressed several times that the press is key to the success of the whole operation. The breaking of one scandal after another by "honest journalists" puts the pressure on "gutless Congressmen to do something." There is enormous opposition in Congress to a "ruthless" all-out attack on the mob and trade," he said. A "muckraking press" will also "give courage to those in the Justice and Labor Departments who want to get something going."

Sources in Washington revealed this week that the principal collection of muckrakers to be employed for this operation will come from the Fund for Investigative Journalism and its spinoffs. The FIJ will conduit information from various Rockefeller linked intelligence

networks, both into Congress and into the nation's media. At least two FIJ journalists are at this moment working on books about Teamster corruption and union democracy in the Teamsters and other unions. Both are slated for publication in the "near future."

What is being planned around the "mob stuff" is "Watergate all over again," one FIJ source said this week. You don't even have to have the evidence — "just present a credible case and get it published," he said. "The paranoia of the intended victims will take care of the rest. This is the power of the press."

The Role of PROD

Sources close to the subcommittee described the role played by Sikorski's PROD grouplet as "principally a secondary press conduit" for muckraking scandals about the Teamsters leadership. They were "inserted into the Teamsters for that purpose," the source said. The paranoid Teamsters were profiled to react stupidly to PROD's weak and often unsubstantiated attacks and thereby give credibility to their slanders. "If they (PROD) didn't have the press, they would disappear," another FIJ-linked source said.

Sikorski claims that PROD is the nucleus of a mass organization. He claims that PROD has several thousand members; a knowledgeable source put the number closer to 200 and even Sikorski admits he "has no idea of how many members we have right now."

PROD's other director, Art Fox, is still on Ralph Nader's payroll, Sikorski stated. Sikorski was also at one time.

But this is all going to change. PROD will soon break cleanly with Nader, the man who Sikorski acknowledged was the "god-father" of the whole operation. "You can't organize Teamsters by pushing Nader's energy conservation program," said Sikorski. "It would kill the trucking industry.... Besides he has his head up his ass on the deregulation issue (of the trucking industry)... We keep getting slandered for being with Nader."

Sikorski revealed that Nader's people would still be involved with PROD however.

Sikorski openly acknowledged his own personal role as a conduit for anti-Teamsters "muckraking" stories — especially into Congress. He mentioned as a "close contact" Ken Bernstein, an aide to Rep. Sam Gibbons (D-Fla) and the chief of staff of the Oversight Subcommittee of the House Ways and Means Committee which is conducting hearings on the investigation of

Central States Fund. Bernstein was responsible for blocking the U.S. Labor Party from testifying at last week's committee hearings. Other Congressmen who are working with PROD include Sen. Jacob Javits of New York (R) and Sen. Harrison Williams of New Jersey (D), Rep. Pickle of Texas (D) and Rep. Rangel of New York (D).

Outcome

If these "scandals" are successful in getting McClellan-type hearings off the ground, Sikorski explained, there will be two additional "benefits." First, Congress may be forced to pass legislation that will "once and for all" take union pension systems out of the hands of union trustees and turn them over to "professional money managers." He cited the United Autoworkers (UAW) pension fund as an example of what should be done: "The entire fund is run by Chase Manhattan and you know they know how to invest it...they don't need petty gangsters..."

Second, the entire labor movement "will be shaken up from top to bottom," so that the opening will have been created for "union democracy" countergangs like PROD and others to gain positions of power.

Profiled Response

The success of this carefully planned campaign depends on a profiled response by the victims of the slanders — their expected attempt to refute each allegation charge by charge instead of launching a counterattack against the source of the slanders. "It is not like a court of law," said a FIJ spokesman. "We are letting the people judge them based on what is printed. It is trial by media..."

Frank Fitzsimmons refused to show up at Monday's hearing releasing a statement that the committee report "was unfair" and using him as a fall guy. The statement then goes through a refutation — almost point by point — of the charges against him. "That's OK," said a Subcommittee source. "The more he attempts to say that he is not guilty, the more people will believe that he is."

If any number of Rockefeller's targets — especially Teamsters — were to openly name the people behind the people responsible for such charges and to mobilize behind the U.S. Labor Party's energy program, then the Lower Manhattan scandal mongering campaign would collapse.

— L. Wolfe

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