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# **EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1972 GPO New York, N.Y. 10001

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**Executive Intelligence Review** is published by NSIPS, P.O. Box 1922, New York, N.Y. 10001 and printed by Campaigner Publications, Inc., 231 W. 29th Street, New York, N.Y. 10001  
Single issue price: \$5.00 (U.S.)  
Subscriptions by mail: \$225 for 1 year (52 issues)  
\$115 for 6 months. \$60 for 3 months.  
Address all correspondence to: NSIPS P.O. Box 1922, GPO New York, N.Y. 10001 Printed in USA

# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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A **break** in the Carter Administration's "**malign neglect**" of the dollar?... That's how President Carter's Dec. 21 press statement on the United States' "**responsibility for the dollar**" is being seen... apparently in the world money markets, as well... This week's **INTERNATIONAL** report leads off with an analysis of the Carter message (including the full text) that looks **beyond the wording** of the statement itself... to the **national and international pressures** that are being brought to bear on the White House for a "strong dollar" policy...

\* \* \*

But the financiers behind the **British coup against the dollar** are still crying, "**U.S. for sale — cheap!**"... and we have **excerpts from their press outlets** that show graphically how the British expect to use their antidollar operations to **devour the U.S. economy**... **plus**, a report on how the City of London's allies plan to put **American industry through the wringer**... including an analysis of the President's just-released **tax package** and the disastrous effects it will have... and the story

of the **OPEC meeting's price-freeze** decision, and what it means for the fight over the fate of the dollar... all in **INTERNATIONAL**...

\* \* \*

In tandem with their moves against the dollar, **America's "Tories"** are waving the **Cold War banner** for all its worth... to **undercut the SALT** negotiations, Mideast peace motion... threatening to push the **Soviet Union into a paranoid "war-winning" mode**... The **U.S. REPORT** gives the low-down on the Cold

\* \* \*

War push, including selections from the press to show **several sides of the managed debate on SALT**... Also featured: extended excerpts from a recently published interview with former Texas governor **John Connally**, who is calling for an **alliance of labor and industry for jobs, nuclear energy, and economic growth**...

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INTER-NATIONAL
U.S. REPORT
ECONOMICS
ENERGY
LABOR
MILITARY STRATEGY
SOVIET SECTOR
MIDDLE EAST
LATIN AMERICA
LAW

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In a **SPECIAL REPORT** we present the second and final part of U.S. Labor Party chairman **Lyndon H. LaRouche's** important document on "**The Interim Strategic Situation**"... locating the basis for durable **world peace and prosperity... or global war and holocaust...** in the central issue of **energy policy** as it is now being fought out among U.S. and world leaders...

ing the gutted Mineworkers a **model for labor and business alike...** And in **ENERGY**, an **exclusive** on a private nuclear industry survey of **billions of dollars in jobs and business orders that the U.S. is losing** thanks to the Administration's policy of "**nuclear non-proliferation**"...

\* \* \*

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Also in this issue, **three other major reports** that provide the ammunition to undercut key aspects of the "British System"... In **MILITARY STRATEGY**, a proposal for a new U.S. policy toward SALT and detente, that dissects the tendencies **now dominant in the Administration** and puts forward an alternative "**Atoms for Peace**" strategy... In **LABOR**, the **real story** behind the destruction of the Mineworkers' Union, naming the names of the counterinsurgency operatives who are mak-

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# Carter Statement: U.S. Finally Takes Responsibility For Dollar

The impact of President Carter's Dec. 21 press statement on Administration concern for the value of the U.S. dollar is much broader than the wording of the statement itself, or even the immediate positive reaction on the foreign exchange markets, would imply. Speaking on the subject for the first time (see excerpts, appended), the President re-stated the standing U.S. position that the United States would intervene to prevent disorderly market conditions on the foreign exchange market, and selected out elements of Administration policy beneficial to the dollar — energy production, imports conservation, export stimulation — as a package.

What is most significant, as a Federal Reserve Bank of New York officer noted, is that it was "the first display of Presidential concern" on the subject. European official reactions accurately noted the significance of Carter's statement, e.g., West German Finance Minister Hans Apel's remark that "the United States has acknowledged its responsibility to its currency and to the world economy." Shortly before deadline, parallel statements by Belgian Finance Minister Geenes and Swiss National Bank director Languetin were circulating on the news-wires. According to senior Federal Reserve officials, Fed Chairman Arthur Burns had a direct role in prompting Carter to make the statement. Burns has acted as a transmission belt between the European central bankers at the White House, meeting the President frequently, these officials said. "It's astounding that the market seems to believe that the President lives up in the clouds, unconcerned about what happens to exchange rate policy," said one official. In fact, Burns talks to him all the time."

In addition, State Department officials report that their department also had an input into the White House on this score. "There are a lot of people at State who are upset about the way the dollar is being handled," said one official in a background briefing. State is concerned that American international prestige has been damaged by the dollar's collapse on the international markets.

In suddenly hectic trading, the dollar rose today from DM 2.13 to DM 2.15, scoring similar gains against other leading currencies. Although traders at several leading commercial banks expressed confusion as to what direction Administration policy might take, "there is no doubt that it was affirmative for the dollar," one trader said. More importantly, short sellers of dollars got burned, and burned badly, for the first time in months. Savoring the victory, a fed official said, "At least they won't be able to short the dollar for a while. They'll have to sit back and wait for the dust to settle."

Time has been bought for the dollar; earlier in the week, in extremely thin pre-holiday trading, the dollar had drifted down to daily record lows, in a seller's-only market. Within the time frame the Carter statement provides, there is the prospect that a powerful array of international forces might regroup to forcibly swing Administration policy around. Among other things, the move, and the Fed Chairman's role in it, indicate somewhat better prospects for the reappointment of dollar-defender Arthur Burns to another term as Federal Reserve chairman.

Several different inputs into the White House view of the dollar must be put in perspective to understand what is at work.

First, the Saudis, who have excellent reasons to be concerned about the value of the dollar, won the day at last week's OPEC meeting in Caracas, forcing a six-month postponement of any decision to increase prices. Some bankers attributed part of the dollar's rise Wednesday to this fact alone. The Saudis are engaged on a number of fronts to pull a financial package together capable of stabilizing world markets, maintaining direct contact with some of the key European central banks, most emphatically the Swiss National Bank. There are strong indications of close Saudi collaboration with West German and French bankers to realize the so-called "Luxembourg option," i.e., the creation of a Luxembourg-based capital and gold markets able to push London out of business (see *Luxembourg*).

Secondly, the purchase of a large portion of Bert Lance's shares in the National Bank of Georgia by a leading Saudi businessman is an event of some political significance, as most press accounts have emphasized. The investor, who agreed to the purchase last week, Ghaith Pharaon, is not only a good businessman, but an international political operative for the Saudi Royal family of some standing. The purchase undoubtedly will improve Saudi input into the White House, which is in any case present already, through such intermediaries as Pharaon's friend and regular business partner John Connally.

Third, there are strong movements towards a labor-industry agreement to push the Administration towards a high-technology export policy and a strong support stance for the dollar, coming from the elite of Mid-western business and key sections of the labor movement (see *National Report*).

Apart from State and the Federal Reserve, *Executive Intelligence Review* is aware of many telephone calls between the Mideast and Atlanta, and between Atlanta

and Washington, which undoubtedly are having an impact on the President — who needs all the support he can get. How these various inputs shape together is still difficult to say. But what is clear — and what the Carter statement on the dollar reflects — is that a shift in the world correlation of political forces is in the works which might very well change the rules of the economic game.

#### *London's Plans*

The signal from the White House has come not a moment too soon. Indeed, various City of London sources, notably Evelyn de Rothschild's personal sheet, the London *Economist*, have suggested that the dollar has fallen to the point that foreigners can neatly purchase most of U.S. equity. Various pro-British installations, e.g., senior staff at the International Monetary Fund, are already confident that the dollar has bottomed out, precisely because the dollar is so undervalued that large foreign dollar-holders, e.g., the British, will start to buy out the U.S. economy. Professor Robert Mundell of Columbia University, who believes that "it would be a very good thing for the British to run the world for a little while and have a new Pax Britannica," expects a dollar-deutschemark peg at DM 2.00 per dollar.

Whether the dollar is at a ratchet-level that could hold for the time being, or whether the fall of the dollar might lead to Swiss francs 1.80, as some senior Swiss financial people fear, is a moot point. The dollar's slide has reached the point where there is action, or the currency will cease to function as a world reserve unit.

Empire loyalists Denis Healey and Roy Jenkins have managed to obtain some international credibility for a plan to tie the U.S. economy to a world central bank that would create limitless amounts of funny-money. Keynes called this funny-money "Bancors." Referring to his own proposals, Keynes unabashedly declared, "We're going to repeat Schacht (the Nazi Finance Minister) on a world scale, except without his mistakes." The Roosevelt Administration had, at very least, sufficient presence of mind to send the British packing, making some sort of postwar economic recovery possible.

Now, London's would-be world currency is called "Special Drawing Rights," and the Trilateral Commission (dominated by British-Polish emigré Zbigniew Brzezinski) proposes to convert the nearly defunct International Monetary Fund into a "world central bank" to issue SDR's. Two Trilateral Commissioners, former Yale economist Richard Cooper and West German think-tanker Karl Kaiser, issued this proposal last week, with featured coverage in the Lazard Freres family newspaper, the Washington Post. After 33 years of scheming, the City of London feels prepared to push forward their plan that died at the 1944 Bretton Woods monetary negotiations.

Their strength is wholly negative. If the United States dollar continues to lose several percent of its value measured against the other leading currencies every week, no international trade, long-term contracts, or investments can be made in dollars. Already, the New York commercial banks and the business press are

mooting the possibility of conducting trade, especially the \$120 billion annual trade in oil, in the form of Special Drawing Rights, whose "value" is set by averaging out the relative values of 20 other currencies.

#### *Forcing the World to Eat SDR's*

London's ability to force the United States to accept the old Keynes swindle depends on panic among American bankers. Precisely such panic emerged from the Dec. 16 issues of Business Week and the Journal of Commerce. Writing in the Journal, Bankers Trust senior economist Gary Gray argued that Arab oil-producing countries should peg the price of their oil to the Special Drawing Rights, valued by a "basket of currencies," rather than the dollar. First off, Gray argues, the Arabs do not trust the dollar, whose decline also reduces their oil payments: SDR pricing would compensate them. The international oil companies, who must buy oil with dollars and sell it for other currencies, face huge foreign exchange risks, as do oil-consuming countries who purchase oil, and banks who do finance in dollars. Gray proposes the creation of an SDR "futures market" among the commercial banks. Instead of doing business in dollars, banks would lend in a grab-bag of different currencies to balance out their tumbling values!

What makes the SDR appear to make sense to the same U.S. banks who stand or fall with the U.S. dollar? With the Administration, and Blumenthal's Treasury in particular, committed to undermining the dollar, the banks are forced to take positions against the dollar in the foreign exchange market themselves, and conduct their operations in a wide variety of currencies. Doing business in SDRs, a slapped-together combination of different currencies, is only one step away. Once American business accepts that the dollar cannot be revived — and the last few weeks of spiral have left small hope to the short-sighted — the SDR appears to offer a mirage of stability.

Besides, as Business Week mopes in its current issue, the oil producers will not stand for continuous devaluation of their oil revenues, and SDR pricing of oil appears less onerous than a straight-out oil price increase.

If the U.S. banks' stampede to take positions against the dollar turns into acceptance of the SDR, the butchery of the dollar on international markets this month will seem mild by comparison with what will follow. Seventy percent of world trade is now conducted in dollars; but the dollar's "weighting" in the make-up of the SDR is less than 40 percent. If banks and multinational companies shift their actual use of currencies to correspond to the "valuation" of the SDR, the dollar will lose a further huge portion of its value. The sticker on the London Economist's shopping list will be changed from "25 percent off" to "50 percent off."

That is precisely what the City of London is planning. One year ago, economist Robert Triffin, one of the "inventors" of the SDR, predicted in an interview that "private sector" introduction of the SDR would be the way to force its adoption on the official level!

# What Carter Said

*The following is the text of President Carter's Dec. 21 statement to the press.*

The U.S. balance of payments has moved this year to a large deficit position. The two main causes appear to be large oil imports and relatively slow economic growth in Japan, West Germany, and other nations.

These deficits have contributed to some disorder in the exchange markets and rapid movements in the exchange rates. Heightened uncertainty and increased exchange market pressure in recent weeks have coincided with the delay in congressional action on our energy legislation. A mistaken belief that the U.S. is not prepared to adopt an effective energy program has been partly responsible for recent unsettled conditions in the exchange markets. We have a responsibility to protect the integrity of the dollar. Prompt action is needed in energy and other fields to reduce our deficits.

Last April, I submitted to the Congress a comprehensive conservation and conversion program to reduce our dependence on foreign oil. I am confident that the Congress will not allow this situation to continue to deteriorate through inaction.

I am equally confident that the American people will fully support this critically important program. When enacted, the measures now under consideration will have increasingly beneficial effects in coming years and exert their main impact by 1985.

The United States is currently importing petroleum at a cost of about \$45 billion a year in 1978. Taking account of our planned production of Alaskan oil, our oil imports will be stable despite substantial purchases for our strategic petroleum reserve. Nevertheless, it is essential that we take further steps to curb these imports in order to reduce both our excessive dependence on imported oil and the burden on our balance of payments. The energy measures I am now proposing are designed to serve those ends.

I have instructed the Department of Energy to pursue efforts to:

- Expand production of oil at the Elk Hills petroleum reserve;
- Encourage an expansion of production of Prudhoe Bay (Alaska —ed.) above the 1.2 million barrels a day planned for early 1978;
- Maintain production of California crude at a high level;
- Work with appropriate government and private interests in expediting provision of adequate pipeline capacity for transport of Alaskan and California oil east of the Rocky Mountains.

Combined with conservation measures, these efforts offer good promise.

The new measures will take effect in the period immediately ahead, and serve as a bridge until the implementation of the more comprehensive legislative program begins to exert fundamental changes in our energy balance in the years ahead.

I have also instituted measures to expand U.S. exports:

We have doubled Commodity Credit Corporation credits to support agricultural exports;

In 1978 we will increase sharply lending activity by the Export-Import Bank to support exports generally.

We will not engage in unfair competition for export markets; we will fully respect our understandings with other governments regarding export credit terms. But within these understandings there is room for a more active effort to expand our exports. Through such an effort, I believe we can achieve substantial increases in exports in 1978 as well as in subsequent years.

With these measures, the prospect for an improvement in our trade position will be good. Some of these measures will begin to take effect in 1978. When fully implemented, these measures, energy and nonenergy, should produce an annual improvement in our trade position of several billion dollars and will improve the U.S. balance of payments.

There has been a great deal of public discussion in recent weeks about the large U.S. trade and payments deficits, and in the movement of rates in the exchange markets, mainly between the dollar and the European market and the Japanese yen. The American economy and the dollar are fundamentally sound; U.S. products on the whole are competitive. While some exchange rate adjustment has been understandable in light of economic developments underway in Japan and the U.S., recent exchange market disorders are not justified.

The new energy measures strike directly at a key part of the balance of trade problem. The export measures will enable us to respond effectively to expanding export opportunities. Together, the energy and export measures represent action to strengthen our balance of payments and deal with our trade deficit in a substantial way, by improving the underlying conditions upon which the value of the dollar fundamentally depends.

Furthermore, next month I shall be presenting to the Congress a comprehensive economic program designed to ensure a healthy and growing economy, to increase business capital investment, to expand industrial capacity and productivity, and to maintain prudent budgetary policies, while counteracting inflationary pressures. These and related measures will promote economic progress and underscore our commitment to a strong and sound U.S. economy.

In the discharge of our responsibilities, we will, in close consultation with our friends abroad, intervene to the extent necessary to counter disorderly conditions in the exchange markets. The measures I have enunciated will deal with the root cause of these market disturbances in a more direct and fundamental way.

# British Tell America: 'We're Coming'

## *The Economist* Says: America Going Cheap

American industrial corporations are on offer this Christmas at clearance sale prices. Foreigners should rush to buy, especially those whose central banks have accumulated more dollars than they know what to do with. Germany, Japan, Switzerland, and Britain (a much bigger net purchaser of United States Government paper this year than all of OPEC) have more dollars in their stockings than most.

### *Who's Afraid of a Weak Dollar?*

At this week's meeting of the free world's central bankers at Basle, the so-called dollar crisis was made worse because the Americans did not give a fig for the weakness of their dollar, while the Germans were very worried indeed...

The 11 percent drop in the dollar in terms of the D-mark since January means that a German firm which sells half its goods and services for dollar payments has seen its 12-month receipts at unchanged prices drop by 5.5 percent these 11 months. This curb on profitability is biting hardest on the most efficient and dynamic firms in Europe and Japan — which almost by definition is what the big dollar-earning firms in Europe and Japan are...

The worst way to try to mitigate this is by foreign central bankers' favourite method of "supporting the dollar." "Support" means giving notice that foreign central banks will stand ready to buy the largest numbers of dollars precisely when their value is most likely to fall because speculators most want to unload them. The only sensible way of strengthening the dollar is by buying the things that the weakening of the dollar has made especially cheap. The most obvious of those things, this Christmas, are American industrial shares, now standing at way below asset values...

So long as the purchasers are not Arabs (for money, regrettably, does not have colour) foreign negotiated takeovers of American firms are not usually controversial...It would be worthwhile for Europe to remove all remaining exchange controls against such takeovers, at this moment when American industry comes dirt cheap. The 30 blue chip companies that make up the Dow Jones industrial average on the New York Stock Exchange sell collectively below book value...

The cheapening of the dollar has made American industry still more of a steal for foreigners. So, in relative terms, has the better performance of other stock markets...American industry is surely being given away for Christmas, to both domestic and foreign acquirers. British industry was being given away for Christmas last year, but most of us forgot to collect it...

### *The Coy Invaders*

The rather bogus reason (U.S. industry is not more widely sought by foreign investors) is the reputation that trustbusters in the Federal Trade Commission, the Justice Department, and some regulatory agencies have for

being red in tooth and claw, and also for being fiercer towards foreign acquirers than native ones.

This reputation is much exaggerated. When British Petroleum was permitted to acquire the (Ohio oil company) Sohio, the American trustbusters insisted only that a few bits and pieces be sold off for appearances sake, yet this takeover added downstream operations to British Petroleum's control of one seventh of all the United States' oil reserves...

### *A Suggestion*

Even if the dollar does go further down, foreign central bankers will be holding dollars anyway. The Bank of Japan, the Bank of England, the Bundesbank, and the rest could painlessly make medium-to-long term dollar loans available from their reserves to the invaders of America, at the same rate of interest that is now earned by the central banks on their holdings of United States government paper. The central banks could say they would bear the exchange risks of profits...to the same extent as they would bear these risks on that present United States government paper...

The prospects of such a sensible shift of central banks' policies are probably slim. At international negotiations all governments today seek comfort in the Orwellian chant "free trade good, unfair trade bad." Though unexceptionable, this slogan has become as thoughtfilled, and sincere, as the "Ho, Ho, Ho," of a Selfridges shop window Father Christmas.

\* \* \*

## Announce Invasion Of Latin America

*Times of London: Dec. 13: Special Report: Banking and Finance in Latin America:*

... There have been several fairs and promotions for British industry in Latin America and numerous conferences, seminars, and discussion groups in London. All this indicates that at long last Britain is beginning to wake up to the opportunities that exist to increase trade and banking links with Latin America.

One of the major imbalances in world economy so far has been the relationship between Europe and Latin America which has for mainly traditional reasons been dominated by North American investment and trade...

It is only since the energy crisis of 1973-74 and the disastrous economic recession that hit the industrialized nations in 1975 that we have begun to focus on Latin America, one of the world's major borrowers of development aid and finance...

In the past four years an imbalance of 147 million pounds in Latin America's favour in trade with Britain has been turned into a provisional surplus of 95 million pounds for Britain for the first ten months of this year...

Now, with the Empire gone, some sectors of British business, particularly the private banking sector, have at last woken up to the potential markets and natural resources which Latin America has to offer...

Africa appears to be fast becoming the main Marxist workshop... (but) attempts to spread Cubanism to the Latin American mainland have been largely balked by the individual countries, particularly those in the southern half of the continent which have established a so far unofficial alliance, the *concur sul*, or "Southern Cone pact," to combat the growth of communism in the region...

With a dramatic turnaround of the Argentine economy, a more attractive investment climate in Chile, the possibility of Mexico becoming Latin America's Saudi Arabia, and continued exploitation of Brazil's untold resources, Latin America is a region that Britain and Europe must continue to watch more closely than ever before...

\* \* \*

*The Times:*

### Let Dollar Go

*Times* of London, Dec. 14 Editorial: Should the Dollar Sink?:

... A growing protectionist lobby is putting pressure on the Administration to stop the incursion into the domestic market of foreign imports. The government believes that the way to solve this is for the surplus countries — Germany and Japan in particular — to boost their domestic growth... However, American exhortations to this effect in successive international meetings have been unheeded and so the trade gap has yawned wider. The resulting fall in the dollar is proving a far more effective weapon than mere words...

One major risk in the present United States policy is its potential effect on the oil price... The other risk is that the oil funds which now flow into the United States covering the current deficit, will begin to go elsewhere. The disruption this would cause to the international financial system would dwarf the present upheavals.

While the American Government continues to judge the balance of risks to be in favour of 'benign neglect,' there is little that the rest of the industrialized world can do to change their minds. Their best policy is probably to bow to the inevitable and boost their own growth as far as they can, while hoping that the usually generous Americans will help them once they have made their intentions clear.

\* \* \*

### U.S. Traitors: 'Falling Dollar Is A Blessing'

New York Times editorial, "*Soft Dollars and Hard Economies*," Dec. 13:

The fall of the dollar — or rather, the factors leading to its depreciation with respect to a few other currencies — has been a blessing, not a curse. When Germany and Japan choose to reverse the dollar's decline, they may do so by stimulating their own economies and thereby stimulating imports from the United States. Such moves would be welcome, increasing employment and output in those countries and elsewhere. Should Germany and Japan prefer to go their own way, however, it would be foolish to follow their example simply to defend some romantic notion about the honor of the dollar.

*Mr. Peter Peterson, Chairman of Lehman Brothers (soon to merge with Kuhn-Loeb), speech before Georgia Chamber of Commerce Conference on Exports:*

Everyone is talking about the dollar, but that is not good. The less said about the dollar the better. People talk about benign neglect but they don't understand the intricacies of the situation. A Secretary of this or that can't do anything about the dollar.

The U.S. has a vulgar, if not obscene use of foreign oil. Carter's program is thus timid even if it's politically bold.

The problem is the domestic economy, the need to speed up growth in the U.S. economy and the rest of the world. Japan and Germany should upvalue their currencies.

*Peterson then read excerpts from George Meany's speech at the AFL-CIO convention calling for protectionist measures and criticized this level of thinking of labor leaders:*

Business knows better. It is up to business to straighten out the misconceptions of labor.

\* \* \*

### Set Bear Trap For N.Y. Banks

*The Financial Guardian* Dec. 15 Op Ed column: Beware a bear trap:

Is the time nearly ripe for that classic manouever dear to the hearts of central bankers, the Great Bear Squeeze? One of the more colourful aspects of those days when central banks felt confident of their ability to influence the foreign exchanges was — following concerted action by central banks to defend a currency — the spectacle known as "the bears running for cover." Central banks would wait until commerical banks had built up a large speculative position against a currency, announce some general support measures, push up both the exchange rate and short term interest rates, and force the speculators to close their positions at massive loss.

What, you might reasonably ask, has this got to do with today's floating rates? Just this: at the moment there is clearly a large speculative position being carried against the dollar, driving the key Deutschmark-dollar rate down towards DM2.0. Yesterday, it moved to DM2.1150. Yet every banker acknowledges that the "real" rate for the DM ought to be about DM2.20. The dollar is falling into the same position as sterling did last year when it fell towards \$1.50.

Now there are very sensible reasons why the dollar should be weak, which have been discussed at length in this column and elsewhere. But at the moment the hysteria of the exchanges is such that, technically, the dollar has become "oversold." This is just the right circumstances for the central banks to spring a bear trap.

To do this, the US authorities have to wait for some good news. This could be good US money supply figures, a successor for Dr. Burns, progress on the US energy programme, it does not matter much. Then central banks should start to intervene in the foreign exchanges, starting in Tokyo, Hong Kong and Singapore, so that by the time the European markets opened the dollar was al-

ready a couple of percentage points up against the DM on the previous New York close. A sort of whiplash effect would force banks to close their positions, taking a large loss, and the very fact that they were doing so would force the dollar still higher.

Now there is no point in trying to mount such an operation unless the market is about to turn anyway. And in any case the US authorities may be so disenchanted by

currency support that they do not want to try. But the point about markets — all markets — is that the moment when everything looks in utter devastation is the moment when the market is about to turn. The dollar may be lower still against the Deutschemark in, say, a year's time. But before then there will be a rebound. The question is, when that happens, will the central banks be there? Have they the guts?

## U.S. Economy Set Up For The Wringer

As the Rothschild-owned *Economist* and other City of London publications were first to predict, the U.S. economy is headed for trouble. The cosmetic effects of government spending on the Gross National Product (GNP) are about to wear off, rising interest rates will shortly threaten the auto and housing markets — the other two props to the economy, and the sharp devaluation of the dollar in recent weeks may put to an abrupt end European central bank purchases of U.S. Treasury securities, the main source of financing for the huge federal deficit this year.

British agents of influence can be counted on to make the most of the crisis. In recent days they have already started the attack, as can be seen in the implementation of Treasury Undersecretary Anthony Solomon's plan to wreck the U.S. steel industry, moves by the Rockefeller Brothers Fund-created Council on Municipal Performance and Sen. Harrison Williams (D-N.J.) to force greater "disclosure" of the real state of municipal finances, and the *New York Times*'s resurrection of the scandal about the relations between commercial banks and their regulators — a scandal which is designed to launch a banking reorganization, centralizing all credit decisions under British-oriented executive agencies.

### *Steel Is The Model*

Under the direction of Undersecretary Solomon, a protégé of Anglophile economist John Kenneth Galbraith, the steel industry is fast becoming the model for the Schachtian reorganization of the entire U.S. economy. Solomon's plan for the steel industry, which was worked out in collaboration with executives of leading steel companies, involves limiting foreign imports, providing financial "aid" to failing steel companies to enable them to consolidate their operations, and putting an artificial prop under prices. No sooner had Solomon released his plan than Wheeling-Pittsburgh, Bethlehem, and Inland announced their intention to raise steel prices between 5.4 and 7 percent early next year.

Wheeling-Pittsburgh, the steel company closest to bankruptcy of all, is first in line to secure some of Solomon's promised federal loan guarantees — funds that would merely allow the company to meet Pennsylvania environmental standards and stay open long enough to repay its debt to Chemical Bank and its other creditors. While the negotiations with the government go on, Chemical and the other banks have agreed to relax the provisions in the loan agreement relating to net-worth and working capital — probably on the expectation

that the loan guarantees will enable the company to stay in business a while longer.

Youngstown-based groups, including the Western Reserve Economic Development Agency, headed by leading steel communities organizer William Sullivan, have been duped into offering to buy and reopen the shut-down Campbell Works of Youngstown Sheet and Tube on the basis of community and worker savings.

Allegheny Ludlum, the financially troubled specialty steelmaker, which has been closing down unprofitable steel operations and "diversifying," has just agreed to buy for cash a 51.7 percent or \$42.2 million stake in Wilkinson Match, Ltd., London.

### *Interest Rates Threaten Auto, Housing*

The collapse of the dollar, meanwhile, is feeding into the complex of factors which are putting upward pressure on interest rates and threatening the economy. In the last week rates in the bond market have begun to climb, in part on expectations that the Federal Reserve will have to further raise rates next year to smooth the collapse of the dollar.

A feature article in the *Wall Street Journal* Dec. 21, "Demand for Credit — Federal and Private — Puts Pressure on Rates," sums up the fears of the market that former Treasury Secretary William Simon's theory of the government "crowding out" corporations on the credit markets is about to come true, if three years too late. The *Journal* quotes numerous economists who warn that corporations will be in competition for credit with the government next year, pushing up short-term interest rates, now hovering around 6.5 percent, to over 8 percent by midyear. Such a marginal shift could pull the rug from under the auto and housing markets.

While interest rates soar upwards the economy will be going nowhere. A study by the Conference Board, a business research group, released Dec. 20, shows that in the first quarter of next year government "stimulus" programs such as CETA public service jobs will be having no effect on GNP at all. Government spending will at least be offset by higher Social Security and unemployment insurance taxes.

But that doesn't mean that the federal deficit will be any less. Projections of the Treasury's cash needs in the first quarter range from \$17 to \$20 billion, far exceeding this year's levels. The European central banks have been the single largest investor in U.S. Treasury securities this year, and have in effect been financing the U.S. federal deficit with the dollars they have been forced to

sop up to defend the currency. If they stop purchasing at the rate they have been, there will be that much more upward pressure on interest rates in the U.S. credit markets.

Additionally, Donald Maude at A.G. Becker points out that a huge amount of government securities will be maturing next year — 200 percent more than in 1975. Almost half of those maturing securities or \$23 billion are held by commercial banks and other financial institutions, which have been liquidating securities in recent months to get cash to lend to industry and other borrowers. It is likely, therefore, that the banks won't roll over the maturing securities, which means even more trouble for the credit markets.

#### *The Carter Tax Package*

In the face of this impending disaster, the Carter Administration on Dec. 20 released its proposal for \$25 billion in tax cuts for individuals and businesses, heavily weighted towards individuals in the lower income brackets. The tax package will come too late to even postpone the bust of the economy, and the cuts will hardly offset the large increases in Social Security and other taxes slated for next year. The Administration's tax proposals, moreover, are entirely in the wrong direction: they discriminate against exports and foreign investment and will "redistribute" wealth from private industry to various government slush funds:

An aide to Council on Economic Advisors head Charles Schultze, the former Brookings Institution economist, confirmed Dec. 20 that the Administration has no intention of implementing the cuts before Oct. 1, 1978, the

beginning of the next fiscal year. As the *Wall Street Journal* wrote Dec. 22: "the Carter proposal would take effect Oct. 1, so workers would have a chance to savor the "cut" for a month before the congressional elections."

In an op ed in the same issue of the *Journal*, former chairman of the CEA Walter Heller wrote up to \$20 billion of tax cuts are needed just to neutralize other tax increases slated for next year — including an \$12 billion increase in Social Security taxes and a \$4.5 billion increase in employment insurance taxes by 1979, an \$18 billion tax increase as inflation pumps income into higher brackets, and an unknown amount of energy taxes.

In the name of "closing tax loopholes," the package will force multinational corporations to repatriate all earnings so that they can be taxed at the domestic tax rate. Presently they do not pay domestic taxes on re-invested foreign earnings.

Carter plans to live up to his campaign promise and phase out DISC (domestic international sales corporation) over the next few years. Under this Commerce Department program corporations which form an export entity or DISC have received a 50 percent tax deferral on its earnings. In 1977 \$1 billion in tax deferrals generated over \$10 billion in exports, according to the Commerce Department (this comparison is arrived at by comparing the exports of corporations which have formed DISCs and those which have not). Suddenly, this year the Treasury Department found that the methodology by which it had been evaluating the success of the program in recent years was faulty, and that next year DISC will have no effect on boosting exports!

## Turn From London To Luxembourg

Diverse signals on the diplomatic, banking, and monetary newsfronts this week point toward renewed Arab, U.S. industrialist, and European interest in the Jürgen Ponto plan — the establishment of Luxembourg as the new international banking center to replace the decrepit City of London on both the international lending and the pivotal gold market levels. "Everyone in Europe I met is talking about it," said a New York commercial banker recently returned from the continent. In London, meanwhile, the Wilson Commission held alarmed hearings last week on the eventuality of the Luxembourg option emerging in full force. (see next article)

The reasons for the international investment community's disenchantment with the City, particularly with the London gold market which has already lost nearly 80 percent of world gold sales to Zurich, was delineated in *Barron's* magazine by Swiss investment manager Nicola Krul, lately of Lombard Odie and now with the Crédit Commercial de France. Krul said he was bitterly "disappointed" with the U.S.'s inflationary monetary policy, and even more disturbed about the speculative London government debt market. The resultant decline in U.S. and British industrial activity and inflation has rendered the two currencies unfit for especially Arab investment — Krul's main clients. "The pound was a risk investment then and its a risk investment now," he said.

Krul concluded by saying he now recommends Arabs to invest in equity — not government debt — of productive continental European and Japanese corporations.

Several events this week pointed to the use of the Luxembourg Ponto plan to move world monetary operations out of London. First, the Luxembourg government suddenly established diplomatic relations with Saudi Arabia, and recognized the Palestine Liberation Organization. The later action was negotiated by the PLO representative, Mr. Dayani, who is responsible for current rapprochement efforts by the PLO and with the peace negotiations of Egypt's Sadat and Israel's Begin.

Second, of course, London's Wilson Commission testimony on the Luxembourg menace. Never before has the British Bankers Association warned that Luxembourg could actually supersede London as a center of international banking and that the City's position is "precarious."

When asked if the sudden Luxembourg diplomacy meant Arab interest in Luxembourg as a new gold center, a New York banking expert on Italy just returned from Europe insisted it was common talk.

#### *The Ponto Plan and the IMF Restrictions*

It has been widely reported since the assassination last

August of Jürgen Ponto, chief executive officer of the Dresdner Bank, West Germany's second largest, that a major reason for his murder by the British Intelligence coordinated Baader-Meinhof gang was his plan to turn Luxembourg into a new international gold center controlled by West German and French industry-oriented banks. Luxembourg is already rivaling London as a center for the \$20 billion annual floatation of Eurobonds for international corporations due to the strong West German, Belgian, and Swiss bank presence there. Soon after Ponto's death, the Luxembourg government announced that as of Jan. 1 it is removing Value Added Taxes on gold trading; the South African *Rand Daily Mail* reported this to be the initiative of Dresdner Bank.

Simultaneously, the French-inspired abolition of current International Monetary Fund (IMF) restrictions on the trading of gold by central banks is set for Jan. 1. This will mean that the current "official" gold price of \$42 per ounce will disappear and central banks will value go

ounce. Slowly but surely nations trading in gold between governments will become those with stabilized currencies and trade — gold will be remonetized, and the flight from sterling will really begin. The West German central bank is reliably reported to be secretly in favor of the arrangement.

#### *The Texas Connection*

American involvement in these maneuvers is typified by the announcement today that Ghaith R. Pharaon, the Saudi Arabian business partner of Texan John Connally in the Houston Bank, is purchasing Bert Lance's shares in the National Bank of Georgia. Lance, Connally, and other "Atlanta mafia" and sunbelt industrialists associated with Nixon's administration have been eyeing an alliance with the Arabs and Europeans around monetary and industrial policy.

Asked if Pharaon's moves could be related to Luxembourg, an executive of a major U.S. oil multinational agreed there is "quite lively and forward looking motion" in the direction of the Luxembourg plan by U.S. industrialists. He cited the connections of the Saudi Investment Bank, and the Arab-Latin American Bank with U.S. banking circles, and the simultaneous involvement of the Hamburg-based Deutsche Suedamerikanische Bank, set up by Jürgen Ponto, in the same Arab-Latin American circles.

## London Bankers Worried About Luxembourg

The London *Daily Telegraph* Dec. 19 reported on the British Bankers' Association evidence to the Wilson Committee investigations on the operation of the City of London, and reported that according to the BBA, "London's position as the world's foremost banking centre is by no means totally secure and some business has been lost to other places, particularly to the offshore banking centres in the Bahamas and the Cayman Islands... Paris could seriously threaten London's position" — and Luxembourg is making a strong bid to get some of the business, the *Daily Telegraph* adds.

"Luxembourg's international banking business has at the cu grown up largely as a result of domestic restrictions on German and Swiss banks... Confidence in London has been undermined by the precipitate fall in the value of sterling, by threats of bank nationalization and by suggestions that the authorities should attempt to direct the investment of bank deposits." The Association thus urges the government to permit the banks to operate in "an atmosphere of stability and reasonable independence from political direction of their activities."

According to the *Daily Telegraph*, the BBA put forward a 10-point program which includes "relaxation of exchange control; in particular it wants the removal of the ban on financing third-country trade in sterling; abolishing the investment currency pool or at least the 25 percent surrender rule; and the permission for industrial companies to hold foreign currencies longer... Finally, the BBA wants the authorities to encourage London to become a world center for international portfolio management. This would need relaxation of the rules on residence, exemption of non-residents from capital transfer tax on United Kingdom assets, and allowing banks to certify nonresidence."

# OPEC Moderates Force Price Freeze In Support Of Dollar

The 13 members of the oil producers cartel, OPEC, this week agreed to postpone a decision on a new price for crude oil until its next meeting six months from now. The decision arose as a result of a stalemate between the moderate producers — Saudi Arabia, Iran, the United Arab Emirates (UAE) and Qatar — who favor a price freeze through 1978, and other producers, notably Libya, Iraq, and Algeria, who have demanded price hikes of up to 23 percent. The waiving of the decision means a de facto freeze through the first months of 1978. In addition, OPEC agreed not to adopt a British-backed plan to use the International Monetary Fund's Special Drawing Rights in lieu of the dollar as a means of transacting oil sales.

The outcome of the Caracas meeting reflects the strong influence of the OPEC moderates, who account for over 65 percent of OPEC's total output. Underlying the decision was a strong concern among the moderates over the current crisis of the U.S. dollar and the worsening state of the world economy. The six-month freeze represents a time limit during which those political and industrial forces who want a global economic recovery based on growth must put together the necessary agreements leading to a new monetary system, for which the burgeoning Luxembourg financial center could be the nucleus. If such measures — plus correlative steps to defend the U.S. dollar — are not quickly enacted, it is highly unlikely that the Saudi Arabians and their OPEC allies can hold the line against the demand for another price hike.

There are a number of indications, however, that the moderate wing of OPEC foresees the realization of such developments. Prior to yesterday's meeting, the president of OPEC, Sheikh Abdul Aziz al Thani, told a European press source that he saw the dollar rebounding in January 1978. Moreover, the Italian Communist Party daily *Unita* reported that the Saudis were justifying a freeze on an anticipated dollar recovery in the first quarter of next year.

A decisive part of OPEC's policy toward economic recovery is alleviating the burden of debt from the Third World. This was directly reflected by a press statement by the UAE oil minister Mana Saeed al Oteiba during the first day of the conference. Oteiba noted that in return for the "sacrifice" which the OPEC countries were making by freezing prices, the industrialized nations, especially the U.S., should stabilize their currencies. In this connection, Oteiba called on the advanced countries to "cancel the debt" of the Third World along the lines of a government-to-government Third World moratorium recently granted by Sweden.

The communiqué issued at the conclusion of the two-day meeting demonstrated that Oteiba's intelligent attitude on world economic recovery was not completely shared by the other member-nations. While the communiqué expressed concern for the falling dollar, and the

debt burdened Third World, it also endorsed the Kissinger-architected raw materials fund, a plan endorsed by the militant producers which would drive up the price of raw materials and push the world economy over the brink while doing nothing for the Third World nations themselves. This is at variance with last week's statement by Saudi Oil Minister Sheikh Ahmed Zaki Yamani. Yamani in an interview with the *London Times*, condemned the cartelization of raw materials, an important aspect of the fund hoax, as not in the interest of economic health. The "price-rise" faction of OPEC, who are not motivated by the concern for the dollar, have credulously promoted such British-concocted raw materials schemes under the rubric of "make the imperialist West pay."

## *OPEC's Vulnerability*

Following the conclusion of the meeting, Yamani expressed confidence that Saudi Arabia and its moderate allies would be able to enforce a price freeze for all of 1978 — a statement that may reflect his privileged knowledge of discrete negotiations to institute a new, gold-backed monetary system and hence an economic turnaround. Without such an initiative, OPEC will become increasingly vulnerable to the City of London — the major anti-dollar conspirator — and the latter's efforts to bust the cartel and grab OPEC's immense wealth.

Already, rumors are circulating throughout Europe that two hardline producers, Algeria and Iraq, may secede from OPEC as a result of the freeze which, it is claimed, was dictated "by monarchies (Saudi Arabia and Iran — ed.) subservient to the West." British Fabian-linked networks in Venezuela have begun to term the moderates "feudalists" in a "conspiracy with the U.S. and other western imperialists." Through November and December, Venezuela was the center of a rumor campaign which claimed that the cartel would postpone its December meeting — a campaign reflecting both U.S. energy chief James Schlesinger and London's efforts to forestall the freeze.

Yamani announced on Dec. 21 that Saudi Arabia would again implement the 8.5 million barrel a day (mbd) production ceiling as a means of reducing total OPEC output and hence putting an end to the massive oversupply of oil on the international markets, estimated to be in the neighborhood of 200 million barrels. Such a glut has been the result of massive stockpiling of crude by both governments and oil companies, partially as a result of the threat of renewed warfare in the Middle East and partially, in the case of the oil companies, a speculative hedge on continued oil price rises.

The glut has caused a number of OPEC countries to reduce the price of their crude in order to keep up sales, and has often forced competitive underpricing between the various cartel members beyond the normal range of

competition. It has in particular hit the marginal economies of Algeria, Nigeria, Venezuela, and Indonesia, forcing these governments into calling for higher prices.

Since the middle of 1977, Saudi Arabia's output has dropped from the record production of just over 10 mbd to under 8 mbd, which accounts for most of the net decline in total OPEC production from 33 to 30 mbd. Similarly, the UAE has announced that it will cut back about 500,000 barrels a day. In the case of all the moderates, with the exception of Iran, their economies do not necessitate the scope of their respective petroleum incomes, hence they can afford to take the cuts.

Yamani spoke quite clearly of the importance of resolving the glut this week in Caracas by stating that "the current oil surplus affects the existence of OPEC ... when the market is glutted, Saudi Arabia is obliged to preserve the unity of OPEC and to reduce oil production."

*The Time Element*

A just-released report from the office of Senator Henry

Jackson (D-Wash) on the prospects of a major confrontation erupting between Saudi Arabia and Iran illustrates the pressure the City of London team are prepared to bring to bear to break up OPEC. What Jackson advocates is the old Kissingerian plan of promoting a military axis between Iran and Israel to control the Mideast. According to an advisor to the U.S. Defense Department, Jackson's conclusions were "stupid, incompetent and horribly oversimplistic." The same source indicated his concern that such a report would have been issued just at the time OPEC solidarity is coming into question over the pricing issue.

Numerous other experts on the Mideast noted the striking similarity between the Jackson report and the recently published bestseller, *The Crash of '79*, which describes a world monetary collapse that triggers the revenue-hungry Iranians into an invasion of the Persian Gulf oilfields. Along these same lines, Jackson's cohort, Senator Daniel Moynihan (D-NY), was even more blunt last week in a television interview when he urged that the U.S. "break up OPEC."

— Judy Wyer

## Perez At OPEC:

# Debt Moratorium Is 'Smart Business'

*While it is true that Venezuelan President Carlos Andres Perez did call for OPEC to pay off a portion of the Third World's debt, during his speech before the cartel's meeting in Venezuela on Dec. 20, the monetarist-controlled press networks totally omitted CAP's reference to the idea of a global debt moratorium based on the precedent of the debt cancellation granted by Sweden to certain Third World nations two months ago. The relevant passages, censored by such reporters as Juan de Onis of the New York Times, are printed below.*

*The fact that CAP, after discarding the issue of debt moratoria as unlikely, settled for a scheme that would have the opposite effect on the world economy — a scheme long sought after by New York and London bankers — is a reflection of the intense pressure his government has been under. A series of operations externally, coupled with disinformation deliberately fed to CAP from agents within his own government, have left the Venezuelan chief of state boxed in geopolitically, and vulnerable to offers for a "deal" from circles connected to the Carter Administration. Rumors of a possible coup in neighboring Colombia pose a particularly significant threat.*

...The growth of (Third World) debt is dramatically alarming. With every day, the non-oil producing developing countries face diminishing possibilities for meeting the service on this debt; at the same time their

purchasing power decreases. A vicious circle with no solution is leading the world to catastrophe. The collapse of the economies of the developing countries makes possibilities for recovery more precarious for the industrialized economies....

The government of Sweden, which is a conservative government, was being honest when it said there was no hope for the Third World to solve the debt problem, and that therefore the industrialized nations should face the problem by canceling that debt, thus opening new opportunities for overcoming the crisis affecting the industrialized nations. It is not, therefore, a question of an act of mercy or a handout, but an act of smart business through which new possibilities will be opened for international trade, and rescuing the world economy from its weakness.

However, this is not understood by the insensitive minds of the large nations. The debt is sacred, they proclaim.

...If the large nations do not want to acknowledge what Sweden has acknowledged, why doesn't OPEC, in its 15th meeting, agree for the benefit of humanity, to increase the price of oil by 5 to 8 percent, and dedicate (the increased revenue) fully, for one year, as a contribution to paying the debt of the non-oil producing developing countries, to be implemented by a mechanism involving OPEC, the Group of 77 and the International Monetary Fund?

## Part II

# The Interim Strategic Situation

*Part II concludes Lyndon LaRouche's commentary on Peter Paret's recently published book, Clausewitz and the State. Part I, which emphasized Clausewitz's failure to ally with European and American humanist-republican forces against Britain and the Soviet Union's similar strategic blunder today, was published Dec. 19 in Vol. 4, No. 51 of Executive Intelligence Review.*

In summary, then, none of the institutionalized leading political forces of continental Europe corresponded to a significant force with which humanists could ally on the basis of a community of principle. Kant's proposed basis for the peace of Europe, independent republics in the humanist sense of republic, did not exist. How does one steer a policy course under such circumstances? That is the basic problem of strategy we have to consider here.

The United States, faced from a distance with the same predicament confronting the Prussian reformers, did rather well under Washington and John Adams, and managed in a poorer fashion under Jefferson. The United States attempted to place its margin of power in the balance, to thus shift the course of events into directions to the relative advantage of the security and development of the American System. Prussia was in a more difficult position, especially considering the defects of the monarchy and the aggravating defects of the monarch.

Such particular facts of the situation help to pose the questions, but the answers cannot be given on that level of perception. We must refer our investigation to the "transfinite," so to speak. Only there, as Clausewitz failed to understand, do genuine policy-solutions exist to be discovered.

Throughout more than a thousand years of European civilization's history, there has been a persisting struggle between two tendencies: on the one side, the humanist factions centering around Neoplatonic humanists and the policy of urban, technology-oriented economic and social development; on the other side, the antihumanist factions, the forces of the Inquisition, of monetarism, and of various expressions of Malthusianism. The development of European and North American industrial capitalism, beginning in 16th Century Tudor England, has been the central thrust of humanist or republican policies. The English throne, since the accession of Charles II, and most notably since the accession of the Orange and Guelph houses to that throne, for approximately three centuries, has been the principal bastion of anti-humanist evil in the world.

The underlying determinant of reality in the civilized world has been and remains the current shaping of the conflict between these two factional tendencies. The proper cornerstone of humanist and republican policies

has been and must be that of acting to strengthen the influence of the humanist currents at the expense of the London-centered antihumanist currents under all conditions. In the simplest cases, this policy dictates alliances based on community of principle among republics and humanist-republican forces. More generally, it means to act to strengthen the humanist-republican influences in all states.

This Clausewitz and his associates did not comprehend, and this principle he and his associates profoundly violated both in practice and in Clausewitz's simplistic analysis of the political side of strategy.

It is on this same point that Soviet foreign policy has been downright imbecilic at many crucial junctures. The Soviets' current course, of de facto subordination of Soviet policy to British interests, represents a nadir in that record.

## War And Peace

Peace between the United States and the Soviet Union can be achieved on a durable basis because, unlike England of the past three centuries, both the United States and the Soviet Union are organically committed to the principles of a humanist republic. However, general war between the "two superpowers" remains dangerously possible because the two powers are not presently committed to the indicated perception of potential relations between them, and because antihumanist elements exist and recurrently tend to become dominant in their respective foreign policies.

In the long term, a state of war has existed for more than a thousand years between humanist and antihumanist forces of the Mediterranean and adjoining nations. There can be no durable peace between those two forces; the one must subjugate the other to its policy. Repeatedly, this has resulted in actual wars, either as direct conflicts between representatives of the opposing policies — as in the American Revolution — or because of chaotic and confused alignments of forces which indirectly reflect the same issues. A state of non-war can exist between humanist and British-led forces, but no durable positive basis for permanent peace can exist between those opposing forces.

In short, it ought to be the policy of the United States (and of the Soviet leadership) that Britain must be conquered to the effect of forcing Britain to abandon now and forever those monetarist and related antihumanist policies which have made England the persisting force for world evil throughout most of the past three centuries.

Admittedly, to a certain extent, our indicated policy of positive peace between the Soviet Union and the United

States is not realizable on the basis of the policies of the two states at this moment. On the Soviet side, the leading circles there are obsessively seized by a pathologically simplistic and ignorant conception of the nature of the conflicts between capitalist and socialist forms of ownership of the basic means of production. On the side of the United States, the ideological heritages of Versailles and Cold War anticommunism are the lesser part of the problem in fact. The principal problem on the United States' side is that the "environmentalist" and related anti-humanist policies of the British-aligned forces in that nation represent an impulse which leads toward probable early general war with the Soviet Union.

Once the United States resumes a "Hamiltonian" policy toward national banking, domestic capital formation, and technological progress, the world impact of such U.S. policies is, in fact, in the vital interests of the Comecon nations *as states*. If the Soviet leadership is, in turn, capable of understanding the basis for and implications of that point, a positive basis for durable peace exists.

On this point, certain vectors of Vatican policy are significantly more sophisticated and sound than the policies articulated in the capitals of the industrial capitalist nations. An important element in the international leadership of the Catholic Church has brought forward the ecumenical principle for relations among states first systematically developed by Cardinal Nicholas of Cusa. Under the influence of such thinking, the Catholic Church in Poland has most recently contributed a most positive proposal toward the strengthening of the socialist republic of that nation, proposing to the state that the government act to check the spread of pornography and other elements of London-centered subversion of Polish society which the Polish Catholic hierarchy rightly perceives represent a hideous attempted destruction of the Polish state by evil forces. We are not suggesting that this is the only policy to be associated with the church hierarchy in Poland, but merely the fact that the cited element, featured in the wake of Gierek's meeting with Pope Paul VI, as an expression of a humanist ecumenical outlook from within the church.

The principle of peace-winning is a policy of fostering within one's own and other nations those policy impulses which bring the humanist element to the fore. If peace-winning fails, then the same policy is properly continued as a war-fighting policy, and in the determination of the conditions of peace to be imposed upon the vanquished.

## Humanist Policy-Making

The Humanist principles to be emphasized for this practical purpose are the following:

1. Emphasis on scientific and technological progress as both the policy of dominant ruling institutions and in economic and social policy.
2. The education of the individual citizen to this same effect, both in respect of the citizen's productive powers and the citizen's political judgment.
3. A nation-state committed to such constitutional principles of policy-making, and to the conscious perception that such principles reinforce the distinction between man and lower forms of life is a humanist republic, *whatever specific political forms it otherwise represents*.

The humanist policy is to attempt to variously force and catalyze nations to adopt such policies of economic and related progress in their own development and in their relations with other states. Even states which are not otherwise qualified as humanist republics tend to become humanist republics through the practical and related effects of policies which express a humanist impulse. A nation experiencing the benefits of technological progress, by placing a premium upon the development of the mental powers of its citizens, by placing a premium on the investment of social surplus in technological progress in the expansion of productive capacities and outputs, has caused its population to tend to place a premium upon the creative-mental powers of the individual citizen, and to defend mutual respect among citizens on this basis. By raising the cultural level of nations and constituent portions of nations, it is possible to foster the conditions under which even bad nations tend to become humanist republics.

The paradoxes of the current United States "human rights" policies aptly illustrate the issues to be considered. On the one side, the United States demands respect for "human rights" in Brazil, Argentina, Chile, and Peru. Yet, at the same time, the United States government has been implicated in continued support of the fascist economic policies of Milton Freidman, et al. in those states, fascist economic policies which cannot be implemented without a genocidal intensity of internal economic repression and not without political repression correlative to that economic policy. To that point, U.S. "human rights" policy is at best disastrously unworkable and, in effect, pathetically hypocritical.

Worse, by decreeing a neo-Malthusian policy for these nations, as does Robert McNamara's World Bank, the effect is to abort technological progress and, even worse, to force a resort to bestializing conditions of primitive "labor-intensive" employment, modeled on the Nazi forced-labor system, where more advanced forms of employment were the existing or implied norm. The bestializing effects of a World Bank austerity policy signify that the United States could not have a policy favoring human rights in developing and other nations unless the United States first of all repudiated and worked to destroy the World Bank of Mr. Robert McNamara.

Yet the United States is not to be solely singled out for criticism on this issue. The effective foreign policy of the Soviet Union has been, if anything, more hypocritical. What has been the Soviet Union's position on the issues of world monetary reform? It has placed itself in effect on the side of the culpable London merchant bankers and those bankers' allies! It has associated itself in the balance of power with the most bestially reactionary forces!

How does the Soviet leadership rationalize such bestially hypocritical policies? The Soviets argue that "only socialism represents a true solution to the problems of oppressed peoples." Hence, the short-term realpolitiking perceptions of Soviet state interests proceed with blind indifference to one or the opposite sort of capitalist policies, up to the point that a "national liberation struggle" appears within reach of securing a socialist constitution for this or that developing nation.

On that point, the Soviets are guilty of the same political imbecility, to the most pathetically reductionist notion

of the reality — the “objectivity” of existing states — and do nothing in effect to apply Soviet weight and influence in the balance of world affairs to cause the promotion of a humanist policy within states of the capitalist sector. This they justify on the basis of their simplistic perception of the issues between socialism and capitalism — a delusion of which the case of Peking ought to have disabused them.

*The Soviets so far refuse to see that the emergence of a humanist industrial-capitalist policy in the United States and other key OECD nations represents the only possible basis for avoiding general war in the intermediate term. Thus, the Soviets relieve themselves of the responsibility for discovering how they can employ their power to foster the indicated shifts in policy within leading capitalist nations, how they should deploy their power to strengthen the position of factions of developing and industrialized capitalist states struggling to establish a humanist policy of high-technology-centered economic expansion. Rather, in the most recent period, they have aligned themselves on balance with the world’s worst reactionaries, the City of London merchant bankers and British intelligence.*

### The Strategic Situation

All of the notable developments of the last few weeks belong potentially to two different universes, two worlds of mutually exclusive geometries. One of these geometries involves the potentiality of the City of London’s hegemony in a reorganization of the existing monetarist order. That is the geometry of Hell, a geometry of deep depression, hyperinflationary austerity, a period of in-

tensified Cold War, and the rather early onset of general thermonuclear war. The other geometry is based on a resumption of a Hamiltonian domestic and foreign policy by the United States, in alliance with humanist-republican forces of France, West Germany, Italy, Japan, Mexico, and other nations. If the Soviets collaborate with such a geometry, that geometry is one of secure world peace under the hegemonic rule of the world by a combination of republics dedicated to humanist policies of high-technology economic expansion.

That perception of the present moment as a branching-point in which the two geometries overlap in a singularity is the only truly competent basis for policy formulation. One must choose which of the two geometries one desires. Then one must shape one’s actions not according to any presumed consequences of those actions as such, but according to the effect those actions have in establishing the relative hegemony of one geometry over the other. It is only in that way, by first determining which geometry one is acting to bring into hegemony, that the consequences of the action can be assessed in a more particular way.

In the final analysis, the choice is a choice between energy policies. In social processes as in nature otherwise, the lawful course of development is determined by the change in negentropy effected.

If we appropriately increase the energy-density of world social systems, by emphasizing fission and fusion technologies, this increase in negentropy ensures the desired, humanist-republican geometry. Reciprocally, the promotion of the humanist-republican order is indispensable to realize the negentropy of production humanism now requires.

# SALT 'Debate' To Build Cold War Climate

On Dec. 14 the official Soviet daily *Pravda* issued harsh attacks on the Trilateral Commission and U.S. National Security Advisor Zbigniew Brzezinski by name for trying to sabotage the SALT arms limitation talks with the USSR. The charge was seconded by Nikolai Tarosov, the Soviet delegate to the European Mutual and Balanced Force Reduction talks, who denounced NATO attempts to link the cruise missile and other SALT issues to the conclusion of the MBFR talks.

The Trilateral Commission is a supranational policy-generating body created by David Rockefeller, President Carter, Vice-President Mondale, and many other high Administration officials are former members of the Commission.

The Soviet charges came in the midst of a mounting campaign centered in London — a campaign in which Brzezinski, the Trilateral Commission's director before he took the National Security post, has played a prominent role — aimed at throwing the Soviets into a paranoid "Cold War" posture in which their ability to make their strategic decisions would be badly impaired. This is precisely the goal of a Dec. 16 *New York Times* article titled "Pentagon Told to Review Strategy for Nuclear War Against Soviet." The article reports that "White House sources" are saying that Brzezinski has for months sought and finally received a Defense Department consideration of his position that "the Pentagon's nuclear strike plan should be designed to exploit potential Soviet fears, such as bombing Moscow's food supply or making a target of Russian troops in the Far East so that the Soviet Union would be more vulnerable to attack from China. (see *Executive Intelligence Review* No. 51 for full text.)

While President Carter reported at his Dec. 15 press conference that "our relations with the Soviets are in general very good," most of the Eastern Establishment press has been feeding the Brzezinski confrontation thrust by portraying SALT and related arms control as the object of mounting U.S. opposition, and speculating heavily that when a treaty is signed it will not be approved by the Senate.

Thus the *Washington Post* of Dec. 22 reported that former President Gerald Ford "strongly hinted that he may oppose his successor on the new SALT agreement" but could provide little more substantiation for that view than a Ford statement that "I've not made a decision, but I'm going to take a long hard look at the treaty."

In the *Washington Star*, reporter Henry Bradsher, whose articles frequently reflect the viewpoint of the antitreaty forces in Paul Nitze's Committee on the Present Danger, headlined his Dec. 21 piece "Hope for an Early SALT Accord Has All But Vanished." Bradsher made much of a recent statement by Ralph Earle, deputy for chief arms negotiator Paul Warnke, suggesting that "next spring would be a reasonable but by no means certain" timetable for an agreement, and implied

that substantive difficulties in the talks were coming from the Soviet side.

On the same day, *New York Times* military reporter Drew Middleton played up a House Armed Services Committee study released by Rep. Samuel Stratton, which, said Middleton, "says that the United States' strategic nuclear position is deteriorating so rapidly that by 1980 it will not deter a first strike attack by the Soviet Union."

## 'Pro-SALT' Sabotage

Supposedly "pro-SALT" opinion-makers like columnist Mary McGrory have meanwhile been adopting the posture of equating the Administration with a small child with a toothpick trying to stop a powerful anti-SALT tank. "Only a handful of Congressmen are willing to step out and speak up for the agreements," mourned McGrory in her Dec. 19 column, all but ignoring the fact that most legislators are understandably wary of making ringing defenses of an agreement they have yet to see.

Even more problematic was a Dec. 21 *New York Times* editorial which, while proclaiming a SALT II agreement "indispensable," gave credence to the notion that "America's European allies" will face "Soviet political-military blackmail and the Finlandization of Western Europe" if the treaty is approved. The *Times's* solution introduce a whole new "deep cuts" debate around the issue of scrapping MIRV multiple warheads, currently possessed by both the U.S. and the USSR. This is exactly the kind of "quick switch" approach which backfired when the Carter Administration tried it on the Soviets in the first round of negotiations last Spring.

The Union of Concerned Scientists, a group linked to antinuclear crusader Ralph Nader, has meanwhile issued a statement demanding an immediate unilateral halt to the testing and deployment of new nuclear weapons, and complaining that arms-control efforts "should be focused to a greater extent on curbing technological advances," according to the *Times*. As the Soviets are well aware of efforts by Brzezinski and Co. to swindle them out of developing advanced technologies with applications outside the military sphere, that kind of "support for SALT" must also be viewed as having an intentionally counterproductive effect on the talks.

The most visible mark that both the "preparedness" and "arms control" sides are taking part in a "controlled debate" whose outlines have been shaped by Brzezinski is the complete lack of discussion in the press of the actual political-strategic conditions under which the USSR might shift from its current war-avoidance posture into a war-winning mode. Should the Soviets conclude that a SALT agreement, Middle East peace, and related interlinked foreign policy objectives on which it believed it had secured U.S. agreement at the time of the joint U.S.-Soviet communiqué on Geneva are not now possible, the consequences would go far beyond "cold war." The danger of general thermonuclear conflict would sharply escalate.

\* \* \*

## 'No Hope for Early SALT Accord'

*These excerpts come from Henry Bradsher's Dec. 21 article in the Washington Star.*

President Carter said the other day that he has "gotten to know (the Soviets) and their attitudes much better than before on SALT" and other subjects.

Such greater understanding has caused the new administration to postpone once again hopes for the new strategic arms limitations treaty that the Ford administration had originally planned to sign in the summer of 1975.

Carter came into office hoping that Soviet leader Leonid I. Brezhnev would make his repeatedly delayed visit to the United States for the treaty signing last summer. That slipped, but Carter said in October that "within a few weeks, we will have a SALT agreement that will be the pride of this country."

But one of his negotiators in Geneva said last week that "next spring would be reasonable, but by no means certain," for concluding an agreement. Then Carter made his remark about knowing Soviet attitudes better at a news conference last Thursday.

Carter came into office with hopes of getting a better SALT treaty than the one the Ford administration had been trying unsuccessfully to conclude.

The new president sought substantial reductions in the numbers of strategic weapons that had been tentatively agreed upon by Brezhnev and then-President Gerald R. Ford in Vladivostok in November 1974. Carter wanted cuts made in ways that would reduce the threat of huge Soviet land-based missiles to the Minuteman force of U.S. missiles poised underground across the Great Plains.

But there is now skepticism in the new administration about what can be agreed upon, written into a treaty and ratified.

Much of the skepticism has developed out of attitudes in the Pentagon that find a loud echo in some Capitol Hill offices. The most active office has been that of Sen. Henry M. Jackson, D-Wash., but enough other senators are concerned about the developing SALT II agreement to raise serious questions of a treaty's winning approval by two-thirds of the Senate.

A preliminary outline of the new treaty came out of Secretary of State Cyrus R. Vance's third round of SALT negotiations with Soviet Foreign Minister Andrei A. Gromyko last September. Although it was fairly close to the 1974 agreement, thus representing an administration retreat from many of its early hopes, it contained enough controversial points to raise warnings of opposition.

Despite those warnings, however, the administration has pushed ahead on the September outline. Work on it in Geneva provided the basis for optimistic headlines in last week's papers, based on a news conference by Carter's chief arms negotiator, Paul C. Warnke.

Warnke said he was "quite hopeful we can reach effective treaties" on SALT and two other arms control subjects: a nuclear explosion ban and limiting military forces in the Indian Ocean.

Such hopefulness has been repeatedly voiced by Warnke. He added a warning that "very serious

problems" remain in negotiating a SALT treaty, a warning that he has also routinely tacked onto his optimism.

But Warnke declined to answer reporters' questions about when a treaty seemed likely to be concluded. It was his deputy, Ralph Earle, who suggested next spring of later. . . .

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## McGrory: SALT Backers Overwhelmed By Hawks

*Here, part of syndicated columnist Mary McGrory's Dec. 19 column as it appeared in the Washington Star.*

Members of the Arms Control Association, some of whom have grown old and gray trying to slow down the arms race, gathered glumly over the weekend.

"The other side," said one delegate from Ohio, "has the heat, the money and the simplicity."

"What we need," said an official of the Arms Control and Disarmament Agency, the little government bureau charged with trying to cool off the Pentagon, "is a Sadat, someone who can break through all the guff and say, 'Let's do it.'"

The presence at the White House of Israel's Prime Minister Menahem Begin, who had come to show Jimmy Carter the Middle East peace package, was a reminder to the ACA that anything is possible. But it also brought home to them how far away they are from such a dramatic turnaround in their own fortunes. . . .

The pro-disarmament group isn't as organized as the Committee for the Present Danger, the rich, hawkish outfit that fought the appointment of Paul Warnke as chief negotiator for the SALT talks and continues to warn of "the failure of nerve" they see reflected in "dangerous concessions" to the Soviets at Geneva.

The disarmers have no weapon comparable to the Committee for the Present Danger. They have no propaganda like "The Price of Peace and Freedom," a movie made by the American Security Council to show the impotence and inefficiency of America's nuclear arsenal. . . .

The ACA was hoping for far more support from Jimmy Carter, who announced the elimination of nuclear weapons as a goal in his inaugural address. But the White House has been too engrossed in the Panama Canal treaty and the energy program to do much about his dream. . . .

\* \* \*

## New York Times Advocates Quick Switch

*The text of the New York Times lead editorial of Dec. 21, "SALT Beyond Minuteman," reads as follows.*

The storm now brewing over the next Soviet-American strategic arms limitation treaty — SALT II — turns on something the technicians call "Minuteman survivability." It means quite simply that toward the end of the proposed eight-year agreement, the Soviet Union is expected to acquire the theoretical ability, in a first strike, to destroy most of America's 1,000 land-based Minuteman missiles. That would wipe out the most important and reliable arm of America's "triad" of retaliatory forces (bombers and submarine missiles are the others). The vulnerability of the Minuteman missiles

in their underground silos has been predicted repeatedly in the past without materializing. But, the experts now agree, the wolf is finally approaching the door.

Should the United States sign an agreement that fails to head off this Soviet ability? Critics, who say they will block Senate ratification unless the projected treaty is improved, are chiefly concerned about the reaction of America's European allies. Perceiving a shift in the nuclear balance in Moscow's favor, those allies may lose faith in Washington's guarantee of nuclear protection — the pledge to strike first with strategic nuclear weapons, if necessary, in the event of an all-out Soviet conventional attack. A fearful NATO, the critics believe, would invite Soviet political-military blackmail and the "Finlandization" of Western Europe. The Carter Administration argues that the Soviet threat would increase, not diminish, if SALT fails and an unrestricted arms race resumes. The pending deal would not only put a cap on the missile buildup but would, for the first time, both reduce missile numbers and slow down the qualitative arms race. It would buy time and commitment from both sides to negotiate more drastic curbs in SALT III.

Minuteman vulnerability, in any event, appears unavoidable ultimately, even though the projected agreement would limit both sides to the same total number of missiles and bombers and remove the Soviet numerical advantage conferred by SALT I. For the Russians are gradually replacing their single-warhead missiles with a new generation of more accurate missiles bearing multiple warheads (MIRV's). The United States invented the MIRV, then tested and deployed it, starting in 1968-70, despite warnings that the much larger Soviet missiles, once MIRVed, would ultimately threaten American security. This hawk is now coming home to roost.

In a single-warhead era, two Soviet missiles would have to be expended for high confidence of destroying one Minuteman — a price no attacker would want to pay. But MIRV permits two Soviet missiles — each carrying six to eight large hydrogen bombs aimed at widely separate targets — to destroy five or six Minutemen. On paper, therefore, a minor part of the Soviet strategic forces predicted for 1982-84 would be able to destroy 80 to 90 percent of the Minutemen. That would leave Moscow with great nuclear superiority and the United States, the nightmare goes, deterred from retaliating with its surviving Minutemen, bombers and submarine missiles. To head off this danger, President Carter's arms control proposals last March tried to constrain the number of MIRVed land missiles Russia could deploy and, meanwhile, severely limit their flight tests to slow down improvements in accuracy. Thus it was thought the "sur-

vivability" of Minuteman could be extended until at least the late 1980s. But that approach failed.

Some members of Congress argue that the Administration should stand fast on its March proposals. But the Pentagon has since come to doubt that even those limitations would be anywhere near drastic enough to extend the life of Minuteman significantly. In this circumstance, some critics are concentrating their fire on SALT II's projected limitations on three possible and less vulnerable Minuteman successors: mobile land missiles (such as the MX), the Trident II submarine missile and the long-range cruise missile.

The Administration replies that these limitations will only be in effect for three years, not the full eight years of the SALT treaty, and would not retard development and deployment schedules now planned. If, as is quite possible, subsequent negotiations fail by 1981 to promise diminution of the threat to Minuteman, all American options would be open.

A Pentagon study of these options is now under way. Minuteman could be defended by anti-ballistic missiles (ABMs), or be put on wheels to eliminate the target, or be replaced by another mobile missile on land or sea, or be supplemented by one or more less vulnerable systems, such as the cruise missile. None of these options provide a perfect answer. Mobile land missiles would pose serious verification problems and ABMs would require agreed revision of SALT I. By far the most stable solution would be, by agreement, gradually to replace MIRV on both sides with single-warhead missiles, as has been suggested independently by two experts who usually disagree, Prof. Herbert York and Paul Nitze. The worst answer would be to match Russia's first-strike ability with the big, mobile MX land missile. The \$35-billion MX program would trigger a new round of warhead expansion on both sides and, more serious, push the world further toward "crisis instability." With a first-strike capability on both sides, the fear in a crisis that the other side was about to shoot first could precipitate disaster. The American aim should be not to match Russia's first-strike threat but to seek to eliminate it.

There is time for that, even if it should become necessary to live for a few years with a Minuteman that is, on paper, vulnerable. The difficulties of a first strike against 1,000 targets half a world away are so enormous that Moscow could hardly be confident of success or of avoiding massive retaliation.

Meanwhile, the SALT II agreement now emerging and the projected negotiations for more drastic cuts in SALT III are indispensable to curb the Soviet-American arms race and to maintain momentum toward a more stable relationship.

# Connally: U. S. Workers Want Industry To Grow

American workers believe in "incentives for industry to grow, to expand, to modernize plants so you can find jobs at high wages," former Texas Governor John Connally declared in a speech in Los Angeles recently at the same time as the national AFL-CIO convention there.

With these words, Connally, who is closely identified with industrialist and business circles, has publicly acknowledged that industrial growth can serve as the basis for a programmatic alliance between big industry and organized labor. As such, he has opened important options for trade union forces opposed to the British-inspired policies of protectionism, slave labor, and hyperinflation which 83-year-old George Meany was ramming through the AFL-CIO convention on the other side of town even as Connally spoke. And at the same time Connally has offered himself as a leader for business forces seeking an alternative to the suicidal option of cartelization, wage austerity, and confrontation with labor being advocated by "right-to-work" forces.

The former Texas governor's move reflects the enormous pressure from both industrialist and labor layers for a viable political strategy to defeat the Carter Administration's no-growth policies. In part, this pressure is significantly the result of the U.S. Labor Party's campaign for a labor-industry progrowth alliance, underway since the 1976 presidential campaign of USLP chairman Lyndon H. LaRouche, Jr. currently focused on the USLP proposal for immediate expansion of the U.S. government's Export-Import Bank.

\* \* \*

*Below, excerpts from an article that appeared in the Dec. 19 Chicago Tribune, by Jon Margolis, headlined, "Connally Exhorts Labor: Bigger Pie Means Bigger Slices."*

George Meany was in town, and so were the heads of most of the big unions. They were the official spokesmen for America's working people, and they were here at the AFL-CIO convention to tell the world what those people needed.

But they had a rival. Across town another man who claimed he is the champion of the working man was insisting that what working people really want is just the opposite of what Meany and his legions called for.

Just what do the working people really want and need? Well, according to their new would-be spokesman, they believe in high business profits and low government spending, which adds up to "incentives for industry to grow, to expand, to modernize plants so you can find jobs at high wages."

Many working men and women might be surprised to learn that their new friend is none other than John Connally, lawyer to oil millionaires, part owner (with two Saudi Arabians) of a Texas bank, defender of the present tax laws ("What loopholes?" he said a few years back), opponent of farm labor union organizing, and

administrator of wage and price controls under former President Richard Nixon, which, according to labor officials controlled wages a lot more than prices.

But that's who it is....

Whatever happens in 1980, it is virtually certain that one of the more common political events of 1978 will be John Connally urging votes for Republican candidates and trying to convince the traditionally Democratic working people that what's good for business is good for labor.

As Connally sees it, the Democrats have become the party of "no growth." The Democrats, he said, "want to look inward, they want to appeal to the so-called consumers. They talk about consumerism, they talk about conservation. They've rewritten the three R's to stand for retrenchment, retreat, and resignation."

According to Connally, the Democratic philosophy holds that the period of growth and expansion is over. "They've baked the pie and now they want to share the wealth," he said. "Well, who's going to increase it.?"

His answer, not surprisingly, is the business system and the Republican Party. "Business profits are the way plants are modernized," Connally said.

What Connally would like to see is fewer consumer and environmental regulations and more leeway for business to earn money, invest it in expansion, and thus create good jobs.

He thinks this is good economics. He thinks that Republican advocacy of it is good party politics. He doesn't say so, but he quite likely thinks he own advocacy (sic) of it is good personal politics.

Whether it will work is another matter. It's the Democrats who have been considered the advocates of faster economic growth, and President Carter wants to increase the growth rate through tax cuts and other monetary and fiscal moves.

Though Connally may be pitching his line toward workers, he is doing it in the presence of employers, financiers, and corporate executives. Among those in his Los Angeles audience as Joseph Coors, who resolutely maintains a non-union brewery in Colorado.

"The Democrats," argued Connally, "are the ones who killed the SST, the B-1 bomber, the fast-breeder reactor, and nuclear fusion."

Furthermore, he said, Carter's energy program is basically a conservation program, and "you don't grow by just conserving."

Most of the examples he cited, Connally conceded, are as much symbolic as anything else, but he insists that the symbols are important, for they determine "the mood that you create."

What John Connally wants to do is to create a new mood, or perhaps recreate an old one -- the old frontier mood of growth and expansion based on the assumption that "the future is boundless." He wants to revive the "vitality that American people can always do something bigger and better and richer."

Connally is the exact opposite of California Governor Edmund Brown, Jr., with his talk of the "limits" of modern life. If Brown's political appeal stems from combining this attitude with his low-key, cool style, Connally's comes from combining his call for "vitality" with an aggressive manner.

Connally has what used to be called a manly charm. But it is not simply the big head, the big body, the deep baritone with just enough Texas twang. The secret of his appeal seems to be that this open, outgoing style is matched by the substance of what he says.

"It's an exciting time in which we live," he told his audience in Alabama. "We act as though there are no more frontiers. But there are, in science and medicine and technology." And at another point he said "You have to get bigger and bigger, just for efficiency."

So it is no accident that Connally appeals mainly to businessmen and to the rising entrepreneurs of the South and Southwest who form the bedrock of the Republican Party there.

They like the aggressive things he says and the aggres-

sive way he says them. He does not turn on conservative audiences the way Ronald Reagan does, but he impresses them, and he appeals to a broader group.

Connally has a lot of political problems. He was close to Nixon and Lyndon Johnson. He has a reputation as a wheeler-dealer. He jumped parties in 1973. He was indicted, though acquitted, on a bribery charge in 1975.

Like so many people, he is a bit more complex than he seems. He has made a lot of money and held high positions and his ambition is obvious.

While he can drum up business and promote himself before a crowd, he can also recite poetry and talk a bit wistfully about how he'd like to spend more time at home.

It isn't impossible, then, that Connally would decide not to try for the big prize in 1980. He might just help Republicans next year, and then go home to his ranch, his law practice, and his family.

It's not very likely, either. That would be placing limits on himself, which is hardly what is expected from John Connally.

## Labor, Industry: Expand Exim Bank To Strengthen U. S. Economy

*The following comments of business and labor representatives show significant support for the perspective put forward in former Texas Governor John Connally's proposals, and for the U.S. Labor Party's proposal to use the U.S. Export-Import Bank to facilitate a high-technology export recovery of the dollar:*

### LABOR

*An official of a large Midwest local of the International Brotherhood of Electrical Workers:*

Many of the Building Trades locals boycotted the AFL-CIO convention because they knew that Meany would come out for protectionism and make-work jobs. We knew it was a power play of Meany, Kirkland and the liberals against the Building Trades Union. Meany has written off thousands of jobs for labor. We agree with the necessity of high technology exports and are very interested in your proposal.

*A ranking official of a New England building trades council:*

The AFL-CIO convention was a rotten mess. Nuclear energy development and your proposal are what's needed.

*An official of a state-wide midwestern organization of the International Brotherhood of Teamsters:*

Meany's trade policy is a disaster for the country. Although most Teamsters are Democrats, we think that Carter is not heavily enough wired to handle the job. We support a high-technology export policy. The problem is

Carter and Meany. Your proposal sounds very interesting.

*A top official of the International Brotherhood of Teamsters from the Midwest:*

We take your proposal very seriously.

*A highly placed spokesman in the International Brotherhood of Teamsters of a southwestern state:*

High technology exports are essential to U.S. recovery. Your proposal is a very important development.

### BUSINESS

*The President of a New England industry group backed by labor and known to be committed to developing nuclear energy:*

An expanded export policy is crucial to U.S. recovery. We would like to work with you on expanding the role of the Exim Bank.

*A businessman from Texas:*

A lot of people here are concerned about our balance of payments deficits and that the collapse of the dollar will drag the whole U.S. economy down. This Exim bank proposal is very interesting.

*A representative of a Texas firm:*

Get me the Exim Bank proposal. I'm sure you would not mind if I turned it over to our local newspaper for editorial comment... (in reference to the Carter Administration's rejection of an offer from Iran to buy several nuclear power plants from the U.S.) My God! That deal would have wiped out our balance of payments deficit!

*A Midwestern director of a business association:*

The London crowd destroyed the economies of Italy, Sweden, France, and West Germany as well as their own. Now they're out to destroy ours. The U.S. will go bankrupt like Britain if we don't fight back.

*A member of a municipal Chamber of Commerce in Georgia:*

If your proposal does what you indicated to me, then if there is anything we can do to get this process going, we will do it.

\* \* \*

## 'Eximbank's Broader Mission'

*The following are excerpts of "Eximbank's Broader Mission," the lead editorial in The Journal of Commerce on Dec. 23.*

Congress won't have to look far to find reasons to view the Export-Import Bank of the U.S. in a more favorable light. American exports are sluggish, and there is the prospect of yet another \$30 billion trade deficit in 1973, despite the collapse of the dollar and the resulting improvement in export prices. There is, moreover, intensified international competition for shrinking markets.

Eximbank goes to Congress for its preliminary budget request in January and must justify its very existence when its present mandate runs out in September. There have been informal suggestions that Eximbank will ask for a \$10 billion increase in its authority from the present \$25 billion ceiling.

In an earlier administration when Eximbank's former chairman, Stephen DuBrul, sought to make the private community as responsible as possible for export financing, exports supported by Eximbank programs fell to \$8.8 billion. In the 1977 fiscal year, direct authorizations for financing slumped to \$750 million from the previous year's \$2.2 billion.

The new chairman, John L. Moore, Jr., intends to take a far more positive stance. He is careful, however, not to associate himself with the activism of a Henry Kearns, whose exuberance tended to irritate Congress. Nor is he responsive to proposals by the U.S. Labor Party that Eximbank take advantage of its original charter to perform a general banking business and spearhead the recovery of the dollar. The U.S. Labor Party proposal would have Eximbank establish an official in Luxembourg, take in Eurocurrency deposits and lend at concessional rates to developing countries. Spokesmen for Eximbank insist that its charter also constrains it from competing with commercial banks.

But, within his more modest view of his mission, Mr. Moore is making his presence felt. He has reduced the rate for Eximbank financing from 8-9 percent to  $7\frac{3}{4}$ - $8\frac{3}{4}$  percent and has shown his willingness to go below that to meet foreign competition. Eximbank has been providing

direct credits of up to 85 percent of contract price, which has been virtually unheard of.

Mr. Moore told the Fidelity Bank that he is considering the idea of insuring private lenders against losses due to changes in interest rates. This option must be examined because longer term fixed rate financing must be made available if the U.S. is to compete for billion dollar projects against the Japanese and Europeans. Such fixed rate funds have been made available at around 8 percent. Mr. Moore would also take a more relaxed approach to determining the creditworthiness of a buyer and would avoid imposing "artificial" country limits.

Notwithstanding the vociferous objections in recent years to Eximbank financing of aircraft, Mr. Moore would do more of the same. He contends that there currently are alternatives to American aircraft.

This country isn't prepared, as some other countries do, to insure against losses due to exchange rate fluctuations and inflation-induced cost increases. The one isn't necessary since American exports are invoiced overwhelmingly in dollars and the other isn't politically feasible.

Eximbank has registered strong disapproval of such practices by France and Italy. It has also sought a general agreement under the renegotiation of a multinational "gentlemen's" arrangement for substantial increase in interest rates, elimination of financing of local costs and longer terms for individual export sectors. More extensive reporting of so-called "mixed credits" has also been requested. The U.S. contends that the French, in particular, have offered credits of up to 25 years with interest rates as low as 3 percent for capital goods by mixing export credits with aid funds. Such credits have been made available to Syria, Egypt, Turkey, and Morocco.

U.S. proposals proved too ambitious, and they have been considerably modified for the discussions to be held under auspices of the OECD in Paris, Jan. 8 through 13. The European Commission, which will be negotiating for all its member countries, has particular difficulty in establishing a consensus in this respect.

The United States is anxious that all official export credit agencies make their practices as public as possible so that American exporters can be given the opportunity to compete on more equal terms.

Eximbank has won the support of the Treasury, which recognizes that an improved competitiveness for American exporters will not only go a certain way to deal with the huge trade deficit but will also serve to head off some protectionist pressures.

Treasury sources said Wednesday that Eximbank direct lending would expand to \$2.8 billion next year, considerably below the goals set by Mr. Moore of \$5 to \$5.5 billion in fiscal 1979. Even the latter amount would be modest when compared to official support for exports provided by other industrial countries. Mr. Moore deserves a sympathetic hearing from Congress and far more understanding from the labor movement, which persists in drawing the wrong conclusions about exports and jobs.

# First Budget Battle Pits Fiscal Conservatives Against 'Anglophiles'

President Carter and the fiscal conservatives in the Office of Management and Budget flatly turned down the hyperinflationary spending requests of Housing and Urban Development Secretary Patricia Harris and Energy Secretary James Schlesinger this week, in the first big battle over the 1979 federal budget.

The OMB said no to Harris's proposal for an \$8 to \$12 billion "urban program" that essentially provided make-work jobs and the structure for greatly increased federal control of urban industry and government. Similarly, the OMB refused to fund Schlesinger's request for an oil reserve stored in salt domes, a key element in Schlesinger's strategy to break OPEC:

These decisions mark a reflex self-defense action against big spending, and are not yet part of a strategy of backing up the battered dollar with an economic policy of high-technology exports and increased industrial production. But these defensive decisions severely hamper the activities of those Administration officials determined to destroy the value of the dollar, and to see a government overhaul of U.S. industry.

## *The Schlesinger Flap*

"There are differences not just at the staff level, but all the way up to the top," a senior OMB official commented about his department's refusal to grant Schlesinger the money for his "Strategic Petroleum Reserve." Schlesinger had planned for \$26 billion to build a reserve of 1 billion barrels of oil by 1983, and the OMB, headed by Carter's old Georgia associate James McIntyre, offered only \$10 billion.

Schlesinger is reportedly fuming over the rejection, and has complained to Carter — so far, without results. Officials in the Energy Department are angrily telling enquirers: "It boils down to what you think the problem is: an unbalanced budget or another oil embargo."

The OMB refusal, in fact, cripples Schlesinger's attempts to force the Organization of Petroleum Exporting Countries into an embargo — one of the foremost things Schlesinger needs to implement plans for a "Winter Energy Emergency" in the U.S. As expected, the OPEC nations decided today on a de facto freeze on oil prices, and, as long as the momentum for peace continues in the Mideast, the threat of an embargo is not now credible. Schlesinger had hoped for the "Strategic Reserve" scheme as a major provocation: only last week, the Oil Minister of Qatar attacked the concept of oil reserves in the industrialized nations, noting that it was aimed at setting up OPEC, not creating reserves.

Significantly, the OMB decision has received support from top State Department officials, who are more attuned to international pressures and the dangers of war. A top member of the department's Office of Fuels and Energy declared, "Right now when we are setting priorities for the budget, considering the state of the economy, one would not want to spend a lot for stockpiling. It is not an immediate priority.

Along these lines, there is widespread anger in the State Department at the entire spectrum of British-led operations directed against the U.S. economy. "A lot of people here are very concerned at the way the Administration is handling the dollar problem," a senior State Department representative acknowledged.

## *Carter Says No to HUD*

The refusal to fund Schlesinger's provocations, followed Carter's point-blank rejection of the enormous spending program demanded by HUD for low-wage jobs programs and an "urban development bank," a means for exerting federal control over industry and local governments.

"Give me something worth funding if you want more money," Carter reportedly told HUD representatives last week, at a meeting in the White House on their urban program. "In the Department (HUD), the prevailing view is that the President and his principal advisors are unwilling to make the political and financial commitment that an urban policy statement written in the department would require," the *New York Times* wrote Dec. 18. Carter is reportedly considering spending \$2 billion on the urban policy.

The cost-cutting mentality of the OMB and the President stirred up a storm of protest from supporters of a British monetary coup against the dollar. "The President is holding things up, he won't expand the budget," an aide to Senator William Proxmire (D-Wis.), chairman of the Senate Banking Committee, said. "He gets support from the OMB. Not just OMB head McIntyre, but he gets a working knowledge of all areas of the budget from other OMB people. It is quite right to say there is a split in the Administration. HUD is very angry that they have not gotten support for their program."

## *The Fabian Onslaught*

Not surprisingly, Proxmire is determined to oust OMB head McIntyre and replace him with someone more in league with British monetarist policy. Proxmire asked the head of the General Services Administration, Staats, for a review of whether it is legal for McIntyre to remain as acting director of OMB without congressional approval.

Asked whom Proxmire would prefer in McIntyre's place, the aide coyly said, "We hear rumors about Treasury Secretary Blumenthal often."

Simultaneously, the Anglophiles are running an inside sabotage operation at the OMB, under the direction of Harrison Wellford, a fan of Ralph Nader who heads up the department's Reorganization and Management division. Under Wellford's direction, staff members are drawing up blueprints to eliminate key sections of the government structure, and Wellford has been meeting with budget division people for the same purpose.

## Questions And Answers On The Fall Of The Dollar

*Q: Will the fall of the dollar help American exports?*

*A: Exactly the opposite: the dollar is falling because of a collapse of American exports — and world trade in general — for reasons that have nothing to do with the value of the dollar relative to other currencies.*

*Q: Isn't the value of the dollar determined by the balance of our exports and imports?*

*A: Only in part. Half the dollars in circulation are held outside the United States, in the so-called Eurodollar market. Dollars are used not only to buy American goods, but other countries' goods — they finance 70 percent of world trade, or \$700 billion of exports a year. American exports are only \$120 billion a year. Dollars are also the world's main currency for international investment: Europeans and Japanese, for example, use dollars to invest in Asia and Latin America. To cite the numbers: there are about \$800 billion of dollars held abroad, using the same definitions of money. That is to say, the dollar is a world reserve currency; its value depends on its use in trade and investment on a world scale.*

*Q: What's behind the fall of the dollar, then?*

*A: World trade and investment are collapsing. In absolute terms, the total volume of industrial countries' shipments dropped by about 10 percent between the second quarter of 1977 and the third quarter of 1977 — the worst rate of drop in the postwar period, according to preliminary estimates. The worst-hit sector of world trade is the developing countries, which should represent the long-term growth potential of American export industry. They have been loaded up with high-interest, short-maturity bank loans — about \$250 billion worth — and servicing this debt takes up every cent they can earn, and more.*

But, banks are still lending to these countries at all-time record rates, to refinance the debts; this kind of lending creates new bank deposits, or dollar liquidity, with no trade to back it up. That means there are "excess dollars," which can't be used in trade, because the nations which want to import can't afford to import. The dollars can't be reinvested in the United States, because the Blumenthal-Schlesinger policy has wrecked investment prospects at home. So the dollar is fundamentally weak.

To top it all off, British banks, from the Bank of England on down, have been dumping dollars, because they want to push us off the international scene.

*Q: Even if there is some trouble in world trade, why won't a cheap dollar give us a better edge?*

*A: The exports of the big six industrial countries rose by \$3 billion in inflation-adjusted dollars, while U.S. exports*

fell \$1 billion, in the year from the third quarter of 1976 and 1977. During this period, the dollar fell by almost 10 percent against the currencies of these countries, such as the West German mark and Japanese yen. U.S. trade depends on the expansion of the world economy — the ability of other countries to buy U.S. goods — not on marginal price advantages.

On top of this, Western European and Japanese banks, as well as government agencies, have been willing to finance more exports than have our banks and federal Export-Import Bank. So, their exports have increased, despite higher prices after currency appreciation.

*Q: The government says that the dollar fall isn't so bad anyway, and that the "trade-weighted depreciation" of the dollar has only been 2.4 percent over the past few months.*

*A: If the dollar goes out of whack, then the value of every payment made from a foreign currency into dollars goes out of whack, too. In the last two months, the dollar has fallen from 2.30 West German marks to 2.10 marks, or almost 10 percent — more than the usual profit margin on a three-month export delivery. So all of international trade is in danger. What the U.S. Treasury means by "trade-weighted" is that the Canadian dollar, the Mexican peso, and other weak currencies of our trading partners are heavily figured into the calculation. But this ignores the most important question — the currency in which world trade will be conducted. And there is no substitute for the dollar.*

*Q: What if we cut oil imports, which the Administration says will help the dollar?*

*A: That is a completely phony argument — a cover line for Schlesinger's rampage against American industry — and it depends on the false premise that the value of the dollar is determined by the simple balance of imports and exports. Look at it this way: foreigners' investment in the U.S. runs about \$30 billion a year, the same as our trade deficit, and that investment depends on the health of the U.S. economy. If Schlesinger succeeds in choking off oil imports, or raising the price of energy through taxes, or any other of his plans, the U.S. economy will look even worse to foreign investors. The dollar will probably suffer.*

*Q: Why not just protect our industries from foreign competition, and say to hell with the rest of them?*

*A: First off, they can do the same to us, and world trade will shut down, as it did in the 1930s — as any sane businessman knows. There is more to it than that. Back during the 1930s depression, the Nazis called this kind of protectionism "national autarky." It means contracting*

total production in an industry, for example steel, and raising prices on what's left. This works both on an international scale and at home. "National" industries, like steel, demand that their government keep up capacity at home by shutting out imports. Then they used the reduced availability of steel, or any other good, to force up prices, as Bethlehem just did by 5.4 percent. They are doing to every industry that buys steel — auto, construction, machinery — exactly what they did to "foreign competition." So none of this has anything to do with foreigners taking American jobs. Industry is hungry, and only the stupidest businessmen and trade union leaders would propose to eat their neighbor's leg. "Protectionism" is the fastest way to destroy the economy.

*Q: Isn't it true, like Meany says, that exports of U.S. technology have enabled low-wage countries to dump their goods here and take away American jobs? Don't tell me that Korean textiles haven't hurt.*

*A: Only because the United States is blocking higher forms of technology exports. The worst example is nuclear. Potential world demand for electrical energy is 50 gigawatts based on 50 full-sized nuclear power stations, a year. That's a trillion dollars of exports a year, six times our present total exports. Westinghouse calculates that, if environmental restrictions and sabotage of nuclear exports had not interfered with their nuclear expansion program, they would have needed 2 million man-years over the next five years — or 400,000 full-time jobs for five years — to carry out their projections.*

So the potential for expansion of American jobs on the basis of high-technology exports, once we clear some obstacles away, is virtually limitless. Once a developing country sets up a nuclear reactor, it will begin importing irrigation facilities, agricultural equipment, heavy vehicles, food, and other American goods. Getting nuclear reactors to the developing sector is the first step

in creating a whole new market for American exports. Adding up current unused capacity and immediate development requirements, we could increase U.S. exports by \$100 billion — almost as much as our current total — within a single year.

Of course, if development stops dead, and the U.S. fails to put technology to work, then some low-skilled jobs will suffer as the result of the last generation's exports of low-level technology to Taiwan or South Korea. But, if the U.S. throws out its commitment to progress, as Meany wants, every job is in danger.

*Q: Where do we get the money to create jobs?*

*A: Right now, there are several hundreds of billions of dollars, mainly abroad, some in the domestic banking system, engaged in useless and unproductive forms of investment. The Federal Export-Import Bank has legal powers to absorb these dollars by taking deposits or issuing bonds internationally. If the Eximbank moves in to sponge up excess funds on the Eurodollar market, for example, it could put together a kitty of several tens of billions of dollars to start exports off the ground. If it puts funds into high-technology development, such as nuclear exports, there will be an immediate, huge effect on employment. To back that up over the longer term, we need a National Bank of the type Alexander Hamilton created at the founding of this country to fund high-technology industry.*

But if we do what Meany wants, and put Federal money into make-work jobs creation, we will get broom-pushing, low-wage jobs we don't want, and vast amounts of inflationary spending, which will reduce all workers' incomes. The spending will be inflationary because it will not create more real productive capacity. In short order, we will have exactly the kind of economic breakdown the Nazis got themselves into, with the same policies, after four years of rule. We can create whatever amount of funds we want — if it goes into production.

## EEC Clamps Reference Price On Steel

European finance ministers meeting in Brussels Dec. 19 voted to impose a minimum price for steel imports into the European Economic Community (EEC) from the beginning of next year, after the British and French threatened unilateral protectionist measures if the EEC did not act. The ministers' vote is a clear warning to the Japanese in particular to ease their trade competitiveness or face protectionist measures from its trading partners.

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### EEC

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The measures voted by the European ministers will fix a basic price for steel imports related to the production costs of the most efficient foreign producers. As in the case of the recently discussed U.S. "reference price" proposal, to which the EEC plan bears close resemblance,

the Japanese producers will set the reference price, and any imports falling below this level will be subject to charges of "dumping" — i.e., selling below the cost production, which is prohibited by international treaties.

To appear "flexible" to its trading partners, the ministers agreed to pursue talks on "voluntary" price floors with Europe's major steel suppliers in the next few months before a statutory reference price is imposed. However, if no satisfactory agreement has been reached by the end of next March, the mandatory minimum import price will be imposed.

The decision to set a reference price for steel imports coincided with a warning from the EEC Commission to the Japanese that the trade reforms announced so far by the Japanese government, although welcome, do not get far enough towards turning around Japan's major trade surplus with the Community. After allowing talks between Japanese Minister for External Economic

Relations, Nobuhiko Ushiba, and EEC Commission President Roy Jenkins in Brussels last week, the director general of the Commission's external affairs department, Sir Roy Denman, warned that the West's commitment to trade liberalization could be disastrously undermined if the "festering sore" of the Japanese surplus was not treated. Without further concessions from the Japanese, he said that "the western world as a whole, the Tokyo Round, and the future of an open trading system would be at a risk."

Pressure for the reference prices came from the British and French in particular. After the meeting, Edmund Dell, Britain's Secretary of State for Trade, said the reference price system "sounds like a very good

scheme. Why don't we give it a try for a couple of months?" But the French representative, Jean-François Deniau, warned that his government had wanted agreement right away on a permanent trigger price mechanism without the intermediate bargaining period.

But the ministers' vote apparently hasn't satisfied the British. The Department of Trade is continuing talks with the Soviet Union and East European countries to significantly curb East bloc steel imports to Britain in light of British Steel Corporation's major losses. In the last 10 months, iron and steel shipments to Britain from the Soviet Union have risen from £7.2 million to £12.3 million. BSC's second target is Poland, whose steel exports have also risen drastically in the last year.

## IMF Moves To Revive Kissinger's IRB Cartel Scheme

The International Monetary Fund has just issued a \$480 million line of credit to the International Sugar Agreement, a recently organized cartel comprising many of the world's leading sugar-producing and consuming countries. Timed with a major organizing drive by the City of London to destroy the U.S. dollar and replace it with the IMF's own "funny money"—the SDR (Special Drawing Right)—the Sugar Agreement loan constitutes a step toward instituting International Monetary Fund control over the world economy.

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### COMMODITIES

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The unprecedented loan was issued, contrary to usual IMF practice, not to a sovereign nation but to a commodity cartel for the purpose of financing a buffer stock. It is an attempt to reimpose on the world Britain's late 18th and 19th century system of world control through regulation of raw materials.

Asked to comment on whether the sugar loan represented a significant "foot in the door" for reintroduction of former Secretary of State Henry Kissinger's International Resource Bank plan, a looting scheme in which IMF SDRs would be collateralized with world commodity stockpiles, an IMF official said brusquely, "No comment."

No matter how you look at it, however, the scheme culminated with the Third World producer countries being funded to pay off their otherwise unpayable Eurodollar debts to the City of London and Manhattan banks.

Many of the world's commodities are still controlled by the City of London and its interlocked investment allies in New York. Britain has long specialized in subverting the interests of the sovereign nations of the world through precisely such supranational organizations and associated economic warfare potentials as the IMF and commodity cartels represent.

An additional feature of the International Resources

Bank (IRB) revival scheme is that private commercial banks can use the sugar stockpiled by the agreement as collateral for foreign exchange loans. This is but one step removed from having the IMF directly collateralize the IMF's SDR.

#### *The Debt Issue*

The IMF governing board committed itself to the \$480 million loan on Dec. 16, the closing day of a week-long preparatory meeting of the United Nations Council for Trade and Development (UNCTAD) in Geneva, which was called "to discuss the debt problems of the developing countries," as the IMF calendar puts it. In UNCTAD circles, the Kissinger plan is known as the "Common Fund."

In a related move the Dec. 19 *London Times* carried a feature article calling for the IMF to take on vastly expanded powers, to be superintended by a top-ranking monetarist as the IMF's new head. The article proposed that a similar shift take place at the U.S. Federal Reserve System, where the chairman's post is also up for grabs at the beginning of next year.

Henry Kissinger's IRB scheme first achieved wide circulation in connection with a drive in 1976 to halt Third World support for comprehensive debt moratorium. The lure of Kissinger's scheme was to hold out the promise of higher raw materials prices for the Third World. But since debt was to be dealt with by the "case by case" method of bullying, terror and destabilization, the new revenue extortions would go exclusively for debt repayments, not development—with the consumers of world paying the bill.

In its contemporary reincarnation, Kissinger's IRB scheme calls for the execution of the U.S. dollar Mafia-style, encasing it in concrete and sinking it somewhere in the Atlanticist Ocean (for example, off the Cayman Islands). With that burial nearly accomplished, the world's trading nations and multinational corporations would have no choice but to go for the IMF's SDR bumwad, for lack of a more suitable international trading currency. The SDR, in turn, would be "backed" by City of London-controlled commodity stockpiles, toward which the IMF-

funded Sugar Agreement buffer stock is already a significant step. This would put the City of London in the position of being able to put the world economy under fingertip control — especially if such schemes are expanded to grains and metals.

## The IMF — Sugar Daddy

*Below, an IMF official describes the Fund's loan to the sugar cartel and its implications.*

*Q: The Dec. 20 Journal of Commerce reports that the International Monetary Fund is issuing a line of credit to the International Sugar Agreement — of \$480 million. Is this being done for any other commodities?*

*A: The IMF will be examining the question of funding buffer stocks on a case-by-case basis for each commodity. Discussions are under way for doing this with rubber. that could take a year or so: the tea discussions could take one to two years. There are also talks going on for copper. But I wouldn't want you to have the impression there's a steamroller that'll get this stuff through all at once.*

Let me stress also that the kind of cartels we are insisting on are those which include *both* producing and consuming nations. We wouldn't want to deal with cartels just involving the consuming nations, for reasons I'm sure you can well understand. The Sugar Agreement with its large number of member producing and consuming nations was ideal in this respect. It took a long time to put the Agreement together. Once that was done, the IMF board went to work quietly behind closed doors and came up with this loan last Friday.

*Q: Isn't that unprecedented?*

*A: You could say so. There was something like this for coffee and cocoa before, but it didn't amount to that much. You could say that there's never been anything like this since the IMF was founded at Bretton Woods.*

*Q: Do you think this will help revive the fortunes of the Common Fund?*

*A: No comment.*

*Q: Is there anyone else at the IMF I could query on that subject?*

*A: I'm sure no one here would want to comment on that question. You'd better talk to UNCTAD (United Nations Council for Trade and Development) in New York.*

*Q: How would this collateralization work? The press says that private commercial banks could collateralize the stockpiled sugar, although the IMF couldn't*

*A: That's correct. A private commercial bank could issue a loan to a country based on its sugar stockpiled with the International Sugar Agreement. But some banks might not want to, because they would have no direct title to the sugar: the Sugar Agreement would. I should note that the IMF has set things up legally so that the country in question can't get a greater amount of foreign currency from the IMF and the commercial banks together than the value of the stockpiled commodity.*

# Japan Business Leader Calls For Free Trade, International Development

*The article printed here from the Dec. 14 Mainichi Daily News is a report on a speech by Toshio Doko, president of Japan's leading business organization, Keidanren. Doko made the speech at a symposium on U.S.-Japan economic relations, where U.S. Ambassador Mike Mansfield also spoke. Mansfield had warned that unless*

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## JAPAN

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*Japan surrendered to the demands of U.S. Trade Negotiator Robert Strauss, Congress would pass a flood of protectionist legislation. This was Doko's answer:*

Toshiwo Doko, president of the Federation of Economic Organizations (Keidanren), emphasized Tuesday that the international economy should be as open as possible.

Otherwise, a single faux-pas might cause Japan and the United States to lapse into the "nightmare of the 1930s, when we suffered seriously from the vicious circle of protectionism and depression," he said...

Doko said, "Controls on trade do not stop on the shoreline; they invite further controls within nations." Already, he continued, "the world economy has entered an age where we must be constantly aware of the limitation of resources that could only be solved by technological breakthrough and by free international trade which ensures the most efficient allocation of resour-

ces." This is why free trade has become even more important, he said.

"The deficit nations should make efforts to increase their exports of goods and services to the oil-producing nations so as to reduce the current account deficits of the entire oil-consuming world in relation to the producing world," he appealed.

He also urged such strong economies as Japan and West Germany to "render assistance to the weaker economies for a period of time, as well as boosting their domestic demand."

As to the sluggish imports into Japan, he said, the domestic stagnancy is mainly responsible but added that it is also partly "due to lack of efforts on the part of exporters."

"There is room for more efforts by the U.S. government and U.S. enterprises to support the learning of Japanese which, after all, is the language in which we conduct business in Japan, as well as surveys of the local distribution systems, market survey tours to Japan by small and medium enterprises, or improvements in the use of the sole-agent system and so on," he stressed.

Doko called for revamping the domestic industrial structure in Japan and said he would not be surprised when Japanese products, such as color television sets and steel, would be ousted some day by low-priced goods from South Korea and Taiwan on the U.S. market.

If Japan and the United States "lapse into protectionism, the upward path for the developing world will be closed," he said. Therefore, he continued, Japan should reorganize its own industrial structure and make way for such countries.

New Evidence From  
Private Nuclear Industry Study

## 'Nonproliferation' Costing U.S. Billions In Jobs And Profits

*Exclusive to the Executive Intelligence Review*

The Administration's ongoing war against nuclear power exports will cost this country's economy more than 2 million man-years of high-skilled jobs, over \$4 billion in steel orders, and more than \$20 million in export dollar earnings over the next few years. This is the conclusion of a private marketing study, based on extremely conservative estimates, made recently by a leading U.S. nuclear industry supplier.

In recent weeks nuclear industry publications have been filled with story after story about the grim prospects for the years ahead. While most of the world's nations are looking to nuclear sources to solve the globe's medium- to long-term energy needs, top nuclear firms in this country are on the verge of bankruptcy, the result of an increasingly harsh government policy of "environmental" obstructionism and "nonproliferation."

An internal marketing study made available to this news service gives new evidence, in dollars and cents specificity, the plight of the U.S. nuclear industry is undermining the entire economy, by depriving it of both domestic energy supplies and the jobs and profits from nuclear exports. Yet at the same time the official organizations of the American labor movement are begging for leaf-raking public works jobs, while the steel and other industries plead for protectionism and price hikes. What is astonishing is that U.S. labor and industry are not together waging their most aggressive congressional and public-forum lobbying effort ever on behalf of an immediate turnaround of government nuclear policy, to support for rapid resumption of the U.S. nuclear industry's role as world leader in terms of both size and technological advancement.

*What's at Stake for the U.S. Economy*

Using only the most "practical" current estimates, the marketing study reports that between 1978 and 1982, there will be an export market for construction of 88 nuclear power reactors, totaling approximately 83 megawatts of electric power production capacity. This of course excludes the United States' domestic power needs. The study shows that, even assuming growth in the nuclear export capacity of West Germany, France, Italy, Canada, and several other countries, the U.S. share of the total market is at least 64 out of the total of 88

nuclear power plant installations.

What does this mean in terms of jobs and orders?

Nuclear power plants incorporate the highest-technology inputs of steel, machine-tooling, and construction of any export sector outside aerospace-defense. Exports of 64 reactors over the next five years would mean orders for more than 6.4 million tons of stainless, low-grade, and equipment steel, the industry study reveals. The dollar value of this steel, leaving out the inflation factor, comes to approximately \$4.2 billion.

Total export dollar earnings for these 64 reactors, based on an average U.S. share of \$353 million per plant, would be a substantial \$22.6 billion over that five years.

And jobs? Again taking a rather conservative estimate of 2.5 indirect jobs resulting from every new job created in the nuclear industry directly, these 64 export reactors would over the same five-year span give construction, steel, transport, electrical, and other workers an estimated 2,180,000 man-hours of the most advanced, high-wage, skilled jobs in the labor market.

*What the Nuclear Industry is Up Against*

When Congress reconvenes in January, one of the first items of carried-over business to be taken up will be the Senate vote on the so-called Percy-Glenn Nuclear Anti-Proliferation Act of 1977, S. 897. That bill has already been passed unanimously by the House and even its firmest opponents regard Senate passage as certain, especially in view of the feeble opposition to the bill mounted to date by national labor unions and industry.

A statement issued by Westinghouse, the world's leading nuclear reactor manufacturer, says, "If the Bill is passed in its current form it is likely that no nuclear export orders will be obtainable by U.S. nuclear manufacturers, with the exception of the few instances when there may be other overriding political — defense factors involved." Further, says Westinghouse, "Even these few export orders could be lost because of the tangled and uncertain export processes and procedures required by the pending legislation. There is little in the legislation which restores the reliability of the United States as a supplier."

In his widely publicized visit to Washington last month,

**NUCLEAR EXPORT MARKET, 1978-82**  
(By Year of Order)

	1978	1979	1980	1981	1982	TOTAL
<b>Total Export Market*</b>						
Units.....	22	11	26	13	16	<b>88</b>
MWe.....	18,580	11,280	24,330	12,800	16,050	
<b>U.S. Share of Market**</b>						
Units.....	16	8	19	9	12	<b>64</b>
MWe.....	13,700	8,200	18,150	9,300	12,150	
<b>U.S. Jobs***</b>						
(in man-years)						
Direct.....	221,635	52,118	178,860	78,741	91,620	
Indirect.....	554,087	130,295	447,150	196,852	229,050	
<b>Total.....</b>	<b>775,722</b>	<b>182,413</b>	<b>626,010</b>	<b>275,593</b>	<b>320,670</b>	<b>2,180,408</b>
						<b>man-years</b>
						<b>of jobs</b>

\* This is the current estimated total world market based on the latest industry assessment of international demand for nuclear power construction.

\*\* The U.S. share is based on an estimated 75 percent of total units, allowing for marketing presence of a number of other supplier countries.

\*\*\* Indirect jobs are calculated on the conservative basis of 2.5 jobs created for each direct job in nuclear power plant construction. The generally accepted range is one to three indirect jobs.

the Shah of Iran held up the international uncertainty caused by such legislation as the principal reason why Iran will not agree to purchase 8 nuclear reactors from the U.S. for its major industrialization plans. The same month, Iran successfully negotiated purchase of several billions of dollars worth of reactors from West Germany and France.

Five years ago, the U.S. nuclear reactor industry held 90 percent of the international export market, and this export margin was crucial in allowing maintenance of economies of scale in combination with domestic reactor construction. Today, the U.S. is scrambling to hold 40 percent of this international market, in the estimate of a top official of the Bechtel Corporation.

Between 1973-1976, when world nuclear demand in the face of the OPEC oil price rise expanded considerably, the U.S. nuclear industry lost reactor export contracts in 14 separate projects, even though worldwide there is a vast *undercapacity* to produce sufficient nuclear capacity to meet world energy needs. The primary reason for the loss of all but one of the 14 contracts was the lack of U.S. government support, uncertainty of U.S. export policies, and financing problems directly related to enforced policy changes in the U.S. government's Export-Import Bank for nuclear export credit guarantees. These lost sales included reactor agreements with Iran, Finland, Korea, Spain, Brazil, South Africa and Belgium. All of these contracts, according to industry estimates, could easily have been secured under pre-

vious U.S. government export policies prevailing as recently as five years ago. The lost contracts deprived the U.S. of, conservatively estimated, well over \$5 billion and loss of well over 100,000 man-years of high-skill jobs for American labor.

As one industry source commented, this "sharp decline in U.S. participation in the international nuclear market has dealt the industry a double blow." At the same time that Administration policies have all but destroyed the export possibilities of the world's most advanced nuclear supplier, parallel domestic policies, combined with the pernicious impact of recent federal "environmental" legislation, have all but killed expansion of the vitally needed domestic nuclear industry.

*Domestic Nuclear Sector The Next Target*

The United States currently receives 9 percent of its total electric generating capacity from 67 licensed and operating reactors. Additionally, 78 more reactors have been given construction permits, 16 have what are called limited work authorizations, and some 56 more reactors are on order, according to the Atomic Industrial Forum.

This is a picture of dangerous stagnation in the rate of growth of this vital sector of U.S. industry and hence, in employment for skilled engineers, technicians, and skilled workers. Despite the fact that Energy Secretary James Schlesinger has made considerable public relations efforts to convince the domestic nuclear and related industry and utilities that at heart, he strongly

favors expanded use of conventional light water fission reactors, his actions in the last year make the unescapable conclusion that he must be immediately removed from office before his "pronuclear" policies kill the entire industry.

An indication of how drastically the domestic nuclear industry growth projections have been forced downward is the fact that in the early 1970s, construction of 1,000 nuclear power plants was anticipated by the end of the century. The figure was scaled down during the Ford Administration to 500. Now it has been further slashed by Schlesinger to what is now regarded as an "optimistic" figure of 350 reactors. Under these conditions of collapsing future growth, entire subsupplier industries, who have embarked on year long capital expansion programs to meet expected demand, are now faced with collapse or bankruptcy.

The most crucial single sub-component of a nuclear reactor is the nuclear steam supply system (NSSS). At this month's meeting of the Atomic Industrial Forum, the president of Bechtel Corporation, citing the lack of new nuclear plant orders, painted a bleak picture. The time is near, he warned, "when the technical and manufacturing capability of our domestic NSSS suppliers will have to be reduced and possibly abandoned." Orders placed in the 1973-74 period created a backlog that until now has somewhat hidden the seriousness of the imminent collapse not only of the direct nuclear industry, but of all the related steel, machine-tool, and other sub-industries. Now those orders have been substantially filled. In off-the-record discussions, several leading nuclear suppliers say that, short of a dramatic policy shift in the next six months, entire nuclear-related industries in the U.S. will be forced to begin layoffs of key — and irreplaceable engineers, development teams, and machinists.

In all of 1977, basically one new domestic U.S. nuclear order was placed. Further, three of the leading nuclear suppliers estimate that total new U.S. reactor orders over the next three years for the domestic market may be as little as six, and in any case as "outer limit" of no more than 20. The U.S. reactor industry is able currently to supply 30 reactors per year, which would mean optimally 66 percent capacity utilization, assuming, as is reasonable under current conditions, that this gap would not be filled with any new export orders. At present levels of orders, the industry drops below economic breakeven.

The single most destructive factor in the collapse of domestic development of nuclear power is the *deliberately* insane maze of federal government licensing procedures. One top utility executive noted recently that the uncertainty and confusion created by the Carter Administration's policies is the main reason electric utilities are dropping plans to develop nuclear power generating capacity. "One of the greatest contributors to this occurring as much at state level as at the federal level."

In his national policy statement on nuclear energy last April, President Carter made much of the fact that top priority would be given to legislative reforms that would "streamline" the entire federal nuclear plant licensing procedure. Presently, a utility must spend fully 12 years to complete the full range of licensing requirements

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**Amount of Steel Included in One Nuclear Reactor  
Export to a Developing Country**

(Based on a 1,100 Megawatt unit)

Low-grade Steel .....	43,000	Tons	
Stainless Steel .....	4,000	Tons	
Equipment Steel .....	53,000	Tons	
		Approximately 100,000 Tons	
		per Reactor	
Low-Grade at \$250 per ton	=	\$10.7	Million
Stainless at \$500 per ton	=	\$2.0	Million
Equipment at \$1,000 per ton	=	\$53.0	Million
		Approximately \$66.0 Million	
		per Reactor	

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before the first watt of power can be generated from a nuclear plant. Industry officials estimate that if the Naderite National Environmental Protection Act (NEPA) were declared "null and void," and the well-established and fully proven design and quality assurance procedures used by the industry were assumed valid, this total time could be reduced to 7 and a half to 8 and a half years.

By comparison, according to a recent study done by the Nuclear Regulatory Commission (NRC) its NUREG-0292 licensing procedure "reforms" would *lengthen* the current 12-year time to 13-and-a-half to 14-and-a-half years! This, plus present rates of overall inflation and economic uncertainty, combined with the immediate prospect of escalating antinuclear media and other hysteria, it is little wonder that utilities are less than eager to commit themselves to increased nuclear power construction — even though nuclear power remains the cheapest, safest, and most reliable pollution-free energy source and an essential technological transition to fast breeder and fusion technologies that offer the only long-range global solution to energy needs.

The most blatant recent example of the capriciousness that is creating the regulatory mess was the unprecedented request last week by the staff of the Nuclear Regulatory Commission that the Atomic Safety and Licensing Board reopen hearings on the years-long proceeding to grant Virginia Electric and Power Company's two North Anna nuclear plants operational approval. This remarkable decision came only three days after the board had granted a full go-ahead to the embattled utility. Moreover, Deputy Energy Secretary John O'Leary recently told the nation's top utility and nuclear industry executives: in response to demanding questions on what the government plans to do to clear up the impossible federal regulatory bottleneck, the government intends to do "absolutely nothing" to shorten the licensing time, despite repeated public promises to the contrary.

*A Forecast?*

It was against this backdrop that antiprogress crusader Ralph Nader announced not long ago that his Critical Mass Energy Project is hiring new staff to

launch the next phase of its campaign against nuclear power. Confident that they have succeeded in checking the expansion of nuclear power, the Naderites now plan to "contain existing nuclear commitments" — including the rapid phase-out of the 67 existing nuclear plants, with resulting financial losses to be borne directly by the utility stockholders. This would bankrupt the country's major utilities if successful. Nader has worked with Congressman Bingham, the House sponsor of the Percy Anti-Proliferation Act of 1977, for the bill's domestic

counterpart, the Nuclear Reappraisal Act, which would impose a five-year moratorium on all nuclear power generation pending further governmental assessment of safety, efficiency, and national security. According to one nuclear industry publication, cocky Nader is boasting that "it is very problematic whether there will be a thriving nuclear industry by 1985. There may be fragments and survivors of what once was called the nuclear industry..."

## Sakharov:

# Political Freedom Depends On Nuclear Development

*What follows are excerpts from a statement by Soviet dissident and Nobel Prize winning nuclear physicist Andrei Sakharov, published in the Dec. 19 issue of the West German weekly magazine Der Spiegel. Sakharov's article, titled "Political Freedom Only Possible Through Nuclear Energy," should be closely scrutinized by the AFL-CIO and other organizations which have lionized Sakharov as an anti-Soviet spokesman, but which advocate zero growth and dismantling the nuclear energy industry.*

For quite a long time I have been amazed at the stormy demonstrations of thousands of people, at speeches from well-known and unknown politicians, and at every conceivable kind of campaign launched in the Western countries, all aimed at halting the development of nuclear energy and the construction of nuclear power plants and "fast breeders." I also felt somewhat provoked, but I held back from taking any position in public, especially since there was naturally nothing comparable going on in the USSR. Nevertheless, I have gradually come to the conclusion that this question deserves to be addressed directly and that I have some things to say about it.

The reason for this antinuclear attitude probably lies in people's lack of adequate information about complicated technical questions. It's not easy to explain to the layman that a nuclear reactor is not a nuclear bomb, or that a coal- and oil-burning power plant is much more dangerous to public health and the environment than a nuclear power plant with the same capacity, or a "fast breeder."

Only recently have many responsible politicians in the West, along with many leaders of industry and nuclear researchers, somewhat belatedly recognized the necessity to make the basic technical data in this field comprehensible to the broad public.

They have now recognized the importance for extensive scientific-technical information; and in fact this is quite important. A wonderful, well-argued article entitled "The Necessity of Nuclear Energy" has been written by Nobel Prize winner Hans Bethe. He is the

author of many significant theoretical works on nuclear reactions inside stars, quantum electrodynamics, and nuclear physics. The European reader may also be familiar with the name of a physicist now working in Sweden, Frantisek Janouch, who has dealt repeatedly with this question. I fully agree with the arguments of these and of many other competent authors.

The development of nuclear energy has called for greater attention to be paid to questions of safety technology and environmental protection than was called for by the development of such industrial branches as metallurgy and coking, mining, industrial chemicals, coal-fired power plants, modern transportation and agricultural chemicals.

The fundamental difference between nuclear energy and energy from conventional fuels is, first, the extremely high concentration of the nuclear fuel, and second, the small scope of the dangerous waste materials and of the overall process. This simplifies and cheapens the solution of safety and environmental problems in comparison to coal- or oil-generated energy.

At the same time, it is obviously a vital necessity to speed up the expansion of nuclear energy, since it is the only economical substitute for oil in the coming decades. According to most estimates oil will already start getting scarce by the end of this century.

Furthermore, it is not enough to build only "normal" nuclear power plants using the rare isotope of uranium isotope U-235 which is contained in enriched uranium. It is also important to solve the problem of producing fissile material from uranium's basic isotope (U-238) and in the future also from thorium. This gives us, on the one hand, the possibility of economically utilizing ores with a low uranium content, while in the future it will open up the use of thorium reserves which are even more plentiful.

It is well known that the reactors which are based on fast neutrons (the so-called "fast breeders") represent one possible solution to this problem. Good progress has also been made there in regards to safety technology. In the coming years it may become necessary to build industrial reactors on this basis, naturally with the greatest care devoted to safety questions.

As another alternative solution to the problem of increasing the quantity of fissile material I myself proposed a while ago the construction of a large subterranean chamber — I am by no means the originator of this idea — a chamber with a hermetically sealed, heat-proof enclosure, inside of which specially designed miniature nuclear bombs can be exploded periodically. Such explosions could increase fissile material with a high efficiency, since the material's absorption of neutrons from the explosion would change it into uranium or thorium. To be sure, there still remain many serious difficulties in the realization of this idea.

Another technical question widely discussed in the literature is the possibility of theft of the fissionable material from the nuclear power plant or from a chemical metallurgy plant, and its subsequent use in the production of primitive nuclear bombs. As far as the possibility of theft is concerned, I believe that with the aid of appropriate organizational and technical measures its probability can be brought down to a minimum. The plutonium contained in a fuel rod, however, is by no means enough to produce a nuclear device. And in addition to this, no one need envy the thief who decides to steal an irradiated rod out of the nuclear reactor; he will be the first to die from the radiation.

As for the production of a "home-made" nuclear bomb (by small countries), in this matter I — and probably Bethe, too — am bound by an oath of secrecy. But just like him I can assure the reader that it is an extraordinarily difficult thing to do, no less difficult than, for example, the construction of a home-made space rocket. It is very likely that the production of a functioning bomb is rendered even more difficult by the "denaturing" of the plutonium.

The nuclear energy problem has not only technical and economic aspects, but political ones as well. The world's statesman always act on the assumption — and not without reason — that the quality of a country's economic development and its economic sovereignty is one of the major factors determining its political sovereignty as well as its military and diplomatic power and its international influence.

Such an opinion becomes all the more crucial in a world where two different systems face each other. The level of economic strength, however, is in turn determined by the use of oil, gas and coal in the present, and of uranium, thorium, and possibly even deuterium and lithium in the future.

This is why I maintain that the development of nuclear

energy is one of the necessary preconditions for the preservation of economic and political independence in each country, whether it be for a country which has reached a high level of development or for a developing country.

The importance of nuclear energy is especially important for Japan and the Western European countries. If in the future these countries continue to be more or less dependent on deliveries of fuel material from the USSR and the countries in its orbit, then the West will be living under the constant threat that these deliveries may be halted. The consequence of this will be a degrading political dependence. In politics, one concession always motivates the next concession. It is difficult to predict where this will lead to in the end.

In my book *My Country and the World* I have already taken the opportunity to transmit the prediction of one of the most important Soviet officials, which I heard in 1955 when I was still considered "loyal." There was talk of a reorientation of Soviet policy in the Mideast. Nasser was to be supported with the aim of bringing about an oil famine in West Europe. To do this we wanted to have an effective lever at our disposal. The present situation is much more complicated and laden with nuances. But in spite of this there are doubtless some parallels. Inside the USSR there is political interest in utilizing the West's energy difficulties.

Are the current campaigns against the development of nuclear energy being directed from the USSR or other East European countries? I do not know of any credible information concerning this. If it is so, it would certainly take very little to significantly strengthen this campaign, given the broad distribution of antinuclear prejudices and the lack of comprehension of the necessity of nuclear energy.

People must have the opportunity, but also the knowledge and the right to soberly and responsibly weigh the interrelated economic, political, and ecological problems against each other. Problems related to the development of nuclear energy and the alternatives for economic development must be solved without spurious emotions and prejudices. It is not merely a question of comfort, or of maintaining the so-called "quality of life." There is a far more important question — that of economic and political independence, of the preservation of freedom for our children and grandchildren. I am convinced that in the end the correct solution will be found.

# What Happened To The UMW?

The United Mineworkers union that John L. Lewis built into a formidable power in the American labor movement no longer exists. It has been destroyed by a 15-year Wall Street City of London conspiracy that is the model for the synthetic rank-and-file insurgencies now deployed against the International Brotherhood of Teamsters and the United Steelworkers union. That conspiracy transformed the UMW along the lines of the "British model" so hated by Lewis.

## SPECIAL REPORT

The ongoing UMW strike shows how very successful these conspirators have been in perverting everything that the UMW once stood for. Where Lewis fought to create a powerful, centralized command structure for the union, the current leadership of President Arnold Miller has made "local autonomy" — the so-called local right to strike — the preeminent demand in contract negotiations. Where Lewis termed technological progress — not just in the mines, but in every area of American industry — the key to protecting and improving the living standards of American workers, the current UMW leadership routinely babbles about how new technologies such as long wall mining, threaten jobs: they are on record as being opposed to nuclear technology because "it threatens the jobs of coal miners."

John L. Lewis spoke as a leader of all American working people, and when he spoke, people listened; the present UMW leadership cannot even speak for its own factionalized Executive Council, let alone its membership.

"The Miller leadership and others of us who should have known better have given in time and again to disruptors, to agitators who are trying to destroy the union," said a mineworkers' leader in a recent interview. The union, he said, has "maybe six months to live" unless this situation is reversed, the disruptors purged, and the union leadership "returned to the pro-progress, progrowth orientation of John L. Lewis."

## The Why

The takeover of the United Mineworkers union was instigated in the early 1960s at the behest of Wall Street investment and banking circles and their advisors who constitute such policy-determining bodies as the Council on Foreign Relations and the Trilateral Commission. Two developments created a "high probability" for success: the control of the federal government by British-linked operatives under the Kennedy Administration, which opened up deployment capabilities, and the retirement of UMW President John L. Lewis, whose strength as a national leader had made destabilization of the union difficult.

The policy objectives of the takeover must be understood from two different perspectives.

## Coal Strike: Rapid Settlement Or Violence, Chaos?

Important progress pointing toward a quick settlement of the nine-day-old national mine strike has been made in negotiations between the United Mine Workers (UMW) and the Bituminous Coal Operators Association (BCOA), according to knowledgeable union sources.

The elements of the proposed settlement include the following measures to stabilize the coal industry: (1) the elimination of the "local right to strike" demand by the UMW; (2) the dropping of the demand for an explicit "no strike" clause by the BCOA; (3) an agreement by both parties to root the Institute for Policy Studies (IPS) controlled wildcat strike networks out of the coalfields; (4) refinancing of the union's health and retirement funds.

Key to the proposed agreement is the elimination of the "wildcat" networks which have disrupted the industry for the past four years. Professional disrupters who spread strikes over local issues to surrounding mines

would suffer summary dismissal from the industry under the new agreement.

The proposed settlement package, which represents a dramatic shift in UMW policy, is the result of a broad grassroots organizing campaign on the part of the old-line faction of the UMW leadership which supported Lee Roy Patterson's bid for union presidency last summer. Petitions advocating dropping the local right to strike issue in favor of basic economic demands have been circulating through the coalfields over the past week.

Contaminated elements of the UMW local and district leaderships linked to the wildcat networks are already denouncing UMW President Arnold Miller as a sellout, and preparing to destroy the potential settlement through violence and, if a contract is approved, through wildcat strikes. In fact, these networks have deployed caravans of misled strikes under IPS leadership ostensibly to shut nonunion coal operations to provoke violence in Kentucky, West Virginia, and elsewhere.

Fundamentally, the takeover was a grab by British-linked monetarist factions for effective control over the production of coal, a strategic raw material and energy source vital to the U.S. economy. The intent of this faction, which directed the key elements involved in the takeover conspiracy including the Institute for Policy Studies, Ralph Nader and his organizations, and Washington "lawyer" Joseph Rauh, Jr., was and is to *disrupt* and limit coal production, and use it to sabotage the U.S. economy. Such a policy is integral to the plans of the City of London and its allies, now in high gear, to force the deindustrialization of the United States.

The IPS-induced entropic condition of the union and the resulting disruptions of the coal industry have already become a major factor in limiting coal production.

In 1973, Henry Kissinger's international oil price increase gave coal a new expanded role in domestic U.S. energy production: under normal circumstances, this should have meant an increase in overall coal production. But since 1973 — the year that IPS took over the UMW — domestic coal production in the United States has effectively stagnated, while productivity has declined drastically. So far this year, more than 25 millions tons of coal production have been lost due to IPS-directed "wildcat" strikes.

"Between the UMW and the environmentalists, we are being destroyed," said one top coal industry spokesman recently. "We wanted to modernize to use new coal-mining technologies, but all we hear from the UMW leadership is that they will lose jobs. We can't produce coal without a stable, unionized workforce and we don't have one any more...."

The destruction of U.S. coal production through the destabilization of the UMW parallels the attack on nuclear power by the environmentalist-terrorist movement.

If both succeed, the U.S. economy will be left without the absolutely critical supplies of energy, forcing decisions to cut energy consumption through deindustrialization — regardless of whether the Carter-Schlesinger energy legislation passes Congress.

The British-linked monetarist interests were joined in their UMW wrecking operation by those financial interests, including the Rockefeller family, who were involved in the ownership and production of coal. They viewed a weakening of the UMW as paving the way for labor-intensive coal production boondoggles such as coal gasification and liquifaction projects; a tightly controlled UMW would enhance their ability to squeeze profits from the mine labor force. To this day, the members of the Bituminous Coal Operators Association are stupidly looking to derive some advantage from the weakened state of the UMW. They fail to see that the IPS networks are intent on wrecking *the entire coal industry*. This kind of stupidity has helped produce the current strike situation.

The role of Dr. Eric Trist, a British-born mindbutcher formerly with the London-based Tavistock Institute and currently operating out of the Wharton School of Business, deserves special mention here. Dr. Trist, who has a reputation as an expert on the "coal workforce," played an important role in supervising psychological profiling operations against both the coal operators and the UMW. Such profiles were crucial to the success of the

takeover. He was also crucial in shaping the ideology of rank-and-file insurgency. In the 1940s, Trist was responsible for inculcating a tradition against technology among British mine workers and operators.

Trist is now trying to sell his schemes for the reorganization of the coal industry "along British lines" to U.S. coal operators. The reorganization centers around the idea that "small, competitive work groups" can be induced to speed themselves up to a point that can compensate for a lack of capital investment. Under Trist's supervision during the 1950s, the mine workforce in Britain was reduced by one-third, while production figures initially climbed, they have since — and lawfully — plummeted as the effects of Trist's speed-up technology became pronounced on British miners. Trist is now trying to drive the final nails in the coffin of the U.S. coal industry — trying to induce the stupid operators to forego a necessary capital investment program to modernize U.S. mining in favor of his speed-up technology. The IPS-controlled UMW leadership's support — including payment of union dues money — for Trist's experiments at a Rushton, Pa. mine is one of his strongest "selling points."

## The Command Structure

The command structure for the UMW takeover was and is virtually identical to that leading the attack on the Teamsters and Steelworkers unions.

Wall Street and City of London policy circles operating through think-tanks and foundations such as the Brookings Institution and the Ford Foundation set the overall policy parameters.

The decisions—along with the money—are communicated to deployment centers — i.e., to the controllers of the fieldhands, the countergangs like the Revolutionary Union, the lawyers networks, and so forth. The Washington-based Institute for Policy Studies is the deployment center for the UMW takeover, with IPS fellow Ralph Nader and his organizations contributing a key role.

Parallel orders for "support deployments" are given to Wall Street-City of London allies in the federal government, especially the Labor, HEW, and Justice Departments; media networks, including those around Katheryn Meyer Graham's *Washington Post* and later, the IPS-created Fund for Investigative Journalism; and Fabian besmirched leadership circles in the labor movement centered around the Reuther-Woodcock-Bluestone directorship of the United Autoworkers (UAW).

Washington based lawyer Joseph Rauh, Jr. was given the responsibility for knitting the whole operation together. Rauh's career against traditional U.S. institutions dates back to his work with that Anglophile Supreme Court Justice Felix Frankfurter in the 1930s. Frankfurter, Rauh's admitted political mentor, is the author of much of the fascist New Deal legislation of the Roosevelt Administration. In the 1940s, Rauh and Hubert Humphrey founded the Americans for Democratic Action, and had its networks run the final "red" purge of the Congress of Industrial Organizations; Rauh reportedly had a direct hand in writing the 1949 resolution that purged 11 unions from the CIO for allegedly being Communist-controlled. For his union-busting services,

Rauh was rewarded by Walter Reuther with an appointment as the UAW's chief legal counsel. Rauh personally "handled" the early 1960s eclipse of the ADA by the Institute for Policy Studies and its more radical-tinged brand of fascism, working directly with IPS founders Arthur Waskow, Marcus Raskin, and Richard Barnet.

Rauh's unique mix of connections places him smack in the middle of a nest of agents, support networks, and troubleshooters for Wall Street and the City of London. But, at no point during the UMW operation — or any of his other capers — did Rauh make independent policy decisions; his innovations were confined to tactical considerations.

## Four Phases

There are four distinct phases to the UMW takeover operation.

The *first phase*, from approximately 1963 to 1967, involved the infiltration of mine areas and communities by personnel from government-controlled "New Left" operations which predate IPS, such as the Students for a Democratic Society and the so-called poverty volunteers operating primarily under the umbrella of the Kennedy-Johnson Administration's War on Poverty operations center, the Office of Economic Opportunity. During this phase, the profiling of the miners, in general, and the UMW leadership, in particular, took place under the direction of Eric Trist and others.

In the *second phase*, from approximately 1967 to 1969, a miners "rank-and-file" insurgency was synthesized under the direction of Joe Rauh, Ralph Nader, and

various IPS operatives. That insurgency culminated in the unsuccessful 1969 candidacy of Joseph "Jock" Yablonski for UMW president.

The *third phase* began with the December 1969 assassination of Yablonski and his family and ended with the Labor Department-run election of 1972 in which Rauh's puppet, Arnold Miller, defeated Tony Boyle. In the interim, Rauh and his IPS fieldhands constructed the second-level "rank-and-file" insurgency, the so-called Miners for Democracy, and the media, led by the *Washington Post*, conducted a merciless "watergating" of the Boyle leadership of the UMW.

*Phase four* began with Miller's assumption of "command" over the union and continues today. It is marked by a deliberate unraveling of the union from within and the deployment of a "left opposition" — "wildcatters," IPS countergangs — to undermine the Miller leadership and to subvert any legitimate opposition from within. This phase also marks the attempted deployment of the UMW for domestic economic sabotage. If the scenario is followed to its intended conclusion, the UMW will disintegrate into a loosely knit "federation" of local districts — exactly the problem that John L. Lewis successfully fought to correct.

Each phase of the wrecking operation employed an "inside-outside" modus operandi: Rauh and IPS operatives subvert the UMW from within, while "liberal" layers, the government, and the media lend their "support" from the outside. Each phase represents a step toward the destruction of the UMW — and of U.S. coal production.

## John L. Lewis: Modernization Better Than The British Way

The American coal operators would never have mechanized their mines unless they had been compelled to do so by the organization of mine workers. The United Mineworkers holds that labor is entitled to a participation in the increased productivity due to mechanization. We decided the question of displacement of workers by mechanization years ago. We decided that it is better to have half a million men working in the industry at good wages and high standards of living than to have a million men working in the industry in poverty and degradation.

There can be no increase in the standard of living in America except as we create new values by increased productivity. For example in England now, the per capita coal production is a little over a ton per day. The United Kingdom has only one great natural resource in volume — coal. Forty to 45 million people are literally standing on billions of tons of coal that is as good as any coal in the world. They lack the aptitude to pick up enough of it to keep themselves warm. . . .

Many years ago the British mineworkers union, a large organization of miners, officially opposed the introduction of machinery and the use of power and automatic machines in the mines.

The British mineowners were perfectly content to accept that point of view and take from the industry

all of the increased revenue, against what they should have plowed back to put the industry on a modern basis.

The result is that the British mines have become obsolete in every economic sense. England is staggering economically because of that fact; while, on the contrary, here in America we have increased productivity per man. . . . and yet our industry pays a wage structure on a weekly basis that is three and one half times that of Great Britain.

Had it not been for the United Mineworkers, not only to accept and encourage, but also to demand modernization — constant modernization of our mining industry — and to demand the cooperation of our membership with that policy; had it not been for that, economic and political America would have been in just the same position as the British Empire today, because coal is the element upon which our economic superstructure rests. . . .

There are substitutes for coal . . . but that is all right as long as those things are economically preferable, they should be encouraged. . . . I'd like to dream of the civilization where men don't have to go underground into the mines, just as long as those men have a chance to be absorbed into the economy. . . .

—John L. Lewis, *President,  
United Mineworkers, 1952*

## Phase One...Building a Base

The first phase of the UMW takeover began with the publication of *The Other America* by Fabian socialist Michael Harrington, currently the head of the Democratic Socialist Organizing Committee (DSOC). The book, hyped by the Wall Street-controlled media into a national sensation, devoted almost a fifth of its copy to horror stories about the "unbelievable poverty" of the Appalachian coal mining region.

The climate created by *The Other America* and subsequent speaking tours by Harrington and others helped recruit thousands of starry-eyed college kids for the Kennedy Administration's Peace Corps and its domestic counterpart, VISTA; a good portion of these recruits were hustled off to Appalachia.

VISTA, eventually coordinated out of the Office of Economic Opportunity (OEO), was a cover for the establishment of a more permanent "base" organization for the UMW takeover: VISTA personnel, under the on-the-spot direction of John D. Rockefeller IV, the current West Virginia Governor, set up local community organizations for the provision of health care, legal counsel, and so forth, many of which still exist. The initial batch of "do-gooders" was replenished by specially drawn recruits from the early New Left and SDS: Rich Banks, later to be VISTA coordinator for Appalachia, and IPS fellow Robb Burlage fall into this category.

Such "community" organizations mesh with the work of the Appalachian Regional Commission (ARC), which is little more than a funding conduit and research body for public works planning, counterinsurgency, and profiling operations run out of universities both within and outside the region. ARC made Appalachia a testtube for labor-intensive manpower programs: it also conducted critical population profiling operations based on methods used by British psychological warfare experts.

ARC-funded studies found Appalachia a "closed environment," in the words of one 1964 report, "isolated from the outside world by natural barriers, its people more backward, less touched by urban civilization..." In short, they were ideal for manipulation along small-group brainwashing models developed by Kurt Lewin, Trist and others. UMW miners, though found to be better off economically than most other Appalachians, were "far more backward than urbanized or other industrial workers...more prone to limited local interaction." Significantly, these and other studies found that UMW members had little real ties to the union as an institution and that stronger ties were to the "local community" and the family.

The brainwashers' reports also indicated that workers feared "violence from outsiders." One Ford Foundation-funded report on "the Appalachian identity" further reported that UMW members, as a residue "of the early days of the union," would never cross a union picket line — even if the picket line were put up by individuals who offered no proof that they were members of the union.

Additional studies found miners, especially those living in isolated sections of Appalachia, to be prone to rumor, and that rumors were, in fact, the main vehicles for the spread of news.

From the brainwashers' profiles, a strategy emerged. The VISTAS were to establish "community-based ser-

vice organizations" to reinforce the localism of the mining communities. Where possible, local UMW leaderships were to be involved. In all cases, UMW members most imbued with the localism disease were to be identified, profiled for future deployment.

The Institute for Policy Studies deployed a group of fake leftists to establish the so-called Peoples Area Research Collective including such "community control experts" as IPS fellow Staughton Lynd and Keith Dix of the West Virginia Labor Institute. PARC's publications called for the establishment of communities based upon the extended family unit.

"It is the development of a city and town-oriented society which destroys both strong family ties and the feeling of community," says an early PARC publication. One way to prevent further erosion is to encourage "kin communities made up of four or five families...with people of a similar interest or jobs living together...."

Other PARC publications recommend that miners be assisted in developing a sense of the "works community" — a term repeatedly used by the propagandists of the Nazi Labor Front in Germany. The works community — the "arbeitsgemeinschaft" — says PARC, supersedes the union.

A "formal" rumor network was established via the creation of several local "mountain" papers along new left-community control lines: circulation of "news" through these papers, such as Tom Bethell's *Coal Patrol*, was also carried by word of mouth — the so-called mountain grapevine — to those who couldn't read, enabling a relative handful of "radical community organizers" to control much of the news in whole areas of West Virginia and Kentucky.

In 1967, Ralph Nader began making forays into the region. He left in his wake a network of Black Lung Associations ostensibly to provide miners with medical treatment of silicosis and pneumonocosis — diseases of dust infestation that can end in death. Nader's ploy is all the more clear in that he never once advocated the application of new technologies as the long-term cure for these diseases. Nader hooked up with the existing "community" self-help organizations created by VISTA, the radical collectives, etc.

## Phase Two...First Insurgency

With the help of his "friends" in national media, IPS fellow Nader soon made the health and safety issue a national scandal, thereby defining the issue around which to build a synthetic "miner's movement." The UMW leadership of Tony Boyle, Lewis's successor, was portrayed as making corrupt deals with the coal companies, the recipients of payoffs that led to the deaths of miners both by black lung disease and in mine accidents. Nader's black lung movement received reams of public relations copy especially from the *Washington Post* and related press sewers; the 40-year fight by the UMW to combat these problems, Lewis's and Boyle's statements on the need for modernization of mines, and for improved health benefits — were deliberately left out of the accounts.

Simultaneously, the PARC-VISTA-"New Left" networks, now implanted in Appalachia, churned out the profiled line that the Boyle and the "UMW leadership

clique" were the "outsiders" who didn't understand the "mining community": such stories were concocted by the likes of Burlage, Lynd, and their organizers who less than 10 years earlier had never set foot in Appalachia!

With much fanfare, Nader issued a letter in February 1969 to a gathering of miners sponsored by his West Virginia Black Lung Association attacking Tony Boyle: "the record is that Mr. Tony Boyle has neglected his responsibility to protect coal miners. The time has come for you to invite Mr. Boyle to West Virginia and have him exercise his rights in replying to these charges. You may conclude that he is no longer worthy of being your leader and that you need a new leadership."

The next step was to choose a candidate to "lead" the insurgency. Sources indicate that Nader, in consultation with Joe Rauh, Jr., dispatched by Wall Street-City of London "higher-ups" to coordinate the operation, held a series of meetings with miners who had been attracted to his black lung operation. Nader and Rauh settled on Joseph "Jock" Yablonski, an older radical miner who had gone to Grant Park in Chicago during the IPS-created riots outside the 1968 Democratic Convention. According to published accounts Nader handed Yablonski a prewritten draft program for his political campaign and promised him staff, money, and major press coverage.

At the time, Yablonski was totally unknown. Said a mineworkers leader some years later: "You have to feel sorry for Jock. He was a real patsy...Nader and Rauh really played him for a fool. They created him and his reform movement. It was a real Madison Avenue job..."

On May 29, 1969 Yablonski held a press conference in the Mayflower Hotel to announce that he would challenge Boyle for the UMW presidency that November. Most of the Washington D.C. press corps turned out — thanks to a round of personal phone calls from Ralph Nader the night before. They dutifully filed glowing stories of the fight for democracy in the UMW, aping the phrases of the press release that Nader had written, and praising a man whose name not one of them had heard of the day before!

Yablonski immediately became the "peoples' candidate" — the candidate of the IPS people who ran PARC, the Mayday Tribe, the Council of the Southern Mountains, and similar Appalachian community "identity" organizations. Their rumor networks spread the word that "Boyle was running scared." PARC and other groups distributed bulk quantities of Yablonski campaign literature.

On the advice of Rauh, the Reuther-led UAW dispatched personnel to bolster Nader's Yablonski staff; individuals such as DSOC member Ed James began to make their way into the Yablonski campaign offices.

For the most part, it was Nader who was allowed to run the "up front" show — within the limits set by his Wall Street-City of London bosses. Rauh kept to the sidelines, mobilizing liberal support networks through the ADA and others while feeding information to the same Kennedy networks in the Justice and Labor Departments that he is using today to attack the Teamsters.

Yablonski, however bright the media fanned his "star," was a dismal flop as a candidate. He mumbled, inspired no one, and seemed content to stay in his campaign office. With dollars from the Fund for Investigative Journalism, Brit Hume wrote in his "Death and

the Mines" that Nader was upset with "his candidate": "...Nader had expected that Yablonski would set out from the day he announced his campaign to carry his message to every coal town in the country....Instead, Yablonski seemed to be taking it easy...(he) seemed a reluctant warrior."

Sources close to the campaign have since indicated that Yablonski was a depressed and brooding man. He had been told by Nader and Rauh that the membership of the UMW would welcome him as their savior: the few times that he ventured out into the coal fields, he received at best a nonresponse. His rallies never attracted more than 250 people. "Jock was disillusioned," one source said. "And he was scared...."

According to reports, sometime in late September or October, Yablonski told his staff that he "wanted out," that he wasn't going to be humiliated, he wanted to go home. Rauh stormed into campaign headquarters to lay down the law. You are not allowed to quit, he told Yablonski. It is too late for that. The "lawyer" threatened to carry on Yablonski's campaign without him. The frightened Yablonski was convinced to "stay on board."

It is not clear whether Nader actually thought that he could win the election: it is clear that Rauh knew that this was impossible and was already "setting up" the next phase.

Rauh began to make a big stink about the supposed threat on Yablonski's life by Boyle forces: he hinted to the press that Yablonski might wind up getting "eliminated." He drafted a set of letters to then-Secretary of Labor George Schultz demanding that Yablonski be given protection from "Boyle thugs who have already attempted to murder him." Schultz refused, claiming that there was absolutely no evidence of any threat by Boyle or anyone else on Yablonski's life.

Yablonski was overwhelmingly defeated by Boyle and his slate in the November 1969 elections: he ran poorly everywhere, mustering only slightly more than a third of the overall vote. Only in areas of West Virginia and Kentucky, permeated by PARC and similar operations, did he do better — and even there only marginally better.

The defeated candidate went home, with Rauh and others screaming fraud.

### Phase Three...A Second Insurgency

On New Years Eve 1969, Jock Yablonski, his wife, and daughter were found murdered in their Pennsylvania home.

While the rap for this murder was later pinned on Boyle and several individuals who claimed to be linked to him, the Yablonski massacre, as the press was soon to call it, benefited only the union wrecking operation of IPS and Joe Rauh. From the conspirators' standpoint, Yablonski, the "martyr," was clearly more valuable than Yablonski, the alive and reluctant candidate.

One highly placed source in the mineworkers union told this news service last year, "I can't say for sure who is really responsible for the killing of Jock Yablonski. But if they arrested Joe Rauh they would probably be close to getting the right man."

They didn't arrest Joe Rauh; he took personal charge of creating a second insurgency — one which he was determined would not fail.

Rauh immediately issued a release indicating that the "Miners fight for democracy" would not be silenced by the bullets of assassins. The fight would continue until the murderers of Yablonski were driven from union office. Rauh reportedly already has assurance from friends in the Justice Department that Boyle would eventually be indicted for murder.

A new, synthetic insurgency movement was hatched out of the IPS-UAW staff that had run Yablonski's unsuccessful campaign, the so-called Miners for Democracy (MFD). With Rauh taking charge of the show, the MFD staff included Rich Banks, the former head of the VISTA operation in Appalachia; Ed James of DSO and the UAW; lawyers borrowed from Ralph Nader's front organization, now involved in the PROD operation against the Teamsters; and a brigade of recruits dispatched from the Burlage-Lynd Appalachian collectives, including Burlage himself.

Rauh and IPS selected Arnold Miller, a little-known miner active in Nader's black lung movement and a visiting lecturer at IPS since 1968, as the stand-in for the martyred Yablonski. Miller, a personal friend of Jay Rockefeller, was described by one source close to the MFD operation as the "perfect pawn...the man is a total fool." As had been done with Yablonski, Rauh turned to his public relations experts in the media to create the image of Miller the "courageous fighter" — the man who was braving death to democratize the United Mineworkers.

But this time, Rauh did not rely on outside media hype alone to build his insurgency: two other factors were crucial.

First, a considerable number of honest miners were attracted to the MFD, in part because they were disgusted with the seeming inaction of the Boyle leadership and mostly because they believed that Tony Boyle had "wasted" Jock Yablonski. Though they may not have liked the people who ran the MFD, they thought that they could be worked with. Most notable among such individuals was the respected Mike Trbovich, who became Miller's running mate for Vice President.

"We were real fools," said one of these miners much later. "But every day you would read in the press something about how Boyle was destroying the union. We felt we could not let the union be destroyed, not after all that had been put into building it up. So we wound up helping destroy it ourselves. Just a bunch of fools...."

Second, from about 1968 on, a large number of young Vietnam War veterans returned to Appalachia: most had left "to get the hell out of the hills." When they returned, a significant number were bitter, ripe for the organizing of such IPS groups as the Vietnam Veterans Against the War, run by current Carter advisor Peter Bourne. Such individuals became what Tom Bethell and other IPS press operatives were fond of calling "the new breed of miner" who was "willing to buck the system." They became Rauh's most effective organizers.

Tony Boyle was profiled as "paranoid...highstrung and easy to provoke into a mistake." Rauh proceeded to place him under a total state of siege.

Despite Yablonski's protestations, Rauh had filed fraud complaints with the Labor Department over the election. Following the murders, the press made everyone believe what insiders knew to be impossible:

"massive fraud" had robbed the martyr Yablonski of the UMW presidency. Rauh's friends in the Labor Department, many of whom dated back to the Kennedy Administration and then-Secretary of Labor Arthur Goldberg, poured investigators into the coal country. In the most extensive investigation of alleged union election fraud undertaken up to that time, these "investigators" found "significant" fraud: an order went out for new elections to be held.

Rauh solicited help from the Law Enforcement Assistance Administration wing of the Justice Department for his campaign, especially his "lawyer friends" Tom Henderson and Charles Ruff, both old hands at union-busting. Boyle was slapped with a series of indictments: illegal election practices, embezzlement and misuse of pension funds, and breach of fiduciary responsibilities as a trustee of the union's pension funds. All the while a grand jury sat hearing evidence on the Yablonski murder: word was leaked more than once that "any day now" Boyle would be indicted for conspiracy to commit murder.

FBI agents were sent into the coal fields to conduct on-the-spot interviews about "the Boyle charges." Month after month, the media, led by the *Washington Post* which gave coverage to every mumble from Arnold Miller's mouth, splashed Boyle scandal stories across the front page as they had once done to watergate Teamster leader Jimmy Hoffa. Boyle was tried and found guilty by this kangaroo media court before he ever had a chance to step into a real courtroom.

The December 1972 UMW presidential election was a joke. Almost every aspect of it was run and supervised by the scores of Labor Department agents assigned to "guarantee an honest election."

Miller and the entire MFD slate were swept into office.

## Phase Four...Destroying From Within

Rauh and IPS were not about to let Miller and his slate run the union. As they well knew, "Miller was a real boob," as one UMW insider said. "He couldn't even run a local let along the national union."

The entire national staff was purged. In their place, Rauh assembled the following motley crew: Ed James, Rich Banks, and Bill Goode, the former UAW director of education all became "special assistants" to President Miller: the *UMW Journal*, the most widely distributed press in the mining community, was turned over to UAW operative Don Stillman, a graduate of the Columbia School of Journalism; the new Board of Trustees in the revamped UMW health and welfare fund included Martin, the former head of the Justice Department's criminal division overseeing the LEAA, and Harry Huger, a lawyer formerly with the top Washington law firm of Arnold and Porter and later a partner in the law firm of Huger, Rogovin, and Stern, whose clients included IPS and the CIA.

The Fabian leadership of the UAW, in particular Vice President Irving Bluestone, were given special responsibility for "shaping and conditioning" the new UMW leaders in the "Woodcock tradition" of "progressive social unionism." UMW leaders were sent for weekend training sessions at the UAW's brainwashing educational center at Black Lake, Mich.

Miller was singled out for special attention. Aside from Rauh, Jay Rockefeller of the Rothschild wing of the Rockefeller family became the new Mineworkers President's closest "outside" confidant; under his advice, Miller, who made regular visits to the Rockefeller estate, went to several "role playing" seminars in collective bargaining at West Virginia University's Labor Education Center, as well as special sessions at Wesleyan University, which Rockefeller headed.

"You have to feel sorry for Arnold," a former UMW official remarked. "The poor guy had his head stuffed with their (IPS's) ideas. He didn't have room for a thought of his own."

The IPS "brain trust" had a field day pumping reams of propaganda into coal country about "democratization" and "decentralization" — undermining the centrally deployed command structure built during the Lewis years.

"We are building a new union," proclaimed a 1973 UMW *Journal*, a different union, a better, more responsive one."

The success of the takeover was showcased at the 1973 UMW convention. Rauh, leaving nothing to chance, reportedly requested that his friends at the UAW take charge of the affair. Miller, Rauh told his associates, was not capable of "running such a big convention." Under UAW Vice President Bluestone's direction, a staff of UAW "convention organizers" ran the whole show, while the press churned out its garbage about how the convention demonstrated that "the UMW is now truly in command of its members."

Nearly every stripe of IPS counter gang was assembled both inside and outside the hall to celebrate the "rebirth of the UMW." Said one UMW leader recently, "It looked like an invasion from Mars...only a fool could fail to see that something major had changed, that we miners had lost our union to an 'outside force'..."

The Wall Street-City of London conspiracy that controlled and directed the mineworkers takeover now attempted to deploy the UMW to sabotage the U.S. economy through disruptions of coal production. This coincided with then-Secretary of State Henry Kissinger's provoked Arab oil embargo which delivered yet another blow to the weakened world economy. Such sabotage could have made real the potential for "militarization" of the U.S. economy extending far beyond the emergency measures that regulated economic activity during the embargo — precisely the intent of these same conspirators who this month provoked the miners strike. Their scenario now is Energy Secretary James Schlesinger's "Winter Energy Emergency Plan."

The focal point of their sabotage effort then as now was the 1974 mineworkers contract negotiations. "We can strangle the economy," said one IPS operative on Miller's staff at the time. "We can bring America to her knees...there were thousands of layoffs because of oil shortages last winter. We can cause even more layoffs...if the coal operators don't give in to our demands, all America will be shut down."

During the winter of 1973-1974, IPS networks conducted a dry run for the strike. Coinciding with efforts to create a Chilean-style independent truckers strike, armed groups of "masked miners" shut down almost all coal production in West Virginia, allegedly protesting the

federal government's emergency gasoline allocation plan. After a few weeks — and several violent confrontations with UMW members who refused to "shut down" — the strikes ceased.

The use of masked roving pickets — a tactic whose success was predicted by "profilers" like Trist, et al. — is now "standard operating procedure" for the so-called wildcat faction in the UMW.

The strike came off on schedule when the UMW contract expired in the fall of 1974. Industries dependent on coal worked out layoff schedules, while utilities made plans for massive cutbacks should their supplies begin to run low. Throughout coal country, especially in the IPS-infested areas of West Virginia and Kentucky, there was talk of the possibility of sabotage. If the strike had lasted more than two months, sources in the intelligence community estimated that it would have "hit the U.S. economy like a bucket of ice water."

But the strike didn't last over two months; after some violent episodes and 45 days it was over — without any major serious economic dislocation.

Three factors had contributed to the cooling out of the strike.

First, the widespread exposure by the U.S. Labor Party of the strike as part of a broader "chaos and confusion" scenario leading to the militarization of the economy placed a high countervailing "penalty" on the entire operation; this "inoculation" may have led several elements within the overall command structure of the conspiracy to "pull back."

The crucial elements, however, were the existence of relatively sane factions within both the UMW leadership and the leadership of the coal operators association who saw that neither the union nor the companies would in the long run benefit from a protracted strike. With pressure for a settlement coming from the "inoculated" elements of the U.S. political leadership — including factions within the Ford Administration — a compromise became possible.

Following the failure of the strike, Rauh and IPS had to reevaluate the situation. Miller had performed according to profile during the negotiations, ranting and raving, and causing several bargaining sessions to be called off. But members of Miller's Executive Council, headed by Vice President Mike Trbovich, had been able to strike a compromise with the coal operators and then get Miller to go along. What's more, they had been able to sell the contract to the membership — despite all the "decentralization" reforms instituted. This grouping, headed nominally by Trbovich and including several members of the old Tony Boyle machine, clearly had the potential to take back the union from the "outsiders," thereby ending IPS ability to use the UMW to wreck the coal industry. But, they shied away from a direct attack.

IPS counterattacked by speeding up the UMW's disintegration. The resulting chaos became the principal destabilizing factor in coal production.

In the course of 1975 and 1976, IPS redeployed its networks. A section of the counter gangs that formerly had supported Miller as "the savior of union democracy" now became a "left opposition," attacking the hapless president as a "sell out" and lobbying for greater "local autonomy." Members of the Maoist October League and the Revolutionary Communist Party (formerly, the

Revolutionary Union) were deployed into the coal fields to constitute the embryo of the so-called Miners Right to Strike Committee; they were supplemented by members of the former OEO-VISTA networks and Staughton Lynd's "Appalachian collectives." Members of Miller's own IPS staff, especially Rich Banks and Ed James collaborated in this new conspiracy.

The IPS sabotage operation also helped to crystalize a real opposition faction centered around UMW Vice President Trbovich and Kentucky UMW District leader Lee Roy Patterson. By the summer of 1976, this legitimate faction was forced into open rebellion against Miller and IPS. Led by Trbovich, 15 members of the 21 member union executive board voted in July 1976 to condemn Miller for hiring "outside radicals" to the UMW staff, charging these individuals with destroying the union. A slate headed by Patterson and supported openly by Trbovich announced its challenge to the Miller leadership for the 1977 UMW elections. According to polls, the new slate was almost certain to win.

More importantly, Patterson and Trbovich threatened to dramatically shift the center of debate in the union away from IPS set-up issues like the "local right to strike" and toward a discussion of programs for a high-technology expansion of coal production. Both Patterson and Trbovich were in contact with representatives of the U.S. Labor Party to frame a capital-intensive program for coal production: Patterson, on several occasions, had stated his desire the return the UMW to a position of preeminence in the U.S. labor movement, standing for progress and growth — "as in the days of John L. Lewis."

IPS and Rauh now moved to destroy Patterson. Charles Baker was sent over by Trilateral Commission member and United Steelworker President I.W. Abel to "handle" the Patterson campaign. Baker, a longtime operative of networks associated with the AFL-CIO's League for Industrial Democracy was the author of a major slander piece on the U.S. Labor Party published in 1975 by the LID-linked journal, *Homefront*. Under Baker's advice, Patterson steered clear of collaboration with the Labor Party and refused to identify IPS as being behind the conspiracy: more importantly, he refused to mobilize members of the union behind a program for high-technology coal development and stuck to trading accusations with Miller.

Despite this sabotage by Baker, polls showed that Patterson would still win. Rauh and IPS therefore created a "third way" opposition to Miller around Secretary Treasurer Harry Patrick. While the Patrick slate had no chance of winning the election, the idea was to pull enough votes away from Patterson to prevent him from winning.

With the IPS-FIJ press sewers as his mouthpiece, the demagogue Patrick attacked Patterson as a "stooge of Tony Boyle." He attacked Miller as "a traitor to Miners for Democracy."

The June, 1977 election went according to the IPS script. With the help of vote fraud from the old IPS networks, Patrick pulled enough votes in key districts in West Virginia and Kentucky as well as among the IPS-VVAW infested miners' organizations in the West to give a narrow victory to Miller. Patterson and his advisor Trbovich felt certain that blatant irregularities in the

ballot would cause the UMW Executive Council to overturn the election. Under Baker's advice, however, Patterson refused to continue the open fight against IPS and made no effort to mobilize the rank and file. A flurry of activity by Rauh-IPS networks, the details of which are still not known at this time, swung several key votes on the Executive Council. When the vote was taken on Patterson's charges in July 1977 the Miller "victory" was upheld. Fraud charges brought by Patterson before the Labor Department were ruled as insufficient to warrant a new election.

Within two months a demoralized Patterson was defeated for reelection to the Executive Council; the major internal obstacle to IPS-City of London plans to deploy the UMW as an instrument of economic sabotage was routed.

In late summer, IPS networks operating principally out of West Virginia, Kentucky, and parts of Ohio fanned a wildcat strike across the eastern coal fields; the wildcat was precipitated by the announcement of IPS lawyer and UMW health and welfare fund trustee Harry Huge that major cutbacks in benefits, including the closing of a number of health care clinics, were required due to the fund's serious underfunding. The IPS operatives had themselves produced the weakened condition of the fund: under the UMW contract, employer contributions to the fund are pegged to the number of tons of coal mined by UMW members, tonnage that had been reduced by IPS-led wildcats over the last three years. By September, nearly 80,000 miners were out on strike in three states.

Miller effectively went into hiding. The year before, he had fired his entire IPS staff for conspiring against him; during the election campaign, even Joe Rauh deserted him, going over to help Patrick. With two IPS District leaders in West Virginia calling for his resignation, members of Miller's staff decided to send in "some loyal boys" to put down the rebellion; they failed.

IPS operatives now floated a compromise: if Miller would promise to take up the wildcatters' demand for a local right to strike clause and increased funding of the health and welfare programs, they would bring the men back to work.

Miller accepted and all but guaranteed a nationwide coal strike when the union's contract with the coal operators expired December 6 and the potential for economic sabotage.

"We know that there is going to be a long strike," said one of the UMW leaders in District 17 three months ago. "We will not let Miller back down on the local right to strike — even if it takes an eight-month strike to get it."

## The Current Situation

The ongoing UMW strike represents the most dangerous IPS deployment to date. According to well-informed sources in the government and the intelligence community, the strike is slated to be used by energy czar James Schlesinger as an excuse for the imposition of drastic crisis management curbs on economic activity. The planning for such an eventuality is now taking place under a special Energy Department task force originally created to draft the so-called Winter Energy Emergency Plan (WEEP). The "trigger" scenario calls for a long

and bitter strike, during which IPS networks will commit acts of sabotage against coal supplies, rail transportation facilities, and, possibly in concert with environmentalist terrorist networks, coal stockpiles at industrial and power facility sites.

This terrorist capability underscores how stupid it is for industrialists and others to complacently think that the coal strike "will not seriously affect the economy" because of "large stockpiles."

Similarly, coal operators who feel that they can "wait the UMW out" risk their continued ability to produce coal.

Both groups are playing into the hands of the City of London and its allies like Schlesinger.

There are indications that the same kind of environment that produced the 1974 compromise contract is at work in the current negotiations. Pressure on the Miller leadership to abandon the "right to strike" demand, and on Bituminous Coal Operators Association leaders to "give a little" on demands to replenish depleted union pension and welfare funds, have produced the outlines of a "labor stability agreement."

There are several factors however that make cooling-

out of the strike much more difficult than the last time around. First, given the present international situation and the desperation of the City of London forces, a pull-back becomes less likely. Second, there is the problem of IPS sabotage of the negotiations. According to reliable sources, IPS attorney Harry Huger is "running the show." Finally, even if a compromise were reached, the greater development of the IPS "left-wing opposition" would make it extremely likely that sections of the union would wildcat. The net effect could be a fissioning of the union into several local autonomous regions — a result that would continue to hamper U.S. coal production.

It is clear, therefore, that if labor-management relations are to achieve a productive stability in the nation's coal fields, the IPS operation against the UMW must be destroyed. A competent investigation of the sources of the current strike violence and the recent wildcats would provide evidence needed for a clean sweep of the terrorist operation in the coal fields.

Those Americans who want to see increased high-technology production and use of coal must initiate this sanitization of the UMW. It is a matter of urgent national security that they begin immediately.

—L. Wolfe

## From Detente To Entente

# A U.S. Policy For The SALT Talks

by Uwe Parpart, Director of U.S. Labor Party  
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The New York Times report of Dec. 11 that President Carter and his National Security Advisor, Zbigniew Brzezinski, are seriously considering the adoption of yet more stringent restrictions on the export of U.S. technologies of possible strategic importance underscores the urgency of replacing the current self-defeating U.S. policy on technology "proliferation." According to the *Times*, Carter and Brzezinski have had under study for several months a near-completed inter-agency document recommending adoption of the "no know-how" formula devised for The Pentagon's Defense Science (Advisory) Board by its director, J. Fred Bucy, a vice president of Texas Instruments.

The Bucy doctrine simply argues that the U.S. shouldn't sell any product to a potential military or business competitor who might look inside the device and figure out the technology — i.e., "the know-how" that was used to produce it — and then go out and produce it. Presumably, therefore, only impenetrable or "self-destruct" devices would be suitable as high-technology export items. In characteristic fashion, Brzezinski has hinted that if the policy were to go into effect, the Soviets might be allowed to receive exports of more non-strategic goods and even some restricted "hot" items if they behave themselves politically.

The core conception operating on the U.S. side in the SALT negotiations is built on the notion that retardation of the technological research behind weapons development is the key to arms control and, hence, to stable strategic accords between the U.S. and the Soviet Union. This notion is unfortunately still very much identified with Brzezinski's factional opponent and the architect of the Carter Administration's Middle East peace policy, Secretary of State Cyrus Vance. In the relatively more realistic Vance formulation, however, it is at least recognized that the problem is the generation of new weapons technology by the Soviet's own strategic research efforts, which they will hardly abandon for any nonstrategic consideration such as more "finished" U.S. goods. Thus, Mr. Vance on Dec. 7 told his fellow NATO Foreign Ministers at a meeting in Brussels that a successful SALT treaty was no guarantee of stability, but "there is no possibility of stability without it."

Nevertheless, the Vance faction's fundamental misconception on the ways and means of securing an enduring SALT agreement resulted this week in the close of the third round of the bilateral talks in Bern, Switzerland without substantive progress toward an accord. The Dec.

14 *New York Times* report on the meeting in fact indicates that chief U.S. arms negotiator Paul Warnke plans to use the fourth SALT session, opening in January, to further muddy the waters of U.S.-USSR communication on the arms limitation issue by pressing for a technological moratorium. Warnke, reported the *Times*, is revealing over the possibility that Moscow's recent announcement that the Soviet Union would agree to halt peaceful use of nuclear explosions for construction projects might open the door to accords limiting technological research for weapons development.

It is important to state the plain reality that the Vance way of looking at SALT prevents a constructive solution, precisely because it seeks to discourage the very factor whose encouragement would make it possible to move from an unstable détente to a progressively stronger U.S.-Soviet entente. *That factor is massive scientific and technological collaboration in the most economically strategic areas of research.*

This critical point is perhaps better grasped when one appreciates the significance of the recent simultaneous disclosure of the latest Soviet laser fusion results and concepts and the offer of expanded joint U.S.-Soviet collaboration on fusion research by Soviet Academician Nikolai Basov. Basov made the offer in Fort Lauderdale, Florida in early November on the occasion of a conference whose political objective was to mobilize U.S. scientists on behalf of a nuclear-based energy policy. Basov is not important only because he is the head of the Soviet laser fusion effort, and a Nobel Laureate for codevelopment of the laser. He is also very likely one of the leading scientific planners and directors of Soviet military research and development.

The Basov proposal — which Secretary of Energy James Schlesinger cannot hide, by pretending as he did at a recent press conference that it is unimportant because it was not delivered "officially" — illustrates the crucial point. Precisely the areas of research which are most important to advanced weapons technology: fusion and aerospace and their subsumed research branches, also define the areas of potentially most fruitful collaboration between the NATO-OECD and Comecon CMEA nations to solve mutual problems of energy, resources, and production technology facing both those blocs and the rest of the human species right now.

### *The Basis for a SALT Agreement*

If the present Schlesinger-oriented approach to SALT is maintained, competent debate on the parameters of a strategic arms limitation agreement and responsible U.S. discussion on defense weapons systems will be

destroyed. Unless a development-based war-avoidance perspective is adopted for U.S. arms negotiations, no perception of common U.S.-Soviet goals in arms limitation can be achieved at the SALT talks. Moreover, professional discussion of U.S. defense posture will devolve into absurdity — as witnessed by the Dec. 14 commentary of *New York Times* military analyst Drew Middleton — an absurdity in which no determination can be made as to which technological innovations to suppress lest they upset the strategic balance, and which others to develop as vital to the national security. Conceptually, this means a clean break with the “systems-analytic concept of stability” (exemplified in the Foreword of James R. Schlesinger’s *Defending America*) now underlying SALT, and its replacement with a policy of security through cooperative development.

Middleton’s column indicates that another, more dangerous, factor is involved behind the scenes of bogus strategic debates generated by the Brzezinski-Schlesinger SALT approach. Clearly, there is a school of “quiet Utopians” moving ahead with plans to build up an unassailable U.S. deterrent in the form of a massive nuclear submarine fleet, equipped with state-of-the-art micro-electronic “chips” as the basis for sophisticated high-accuracy missile guidance systems. Some independent military analysts are gravely worried that such a buildup will substantially lower the threshold for a Soviet preemptive nuclear strike against North America.

Under such circumstances arms control negotiations actually become the prelude to full-scale confrontation. Historically, the League of Nations-sponsored disarmament and arms limitations talks and even agreements of the 1920s and 30s provide ample evidence to this effect. Not only were they ineffective, they had an actually destabilizing impact on the European political situation. The same thing can be said of the more immediate precursor of SALT of the 1970s: the 1946-47 discussions in the United Nations Security Council of the so-called Baruch Plan for the international control of nuclear weapons.

The conceptual framework for the realization of proper policy objectives is indicated by President Eisenhower’s “atoms for peace” proposal of the early 1950s, which gave the first significant impetus to international nuclear energy development. That policy is more imperative now not only from the standpoint of providing a focal point for a war-avoidance policy, but also because today that immediate political imperative converges on the necessity for humanity as a whole to deploy a continuum of nuclear and plasma-based technologies to begin to redefine the resource base here on Earth and to initiate extraterrestrial colonization and transformation of other planets by the end of this century. (See Campaigner Special Report No. 7, “Nuclear Power: Core of U.S. and World Energy Policy,” and “U.S. Labor Party Space Program,” *New Solidarity*, Vol. 8, No. 81, Dec. 13, 1977. 1977).

#### *Atoms for Peace*

The international nuclear energy development strategy proposed here in analogy to Eisenhower’s “atoms for peace” proceeds from two interrelated assumptions:

First, that the most likely cause for the outbreak of open conflict between the United States and the Soviet Union is not tension among the nations or military blocs of Central Europe nor any irreconcilable ideological conflict between the two powers themselves. The most likely flashpoints which could spark rapid escalation to thomonuclear confrontation between the “superpowers” are located in Third World regions such as the Middle East, South Africa, etc. In these regions, a combination of growing economic impoverishment and deeply entrenched ideological positions has created a highly explosive mix that could blow up (or, for that matter, be willfully detonated) at virtually any time. Our second assumption is that such dangerous developing sector conditions will necessarily be exacerbated by the domestic U.S. policies of economic retrenchment promoted by Vice President Mondale and Senator Humphrey, including not only “energy conservation” but the entire range of Malthusian and neo-Malthusian principles from conversion to more labor-intensive production methods to zero and even negative population growth. Saddled with an economic policy of retrenchment at home, the U.S. has only two basic international policy options and will most likely vacillate dangerously between them:

a) Isolationism, i.e., withdrawal to a closer defense perimeter with no significant assurance of enhanced security, but, in a world of increasing economic interdependence, the certainty of increasing economic misery of the domestic population;

b) The attempt to secure present national interests in the Third World via an expanded network of military treaty organizations, establishing closer military links and mutual defense obligations between the U.S. and NATO on one hand and certain strategically crucial Third World nations on the other. Proposals for the creation of a South Atlantic Treaty Organization (SATO) and recent attempts to revive the CENTO pact fall into this category.

The second alternative is the immediately more dangerous one, but neither is capable of assuring long-range stability. Both policy alternatives proceed from notions of “control” and “containment” and fatally ignore the fact that there can be no stability in a world of ever-decreasing overall productive economic output, a world coming to resemble more and more the proverbial “shrinking pie.”

Our contemporary equivalent of “atoms for peace” is designed to confront the problem of dwindling world resources head on. The Labor Party has proposed that the United States, the European Economic Community and Comecon sector countries, and Japan immediately begin to gear up their national economies to reach a common production goal of 250 nuclear power plants with a combined power output of 250 GW (gigawatts) annually by the year 1985. These plants are intended about two-thirds for domestic installation and one-third for export into Third World nations. Such a construction program, which reflects roughly a tripling of existing advanced sector production capacity over a seven-year period, would be based on low-cost national and international development credits extended in the U.S. through the Export-Import Bank, exclusively for the construction program outlined. This credit flow would bypass the

enormous internal and external indebtedness problems of most of the developing sector countries and several advanced sector nations. The program must be supplemented by a significant expansion in present research and development efforts in fast breeder technology and controlled thermonuclear fusion, as well as in the international space program. In all of these R and D areas, we can build on already existing bilateral exchange programs between the Soviet Union and the United States, France, and Japan. The U.S.-Soviet Apollo-Soyuz joint space flights are a prototype for cooperation in space exploration.

#### *Spinoffs of Nuclear Development*

International nuclear energy development is uniquely capable of permanently redressing the shortages problem defined above — not only in the energy field as such, but also in agricultural production, where productivity depends largely on the availability of abundant and reasonably priced energy for irrigation and the production of chemical fertilizers. Through the development of breeder reactors (including fusion-fission hybrid reactors) we could increasingly close the nuclear fuel cycle and incur no new raw materials problems before the onset of commercialization of nuclear fusion reactors and thus the availability of virtually limitless energy supplies in the 1990s. Finally, it is a highly desirable by-product of in-depth nuclear energy development that it results in a secular tendency for *decreasing* energy prices (i.e., social costs) through increasing energy flux density and reactor temperature. Thus, the mere commitment to nuclear development will immediately create highly desirable pressures for increased fossil fuel production at lower prices. An added advantage lies in the fact that as a high-technology industry the nuclear power industry operates near the borderline between technological innovation and more fundamental scientific advances. As such, it represents the spearhead of an array of technological and scientific breakthroughs centered on the fusion torch which will once and for all lay to rest the ignorant or fraudulent arguments for zero or negative economic growth based on alleged absolute limits to natural resources.

In answer to the argument that broad-scale international nuclear development will lead to unacceptable levels of nuclear weapons proliferation, the following observation must here suffice: the pressure to obtain nuclear weapons as well as the temptation to use them will rise in direct proportion to the increase of political tensions among Third World nations, which must inevitably occur if the economic development problems of these nations remain unsolved. There is no question that there is a vastly greater likelihood for an actual use of nuclear weapons as the result of the failure to enact an adequate nuclear energy development program than as a consequence of the possibility of weapons proliferation.

#### *Implications for SALT*

The initial targets of an international nuclear energy development policy will be those Third World regions which can be characterized as “hot spots” of friction between the U.S. and the USSR, but simultaneously satisfy the minimal infrastructural and population-base requirements to make implementation of such a policy feasible. On both these counts, the Middle East region,

including Iran and the Sudan, and South Africa (roughly the entire region south of the Congo River) would provide plausible starting points. A Geneva Middle East peace conference, which limited itself to the redrawing of boundaries in the area without at least beginning to address the fundamental problems of the economic development of the region, would necessarily result in the early resumption of the present conflict.

The fact that quite apart from broader treaty arrangements, certain bona fide transactions in foreign policy areas of vital mutual strategic concern are crucial to progress in nuclear weapons negotiations was clearly demonstrated in the most recent SALT II phase. It is a near-certainty that the catalytic factor which unfroze the negotiations that had come to a complete standstill by early summer was not some minor concession regarding a given strategic weapons system, but the joint U.S.-USSR Middle East declaration, improving the hopes for peace in the area where both powers know that renewed conflict could lead to full-scale thermonuclear war.

In the political-strategic context of the step-by-step establishment of Third World nuclear energy-based economic development, a SALT agreement can maintain on both sides a credible war-fighting posture required for war-avoidance purposes, while at the same time creating the climate for conclusion of agreements for allocation of certain portions of defense budgets for support of domestic industrial and agricultural development projects required by the international codevelopment effort. This not only covers the potential reallocation of billions of dollars from defense to civilian uses, but includes the actual conversion of defense industry plant and equipment for civilian production. Since the defense industry tends to represent the technologically most advanced sectors of the national economy, such conversion will be of crucial importance to gear-up of high-technology exports which are at the heart of the projected global economic development policy.

The results to be expected from a gear-up on an international scale of integrated nuclear and aerospace development are merely exemplified by: fission-fusion technologies, new guidance and control systems for machine tools and terrestrial transportation, and fusion-powered spacecraft.

Most notably, with SALT subsumed under our “atoms for peace” proposal, there arises for the first time a coherent solution to the problem of the destabilizing effect of technological innovations upon strategic arms agreements. No clause attempting to curb technological progress in weapons development should be incorporated into any future SALT agreement. There exists, ultimately, no reliable method of distinguishing between “purely civilian” uses and military applications of basic scientific advances and technological breakthroughs. The development of the cruise missile, for example, has entailed the upgrading of guidance and control systems that can be widely applied in industry and transportation. The technology of the neutron bomb, had Defense Secretary Brown allowed its development to proceed quietly, could have been applied to the development of efficient inertial confinement systems and small nonpolluting fusion explosive devices for peaceful use. Instead, Brown’s wide-scale publicity of the neutron

bomb's deployment has had the effect of clouding the very issues now on the table for discussion at the SALT talks.

Given this technological interlinking of civilian and military breakthroughs, the apparent stability gained by freezing weapons technology at a given level is in the last analysis antithetical to the legitimate demand of all nations for open-ended, progressive technological development, the necessary condition for a healthy economy of expanding industrial and agricultural production. Indeed, preoccupation in certain U.S. circles with outlawing technological innovations in the strategic arms field (although Secretary of Defense Brown, for example, has not shied from isolated *wunderwaffen* or increased spending per se) undoubtedly came after the decision for a no-growth "steady state" economy.

In 1946, it was the linkage between nuclear weapons control and the retardation of atomic energy development which led the Soviets to reject the Baruch Plan for international control. As Khrushchev put it in 1962: this plan has been designed "not to ban nuclear weapons or destroy them, but through an international agency to interfere in the economic life of nations." The U.S. "wanted to prevent the development of the atomic industry in other countries, leaving the monopoly of nuclear arms to the United States." The nature of such linkages when the Baruch Plan was first proposed and the related history of international and U.S. nuclear development is presently under investigation and need not be developed here.

What matters here is that stability in international relations actually depends on progressive economic and technological development. To prevent a "spill-over" of technological breakthroughs into areas where it would destroy the military strategic balance, the U.S. should not embark on the futile course of attempting to banish innovation from arms development. Instead, an international agreement (or a sequence of such agreements) for nuclear energy development should prominently contain a clause providing for far-reaching scientific collaboration, exchange of information, and actual joint research and development efforts especially in the various areas of fusion research.

Scientific advances in the fusion and aerospace fields are the most relevant to potential revolutionary developments in nuclear weapons as well as antiballistic missile defense systems, and close scientific collaboration in these fields would not just assure the early practical development of a virtually unlimited energy source, but would also make all but entirely impossible the secret achievement of a major unilateral advantage in military applications.

Such a policy would also resolve the endless controlled debate between the "arms control" and "preparedness" camps. The recent *New York Times Sunday Magazine* article by President Eisenhower's former Science Advisor, Dr. George Kistiakowsky of Harvard, attacking the "paranoid" mentality of the Committee on the Present Danger (CPD) types like Paul Nitze, for example, has the same glaring omission as General George Keegan's justified criticisms of unilateral U.S. gutting of advanced technology: no mention of the present global monetary and economic crises and their relationship to strategic options.

The gist of the argument and of our "atoms for peace" proposal then is this: there exists an intimate connection between collective international security and global energy policy. Future bilateral and multilateral strategic arms negotiations must be embedded in the broader framework of a war-avoidance foreign policy posture based upon international nuclear energy development as a precondition to Third World economic development.

#### *The Political Prospect*

What are the prospects for such a policy internationally? The constellation of forces is basically favorable, with West Germany, France, and to a lesser extent Japan, committed to it. Although West German Chancellor Schmidt has maintained publicly that the all-European mutual and balanced force reduction (MBFR) talks, which are an appropriate arena for East and West European steps in the direction indicated here, must take their cue from SALT, he stated on returning from his recent trip to Poland that he hoped Poland can develop relations with West Germany on the same level as those of France, indicating his appreciation that economic issues will determine the success of the arms negotiations.

In fact, America's OECD trading partners, leading with West Germany, France, and Japan, have already reshaped their foreign policy into a foreign trade policy, in the words of a leading BRD daily. This foreign trade policy is focused increasingly toward the Soviet Union and high-technology development deals with the Third World. The past few months have seen a variety of East-West, and advanced sector-developing sector nuclear accords, many including significant areas of Latin America, such as Brazil and Mexico, and the Middle East, especially Iran, though prominently including Saudi Arabia and Kuwait as well. The recent call by a leading Israeli nuclear scientist prominently reported in the *Jerusalem Post* for construction of a joint Israeli-Egyptian reactor in the Sinai also exemplifies how rapidly advanced scientific cadre forces could be added to those of India once the Third World reaches the take-off point in nuclear technology.

Contrary to distortions and lies lately emanating from Harold Brown and the *New York Times*, the continental NATO allies of the U.S. are not primarily concerned that a U.S.-Soviet SALT agreement will freeze them out of cruise missile technology, but rather that such an agreement will sabotage nuclear technology transfer worldwide. The task for U.S. Secretary of State Vance, therefore, is not to sell an acceptable version of the Brzezinski-Brown-Schlesinger package to the Soviets and Western Europe, but rather to disabuse the Soviets of any policy inclinations based on the not totally implausible perception on their part that the U.S. is going to commit premeditated technological suicide.

Instead we must organize with the Soviets a massive "atoms and aerospace for peace" program which will permit linking up with the West Europeans and Japanese for conclusive progress toward peace in the Middle East and new SALT accords. Such a course of political action, premised on the policy of entente, of course presupposes the immediate abandonment of the Carter Administration's disastrous energy policy and its replacement by a hard-technology nuclear export and fusion development-based program.

# London Tries To Poison NATO

Beginning with the NATO consultations in Brussels early this month, a number of leading individuals and newspapers in the West have been intent on giving Warsaw Pact and other observers the impression that the European NATO allies are hardening their military posture and preparing for a replay of the Cold War. The effort has been partially successful. Whereas the proper topic for public discussion this month should have been prospects for peace and economic development in the Mideast following the Sadat-Begin initiative — to name just one urgent issue — instead NATO has been enmired in a damaging debate over the new “cruise missile,” while West Germany has been rocked by another of its world renowned spy scandals.

This attempt to poison the international atmosphere was initiated by the government of the United Kingdom but it has also received substantial backing from U.S. President Carter’s national security advisor Zbigniew Brzezinski, West German opposition defense spokesman Manfred Wörner, and such newspapers as the *London Times*, *Washington Post*, and *Frankfurter Rundschau*. British coordination of the campaign was partially exposed this week when one West German newspaper openly called for a drastic curtailment of British influence in the NATO power structure.

Although the question of the “cruise missile” — a glorified version of the old V-2 rocket — has been an agenda item in NATO for some time, this month’s staged debate originates from British Defense Minister Fred Mulley, who at a meeting of NATO Defense Ministers this fall in Rome warned the U.S. against making concessions on the cruise missile during the U.S.-Soviet Strategic Arms Limitation Talks (SALT). An even stronger version of the same warning was issued in a Dec. 4 West German radio interview by Manfred Wörner, Christian Democratic defense spokesman and a member of the London Institute for Strategic Studies. Wörner further demanded that European leaders should stop stalling on the “neutron bomb” question and approve its use on the continent. Although Wörner currently has no influence over West German defense policy, the *New York Times* brazenly claimed Dec. 5 that his opinions are so influential that they would swing the entire round of upcoming NATO consultations.

The fact that the NATO Defense Ministers and heads of state did not produce any major policy statements in Brussels left the way open for an intensification of this phony debate. “Fears Grow Among European NATO Group over American Plans for Arms Limitation Pact,” headlined the Dec. 6 *London Times*. Citing no evidence, the same newspaper wrote Dec. 9 that “Both Britain and West Germany have warned the United States that they want to become more closely involved in the strategic arms limitation talks.” While British officials ostentatiously did nothing to dispel this impression, West Germany’s Defense Minister Georg Leber protested vigorously, stating his full trust in the United States’ position on SALT. But Leber’s protests went largely unheard, and on Dec. 22 the *Washington Post* was still rumoring that Brussels “was the scene of the first quiet

but concerted push by the European allies to demand that Washington protect European interests” in the SALT talks. Zbigniew Brzezinski is known to support this view.

The attempt to portray West Germany in an alliance over the “cruise missile” issue is part of a general British diplomatic offensive against what they call the “Finlandization” of Europe. In this effort, they are eagerly pursuing both a British-German and a British-French alliance, in hopes of undermining the ongoing French-German alliance for detente and economic collaboration with the East.

Part of the actual story in NATO was revealed Dec. 20 when Adalbert Weinstein, military correspondent for the *Frankfurter Allgemeine Zeitung*, wrote an unprecedented attack on the British. Referring to the well-known discrepancy between what Britain contributes financially to NATO and its representation on NATO bodies, he wrote, “It is horrible how little Great Britain does for NATO.... It is grotesque that the British try to play the role of the big second power in NATO.... Great Britain is the weakest part of the alliance.” Weinstein then reemphasized Defense Minister Leber’s year-old call for more West German influence at NATO’s top levels.

The article immediately unleashed a storm of protest from the British press, the *London Times* calling it “intentional blackmail.” Misguided circles in the East have swallowed the bait and leaped to Britain’s defense, with East German radio accusing Weinstein of “aiming to destroy the British economy.”

The British will, of course, try to play on Soviet fears by portraying any West German attacks against Britain as further evidence of a revival of “German militarism.”

The Weinstein attack was preceded by the revival of an old spy scandal concerning the leakage to East Germany of secret NATO documents from the West German Defense Ministry. The Dec. 20 issue of the *Frankfurter Allgemeine Zeitung* revealed that Renate Lutze, a former secretary at the Defense Ministry who was arrested last year on suspicion of espionage for East Germany, had had access to top secret documents detailing NATO contingency plans in the event of war, as well as estimates of Warsaw Pact capabilities. The internal Defense Ministry memorandum on which this information was based had been given to the newspaper through the office of Federal Prosecutor Rebmann, who subsequently described the case as “more serious than the Guillaume spy affair” which led to the fall of Chancellor Willy Brandt in 1974.

Defense Minister Leber, at an ensuing press conference, adequately defended himself against any accusations of negligence in the affair and vowed to find the individual who leaked the memorandum and charge *him* with treason. But though there is nothing pointing to Leber’s responsibility, rumors were spread through *Der Spiegel* magazine and the *Frankfurter Rundschau* that Leber will, or ought to, resign from his post. Added to this were rumors that NATO headquarters is angry at West Germany’s lax security, or that the Pentagon is

angry at NATO headquarters for not having informed them of the seriousness of the case. The *Frankfurter Rundschau* even reported that British intelligence services are considering withholding sensitive documents from West German authorities.

West German Chancellor Helmut Schmidt indirectly expressed his anger over all this yesterday when he cut short a meeting with NATO Supreme Allied Commander Alexander Haig. According to the *Washington Post*, Haig had been planning to discuss the entire affair with Schmidt.

Experienced observers of Bonn politics have remarked that if this spy affair had been intended merely to weaken Schmidt and his cabinet, it would have been

more effectively unleashed just prior to the national congress of Schmidt's Social Democratic Party in November. But the real target, as the "cruise missile" debate indicates, has been West Germany's emergence as a major influence in economic cooperation with the East and in ensuring peace in the Mideast. It is still unclear precisely why Soviet leader Brezhnev has repeatedly postponed his trip to Bonn, but Bundestag Vice-President Annamarie Renger stated last week that there are "no political reasons whatsoever" for the delay, and that, contrary to certain rumors, West German-Soviet relations are excellent. Chancellor Schmidt will travel to Egypt Dec. 27 for talks with President Sadat, and is expected to offer a major economic development package to the Egyptians.

## Moscow Debates:

# Unlimited Energy Or Retrenchment

Soviet Academician Nikolai Basov took the floor at the Supreme Soviet session in Moscow Dec. 16, to report that "the USSR holds the leading position in research on controlled thermonuclear fusion (CTR)." Basov, who has just returned from touring the United States to boost Soviet-American collaboration in CTR work, stressed that mastery of fusion technology will "provide humanity with an inexhaustible source of energy."

Basov's upbeat report dramatized that the Soviet leadership is by no means united behind the policies reflected in the national economic plan for 1978, which was set by a Communist Party Central Committee plenum Dec. 12 and slated for approval by the Supreme Soviet. The chief presentation to the Supreme Soviet was a gloomy announcement by State Planning Committee (Gosplan) chief Nikolai Baibakov, outlining growth targets well below the pace originally charted for the 1976-1980 period.

Baibakov made clear that the Tenth Five Year Plan (FYP), which in its essential features was already an accommodation of the Soviet economy to the economic contraction in the West, is not being met in a number of important branches of industry and agriculture. The scaled-down 1978 program continues a trend which will prevent the achievement of anything like full-scale industrial application of CTR, which Basov and his allies consider feasible in the 1990s.

Supporting Basov, the advocate of pooling international efforts in science, are party and government layers who favor an interventionist foreign economic policy vis-à-vis the capitalist sector — the only real prospect for releasing the Soviet economy from its straitjacket. A victory for this outward-looking faction should entail several Soviet policy shifts immediately altering the world strategic situation: decisive support for a new world monetary system (possibly employing the socialist sector's transfer ruble) to make possible expanded world trade; a political alliance with progrowth capitalist forces; and a Middle East peace policy built on industrial development of the region.

But first the scientists, economists, and party officials of this tendency will have to defeat the present policy of succumbing to the ripple effects of Western economic collapse on Eastern Europe and the Soviet Union and blocking out the fact that a capitalist recovery is in the vital interests of the USSR.

The absence of President Leonid Brezhnev from the Supreme Soviet session, and reports that he is ill, indicate a fluid factional situation in which the battle — for

unlimited growth or increasing retrenchment — may intensify. Economic difficulties are rapidly becoming the pivot of open clashes, as was clear not only from Basov's remarks, but from the many criticisms of ministry- and enterprise-level incompetence with which Baibakov laced his speech and from a major series of articles in *Pravda* last month on economic performance.

## Row Over Basov Speech At Supreme Soviet

*Academician N.G. Basov's speech before the Supreme Soviet session was reported as follows by the Cuban wire service Prensa Latina Dec. 16:*

The high level attained by the sciences in the USSR makes possible the intensive development of any research whatsoever and the rapid solution of complex scientific and technical problems... Basov said that the Soviet system creates optimal conditions for encouraging and raising the efficiency of the sciences...

The USSR holds the leading position in research on the problem of controlled thermonuclear fusion, which will provide humanity with an exhaustible source of energy.

*The Dec. 17 issue of Izvestia, the government daily carrying summaries of Supreme Soviet speeches, glossed Basov's speech in a such way that his remarks on fusion were deleted. While including details of Basov's report on Soviet efforts to combat the flu, Izvestia condensed his references to atomic energy:*

The draft State Plan for 1978, which we are discussing, provides for more than 21 percent growth of electric energy produced at atomic power plants. Furthermore, the 25th Party Congress stated that already now we should pay more attention to new, promising methods of obtaining electric energy. Our scientists have been working on this for many years.

*Throughout 1976 and 1977 a continuing indication of the trouble Basov and his collaborators were meeting in their push for an all-out effort to achieve fusion power was a deemphasis on fundamental research in official proclamations. The Siberian branch of the Soviet Academy of Sciences was even chastized in a Central Committee resolution for underemphasizing research that has immediate practical results for industry (in favor of*

basic research). Baibakov's 1978 plan report, in its section on the development of science and technology presented a similar contrast:

There will be continuation of basic research in the most important areas of the natural and social sciences. There will be an intensification of scientific research of an applied nature. (emphasis added)

Baibakov went to specify projects from the second category only. He motivated this emphasis with some urgency in the introductory portion of his report.

There has been a significant influence on the indicators of production efficiency by lags in fulfillment of plan assignments in the assimilation and introduction of new technology. Especially unsatisfactory in this regard were the Ministries of Ferrous Metallurgy, Petro-Chemicals, Chemicals and Construction Materials.

## The 1978 Plan In The USSR

Planning chief Baibakov announced the second slowest growth target for industrial output since World War II — 4.5 percent. The Five Year Plan (1976-1980) had projected a 6 percent industrial growth rate for 1978. Now, with industrial output increases of 4.8 percent in 1976 and an optimistically estimated 5.8 percent in 1977, it will take better than 8 percent growth in both 1979 and 1980 to meet the overall target for 1976-1980 (See graph 1).

Although 1976 and 1977 saw overall industry growth targets met, they were missed in vitally important sectors, including steel. The steel plan has been steadily revised downward this year and last, until the 1978 plan calls for almost no growth at all (see graph 2): 152.6 million tons, after the 1977 target of 152.3 million tons. Projections from the 11-month 1977 results indicate steel output this year will be in the area of 148 million tons.

Baibakov spoke at length on the difficulties in steel, ordering the Ministry of Ferrous Metallurgy to wage war against metal wastage, down-time of furnaces and "infractions of labor discipline."

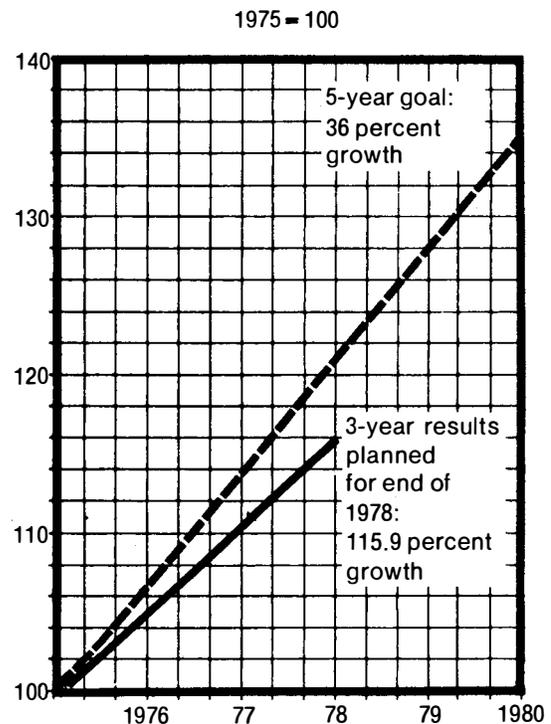
Turning to agriculture, Baibakov had to sum the 1976 and 1977 grain harvests together in order to avoid reporting a downward trend in 1977. The harvest this year, now estimated at 195.5 million metric tons of grain, made most distant the 220 million ton average sought for the Five Year Plan. 1976 and 1977 grain production averages to 209 million tons.

The Soviets are apparently trying to generate capacity to remedy the shortfalls in industry, by shifting the rate of capital investments. The 1978 plan calls for a 3.4 percent growth of capital investments, whereas 2.9 percent was the previously projected rate for next year. But increased investments are bound to go down the drain in the inefficient agriculture and construction sectors.

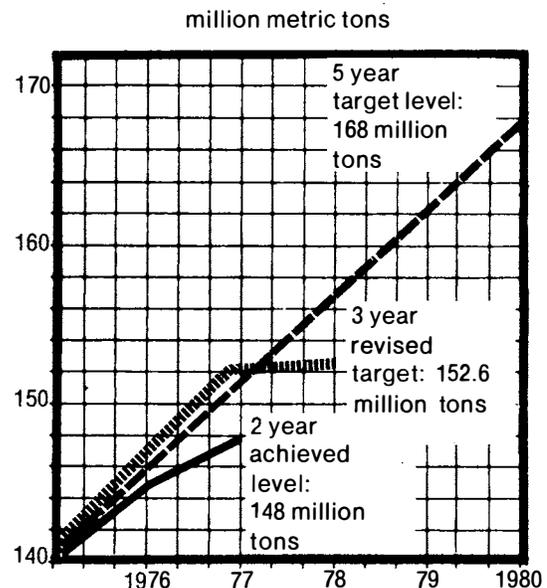
The plan, as it stands in Baibakov's summary, appears to write off hopes of correcting inefficiencies and bottlenecks through trade with the advanced sector in the West, even though Baibkov said frankly that, "economic ties with foreign countries are increasingly significant for the development of the Soviet economy." Indeed, Soviet trade with the West began to turn downwards in

1976 and has plummeted further in 1977. Of the planned 10 percent increase in foreign trade turnover for 1978, the majority will be with the socialist bloc countries.

## Soviet Industrial Output: Plan and Results



## Soviet Steel Output: Plan and Results



## Open Debate In Pravda

The party paper *Pravda* sounded an alarm with a three-part series of articles Nov. 10-12 written by deputy editor and leading economist D. Valovoi, which opened an official debate on planning and plan implementation. Valovoi wrote a thorough indictment of the present system of industrial performance indicators, the criteria used to measure plan fulfillment, and bleakly warned that if radical changes are not made, some of the "most important" projects of the current FYP will not be completed.

Valovoi explained that the planning problem of aiming for "gross output" has not been erased, but only covered up, by numerous reforms of the indicators over the past ten years. "Gross output" targets aggravate bottlenecks throughout the Soviet economy: in the classic example, a plant produces big nails and meets its tonnage plan, when in fact industry needed nails of a different size. Valovoi cited the case of a motor-parts plant being supplied 200 kilograms slabs of metal from which to cut 30 kilogram parts, when it could much more efficiently have used 50 kilogram slabs.

"Gross output," preserved under such guises as "gross output sold," thus functions as a bias

against the introduction of available new technologies in industry. "The problem," wrote Valovoi, "is that the achievements of scientific and technological progress create favorable conditions for lowering the expenditure of living and embodied labor ... but (if these achievements are actually introduced) a *fall* in the rate of growth of production and productivity is registered, because these are determined on the basis of 'gross output'."

In the construction industry, bottlenecks in deliveries of building material constantly cause delays. Valovoi reported that the portion of capital investments going into projects not completed on schedule has risen from 69 percent in 1965, to 75 percent in 1975, to 80 percent last year.

*Pravda* appealed for debate of Valovoi's articles. Valovoi himself suggested the introduction of a whole array of performance indicators to circumvent "gross output" and its associated faults. But any solution limited to purely internal Soviet remedies, like tinkering with the system of indicators, is bound to fail. For the debate to result in anything besides the heads of some industrial managers rolling, it will have to be joined by supporters of Basov and taken into the realm of international programmatic solutions.

# Looking Beyond The 'Begin Plan'

Expectations are currently running high in Cairo, Jerusalem, and Western capitals that the upcoming summit talks in Egypt between Israeli Prime Minister Menachem Begin and Egyptian President Anwar Sadat will provide the groundwork for new Israeli initiatives vis-a-vis the occupied West Bank and Gaza Strip territories and the question of Palestinian Arab self-determination.

The optimistic assessment is based on recent developments from Paris, Bonn, Washington, and the two Mideast capitals that a consensus is being reached about the broad principles that must underlay a Middle East peace.

- During his Washington trip, Begin revealed a plan for "self-rule" for the West Bank Palestinians that provided for a relinquishing of both Israeli and Jordanian sovereignty over the area, and that would be equivalent to "self-determination" for the local population, although maintaining Israeli troop deployments in the region. When this plan was attacked by all the Arab states, including Egypt, Begin announced in London that the idea was a "proposal, not a blueprint," and that further concessions were under consideration.

- On Dec. 20, Begin dispatched his Defense Minister and political ally Ezer Weizman to Cairo to hold a special series of negotiations with his Egyptian counterpart, Mohammed Gamassy, and with Sadat. After the talks, Cairo sources labeled them "absolutely crucial" since they dealt with the "fundamental principles of an overall peace." Dr. Osama Baz, Sadat's special negotiator in the current round of Egypt-Israel-U.S. talks in Cairo, told reporters that he expects "major strides and a Geneva conference ... within weeks," because of new "big concessions from Israel."

- Sources in Bonn reported on Dec. 22 that the Dec. 27 visit to Egypt of West German Chancellor Helmut Schmidt could expand into a major tripartite summit between the three leaders. In an interview published in the latest issue of West Germany's *Stern* magazine this week, Sadat identifies West German technology and West German contributions to regional security guarantees as vital to a stable Middle East.

- French media reported Dec. 22 that Begin and French President Giscard d'Estaing will meet during January or February of the new year. In London, Begin requested a special meeting with a personal envoy of Giscard's and called for an "improvement of French-Israeli relations... to the status that prevailed before the 1967 Arab-Israeli war." In a recent interview Giscard identified regional industrial development as the basis for providing Israel's security needs.

- Also on Dec. 22, highly reliable United Nations sources revealed that the Palestine Liberation Organization, in coordination with independent West

Bank Palestinian Arabs, is preparing the formation of a Palestinian "government-in-exile" that would present itself as a negotiating body with Israel. According to a prominent U.S. Mideast expert just returned from Jerusalem, Begin would be open to dealing with non-terrorist factions within the PLO and with responsible West Bank Palestinian leaders in the context of a U.N. forum.

- On Dec. 21, the Saudi Arabian government called for the recirculation of U.N. Secretary General Kurt Waldheim's late November proposal for a special U.N. Middle East conference that would include the U.S. and the Soviet Union. In an official statement, Saudi leader Prince Fahd for the first time offered public, if critical, support for the recent peace initiatives of Sadat.

These highlight developments of the past days converge on three critical conclusions for the Mideast situation.

*First*, Begin and Sadat and the governments of Western Europe, the U.S., and Saudi Arabia perceive great possibilities emerging from the bilateral Egypt-Israel talks but are determined to ensure that these talks produce genuine solutions to the more comprehensive outstanding territorial and Palestinian questions.

*Second*, the parties sharing this perspective are broadly the same as those involved in piecing together the rudiments of a new world financial center in Luxembourg. These forces perceive Mideast instability as a grave threat to stemming the collapse of the dollar and want a stable Mideast to be an underpinning for the coalition of forces that would be necessary to make Luxembourg work. An interesting example of the potentialities inherent in this dynamic is that the nation of Luxembourg became the third European country — after France and Belgium — to allow the opening of a PLO office, only days after Luxembourg and Saudi Arabia instituted diplomatic relations. The existing office in Belgium, notably, is a conduit point for peace initiatives from the PLO and Egypt to Israel.

*Third*, the "Luxembourg" forces have adopted an approximate notion that the key to Middle East peace and security lies in the industrial development of the region. This common realization could produce movement toward French, West German and-or U.S. offers to provide the technology for either parallel nuclear development projects in Israel or Egypt, or a joint nuclear development projects in Israel or Egypt, or a joint nuclear development project between the two countries.

## Israeli Faction Fight

The successful resolution of these tendencies will in part be determined by the outcome of a remarkable faction fight that has broken out in Israel over the past few days.

Over the past two days, an incredible alliance has taken shape involving Foreign Minister Moshe Dayan, the paranoid Labour Party social democrats led by former Prime Ministers Yitzhak Rabin and Golda Meir, and the religious extremist Gush Emunim group — plotting together to prevent Begin's peace moves from continuing.

As Begin returned today to Israel, the opposition Labour Party opened a drive for a vote of no-confidence in Israel's Knesset (Parliament), ostensibly because Begin's statements on the West Bank made in Washington last weekend "open the way for the creation of an independent Palestinian state" and challenge the right of both Israel and the Kingdom of Jordan to have sovereignty over the region.

Preceding the no-confidence drive, Meir told a Labour Party leadership meeting Dec. 19 that the Party should "stop Begin from making his political moves and should not give him backing because this policy would harm the country." One day later, the social democratic paranoids opened up coordinating sessions with the Gushies to oppose any "sell-out" on the West Bank.

It is no longer a secret in Israel that Dayan is orchestrating these moves. The Anglo-American traitor is known to be irate that Begin has systematically cut him out of regional diplomatic action — the Jerusalem Post last week labeled Begin "Israel's Prime Minister and Foreign Minister" — and that Begin is determined to push for a comprehensive settlement with all the Arab states rather than attempt to blackmail Egypt into a separate peace.

In the topsy-turvy political configuration that has occurred in the wake of Sadat's Nov. 19 trip to Jerusalem, Begin is now receiving support, even if critical, from the Labour Party dovish faction centered around former Foreign Minister Abba Eban. One Eban ally, Knesset member Yossi Sarid, factionalized against Meir and insisted instead that the Labourites should pressure Begin to make real concessions vis-à-vis the West Bank, rather than the "self-rule" non-starter.

A prominent Israeli dove and former violent opponent of "hawk" Begin told France's *Nouvel Observateur* magazine this week that "we should do nothing to embarrass Begin, while at the same time pushing him to make concessions....Begin is a man with historical vision who will hopefully understand what is needed on the Palestinian question to get the foundations of a real peace."

According to recent published opinion polls, Begin's support among Israel's population is very high. One U.S. source just returned from Jerusalem says the Prime Minister may "collapse the government, force new elections, and move to splinter into pieces the opposition parties if he feels too hemmed in by what Dayan and Co. are doing." This move, the source emphasized, "would give Begin a mandate for considering new concessions."

## What Dayan Is Up To

*This assessment comes from a U.S. Mideast expert just returned from Israel.*

### On The Israeli Internal Situation

(Israeli Foreign Minister) Dayan and (former Prime Minister) Rabin are in indirect contact, discussing ways to stop Begin's drive for an overall Arab-Israeli settlement. Dayan is holding discussions with the religious parties to find ways to bring Begin back in line, and, if not, what can be done. Dayan's problem, though, is that he has lost his constituency inside the country and needs more than the three men that he controls in the Rafi (a 1965 split-off from the Israeli Labour Party — ed.). As for Rabin, he's trying to get control of the Labour Party again and sees the Dayan alliance in very favorable terms.

The problems Dayan is facing are not going to be easy for him to solve. Begin is aware that Dayan is very upset with the way things are going, and, more specifically, that he has left Dayan at home during the recent regional diplomatic moves. Begin has clearly expressed his intention that he will not allow Dayan to handle serious matters with the Egyptians, and I am not going to be surprised if Begin does not take him to Cairo for the meetings with Sadat.

If by any chance Begin perceives that the whole affair is developing into a crisis, he will threaten to resign. This will give him the upper hand, since it will create splits inside the Labour Party and will cause fissures in the Democratic Movement for Change, and both groups will suffer losses to Begin.

### On Begin And Sadat's Diplomatic Intentions In The Next Two Weeks

Begin needs time as much as Sadat does. Sadat and Begin have agreed on this. And in my opinion Sadat wants to allow Begin to work out his internal problems. But Sadat is willing to do this only if Begin agrees to come out with real concessions.

On the Palestinian question, Begin and Sadat — but more specifically Sadat — have a plan in mind. Begin won't negotiate with the PLO. But he will negotiate with some other Palestinian body, most likely the Palestinian National Council, which is, after all, a legislative group for the Palestinians. So, negotiating representatives for the Palestinians will be elected from the Palestine National Council and will include representatives from Egypt, from Syria, from Lebanon, and from the West Bank.

This will really get rolling only when the negotiations shift from Cairo to the United Nations. I am very optimistic that Begin and Sadat, after they meet in Cairo, will agree to a new UN-sponsored conference, which will take all these questions under consideration.

But this process I am describing will take three to four months to take place. In the meantime, Begin and Sadat will be engaged in many acrobatic and diplomatic actions to keep the momentum going.

# PLO Makes Peace Bid To Israel

Palestine Liberation Organization leaders, including PLO chairman Yasser Arafat, have initiated a series of delicate peace overtures to Israel to facilitate a just resolution to the West Bank Palestinian issue, the main stumbling block to an Arab-Israeli peace settlement.

According to columnist Eric Rouleau of the French daily *Le Monde*, moderate PLO leaders from Fatah, the core faction controlled by Arafat and backed by Saudi Arabia, are quietly circulating a document calling for the immediate integration of the PLO into the ongoing peace process, and mooted the possibility of releasing it publicly. The document, quoted in Rouleau's Dec. 20 article, states: "The PLO is committed to working in favor of a peaceful settlement on the basis of the U.S.-Soviet joint statement of Oct. 1977, which provides for the Palestinian people to exercise their right to self-determination and to establish a state alongside Israel. The two main states would be committed to live together in peace."

Earlier this month, the PLO's Beirut spokesman Mahmoud Labadi stressed that the PLO is willing to compromise with Israel on the West Bank issue, and is ready to go to Geneva to work out a solution.

Although the PLO has publicly condemned Egypt's overtures to Israel, Arafat "would accept a *fait accompli* such as a West Bank Palestinian state linked to Jordan," according to a former State Department official. Since Sadat's trip to Jerusalem in November, Arafat has avoided attacking the Egyptian President personally, and has instead directed several PLO representatives abroad to support Sadat. Arafat himself is in almost daily touch with Sadat. "Arafat will not burn his bridges to Sadat, just in case Egypt does get a settlement," commented another State Department spokesman.

Arafat is engaged in an intense power struggle with the extremist wings of the PLO, which absolutely reject the notion of a negotiated settlement with Israel. The most vocal of the hardliners is Zuhair Mohsin, the agent-leader of the Syrian intelligence-linked As-Saiqa faction of the PLO, which is demanding the assassination of Sadat and the destruction of Arab oil fields to protest the Sadat-Begin diplomacy. Also exerting pressure on Arafat is George Habbash, the deluded leader of the People's Front for the Liberation of Palestine (PFLP), which is threatening terrorist action against Israel.

According to the London *Financial Times*, Egypt is working on a strategy to split Fatah off from the rest of the PLO by exacerbating the Fatah-Saiqa rift. "If more than half of Fatah accepts ... the peace talks," said one Egyptian source, "then Egypt will give Arafat its full backing."

## *PLO Delegation Seeks Invitation to Washington*

Arafat has personally instructed Said Kemal, the head of the PLO office in Egypt, and deputy head of the PLO Political Department, to coordinate policy with the Egyptian government. On orders from Arafat, Kemal

has requested Egypt to persuade the U.S. to invite a delegation of moderate PLO leaders, including PLO Foreign Minister Farouk Kaddoumi, to Washington, to open a dialogue on the basis of the joint U.S.-Soviet communiqué. Such a dialogue is backed by factions linked to Republican leader John Connally in the U.S. who favor direct PLO involvement in the peace process as the only realistic way to secure a durable Mideast settlement.

It is widely acknowledged that the U.S. and Israel must now reciprocate and make a move to accommodate the PLO. Europe is rapidly moving to clear the way. Last week, as a result of the mediation of moderate PLO representative to Brussels, Dajani, Luxembourg — which is emerging as the likely core of a new monetary system — has recognized the PLO, lending legitimacy to the PLO as a valid negotiating partner for peace.

## *PLO Leader:*

### *"PLO Not Against Sadat Initiative"*

*This is excerpted from an interview with Said Kemal, the deputy head of the PLO's Political Department, that was printed in the Dec. 7 issue of the Turkish daily Milliyet.*

The PLO is not against President Sadat's initiative, but we have not reached a final decision either. This is why we decided to freeze our relations with Egypt instead of breaking with them and to leave the doors between us open.

The real ally and supporter of the PLO are the people of Egypt. Egypt is the primary ally of the Palestinian cause and people. Bearing this fact in mind, our leader, Arafat, has said that his stance is not directed against the basic aim of the peace initiative taken by Sadat, but rather at the tactics and the method used.

We have certain reservations about President Sadat's initiative, which he undertook without consulting anyone... Any decision should have been at least discussed with the PLO.

Now we will await the results of this visit. We must follow, study, and evaluate the initiatives taken by the United States and the Soviet Union. We have already announced our total acceptance of the Soviet-American joint declaration on reconvening the Geneva conference, and of the fact that this declaration could form a basis for the conference.

If President Sadat reaches agreement with Israel on all problems at the Cairo meeting and in other initiatives, the Geneva conference will be reduced to nothing more than a signing ceremony. If the United States and Israel really want peace and justice to come to the Middle East, the least they can do is to determine the principles that will form a basis for a final settlement. When this is done, the details may be debated later at the Geneva meetings. In fact, this is the procedure President Sadat has in mind.

## PLO Delegation Seeks Invitation to Washington

*The following is taken from the Dec. 20 Financial Times of London.*

Egypt today postponed the visit by a delegation of Arabs from the West Bank, whose mission was to express support for President Sadat's peace initiative.

This may well reflect Egypt's realization that Palestinian delegations from the Gaza Strip and the West Bank do not satisfactorily represent the Palestinians in peace negotiations with Israel.

Instead, it is working on a strategy to split the Fatah, the largest guerrilla group, away from the PLO.

Egypt intends to deal with PLO hostility by playing on the mistrust between Mr. Arafat's Fatah group and the Syrians who only last year were in open combat with each other in the Lebanese civil war.

Egyptian intentions can be observed in the results of recent contacts with the PLO. Mr. Sadat has sent three written messages to Mr. Arafat since his return from Israel, according to well informed Palestinian sources.

Mr. Arafat twice replied with verbal messages and personally instructed Mr. Said Kemal, acting head of the PLO in Egypt, to open talks with the Egyptians.

Mr. Kemal has held a series of meetings with Mr. Sayed Marei, speaker of Egypt's Parliament and the President's closest confidant.

Mr. Kemal has been asking Egypt to persuade the U.S. to invite a delegation of moderate PLO leaders which might include Mr. Farouk Kaddoumi, Basl Aql, Shafiq el Hout, Yasiq Abdu Rabbuh, and himself.

Undeterred by the cold American response, a delegation of this sort would be willing to open a dialogue with Washington on the basis of the October U.S.-Soviet declaration on the Middle East which included U.S. acknowledgment of Palestinian rights and Soviet acceptance of normal relations between Israel and its neighbors without reference to the PLO.

It has also been noted in Cairo that despite a series of predictable PLO statements attacking Egypt, neither Mr. Farouk Kaddoumi, the PLO's Foreign Minister, nor Mr. Arafat, has made any personal statement against Mr. Sadat since his visit to Israel. The latter left it to hardline Abu Iyad to sign the anti-Sadat declaration in Libya this month.

# Institutional Instability In Latin America

With a wink and a nod from Washington, civilian parties in the military-run nations of South America are busily scrambling for power in a controlled game of musical chairs between themselves and sections of the armed forces. The military regimes of Bolivia, Ecuador, and Peru have announced plans to pave the way for elections. In Argentina, the sudden mobilization of political parties has been given momentum by deliberate Navy protection.

The present action to "civilianize" the regimes of Latin America is a phase of National Security Council Advisor Zbigniew Brzezinski's policy based on "human rights." The objective of the civilianization, however, is not "democracy," but *institutionalized instability*. When the U.S. government is based, as is now the case, on a policy which offers nothing to its allies — no energy, no investment, no industry — it has no allies. All it has is debt collection outposts in tenuous "spheres of influence" which must be kept in disarray if they are to be kept at all.

Such a process was not accidentally foreseen by Brzezinski's Argentine collaborator, Mariano Grondona, who earlier this year noted that all of Latin America had to be brought to a new political system based on civilian-military joint rule.

Critics of Brzezinski who favor a Henry Kissinger-style diplomacy, have lambasted his "bungling" the human rights approach. Yet, they themselves make it abundantly clear that the personal diplomacy they prefer is merely the flip side of the "activist" techniques. On fundamental objectives, they concur. It is revealing that Kissinger's Chile, whose fascist government has made it a "raison d'être" to "pay our debts on time and in cash," as Pinochet repeatedly states, has been exempt of Brzezinski's human rights crusade.

## *Controlling Both Sides*

Roger Fontaine, Latin America director at Georgetown University Center for Strategic and International Studies — the home of Henry Kissinger's think-tank networks on Latin America — stated the method bluntly in the *Washington Post* Dec. 4.

*Soon Latin America's politics will be undergoing another sea change: an honest-to-God return to civilian rule, replacing military regimes that have dominated the area all through the 1970s.*

*... There is no evidence that this next swing to democracy will be any longer lasting than previous such trends. Indeed, all the evidence suggests that we are just going through another cycle, another swing of the pendulum begun long before Jimmy Carter walked down Pennsylvania Avenue. And the only thing as certain as this swing of the pendulum is that there will be a return swing, back to militarism.*

*... Military governments in Latin America are in trouble. Peru for example, has been run by the army since 1968. The government promised a social revolution of the Third World type, and handed the Peruvian people a shattered economy with an enormous foreign debt and the strong possibility of a 40 percent rate of inflation next year. A similar story of mismanagement could be made for other military regimes, with the possible exception of Chile and perhaps Brazil.*

*... Serious splits are developing within the ranks of the armed forces themselves — splits which threaten the integrity of the institution itself ... Therefore, civilians will be given the reins — for a while — and the officers will be left licking their (often self-inflicted) wounds. For a while — that is the operative phrase.*

*... Perhaps it would help if the administration understood that these swings from civilian to military back to civilian rule are not that bad. They do provide the roughly functional equivalent of a two-party system, with the 'ins' managing for a while and, when tired or corrupt or just plain incompetent, being replaced by a fresher, unspoiled set of 'outs'. With very few exceptions, this military-civilian "two-party" system is working in most of Latin America."*

Fontaine stressed that the U.S. government should commit itself to neither "ins" nor "outs". Brzezinski's policy, though tactically criticized by Fontaine, is producing precisely the effect Fontaine describes.

## *Showcase: Argentina*

Already, Argentine president Videla has echoed the line. In a discussion with Japanese journalists early this week, Videla said a "strong and stable democracy" would be set up in Argentina, to "prevent the pendular swings" between military and civilian rule. The semi-official daily *La Opinion*, defined the new "democracy" as one of "military-civic convergence" similar to Uruguay, since "purely civil government is unthinkable at present in the cone, and purely military government cannot prolong itself without harming itself".

The case of Argentina is exemplary of Brzezinski's method. The NSC director is now mobilizing the pro-British, extreme fascist wing of the Peronist movement to destroy the antimonetarist nationalist forces emerging in the ranks of the Army. When Secretary of State Cyrus Vance visited Buenos Aires a few weeks ago, he made a point of meeting with representatives of civilian parties, who shortly after he left, held a "Parliament Day" attended by 400 senators from the "recessed" political parties. Almost immediately, the ultra-right Peronists collected 50,000 signatures demanding political amnesty

and a return to guaranteed civil and political rights. A month ago, this kind of activity would have been met by virulent repression.

A State Department spokesman compared the new mobilization of the political parties of the 1970 "Hour of the People" coalition which led to the overthrow of General Levingston and the eventual return of Juan Peron in 1973. Peron then unleashed the fascist AAA (Argentine Anti-Communist Alliance) apparatus of his party to butcher its own nationalist wing.

This time, the strong man behind the Peronist-dominated political coalition is Admiral Emilio Massera, the raving fascist member of the three-man junta who has repeatedly used his terror machine and control of the Navy to sabotage President Videla's independent foreign policy initiatives, most notably his fostering of relations with Venezuela and the socialist countries. For his militarist exploits in "defense of the liquid fatherland," (Massera's term for the ocean!), Massera is lavishly paeaned in the British press.

Admiral Massera was given an additional boost by the British Crown when it awarded Chile three islands in the Beagle Channel off the Argentine coast. The provocative and unfounded decision gave Massera the platform to launch his naval campaign to defend "Argentine liquid territory against mutilations." Massera is well trained in British geopolitics, and is one of the loudest spokesmen of the South Atlantic Treaty Organization (SATO), a pet project of the London-based Institute for Strategic and International Studies. SATO also happens to be the stated objective of Grondona, as he detailed last May in Brzezinski's *Foreign Policy*.

Propelled by the notoriety of his naval exploits, Massera is now moving to take over the presidency, and City of London interests tied to Brzezinski's NSC are heading up his international campaign. Larry Birns, head of the Council on Hemispheric Affairs and collaborator of NSC "human rights activists" like Robert Pastor, accepted on Dec. 8 an invitation from Argentine naval intelligence to publicize Massera's "presidential campaign." Birns told this news service several weeks ago that he supports Massera despite his known involvement in the fascist death squad apparatus, because "any divisions you create in the junta are good. It weakens the military."

For the occasion, Massera adapted his stance. In an interview with *Nacional*, a prominent Caracas daily, he said that calls for "democratic systems through popular consultation are made because we (the armed forces — ed.) don't know how to rule." Civilian participation, he said, is necessary because "its as though a civilian took the helm of a ship. He'd have to accept my advice; I'd have to tell him go this way, steer in this direction." Massera also said he favors amnesty for political prisoners such as former President Isabel Peron.

Beneath the demagoguery, Massera's internal policies favor British interests as does his wild militarism. During a tour of Colombia in June 1977, Massera labeled technological development as subversive, charging that "the contemporary world, hypnotized by a dazzling technology, seems to live the illusion of an unlimited process of perfection."

Massera's candidacy in collaboration with the fascist

wing of the Peron movement propelled by Brzezinski's human rights advocates is meant to check the "developmentalist" group centered around retired General Juan Guglielmelli. There will be no lull in repression of the working class and political parties who continue resisting the dismantling of the economy.

General Guglielmelli has been organizing military men and industrialists around a "national security doctrine" — explicitly meant to counter Massera's British doctrine — based on a program for national development which he traces to Alexander Hamilton. Fiercely opposed to both the British and the Rockefellers, Guglielmelli last week attacked the economic policies of Massera's allies as treasonous capitulation to those monetarist interests. The General urged "organizing the nation around not only the development of our raw materials, but the optimum and unhalting development of our productive forces." Ironically, he is appealing to the model of U.S. industrialization policies instituted against the British, at a time when the U.S. government has nearly abandoned its own heritage.

## Einaudi: Mix Military, Civilian Rule To Guarantee Latin Debt Payment

"Kissinger's Kissinger for Latin America," Luigi Einaudi, told a Columbia University seminar on "Militarism and Democracy in Latin America" last week that the U.S. should try to replace existing military regimes in South America with "mixed military-civilian constitutional rule."

Although he has lost most of his political clout with Henry's departure from office, Einaudi retains his title as Director of the Office of Policy Planning of the Inter-American Affairs section of the U.S. State Department, and is working for a return to Dr. Kissinger's lethal brand of "realpolitik".

Einaudi's approach is best seen in his analysis of Peru. There he recommends "stabilizing" a coalition between the centrist faction of the Army headed by President Francisco Morales Bermúdez, the Social Democratic blackshirts of the APRA Party, and the oligarchic interest groups. "If we can help Morales Bermúdez keep the pendulum from going all the way to the right, we are strengthened in dealing with other military regimes in South America," declared Einaudi. He cautioned that the "holding of the center" would be a difficult task "since the excesses committed in the First Phase (of the Peruvian Revolution) mean that a regime à la Pinochet is likely." Einaudi stressed that Peru can not now establish a real democracy, since it is very risky to hold "elections in a period of economic unrest, but elections in all countries can be managed to some degree."

Speaking that same day in Lima, General Morales Bermúdez retracted previous promises of a return to complete civilian rule in 1980 and declared that "neither the civilians nor the military will have absolute responsibility in the future for what happens in Peru".

### *Covering His Tracks*

What Einaudi left unsaid was his own role in creating the conditions in which a bloodbath modeled on the coup in Chile is the most likely outcome in Peru. He attempted to cover his operations in Peru, and similar Kissinger crimes against the Allende government in 1973, by blustering to the assembled academics that the "role of the military in South America has bloody little to do with the Americans, whether military or other."

During the question period, however, a reporter documented in detail the methods Einaudi used to entrap the progressive Peruvian leaders, and then drive them from power. Einaudi's opportunity came in June 1975 when General Jorge Fernández Maldonado, the heir apparent to the presidency and the leader of the radical nationalist faction of the Army, nationalized Marcona Corporation's iron ore mine. The Kissinger-linked Marcona Corporation played the "evil imperialist" role by organizing a worldwide embargo on Peruvian iron. Marcona and the Rockefeller banks added a boycott which wiped out credits to Peru and brought the country to the brink of bankruptcy in early 1976. Einaudi was the key man in then proceeding to the "Second War of the Pacific" scenario created by his colleagues at Rand Corporation, by inflaming previously amicable Peruvian-Chilean relations to a state of imminent regional warfare.

During the crisis period, Einaudi visited Peru five times in the role of the "friendly advisor" to the military, warning them that Chile would be armed if Peru persisted in the Marcona confrontation with the U.S. Within a month after Fernández Maldonado finally conceded to compensate Marcona generously for the expropriation, Maldonado, debt moratorium advocate Foreign Minister de la Flor, and Agriculture Minister Gallegos, a supporter of capital-intensive investment, were all purged from the government. The way was clear for an IMF takeover of the country.

Einaudi responded to the charge by conceding, "I was up to my neck in the Marcona negotiations... I congratulate you on your information, though I deplore your interpretation." He pleaded that the audience believe him that he did it "to help solve a thorny problem between Peru and the U.S." While admitting that the Rand scenario of regional warfare "could have been

used to create havoc," he claimed that he had only sought to pacify a conflict inherent between the two countries. However, Einaudi let down his guard in reference to Fernández Maldonado whose name, he said, "is on the final Marcona settlement documents and can be used by the (present) government if necessary".

### *The Economic Game in this Hemisphere*

Einaudi's "healthy principle" was that the hemisphere belongs to Rockefeller and that any military or civilian regime seeking support from competing world powers must be smashed. He offered a repeat performance of what he had told centrist Peruvian officers to turn them against Maldonado and de la Flor in 1976: "The Peruvians have bought themselves a peck of trouble by dealing with the Russians. . . . The Russians are not a player in the economic game in this hemisphere. The Russians have been useless to the developing countries in the North-South talks. You don't want to be in big debt with the Soviets; it makes debts with the real economic forces so much harder to resolve."

Einaudi said he began his career as a political and psychological profiler of Latin officers at the Rand Corporation in 1962 where he observed the new reformist and nation-building concerns being shown by Peruvian officers. During study trips to Peru in the 1960s, and especially after the Peruvian Revolution of 1968, he ingratiated himself with the progressive officers by defending their views against the knee-jerk "anticommunism of conservative Senators and Pentagon traditionalists." In fact, he became the hero of the graduating class of the Peruvian Center for Higher Military Studies (CAEM) by hosting its visit to Rand in 1971 and telling it how "Pentagon stupidity" was botching the war in Vietnam.

As a result, even while he was destroying the only Peruvian government ever committed to social and economic development, Einaudi was looked upon by parts of the Communist Party and by the progressive generals themselves as "Peru's friend in Washington." He claimed at Columbia that his posture as a Peru advocate was so convincing that "the Chileans consider me a Peruvian agent."

# Administration Split Looms Over NEPA

A major battle is shaping up within the Carter Administration which will determine the future of high-technology exports from the United States. Strategically placed environmentalists with the Administration — notably in the Council on Environmental Quality (CEQ) and in sections of the Justice Department — are arguing for a policy which would apply the deadly and destructive procedures of NEPA (the National Environmental Policy Act) to any U.S. government financed or licensed projects in foreign countries.

This issue of whether NEPA should apply to overseas projects is now coming to a head on two fronts:

- (1) the CEQ will soon be issuing regulations which are expected to require all federal agencies to apply NEPA overseas, despite serious opposition to such a requirement from the Export-Import Bank, the Nuclear Regulatory Commission, and the State Department;
- (2) the Natural Resources Defense Council (NRDC) and the Audubon Society have brought suit against the Export-Import Bank to force the bank to apply NEPA procedures to its overseas activities; the Eximbank has been unable to obtain the support of the Justice Department to defend its ability to finance high-technology exports.

## *NRDC v. Eximbank*

In January 1977, Laurance Rockefeller's NRDC brought suit against the U.S. Export-Import Bank seeking (1) a declaratory judgement that NEPA applies with full force to the Bank's financing of "environmentally significant equipment and services," and (2) an injunction requiring the Eximbank to prepare and circulate Environmental Impact Statements for the refinancing of such exports. (1)

As examples of the types of projects where NEPA should apply, the NRDC complaint cited "offshore oil equipment, wetland dredging equipment, railroad construction equipment, and equipment for nuclear and other electric power generation facilities."

The application of NEPA to the construction and operation of commercial nuclear power plants has brought the planned construction of nuclear power reactors almost to a complete halt in the U.S. Now, the environmentalists want to use the same tactics with respect to all overseas energy and development projects — citing such countries as Zaire, Gabon, Indonesia, and Trinidad in their lawsuit.

Although the NRDC suit has been pending for almost a year, the Department of Justice, which represents the Eximbank in court, has yet to file an answer to the NRDC's complaint. According to attorneys in the Justice Department's Land and Natural Resources Division,

they are stalling until the CEQ issues its guidelines, expected in February. "We are just hoping we can postpone any action until the Executive makes a policy decision on the whole matter."

NRDC attorneys can hardly conceal their delight with the Eximbank's dilemma. "The government is trying to get its act together," commented an NRDC lawyer, "there are serious differences within the Administration." Meanwhile, the Eximbank, unable to obtain adequate legal representation, is left at the mercy of environmentalists within the Justice Department.

In fact, the only defense of the Eximbank is being conducted by the Mid-America Legal Foundation, which has intervened in the case as Intervenor-Defendants on behalf of a number of midwestern industrial and labor groupings. Mid-America has opposed the Justice Department's latest motion for an extension of time for the Eximbank to answer the suit until Feb. 6.

## *CEQ Sabotage*

The CEQ's effects to wipe out U.S. industrial exports began with its issuance in September 1976 of guidelines which stated its position that NEPA requires Environmental Impact Statements for federal projects "in the United States, in other countries, and in areas outside the jurisdiction of any county. President Carter's Environmental Message of last Spring announced an Executive Order (no. 11991) giving the CEQ the power to issue regulations which presumably will have a binding effect on all federal agencies. The CEQ has drawn up these proposed regulations, and is now circulating them for comment to other government agencies. They are expected to be issued in final form during February.

NRDC now has a direct foothold in the CEQ with the appointment of *Gustave Spaeth*, an NRDC attorney, to the three-man Council last Spring. Last week, an NRDC attorney commented on the Eximbank case, "We consider this as similar to the human rights issue. Why should the U.S. have a double standard on the impact of projects on the environment?"

## *NRC Rejects CEQ Advice*

Last summer, the U.S. Nuclear Regulatory Commission dealt a significant setback to the CEQ's "Guidelines" when the NRC refused to allow a West German environmentalist group to intervene in an NRC licensing proceeding for the export of a nuclear reactor for the Mulheim-Karlich Nuclear Power Station in West Germany. (2) The West German Burgeraktion Atomschutz Mittelrhein e.V. petitioned the NRC to be allowed to intervene and to have a hearing on the nuclear reactor export, after they had lost out in hearings and court cases in the Federal Republic of Germany.

(1) *NRDC v. Export-Import Bank of the United States*. U.S. District Court for District of Columbia. No. 77-0080. Jan. 14, 1977. Copies of the complaint and other documents referred to in this article are available from *The Executive Intelligence Review*.

(2) *In the Matter of Babcock and Wilcox*, NRC Docket No. 50-571. June 27, 1977.

The West German government filed a "demarche" with the State Department pointing out that the environmentalists had had a full hearing already in West Germany, and that any delay in the issuance of the export license would mean critical delays in the construction of the Mulheim-Karlich Station. The State Department stated the following in a letter to the Nuclear Regulatory Commission:

*It is the Department's judgment that any U.S. attempt to make site-specific assessments of environmental impacts within the territory of another country would have major, adverse political consequences. A majority, if not all, governments would be expected to take the position that, among other things:*

- decisions affecting primarily their natural environments are a matter of national sovereignty;*
- relatedly, the degree and means of public participation in the national environmental decision-making process, which involves a relationship between the government and its citizens, should not be substantially influenced by the actions of other governments; and*
- they have full competence to make the necessary analyses and judgments.*

After considering the CEQ position and other contrary but non-binding opinions, the NRC ruled that the West German environmentalists did not have standing to intervene, and that NEPA does not apply to site-specific environmental impacts in foreign countries.

#### *Previous Cases*

The first case in which the international implications of NEPA arose was in 1972 regarding the Alaska pipeline, in which the D.C. Court of Appeals gave Canadian environmentalists the right to intervene in proceedings over the siting of alternative routes for the pipeline.

In 1973, the Sierra Club sued the Atomic Energy Commission and the Export-Import Bank to compel them to comply with NEPA for the nuclear export program. The Atomic Energy Commission (later the NRC and ERDA)

agreed to produce a generic statement on the U.S. nuclear export program as a whole, and the issue was left unresolved as to the Eximbank.

The first court ruling applying NEPA to foreign activities came in *Sierra Club v. Coleman*, in which the D.C. District Court applied NEPA to the construction of the Pan-American highway. The Federal Highway Administration agreed that the possibility of the transmission of hoof-and-mouth disease *to the U.S.* through the Darien Gap in Panama meant that the project had a domestic, U.S. impact; however the court ruled that the EIS did not sufficiently consider the impact on some local Indian tribes in Panama and Colombia. The Highway Administration appealed, and the appeal is now pending in the D.C. Court of Appeals.

The Agency for International Development (AID) also recently agreed to consider under NEPA foreign impacts of its pesticide program, in the case of *Environmental Defense Fund v. AID*. However, this was agreed to in a stipulation and not in a court ruling.

In a 1976 case, NRDC asked the NRC for intervenor status in a proceeding involving the export of nuclear fuel to Tarapur, India. The NRC has appealed to the Washington, D.C., Court of Appeals, which has taken over a year to decide the case.

In sum, environmentalists both inside and outside the Administration have not yet succeeded in forcing their anti-technology and anti-scientific views on the government as a whole. If, as presently expected, the CEQ-NRDC position become Executive policy, it will take both political pressure on Congress and legal intervention in the courts by industrial and labor forces to prevent NEPA from being applied to such critical areas as nuclear exports and the development projects financed by the Eximbank. For, as has already been evidenced in the case of the U.S. domestic nuclear energy program, the application of NEPA would mean the virtual end of high-technology exports by U.S. industry.

— Edward Spannaus

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The Executive Intelligence Review is pleased to introduce its new Daily Energy Intelligence Bulletin. Produced by the same EIR staff that puts together the news and analysis which has made the EIR Weekly unique in its field, the bulletin will provide the subscriber with all the news in the energy field. The bulletin includes the latest news, world press briefs, short features, rumors, reports on the ecologist's latest moves, and the energy lineup on Capitol Hill — all provided to you in short form, five days a week. With this service you will have all the world's energy news at your fingertips on a daily basis.

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Executive Intelligence Review  
Daily Energy Intelligence Bulletin  
G.P.O. Box 1922  
New York, N.Y. 10001

EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT  
DAILY ENERGY INTELLIGENCE BULLETIN AUGUST 18, 1977  
'EX' WATERGATE PROSECUTOR CHARGES 1.5 BILLION DOLLAR COST  
OVERRUN IN ALASKA PIPELINE

AUG 18 - IN A HIGHLY UNUSUAL PROCEDURE, THE STATE-RUN ALASKA PIPELINE COMMISSION, ITSELF SPENDING MORE THAN 1 MILLION DOLLARS IN ITS INVESTIGATION, HAS CHARGED THAT THE ALYESKA PIPELINE SERVICE CORPORATION "WASTED" SOME 1.5 BILLION DOLLARS IN CONSTRUCTION OF THE MUCH PLAGUED ALASKA OIL PIPELINE. THE ALYESKA CORP. HAS CHARGED THAT THE STATE REPORT IS BIASED AND THAT THE INVESTIGATORS "NEVER INTENDED DEFECTION." THE 670-PAGE REPORT WAS PREPARED UNDER THE DIRECTION OF TERRY LENZNER WHO WAS PREVIOUSLY INVOLVED IN THE POLITICAL FAC-TIONAL WAR AGAINST NIXON WHEN LENZNER WAS DEPUTY COUNSEL TO THE SENATE WATERGATE COMMITTEE. INFORMED SOURCES IN THE PETROLEUM INDUSTRY CONFIRM THAT THERE HAS BEEN AN INTENSE EFFORT TO SCENES ACTING BY THE ROCKEFELLER FAMILY POLITICAL AND FINANCIAL EMPIRE AGAINST NIXON WHEN LENZNER WAS DEPUTY COUNSEL TO THE SENATE WATERGATE COMMITTEE. INFORMED SOURCES IN THE PETROLEUM INDUSTRY CONFIRM THAT THERE HAS BEEN AN INTENSE EFFORT TO TO DEVELOP THE VAST ALASKA OIL RESERVES. THE DAMAGES CAUSED BY AN EXPLOSION AND FIRE EARLIER THIS SUMMER HAS ALREADY CAUSED SUBSTANTIAL DELAY IN BP ALASKA OIL REVENUES, WHICH WAS FURTHER AGGRAVATED BY A US INTERSTATE COMMERCE COMMISSION DECISION FORCING DOWNWARD REDUCTION IN RATES CHARGEABLE BY THE PIPELINE CONSORTIUM TO ITS CUSTOMERS.

BRITISH NUCLEAR REPROCESSING INQUIRY GETS BOOST

AUG 18 - THE ONGOING BRITISH GOVERNMENT-ORDERED PUBLIC INQUIRY INTO THE QUESTION OF WHETHER THE EXISTING NUCLEAR FUEL RE-PROCESSING CENTER OF BRITISH NUCLEAR FUELS LTD. AT SIND-SWALE GOT A MAJOR BOOST WITH THE TESTIMONY THIS WEEK FROM THE NUCLEAR INSTALLATIONS INSPECTORATE THAT "THERE AP-TO BE NO SIGNIFICANT SAFETY PROBLEMS THAT CANNOT BE OVER-COME. IN OTHER TESTIMONY, DR. STANLEY BOWIE OF ABERDEEN ENVIRONMENTALIST GROUP, THAT THE PLUTONIUM BYPRODUCT SUCH REPROCESSING WAS ONE OF THE MOST DEADLY SUBSTANTIVE BRITISH AFFILIATE OF THE SO-CALLED "BOWIE DEADLY FALTERING THE CAFFEINE PEOPLE DRINK EVERY DAY IN THEIR COFFE-HEADED BY ANOTHER LEVINS IS BELIEVED BADLY FALTERING ATTEMPTS TO SO FAR WHIP UP PUBLIC HYSTERIA AGAINST THE JAPANESE ELECTRIC UTILITIES PART OF AN EN-LE EXPANSION. THE EXPANSION IS PART OF AN EN-ING CONTRACT.

THE NUCLEAR REPROCESSING CONT-  
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