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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

This was the week of the “**hunter, killer satellites,**” a story fit for the comicbooks...if it weren't so dangerous... the story behind this hoax is the **City of London's drive for thermo-nuclear war.** . . This week's **International Report** gives the evidence and the analysis...highlighted by two articles in the Christian Science Monitor that makes **Britain's position clear:** the USSR must **give up its technological military capacity** or face a British-instigated **nuclear showdown**...the outcome will be the **wrecking of SALT**...with Britain's own nuclear force as backup...London's cold war push is moving fast to the brink of hot war...the **ouster of West German defense minister this week**...the British confide...is part of an attempt to get their own hands in control of the **nuclear button** (see **WEST GERMAN REPORT**)...

* * *

The **primary flashpoint** is Africa... especially the Horn of Africa conflict...“The Ogaden war could confront Carter's year-old

Administration with its first full-blown international crisis this spring...” predicts London's Daily Telegraph. . . Our **AFRICA REPORT** has a full report on the Horn of Africa crisis and how **London produced it**...

* * *

At the same time, **Britain's instigated run on the French franc** brought the world one step closer to sterling hegemony of the money markets. Although the franc took the beating the **real target was the dollar** and the subjection of the world to a **hyperinflationary binge** with the pound sterling sitting on top...for full currency markets report...for the increasingly devastating effect of Britain's manipulation on the **U.S. economy**...on **Europe's gold option** see our **ECONOMIC REPORT**...

* * *

The news from the United Kingdom shows the **British girding themselves for war**...and

fascism...with the replacement of the soft Fabian Callaghan government with a new Tory regime headed by the Iron Lady Margaret Thatcher...for an appraisal of the policies of what a new Tory government will look like...see **EUROPE**...

* * *

Stateside, the leading pivotal fight against the British and their Tory agents of influence continues to be the battle lines being drawn on the NAACP's declaration for a capital-intensive, nuclear-energy-producing USA...and there are signs that the Republican Party is coming to life on this question as the fight begins on the Carter budget...for the story see our **NATIONAL REPORT**...

* * *

And while Britain guns for a nuclear war between the Soviet Union and the U.S....our experts report that James Schlesinger's energy budget would **destroy USA research**

and development capacity...for the story see **SCIENCE AND TECHNOLOGY**...

* * *

Slave labor vs. capital intensive development is also the crux of the issue between the Carter Administration and the government of Mexico...“If only they would discuss labor intensive jobs...then we could talk”...bemoans a **White House aide**...for report plus exclusive interviews on the **border question** and the **slave labor blackmail** see **COUNTERINTELLIGENCE**...

In the last issue of the *Executive Intelligence Review*, we announced that this issue would include a history of the Trilateral Commission's role as an “action body” for the implementation of the City of London's monetarist policies. The Trilateral Commission feature has been postponed, and will be included in a future issue.

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The Great Satellites Hoax

This has been the week of the British-scripted "Great Satellite Hoax." The British Round Table's press and media outlets in the U.S., including the *Christian Science Monitor*, the *Washington Post*, CBS, and NBC, soon echoed by British agent-of-influence in the government led by energy czar James Schlesinger, paralyzed the malfunction of Soviet Cosmos 954 satellite into a preposterous "U-235" incident. It is a crude attempt to sabotage U.S.-USSR joint nuclear energy technology development, and space exploration, wreck the SALT talks, and make impossible potential both U.S.-Soviet entente and world industrial recovery.

This was followed by a "Big Lie" black campaign run by those same forces about alleged Soviet "killer satellites" used for similar Cold War purposes.

The timing of the Great Satellite Hoax is not accidental. Nor is the campaign predicated upon any objective U.S.-Soviet dispute. The Great Satellite Hoax is being used by the ruling British oligarchy and its agents of influence around the world as a psychological warfare instrument in behalf of their strategic policy. It is that strategic policy, and the evil forces behind it that must be defeated if there is to be any hope for peace and progress in the future.

How The British Are Wrecking U.S.-USSR Entente

The Jan. 26 *Christian Science Monitor*, in a centerfold feature titled "Does Britain Need a Nuclear Deterrent?", performs the service of advertising the fact that the British financiers' Round Table is now threatening to launch a unilateral first nuclear strike if it appears that the world is slipping out of London's grasp. A second *Christian Science Monitor* contribution, the Jan. 31 editorial "Stop the Space Arms Race," makes clear why British agents-of-influence Stansfield Turner and James R. Schlesinger, and Fabian Harold Brown, are now orchestrating the "Soviet killer satellite" and Cosmos 954 hoaxes.

Great Britain is deeply meddling in U.S.-Soviet SALT talks and other essential features of mutual "detente" policy to sabotage any U.S.-USSR high technology-based cooperation which might lead to *entente*. This British meddling is aimed at manipulating U.S.-USSR relations into conformity with City of London merchant bank policy for deindustrialization of the world economy, including the emergence of a new and wasteful U.S.-Soviet arms race.

British Nuclear Blackmail

"Britain must decide whether to update its ballistic submarine force, and thus remain a strategic power, or whether to rely solely on the U.S. in a threat of war with the Soviets," the headline to the *Monitor's* feature says, "Does Britain Need a Nuclear Deterrent?" By insanely championing what amounts to a unilateral British first-strike nuclear posture, the *Christian Science Monitor* has helped to emphasize the importance to world peace of Soviet strategic "Option A" — and an immediate public pronouncement by Moscow that it reserves that option to target only United Kingdom territories and satrapies in the event of a London-provoked nuclear war.

This insane nuclear blackmail threat, in line with ongoing British destabilizations and instigations of war in the Middle East and the Horn of Africa, is immediately directed against the current talks between an 11-man Soviet delegation, U.S. government officials in Washington and business leaders in Houston, Los Angeles, and Detroit. Britain has succeeded in sabotaging such hopeful lines of negotiations in the past. Although these crucial discussions have been almost totally blacked out by the *Monitor*, the *Washington Post*, and other British media mouthpieces in this country, reports from congressional sources, USSR press accounts, and the several delegations' itineraries all indicate their substance to be a sincere Soviet push to reinvigorate *détente* and move toward U.S.-USSR *entente* — SALT, reconvention of Geneva, joint exploration of space, and expanded trade and investment.

British Wrecking Operation Against SALT

Yesterday's *Monitor* editorial, "Stop the Space Arms Race," advertizes the British strategy to wreck the U.S.-USSR SALT talks and turn them into a vehicle for a British-induced *ban on advanced technologies*. Targeting the two areas of high-technology U.S.-Soviet potential collaboration — nuclear energy development, and the joint exploration of outer space — which if coupled with disarmament proposals could make the SALT talks viable as an instrument for progress and lasting peace, the *British Monitor* writes: "Now that attention is riveted on the Soviets' military satellites and the need to make military authorities accountable for what is going on in space, especially where nuclear materials are involved, the time would seem to be opportune to negotiate a halt to the arms race as well. The Carter Ad-

ministration ought not to delay such discussions any longer."

Britain's wrecking operation against the SALT talks has been underway for some time. In fact, the present British inclusion as the "third power" at the Comprehensive Test Ban Treaty talks has only served to create a separate track that is disastrously undermining the effort to achieve a SALT agreement in the best tradition of President Eisenhower's "Atoms for Peace" proposal. The British have already used the Test Ban talks to sucker the U.S. and the USSR into a ban on the peaceful use of nuclear explosives (PNE's). Britain, of course, is not interested in such tests. This British ploy is a foot-in-the-door for British agents-of-influence in the United States and their dupes to now demand a complete ban on nuclear reactors in orbiting satellites. *The current Comprehensive Test Ban talks are unacceptable and are serving to undermine the potential achievement of SALT.*

The British wreckers have also conspired through James Schlesinger and Henry Kissinger in the United States, and by their own NATO policies, to wreck the SALT talks by the insinuation of completely bogus issues — i.e., British issues.

Readers have been inundated in their daily newspapers with hysterical cries from British agents-of-influence and their dupes in the United States that the SALT agreement Carter and Brezhnev have been on the verge of signing would not count the Backfire bomber as a strategic weapon, that a three-year moratorium on the transfer of U.S. cruise-missile technology and their deployment to Europe endangers our allies, and that inspection of the arms agreement would not be possible.

The Soviet Backfire bomber is a British issue! In fact, its intermediate range is ideally suited to wipe out the City of London should that nation continue its provocations against world peace and economic recovery. In the U.S., including those who run the nuclear war lobby, the Committee on the Present Danger, desperate to bring the United States in behind Britain's nuclear blackmail policy line, have put out the Big Lie story that Backfire should count as a strategic weapon in the SALT talks because, it is falsely alleged, it could and would be used as a Kamikaze instrument to drop thermo-nuclear weapons on the U.S. in the event of World War III.

Similarly, the cruise missile, which is nothing but an updated version of the Nazi *Wunderwaffen* "buzz bombs" has been orchestrated into an issue by the Rothschild-controlled London *Times* since December; Britain is the only "European" country demanding its deployment. The British Round Table and the pathetic victims of their ideology want such an ineffective and unreliable war-losing weapon deployed in the NATO arsenal because, however useless in a war, it is very useful to provoke one.

The so-called inspection issue is really nothing but psychological warfare, camouflage for the British demand for a "technological disarmament" ban on scientific breakthroughs and their application to both commercial production and new weapons systems. The U.S. should not embark on the futile course of attempting to banish innovation from arms development. Precisely the areas of research which are most important to advanced

weapons technology, namely fusion and aerospace and their subsumed research branches, also demarcate the areas of potentially most fruitful collaboration between the NATO-OECD and Comecon-CMEA nations. "Technological disarmament" would not be a step toward peace, but a step away from technologies whose collaborative development to solve mutual problems of energy, resources, and production technology would be the firmest foundation of peace. Close U.S.-USSR scientific collaboration, especially in the various areas of fusion research — which must be put on a *treaty basis*, either in SALT or another U.S.-USSR treaty agreement — would not only assure the early practical development of a virtually unlimited energy source, but would also make all but impossible the secret achievement of destabilizing, major unilateral advantages in military applications.

In the last two weeks, liberal and conservative scientists who had been unified and rallying around the recent call for joint U.S.-USSR fusion power development by Soviet academician Nicholai Basov and American science leader Edward Teller have begun to succumb to British psychological warfare on these and related matters. For example, Representative Charles Wilson (D-Cal.), with backing from science and industrial in-

"Does Britain Need a Nuclear Deterrent?" asked the Christian Science Monitor centerfold Jan. 26. Below is an excerpt:

They bear the names Resolution, Renown, Repulse, and Revenge. In fair weather and in foul, somewhere in the North Atlantic, they move noiselessly below the slate-gray surface, bearing their lethal burdens: 16 sleek Polaris A-3 missiles per submarine, each missile with nuclear warheads many times as destructive as the bomb dropped over Hiroshima.

These four submarines constitute Britain's strategic nuclear deterrent...

In St. James's Square, not far from Piccadilly Circus, stands mellow Chatham House, once the home of William Pitt the Elder, now the headquarters of the Royal Institute of International Affairs.

Since 1976, the institute has been engaged in a three-year assessment of Britain's foreign-policy options in the early 1980s, including the British nuclear deterrent.

Among the early fruits of this study is a thoughtful document entitled "The Future of the British Nuclear Deterrent," written by strategic thinker Ian Smart...

Britain could probably choose a successor to its Polaris force at an acceptable level of cost. Mr. Smart's study concludes that although cruise missiles will be cheaper than ballistic missiles, the overall cost of a nuclear submarine force equipped with cruise missiles would be somewhat greater than a force equipped with ballistic missiles because more submarines would be required. (The study suggests costs of £2,245 million to £2,925 million at 1976 prices for a ballistic missile force and £2,740 million to £3,430 million for a cruise missile force.)

terests represented at Livermore and Los Alamos laboratories, has been foolishly attacking SALT on the Backfire and cruise missile questions as well as the inspection issue. Instead, these well-meaning prodevelopment forces should be training their fire on the anti-technology British-instigated Comprehensive Test Ban negotiations, while resolving the technology ban problem in SALT by exposing the British "arms control" scenarios and by fighting for joint U.S.-USSR fusion development *as part of the treaty*. On the liberal side arms control-oriented scientists like Kosta Tsipsis of MIT have fallen into the trap of British political intelligence operative Ralph Nader and, in the wake of James Schlesinger's phoney "U-235" Soviet spy-satellite hoax, have foolishly encouraged President Carter to call for a ban on nuclear technologies in outer space to prevent an "arms race" there. This preposterous proposal only undermines the fantastic possibilities contained in U.S.-Soviet joint exploration of outer space.

Brown's "No Choice"

On Feb. 2, Secretary of Defense Harold Brown presented Congress with his annual report — containing

announcement of plans to develop "killer satellites" while speeding deployment of cruise missiles and beginning a massive conventional build-up of NATO forces, all because "the Soviets leave us no choice." At the same time, Brown telegraphed plans for development of the \$35 billion MX-mobile missile, and, according to the *New York Times*, stated that the U.S. must develop effective relations with China as a counterweight to the Soviet Union. Brown's report, in short, was probably authored by the London International Institute for Strategic Studies.

On Feb. 3, a day later, the *Washington Post's* Stephen S. Rosenfeld told readers "How to Sell SALT." Rosenfeld recommended that the current Secretary of State, Cyrus Vance, step out of the SALT negotiations, and that Harold Brown, the "wonder weapons" boy who opposes U.S. collaboration with the Soviets on nuclear energy and space exploration, be made Jimmy Carter's "point man" to "sell SALT." The message couldn't be clearer: Let the Soviets submit — and the U.S. agree — to "technological disarmament" as the substance of a SALT treaty, or London will begin a spiraling new arms race, that could lead straight to nuclear war.

Press Uses Cosmos 954 To Whip Up Cold War Hysteria

New York Times, Editorial, Feb. 2:

The fiery plunge to earth of a Soviet military satellite, carrying a nuclear reactor, has now ignited a debate over what, if anything, should be done to prevent a recurrence....

Assessing the risks and benefits of using nuclear power in space is difficult; scant information is available....The Soviets have reportedly put 16 reactors in orbit. They apparently depend on reactors to power radar systems that track American ships at sea, and thus may be reluctant to accept a ban on them.

The risks imposed by nuclear systems in space are difficult to estimate. Both superpowers boost their satellites into high orbits where the nuclear materials will have centuries to decay. But they guard against malfunctions differently. The American program packages its radioactive power sources in cases designed to survive a plunge through the atmosphere. The system has worked thus far but there is always some risk of rupture. The Soviet program counts on the satellite burning up and disintegrating high in the atmosphere, where its radioactive cargo could presumably disperse harmlessly. But the accident in Canada reveals that some dangerous material can reach ground...

The worst accident would involve a nuclear satellite disintegrating low in the atmosphere and showering radioactive materials and gases over a heavily populated area. That might kill hundreds, or even thousands of people...

President Carter has proposed that reactors be used only for deep space missions where solar energy is inadequate and that they be banned from earth orbit unless "sure-fire" methods are found to prevent global pollution. That fits nicely into the current American space program but may not sit well with the Russians. Nor does

it answer all the doubts about safety. Could not the launching of a nuclear probe into deep space go awry, showering the earth with nuclear debris?...

New York Times, Jan 29:

Energy Secretary James R. Schlesinger said today that it was inappropriate for satellites containing nuclear reactors to orbit the earth. But he said he did not know whether nuclear-equipped satellites could be banned effectively.

Mr. Schlesinger, appearing on ABC-TV's "Issues and Answers," was commenting on the Soviet spy satellite that fell from orbit Tuesday with a nuclear reactor aboard.

Asked whether the United States should push for an agreement with the Soviet Union to prohibit nations from sending up nuclear reactors with their earth-orbiting vehicles, he said: "I would prefer to leave that particular question to the Department of State. But there are serious hazards, and I regard it as inappropriate to have nuclear reactors orbiting the earth."

"I think that if all powers were to agree on that, that such events could be avoided in the future," he added, "but there's no possibility of that unless the Soviets were to agree to cease using this particular form of satellite."

The Daily News, New York, "Russians Can Kill Us in Space, CIA Chief Says," by James Wiegart, Feb. 1:

The Soviet Union not only has the ability to orbit increasingly sophisticated spy satellites to monitor United States military activities worldwide, but the Soviets also have perfected a killer satellite to shoot down U.S. spy-in-the-sky probes, CIA Director Stansfield Turner said yesterday.

Turner, in a wide-ranging meeting with reporters, con-

firmed that the Soviets have the "operational capability" of shooting down American intelligence satellites. This means that the Russians not only have successfully tested their killer satellites, but actually have some deployed, ready for use.

But Turner declined to say whether all U.S. satellites were vulnerable to the Soviet killer satellite or only those flying in a low earth orbit. He also refused to be drawn into a detailed discussion on the implications of the Soviet anti-satellite capability for the strategic arms limitation talks (SALT) which rely on intelligence satellite monitoring for reinforcement.

But Turner made no effort to conceal his concern over the Soviet anti-satellite capability and the danger it poses to U.S. security, particularly at a time when the United States is relying more heavily on so-called "technical intelligence" — intelligence gathered by electronic sensing or photographic satellites.

The United States has been testing various anti-satellite devices, some using lasers and others armed merely with high explosives, but defense officials have said privately that it will be at least several more years before such devices will be operational.

President Carter last April referred publicly to Soviet killer satellite tests as the "satellite intercept" program, but Carter did not sketch out in detail how extensive the program was.

With the SALT negotiators moving toward a Phase 2 agreement strictly limiting the number of nuclear weapon delivery vehicles that each side can maintain, Carter was clearly concerned about the problem of verification, which, of course, meant verification by satellite....

Unlike the Soviets, who are beefing up their ground-based espionage activities around the world, the U.S. is cutting back its conventional spy force in favor of technical intelligence, Turner said. As a result, more and

more of the U.S. intelligence product comes from spy satellites, electronic eavesdropping and other technical means...

The Trib, New York, "Soviets Breed Killer Viruses," Jan 31:

The Soviet Union is believed to be breeding new strains of killer viruses and microbes in heavily guarded biological warfare factories, Western intelligence sources said yesterday in Brussels.

They said American spy satellites have photographed several establishments near Moscow and the western Soviet Union which intelligence analysts have concluded are biological research and production centers... The sources said Western intelligence services believe the Soviets are working on refining and making more lethal microbes and viruses which cause the worst diseases known to man — plague, anthrax, tuberculosis, smallpox, yellow fever and diphtheria.

More seriously, Western scientific experts who advise NATO's military authorities have reason to suspect that the Soviets are adapting three horrific new diseases for warfare purposes. The sources describe the diseases as hemorrhagic fevers discovered in Africa during the past 20 years.

They are lassa fever, which according to the sources kills 35 out of every 100 people it strikes, ebola fever, which kills 70 out of every 300, and the deadly marburg fever, also known as green monkey disease.

The sources said the Soviets were working along four principle lines involving both the old and new diseases:

- Increasing their lethality;
- Cutting their incubation time so they will kill more quickly;
- Finding means to protect Soviet troops and civilians from the diseases, and

The British Line On Technology

We reprint here a statement issued by Judith Hart, Britain's Minister of Overseas Development, which puts forward the British notion of "appropriate technologies" for the Third World — and elsewhere. It appeared in the Venezuelan newspaper, El Universal Jan. 30, 1978.

In a few words, the most appropriate technology for...Third World development is that which permits the fabrication of a product whose economic form makes use of more materials that are found in abundance in the same region and less of those which are scarce.

The answer in this case to what would be the most appropriate technology is the animal-pulled plow adjustable to make furrows from 20 to 46 centimeters in width. This plow only costs 30 pounds and requires almost no maintenance of any kind. Its application would leave no one without work and, on the contrary, could be produced in the same locality and would thus create a source of employment. Labor would be carried out in better form with more yield and more easily.

Given the low level of investment made by the Third World, it would only be possible to equip a small section of the labor force with the installations required by

"Western" techniques. With its immense problem of unemployment, the countries of the Third World need less advanced techniques which imply more employment and less capital.

At the same time, they should prove more productive than traditional methods...For this reason they are often called "intermediate" techniques...

The intermediates technologies for the utilization of energy, as for example, those applied in the use of solar and wind energy, could also be important, especially in the rural zones.

To help resolve this problem, the ministry that I head — and the other international aid organizations — must depend on the knowledge that any government to which aid is given accepts the necessity of putting the most appropriate technologies into practice. That which we can do is contribute to introducing the concept of intermediate technology among the technicians and professionals of the Third World dedicated to research, high and middle level functionaries, contractors and manufactures, educators and particularly university students who will be the ones making future decisions.

•Improving means of delivery...

The main weapon for a Soviet chemical or biological attack would be the 40-tube BM-21 multiple rocket launcher. Two batteries of six launchers could lay down nearly 500 chemical warheads in a few seconds.

NATO has only a limited ability to fight a chemical war. The United States is the only country with a substantial retaliatory chemical capability but has renounced altogether the use of biological agents and weapons...

U.S. Labor Party: Satellite Hoax Must Not Wreck SALT Talks

The following is a U.S. Labor Party statement first published on Feb. 3 as an editorial in the USLP's newspaper New Solidarity.

The wholly unwarranted but ever-growing furor over a piece of benign Soviet satellite debris in the northern Canadian tundra — as pointed out by columnist Joseph Kraft, long known to U.S. and Canadian authorities to be on its way — and the immediate clamor for control of satellites, and banning of nuclear power in space, make it necessary and urgent to reaffirm what the viable basis for a strategic understanding between the United States and the Soviet Union must be.

As emphasized and spelled out in the Labor Party's statement on the Strategic Arms Limitations Talks (SALT), "From Détente to Entente," released in December 1977, the sole acceptable basis for negotiations expressing the only true interests of both the Soviet Union and the United States is a SALT agreement based on collaborative arrangements in the two fields of technology which comprise 99 percent of the basis for advanced weapons systems — fusion energy and aerospace technology. We have developed the argument for collaborative efforts in advanced fusion research and the many Soviet initiatives in this direction (most recently by laser fusion specialist Nikolai Basov in Maimi, Florida) on many past occasions. In the case of space technology, information on satellite and related capabilities incidental to the "crash" actually underscores the importance of this area of research, involving not only the basic science of the earth's atmosphere, but technological applications ranging from resource prospecting to climate control.

Such a reaffirmation of the required SALT policy is necessary because it is clear that the satellite hoax and the seemingly unrelated issue of renegotiation of a Test Ban Treaty are being used to turn the present SALT talks into a replay of the 1920s and 1930s League of Nations disarmament talkathon. The only purpose for turning present articles appearing in the Christian Science Monitor: that is the attempt by the technologically most backward nation in the advanced sector, England, to

retain its strategic nuclear blackmail ability. Given the technological and scientific backwardness of "Great" Britain, it can only assure continuation of this threat by imposing its own backwardness on the community of advanced industrial nations through maintenance of technological "parity." This also explains the peculiar interest shown by Her Majesty's government in Soviet fusion disclosures to the U.S., as in the matter of Soviet electron-beam fusion specialist Leonid Rudakov, documented in the files of the U.S. Department of Energy.

Toward a SALT Agreement

Initially, strategic arms negotiations must be a matter conducted *exclusively* between the United States and the Soviet Union, on the policy basis indicated. Issues relating to satellites, incidental weapons systems, and other secondary matters must be subsumed features of an overall settlement, rather than operating on separate tracks from which diversionary and destructive maneuvers can be launched against the core of the negotiations.

Second, once an understanding on the basis indicated is reached between the Soviet Union and the United States, such a *collaborative* arrangement then becomes the framework for expanded negotiations between the U.S., the Soviets, and other progress-oriented advanced sector industrial nations and Third World countries for joint development and peaceful applications of nuclear and space technology-based projects.

When one considers the high-technology, industrial-centered itinerary of the visiting high-level Soviet delegation led by Boris Ponomarev to Houston, Los Angeles, and Detroit: Ponomarev's own public and explicit linkage of progress in SALT and increased U.S.-Soviet economic collaboration, modeled on cooperation with Henry Ford and other Midwest industrialists during the 1930s; and this week's expression of support for nuclear-based space research, directly in the face of Schlesinger's campaign, by leading scientists at the Los Alamos Laboratory, it becomes clear that this SALT policy is not only necessary, but immediately feasible.

Carter Uses Hoax To Ask Space Technology Ban

Right on cue from James Schlesinger and Z. Brzezinski, President Carter stated in his press conference of Jan. 30 that current U.S. policy is to sabotage the next stage in space technology — the development of high density, miniature nuclear reactors for satellites.

The pathetic irony of this modern day Luddite action is not only that such a move would prevent this country from taking advantage of the tremendous potential of this new technology, but that, in fact, the Soviet Union has already developed such miniature nuclear power sources for its satellites, and is deploying them for both peaceful and military missions!

The present stage of space technology, in both earth orbit and for satellites on interplanetary missions, is limited only by the lack of sufficient quantities of electrical energy for scientific instruments and new technological devices on board the satellites. By far the most efficient and compact method for supplying quantities of energy in excess of 10 kilowatts (about 100 light bulbs worth) is a nuclear power plant. Below this amount of energy, solar cells, placed on large surfaces like wings on a satellite, have been used, but they have the serious disadvantages of every *diffuse* source of energy — they require high capital investment, are difficult to maintain, and are impossible to use farther away from the sun than the earth's orbit. The energy density of space-borne fission reactors, on the other hand, is of the same high quality which makes their use so necessary on earth.

Until 1965, the U.S. had a research and development program to develop a nuclear reactor whose high density of energy and compact size could solve the requirements for powering a more advanced generation of satellites. However, that was the last year that the U.S. has had such a nuclear-powered satellite in operation, and its research program has been continued on only a piddling level. The Soviets, however, have continued their program on a high level, and can now deploy a satellite powered by a 100 kilowatt nuclear power plant! The Cosmos 954, whose malfunction and crash into the earth's atmosphere has been the pretext for Schlesinger's manufactured hysteria over nuclear-powered satellites, was a military surveillance satellite which used its nuclear energy to power a strong radar beam capable of detecting and monitoring *all* U.S. sea going surface ships through clouds and in any weather!

The uses of this satellite technology are not only military, however. Both the United States and the Soviet Union have benefited tremendously from the civilian uses of satellites to an extent limited primarily by the energy which the satellites can deploy. Satellites have started a detailed survey of every part of the globe, most especially those areas previously inaccessible to engineers (like the poles and dense jungle areas). More sophisticated cameras and sensing devices have made prospecting for oil and minerals from space a widely used technology. For the first time, studies of *global* climate, wind, and precipitation, and global biospheric studies are possible using the data from these satellites. The detailed picture which is accessible from satellite

information is almost unbelievable: for example, a study is now being conducted to predict earthquakes in southern California using satellites which have been able to measure movements of the ground of less than one inch per year! Communications satellites have made intercontinental television and computer links a reality.

These immediately available technologies are limited because of energy limitations in present satellites. Exactly as on earth, the *density* of energy available is the central limiting feature of any technology — a higher energy density makes qualitative new possibilities available.

The Soviet Union has seized this opportunity and made a number of important breakthroughs in the nuclear technology required to increase energy for the satellites. The U.S. is estimated by experts to be at least five years behind the Soviets in the development of the next generation of space satellite power-source technology.

Confronted with this promise and threat, Carter piously intoned: "We would be glad to forego the development of any such satellite all together and will pursue that option with the Soviet Union....I would favor at this moment an agreement with the Soviets to prohibit earth orbiting satellites with radioactive material in them."

Carter and Schlesinger's attempt to further sabotage the U.S. program has already sparked opposition even within Schlesinger's Department of Energy. Last fall, a comprehensive report on the necessity and importance of satellite-born nuclear power was released by the Los Alamos Scientific Laboratory. At a press briefing almost simultaneous with Carter's, Department of Energy officials expressed their hope that the U.S. program of nuclear-powered satellite development would resume soon. The bizarre implications of Carter's policy statement were summarized by one leading U.S. strategic analyst: "The only thing more stupid than voluntarily giving up a tremendous new technology like these satellites is the hope that you can convince your declared adversary to do the same. This is the surest way either to start a war or to lose it without ever fighting."

— Dr. Steven Bardwell

Pravda:

Cosmos Incident Handled 'In A Businesslike Manner'

The following is part of a commentary in Pravda, Jan. 28, by Vladimir Gubarev, entitled "In a Businesslike Manner," on the Cosmos-954 accident.

The space ship and the atomic reactor have become symbols of scientific and technological progress. Without the use of space technology and nuclear energy for peaceful purposes, it is hard to imagine the future, especially the foundation of each country's economy — the power industry. Dozens of atomic power stations are working today while satellites and manned stations orbit

the Earth. Naturally, atomic energy has gone into space, too. Isotope sources of energy are installed on the Soviet lunar mobile unit and the American interplanetary station "Pioneer," as well as on both USSR and USA satellites. Scientists dream of nuclear motors, which will power interplanetary stations into distant space. Such is the tendency of development of science, and it is obvious.

The satellite "Cosmos-954" carried a small nuclear apparatus, which produced energy to fuel the equipment on board. On Jan. 6, the satellite ceased to "obey" commands from Earth. On Jan. 24, "Cosmos-954" descended into dense layers of the atmosphere over northern Canada.

One of the basic rules for nuclear installation builders is to ensure their complete security, even in the event of an accident. This is how atomic power stations and other installations, including those working in space, are planned. In 1964, the radioisotope installation of the American satellite "Transit" disintegrated upon entering the atmosphere; during the emergency return of "Apollo 13," the lunar module containing radioisotopes burned up — no trace of them was found in the atmosphere (and certainly no danger for the population). American and Soviet designers develop such technology so that no catastrophe will occur under any circumstances.

U.S. government representatives met journalists in Washington and told them, in detail, how during January contacts were maintained between government agencies of the USSR and USA regarding the fate of the satellite "Cosmos-954." On American request, the Soviet embassy in the USA relayed the necessary information.

There was a realistic approach to the incident in Washington, Ottawa and a number of other capitals. Undoubtedly the climate of international detente had an influence here.

Not everybody is happy about that. There are press organs and people in the West, who are trying to present things differently, with an anti-Soviet slant. All sorts of occasions, including the incident with "Cosmos-954" are used by them to light the fire of distrust, fear, and mutual recriminations. But theirs is a barren policy.

Kraft: The 'Bungle Factor' Discredits SALT Opponents

Although the U.S. friends of certain City of London interests used Soviet "killer satellite" and Cosmos 954 "radiation poisoning" hoaxes as propaganda against U.S.-USSR SALT talks, at least one journalist, columnist Joseph Kraft, drew the very opposite conclusions from the Soviet satellite incident. Below are excerpts from Kraft's column this week:

The case for a second arms control treaty with Russia

finds powerful support in the accident which downed a nuclear-powered Soviet satellite over Canada last week. By emphasizing the importance of accidents — the so-called bungle factor — the episode works to discredit those opponents of arms control who demand an absolutely 100 percent perfect treaty. In addition, the episode underlines the importance of continuing Soviet-American co-operation in monitoring nuclear devices and satellites.

Critics of the arms control negotiations have centered their fire on the vulnerability of this country's force of roughly 1,000 land-based missiles. According to their view, Russia is acquiring enough missiles with enough destructive power and enough accuracy to wipe out that whole force in a single strike...

The glaring weakness in such catastrophic scenarios is that they bury the bungle factor beneath a skyscraper of assumptions...

Most important of all, it is assumed that Russian leaders would...run the truly horrendous risk entailed in a first strike with weapons that had (by definition) never been used before.

The accident in Canada injects a little realism into that preposterous scenario. The mishap to a well-tested satellite system long in use shows that there is likely to be a bungle at every step in the chain of perfect assumptions. It reminds us that Russian leaders — familiar with countless such difficulties — are apt to be far more wary of bungles than Americans. It shows us that the notion of a Soviet first strike comes out of the realm of science fiction...

The more so, because of the value of cooperation. The United States and Russia were jointly aware of the falling observer satellite for almost a month before it finally came down in Canada. The exchange of information made a potentially alarming event a good deal less worrisome.

Far more detailed cooperation than that is part and parcel of the arms control agreement negotiated in 1972, and the one now being completed in Geneva talks. Those agreements stipulate levels of weapons for both Russia and the United States.

They provide for monitoring by each country, and forbid the other to interfere with the monitoring. They establish a kind of court — a joint commission — whereby each side can take complaints and demand explanations from the other Arms control agreement, in short, institutionalizes Soviet-American cooperation in the area of monitoring strategic weapons.

What all this says to me is that an arms control treaty does not have to afford total security in order to pass muster. Significant gains are made if only the present monitoring system is maintained, and the way is opened to cut off projected weapons developments. Failure to reach an accord would yield an unconstrained arms race and the end of joint monitoring. In other words, any agreement apt to come from the present Geneva talks is far better than no agreement.

Industry, GOP Back NAACP On Energy: Is Labor Next?

In the three weeks since the National Association for the Advancement of Colored People (NAACP) went public with its policy statement for nuclear energy development and economic expansion, the political climate in America has decisively changed.

Industry, industry-related newspapers, and leaders of

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the Republican Party have rallied to support the progrowth statement; Congress has raised an opposing voice to the energy conservation policy of Energy Secretary James Schlesinger and to the proposal to prevent the proliferation of nuclear technology; and, within the Administration itself, factional opposition is just beginning to surface against the domestic fascist policies of Schlesinger and Housing and Urban Development Secretary Patricia Harris.

These industry representatives and leading Republicans are two of the crucial elements of a national coalition that must quickly solidify if Schlesinger's Winter Energy Emergency Plan to dismantle U.S. industry is to be stopped. As one of the most authoritative figures in the civil rights movement told NSIPS on Jan. 31, the strategy must be to build a "big labor, big business, big minorities" coalition to return the country to the path of industrial progress.

Up to now, one vital element has been missing from the civil rights leader's formulation — the American trade-union movement. Now, in the changing political climate forced by the NAACP's continuing strong stand in the face of the hysteria unleashed by media in the U.S., individual trade-union leaders have begun to step forward. In Los Angeles, Frank Wood, Sr., president of the Teamsters Joint Council No. 2, has personally — but not as a union representative — endorsed the NAACP statement. In Canada, five labor officials have done the same.

According to radio reports on Feb. 2, the Michigan Coalition for Jobs and Energy, a coalition of labor and industry leaders, has publicly endorsed the NAACP's energy proposal.

The Press Tries Again

It is this potential for an alliance between the NAACP, organized labor, and industry which continues to be the principle concern of the racists at the *New York Times*, the *Washington Post*, and the Institute for Policy Studies' *Real Paper* and *Village Voice*. Their consistent method is to lie that the NAACP has sold out to "Big Oil" and that its energy resolution endorses deregulation of natural gas and oil prices, and thus higher prices.

But, this week, the paper most responsible for circulating that lie — the *Washington Post* — was caught in the act. Tom Turner, a member of the NAACP Executive Board and the head of the AFL-CIO District Council in Detroit, stated flatly, "the *Washington Post* slandered me" in its article Jan. 28. That article "quoted" Turner and other ALC-CIO leaders on the NAACP Executive Board saying they would "make sure" that the NAACP "revises its policy at the next board meeting." Turner, in fact, told *Washington Post* reporter Austin Scott that there was "no division at all" on the Board.

NBC-TV joined the media ranks this week to try to convince its viewers that there is a split in the NAACP. On Jan. 30, a full 10 minutes of its New York City local evening news was devoted to an interview with NAACP Executive Director Dr. Benjamin Hooks. NBC's resident black woman reporter pilloried Hooks: "You don't really agree with this energy program, do you, Ben? Were you in the room when the decision was reached? Why don't you act like the executive director and take control over this mess?"

In response, Hooks emphasized — as he has consistently in speeches over the past month — the necessity for an expanding economy and expanding industrial jobs to ensure a future for all Americans, black and white.

And the *New York Times* tried once again, printing a letter to the editor from former aide to Henry Kissinger Leonard Rodberg denouncing the NAACP. Rodberg, who now heads an IPS splitoff called the Public Relations Center, said that the NAACP's emphasis on energy- and capital-intensive economic development will "encourage the major cause of the unemployment that is endemic today among minorities..."

But, on Jan. 30, Margaret Bush Wilson, head of the NAACP Board of Directors, shot back in an interview with the *Times*. Reaffirming her support for a progrowth energy policy, Wilson informed the *Times* that the attacks on her for selling out to the oil industry "do not deserve the dignity of a reply... The issue is what kind of energy policy will lend itself to an assurance that we'll have a viable, expansive economy, one that is not restrictive, because under slow growth, blacks suffer more than anyone."

The NAACP has made it clear that they will not easily succumb to the slanders of the liberal press or denunciations from trade union agents like the head of the Coalition for Black Trade Unions. But will trade unionists who have supported policies of growth in the past follow George Meany and Lane Kirkland into slave-labor projects under Humphrey-Hawkins legislation while American industry shuts down? Or will they join with industrialists and GOP leaders in the NAACP's fight to save America as an industrialized world leader?

The Myth Of The NAACP'S 'Call For Deregulation'

The following article, written by Benjamin Hooks, Executive Director of the NAACP, and distributed to hundreds of papers around the country, answers once and for all the critics of the NAACP who have tried to restrict debate on the civil rights organization's energy statement to whether the NAACP has "sold out to the oil companies" by supporting deregulation of oil and gas prices.

In no uncertain terms Hooks states, "The current debate...is centered around one principal aspect of the revolutionary document — regulation. Nowhere in the statement is the word deregulation or regulation used."

Here is that article, reprinted in full.

The NAACP energy policy statement which was adopted on Jan. 19, 1978, by the National Board of Directors, resulted from seven months of intensive research and review. The major thrust of this policy is to protect as well as to foster the creation of jobs for Black Americans in the major urban centers where they now live.

The NAACP feels that the Carter Administration's national energy program overly emphasizes conservation at the expense of directing national goals to the development of new and alternative energy supplies. This thrust, we are convinced, will cost Blacks their jobs by forcing the flight of industry away from the older cities.

The President's emphasis on energy conservation could severely restrict the expansion of the nation's economy, since the rate of economic growth historically has depended on the abundance of energy supplies.

The NAACP believes that a stagnant economy, which would result from the President's energy plan, would have a disproportionate and disastrous effect on Black Americans' employment.

Not Endorse Deregulation

The NAACP also questions the Administration's complex energy, tax and regulatory proposals. While the Statement does not endorse regulation or deregulation, it raises questions about the best approach for meeting the energy crisis.

The NAACP recognizes that government sponsored programs must continue to provide the basis for ending poverty, especially among the traditional victims of racism. Nevertheless, in a country such as America, government alone cannot be expected to provide the final solution. U.S. corporations with their massive resources in finances, capital, technical and professional skills must be encouraged, where they cannot be compelled, to participate in the process of providing equal opportunities for minorities.

This is, and will continue to be, the goal of the NAACP.

The current debate over the NAACP energy policy statement is centered around one principal aspect of the revolutionary document — deregulation. Nowhere in the Statement is the word deregulation or regulation used.

Intent Clouded

Yet the preoccupation with this facet of the several issues involved in a national energy policy has clouded the true intent of the NAACP statement.

This is to direct the attention of our members and the nation to the historical realities of Black progress. Namely, as we saw in the 1960s, the chances for bringing Blacks into the mainstream of the nation's economy are best during periods of healthy economic growth.

At present, despite all the studies and reports showing that Blacks have been living in a Depression state since 1969, despite all the protests, complaints and warnings of dire consequences, the prospects for developing real solutions specifically directed at the Black condition seem very distant.

Consequently, the NAACP recognizes that there are new dimensions to the struggle for equal opportunity. To meet these complex challenges, new outlooks and new strategies must be developed by Black Americans under the NAACP's leadership.

Amsterdam News Sticks Foot In Mouth

Following an attack it published last week on the NAACP's energy proposal, the Feb. 4 issue of New York's Amsterdam News follows the lead of the Washington Post and the Los Angeles Times and tries to keep alive the myth that a major controversy is brewing inside the civil rights organization over the energy policy.

In a front-page article titled "NAACP Reverses on Energy," the Amsterdam News erroneously states that "Benjamin Hooks, Executive Director of the NAACP, has now apparently reversed that organization's position on the deregulation of oil and natural gas prices."

This is not the case — as the following excerpts from the Amsterdam News's own article show:

...In an exclusive interview with the *Amsterdam News*, Hooks declared that the organization "never has and never will advocate the deregulation of the price of oil and natural gas."

...While the NAACP has not actually favored deregulation it has favored the end of price controls, and to many experts in the field the semantic argument amounts to the same thing.

...Hooks denied in the telephone interview that he is concerned about the criticism.

"...Most of the criticism has not been directed against the NAACP's actual position but against the way our position has been interpreted in the press...The NAACP never, in its January 9 (energy proposal) paper, used the word deregulation. That word was first used in a *New York Times* headline; and the Times simply misinterpreted our position," Hooks said...

Following their news article, the Amsterdam News reprinted a nationally distributed article by Hooks (see

above) and excerpts from the NAACP's original policy statement, to "prove" by the comparison that Hooks has indeed reversed the organization's policy. We here reprint the Amsterdam News's comparison "highlights" and likewise ask our readers to "compare them for yourself."

Hooks said: "The NAACP also questions the Administration's complex energy, tax and regulatory proposals. While the Statement does not endorse regulation or deregulation, it raises questions about the best approach for meeting the energy crisis."

The NAACP document said:

"While we endorse the (Carter National Energy) Plan's objectives of eliminating energy waste and to improve utilization efficiency, we cannot accept the notion that our people are best served by a policy based upon the inevitability of energy shortage and the need for government to allocate an ever diminishing supply among competing interests. Those aspects of the plan which would perpetuate price controls on newly discovered oil and natural gas and extend those controls to new areas appear to us to be incompatible with the need for new supply development. We also believe that many of the prohibitions proposed with respect to the industrial use of oil and natural gas will force the closing of many job-producing industries in urban areas and cause a massive shift of industries away from areas where most Black people live and work."

Afro-American:

NAACP Makes Carter Look Good

Jumping on the bandwagon of black press criticism of the NAACP, the national edition of the Afro-American, published in Baltimore, Maryland, uses the "Washington Viewpoint" column by Samuel Yette to falsely report that the NAACP statement asks Congress to "remove all price ceilings on oil and gas."

The criticism hinges on an unfavorable comparison between the NAACP's position to portions of President Carter's State of the Union address. Here, excerpts from that column, which was titled "Carter's Budget Bad, NAACP Worse":

...What Carter is proposing of course is the same trickle-down system of economic distributions that have for centuries made the rich richer and the poor poorer. In other words, give the money to big business and in time some of it will trickle down to the little guys. By now it should not be astounding that Carter, like virtually all Presidents before him, would make such proposals.

What is truly astounding and would seem dangerous is that the NAACP has taken the same direction.

Even while offering our lives and fortunes to the big oil companies, Carter has at least couched most of the offerings in language that made it appear that he was trying to hold down the windfall profits and the windfall prices...

But three weeks ago the NAACP opposed even that restraint. They proposed that Congress remove all price ceilings that now prevent big gas and oil companies from pricing the general public into slavery.

So bad was the NAACP pro-oil position that even Carter's jabs at a press conference a few days later (after the State of the Union address — ed.) made Carter look good and the NAACP look comparatively foolish, if not venal.

Detroit Trade Unionists Use 'Deregulation' Line to Attack NAACP

On Jan. 31, NSIPS contacted Horace Sheffield, a leader of the Detroit, Michigan branch of the National Coalition of Black Trade Unionists, for a statement on the NAACP's energy policy statement.

"Margaret Bush Wilson (the chairman of the NAACP Board of Directors — ed.) is a dear friend, but the deregulation call has put the NAACP in unchartered waters..."

Mr. Sheffield then read the letter which William Lucey, the head of the coalition and the national secretary treasurer of AFSCME, sent to Wilson on Jan. 17.

"The Coalition of Black Trade Unions is totally opposed to deregulation, and to an alliance of big government, big minorities, and big oil. Our interests are contradictory, incompatible, incongruous, and unlikely."

Will Republicans Officially Endorse The NAACP Call?

A fight is brewing inside the Republican National Committee for a program of industrial and technological progress. That fight, in part provoked by the NAACP's recently issued statement on a national energy policy, is now creating a significant shift throughout GOP policy-making layers, a shift that was evidenced in several public statements this week.

John Connally, Jack Allen, Ronald Reagan, and William Brock, with the backing of newspapers like the *Cincinnati Enquirer* and the *Dallas Morning News*, all have rejected the GOP's attempt at a new "Democratic" image by backing the NAACP's stand for economic growth.

Carter Energy Bill Isn't An Energy Bill

Former U.S. Treasury Secretary John Connally sharply attacked the Carter Administration for spreading what he called an "alien philosophy" against economic growth in America during an address to the East Texas Chamber of Commerce in Dallas on Jan. 28. Connally, a leading national Republican, is considered by many political observers to be a major presidential front-runner.

Connally hit, in particular, President Carter's opposition to the "B-1 bomber, nuclear power plants, and

hydrogen fusion facilities," and warned that a "no-growth philosophy and excessive concern for environmental factors and consumer protection could mean a decrease in jobs and a damaged economy... We have limitless frontiers of science... This nation was built because we're a daring and courageous people."

Connally stated bluntly that the Carter Administration's National Energy Plan which is stalled in Congress "wasn't an energy bill—it was a tax bill." If the bill becomes law, "it will be disastrous for the nation."

Those sentiments were echoed by Jack M. Allen, the president of the Independent Petroleum Association of America, a major lobbying association representing independent oil producers. Addressing the same group, Allen said that the nation would "fare better without an energy program than with the energy bill passed by the House." Oilmen favor an energy program, but not the one proposed by President Carter. "The American public is beginning to agree that America needs an energy policy that gives incentives for increased production," said Allen, citing opposition to the Carter program from labor groups, consumer organizations, academicians, and the NAACP. "The real reason that President's proposal hasn't passed is that it's a bad bill," Allen concluded.

The statements by Connally and Allen were reported by the *Dallas Morning News* which has editorially endorsed the NAACP's energy policy statement.

Reagan: NAACP Report A 'Hot Potato For Dems'

In his weekly syndicated column, former California Governor Ronald Reagan posed for Republicans across the country the political potential of the NAACP's National Energy Conference Report — an alliance for progress that could shift the political makeup of the U.S. Congress during the 1978 elections. Below are portions of that article, title "Hot Potato for Dems," which appeared on Jan. 27.

For weeks, the White House treated it like a hot potato, hoping it would go away. But it didn't. The National Association for the Advancement of Colored People's National Energy Conference Report surfaced instead in a Detroit newspaper.

No wonder the White House was worried about it. It hands the Democrats a headache and the Republicans an opportunity.

Though it is cloaked in carefully worded language, the NAACP's message from Black Americans to the Carter Administration is very clear: Your energy program is the work of white elitists who "have theirs" and want to slice a shrinking pie into smaller pieces...

Sustained economic growth has been the mechanism that has turned the American dream into a reality of prosperity for wave after wave of newcomers to these

shores. So why not us, the Blacks are asking...

Contrast (the NAACP report) with Energy Secretary James Schlesinger's recent warnings that Carter might slap unilateral import fees on oil to jack up prices or to cut consumption...

That runs against the American grain... The black leaders understand, as energy gurus don't seem to, that increased economic activity means more jobs and more jobs mean denting the stubborn 14 percent unemployment rate among Blacks.

President Carter is in a spot on this issue. Committed to an energy policy that is counter to the American instinct to solve problems, break barriers, and grow, his pursuit of it pleases his party's left-liberal wing while increasing the impatience of Black Americans and other minorities...

If Republicans will put aside the empty rhetoric about "base broadening" and get down to the serious business of linking their job and tax reform programs with the hopes of blacks and other minorities, they may be able to forge an ad hoc coalition in time for this year's elections... If Republicans can persuade Black voters that they are the party of optimism on the energy issue and the Democrats are the party of pessimism, they may have the beginnings of the resurgence they have been hoping for.

Where Does The GOP Stand?

Exclusive to the Executive Intelligence Review

The Republican Party has to date offered no public comment, either for or against the national energy policy statement recently issued by the NAACP. However, that statement has clearly exacerbated factional differences within the Republican leadership, leading to clearly contradictory actions by GOP National Chairman William Brock.

During the Republican National Committee's winter conference on the weekend of Jan. 21-22, the party leadership hosted "country preacher" populist Jesse Jackson, who urged the RNC to endorse "a domestic Marshall plan to rebuild our cities," or else "we are going to have to teach people like Carter a lesson in real politics...there are going to be worse riots than the 1960s unless something is done." Jackson defined this "something" as "a revival of the spirit of the people that will attract industry and jobs. A servant is worthy of his hire, but more than money is derived from work. For from it comes the joy, the fulfillment and the self-esteem of doing a job well done."

Chairman Brock hailed Jackson's "Arbeit Macht Frei" speech by telling reporters, "I wish we had Republicans who could talk like that."

Two days later, on Jan. 23, Brock reversed himself in a private off-the-record meeting with members of the Council on Foreign Relations. According to a leading Republican present at the

meeting, Brock specifically cited the NAACP statement as exemplary of the popular outrage that has been sparked in this country by the Carter Administration's incompetent energy proposals. Brock singled out the proposed congressional compromise energy program for its failure to address the urgent need for capital investment and, implicitly, upgrading technology.

To demonstrate his point, Brock cited the example of the Japanese nuclear energy program as the only rational choice that energy-dependent nation could have made to meet its future needs—a choice that the Carter team had deliberately tried to sabotage. Moreover, Brock argued that the best antidote to protectionism was to adopt an energy program that guaranteed ample energy supplies, a steady rate of investment for capital formation, and productive jobs—not temporary, make-work for unemployed ghetto youth. As a case in point, Brock sharply criticized the burden of environmental protection devices industries, such as U.S. Steel, are forced to pay for with no capital relief in sight. It is because of this kind of shortsightedness that the American electronics industry has already been destroyed, and it was because of the same shortsightedness that the leading Western nations engaged in cutthroat trade war in the 1920s, with all the unspeakable consequences implied, Brock added.

Industry Reps Take Up The Growth Call

The White House Conference on Balanced National Growth and Economic Policy held last week saw an open debate over the proper orientation Administration policy should take. Testimony was heard from both proponents of economic growth and those who feel that "con-

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servation" of the United States' resources is necessary. While much of the debate was couched in terms of government's proper role, the actual context was the open fight on Capitol Hill over energy development.

Rep. Morris Udall (D-Ariz.) headed the list liberals suggesting that for the U.S., the age of economic expansion is past. Udall called for "labor-intensive" jobs programs and said that whatever the outcome of "all these struggles, the government should try to be just a little bit more neutral."

Countering Udall, was testimony from Ford Motor Company Chairman Henry Ford II and Dr. Morris Levitt, executive-director of the Fusion Energy Foundation. Ford asserted that not only was economic growth desirable, but necessary for the continued well being of the U.S. and criticized the "web of rules and regulations" tying up the development of resources. Levitt directly addressed the need for an inexhaustible source of energy "such as thermonuclear fusion power." This sentiment was shared by Robert Georgine, the president of the Building and Construction Trades union who observed that the delay in regulatory procedure "must be eliminated."

Here are portions of Henry Ford's statement before the conference.

My primary concern is whether there will be growth at all, given our government's increasing preoccupation with national policies that effectively impede growth. As I look at our country today, I see a powerful but uncertain and unsteady giant being trussed up in a growing web of

rules and regulations, to the point where it can no longer exert its strength freely and effectively.

I am reminded of the story of Gulliver in the land of the Lilliputians...

Ford favored reasonable Federal regulations but criticized energy and environmental regulations that demanded "double-quick" compliance and "instant perfection."

Regulatory decisions can have far greater impact than was intended or foreseen by those who enacted the basic legislation. The staggering cost of meeting regulations falls first upon the affected industry and its customers, and only later does the impact begin to be felt by the society at large in terms of general price rises, slower economic growth and fewer jobs...

FEF Asserts Nuclear Energy Key

Dr. Morris Levitt, Executive Director, Fusion Energy Foundation submitted the following testimony to the White House Conference on Balanced National Growth and Economic Development, Feb. 1, 1978:

...The fundamental issue here is this: there is no possibility of the United States maintaining a rising standard of living for its population, solving its monetary crisis, or bringing on line an inexhaustible source of energy such as thermonuclear fusion power in the near future, unless the government acts now to restore a full program of industrial development with special emphasis on the breeder reactor.

There are several interrelated ways to demonstrate the political, economic, and scientific necessity for reversing the present and, unfortunately, misguided Administration policy in this area. Public officials are by now well aware that the National Association for the Advancement of Colored People issued a statement in mid-January on energy policy calling for full nuclear development, which is now circulating widely on Capitol Hill and elsewhere. That policy paper and subsequent supporting statements took the position: If minorities are to share in the good life — materially and culturally — the economic pie must grow. A technologically stagnating economy will only redistribute mindless, inadequately paid labor and social heteronomy. Development of the nation's economic strength depends critically on adequate energy production, and that, in turn, means an amount of nuclear power by the end of this century which only the breeder reactor can make possible.

President Carter, where are you getting your advice on this issue? No independent expert here or abroad believes the figures on uranium availability that the Ford Foundation-Mitre Report and Secretary of Energy Schlesinger gave to you. Why is the Energy Secretary so anxious to hold up the findings of the National Academy of Sciences and ignore those of utilities, independent academics, and your own government resource experts in the geological survey?

No nation — beside zero-growth-oriented Great Britain — whether in the Comecon sector, the West European Common Market, Japan, or the Organization of Petroleum Exporting Countries (OPEC) and among the

Third World nations, favors low-energy, labor-intensive economics which, they rightly argue, equals economic chaos and poverty: or is persuaded by the argument that proliferation of plutonium leads to war. Governments know that wars come from manipulation of inadequate and uneven economic development and the tensions occasioned by scarce resources. All know that weapons are the products of small, cheap breeder reactors, not big, public, expensive commercial civilian reactors. Many nations are committed to the development of nuclear power and to continue using the assured fuel supplies the breeder will make possible.

With full nuclear development, and use of coal and gas where they make most economic sense, we can produce all the food, housing, water, steel, concrete, and manufactured goods the world needs. We can export tens of billions dollars worth of high-technology goods to wealthy countries like Iran and invest in building the rest of the Third World into a mass market, eliminating unemployment and economic backwardness here at home as well...

Kraft: Storming Warnings

The importance of energy policy to the U.S. economy was the underlying theme of syndicated columnist Joseph Kraft's column titled "Storm Warnings," Jan. 29.

We may not be able to do much about the weather but we can learn from it. Especially regarding energy.

The storms and cold of the past few weeks fingered the weaknesses in the new and exotic sources most attractive to persons concerned about the environment. They also illustrated a flaw in the supposed ace in the hole — coal — and the need to push ahead with nuclear power.

Ten days ago I was in Santa Clara, Calif., one of the leading demonstration sites for solar energy. The progressive municipal government there has pioneered in building a new recreation center that is both heated and air-conditioned by solar energy.

When I visited the city, however, the sun hadn't shone for three weeks. The recreation center had been obliged to switch off its solar plant and go on to a conventional backup power source. The conventional system, because it was designed to merge with solar energy, was less efficient than a normal boiler. So, in fact, Santa Clara was using more energy than it would have without the solar installation.

The day before that I was up at the Geysers, a geothermal source of power north of San Francisco. Geothermal energy comes from tapping the steam, or hot water, in igneous rock that has been thrust up toward the surface of the earth in certain areas, usually near earthquakes and volcanos. The steam or hot water is used to drive turbines, which in turn generate electricity...

Nuclear power, of course, is immune to the stormy weather. It is also, being a relatively small user of manpower, not subject to the chaotic labor conditions that have closed down the coal mines. During the past seven weeks, in fact, nuclear plants around the country have been operating about 10 percent above their normal levels...

Signs Of Pro-Growth Feistiness From Oil Industry, Citibank

The statements on behalf of unhindered economic growth at the White House's recent policy conference were matched by statements and actions by America's oil industry and at least one major bank heavily involved in energy financing:

* Citibank economists complained that the production goals of the Carter coal plan will not be obtained, given the Administration's present obstruction of the development of the Western U.S. coal reserves.

* The oil industry has won three court battles in the last two weeks against Schlesinger's Department of Energy, which has been seeking to extend its regulatory powers over all aspects of U.S. oil and gas production. The latest defeat for the DOE was in a court case regarding the classifications of stripper-well leases.

Nevertheless, Schlesinger and Secretary of the Interior Cecil Andrus successfully struck back at the oil

companies by sabotaging the scheduled lease-sale last week of offshore oil tracts in the Georges Bank of Massachusetts, with an assist from the Massachusetts political machine of the Anglophile Kennedy family. What happened, in brief, is the following. A judge in Massachusetts connected to the Kennedy machine successfully obtained a court stay on the lease-sale. Secretary Andrus, who could have circumvented this court stay, chose not to. He instead cancelled the sale, consistent with his attempt to dismantle Western agribusiness during 1977.

According to one press account, Andrus sabotaged the Georges Bank sale to obtain blackmail leverage to reverse the setback he received in the House of Representatives last week. The House several days ago voted to limit the Department of the Interior's ability to interfere with the offshore bidding process — by limiting its ability to change procedures for bidding.

In riposte, Sen. Kennedy, his Massachusetts henchmen, and Andrus resolved to use their stranglehold on the Georges Bank Leases to force Congress to reverse the House vote last week.

Carter Administration Fracturing On Nuclear Export Policy

Major fissures are developing within the Carter Administration over the question of a nuclear exports policy.

The first crack came at the Feb. 1 hearings of the Senate Finance Committee's Subcommittee on In-

THE ADMINISTRATION

ternational Trade, where Special Trade Negotiator Robert Strauss stated his concern that nuclear exports not be hindered.

The next day, the Senate began its debate on the nuclear nonproliferation bill — a bill written by Senators Charles Percy (R-Ill.) and John Glenn (D-Ohio) which would, if passed, cripple U.S. nuclear exports. At the hearings, Senator McClure (R-Idaho) used Strauss' statements to come out against any bill that would effectively mean a mandate against nuclear exports.

Up to this point, the Administration had privately indicated support for the bill. Moreover, President Carter and Energy Secretary Schlesinger have demanded stringent controls on the export of U.S. nuclear technology.

But now, declared one prominent Senator, "The Administration is split on the issue of the nonproliferation bill." He indicated that particularly the State Department, which is under tremendous international pressure, is beginning to support a nuclear export policy.

Strauss Splits With Administration Over Nuclear Exports Policy

At hearings Feb. 1 in the Senate Finance Committee's subcommittee on International Trade, Sen. Clifford Hansen (R-Wyo.) fired a round of questions at Strauss about the Administration's nuclear export policy. Strauss made clear, without openly attacking Carter, that he agreed with Hansen.

Hansen: I was glad to hear you mention in your statement the Japanese interest in importing nuclear fuels and equipment from the United States. (He mentioned figures about man-years of jobs and billions of dollars that come from the export of a nuclear plant.) Is this statement of yours representative of high-level interest in the Administration about nuclear exports?

Strauss: The topic of nuclear exports to Japan came up specifically in a personal meeting with Japanese trade negotiator Ushiba. The Japanese are very interested in purchasing nuclear equipment and fuels from us. There are those who think we shouldn't be exporting nuclear materials and technology. Well, other nations are going to buy it, and it might as well be bought here and not from the Japanese or the Germans.

Hansen: I appreciate the philosophy of the President's desire to curb nuclear nonproliferation, but I think the

train has already left the station, and we cannot stop it. I think the question of nuclear exports is the ideal place to try to address our trade imbalance. What is your view of the nonproliferation bill, S.897? Do you think the U.S. should be a reliable and predictable supplier?

Strauss: I cannot make any comment on S. 897 per se, but I will take a closer look at it.

Hansen: I understand that there is a round of talks scheduled with the Japanese for October around the renewal (or expansion) of certain nuclear exports from the U.S. What would be the impact on these negotiations of a moratorium on nuclear exports, either generally or specifically to Japan?

Strauss: I think the question answers itself. It would have an extremely adverse impact.

Hansen: The President's Council on Environmental Quality (CEQ) has proposed the internationalization of environmental impact statements, that is for all nuclear exports. This would cause a defacto moratorium on nuclear exports and on related Eximbank financing. What is your view of this?

Strauss: These are serious concerns. The CEQ proposals are only preliminary. I intend to monitor this situation and to be heard forcefully in this situation. I have serious reservations on anything which will impede our ability to do business in this area. We do not need any unnecessary barriers to trade.

Hansen: Making an environmental impact statement a prerequisite for the export of materials are issues of serious foreign policy concern. It has to do with the sovereignty of foreign countries. We have no business involving ourselves in this.

The Japanese want to precede to buy tools and equipment from the U.S. I think S. 897 will prohibit the flexibility in doing this. We are headed in the wrong direction.

Ribicoff, Chairman of the Subcommittee: I am a bit concerned here. I am all for selling nuclear plants

abroad, but not in giving the Japanese the ability to reprocess and get weapons grade plutonium to blow the globe up in a nuclear holocaust, certainly not after their experience in Hiroshima. And I am against anyone, that includes General Electric, which is headquartered in my state, selling reprocessing equipment so someone can make weapons-grade plutonium. Mr. Strauss, your response on S. 897 was entirely proper. At the heart of this is universal survival. I am against reprocessing of weapons-grade plutonium...

Japan: Market For Nuclear Technology

The following is from the Wall Street Journal's Feb. 2 coverage of Special Trade Negotiator Strauss's testimony before the Senate Subcommittee on international trade.

Japan could be a \$2 billion market for U.S.-made nuclear equipment, Special Trade Representative Robert Strauss told the Senate Finance Committee.

The top trade official also said that his office is studying whether to introduce steel into the multilateral trade negotiations going on in Geneva.

Mr. Strauss told the committee that the Japanese government has formed a number of joint industry groups to explore the purchase of citrus and forest products, beef, and nuclear machinery from the U.S. He said he believed the nuclear group, formed in the wake of recent U.S.-Japanese negotiations, will lead to "substantial purchases of nuclear powerplant equipment."

He said a 50-member Japanese team will visit the U.S. in March to explore nuclear-equipment purchases.

Nuclear equipment "is something they can purchase from us," Mr. Strauss said. "I think we're talking about \$2 billion in potential purchases," he added...

Schlesinger's WEEP Underway; Gov't Intervention In Coal Strike Hinted

Secretary of Energy James Schlesinger's Winter Energy Emergency Plan (WEEP), which outlines a four-phase federal intervention policy for energy crises, moved into phase three this week.

During an appearance on the Jan. 29 ABC-TV news program "Issues and Answers," Schlesinger mooted the possibility that the federal government would invoke the Taft-Hartley Act to force striking United Mineworkers back to work. Schlesinger's threat of federal intervention in the two-month long coal strike — an intervention which spokesmen from both the Energy and Labor departments say could lead to a bloodbath in Appalachia — was followed by the Secretary's announcement on Feb. 1 that the department would force reductions in electric power to uranium enrichment plants of up to 60 percent on the excuse of reduced coal supplies which Schlesinger's federal intervention would further exacerbate.

WEEP is Schlesinger's weapon against congressmen who have refused to pass his "no-energy" policy. Schlesinger threatened on "Issues and Answers" that if there is no energy bill by Feb. 12, the nation will be hit with chaos and the possible use of executive powers, such as gasoline rationing, to force conservation. Said Schlesinger without a blush, if Congress could not pass a National Energy Act by Feb. 12 and the public doesn't change its ways on the "wasteful use of energy," then the Administration "may have to intervene more directly to force a compromise."

The WEEP Policy

WEEP outlines federal intervention in each of four phases of energy shortages, from "prior to shortage" up through "severe shortage." For each degree of shortage in oil and natural gas, WEEP includes stages of federally directed reallocation, conservation, and alternate fuels use.

In the case of coal shortages in strike, only two possible federal programs are outlined: cutting back on the Energy Department's uranium enrichment facilities and using the Taft-Hartley Act to bust the strike. President Carter has himself suggested, during a Jan. 30 press conference, that the Taft-Hartley Act might be invoked to end the coal strike. Schlesinger is reportedly putting "enormous pressure" on the rest of the Carter Administration to use the federal injunction and implement an energy dictatorship.

Ohio Governor Rhodes appears to be the only official of government to urge President Carter to intervene to effect a peaceful negotiated contract settlement — without the use of Taft-Hartley — between the coal operators and the UMW. According to reports, a settlement could be reached very soon between the two sides.

The UMW has historically refused to work without a contract, and if the National Guard were called out to

physically force miners into the mines, violence would be the only result. The Institute for Policy Studies networks in the union, who have already warned state officials that there will be wildcats no matter what the economic settlement is, would be given a free hand to create the maximum chaos within the union and the coal region if Schlesinger is allowed to invoke Taft-Hartley in lieu of the economic agreement that is close at hand.

—Marsha Freeman

WEEP Will Go Into Effect Says DOE Assistant

Jim Bishop, the Deputy Assistant Secretary of the Department of Energy gave this telephone interview to a reporter this week.

Q: Will Secretary Schlesinger recommend to the President that the Taft-Hartley Act be used in the current UMW strike?

A: That recommendation can only come from Labor Secretary Marshall, and only the President can invoke it.

Q: But will Schlesinger advise the President that it is necessary?

A: I can't say anything more than the Secretary said on TV yesterday.

Q: The Administration put a lot of time into developing the Winter Energy Emergency Plan. Is it going to be used?

A: Sure. It's there to be used.

Q: Well, Taft-Hartley is what the WEEP program outlines for federal intervention in the "severe crisis" stage.

A: We are not in the danger phase yet. We will cut down the gaseous diffusion plants which will save thousands of megawatts.

Q: Don't you see the situation developing where the entire WEEP program could be needed?

A: If the weather continues in the right direction, all of WEEP will go into effect. Do you still have the WEEP document? Re-read it and you will know what the government is going to do. (click)

Energy Department Spokesman Says Taft-Hartley Won't Have Any Effect on Coal Strike

The interview below was given by a spokesman for the Economic Regulatory Administration of the Department of Energy and clearly indicates that the Energy

Department is not solidly behind Secretary Schlesinger's threat to impose Taft-Hartley on the ongoing coal strike.

Q: How have you been trying to deal with the Midwest coal crisis?

A: We are in daily touch with the East Central Area Reliability Council and are following the state of coal reserves.

Q: Representatives from Ohio have indicated that the supply situation is becoming serious.

A: They've reported to us that starting Feb. 1 they will ask for voluntary conservation and that after that reductions will become mandatory. The situation is serious, but the President has asked that cut-backs be made in the Portsmouth, Ohio uranium enrichment plant.

Q: Do you think Schlesinger will advise Carter to invoke Taft-Hartley to end the strike?

A: Don't quote me, but Taft-Hartley wouldn't have any effect. There is a history to this kind of thing and it just wouldn't have any real effect.

WEEP Isn't Much of a Program Says Ohio Utilities Spokesman

The following interview was given by a spokesman for the Ohio Public Utilities Commission on Feb. 2.

Q: It is reported in today's *New York Times* that you have said that within the next couple of weeks, 500,000 layoffs could take place in Ohio due to the coal shortage. Is this an accurate statement?

A: Yes. That's accurate. There have been a lot of

misquotes in the press. Governor Rhodes was misquoted in the *Washington Post* yesterday. The governor has never called for Taft-Hartley to be used in the strike. We have called for the President to intervene in the negotiations to help a settlement.

Q: It looks from WEEP that there is no federal policy beside Taft-Hartley outlined.

A: The September (WEEP) program only calls for conservation. We are already doing that. It isn't much of a program. The Department of Energy didn't appreciate the suggestion from Gov. Rhodes at all. I don't know why Carter isn't intervening in the negotiations to settle the strike as quickly as possible.

Jay Rockefeller Aide:

Miller Will Have Trouble Selling Contract In W. Va.

The following is excerpted from an interview with an aide to Jay Rockefeller, the Governor of West Virginia.

...We have been talking to a lot of people down here about the coal negotiations.... We think that (United Mineworkers President Arnold) Miller is going to have a lot of trouble selling any contract that doesn't have the local right to strike clause in it. The boys down here are damn angry — they wildcatted for two months over the summer, they have stayed out for two months now ... if (UMW) District 17 rejects the settlement, there will be wildcats and they won't move coal out of West Virginia. If they try, there will be bloodshed.... I'm afraid it would be the end of the UMW, if that happened ... if there is no settlement some damn fool uses Taft-Hartley, well then, the hills will flow with blood.... Either way, this state is in for a rough time....

Schlesinger Out to Wreck Settlement Says Labor Department Spokesman

A spokesman for the Department of Labor (DOL) had the following to say on the role of the Department of Energy (DOE) in the current coal strike negotiations.

I can't figure out what the hell (Energy Secretary James) Schlesinger and his people over at the DOE are up to. Anyone with half a brain would know that the threat of using Taft-Hartley on the coal strike won't help anything.

For the last month Schlesinger has been calling for Taft-Hartley as soon as it would become politically feasible. He did it again on TV last weekend. He and his scenario writers could wind up creating a real violent mess out of this strike.

It is going to be hard enough for (UMW President) Miller to sell a compromise settlement, if and when they reach one. With all this talk of Taft-Hartley, it is going to look like he (Miller-ed.) backed down to the government pressure, and the miners aren't

going to like it...

My people tell me that they (the negotiators-ed.) are near a settlement...it's down to just money and that can always be negotiated...Besides everyone knows that Taft-Hartley can't work on a coal strike...it never has and never will...all it would produce is violence. It wouldn't get any more coal into the Midwest.

The problem with Schlesinger is that he thinks he is some kind of goddamn general. He says do this and everyone snaps to and does it. Well, labor negotiations don't work like that. No scenario writer over at DOE is going to tell me to recommend Taft-Hartley. I don't care if it is called for in their Winter Energy Emergency Plan....

But Schlesinger may get his way...You have local people (in Ohio) screaming that the government must do something. If the negotiations break down again or if Miller can't sell the settlement, there is going to be all sorts of panic. Then Schlesinger will go to Carter with all his figures and with his scenario and say, "Now is the time we must use Taft-Hartley." And if Carter says yes, you are going to have one hell of a mess in this country...

British Coup In Monetary Affairs

Once the dust settles from the collapse of the French franc last week, the dollar collapse that will probably be in full swing as this issue reaches its readers, and related monetary disasters, the British financial press and the predictable British-connected bankers in the United States will start to hint at the conclusions of the accompanying articles.

A handful of key monetary developments over the past week have shifted the monetary balance of power swiftly, if not yet decisively. Their key invariant feature is the manipulation of central bank reserve placements, currency flows, government crisis, public press, and other influences by a group of London Merchant bankers, with the object of re-establishing London's financial preeminence, and the re-emergence of sterling as a leading world reserve currency.

The events include:

- (1) The replacement of West German Finance Minister Hans Apel by Hans Matthoefer, who, along with Otto von Lambsdorff at the Economics Ministry, constitute a "reflation front" for West Germany.
- (2) The decision of Japanese Prime Minister Fukuda, along with Central Bank Governor Morinaga and Vice-Minister of Finance Matsukawa, to sue for terms with the Blumenthal Treasury. According to reports in the Japanese financial daily Nikkei Kezai Shimbun, Matsukawa's current trip to the United States was to offer Japanese participation in the so-called "Roosa Plan," stabilization of the dollar, yen, and deutschmark parities against the dollar through "coordination of

economic policies," i.e. reflation and monetary easing by the hard-currency countries. The Japanese did this in desperation, according to the *Executive Intelligence Review's* Japanese sources, after Matsukawa's attempts to obtain Federal Reserve cooperation in stabilizing the yen-dollar parity were refused.

(3) The French franc collapsed for no reason apparent to either the large American commercial banks or the large West German commercial banks — who told *EIR* the sudden collapse of the French currency had them flummoxed (and liquidating francs once the run had started). In fact, British merchant banks who manage large central bank accounts pulled the operation out of a hat — and bragged about it to *EIR*. They intend to draw funds out of the dollar next. For the first time, there are serious doubts among bankers close to the Persian Gulf situation that the Saudis can withstand the pressure.

The U.S. Treasury has been circulating the argument that more reflation from West Germany and Japan would stabilize the dollar. Barring a reversal of the present direction, what will happen is a worst-of-both-worlds scenario. The flight out of the dollar into other reserve assets, and consequent destabilization of the markets, will force significant reflation, after the fact, and add to the already dangerous inflationary pressure building inside the U.S. economy. No one believes that such reflation will even marginally increase world output levels. The world will be in for an economic disaster under London.

Run On French Franc Only Phase One Of New British Attack On Dollar

This week's unexplained, massive run on the French franc is just a prelude to yet another major City of London operation against the U.S. dollar, aimed at forcing the Organization of Petroleum Exporting Countries and other governments to diversify their national reserves out of dollars and into the decrepit pound sterling, the deutschmark, and the yen.

FOREIGN EXCHANGE

This is the "Roosa Plan," named for Brown Brothers Harriman's Robert Roosa, to force reflation, trade contraction, and economic stagnation on Europe and Japan by setting up a currency bloc of the sterling, dollar, mark, and yen — all managed by interest rate mani-

pulation and coordinated central bank policy under the direction of U.S. Treasury Secretary Michael Blumenthal, George W. Miller, soon at the Federal Reserve, and their partners at the Bank of England.

This analysis emerged in an interview by a financial journalist with Henry Simon Bloch, the senior international partner at the Rothschild-related investment bank Warburg, Pincus in New York, which is reprinted in full below. In the interview, Bloch describes the run on the French franc as nothing but a symptom of the dollar's coming crisis, and lauds the plan of his "close friend" Robert Roosa to set up a sterling-dollar-mark-yen system.

London Spreads a Rumor

There is no identifiable reason for this week's major development on the money markets other than a direct

sabotage operation by the City of London. On Jan. 31, the French franc was trading quietly at 21.11 U.S. cents, its highest level against the dollar since the end of 1975. Suddenly, the markets buzzed with a rumor carried on the Reuters and Dow Jones wires — not by Agence France Presse — than an unidentified opinion poll was about to be released claiming that the French left coalition, headed by British agent-of-influence François Mitterrand, is the front runner in the upcoming French national elections.

Within three days' trading the franc collapsed by 3.3 percent against the dollar to 20.41 U.S. cents, and even further against the Swiss franc (3.7 percent) which rose as the dollar sank due to the instability created. The French central bank reportedly spent between \$200 million and \$500 million to stop the run on Feb. 2 and 3 alone.

However, all available evidence points to the opposite election results — the victory of the Giscard-Gaullist majority. In fact, Paris sources identified the poll as one that *L'Express* will release on Feb. 6 showing a sound defeat for the left at the hands of the present government. Further, the original selling, according to rumors which were flooding the market and were just as unidentified as the shadowy "opinion" poll, came from West German, U.S., and Swiss banks; in short, coming from everywhere but merry old England.

All kinds of wild stories were circulated as to what caused the panic, including the most outlandish allegations by the *New York Journal of Commerce* that French President Giscard and his Economics Minister and Premier Raymond Barre had deliberately caused the run to scare the population away from a vote for the left.

In fact, both the President and Premier only made statements on the disastrous left program Feb. 3, well after the run on the franc.

The major New York banks' foreign exchange trading desks were totally at a loss to explain just what hit the franc.

Diversify out of the Dollar

A City of London destabilization against the markets generally was indicated. Sources at a major Swiss commercial bank agreed that Swiss Central Bank Director Fritz Leutwiler's recent efforts to set up a more permanent means of ensuring U.S. Federal Reserve intervention in support of the dollar, through gold swaps, U.S. sales of foreign currency bonds to European central banks, and so forth, had been cold-shouldered. The source feared that not only was the current dollar support operation insufficient, but that it might not even be sustained. The European-Japanese demands for U.S. support of the dollar which forced the intervention policy in early January had failed to show enough international muscle to put the fear of gold into London's agent Michael Blumenthal.

The thesis was more than confirmed by the Warburgs' Mr. Bloch. He stated that the French franc situation was not an issue in and of itself, the issue was a general move by governments out of the dollar (and all currencies)

which is weak relative to the deutschemark, yen, and the pound sterling. This is the first time a publicly recognized spokesman on international monetary affairs, of whatever stripe, has dared to put the pound sterling, with its rattletrap of an economy, into the list of currencies on tap to replace the dollar — and ahead of the Swiss franc no less. Bloch identified the idea, articulated by Geoffrey Bell of Schroeder Bank, that under the British advisors, OPEC and other developing countries would diversify their foreign reserve holdings out of dollars and into "other" — now identified — currencies. These advisors include Bell and, no doubt, Warbug, Pincus and Brown Brothers Harriman.

The Swiss source reported that the Saudi Arabians, under advice from West German and Swiss bankers, are trying to hold on to their support for the dollar and thus far have succeeded. But if the general European, Japanese, and U.S. support for the dollar breaks down, he said, "the Saudis may not be able to resist moving to the 'basket of currencies' approach." Equally threatening to the idea of integrated European support for the dollar and currency stability generally, the same Swiss source admitted that once the run on the franc started, the Swiss and the West German banks were forced to participate, at the risk of otherwise sustaining market losses.

The Roosa Plan

The second aspect of Bloch's statements — the imposition through the chaos and confusion of the "Roosa Plan" for a London-controlled currency arrangement — was also borne out by several independent developments. Chief among them was the surprise announcement by Japanese Premier Takeo Fukuda, reported by the Japanese press and several wire services, that Japan would, under pressure from the United States, support "the Roosa Plan and a fixed-rate currency arrangement." Japanese Assistant Finance Minister Matsukawa, on a visit to the New York Federal Reserve this week, reportedly discussed the Roosa Plan.

If implemented, the plan would fully institutionalize over the long term the subordination of the dollar, the mark, and the yen to the pound sterling. As an economic program, it would force the reflation of the West German, Japanese, and U.S. economies to the point where their currencies would be as worthless as the pound is today. The result would be a strategic undermining shift within each of these countries toward a British economic system which would become irreversible after a certain point. Under a reflation program similar to the familiar disease of the "sick man of Europe," which is being proposed for the U.S. by Blumenthal and Miller, the United States, West Germany, and Japan would be forced to funnel credit to Humphrey-Hawkins-type make-work jobs and away from capital formation; toward financial support of sterling at the expense of imports; and toward the near elimination of exports so that Japan and West Germany would no longer have the trade surpluses that so "embarrass" Britain and the U.S. In short, a slash of industrial production, trade, and employment — the royal British treatment.

—Kathy Burdman

Rothschild Investment Banker Declares For British System

Henry Simon Bloch, the senior partner at the Rothschild-linked Warburg, Pincus investment bank in New York, was interviewed recently by an independent financial journalist who provided this interview to NSIPS.

Q: *What caused the attack on the French franc and will the dollar be next?*

A: You must realize the franc was overdue for a hit. Attention should be focused much more on the basic relationship between the dollar on the one hand and the d-mark, yen, — and to some extent the pound sterling — on the other. Leave out the Swiss franc; the pound is used much more in terms of real-currency transactions. Sterling is both a reserve currency and a trade-financing one; Swiss francs are only a monetary speculative vehicle. *If the pound were really very strong, it is perfectly possible to regain a leading role in international finance.* So the point is, the French franc and many other currencies — Mexican peso, lira, etc., may come under pressure not so much due to themselves, but because of the general instability of the dollar. The primary problem is not the French or other minor currencies falling against the dollar, but the weakness of the dollar against the mark, yen, and sterling.

Q: *But I thought the dollar had been stabilized by U.S.-European central bank action and that rather the run on the franc might upset this.*

A: No, the dollar is *not* stable. the fall of the franc, aside from all the months we have predicted a fall of the franc, the fall of the franc is motivated not in itself, but by the private individuals — *or governments* — shifting out of French francs and everything else including the dollar, into marks, yen, and some sterling. Maybe, in fact, a big part of situation lies in the strength of the sterling. Sterling may very well appear as a trading currency.

Q: *Governments? I hear Geoffrey Bell at Schroeder Bank advises many governments...*

A: Oh yes, Geoffrey, he's one of the best. Well, for example, take the French-Algerian relationship. You know a great deal, several billion francs, of Arab money had gone into Euro-franc and other franc short-term deposits during the past 6 months or so. Well, now with this dollar situation, they may be getting into marks, or sterling. Of course Algeria is minor, it would really take

big OPEC money like the Saudis to do this, too. It's quite possible we have been seeing a shift out of French francs into sterling by OPEC.

Q: *You keep mentioning the dollar-deutschemark-yen-sterling relationship. Isn't this Robert Roosa's year-old plan for a dollar-mark-yen currency peg with sterling newly added?*

A: Oh, Bob Roosa and I are very close friends, but I certainly must give him the credit for the idea of that cluster of currencies. We recently did a seminar on this at Columbia Law School where I also am a professor.

Q: *Yes, but we hear the Europeans are dissatisfied with the cooperation of the U.S. Federal Reserve on supporting the dollar now. Does this mean the Roosa idea is being discussed as a current option?*

A: Well, as I said, the French franc situation is a symptom of lack of central bank coordination. But I can't really tell you what the Fed is discussing — I can tell you that the Roosa idea is very sound, possibly the best thing we can do in the current situation of extreme instability.

Giscard, Barre Warn Against Program Of French Left

On Feb. 3, French President Giscard d'Estaing and Premier Raymond Barre warned the French population of the adverse impact the left coalition's Common Program would have on the French economy. The following is the text of a Dow Jones wire report on the two French leaders' statements.

President Giscard, whose mandate runs through 1981, warned last week that in the event of a leftist victory he won't be able to stop application of the leftist program involving the rationalization of the major industrial groups and the entire banking sector.

French cabinet ministers and non-leftist economist have warned that application of the common program would ruin and isolate the French economy, within six months.

Premier Raymond Barre said the leftist program would result in a public deficit of 50 billion francs, a trade deficit of 50 billion francs, and an inflation rate of 15 to 20 percent. "The leftist program will ruin small firms, seriously disrupt public finances, dislocate the financial markets, provoke a massive trade deficit, depreciate the franc, and isolate the French economy," he said.

If The Economy's So Great, Then Why's Everyone So Worried?

Over the last week the President's Council of Economic Advisors, outgoing Federal Reserve Chairman Arthur Burns, pro-capital formation Republicans in the Congress, and virtually everyone who has said anything about the economy have all registered hysterical reactions over inflation. These responses are incapacitating to the point of making it impossible for anyone in the U.S. to think rationally about economic policy, a situation akin to France where Gaullist economics writer Paul Fabra just attacked the call by French employers union economist Robert Pelletier for stepped-up investment in productivity-boosting modernization and new technologies like nuclear power. Fabra rebutted that French industry already has enough debt. However, the hysteria is a response to something real — the fact that the U.S. credit system is heading deeper into terminal crisis.

BUSINESS OUTLOOK

In his January Economic Report, Manufacturers Hanover Trust economist Tilford Gaines warned that inflation could at any moment wreck the U.S. banking system, causing savings to bypass commercial banks, thrift institutions, life insurance companies, and pension funds, seeking out high-yielding, short-term speculative investments. His bank also revealed this week that U.S. banks' spreads on international loans (the difference between what they pay for money and the rate they lend it out at) have been reduced to an intolerably low three-fourths of one percent because of rising U.S. interest rates. The Federal Reserve has to keep pumping money into the banking system, despite the potentially inflationary consequences, or the whole "intricate system of intermediation system" goes bust.

Inflation Scare

In the U.S., conservatives of the Chamber of Commerce-type have been put in a "controlled psychological environment" by pronouncements of various "experts." The 365-page report released by Carter's Council of Economic Advisors Jan. 30 paid lip service to the need to spur business investment, but principally concerned itself with the threat of inflation. "When higher rates of inflation become built into the expectations of the public...the process of unwinding the inflationary momentum is a slow and arduous task."

The real solution to the inflation, actual and potential, plaguing the U.S. economy is a policy of targeted investment in export-oriented, high-technology production — which will boost productivity and reduce the costs of production — in tandem with a deliberate policy of drying up speculative investment in the areas such as pure debt refinancing and the real estate bubble. But this

is hardly what the CEA, under the direction of former Brookings economist Charles Schultze, advises. "Next year will pose a critical test for the new program (of voluntary wage and price restraint — ed.) because of the heavy calendar of collective bargaining and the fact that utilization rates for both labor and capital will have risen substantially." The report calls for "larger moderation" in labor costs to produce a 0.5 percent "deceleration" in inflation a year between now and the end of 1979.

Adding to the scare about inflation, Arthur Burns, in his farewell appearance as Fed chief before the National Press Club Jan. 30, termed inflation "the mortal enemy of economic progress and freedom." "The need to fight inflation is widely recognized in our country," intoned Chairman Burns, "but the will to do so isn't yet strong enough."

Expounding on the same theme, Manufacturers Hanover's Tilford Gaines writes with approbation of the systems of forced savings employed in the Soviet Union, China, and Brazil — what maleducated Gaines calls Marx's theory of surplus value!

In the case of the Soviet Union, the People's Republic of China, and the other authoritarian socialist states, saving is mandated through a system that pegs workers' pay at a level less than the value of their contributions. The increment, which Karl Marx called "surplus value" in reference to the capitalist system, is the saving to be made for investments in industry...Even the modern "economic miracle" in Brazil has been made possible by a system of government controls that systematically increase workers' pay by less than the rate of price inflation.

Gaines went on to warn about the threat to the banking system of rising interest rates. Last week the average Federal funds rate, the determinant of all interest rates, hit a three-year high of 6.80 percent. Commercial banks are being forced to pay more for money, but they have to keep the rates they charge on loans down if they want to stay in business.

The fact that consumer price inflation slowed to an average monthly rate of increase of only 4.4 percent in the second half of 1977, compared to 9 percent in the first half of the year, is no solace. The current freak-out about inflation stems from the realization that the built-in potential for inflation is huge. Economists of the Friedmanite stripe point out the monetary base has been growing at a very rapid clip — by 17.4 percent over the last two years or slightly more than during the 1972-73 "boom," and it has accelerated to a more than 10 percent annual rate of change since the end of November.

This expansion of the monetary base represents straight banking reserve creation by the Federal Reserve to keep the banking system liquid — to forestall

the collapse of spreads mentioned above — and to keep the debt bubble (mortgage debt, consumer debt, Third World debt, etc.) going. Reserves supplied to the banking system by the Fed have, potentially, a multiplier effect on the supply of credit to the economy. Since early November, however, loans to commerce and industry have been essentially flat, reflecting a lull in economic activity. Should industrial production grow any faster than the current languid rate, the potential liquidity will be realized in enormous money supply growth, higher prices, and all the evils of run away inflation.

Thus, Manufacturers Hanover weekly *Financial Digest* (Jan. 30) says slow economic growth is fine. The economic recovery is about to enter its fourth year; don't spoil it with overly stimulative policies. "...a tax increase is precisely what is needed." Worries about a takeoff of inflation are overshadowing the recent wave of layoffs in the auto industry, the decision by automakers to scale down their first quarter production levels by 6.8 percent, the fact that American Motors Corp. is looking for a merger partner, and U.S. Steel's decision to cut its dividend. In fact, the report that factory orders climbed 4 percent in December from the previous month was interpreted either as a fluke or as a danger sign!

The warnings about inflation are having a predictable

effect on Republicans in Congress. An aide to Sen. Henry Bellmon, ranking Republican on the Senate Budget Committee, which is now reviewing Carter's FY 1979 budget, said that all the Republicans on the committee agree that inflation is the number one problem; worry over the size of the projected budget deficit is one of the constraints that is forcing them to alter their thinking. A number of supporters of the Kemp-Roth "bigger tax cuts for business" tax legislation are now likely to desert it.

Feeding this kind of thinking, the Congressional Budget Committee, under the direction of former Brookings economist Alice Rivlin, is now circulating a report to Congressional offices which demonstrates that many of the assumptions of the Carter budget are overly optimistic — the projected unemployment and inflation rates — and that the tax package works out to be a small tax increase in FY 1979 and a greater one in 1980. Her arithmetic is likely to impell some Republicans to support another Republican tax bill now in the making. Sources reveal that Sens. Danforth and Javits will put a second tax bill on the table in a week's time, which includes Javits' long-standing plan for "anti-inflationary" tax incentives to businesses for rehabilitating old plants in the northeast and midwest.

—Lydia Dittler

Europeans, Saudis, Japanese Keep Pressuring For Stable Dollar

On the eve of the Jan. 31 expiration of the Rambouillet Agreement — whereby central banks agreed for two years not to trade gold among themselves — the leading U.S. trade daily, the *Journal of Commerce*, warned its readers that if the dollar was not stabilized beyond the short-term, the rest of the world would move to gold-linked currency systems without the United States.

GOLD

The editorial, titled "Gold — Gone Today, Here Tomorrow," noted that efforts to "banish gold from the monetary system" had proved futile in the past, and that if this lesson was not heeded, "the rest of the world will begin to look for alternatives, however limited." In particular, the editorial mooted that, given the right circumstances, the Arabs might move into gold bullion.

A related warning was given by the head of Petromin, the Saudi Arabian oil corporation, in an important address to 500 mainly Western European business leaders at a meeting in Davos, Switzerland sponsored by the European Management Forum. The Petromin head, according to reports in the Feb. 1 *Wall Street Journal*, stated that Saudi Arabia "would like to invest a much larger proportion of its reserves in currencies other than the U.S. dollar," and indeed, that "it would be 'desirable' to diversify Saudi reserve holdings so that the dollar share might go as low as 50 percent." Although the Petromin governor was careful to qualify his threat — essentially indicating that the Saudis would prefer to

remain with the dollar, given the size of the U.S. economy and the dollar's central role in world trade — his warning was clear. Underlining the Saudis' motivation explicitly, the Petromin head stated, "Our interest doesn't lie in speculation or quick gains, but in the assurance of a stable financial market....instability in the international financial system...(can only be) detrimental to our interests." Interestingly, as the *Wall Street Journal* noted, the Petromin head only made part of his speech public to the journalists present at Davos, for "sensitive political considerations."

More Pressure

Other clear-cut pressures on the U.S. to shape up its economy and give the dollar some much-needed commodity and export backing are:

*The head of Mitsubishi, speaking in San Francisco, suggested that Americans work with the Japanese in joint development projects in Southeast Asia, as a means of relieving pressure on the dollar.

*Otmar Emminger, president of West Germany's central bank, the Bundesbank, in a widely publicized statement in Saarbrücken, West Germany on Feb. 1, "declared that the surplus of dollars in world markets had become not only the key problem of the international monetary system but also a possible obstacle to world economic recovery and to an upswing in the German economy this year," according to the *New York Times* on Feb. 2. As a solution, however, Emminger has been proposing to merely "paper over" the dollar glut — by soaking up the excess dollar liquidity into long-term U.S. Treasury bills or related Government notes to be sold on

international markets. In so proposing, Emminger is squarely ignoring the ABCs of sound banking practice, that inflation and excess liquidity must be dealt with by forcing it into channels whereby expanded production will result, thereby giving a hard commodity content to the hitherto bloated paper. Emminger should know better, since the U.S. Labor Party's proposals for an Eximbank solution to the excess dollar liquidity and a

related proposal for a gold-linked Luxembourg private development bank are well-known in Bundesbank circles. Indeed, it is no secret that there is a gold faction within his own ministry and that there is a similarly minded grouping within the West German Finance Ministry. It is reported that Mr. Emminger, while not so minded himself, would acquiesce if a "steamroller" developed. Unfortunately, the world has need of leaders now, not tag-alongs.

Nothing Short Of Global Economic Development Will Work

The following analysis was issued on Jan. 21 by Warren Hamerman, U.S. Labor Party National Executive Cttee. member.

Humanist political forces committed to economic development through energy and technology-intensive programs, can usefully recall the profound significance of Charles De Gaulle's repeatedly correct basic economic and strategic policy of emphatically saying "Non!" on issues to what became politely referred to after the 1957-58 recession as the "sick man of Europe" — Great Britain. De Gaulle's political-economic orientation is especially timely at this moment, little more than one week before the Rambouillet Agreement against central bank gold transactions expires.

Provided that industrial-development factions in the United States understand and act upon the U.S. Labor Party's proposed interim measures for expanding the Export-Import Bank as a key strategic piece of an overall world economic reorganization, Luxembourg will shortly be thriving as the concentration and centralization center of European gold and money markets, transforming Eurodollar liquidity from the OPEC nations and OECD central banks into the seed crystal of a new world-trading monetary system. The totality of the U.S. Labor Party-proposed package centering around the Eximbank, is designed to create an immediate gold-reserve base — for hard-commodity trading currencies engaged in international capital lending to the developing sector and Comecon — to finance vast amounts of United States and other OECD exports. The economic solution of real growth is to be fueled by nuclear energy development, around a series of developing sector large-scale, capital-intensive economic development projects and technology transfers.

Symptoms

Among many in the United States who describe themselves as policy sympathizers of the U.S. Labor Party's Eximbank proposal, there exists an unmistakable pattern of silly and dangerous perceptions that it would be better to depoliticize the overall implications of the Luxembourg-Eximbank proposal so as to cleanly, quietly, and less controversially pass it into implementation.

The attitude of some that the U.S. Labor Party proposal is a "beautiful technical solution" is closely

associated with the rampant timidity of this nation's leading corporate, banking, and commercial institutions who plan to testify at the upcoming Stevenson hearings on U.S. export policy. Therefore, they protest from the following "shrewd" standpoint: since, some lobbyists reason, we could never defeat the anti-progress potentates already in governmental authority, we will instead push very hard for expanding the Eximbank, and forget about the Luxembourg trading center and other aspects of the proposal; we'll ask for so much that we know the Administration will be forced to negotiate and appease us with some more credits for exports; therefore, if we forget about any grand-scale solutions on the fundamental questions, we at least will benefit from a few "goodies" until overall conditions change.

Yet another symptom of a "neocolonial" outlook emanates from one of the largest industrial manufacturing families in the United States who recently explained their general policy agreement with the U.S. Labor Party proposal as follows: "Our family has had a policy of industrial development for the developing sector for decades. Yes, we know that this British system you talk about is very real, we know how London brokerages for position to collect speculative debt payments from the Third World. But in order to have economic development in the Third World, first you have to have political stability or else your investments might get wiped out through nationalizations. So, after you get a Washington government that is capable of ensuring political stability in the developing sector, then come back to us with this proposal." Furthermore, officials from two of this nation's leading industrially oriented banking institutions have voiced their "reservations" in the form of (1) "I like everything about your proposal—Exim, gold, Luxembourg — except for nuclear energy development, and the Comecon interface," and (2) "Your plan is excellent but it will never happen because the nation isn't educated enough on economics, but maybe the next generation will adopt it."

What overall pure cowardice among otherwise relatively moral and competent people!

There is, in fact, no purely "technical" way to have an expanded Eximbank, reverse the U.S. trade imbalance, gear up world trade through high-technology economic development, or any other sane, rational policy for the human species until the British-controlled "bubbling" operation of the London-Caribbean-Singapore-Channel

Islands speculation-matrix is surgically and systematically dismantled.

While many influential Americans sincerely yearn for industrial development policies, as long as they are psychologically manipulated to genuflect before the synthetic ideology of *free market forces* — play by the rigged rules of the British game of “economic Darwinism” — Kissinger, Schlesinger, Blumenthal, Miller, and Rohatyn will have a field day deindustrializing the American economy and imposing Schachtian policies upon the most advanced skilled labor force and productive capacity ever assembled in human history, all for the good of Lord Twaddledat’s portfolio. In point of historical fact, the skilled work force, productive capacity, and technological knowhow was assembled in the United States by rejecting Adam Smith’s invisible hand and free market-forces nostrums and instead volutaristically organizing capitalist development from the top down.

Fortunately, the founding fathers of the United States rejected Adam Smith, the son of a customs collector, twice over. Firstly, Smith’s associate and close personal friend at the Glasgow Poker Club happened to be none other than the same “Champagne” Charlie Townshend who as Minister of the Exchequer imposed the hated taxes on glass, lead, paper and tea upon the American colonies. Secondly, Adam Smith’s *The Wealth of Nations* — the handbook to *laissez faire* homilies — was specifically written as a polemic against the policies of Franklin, Washington, and the young Hamilton by advancing the thesis that America should be organized as a labor-intensive agricultural society to be looted through British control of free capital markets. Smith’s book, utilized in the Congress by the Reuss and Proxmires of that day as an argument against Alexander Hamilton’s sound credit, banking and industrialization policies, was rejected out of hand as against the national interest.

The Invisible Underhand

The relevant features of the American System as designed by Hamilton in fundamental contradistinction to Smith’s doctrine are that the primary basis of wealth in an economy is the enhancement of the *productive powers of labor* through technology-oriented industrialization which defines augmented *absolute profit*. Hence, monetary-fiscal policies are subsumed within the programs for real economic development—and not the reverse.

It is the rate of growth of real output of industry and agriculture in an economy which delimits the fiscal resources of governments. When the output is significantly above a “breakeven” condition, then not only existing productive capacity may be maintained, but can be expanded and modernized through advanced

technologies and increasing energy-intensive methods, as well as providing surplus for the payment of debt service to the credits issued for real production. If sufficient levels of expansion are reached, the national debt is as *good as gold*.

Great Britain, historically, has failed to qualify for this condition. In the 20th century, as De Gaulle’s already cited perception indicates, the notorious collapse of the pound on Sept. 21, 1931 (when she fell off the gold standard) as well as her dismal policies while the Bretton Woods system was operating, and since August of 1971 are all exemplary.

John Connally and Giscard D’Estaing could contribute invaluable “insiders” understanding as they both were their nation’s respective Treasury Secretary and Minister of Finance in 1971. Helmut Schmidt, in addition to his other political contributions could no doubt add further insights into London’s policies of Keynesian *deficit financing* of the world economy, as in 1971 he was preparing to become the West German Minister of Finance the following summer.

Other participants and students of postwar history will not fail to note that the famous “fundamental disequilibrium” clause of the Bretton Woods conference was designed by Lord Keynes for the purpose of bailing out the pound at the expense of the world economy. More than half a dozen times from 1945 to the early 1960s alone the pound plunged into balance-of-payments crises. While Common Market countries modernized their economies and developed skilled work forces, Britain alternated austerity regimes with monetary manipulations, culminating in the 1967 devaluation of the pound triggering the final unraveling phase of the Bretton Woods system.

On overall balance, between 1947 and 1972 Britain grabbed nearly 31 percent of all International Monetary Fund (IMF) drawings; for comparison, this was nearly 10 percent more than United States and French drawings combined. There is a long history of special IMF bailout operations for the British-centered monetarists — from the old General Arrangements to Borrow (GAB) to the Witteven Facility. Today six-and-one-half years after August 15, 1971 neither primary reincarnation of the deceased Bretton Woods system, the International Monetary Fund and World Bank, can be allowed any *lebensraum*.

Before the world is rapidly plunged down the road of Schachtian economic policies and war, I propose we honor Charles De Gaulle on Jan. 31, 1978. The Luxembourg-Eximbank package will constitute a wonderfully resounding “*Non!*” to the sick man of Europe from which the world’s population, including the peoples of Great Britain, will derive lasting benefit.

N.Y.C. Defeated By End Of First Quarter?

D-day for Felix Rohatyn's operation to gut New York City's vital services looms March 31, the expiration date of the transit and sanitation workers' contracts. As the *New York Times*, New York City Mayor Edward Koch, and Senate Banking Committee Chairman William Proxmire play their roles in the scenario, saner redevelopment voices have been raised in the last week.

There are two levels at which the game is being played. Clearly Koch and his master, Lazard Freres' Rohatyn, want a budget cut of between one half to one billion dollars to protect the sagging Big MAC bonds, now at 85, but it is possible that Proxmire's end game is to drive the City straight into bankruptcy and enforce a major "reorganization" reaching into the entire U.S. credit System, possibly including William Miller's plan for credit allocation.

Giving notice of new budget cuts which will be directed at the two largest chunks of New York expenditures — hospitals and schools — Koch threatened to abolish the Civil Service system, and offered a Hobson's choice to city employees: no pay raises or 1,000 layoffs for every \$16 million in pay raises. The immediate target is the transit and sanitation workers, whose contract expiration precedes the Koch budget message by two weeks. A provoked strike, along the lines of former Mayor John Lindsay's 1966 New Year's Day strike, would be an excellent destabilization operation to force the cuts, but the real knifing will be in health and education.

Laying the basis for closing of several and possibly all city-run hospitals, once part of the finest public health system in the world, are the moves to "bring medical care to the poor." In the last two weeks, 100,000 of New York's poorest families have been given Hospital Insurance Plan coverage, which, despite the name, pays only physicians and laboratory fees. The Department of Health, Education, and Welfare is sending teams of doctors into the ghettos to establish "community-based" medicine along the lines of John Kennedy's Health Maintenance Organizations.

Simultaneously, complaints of insufficient teachers in the city's school system have been responded to by the Rupert Murdoch-run *New York Post* with demands that teacher tests be made less stringent. The City University, the largest such system in the world, is also being eyed for drastic trimming.

The possibility of a transit or sanitation strike was made explicit by *New York Daily News* columnist James Wieghart who, in a Jan. 27 column, demanded the "military occupation" of the City in the event of fiscal labor "chaos".

Municipal worker's union head Victor Gotbaum, whose union, the American Federation of State, County, and Municipal Employees, includes most of the city's hospital workers, will offer no resistance. In the words of one think-tanker dealing with city affairs, "He'll do all he can to get the unions to go along, despite his noises. He's just going to have to take it."

Meanwhile Koch has made a personal pilgrimage to Jimmy Carter to make it appear to New Yorkers that he's doing everything he can, but the tough guys are in Washington. The main "tough guy" is Senator William Proxmire, who has spurned Rohatyn's plan for a Federal guarantee for refinancing \$2.5 billions worth of New York City debt — at least so far. Proxmire's pitch is "Let's hear the pips squeak" and "I may change my mind."

Congressional conservatives are so befuddled by this operation that on Friday, Senator Howard H. Baker, Jr., Tennessee Republican leader, said sweetly, "I am sympathetic and want to do what I can; it's unthinkable to let New York go down the tube." He then proposed that what is done for New York should be done for every city.

Saner voices were heard in both the *Wall Street Journal* and the *Journal of Commerce*, in editorials appearing Feb. 1. Under the title "The Great Raid," the *Wall Street Journal's* editorial commends New York State Comptroller Arthur Levitt's refusal to yield to the "siege" against \$9 billion in state pension funds. The *Journal* specifically targetted Proxmire and Treasury Secretary Blumenthal as the raiders.

But the *Journal of Commerce* simply told the truth of the matter. The looting operations against New York, called "government restrictions" by the journal, had created "enormous costs and discomforts" for the Metropolitan area's productive enterprises, which "drives out a productive population and discourages business." The *Journal of Commerce* accused Koch of a "flight from reality" for refusing to "view the region that they are part of as an economic entity" of which the Port is the key to future growth.

The question now is what political muscle exists behind such otherwise true sentiments. What combination of labor, commerce, banking and industry will champion a high-technology export program, and infrastructural development around the New York Port, as the sine qua non of regional industrial expansion? And then will this pro-development political force take on the Koch-Rohatyn-Proxmire dismantling of New York City before March 31?

'New York's Attrition Game Is Over'

New York Times, Feb. 1

Future budgets, therefore, will be helped significantly only from the layoff of employees paid from the city's own funds...In sum, the city will be unable to balance its budget by attrition. Painful as it may be, Mr. Koch will have to determine which city services can be cut and which can be made to work with fewer people....

This is a poor time, of course, to talk about cutting payrolls; new contract talks lie ahead...The place to begin is with an explanation of where the advertised payroll savings will occur.

'Flight From Reality'

Journal of Commerce, Feb. 1

...What we're backing into here is New York City's flight from reality. It's not merely the accumulation of debt, which New York City's government rolled over again and again for years until the debt just wouldn't roll over any more in the capital markets. That's all been said.

It's New York City's current attitude, one that reflects the ingrown character of its leadership—even the mayor, it seems—that is of growing concern. New York seems to believe that someone else—the federal government, the state of New York and various pension funds, for example—should step in and save the city government from the latest insolvency threat...

We would advise New York City's elected officials—and we make a careful distinction here between those in government and those in private industry—to drop their ingrown ways, and to view the region they are part of as an economic entity...

More constructively, we would point out that cities are made by private individuals and institutions who gather and build for various reasons of gain. New York grew enormously because of the low cost of doing business here.

...It was only when government came along, imposing onerous and enormous costs and other discomforts to drive out a productive population and discourage businessmen that the city's economy went into a decline.

At that point its debt became unbearable and unacceptable to creditors, potential or other.

Reality demands that New York once again become a host, encouraging the private side of our society, thus enabling it to thrive.

'The Great Raid'

Wall Street Journal, Feb. 1

...Combined assets of state and local (pension) funds were recently estimated at \$110 billion. This is a tremendous temptation. As the trustees in New York have learned, the pressures for abuse are enormous...Egged on by Treasury Secretary Blumenthal and Sen. William Proxmire, New York City is laying siege to the funds, the last untapped state source for its desperate financing needs....

It is rough indeed to jeopardize the retirement benefits, and state workers can hardly be blamed if they don't feel they should run risks to keep New York City afloat....Moreover, New York is only the most extreme and massive example of a situation which could arise in any financially troubled jurisdiction in the country.

While this issue is of huge and enduring national moment, it comes to focus in New York's law voiding fiduciary responsibilities and in the political challenge to Mr. Levitt (the New York State Comptroller who has refused to buy city paper with state workers' pension funds—ed.). We hope that the courts, the voters, and opinion leaders in the city and the financial community see their duty as clearly as Mr. Levitt sees his.

Proposed Energy Budget Would Wreck America's Nuclear Future

The Carter Administration's overall budget allotment for Fiscal Year 1979 to nuclear energy development is expected to decrease in absolute terms. With this perspective clearly stated in the budget report, there is no reason for elation over the modest real-dollar increase in research and development funds.

Starting in the mid 1960s, the real dollar amounts of the federal budget and the proportion of the Gross National Product devoted to research and development began a serious decline. It is only in the last year that a modest increase in research and development funds has been allotted. However, the decade of previous deterioration in the nation's capacity to generate new technologies and advances in the frontiers of science can not be made up by small short-term improvements in funding. Furthermore, the shift to emphasis on research into "soft" technologies, like solar and wind energy sources, away from real technological advances accounts, for a significant proportion of the increases in research and development funding.

In general, the new budget emphasizes basic research, with an increase of 10.9 percent (about 5 percent above cost increases) above 1978, while reducing emphasis on development of demonstration projects, increasing only by 6.1 percent (about even in terms of cost increase) over 1978.

The ostensible reason for the deemphasis in development is threefold, the need to avoid overtaking private sector activities, cost-benefit analysis, and the need to avoid duplicating demonstration efforts.

In the case of nuclear energy development, none of these reasons actually are applicable. Private-sector development of advanced sector nuclear technology is at a very low ebb. Major nuclear companies have had virtually no new orders for a significant period, largely due to the government's outright sabotage of nuclear exports and domestic opening up of the courts to environmentalist obstruction. Promising advanced fuel cycles such as the Molten Salt Breeder Reactor, the German-developed Pebble Bed Reactor, or the Plasma Core System have either been canceled in the last couple of years or are languishing on virtually no funding.

Fusion

According to published Department of Energy planning documents the Schlesinger budget for U.S. fusion research is designed such that "a practical fusion power system might never be built."

So far only the fact that the laser fusion research budget has been decreased from \$129 million for fiscal

1978 to \$126 million for 1979 has been publicly released. Informed sources report, however, that even the main U.S. fusion program at Lawrence Livermore Laboratory is receiving only token funding increases, while other labs, including electron beam research, are being cut back. At Livermore, not even enough funds are available for fully operating the new Shiva laser, the largest and most powerful in the world which by itself could demonstrate the feasibility of laser approaches to fusion.

The Schlesinger budget proposed for magnetic fusion research for fiscal 1979 gives a total budget authority of \$334 million, a \$9 million increase over fiscal 1978, an increase which does not even compensate for the effects of inflation. The proposed Schlesinger budget takes the fusion program from LOGIC II level of funding — a "moderately expanding, sequential program" under which "a fusion demonstration reactor might operate in the early 21st century" — to LOGIC I levels of funding — "Research and development are supported at an arbitrary level... If this pace were continued, a practical fusion power system might never be built."

The magnetic fusion program is limited to a handful of large, costly demonstration experiments. The more scientifically productive intermediate experiments such as the Oak Ridge Tokamak, the ORMAK (a device which demonstrated both that plasma could be heated to fusion temperatures and that higher power densities needed for economical power plants could be attained) are completely cut off.

No funds are allocated to follow up promising alternative and advanced concepts, and the internationally renowned Alcator tokamak research team at the Massachusetts Institute of Technology, which unexpectedly two years ago demonstrated the scientific feasibility of the tokamak approach for confinement parameters, has been directed to go back to Shanghaiing students off the streets to meet personnel requirements.

Fission

A potentially important program, improvement of the assessment of domestic uranium enrichment techniques, will be expanded from \$65 million to \$95 million in the new budget. However, this program is being mischanneled into the phony role of determining when advanced nuclear technologies will be required. It should be obvious from a reading of the Administration's perspective on nuclear technology development that they have no intention of carrying out such an implementation of advanced technologies.

Specifically, the Clinch River Breeder Reactor project

will be cut from a 1978 allocation of \$33 million to \$13.4 million for 1979.

The Fast Flux Test Facility will be cut from \$127 million to \$70 million.

Overall breeder technology development will be cut from \$214 million to \$127 million.

The total budget for breeder reactor technology development is reduced from \$517 million to \$367 million.

At the same time, however, a healthy increase in application research for advanced nuclear systems is given, from \$226 million in 1978 to \$279 million in 1979. None of these projects are at the demonstration phase, as the Clinch River Project is, so they can be safely funded as laboratory demonstrations without interfering with plans to eventually phase out all advanced energy technology implementation.

While nuclear fuel reprocessing has been held up, reflected in dramatic cuts from \$104 million to \$58 million in the Nuclear Fuel Cycle Support funds, the budgets for waste management and spent fuel storage have increased from \$181 million to \$190 million.

Finally, light water reactor development facilities have been cut from \$28 million to \$10 million.

"Soft" Technologies

The phony search for "proliferation-proof" advanced nuclear power generating systems will be continued. It must be emphasized that only through large-scale implementation of existing and projected nuclear fission, including fast breeding of fuel, can the U.S. meet the projected energy deficit that would otherwise occur before commercial power generation from fusion reactors comes on line through an accelerated development program.

According to the Office of Management and the Budget Report, "The Department of Energy will continue to develop solar, geothermal, and fossil fuel technologies, with emphasis on using coal in an environmentally acceptable manner.... Overall funding for nuclear research and development will decrease, reflecting the Administration's decision to defer the development of the liquid metal fast breeder reactor. A reduced, but still strong, program of alternative breeder reactor technology development will be maintained." The figures cited above attest to the actual gutting of the breeder program.

The Method Behind Schlesinger's Madness

Exclusive to the Executive Intelligence Review

In the presentation of the Fiscal Year 1979 Department of Energy budget, Secretary Schlesinger clearly emphasized the drastic shift in emphasis of his first energy research and development budget away from "long-term" energy development to one of "immediate commercial application." In congressional testimony last week, Schlesinger told a stunned congressional committee that biomass and the use of "wood chips to produce natural gas" are the forms that have the "earliest pay-off." Congressman Wydler (R-N.Y.) correctly attacked the Schlesinger budget for deemphasis on long-range research and development, especially nuclear (see Executive Intelligence Review, Jan. 31, 1978, Vol. V, No. 4). The Department of Energy budget allocations for fast breeder development and crucial areas of controlled thermonuclear fusion research vitally deemphasize the most far-reaching areas of long-range research and development.

The justification offered by Schlesinger is the "awesome" rationale of "cost effectiveness." Schlesinger, who previously was himself head of the Office of Management and Budget (OMB), worked his current budget out in accord and stated full agreement with the OMB criteria for cost-effectiveness. The following analysis, drawn from a study done by a private consulting firm, ECON, was prepared for the U.S. Energy Research and Development Administration, under contract No. EG-77-C-02-4181. It demonstrates precisely how the built-in parameters presently employed by OMB ensure that no long-range research and development is "cost effective"!

...The research expenditures for long-range energy research and development programs such as fusion

occur in the short term, whereas the direct benefits to be gained from the research begin to occur...years into the future. Thus one is faced with comparing research dollars spent today with returns on investment occurring many years in the future. The economist deals with this problem by "discounting" future cash flows to the present. That is, a person may feel that a dollar to be received one year from today is worth only 91 cents today (assuming no inflation). Thus, it is said that the person has a 10 percent discount rate r , and the 91 cents is referred to as the present value, PV, of the cash flow C , of one dollar received one year, t , from today:

$$PV = \frac{C}{(1+r/100)^t} = \frac{1.00}{(1+10/100)^1} = 0.91$$

(Using this standard statistical "cost-benefit" OMB model, the ECON study shows that for a research project with estimated "commercial payoff" years in the future, the above OMB formula, under standard summation methods adding the present values of such annual cash flows, yields the "present value" for a project into the future — ed.)

In examining the benefits of a research project, the economist would calculate the net present value, NPV, of the project by treating project costs, C_t , as negative cash flows and project benefits, B_t , as positive cash flows...In standard benefit-cost analysis, one determines the NPV by developing a scenario for the research project, assessing the benefits and costs year by year, and then computing the NPV given an appropriate discount rate. The research project is economically justified if the expected NPV is not negative (emphasis added — ed.)

It is seen above that a key parameter in the calculation

of the expected NPV for developing a new energy technology is the social rate of discount. At the moment, the Office of Management and Budget imposes the use of a 10 percent rate of discount for the evaluation of federal expenditures. *Such a discount rate strongly favors programs with short-term benefits* (emphasis added—ed.). This is apparent if one computes the discount factor at r equals 10 percent for a time interval t equals 20 years. The value of a dollar of benefit achieved 20 years in the future is only 15 cents when discounted to the present, and a dollar benefit achieved 40 years into the future has a present value of only two cents. *It is little wonder that the 10 percent discount rate has caused some concern among people who believe that the future of this nation lies in the development of long-term, renewable or inexhaustible energy sources, and who feel intuitively that the development of these sources should be economically justified* (emphasis added—ed.).

...The problem using standard benefit-cost analysis to analyze long-range energy research and development such as fusion research is that, for any particular research program...standard benefit-cost analysis is quite likely to result in a negative net present value, particularly at a 10 percent social rate of discount. In fact, it is generally true that a standard benefit-cost analysis yields *pessimistic* results when used to analyze advanced research programs for the development of major new technologies. This is primarily due to the fact that this methodology does not allow for decisions to be made in the future under a state-of-knowledge that is better than that which exists today.

And this benefit-cost basis is what Schlesinger has presented to Congress as a "scientific" justification for his sabotage of the nation's most vital long-range energy research and development programs.

Cinci Mechanical Engineers Back USLP On Nuclear Energy

The nine-member executive board of the Cincinnati chapter of the American Society of Mechanical Engineers endorsed the nuclear energy policy of the U.S. Labor Party on Jan. 24. The statement, reprinted below, will now be submitted to the national executive board of the ASME.

I. Introduction.

An economically viable global energy policy demands

- A. nuclear fusion power
- B. nuclear fission-based technologies
- C. fission-fuel breeders leading to fission-fusion breeders as the critical intermediate-term energy technologies

II. The Cases of Brazil and the Mideast.

A. Brazil is cited as an example of a nation which has committed itself to developing a cadre of nuclear scientists and engineers, nuclear support technologies, and nuclear power plants as a national policy — up to eight 1200 MW (megawatts—ed.) plants and \$15 billion over 15 years. It would cost roughly the same as the oil equivalent of 10 GW of nuclear power annually, graduating 9000 nuclear technicians and engineers, 150 geologists, and 300 physicists. West German banks and nuclear industry have provided support for this program. By contrast, U.S. policy has lost us an early nuclear foothold in Brazil.

B. The Mideast development plan should be:

- 1) By 1985 a nuclear electric grid should be under development
- 2) The required capital could be generated by increased oil and gas production
- 3) The Mideast has been one of the fastest-growing producers and consumers of electricity. Even so, industry in Iran, for example, cannot exceed 60 percent of capacity.

4) Mass production of nuclear plants is required to provide an increase of from 95 to 345 GW (gigawatt), with about 200 additional GW nuclear between 1981 and 1985. This is worth about \$200 billion in nuclear industry sales.

The ultimate payback would be in Gross National Product capita of the advanced nations.

III. The Scientific Principles of Energy Policy.

Rates of profit and capital formation must have a tendency to exponential increases in a healthy economy. The quality of any energy-generating technology is generally determined by:

- A. the thermodynamic efficiency of the entire fuel cycle
- B. the flux density (energy-unit area-time) is the most basic figure of merit

Because nuclear energy is denser than other historical sources, it is more efficient and cheaper overall. Fusion power and its accompanying technologies, such as laser technologies will create a new industrial, scientific, and economic revolution.

There are no limits to economic growth. The only issue is whether the fruits of growth are invested to insure future prosperity and profitability.

IV. The Transitional Energy Program.

The long-range solution is fusion energy and its self-reproductive effects within a fusion-based economy. To get from here to there, however, an entire spectrum of fission and fusion-fission power systems must be developed and built. But even at the current dimly low projected nuclear power growth rates, U-235 will run low in about 20 years. The Liquid Metal Fast Breeder Reactor (LMFBR) program must be accelerated and a program for developing the fission-fusion reactor must be implemented to increase the fissile fuel supply by nearly 200 times.

Fusion energy from deuterium in sea water might supply 10 million years of energy. Fusion-produced plasmas might yield technologies that will increase mineral supplies millions of times by breaking rocks or ores into their elements.

The cost of light water reactor-produced electricity is much cheaper than from oil and generally somewhat cheaper than from coal.

V. The Effect on Industry and the Economy.

An expansion of material orders, construction projects, equipment manufacturing, machine tools etc. will create hundreds of thousands of skilled jobs. Indirect effects will occur in the steel and other extraction industries. New processes can produce massive quantities of useful byproducts such as methanol and ammonia for fertilizer.

A 1 GW nuclear plant today requires 35,000 tons of steel, 300,000 tons of concrete, and requires 1900 machine tools, 4000 skilled workers, plus 200 scientists and engineers.

The nuplex concept makes use of the 65-70 percent of thermal energy wasted in electricity production to reclaim desert lands by desalinating water, pumping water, producing fertilizer, and providing energy to the complex.

VI. Development Policy.

Congress must enact a nuclear development policy to maximize the rate of energy production from more advanced technologies as they become commercially feasible:

A. Immediately: Begin assembly-line production of light water reactors, accelerate and commercialize the Clinch River Breeder Reactor, complete and expand spent fuel reprocessing facilities, and redouble Apollo Project-style fusion effort.

B. Early 1980's: Phase in LMBFR's consistent with fueling the growing numbers of light water reactors, begin significant fusion-fission hybrid breeder development.

C. Later 1980's: Increase LMBFR production, commercialize hybrid reactors, and complete R and D on early fusion reactors and plasma torch technologies.

D. Early 1990's: Phase out LWR's, bring hybrids and LMFBR's on line commercialize early fusion and plasma torch technologies.

E. Late 1990's: Produce significant power from early fusion reactors and commercialize second generation fusion and plasma torch technologies.

F. Early 21st century: Full transition to fusion-based economy.

The following Research and Development projects are needed:

1) Existing fission reactors. Political restrictions on plant construction and licensing must be replaced by standardized guidelines and inspection procedures. An immediate investment fund of about \$10 billion is needed to get the industry moving again, financed by a "Third National Bank" with export sales facilitated through the expanded role of the U.S. Export-Import Bank.

2) The breeder: The \$2 billion Clinch River project must be completed and another \$5-6 billion invested in commercialization of standardized LMFBR's. Several billion dollars should be allocated for development of backup or better systems such as the Pacer concept, molten salt, and high-temperature gas-cooled breeders.

3) Fusion-Fission Hybrid Breeder: An electron-beam hybrid or a Tokamak core and test breeding modules should be developed (\$5-10 billion).

4) Pure Fusion: A broad-based scientific and engineering crash program must be developed along the lines of the Labor Party's proposed Fusion Energy Research and Development Act of 1977, a multi-trillion dollar investment program just in basic energy technologies.

Nuclear power is an idea whose time has come!

Carter Alien Program:

Border Violence And Slave Labor

George Grayson, an academic writing in the current issue of *Foreign Policy* magazine, demands that the U.S.-Mexico border be shut down. This is the only way, he states, to force Mexico into labor-intensive rural work-camps and away from capital-intensive industrialization.

These views are shared at the highest levels of the U.S. government. When briefed on the Grayson plan this week, the White House liaison with the Justice Department on illegal aliens, Ana Gutierrez, responded enthusiastically: "Exactly. We feel exactly like Grayson. That's why we felt strongly that Vice-President Mondale had to take a strong stand in Mexico (during his Jan. 20-22 trip—ed.)...He made it very clear to the Mexican government that the Administration's proposed illegals program was not negotiable...Now if they were serious about labor-intensive jobs, we'd be happy to talk."

But the planners behind Carter's "illegal aliens" program are looking beyond merely imposing slave labor on one of Latin America's most advanced economies. As revealed in interviews and preliminary investigations this week, the scenario involves setting off conditions of virtual warfare along the U.S.-Mexico border, militarization of the region, and possible military takeover in Mexico on the "South American" model.

At a minimum, implementation of the scenario would destroy Mexico's capability to use its oil and uranium reserves to leverage its economy into "advanced sector" modes of development. It would eliminate Mexico from any role potentially contrary to U.S.-British monetarist interests. The heritage of fighting for Third World development and a new world economic order left by former president Echeverria would be shattered.

The scenario — already well into implementation phase — ultimately involves nothing less than the Paddock Plan for the genocide of 30 million Mexicans. Paddock, a U.S. agronomist closely connected to zero population growth organizations, stated in 1975 that Mexico's "population problem" could only be dealt with by "sealing the border." He declared that half of Mexico's population — over 30 million Mexicans — had to be eliminated, and that with the border sealed, these 30 million would go through "war, pestilence, and famine."

Vice President Mondale and Labor Secretary Marshall's forces in the Administration, however, face two great problems in implementing the fundamental objectives of the illegal aliens "package." Firstly, there is almost universal repugnance at the idea of setting up fences and militarizing the border. Secondly, Mexico is bitterly resisting the U.S.-ordered repudiation of its commitment to industrialization and advanced technology.

As Gutierrez reported, the Mexicans just "don't seem to have much interest" in Mondale's proposals for labor-intensive rural projects run by the World Bank.

The forces behind the Administration's illegal alien program are, therefore, especially counting on the U.S. Chicano movement to serve as their manipulated tool in solving both these problems. On the one hand, they expect agents provocateurs and those duped into following such agents into a Quebec-modeled "separatist movement" to escalate border violence which would serve as the pretext for militarization. The scenario for such "Chicano Quebecs" has been detailed by Arthur Corwin, State Department advisor in 1974 and 1975. On the other, they look to Chicano leaders, softened up by a decade of large-scale Ford Foundation profiling and support operations on both sides of the border, to undertake the Administration's work of selling Mexico rural workcamps and restricted energy development.

The Mondale-Marshall forces are sure to have followed details of the Late January visit made by a delegation of U.S. Chicano leaders to Mexico. The delegation, which met with President Lopez Portillo and other officials, was headed by José Angel Gutierrez, the Texas Raza Unida party chief whose operations closely fit the "chicano Quebec" scenarios. Members of the delegation were then closeted with Jorge Bustamante, the "migrant labor expert" at the Ford Foundation's largest Mexican client institution, the Colegio de Mexico. That same week (see excerpts below) Bustamante released the details of a program for labor-intensive rural projects in central Mexico which he presented as the "only alternative" to increasing violence along the border and an eventual military coup.

KKK: Test Run

The announcement of the U.S. Administration's illegal aliens program last August immediately set into motion the unification of the Chicano movement's "middle-class" elements and the terrorist-oriented wing based in lumpen strata.

This amalgamation was hastened considerably when, on Oct. 17, David Duke of the Knights of the Ku Klux Klan made a surprise appearance on the San Isidro, California, border and announced the Klan was beginning its own armed border patrol. Within a few days he and his vigilantes — widely documented to be under U.S. intelligence agency control — disappeared; but not before a tremor of shock had passed through the Southwest Mexican-American community and the paramilitary Brown Berets had mobilized in Texas to counter the KKK provocation.

The conditions were set for a "controlled environment" of fear in the Chicano community. Many more traditional Chicano leaders were now open to considering "counter-terror" as a potentially appropriate response to the beatings and assassinations of fellow Chicanos that had been perpetrated or condoned by official law-enforcement agencies and right-wing vigilante groups. This controlled environment left them vulnerable to provocateurs from either side and halted discussion of any broad-based economic program capable of bringing other minorities and sections of labor at large into line against the Carter program.

The KKK deployment ensured maximum "unity" at a well-attended conclave of Chicano and Latino groups in San Antonio Oct. 28-30. At this meeting a Dec. 3 conference in Phoenix of Chicano leaders from a wide range of organizations was scheduled. At Phoenix, the decision was made to send a delegation to meet with President José Lopez Portillo.

The growing influence of the proterrorist wing, if not reversed, could allow U.S. intelligence operatives to eventually slander the Mexican government with the charge of "aiding terrorism" across the border.

*"Without the Ford Foundation
We'd Never Be Here"*

The policy input aimed at exploiting the Chicano movement's contacts with Mexico as a transmission belt for the Mondale-Marshall rural-labor schemes is handled jointly by the Institute for Policy Studies in Washington and the Ford Foundation in New York. IPS specializes in funneling the conception that "economic development equals oppression" into the more "radicalized" layers. The Ford Foundation, leading a string of other private funding conduits, provides the "nonpolitical" legal and lobbying back-up. "Without the Ford Foundation we'd never be here," said an executive of the Mexican-American Legal Defense and Education Fund (MALDEF). MALDEF was founded on Ford money in 1968, and last year received more than \$700,000 from the Foundation. The Washington-based National Council of La Raza, a lobbying and support group providing services to 108 member organizations, is equally dependent on Ford Foundation largesse.

On the other side of the border, the Ford Foundation provided the funds to establish the sociology department at the Colegio de Mexico in 1970, whose "migrant studies" unit is the base of operations of Jorge Bustamante today. Ford Foundation money continues to be a mainstay of the Colegio.

Through these various conduits the Ford Foundation's commitment to Malthusianism and zero growth — expressed in terms of environmentalism, "alternate energy sources" (solar instead of nuclear), "adequate technology," and population control — is channeled into the Chicano community.

The "solar power for Mexico" argument is a particularly important feature of the package. The only model of "development" compatible with the perspectives of solar energy is that focusing on dispersed, technology-poor rural settlements: the Mondale-Bustamante plan. It is no coincidence that Bustamante calls for solar power and ignores nuclear potential; a top MALDEF official labeled the Mondale approach "the only solution" to the illegals problem and simultaneously insisted, "We sure don't oppose Schlesinger's energy program"; Grayson (see *Executive Intelligence Review* vol. 5 no. 3) ends his seven-point program for closing the border and stopping industrialization with a call for "energy conservation" and solar power to prevent nuclear development. Corwin agrees that "energy conservation" is the only way for Mexico.

The Chicano Alternative

The great concern shared by those who planned the Carter illegals program, IPS, and the Ford Foundation, is that a re-alignment could occur in the Chicano movement which would break the present controlled environment and allow issues of high-energy growth and creation of jobs at advancing skill levels to come to the fore. The recent resolution on energy put forward by the National Association for the Advancement of Colored People sets such a precedent. A leader of one of the largest and oldest Chicano organizations expressed the potential for a parallel fight in the Chicano movement when he stated: "Any program which lowers economic expectations helps the anti-Chicanos."

Mexican Sociologist: The Alternative To Chicano Terrorism Is Slave-Labor Jobs

Dr. Jorge Bustamante, a Mexican sociologist specializing in border problems and migrant populations, has become a leading profiler of the Chicano movement in the United States based on extensive field study. He is currently heading a socioeconomic study of Mexican aliens under the auspices of the University of Notre Dame and El Colegio de Mexico, a leading Mexican thinktank that is heavily funded by the Ford Foundation. Bustamante recently outlined a proposal to stop the flow of illegal Mexican aliens into the United States in the Jan. 30 issue of the Mexican daily Uno Mas Uno. Excerpts of that article appear below.

The principal objectives of this proposal are two: 1) to avoid the massive congestion of undocumented emigrants, potential or returning, in Mexican border towns, and 2) to minimize the exploitation of Mexican migrant workers in the U.S.

Regarding the first objective, the scenario for what I called some weeks ago an explosive "sandwich" in the border area must be briefly repeated. This scenario is based on the following suppositions: 1) an increase in the north-to-south return flow of undocumented workers provoked by the increase of restrictive measures in the U.S.; 2) an increase in the south-to-north flow of emigrants to the U.S. due to increases in unemployment and (the rate of) inflation in Mexico. Another more speculative, but not totally improbable, element is the possible intervention of the Mexican Army to maintain order in a border area congested by unemployed in a state of frustration and desperation produced by an unusual disruption of the social order, including outbreaks of urban guerrilla activity.

Such a possibility would have national and international political implications that would make a "South Americanization" of the Mexican State more probable. It must be understood that it is not the same to send the Army to Guerrero (a state which is the center of rural guerrilla activity — ed.) as to the border. Here, the possibility of bilateral military communication and collaboration could stimulate extraconstitutional temptations in some Mexican military men.

On the other hand, if a disruption of the social order in the border area acquired political tones, those involved on this side (i.e. guerrillas — ed.) could find refuge on the other (U.S.) side in Mexican-American communities. This refuge could prove to be, in practice, more unassailable than the mountains of Guerrero or Oaxaca (another center of rural guerrilla activity).

The Remedy

1. Establishment of an emergency employment program in Mexico for the areas of heaviest emigration toward the U.S. As opposed to other employment

programs, this plan would be designed expressly to gradually reduce emigration. Contrary to the "escape valve" proposals, such as working out a new agreement on undocumented workers, creating jobs goes to the root of a problem of emigration from the countryside to the cities that has as its destiny not only the U.S., but the metropolitan centers of our country. In this conjunctural context in which the problem of undocumented workers is defined at a binational level, Mexico would be committed to gradually reduce the flow of emigration to the U.S. through said plan of emergency employment.

The essential part of this plan consists in the organization of collective units of labor-intensive production of semi-industrialized agricultural products as well as manufactured products through a system of assembly plants. The geographic location of this plan would be in the states of Zacatecas, Durango, San Luis Potosi and southern Coahuila.

(Employment of the unemployed coming from the center of Mexico) would be realized in the agricultural area using the technological advances achieved in irrigation through hydroponics, and in solar and wind energy. Production would be aimed at reducing the dependency of this area on "importation" of food from other regions of the country and from abroad.

2. Regularization of the migration status of all undocumented workers who could prove they had worked in the U.S. during 1977 or that they were working there now.

The undocumented workers that had not covered the requirements of regularization would have to return to Mexico. One of the objectives of the emergency jobs plan would be to absorb the greatest possible number of these returning emigrants.

What has been laid out here is only an attempt to elaborate something that may be an alternative to proposing nothing at all or to waiting to react to North American proposals. The difference could be understood as the difference between the attitude of someone who does not think of any alternatives beyond martyrdom, and the attitude of someone who decides to attempt the realistic recovery of initiative.

* * *

U.S. "Expert": Chicano Quebecs In The Cards

Arthur Corwin is an American "expert" on illegal immigration of Mexican workers in the U.S. In June 1975 he submitted a report entitled "America's Illegal Alien Dilemma" to the Domestic Council on Illegal Aliens chaired by then-Secretary of State Henry Kissinger. The report was the product of proposals presented by Corwin in 1974 and 1975 to the State Department and to the U.S. Embassy in Mexico in a "highly confidential" seminar

on border problems. Secretary of Labor Marshall reportedly distributed copies of the report to fellow policymakers during the Administration's drafting of its illegals program in the first half of 1977.

Excerpts from this report as quoted in the Mexico City daily *Excelsior* of Jan. 24, 1978 follow.

In one or two generations, half of Texas could become a "Chicano Quebec" through separate political arrangements and the same process could be repeated in parts of New Mexico, Arizona, Colorado and southern California as the reconquest of Aztlán proceeds.

This is probable (and there are indications it is happening now) if the present population of Mexico doubles during the next 18 years (the pessimistic estimate) or during the next 20 years (the optimistic one), as projected by Mexican demographers, and if the U.S. government continues to be lost in the flood as far as effective control of the border is concerned.

Prototypes of "Chicano Quebecs" exist on Indian reservations and in Zavala County (Texas) where the Raza Unida Party has almost complete control, thanks to its Chicano base of support.... Puerto Rico is the political model Chicanos could imitate if... Chicanos were to consolidate political power without any cultural identity with the American way of life.

The following is an exclusive EIR interview with Arthur Corwin.

Q: The winter issue of Foreign Policy magazine published an article by George Brayson in which he advocates Carter's illegals program as the minimum step necessary to begin closing of the border almost completely. Only with the border closed off, Grayson argues, can the necessary refocusing of Mexico's internal development, toward labor-intensive models of rural projects, rather than capital-intensive industrialization projects, get off the ground. Grayson finishes with a call for Mexico to adopt an energy conservation policy similar to the U.S.'s, and to develop solar power in order to forestall development of nuclear power.

A: I didn't put the ideas into the paper I did on "America's illegal aliens dilemma," but I discussed the same points as Grayson when I talked with U.S. Embassy officials in 1974 and 1975. I talked to them about closing the border, how this was needed to get Mexico to face up to the policy changes that it otherwise was not prepared to take. They would never revamp the PRI party, for instance. I have been saying for a long time, either we close the border unilaterally or we close it in the context of a new braceros program where we actually get Mexico to police its side of the border. So I think Grayson is right on target. He seems to have gotten at some of the more profound implications of border control. Now what I say as well is that closing the border is as important on the U.S. side as on the Mexican. It would force the U.S. to face up to its problems, too. If there were no cheap labor, the U.S. could change around its welfare and unemployment programs.

As for the energy question, I think I'd agree with him on that. It's obvious Mexico needs some sort of energy conservation. It really has no surplus of oil or gas. It's

not realistic to be expecting to export a great deal. The domestic demand is too high. The government is counting too heavily on oil.

Q: I know your report discusses the possibility of "chicano Quebecs" in the southwest within a generation or so. Do you think the question of a separatist movement may develop faster? And do you think a terrorist element exists?

A: Well, many of the frustrated militants in the Raza Unida movement in Texas are seriously considering terrorist actions, to hold on to popular support. They are pushing hard with the demand of total amnesty for illegals. If they don't get it, there could be violence. The KKK actions along the border last fall got the Chicano groups mobilized. That would be counterterrorism as they see it....

The Klan scare gave a push to such paramilitary preparations. In such a situation the Texas Anglos might lose their cool, send in the Rangers....

So the point that I'm making is that the potential for violence is there. If Carter doesn't modify his program, the hotheads might go for it. It has already happened in Mexico. There have been groups taking a terrorist and guerrilla role. The connection to the border areas is so close....

In south Texas particularly, you could get to the point where the U.S. simply couldn't control what was going on...and then would suddenly clamp down. That could set things off. The Brown Berets are armed. They don't walk around on the streets with arms but they've got them....

The illegals are often refugees from Mexican violence. They are smuggling arms back into Mexico. It's a good pretext: cache arms here, needed in Mexico. But there's no reason to suppose that they could not be used here.

...Many Anglos are very concerned. They are wondering if they can keep their hold on some of these counties. You know in 1970 Gutierrez of La Raza Unida called for the Anglos to be eliminated. Now some Anglos have been more alarmed than others. But I know people, "Anglo refugees" as I call them, who have been run out of Zavala County (Texas) and moved over the county line.

...The Raza Unida Party will look for a Boston Massacre—situation to keep public favor. They just haven't made the inroads they needed.

The Chicanos see correctly that there's no future for them without an open door to immigration. They may get a little violent to ensure this.

Chicano Radical: "We're Hooking Up With Levesque and the PLO"

The following interview with Frank Shaffer Corona, a recently elected school board official in Washington, D.C., and a member of the delegation of chicano leaders who met with Mexican President López Portillo in late January, reveals the prototerrorist tendency of that wing of the chicano movement most closely connected to the Institute for Policy Studies in Washington and its offshoots. It is this tendency that Arthur Corwin and other terrorist profilers count on to bring the bulk of the chicano movement into scenarios of escalating border violence, the pretext for militarization and shutting down the border totally.

Q: You've seen the Corwin Report, haven't you? As I understand it, he lays out a scenario for "Chicano Quebecs" springing up in the Southwest, a separatist movement which could learn lessons from Puerto Rico as well. It would use federal funds for local areas to establish virtual 'enclaves' in U.S. territory.

A: That's right. And the dangerous thing about it — is that he's right. We're already hooking up with Levesque's group and the PLO. Their situation is the same as ours. What would the U.S. do if it was faced with coordinated action between Belize, the PLO, Quebec, Aztlan and Puerto Rico?

Q: When Mondale was in Mexico, he pushed labor-intensive job programs in the rural areas — World Bank programs mainly. What's your view of that approach?

A: Look, the U.S. Commerce Department just released the latest estimates of Mexican oil at 120 billion barrels. The Saudi reserves are only 32 billion more. Everybody knows the North Slope will be exhausted pretty soon. The oil in the Western Hemisphere is in Mexico. That's the bottom line. You can connect anything from the World Bank to that, probably better than I. I'm really into human rights, not international finance.

You should talk to Erdman. The author of "The Crash of '79". Have you read it? No? Read it. It's about how a war between Iran and the Saudis leads to Iran using nuclear bombs on the Saudi fields.... now if something like that happened, where do you think the world would turn for oil?

Q: The whole emphasis of the Mondale-World Bank proposal is to set up virtual slave-labor conditions in the rural areas....

A: (interrupting) Let me lay one on you. The AFL-CIO has tremendous information, they've got the research data on runaway shops. Do you know, we lose 300,000-400,000 permanent jobs a year. That's 15-20 percent of our unemployment every two or three years. And no one talks about it. If you want to get the story, call some people from the People's Business Commission — what used to be the People's Bicentennial, you know, Jeremy Rifkin. They have the AFL-CIO info.

Q: Have you seen the NAACP Resolution on Energy? It presents the need for energy expansion in terms which totally demolish Schlesinger. It would seem an appropriate perspective for Hispanics as well.

A: I'd like to see that. I've been thinking for some time of coordinating with black groups. I think I could pretty easily get to see Jessie Jackson, Coretta Scott King and Vernon Jordan.

Q: When you spoke before of coordinated action between such groups as the PLO, Quebec, and Aztlan, you asked what the U.S. would do. What faction in the U.S. did you mean?

A: Well, the government. And the big corporations. We're about to enter the dark ages again. The corporate structure is leading toward a new feudalism. You have the 'court' and then the 'lower nobles' and the peasants are 'labor'.

White House Official: Carter Program is Nonnegotiable

The following excerpts are from an Executive Intelligence Review interview with Ana Gutierrez, White House liaison with the Justice Department on illegal aliens.

Q: Is it possible that the Administration will reopen discussion of the Carter illegal aliens plan to give greater input to the Chicanos?

A: The Chicanos were brought in all along in discussions on the Carter policy. If they want to change it now, they would have to go to the Congress. As for Mexico, Mondale made it very clear to the Mexican government that the illegals program was not negotiable. There are some things they may not like about it, but that's too bad. It's a bitter pill they will have to swallow. It's very clear that Mexico will have to do something on their side. Now if they were serious about labor-intensive jobs, we'd be happy to talk. But the illegals program is not negotiable.

Q: Is the Zavala County (Texas) kind of situation spreading, where Chicano groups move for more political power? There the Raza Unida Party is in control.

A: There is a conscious attempt on the part of some Hispanics, to make themselves more visible, vocal, take more local control. Some of them seem honest, a few, irresponsible. They seem to be modeling themselves on the French Canadian example to some extent. They've talked to officials in the Mexican government — or rather, to people on the fringes of the Mexican government.

Q: What about the outlook for Congressional debate and passage of the illegal aliens program? People in Sen. Bentsen's office seem to be a little concerned with weakness of support in the Senate.

A: Well people have been surprised by the reaction of the Hispanics. Especially Sen. Kennedy. When he went to Los Angeles recently he ran into a big Chicano demonstration. But I think there are enough people who want to do something so that there will be hearings. We'll look at whatever they come up with. Something may not come out for a long time. But it's necessary that there be a full airing of different views.

Q: Is Mexico moving on more labor-intensive programs as advocated in the Carter proposal last summer?

A: The Mexicans don't seem to have much interest. Mondale brought this up, Lucey has brought it up a couple of times. Mexico is not ready to submit to conditions from international lenders. The World Bank has indicated it is willing to commit several hundred million dollars more to such programs in Mexico, if Mexico did certain things. Mexico is not going along.

Q: In the winter issue of Foreign Policy, George Grayson details a plan for tightening the illegals situation to force Mexico to fundamentally shift gears on its development focus — away from capital-intensive development programs around industrialization and into labor-intensive ones.

A: Exactly. We feel exactly like Grayson. That's why we felt strongly that the Vice President had to take a strong stand in Mexico, make the point clearly to Mexico.

Kennedy's S.1 Will Bust Unions

Senator Ted Kennedy's Federal Criminal Code Reform Act, S. 1437 (S.1), is an attack on labor which, if passed, will eradicate the gains of the last 40 years and take the American trade-union movement back to its pre-1930s organizing status. Thus the irony of the organized labor movement's efforts to ensure congressional passage of the Labor Law Reform Act, which will broaden the area in which they can organize while labor simultaneously supports S.1—which will be the trade unions' own death warrant.

According to the office of Andrew Biemiller, chief AFL-CIO lobbyist, the AFL-CIO supports the new S.1 bill and passed Resolution 247 to that effect on the recommendation of the Executive Council at the AFL-CIO's national convention in early December.

Kennedy's bill, which passed the Senate Jan. 31 by an 85-15 vote and now awaits approval in the House, will make labor disputes subject to federal conspiracy and extortion laws, and give individual federal officials the power to arbitrarily disrupt strikes under the guise of maintaining "public safety."

Federal laws on extortion and blackmail would pertain to any bona fide labor dispute, effectively reinstating the Hobbes Act which the Supreme Court found unconstitutional when the Landrum-Griffiths Act was passed in the 1930s. Virtually any strike can be prosecuted under the federal extortion law, according to the Kennedy bill.

Federal codes pertaining to conspiracy would pertain to a bona fide labor dispute. It was precisely this body of conspiracy law which was used to prosecute attempts to organize in the 1930s.

It would be a federal crime to violate any order given by a federal officer in a situation where "public safety" was involved, according to a provision of the House

version of the Kennedy bill. For example, if one federal marshal said that a picket line was endangering the public safety, failure to disband it would be a crime, and the need to obtain injunctions against picket lines from a judge would be eliminated.

AFL-CIO:

We Trusted Kennedy To Fix S.1

The following are excerpts from an interview with a spokesman for the AFL-CIO's legislative office following the Senate passage of S.1437 the Federal criminal code reform legislation.

There can't be anything really anti-labor about S.1437. We supported the bill. We passed a resolution (No. 247) at our national convention two months ago saying that we supported it and we trusted Sen. Ted Kennedy (D-Mass) and his coalition to make the necessary changes to prevent it from being used as a weapon against labor. It was our understanding that the sections on extortion and blackmail, solicitation to conspiracy, and the like were going to be struck or amended so as to make them not applicable to a bonafide labor dispute.... I can't believe that they would be in the Senate version ... Kennedy would never do something like that — at least not without telling us anything. I can't believe our Senate people would vote for it and passed it with all those votes so they must have. But I haven't seen the legislation. If the bill is bad for labor, we'll have to change it in the House. The AFL-CIO is pro-labor, you know. It is too bad that I am so uninformed about the bill, since I have to tell our people how to vote....

Labor Dep't Charges Teamster 'Pension Fraud'

On Feb. 1 the Department of Labor filed suit in an effort to force Frank Fitzsimmons, president of the International Brotherhood of Teamsters, and 18 others to repay purported losses resulting from alleged bad loans made by the Teamster's Central States Pension Fund. The court has been asked to hold the defendants *personally liable* for losses that could reach hundreds of millions of dollars. Also named in the suit are IBT International Vice Presidents Roy Williams, Joseph Morgan, Robert Holmes, and Jackie Presser — the guts of the Teamsters leadership.

The suit was filed under the provisions of the Employee Retirement Income Security Act (ERISA), which went

into effect in January 1975. Nicknamed the Pension Reform Act, ERISA was written by the Twentieth Century Fund and pushed through Congress in 1974 by Senator Jacob Javits (R-NY). The act's sections are vague, but they make trustees personally liable for loans which might not be judged "prudent investments" — without ever specifically defining what "prudent" might mean. The constitutionality of those sections has not been challenged to date. Media in the Chicago area, where the federal suit was filed, have emphasized that the Teamster suit will be a major test of ERISA.

In addition to the Department of Labor action, the Justice Department is reportedly pursuing its own

“independent criminal investigation.”

The announcement of the suit, which immediately became front page news across the country, fits into a broader campaign to destabilize the pro-growth Teamsters union prior to its efforts to negotiate a new contract later this year. Sources close to the Institute for Policy Studies-controlled “insurgent unionists” groups, the Professional Drivers Organization (PROD) and the Teamsters for a Democratic Union (TDU), report that these groups are launching efforts to sow internal chaos in the union over issues such as local by-laws. In addition, PROD and TDU provocateurs have been instructed to initiate wildcat activity against the union leadership wherever possible, to prevent the conclusion of a reasonable contract agreement without a destructive strike.

Labor Dep’t Gloats Over Teamster Pension Suit

A spokesman for the Department of Labor had the following “off the record” comments moments after the Department of Labor filed suit in Federal Court against leaders of the International Brotherhood of Teamsters, charging them with mismanagement of the \$1.4 billion Central States Pension Fund.

I guess we have them by the balls now.... We spent a lot

of time on this case, dotting our i’s and crossing our t’s, so that we will have the maximum impact. We are not specifying any dollar amounts but the ballpark figure is several hundred million dollars and we are asking that these trustees be held personally liable for any loan losses; the court will specify some method of indemnification.... its safe to say that if we win, these guys will have their assets tied up in knots — and they’ll stay that way for the life of these “imprudent loans” to make sure that we don’t miss any defaults ... there is likely going to be a clean sweep of the Teamster leadership ... once we go into discovery on the suit, I’m sure that we will be able to tie down a lot of loose ends that have been holding up criminal indictments. Anything we get, we turn over to the Justice Department.

As the case proceeds, I guarantee that there will be a lot of publicity and press coverage ... after all, we are dealing with the “big bad Teamsters....”

Asked whether the Department of Labor in fact gave the Teamster leadership reason to believe that some kind of quid pro quo was operative — that Teamster President Frank Fitzsimmons and other trustees of the Fund would resign their trustee positions in exchange for the Department dropping plans to sue — the spokesman replied:

Why, we could never make a deal like that. Besides, the Teamsters were fools for believing that we wouldn’t go to court....

How The PCI Maneuvered A Crisis In Italy

On Jan. 31, acting Italian Prime Minister Giulio Andreotti announced the sudden cancellation of the week's scheduled negotiations between himself and Italy's major political parties, negotiations which were to study Andreotti's newly formulated economic program as the basis for creating a new government.

ITALY

Andreotti's announcement, made in a succinct statement to the press, represented an admission that with the Communist Party's (PCI) refusal to drop its position of demanding government participation as the only question worth negotiating, all discussion of program was thereby rendered meaningless. Therefore, all meetings with the PCI and the smaller Socialist and Republican Parties were halted until the Feb. 3 meeting of the ruling Christian Democratic Party (DC) directorate, where Andreotti appealed to his party to reverse its opposition to the Communists as government partners. Acceptance of Andreotti's appeal would have broken the current deadlock and created the possibility for discussion of economic program and the formation of a new cabinet.

As predicted, however, Andreotti did not receive the support of his party on Feb. 3. The DC directorate split down the middle, with the centrist Dorothean wing finding itself on the same side of the fence as its erstwhile factional enemies on the "right" under Senator Massimo De Carolis, in opposing Andreotti's plea for a quick solution to the PCI question.

As a result of the failure of the Christian Democracy to give Andreotti a mandate for negotiation with the Communists, a number of options have now opened — all of which feed the controlled environment generated by the PCI's sudden and insistent demands for government participation. Included are the following, most publicized scenarios:

(1) A government of so-called apolitical technocrats to rule the country until the scheduled general election of 1979. Such a government would most likely be led by a politician more pliable than Andreotti to the slave-labor, economic austerity demands of the International Monetary Fund. Among the probably candidates are Amintore Fanfani of the Christian Democracy and long-time British agent Ugo La Malfa of the tiny Republican Party.

(2) Continued chaos, while the DC convenes its National Council and an extraordinary congress to settle the PCI issue. This would take weeks, thoroughly destabilizing the country, and would offer no solution. At the end of the congress, the first option could still be adopted, or...

(3) Early elections could be held. Elections would eliminate the smaller parties, leaving the PCI and DC still locked in confrontation. Depending on the election results, one party would form a government over the protests of the other. Either way, this is a civil war scenario with potential overtones of a coup such as occurred in Allende's Chile in 1973.

Why the PCI Shifted

The immediate responsibility for the current Italian impasse must be placed on the Communist Party. It was the PCI which in early January made a sudden about-turn and, in the words of U.S. journalist Claire Sterling, "changed overnight from Andreotti's friend and ally to his executioner." The background for this sudden shift, however, is generally covered up by journalists like Ms. Sterling who use the PCI's government maneuver to "prove" the Kissinger thesis that the European Communist parties are antidemocratic tools of the Soviet Union's foreign policy. The blame for the PCI's irresponsible behavior can not be placed on Moscow; instead, it must also be understood that it was the predictable result of a carefully prepared "inside-outside" operation carried out by readily identifiable British agents — some of whom go back at least two generations in a family-honored tradition of serving the British Crown and City of London financiers.

The accepted explanation for the PCI's decision to become "Andreotti's executioner" claims the party was demonstrably losing the support of its working-class base. Thus, Italian and American journalists cite the fact that the head of the CGIL trade union confederation, Communist Luciano Lama, was unable to prevent a call for a nationwide general strike demanded by the other, non-Communist forces in the trade-union movement as indicative of its loss of working class control. The loss of its base was said to stem from the PCI's programmatic agreement with Andreotti which began 17 months ago.

While it is true that Lama was unable to prevent the general strike call and similar demands for "radical" actions, this is not however an index of Communist popularity so much as it represents the sophisticated aversive environment successfully engineered by British agents-of-influence in the PCI leadership itself.

The operation consisted of three main components:

(1) At the trade union level, the Socialist Party leadership (typified by Giorgia Benvenuto, identified as a British puppet by the U.S. Labor Party since early 1974) was mobilized for a campaign portraying the Communists as "boot lickers" of the DC. The radical rhetoric of these Socialist trade unionists was echoed by the "extreme left" — which the PCI had correctly identified as fascist — *autonomi* movement which began to penetrate the factories and the smaller UIL national trade union confederation at the invitation of its national

secretary, Giorgio Benvenuto. The context for the entire operation was provided through daily waves of terrorist violence which generated a climate of chaos and desperation.

(2) At the same time the wing of the PCI leadership directed by second-generation British Giorgio Amendola and Giorgio Napolitano began mobilize the party for a break with Andreotti on the basis that the DC be given an ultimatum to *immediately* accept the PCI in the government. Napolitano and others fed the growing fear of the honest Communist leadership that they were losing mass support by pointing to the operations Benvenuto carried out at the trade union level.

(3) Even more revealing was old Action Party leader Giorgio La Malfa's sudden shift from adamant opposition to the PCI, to a vociferous public support for the PCI's democratic mission (after a "conversion" which took place during a trip to China). With the PCI's former rabid opponent now demanding that the Communists be allowed to participate in the government, the DC's resistance appeared to be a slap in the face to the party to which, after all, the DC owed its continued capacity to rule. Thus, the DC seemed to be keeping the PCI in a "brutta figura" posture.

When Henry Kissinger directly intervened into the growing turmoil together with U.S. Ambassador Richard Gardner, mobilizing the Carter Administration to *forbid* PCI participation in Italy's national government, the sophisticated manipulation of the PCI leadership was complete. The Napolitano-Amendola faction effectively took the driver's seat.

This became explicit during the keynote speech given by general-secretary Enrico Berlinguer at the PCI

Central Committee plenum of Jan. 27. Adopting the Napolitano-Amendola position, Berlinguer took an extreme hardline stance on the issue of the government, even positing the possibility of a "left alternative" government without the DC. Even more devastating to his former agreement with Andreotti, Berlinguer dropped his former support of capital-intensive industrial development to explain the need for PCI government participation by pointing out that only the Communists could enforce the needed levels of "very harsh austerity" and labor-intensive programs which Italy required.

At this point, it appears nearly certain that neither Andreotti nor any other DC leader opposed to economic austerity programs will form the next Italian government. It is equally probable that one of the scenarios outlined above will play itself out. However, the situation could of course be reversed, if the formerly hegemonic leadership of the PCI were to retake control of the party and cease the insistence on a government role at the expense of capital-intensive economic program. In part, this depends on developments outside of Italy. A move to break the political hold of British networks internationally would vastly improve the chances for a reversal of British control within the PCI. If this does not occur, then Italy will continue to move on its present course, a course which will either lead to a political "Chilean-style" bloodbath or its economic equivalent as the country is plunged into Third World conditions by strict adherence to IMF-dictated levels of austerity and the destruction of its existing industrial capacity.

—Vivian Freyre

W. Germany — The Present Battleground For NATO Strategy

This week's resignation by West German Defense Minister Georg Leber over a continuing series of wiretapping scandals involving military counter-intelligence (Militärische Abwehrdienst, MAD) is the result of major factional warfare in West Germany over NATO's future strategy.

WEST GERMANY

One faction, centered around certain West German Bundeswehr generals, and linked to Leber, wants to define NATO strategy as coherent with the mutual desire of both NATO and Warsaw Pact countries to live in peace.

Leber's opposition, headed by NATO Supreme Commander General Alexander Haig, and West German Christian Democratic defense spokesman Manfred Wörner, are calling for wonder-weapons, such as the cruise missile and the neutron bomb, and a heightening of the Cold War against the Warsaw Pact. These provocations are the very tactics that Britain, the "sick man of Europe," wants NATO to adopt to isolate Western Europe from the East bloc, thereby insuring British hegemony on the continent.

Both factions met in a head-on confrontation at the

annual Wehrkunde defense conference held in Munich Jan. 29-30.

Wörner tried to control the direction of the meeting in his Jan. 29 keynote address, demanding that Europe have the American cruise missile to offset the Soviet SS-20 missile. He also demanded the neutron bomb, and insisted that West German Chancellor Helmut Schmidt should be the first European to call for the neutron bomb publicly. "Western Europe is the nuclear hostage of Moscow," was Wörner's justification for a Cold War attitude toward the Soviet Union.

General Haig followed Wörner, and to further the momentum for the arsenal buildup insisted that although the West still had an advantage over the Warsaw Pact, that advantage was small and diminishing.

But a group of West German generals attending the conference told *Süddeutsche Zeitung* military correspondent Christian Potyka that Haig and Wörner's attitudes were not really indicative of strategic perceptions inside NATO. West German general Bennecker said that the kinds of weapons they were recommending were *Wunderwaffen* — a reference to Josef Goebbels, the Nazi Propaganda Minister, who claimed in 1945 that the victorious Allies could be stopped by secret German wonder-weapons. Bennecker also criticized the cruise missile and neutron bomb as being offensive, not defensive weapons, and in addition, weapons that the Soviet Union could easily duplicate.

Teller Calls For U.S. High Technology Push

Reprinted below is part of an address by the renowned nuclear physicist Edward Teller, which appeared in the Jan. 22 issue of Welt am Sonntag:

The question is often asked: can we still catch up with the Russians in the arms race? What we usually call the "arms race" is in fact no race at all. Such a race occurred at the beginning of this century between England and Germany. The English had so many battleships, and the Kaiser had so many. The battleships slightly differed from each other, of course, but a battleship was always a battleship.

In the present, rapidly changing technological scene, however, an aircraft carrier is not just like another aircraft carrier, an atom bomb is not like another atom bomb, an airplane not like another airplane, and especially a laser beam is not like another laser beam. What really counts is technological innovations, and not more numbers. These technological innovations are not only kept secret, they are worse than secret, since the effects of these new weapons are virtually unknown even to their possessors. The effect of a technologi-

cal innovation can only be measured after it has been used in actual battle.

The fact that the arms race is a competition for technologies and not simply of weapons, could be grounds for us to be optimistic. American technology is certainly superior to Russian technology. This was so in the past, and it is definitely so today in the civilian sector. Possibly it is also true in the secret military field. Whatever we are lacking in quantity, we are presumably making this up through superior quality. It should nevertheless be cause for concern that everything we can count favors the Russians. We hold the advantage only in the incalculables.

Luckily there is one important field in which we are much better than the Russians: electronics. Why is this so? Because our consumer society operates everywhere with electronics — with televisions and ingenious watches, which are not only insurpassably exact, but are produced on an assembly line. The Russians will not be able to learn the complicated tricks of electronics, and cannot learn them, even if we invited them over and gave them instructions.

Bennecker's analysis, that Haig's strategy would fail to impress the Soviet Union, was not mentioned at the second day of the conference, but the topic changed from ridiculous wonder-weapons to the second Strategic Arms Limitation Treaty (SALT II). U.S. Senator John Tower (R-Tex) led the attack on the present version of the agreement, playing to Christian Democrats in the audience by reminding them that it would only take 34 negative votes in the U.S. Senate to block passage of SALT II. Several U.S. Congressmen in the audience made no objections to Tower's statement. The West German daily *Die Welt* reported that all the second-day speakers attacked SALT II on the allegation that it would expose Western Europe to attack by Soviet medium range rockets by prohibiting European use of these missiles for three years.

No one mentioned, however, that it is only Britain that really wants SALT II to collapse so that cruise missiles in Europe, developed with American funds, would extend the range of Britain's own independent nuclear arsenal.

But continental European countries like West Germany, exemplified by Leber's downplay of that missile, consider the cruise missile as yet another target on their territory that they could well do without.

Ironically, on the day of the conference attacks on the projected SALT II agreement with the Soviet Union, West German State Minister Hans-Jürgen Wischnewski, a high official in Helmut Schmidt's Chancellery, met with leading East German officials in Berlin for a session that had been long delayed by the publication of the fraudulent East German dissidents' manifesto in the weekly *Der Spiegel* magazine. An official West German spokesman described the meeting as "clearing a couple of hurdles out of the way" for future discussions. The official East German daily also supported the meeting, stating that "the normalization of relations between the two countries will proceed on the basis that the (West German) Federal government continues to be guided by the treaties that have been signed."

—James Cleary

Tory Gov't In The Wings Prepares Fascist Policies For Britain

Preparations are now underway in London to dump the vacillating, "middle-of-the-road" government of Prime Minister James Callaghan and install a Tory regime, more attuned to notions of British "supremacy" and duly capable of carrying out British Round Table policies for Cold War and domestic fascism. Although Callaghan has managed to placate the London financial community by breaking the trade unions via three years of "voluntary" wage restraint, the Labour Party's cover of "economic growth" stands in the way of the outright looting schemes now demanded by monetarist forces. Nor could the Labour Party throw off its pro-detente posture to steer Europe toward a renewal of Cold War hostilities.

BRITAIN

For this reason, a fascist government in the wings is now being prepared, to be headed by Kissinger protégé Margaret Thatcher, ably assisted in the foreign policy sphere by former Prime Minister Edward Heath. The much publicized rapprochement between the two supposed arch rivals — Heath and Thatcher — which took place last weekend following Heath's talks with Kissinger in the U.S., fueled speculation that the Tories were tightening ranks preparatory to a General Election.

Former Tory Cabinet member Enoch Powell — Britain's most notorious fascist ideologue — is also being encouraged to return to the Conservative fold in time for the election campaign.

Although Callaghan is not mandated to call an election until October of 1979, the shakiness of Labour's electoral

pact with the tiny Liberal Party and the environment of racial hysteria which has been generated recently to boost Thatcher's popularity, makes an early election "inevitable" according to most political commentators. Should Callaghan be forced out of office prematurely, the Tories would immediately begin to carry out the directives of their City of London controllers, from a fascist solution to the economic crisis, to an assertion of British right to dominate the policies of the European Economic Community and NATO. The outlines of Tory policy have been already spelled out in numerous speeches, articles and documents, cited below:

Foreign Policy

In foreign policy, the Tories have one key goal: to foster an atmosphere of Cold War between Western Europe and the Soviet Union, which would not only undermine East-West negotiations on arms reductions, but would throw a spanner into the delicate Middle East peace talks. Heath has already proposed the setting up of a European (i.e., British-dominated) military force to patrol the Mideast during the key transitional period. This would not only effectively eliminate both the U.S. and the Soviet Union from the picture, but would most likely fuel new hostilities. In an editorial page feature published in the *Sunday Times* of London on Jan. 13, Heath warned that if current peace initiatives failed, the Arab countries would turn instead to the Soviet Union for supplies, and issued the directive that Soviet incursions, whether in the Middle East or Africa, must be stopped at all costs.

The Tories have already demanded EEC intervention to prevent the participation of the Italian Communist

Party in Italy's political affairs. Round Table member and Conservative spokesman on foreign affairs Douglas Hurd argued last week that the EEC heads of government must take steps to plug up the "gap" concerning political freedoms in the EEC's founding principles — a scarcely veiled warning that Italy should be expelled from the European Economic Community if it compromised those principles by allowing Communists into the government.

Defense Policy

Always the proponent of a "strong defense posture," Thatcher with the aid of her top defense experts has been actively living up to her nickname of the "Iron Lady" in demands for renewed defense expenditure and major overhaul of Britain's NATO commitments. At the same time, in conjunction with key agents of influence in Europe, she and her defense experts have been fostering the strategy of a united European defense posture as a guard against any "sell-out" of Europe by a U.S.-Soviet agreement on SALT.

Julian Critchley, a top defense strategist in the Tory party, recently told the German paper *Keiler Nachrichten* that NATO's current policy of flexible response must be replaced with a new "retaliation policy" based on Israel's preemptive methods. He further demanded that NATO in Brussels must have its finger on the nuclear button, independent of U.S. control.

Economic Policy

In major speeches of Tory party representatives and their allies in the Confederation of British Industry and various City of London establishments, little attempt has been made to disguise the fact that the fundamental aim of a Tory government's economic policy would be to maintain Britain's financial strength internationally while systematically paring down the remnants of its domestic productive industries.

Crucial to this debate is the question of the use of the substantial funds from North Sea oil supplies, estimated to add several billions of dollars to government coffers each year for the next 10-15 years. Although the debate is still continuing, the Tory party and friends are strongly countering the pressure being put on the Callaghan government by the trade unions and constituency base of the Labour Party to use the funds for investment in industry and new energy sources, specifically nuclear power. The stated position of the Tories is to use the revenues for tax cuts to industry to improve their cash flows (essentially insure continued rollover and payment

of high industrial debt) and a policy of paying off central government debt from the currently bloated balance of payment surplus.

Concurrently, they are calling for the lifting of all exchange controls on outflows of capital from Britain to promote the build-up of British assets abroad — essentially a repetition of the imperial policy of buying up foreign assets on the cheap. Publications like the *Financial Times* and *Economist* have become the most vocal champions of this policy, urging British investors to cash in on "bargain basement" prices on U.S. stocks in particular as long as Wall Street and the dollar remain weak.

Domestically, Tory Party spokesman on economic affairs Geoffrey Howe has launched a brutal attack on the power of the trade unions in Britain, making it very clear that under a Tory government, the unions could not "hold the country to ransom." Citing the continuing level of high employment, Howe (the architect of the Heath government's labor relations strategy which ultimately led to its fall during the 1974 miner's strike) has suggested that a return to free collective bargaining following the Labour government's years of "social contract" with the unions could force a new perception of reality among union members faced with the choice of lower wage increases or immediate firings.

Immigration Policy

The Tories have indicated that they intend to place the blame for Britain's high unemployment rate squarely on Britain's large Asian and Indian immigrant population. This was made clear by Thatcher herself in a TV interview last weekend in which she called for a "clear end" to "coloured" immigration in order to preserve "fundamental British characteristics." People were afraid that Britain might be "rather swamped by people with a different culture," Thatcher explained. "The British character has done so much for democracy, law and has done so much throughout the world... We are a British nation with British characteristics. Every country can take some small minorities and in many ways they add to the richness and variety of this country. But the moment the minority threatens to become a big one, people get frightened," she hastened to add.

Thatcher's views on race echo those of the avowedly fascist extremist group, the National Front, which has been gaining adherents recently and is directly responsible for most of the major outbreaks of racial tension which have erupted in Britain. Enoch Powell is known to be close to the political ideas of this group which also advocates the use of paramilitary tactics against "leftist radicals."

—Marla Minnicino,
Pamela Goldman

Brits, Dayan Undermine Sadat Peace Offensive

With the arrival of President Anwar Sadat in the U.S. to extract from the Carter Administration support for Egypt's nearly collapsed peace initiative, British intelligence operatives in Israel and the U.S. have launched an effort to ensure that nothing comes of Sadat's visit ... except a heightening of tensions internationally.

Sadat's trip, which will also take him to six European countries including Romania and the Vatican, is part of an aggressive Egyptian campaign to secure crucial outside support for his peace drive and to bring pressure upon Israel to make concessions on the crucial Palestinian issue, key to a peace settlement.

To counter the Sadat trip, Israeli Foreign Minister Moshe Dayan, Britain's Number One saboteur of the Sadat-Begin peace dialogue, will arrive in the U.S. (the same day that Sadat leaves here for Europe) for a one-week coast-to-coast "emergency" speaking tour to build a national climate against any breakthrough that Sadat might achieve in his talks with President Carter. At the same time, several of Dayan's colleagues will go to Europe "in an attempt to offset the Sadat trip" there, according to the *Baltimore Sun*.

U.S. Paralysis

While in the U.S. Sadat will lay out to Carter the risks of allowing the Mideast situation to stagnate any longer. However, there is little indication that the U.S. will stop playing games with linguistics and terminology, which avoids dealing with the substance of a comprehensive settlement.

Boxed in and manipulated by Vice President Mondale, security adviser Brzezinski, the British-controlled Israel Lobby, and other Kissinger allies, Carter has little intention to accommodate Sadat's demands, according to several Mideast analysts, and instead will urge "moderation" on Sadat and try to get him to opt for a dangerous separate treaty with Israel rather than an overall settlement.

Exacerbating the deadlock, Alfred Atherton, Undersecretary of State for Middle East Affairs, shuttled his way through the Middle East last week, peddling a mushy proposal for an agreement on principles for further negotiations that he had worked out with Dayan. Predictably, Egypt spurned the proposal because of its failure to deal with the substance of the Middle East dilemma — the Palestinian problem. On cue, Atherton let it be known through his spokesman that there would be no "dramatic breakthrough" in the Sadat-Carter talks in Washington, while the *New York Times* reported that Carter would try to persuade Sadat that the "peace

negotiations ... would be prolonged" for many months. One prominent Egypt watcher said that Carter will tell Sadat that the talks will take six to eight months to reach a conclusion!

The Egyptians are increasingly apprehensive about such vagueness on the part of the U.S. The Egyptian daily *Al Akhbar* warned against "a negative American diplomacy" that could lead to a new Cold War, while Sadat, in a series of interviews is making it clear he will insist on a U.S. statement on the Palestinian problem and expects a major breakthrough (contrary to Atherton's predictions), or else "everything will collapse."

Capsulizing Egyptian suspicions, the Feb. 1 London *Times* quotes an Egyptian Foreign Ministry official:

The American formula (agreement on principles) is not bad, but it all depends on the explanation and interpretation that goes with it. We do not want something that can later be interpreted as something else. It has to be clear from the first. Palestinian self-determination means for us that real self-determination has to be accepted in that spirit by all parties. We are getting to the stage now where we cannot afford vagueness.

A West German government spokesman asserted that Atherton's Kissinger-style diplomacy and ambiguous proposals had "weakened the Carter Administration's position" by seeking to force Sadat to accept a settlement on Dayan's terms. He added that the U.S. had "abandoned the Aswan formula, and Egypt knows it." The Aswan formulation was put forth last month by Carter while in Egypt backing the rights of Palestinians "to participate in the determination of their own future." Egyptian officials have indicated that this formulation, albeit inadequate, is the "bottom line" for them as they will accept nothing less.

Europe Backs Off

With Dayan's cronies moving to undercut the Arabs' "European option" — an option that Sadat had hoped to brandish before Carter to force him to accommodate Arab peace initiatives — Europe is gradually backing off from its earlier commitments to support the Sadat effort via regional development proposals and calls to reconvene Geneva peace talks as the forum for an overall settlement.

Last week, the European Economic Community announced that it had decided not to put forth any Mideast policy. Reflecting the tremendous pressure that Bonn (a

strong supporter of a comprehensive, development-based Mideast peace) has fallen under as a result of the scandal surrounding the illegal sale of arms to Syria and the new affair concerning mercury-poisoned Israeli oranges — both British-backed plots to stymie Euro-Arab political and economic cooperation — the West German Foreign Ministry has stated that the EEC will leave the Egyptians and Israelis to themselves. “The West Germans will take a lower profile in the area,” concurred several Mideast observers.

Blamed on the synthetic “Arab Revolutionary Army Palestinian Commando,” the “oranges affair” in particular has aggravated the deterioration of the Mideast situation, triggering paranoid tirades from Begin and exacerbating Israel’s intransigence. In addition, Sadat’s

championing of Palestinian rights has also been undermined, despite the PLO’s assertion that no Palestinians were responsible for the bizarre event.

The same day that news of the poisoned fruit was leaked, the British press loudly headlined the heightened danger of war in the Middle East, with the *Guardian* blaring, “Cairo Ready to Return to War.” Other press played up pessimistic statements by Egyptian Vice President Mubarak in Kuwait, in an effort to “break the illusion of peace.” “We know we are dealing with a very difficult and tiresome enemy,” said Mubarak, according to the *London Times* on Feb. 1. “Should we fail to achieve peace, we would have to resort to other means, possibly to war.” Mubarak pledged to “follow the path of peace to the end, as long as it is clear.”

— Nancy Parsons

An Unlikely Alliance In Arab World

An unlikely alliance in the Arab world, led by Saudi Arabia and Iraq, is working to restore the political unity of the Arab world and to prepare for a possible Arab realignment away from the United States and toward Western Europe.

In an angry commentary, the Algerian Press Service last week sharply criticized Iraq, nominally a member of the bloc of Arab hardliners, for providing covert support of the regime of Egypt’s President Anwar Sadat. Iraq, the Algerians charged, was “trying to rehabilitate Sadat in the Arab world” and was coordinating this action with Saudi Arabia. What provoked the unusual Algerian report was a decision by the Iraqi leadership not to send a delegation to the meeting of the hardline Arab “Steadfastness Front” that met in Algeria on Feb. 2. The Iraqi decision, which was taken ostensibly because of deep differences between the Iraqi and Syrian parties, had the practical effect of strengthening the Egyptian position by weakening the overall impact of the anti-Sadat bloc in the Arab world that includes Libya, Syria, and Algeria.

According to Radio Jerusalem, Iraq last week took an initiative to reopen the Egyptian embassy in Baghdad — which was closed following last November’s meeting of the hardliners — and there were reports that Vice-President Mubarak of Egypt might visit Iraq soon. In addition, the Iraqi press agency announced that it had proposed to Saudi Arabia the convening of an Arab summit conference in Baghdad.

But the indications of a Saudi-Iraqi tactical alliance do not extend merely to the immediate political situation. On a broader level, the Iraqis and Saudis have given signs of close cooperation on the financial and oil fronts as well. Last week Iraq and Saudi Arabia, along with Kuwait, Iran and Venezuela met at OPEC headquarters to discuss the prospects for the declining dollar, and resolved to demand — along with key industrial forces of Western Europe — that the United States take strong action to defend the dollar’s value. Iraq, which maintains close ties to the Soviet Union as well as the Gaullist tendency in Europe, and the Saudis, who remain virtually a province of the United States and the Aramco

faction, thus represent together a kernel of the necessary international alignment that must come together to rebuild the world monetary system.

An important indication that the American industrial forces and the Rockefellers may be seeking to use Saudi leverage to gain an upper hand in Washington is that the Saudis are beginning to develop closer relations with pro-gold industrialists in France, Switzerland, and elsewhere. An important Saudi businessman, for instance, has just concluded a major business deal with the big French aerospace firm Dassault, whose interests are widely represented in military and political intelligence networks throughout the Arab world. In addition, the Saudi interests are seeking to provide capital to consolidate the several regional French airline companies into a single unit. Such French-Saudi links are only one example of what is developing into a close partnership, mediated in part by the U.S. — Rockefeller and Texas — but the Dassault linkage will help forge a working relationship between the Saudis and French circles throughout the Arab world.

Where this will be tested is in North Africa. Recently, President Houari Boumediene of Algeria made an important trip to Saudi Arabia, Iraq, and the USSR where, among the issues discussed, the bothersome issue of the Polisario “liberation front” in the former Spanish Sahara was discussed. The Saudis, Iraq, and the USSR all oppose the Polisario, which is a fraudulent guerrilla group backed by Algeria — and, presumably, they each told the Algerians to rid themselves of the Polisario. Because France supports its allies, Morocco and Mauritania, in their opposition to Polisario’s claim to their territory, the Polisario issue has severely damaged Franco-Arab relations in that France is seen as intervening into an Arab dispute. Thus, the crucial question is whether the Saudis and Iraq can effectively resolve the Western Sahara issue in order to improve French-Arab ties. Such an action will provide a firmer basis for rapprochement between the Arabs and the Western Europeans, and will therefore strengthen the negotiating position of Egypt’s Anwar Sadat.

— Bob Dreyfus

'Israel Lobby' Senators Sabotage U.S.-Saudi Relations

In a nefarious attempt to thoroughly destroy longstanding diplomatic and trade relations between the U.S. and Saudi Arabia, Senators Jacob Javits (R-NY), Frank Church (D-Id), and Clifford Case (D-NJ) — all spokesmen for the City of London-controlled "Israel Lobby" — have announced that they intend to squash sale of 60 F-15s to Saudi Arabia.

The Carter Administration has put forward a package to sell sophisticated aircraft to Egypt, Israel, and Saudi Arabia — a policy which has the firm backing of the State Department (see Javits interview). Nevertheless, these gentlemen of the Senate Foreign Relations Committee say "no deal with the Saudis", a grand design to make the U.S. appear intransigently loyal to Israel and to force the Saudis to withdraw support from the U.S. dollar in retaliation.

Orchestrating this treasonous operation is soon-to-be-chairman of the Senate Foreign Relations Committee, Frank Church, who last week delivered a flat "no" to the Carter Administration's proposal to equip the Saudis with the advanced aircraft. According to Church, the F-15 would upset the balance of power in the Middle East, a contention which carries little weight if balanced against Israeli Foreign Minister Dayan's revelations that Israel has "more planes than Italy or Germany and a little less than England."

In tandem with Church's warnings was the announcement from the Israel Public Affairs Committee (AIPAC) that "in the event of war, Israel might have to launch immediate strikes against Saudi bases and aircraft" — if the deal goes through. Mimicking these bellicose statements from the "Israel Lobby", was a proposal put forth by Defense Secretary Harold Brown in the *Washington Post* Jan. 27. Fixating on the notion of "quick strikes," Brown called for the creation of a special Marine division in the event that a "half war" has to be fought by the U.S. in the Persian Gulf against "Soviet infiltration."

These war-mongering statements are a direct attack on Saudi Arabia's commitment to expanded oil production and to support a strong dollar. U.S. Energy Czar James Schlesinger (who is the architect of plans to "occupy Saudi oil fields in an unforeseen crisis") in an interview upon his return from Saudi Arabia last month, lied that the Saudis would not be willing to expand oil production beyond 12 million barrels a day and that U.S. congressmen should not rely on the Saudis to increase their oil production to 20 million barrels per day to accommodate the U.S.'s increasing needs for oil consumption.

Countering Schlesinger's phoney assessment of U.S.-Saudi relations is a statement released by Saudi Oil Minister Sheik Zaki Yamani to the *Wall Street Journal* on Jan 27: "There is a special relation between the United States and Saudi Arabia whether some Zionist wants to admit it or not." Similar sentiment is emerging among some officials of the Carter Administration who agree, as the *Jerusalem Post* pointed out recently, that a "decision to support sophisticated aircraft sales to Saudi Arabia, Egypt, and Israel will help the negotiations in the

Mideast by strengthening the moderate forces in Israel and the Arab world."

Scenario Debates

The following are excerpts from an op-ed by Rowland Evans and Robert Novak which appeared in the Feb. 2 Washington Post entitled, "Carter's Dilemma on Saudi Arms Sales", expressing the vital interests which are at stake in this arms controversy. The columnists particularly stress the question of whether the U.S. has its own Mideast policy or one tied to Israel, i.e., the City of London.

...President Carter's failure to win Saudi Arabia's consent to delay the promised U.S. sale of 60 F-15 aircraft confronts him with his clearest test posed by this question: Can the United States have its own Mideast policy, or only one tied to Israel?

The answer to that question may well decide the future of the vital U.S.-Saudi connection. At issue is whether Saudi Arabia will continue to underwrite U.S. domestic oil needs.... Changes in Saudi oil production and pricing, moreover, could wedge Western Europe and Japan away from the United States, undermining political unity of the industrialized democracies.

As provided by Sen. Frank Church (D-Idaho), the answer to this crucial question is a clear "no." Indeed, Church's letter to Secretary of State Cyrus Vance ... protesting the sale ... was couched with generous overstatement in terms of how Israel views the sale, but not in terms of U.S. interests... "Church wrote the letter like a senator from Israel," one of Church's colleagues told us.... Underlying these surface hazards (Saudi break with the dollar and reduced oil supply because of U.S. equivocation—ed.) is the spectacle of the U.S. superpower once again squirming in public over an arms sale in the Middle East clearly tailored to its own interests. This spectacle reflects an increasingly dim image of the United States not only to Saudi Arabia but around the whole world.

The following editorial in the Jan. 28 Washington Post reflects a completely opposing point of view and one that is fundamentally contradictory to U.S. stability. According to the editorialist, who agrees with Frank Church, the United States should delay important arms deals in the Middle East.

...At this delicate moment in the Mideast, Sen. Frank Church suggests the U.S. ought to "review" all prospective new arms transfers to make sure they don't complicate the region's quest for restraint.... Intellectually and morally, as Zbigniew Brzezinski told National Public Radio Friday (Jan. 27—ed.), it doesn't seem right to conduct arms transactions as though peace negotiations were not under way for the first time in 30 years.... But the impact of the sale, or so the Israel lobby here is shouting, would be heavily military: the F-15s are seen as posing to Israel a real threat in a crisis....

Echoing this "Israeli fear" is an excerpt from James Reston's Jan. 27 New York Times op-ed entitled, "How to Double Trouble." Reston says that the F-15 affair will cause chaos and confusion within the government and the Carter Administration should drop it. To build his argument he features prominently a memorandum from the American-Israel Public Affairs Committee (AIPAC) in Washington, D.C. which: "... not only calls the U.S.-Saudi deal a "threat to peace" but suggests that, if the deal goes through, Israel might have to take military action against Saudi Arabia in any major threat of war."

The following are phone interviews with aides from Senators Javits' and Church's Washington offices. Although Senator Javits appears critical of the abrupt manner in which Sen. Church delivered the ultimatum to Carter, he maintains a firm opposition to the sales.

Senator Javits' office:

The Senator has decided to supplement the Church-Case letter against the Saudi arms deal with a separate letter jointly written with Senators Baker and Pearson urging the Administration not to make the F-15s request now. Javits is concerned both with the sale itself and with avoiding the public humiliation of the Saudis.

This will, we hope, encourage the Administration to move on the request at a fairly early stage, but not right now. If the Administration brings the request in by, say February 1, this will be very counter-productive, because we at the Senate Foreign Relations Committee will feel we've given the Administration every fair warning against doing so, and the fault will then appear solely on the Administration's ledger, not ours. We'll feel

less reluctance to criticize the sale then.

Senator Church's office:

The F-15s are very sophisticated aircrafts; are they the right kind for Saudi defensive needs? Church is insisting that the time is not propitious, when the Mideast talks are stalled, for the arms sale to be considered; since this would destabilize the delicate balance that has been reached. The Administration wants a package arms sale, to Egypt, Israel and Saudi Arabia. The impetus for this is coming from the State Department. They fear a general eroding of U.S.-Saudi relations, and they point out how helpful the Saudis have been in keeping oil prices down. But this kind of thinking is naive. Prices are down because there is a glut of oil, not anything else, and that accounts for the Saudi position.

The Saudis are, furthermore, not as terribly concerned about the dollar as some people claim. They like the yen a lot; I've read statements to this effect.

Another consideration of Church's is that no one in the Ford Administration ever promised arms to the Saudis like the F-15, whereas the Israelis were promised these planes in the secret accords Kissinger worked out as part of the 1975 Sinai Pact.

In a sense, we are saving the Saudis from themselves by fighting against the F-15 sale. If they had the plane, an Israeli preemptive strike against Saudi airbases would occur in time of war. The F-15 is too advanced for the Saudis to combat the real threat to them — Iraq, which is building up an astounding arsenal from the Soviets. We are completing a study on arms in the Persian Gulf which shows the threat of the Iraqi arsenal.

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

Included in this document will be:

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

These excerpted transcripts will be mailed before March 1, 1978.

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Japanese-Soviet Relations —

Myth And Fact

For the past 30 years a myth about Japanese-Soviet relations has reigned in the West.

The myth, simply stated, is that Japan deeply fears the Soviet Union and is still resentful about Soviet occupation of Japanese territory after World War II, specifically four small islands off the coast of northern Japan. Japan's hatred of Russia is then routinely contrasted to a supposed Japanese affinity for China, which is described as the cultural "motherland" for Japan itself.

Translated into political terms, the myth dictates a clear course for Japanese policy: an alignment with China and an unending "deep freeze" for Japanese-Soviet relations. In the early 1970s Henry Kissinger tried to shape an alliance between Japan, China, and the United States (the "Tokyo-Washington-Peking axis") against the Soviet Union based on this map of the "Japanese mind."

This view of Japan ignores certain facts. It certainly does not explain why Japan spent the 1930s pillaging its Chinese brethren while entering into a nonaggression pact with the Soviet Union until 1945. More significantly, it also ignores the postwar history of Japan's Liberal Democratic Party.

Rapprochement and Sabotage

Since 1956, when then Japanese Premier Ichiro Hatoyama first reestablished diplomatic relations between Japan and the Soviet Union, a strong group inside the ruling party, and aided by Japanese business circles, has been consistently pushed for expanded Japan-Soviet economic and political ties. First in 1972, Premier Kakuei Tanaka, and later in 1975 under Premier Miki, Japan and the Soviet Union have been on the brink of resolving their disputes over the northern islands problem, which would ensure a Japan-Soviet peace treaty and an extensive Japanese commitment to the major development of the tremendous resources of Siberia.

At each point that such an alliance was threatened, a crew of Anglophile politicians has intervened to bloc any Japanese-Soviet rapprochement. This group, led in the 1950s by Japan's first postwar Premier, Shigeru Yoshida, and today centered around the leading pro-Peking politician inside the LDP, current party Secretary General Masayoshi Ohira, has actively sabotaged both Japanese and Soviet attempts to mediate their territorial disputes through a series of compromises.

The 1956 efforts of this "Anglo-American" clique are in fact the sole reason that Japan and Russia are still talking about the northern islands issue. During

Hatoyama's initial negotiations for the treaty, the Japanese were simply asking for the return of two tiny islands, Habomai and Shikotan, off Japan's coast, which the Soviet Union in fact at that time acknowledged were Japan's. Hatoyama was warned by then U.S. Secretary of State John Foster Dulles, however, that unless Japan also insisted on the return of two islands which were in fact part of the Southern Kuriles (Kunashiri and Etorofu) and not historically clearly Japan's, then the U.S. would never return Okinawa to Japan.

Dulles was not acting on his own. It is now known that arch Anglo-American partisan Yoshida was actually the instigator of what was a direct provocative action against the Soviet Union, a provocation that was fed to the befuddled cold warrior Dulles when he was visiting London. At that time, Yoshida was threatening to wreck the newly formed Liberal Democratic Party unless his enemy Hatoyama (who came into power by engineering Yoshida's downfall) caved in to Yoshida's Soviet policy. With both Dulles and Yoshida attacking him, Hatoyama was pressured into going along.

The Wrecking of Tanaka

In 1972, Japanese Premier Kakuei Tanaka began making major overtures to the Soviet Union, centering on Tanaka's desire for joint Japanese-Soviet development of Siberia. Tanaka was the first Japanese premier since Hatoyama to openly push for the restoration of close ties with the USSR, a move which had been long encouraged by many leading Japanese businessmen. This time it was Henry Kissinger who launched a campaign to wreck Japanese-Soviet detente, and Tanaka. Kissinger virtually dictated the policy of cutting off both U.S. Export-Import Bank aid to U.S. corporations wanting to collaborate in the project. Kissinger also pressured the private U.S. banking sector to wreck any private aid for the deal. Kissinger's furious organizing (which ultimately included a Watergate-style "scandal" against Tanaka in 1974) followed a meeting between Tanaka and Brezhnev during which the Soviet leader signaled that Russia was prepared to reach some settlement on the northern islands issue undoubtedly involving a return to the original Japanese-Soviet terms first developed by Hatoyama.

The Stakes in Asia

Kissinger's activities against Tanaka were linked to the policy shared by him and the pro-Peking group around Ohira, a policy of linking Japan in an anti-Soviet alliance with China. As Kissinger, the City of London, and allied factioneers in both Peking and Washington are

agonizingly aware, a successful resolution of the northern territories dispute would open the way for massive Soviet-Japanese collaboration throughout all of Asia, and especially Indochina. A Japanese-Soviet treaty would also be the opening for the large-scale development of Siberia, something Japan's own uniquely development-oriented heavy industries sector is eager to do. In return, the Soviet Union has made it clear, Japan would receive huge reserves of Siberian oil and natural gas as well as enriched uranium from the USSR. The Soviet Union is also offering Japan access to Soviet breakthroughs in fusion power research.

Today the potentials for close Japanese-Soviet ties are even more ripe. In Southeast Asia, Japan's foreign policy is to a large degree already complementing Soviet goals in the region. This month the Japanese government in effect granted Vietnam a debt moratorium writing off the debts still owed to Japan by the old Thieu regime, which the new government refused to recognize.

Japan's Vietnam initiative feeds into the overall Japanese policy for the region, which is aimed at the peaceful integration of Indochina into the Association of Southeast Asian Nations (ASEAN) economic bloc structure under the more general framework of a Japanese-led push for the introduction of capital-intensive agricultural development aimed at doubling the area's output of rice production in the next 10 years. Moreover, an alliance between Japan and the Soviet-supported Vietnamese would rapidly defuse Peking's ability for mischief-making in the region. It would also wreck the World Bank's hideous "Humphrey-Hawkins" plans for Asia — the "employment" of hundreds of thousands of Asia's poor at backbreaking labor-intensive agriculture, while revenue that would have gone to real development is funneled out of Asia to pay monetarist debts.

Japanese-Soviet cooperation would have equally profound repercussions in India, whose leading industrial planners have already intensively studied both the Japanese and Soviet "models" as paths for India's own development.

The Peking Connection

Under both Tanaka and his successor, Takeo Miki, a crew of pro-Peking activists with links to Henry Kissinger and Kissinger crony James Schlesinger have tried to use the threat of a Kissinger-orchestrated Japan-China alliance to terrify the Soviet Union into simply treating Japan as a puppet of "anti-detente" circles in the U.S. and China.

In Japan today the major opponents of a Japan-Soviet compromise on the northern territories question are all avowed Schlesingerites with close ties to Kissinger. The leaders of this group center around the man who is both Peking and Kissinger's choice to be next Premier of Japan, Masayoshi Ohira. It was Ohira who won Kissinger's heart when, as Foreign Minister during Kissinger's 1973 oil crisis, he argued that Japan must follow Kissinger policy and back Israel. Ohira was overridden by Tanaka and then Ministry of International Trade and Industry head Yasuhiro Nakasone, who reoriented Japan's policy toward the Arab states, leading Kissinger to label Tanaka as "anti-Semitic."

Ohira's intellectual leader, both at that time and today, is a top former Foreign Ministry official, Shinsaku

Hogen, who once headed up the American Bureau in Japan's Foreign Ministry and who today is advocating closer military ties between Japan and China.

Peking's own networks inside Japan's major opposition parties have also actively kept the northern island dispute alive. The Chinese extensively fund a whole wing of the Japanese Socialist party, the country's biggest opposition party, and it is suspected that Peking maintains big money laundering operations into other parties.

End of the Game?

The Kissingerites' ability to continue their manipulation game in Japan is rapidly fading, however a few weeks ago Japan's Foreign Minister Sonoda visited Moscow for talks with Soviet Foreign Minister Gromyko and Soviet premier Kosygin. The Western press virtually ignored the meeting, and since Sonoda insisted that the northern territory question was open to negotiation (the Soviets now officially claim that all such questions are settled), the meeting failed to produce a joint communique.

Yet certain very important things occurred in Moscow. According to Sonoda, the Soviet Union did not react with hysteria when Sonoda explained to Gromyko that Japan intended to press ahead with a peace treaty with Peking — something every Japanese businessman and politician supports *as long as* such a move doesn't box Japan into an anti-Soviet alliance with Peking. Sonoda said this again to Gromyko, and from all indications Gromyko acknowledged the point.

The Soviet refusal to react as profiled on a treaty between Japan and China — a treaty which will undoubtedly contain some vague statement opposing "hegemony," which the Chinese meant as an anti-Soviet warning and which Japan has consistently said it interprets as a restatement of vague "UN Charter"-type principles — is an important signal that behind the scenes once again the potential for a Japan-Soviet rapprochement is heating up.

Moscow's confidence on this question parallels the virtual collapse of the Ohira group inside the LDP. Ohira is now extremely unpopular with business, and even his own faction inside the party is suffering from growing factionalization. The Chinese are also refusing to accept any Japanese modification of their "anti-hegemony" peace treaty, and Japanese-Chinese negotiations for the treaty appear now to be cooling off for at least a few months.

The Soviet Union knows this. Nor has Russia ignored the growing disagreements between Japan and Washington. It is known in Japan that the Soviet Union has been waiting for a long time to play its trump card — the return of Habomai and Shikotan. In fact, the Soviet Union has avoided building any installations on Habomai and Shikotan while they developed military bases on Kunashiri and Etorofu. The problem has always been one of political timing. Once the Soviet Union fully understands that a joint development alliance with Japan is the key to defusing the negative intent of the China treaty, and once the "rabid" pro-Chinese Ohiraites are neutralized in Tokyo, that Soviet card will be played. It could be played much sooner than anyone in the West thinks.

— Kevin Coogan

The African Horn:

British Cold War Scenario

The Ethiopian government has exposed the key British role in the efforts to set up a Soviet-U.S. confrontation in the Horn of Africa. An Ethiopian Foreign Ministry delegation on Jan. 18 delivered, to British Foreign Secretary David Owen, a government statement that Britain "was the original source of the fantasy of Greater Somalia." The exposure of the British origins, and manipulations, of the myth that areas of neighboring Kenya, Ethiopia and Djibouti should be part of Somalia — ostensibly since these regions are inhabited by Somali speaking tribes — puts the blame for the rigging of a U.S.-Soviet showdown right where it belongs.

Countless press stories have been building up the atmosphere of confrontation, claiming that there are thousands of Cubans and Soviet military personnel in Ethiopia, and also claiming the existence of a continual Soviet airlift to bring in arms. The London *Observer* predicted this would be "the grimmest war since Vietnam." The stories are also projecting a retaliatory Ethiopian invasion of Somalia, citing Somali claims to that effect, in an attempt to justify moves by the West to come to the aid of the invading Somalis.

Just prior to meeting the Ethiopian delegation, David Owen told the British parliament, "We will consider the request (from Somalia for arms) carefully in consultation with our allies." The Ethiopian statement, however, denounced British and Carter Administration intervention into the crisis on the side of Somalia as fraudulent concern. "If the United Kingdom and the United States were to stand for justice," the statement charged, "they should have come out without any hesitation or reservation and condemned the Somali aggressors."

Despite this warning, and continued Ethiopian denials of plans to invade Somalia, the British *Guardian* in a Jan. 24 editorial called explicitly for a Cuba-missile style crisis with the Soviets in the Horn

In contrast to the crisis mongering by Owen, by the Carter Administration, and by the press, European diplomatic sources maintain that Ethiopia is acting in its legitimate national interests. A West German diplomat reported that the Cuban and Soviet presence is viewed as a stabilizing factor, since it will ensure that the Ethiopians will not be provoked into a counter-invasion of Somalia for revenge.

Britain's attempt to provoke a U.S.-USSR confrontation in the Horn of Africa is based on long-standing political-economic manipulation in the area. Following is a brief outline of Britain's historic role in the Horn:

* *early 1880s* — the British facilitated the Italian occupation of the coastal Ethiopian province of Eritrea, as well as part of Somalia, favoring weak Italian presence over a much more powerful France. Britain took over the

rest of Somalia, and also controlled the port of Aden at the mouth of the Red Sea.

* *1934-36* — Mussolini conquers Ethiopia. Mussolini's action was recognized by Britain, but not by the U.S.

* *early 1940s* — Haile Selassie decides to collaborate with the U.S.

* *1943* — British begin propagating the Greater Somali myth by setting up the Somali League for that purpose.

* *1943* — Churchill gets wind of a secret Roosevelt-Selassie meeting in the Suez following the Yalta Churchill-Roosevelt-Stalin summit, panics, arranges a secret meeting in Cairo with Selassie, and gives him a Rolls-Royce in a vain effort to win him from the Americans.

* *late 1950s* — British start up the anti-government rebellion in Eritrea, an area occupied by them following World War II, to destabilize the region.

* *1960* — upon the independence of Somalia, the Greater Somalia myth is incorporated into the official ideology of Somalia.

* *1969* — Ethiopia and Somalia attempt to resolve differences and set up normal relations. Somali president Shermarke is assassinated while Prime Minister Egal is on a visit to Washington for discussions with the Nixon Administration. Attempts to fill Shermarke's position with a like-minded replacement was met with a coup d'état by the head of the army, Siad Barre. The coup was organized on the basis of the Greater Somalia myth.

* *1977* — war waged by Somalia against Ethiopia instigated by Brzezinski and other British-linked members of the Carter Administration, on the basis of the Greater Somalia myth.

International Press Foments New 'Missile Crisis'

Following is a sampling of press efforts to blow the African Horn into a major international crisis:

The Guardian, Jan. 24:

...no Western government with an interest in the Middle East or the Indian Ocean can for long regard the growing Russian presence in Ethiopia only as support for a client in difficulties. In combination with the control of South Yemen it gives the Russians an excessive power, should they choose to exercise it, over the Red Sea and the shipping lanes to the Gulf. It can be argued that whereas at one time this would have been a vital threat to western interests it is no longer credible to that degree, because the result of using it would be a world war...

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

The Daily Telegraph, Jan. 30:

*Russia's Ethiopia Gamble Could Be
Carter's Big Test*

The Ogaden war could confront (Carter's) year-old administration with its first full-blown international crisis this spring.

For an Ethiopian victory could give Russia a stranglehold on the Red Sea and consolidate the naval and air bases it needs to dominate oil tanker routes from the Persian Gulf around Africa....

A senior White House official, referring to the Strategic Arms Limitation Treaty talks said: "The Soviets have to know that there'll be no chance whatever of senate ratification of SALT II, even supposing we get that far in the current negotiations, if the climate of public opinion here hardens against them."

...Mr. Zbigniew Brzezinski told the Ponomarev delegation that they could either work with the West for a new world order...or go back to the old Cold War contest with all the risks that would imply.

The problem...is, quite simply that the Somalis are technically the aggressors.

The danger is that by holding off (from intervention until Ethiopia has actually invaded Somalia) America will be seen by various African states as what the Chinese call "a paper tiger."

The opinion would be shared in the Middle East...with profoundly destabilizing consequences. The Russians and Cubans would emerge ten-foot tall.

Pentagon strategists...tend to think that Russia is deliberately testing Mr. Carter's nerve and that he may face a crisis as difficult as President Kennedy's over the Cuba missiles in 1962.

In short, if its Ethiopian gamble pays off, Russia could more than regain all the ground it has lost diplomatically in the Middle East since 1973-74.

Christian Science Monitor, Jan. 26:

The United States, for its part, needs to weigh a more effective approach to the Soviet Union...the time has perhaps come to make plain to Moscow more forcefully that its blatant intervention in Ethiopia and Africa generally will have adverse consequences on current efforts to give detente another head of steam.

The Observer, London, Jan. 22:

The Horn of Africa now appears to be only a few weeks away from what Western and Arab intelligence sources say is likely to be the "grimmiest" war since Vietnam.

W. German Minister: No Arms To Areas Of Tension

The Ethiopian government on Jan. 22 gave the West German government 24 hours to withdraw German Ambassador Lankes from the country, and followed this demand with a highly unusual statement charging that Lankes was impeding the establishment of good relations between the two countries.

The Ethiopian statement was blacked out in nearly all of the Western press, while U.S. press and wire services were conducting a fabricated story that Ethiopia had kicked out Lankes because of German aid to Somalia.

Following is West German Federal Foreign Minister Genscher's reiteration that aid to Somalia prohibits arms spending, appearing in a Frankfurt daily article:

Frankfurter Allgemeine Zeitung, Jan. 24:
*Ethiopia Wants To Maintain
Its Relations To Bonn*

Bonn, Jan. 23. Federal Foreign Minister Genscher has emphatically stated that it is a principle of the Federal Government that no weapons will be supplied to areas of tension. This policy holds in equal measure for direct and indirect arms supplies. In a speech at a dinner on Monday on the occasion of the state visit of President Bongo from Gabon, Genscher made a direct connection between this principle and the latest financial aid to Somalia. He said that in this case too there is no doubt about the stipulation, that the 25 million DM that Bonn has granted Somalia cannot be allowed to be spent for the purchase of weapons....

On Monday Dr. Haile Gabriel Dagne, the Ethiopian Ambassador to the Federal Republic, appealed to the

Federal government that material which has been "created by German sweat" cannot be allowed to be used for the destruction of his country. Dagne told journalists that the Ethiopian government learned to its great astonishment that the Federal Government allegedly wanted to finance Somalia's invasion of Ethiopia with many millions of marks. The news that Somalia has been promised development aid credits without any conditions can nevertheless at this time not be directly interpreted as the reason for the expulsion of Ambassador Lankes. To begin with, the Ethiopian government is expecting detailed explanations from Bonn about the promises to Somalia. The traditionally good relations between both countries should be maintained. Dagne first of all based the expulsion of the German Ambassador on the fact that his conduct in Addis Ababa was not likely to fulfill the Ethiopian government's desire for intensified relations. Addis Ababa has a reason to assume that Lankes had not correctly reported on the goals of Ethiopian politics. It is conceivable that the current affair could be cleared up as an "episode" by a change in individuals.

Ambassador Dagne explained Ethiopian policy by saying that his government up to now has undertaken the successful task of changing the country from a feudal state into a modern social state through an independent foreign policy and nonalignment. Ethiopia wants to develop in peace. However, the impression has arisen in the Federal Republic and in some of its western partners too, that Ethiopia is an aggressor. In reality, the country has been attacked by Somalia.

What 'Atoms For Peace' Planned For Puerto Rico

Imagine visiting the island of Puerto Rico and encountering not poverty and rampant unemployment, but a flourishing economy with the following assets: a series of nuclear plants providing 26.2 percent of the island's total energy consumption; a Nuclear Energy Center acting as a "transmitter of nuclear know-how to Central and South American sister countries" (1); 10,000 to 15,000 highly skilled cadre force for Puerto Rico's nuclear-related industrial complexes; and a technologically advanced agricultural export market amounting to more than \$20 million dollars per year.

PUERTO RICO

The latest science fiction best-seller? No, this was the major development project of the United States' Atomic Energy Commission, and of the Puerto Rican government of the industrialist and Republican Governor Luis A. Ferre during the beginning of the 1970s.

The proposed Nuclear Energy Center, or Nuplex, and other nuclear-related projects were an integral part of the international development campaign of Dwight Eisenhower's "Atoms for Peace" program in the mid-1950s. Ferre, Eisenhower, and the Atomic Energy Commission conceived of Puerto Rico as the key nuclear link between the U.S. and Latin America.

But before the end of Governor Ferre's term of office in 1972, the Nuplex project had been killed, by a political combination including proterrorist and environmentalist forces within the Episcopal Church, Fabians inside the two major U.S.-linked traditional political parties of Puerto Rico (the Democratic PPD and the Republican PNP), and the Puerto Rican Independence and Socialist Parties.

This report will describe in detail the Nuplex project and its implications for Puerto Rico. A future report will identify the crimes and methods of the terrorist-environmentalist forces who stopped development of nuclear energy on the island.

The Urgency of Development

The crucial importance of the Nuplex project was that it represented a genuine *critical start* made by U.S. and Puerto Rican Whig forces to put an end to the Wall Street and City of London policies which transformed the island into a Rand Corporation-scripted "Northern Ireland" nightmare of terror and dead-end poverty. The economic and political conceptions behind Nuplex and related projects embodied the core of policies that the U.S. government should implement not only in Puerto Rico, but in the neighboring Republics of Central and South America and the Caribbean.

In light of the increasing lumpenization of the Puerto Rican population, and the *official* re-evaluation by the island's government and scientific circles concerning the necessity of building nuclear plants in Puerto Rico *now*, the Nuplex-type of project takes on added importance.

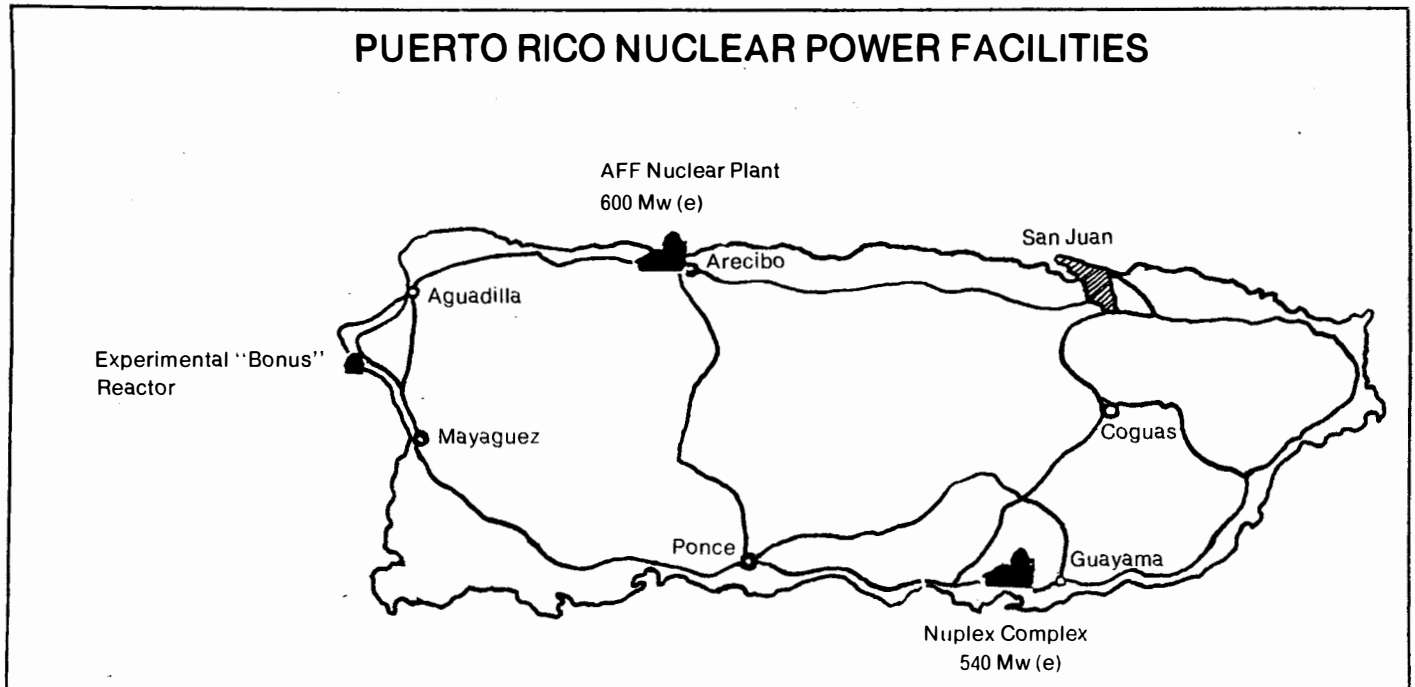
Puerto Rico's annual debt service of \$1.2 billion is almost as large as New York City — but the island itself has only one third the population New York has. Close to 50 percent of the island's labor force is unemployed. Seventy percent of all families depend on food stamps to get minimum nutrition. There are 60,000 drug addicts and 100,000 alcoholics in a population of less than 3 million. The Puerto Rican "economy" is such a mess that over 2 million of 5 million Puerto Ricans have emigrated to the U.S., mainly New York City. In other words, 40 percent of Puerto Rico's workers live in the continental U.S. because they have not been able to find gainful employment on the island. If they were to return to Puerto Rico, employment would surpass 70 percent.

This gloomy economic picture and the pressure of Puerto Rican politicians and scientists, such as former Governor Ferre, have forced the present government to re-evaluate the use of nuclear energy in the island. Ferre and a group of scientists connected to the Puerto Rican power industries have stated repeatedly that the island's consumers would have paid \$150 million in energy bills — half of what they presently pay — if Puerto Rico had had functioning nuclear plants during 1976-77. This pro-nuclear sentiment was synthesized in an editorial of the Scripps-Howard island's daily, *The San Juan Star*, entitled "Toward Nuclear Power," which called on the Puerto Rican government to take "the difficult step of re-implementing a policy of going to a *uranium-based nuclear process* (emphasis added — ed.).

Puerto Rico's Nuclear History

In the aftermath of President Eisenhower's "Atoms for Peace" speech at the United Nations in 1953, the AEC together with the University of Puerto Rico created in 1957 the Puerto Rican Nuclear Center (PRNC), part of the Atomic Energy Commission national laboratories network for research and training in the nuclear field. By 1959 the annual budget of the PRNC amounted to approximately \$1.8 million. Later in 1958 the Puerto Rican Water Resources Authority and the AEC signed a contract to develop a Bonus experimental reactor in the city of Rincon (see Map), Puerto Rico, to demonstrate the advantages of producing superheated steam for power generation by water reactors. This project was finished in 1964 and constituted the first nuclear power reactor built in Latin America, but was decommissioned in 1968 because of allegations of "unsatisfactory performance," and environmentalist claims that so-called leaks in the

PUERTO RICO NUCLEAR POWER FACILITIES



Bonus reactor were causing increased incidence of cancer on the island.

The ferment that the PRNC developed among the island's scientific community was exemplified by the proposal which a group of courageous scientists, such as Doctors Garcia Morin and Bonnet, made to Gov. Roberto Sanchez Vilella during his 1964-68 term. They called for the creation of a "Scientific Community," modelled on the scientific and application research laboratories triangles in North Carolina (2). This was to form a technically-trained local labor force capable of applying their ongoing research to the island's growing industrial complexes in a permanent fashion. Fabian Governor Sanchez Vilella and his coterie of environmentalist aides, such as Juan M. Garcia Passalacqua, the legal advisor of the island chapter of the Fabian-oriented Americans for Democratic Actions, shelved the "Scientific Community" project for good by the end of the 1960s.

In spite of the environmentalist campaign, by August of 1970 the island's Water Resources Authority (AFF) directed by engineer Jorge Cordoba Diaz committed itself to install a 600Mw (e) nuclear power for operations in 1975. This project was killed because it allegedly would have destroyed the fishing community surrounding the plant. The Puerto Rican government took a \$100 million loan to build this power plant and invested \$50 million for the "shelf" of the plant, which is idle today. The environmentalists are forcing the government of Puerto Rico to pay \$600,000 for the interest of the \$100 million loan, but without getting any benefit from the idle nuclear plant.

The Nuplex Project

The potential for developing a Nuclear Energy Center in Puerto Rico was first noted by AEC's Commissioner James T. Ramey in a speech October 30, 1967, in San Juan on the 10th anniversary of the Puerto Rican Nuclear Center. Later in 1968, officials of the AEC and the Puerto Rican government signed a memorandum of understanding by which Burns and Roe, Inc., consulting

engineers, and the Dow Chemical Company were granted permission to carry out a feasibility study. According to an AEC press release dated June 16, 1971, the study concluded that a Nuclear Energy Center will be "economically attractive for the island" and could result in "favorable sociological change (3)."

The Nuplex was to be an integrated, centralized complex, including a nuclear power station, desalination plant, with various chemical and industrial plants consuming a large amount of energy. A facility for production of fertilizers was also included in the plan, as well as agricultural areas using advanced technologies.

The Nuplex, based on a straight-forward energy efficiency concept, is planned to make optimum use of not only the electrical output of the nuclear reactor, but also its heat output. In most cases, a nuclear plant produces about twice as much energy in the form of heat than it can convert into electricity. Early design proposals envisioned the optimum use of "off-peak" power from the reactor to carry out processing of various materials such as bauxite, phosphate, clay, and hydrocarbons. The use of the cooling water to provide heat for industrial processes before it is returned to its sources is key. This enhances the thermal efficiency and, thus, the commercial attractiveness of the plant. It also avoids the problem of dumping hot waste water and provides an opportunity to extract minerals from seawater when it is used as the coolant. Manufacturing in Nuplex would be almost fully automated, a technique made feasible by the advent of reliable high-speed computers. While running such a multimillion dollar complex would require only a few thousand workers, hundreds of thousands of jobs would be created in building the complex while the finished plant would increase output in agriculture and industry by increasing available energy.

At the heart of Nuplex, which was to be built at Jobs Bay on the southern coast of the island, would be a nuclear power plant producing 540 megawatts of electricity as well as steam needed for nearby indus-

tries. The complex also included petrochemical plants, chlorine-caustic and hydrocarbons plants and an aluminum plant. An additional advantage of Nuplex was the integration of 12 chemical processes. In some cases all or part of the product, such as ethylene or propylene is used as a feed stock for one or more other processes. Integration of the processes allows economies in production costs arising from the common use of facilities such as shipping and receiving docks, in addition to the common energy source (See Table I).

38,000 New Industrial Jobs

According to the Burns and Roe study, Westinghouse, the contractor for the nuclear plant, was to begin constructing Nuplex in 1972, finish the first plants by 1975, and complete the project by 1978-79. In other words, the Nuplex project would have been almost finished by now!

A doctoral thesis written by James Holmes on "The Impact of a Nuplex Center on the Puerto Rican Center (4)" estimated that 5,335 industrial skilled jobs would have been generated directly by the Nuplex complex, and 26,338 indirect jobs in the services, mining, trade, and commercial sectors. This would have represented a direct increase of 10-15 percent in the Puerto Rican labor force — a *substantial beginning* to start dealing seriously with the close to 50 percent unemployment rate in today's Puerto Rico. This would also have destroyed, once and for all, the myth of the independence forces that capital-intensive projects increase the unemployment rate of the island, and laid the material basis to push aside the terrorist and environmentalist arguments which have been pushed on the lumpenized Puerto Rican population.

Table II
Crop Distribution On The Experimental Farm At The Puerto Rico Nuplex

Crop	Acreage
Mangos	50
Avocados	40
Grapefruit.....	30
Plantain.....	100
Yautia.....	50
Sweet Potatoes	50
Tomatoes	100
Peppers	35
Squash	15
Building and Roads	30
Total	500

The 38,000 jobs represent approximately \$60 million in salary, which could sustain more than 50,000 people. Holmes' thesis outlined that the process of training adequate personnel to run the Nuplex complex would provide a highly skilled labor force (male and female) to operate modern chemical and metallurgical complexes, an essential aspect of putting the island in a *permanent* capital-intensive basis.

A Capital-Intensive Program of Food Imports

Unlike most of the World Bank-sponsored labor-intensive programs to curtail the food imports of the underdeveloped countries, the Nuplex complex intended to lay the groundwork for a high-technology agriculture sector, which could meet both local and foreign market demands. This was to be geared particularly toward the major East Coast cities of the U.S. and the Caribbean region. The plan called for more than 20,000 acres of sugarcane field to be used for increased production of fruits and vegetables and other *high value crops*, which cost island consumers about \$29 million in 1975. In other words, the Nuplex agricultural project was to develop a \$20 million market of vegetables and fruits such as avocados, pumpkin, grapefruit, mangos, oranges, yautia, and sweet potatoes, for internal and external consumption (see Table II). The Burns and Roe study concluded that the above products were more profitable than the cultivation of sugarcane, even with modern machinery!

But why was the Nuplex complex criminally halted? Was there a financial problem? No, according to the authoritative study of Burns and Roe, one of the key consultant agencies of the Puerto Rican and U.S. governments. The total cost of the Nuplex complex was estimated to be \$654.4 million: \$476.2 million (industries), \$161.2 million (nuclear plant) and \$17.0 million (desalination plant). The study recommended that the Puerto Rican government provide one third of the total cost, which included the financing of the nuclear power and

Table I
Industrial Production Capacity Of The Puerto Rico Nuplex

Product	Capacity (millions of pounds per year)
Ethylbenzene.....	1,000
Cumene	802
Ethylene Dichloride.....	425
Ethylene Glycol	725
Propylene Glicol	525
High Density Polyethylene	300
Salt Recovery.....	2,070*
Chlorine.....	1,007*
Caustic	802*
Ethylene	1,262*
Propylene.....	692*
Benzene	1,324*
Aluminum.....	280

*Consumed within the complex

desalination plants, land acquisition and port facilities; private industry would finance the remaining two thirds of the cost. Financing by private industry was not considered a major problem, stated the study, because industry at the Nuplex complex would return 14-16 percent on investment. The study also calculated that \$80 million would be generated through trade, and the Nuplex complex would have forced, by 1980, infrastructure investment in the southern region of Puerto Rico amounting to \$300-400 million, including retail, wholesale, services, housing, schools, roads, sanitation, and hospitals. This type of investment into the southern region of the island was one of the conscious objectives of the Nuplex to foster economic centers outside of the San Juan metropolitan area; as well as help redistribute the dense population in the northern part of the island to the south, the second most important region of Puerto Rico.

The financial outlook was so promising that by mid-1972 Ferre's Puerto Rico Iron Works Co. had already sold 2,500 tons of structural steel for the Nuplex project.

Was there any ecological or nuclear waste-related problem, which merited the abrupt end of Nuplex? The environmentalist Puerto Rican Industrial Mission (funded by the Episcopal Church and directed by a Benjamin Ortiz Belaval, a Central Committee leader of the proterrorist Puerto Rican Socialist Party, (PSP) circulated stories that the Nuplex complex was too close to a "potential earthquake zone" and would pollute and destroy the marine life at its site, Jobos Bay.

These are complete lies and mere scare propaganda — the unscientific modus operandi of the environmentalist garbage. The PSP and the PRIM, like the Clamshell Alliance in the U.S., are more concerned for the survival of animal species than for the productive employment and labor power of human beings in Puerto Rico and the U.S.

Nuplex System of Waste Treatment

The Burns and Roe study outlined how waste control facilities would be provided for liquid, solid, and gaseous wastes from the industrial plants. Holmes also stressed

that one of the key sociological implications of the Nuplex project is its "better control of industrial waste products."

The chemical refinery, ethylene, polyethylene, and propylene glycol plants discharge of organic wastes would either be dissolved or suspended in water. A bioxidation process treatment plant is provided to reduce the total oxygen demand of this waste water by 85 percent.

The ethylbenzene, cumene and chlorine plants will produce wastes that will be disposed of in a tar burner and scrubber. In addition, incinerators are provided for the disposal of combustible wastes without pollution. The chlorine and aluminum plants will produce wastes that will be disposed of by land fill.

The aluminum plant will provide fume scrubbing for the anode gas to remove gaseous fluorine compounds and dust particles consisting mainly of fluorides, alumina, and carbon. Hot room air is exhausted through a spray chamber.

Radioactive wastes from reactors are abundant sources of electromagnetic radiation in the x-ray and gamma-ray regions; methods are now under investigation for their use as bacteriacides in water purification and sewage treatment. Radioactive materials would not be put directly into the water or sewage; radiations, at high flux rates, will enter to kill bacteria. In this way, no radioactivity is permanently introduced into the processed material.

— Ivan Gutierrez del Arroyo

Footnotes

- (1) Jaro Mayda, "Interamerican Symposium: Atomic Energy and Law" (Nov 16-19, 1959, held at the Law School of the University of Puerto Rico).
- (2) National Research Council's \$10-15 million Study of the "Scientific Community" Proposal.
- (3) Burns and Roe, Inc., and Dow Chemical Company, "Puerto Rico Energy Center Study" (Executive Summary, TID-25602, and three volume set, TID-25603, June 1971).
- (4) James Holmes, "The Impact of a Nuplex Center on the Puerto Rican Economy" (University of Tennessee, August 1970).

Jack Anderson Does Not Have The Right To Lie

The National Caucus of Labor Committees released the following statement Feb. 1, for endorsement by representatives of farm, labor, minority, civic, and industry groups.

Jack Anderson's nationally syndicated column Jan. 30, in which he libels the National Caucus of Labor Committees, exemplifies the current deliberate misuse of "freedom of the press" for the purpose of falsely characterizing individuals and groups, and associating them with violence, crime, and terrorism.

This Anderson column lies to portray the NCLC as armed fanatics, associated with threats on the life of Nelson Rockefeller. Every so-called fact in the column was fabricated to support this view, and the NCLC will be forced to file a costly and involved legal action for redress and damages.

This same type of deliberate, dangerous fabrication is being run against the National Association for the Advancement of Colored People. Since the NAACP leadership released their energy policy statement in December 1977, they have been subject to a barrage of lies and distortions that they have been "bought out" by "big oil," that they support price deregulation, and that they are in any case incompetent to formulate policies in the area of energy. These racist lies have appeared in format fashion throughout a media circuit

including the *Washington Post*, the *New York Times*, and the *Village Voice*.

These and other media outlets and individual reporters are part of a network including the Fund for Investigation Journalism (of which Mr. Anderson is an Advisory Board member) and the Washington Institute for Policy Studies, which specializes in coordinating slanderous press campaigns against representatives of labor, agriculture, industry, and minority and political spokesmen whose views these same media and their backers oppose. Their particular targets are those individuals who favor economic growth and high-technology energy expansion.

We, the undersigned, deplore this abuse of journalism. At this juncture in history it is vital that the American people have the information necessary to make policy decisions on energy and questions of economic development which will determine the future for ourselves and all the world's people. We condemn in particular the control and use of journalism for political "Watergating" of advocates of economic growth.

We endorse the standards of journalism established by Benjamin Franklin and Alexander Hamilton: freedom of the press is the responsibility to honestly inform the population on the national and international news that will enable our fullest competent participation in determining world events.

The Crib

When New York's fourth daily newspaper, *The Trib*, was launched last month, New Yorkers may have hoped for a respite from the daily lies of the "good grey *Times*," the no-news *Daily News*, and Rupert Murdoch's British-pedigreed *Post* scare and scandal mongering. But such hopes were quickly dispelled when the Buckley family enterprise, the tabloid *Trib*, appeared on newsstands its first day with an even more Anglophile "non-news hole" than the *New York Post*.

Anyone looking for news found a proliferation of British and American wire service shorts, instead, buried behind the *Trib*'s up-front words news analyses and feature columns cribbed from the Washington Post Writers' Group, the *Christian Science Monitor*, *New Republic*, and the Hearst press, to name a few. Moreover, *The Trib*, in its "First Day" signed editorial column by editor-in-chief and publisher Leonard Saffir, pledged, "Our voice will be moderate...we belong to no

political party." Yet it gave out the front page kicker, "For All Our Sakes...Go, Ed, Go!", the same day, directing the reader to its lead editorial endorsement of Mayor Koch and his "clear mandate" for austerity rule in New York.

Yes, the Buckley family which brought you vote fraud against Gerald Ford in the 1976 elections, which endorsed decriminalization of marijuana for the nation's youth, which backed Ed Koch for viceroy of New York — all under the label of "dyed in the wool conservatism" — now brings you *The Trib* New York, run by brother James (ex-Senator from New York), with the political duplicity and sheer incompetence that only a Buckley could bring you.

Trib editor-in-chief and publisher Leonard Saffir is the not-very-independently-wealthy former chief political aide to, and close personal friend of, former New York Senator James Buckley. The Chairman of the Board of

The Trib and investor of at least \$1.5 million in the enterprise to date, is James Buckley's brother-in-law, Raymond J. Learsy. The other *Trib* financiers are a well-kept secret. But James Buckley, a member of the Board of Directors, insists he has no financial or editorial relationship to the "independent newspaper" and is only "a friend." The *Trib's* own announcement of Learsy's chairmanship "objectively" omitted to mention his Buckley Family-in-law connection.

It does not take a bloodhound to sleuth out *The Trib's* pedigree. Their news consists of U.S. wire service shorts — with a generous assist from British Reuters. The *Trib's* own reporters, culled from the newsrooms of a wide spectrum of "left" and "right" press, ranging from the British Murdoch-owned *Village Voice* to the imitation-British *National Observer* (now defunct), contribute lengthy "news analyses" on dated items, served up as *Trib* "exclusives." Their columns draw on the Kennedy-Lazard clan's Washington Post Writers' Group columnists, *Christian Science Monitor* columnists, and heavily on Fabian *New Republic* writer Tad Sculz; features have been cribbed from the *London Economist* and like-minded sources. Saffir's "First Day" column boasted the Oxonian tastes of the Buckley clan, hiring "talented youngsters" from the recently British-acquired magazines, "*New York, Esquire* and the *Village Voice*."

To date, the "independent" *Trib* has managed to crib most of its news and views from environmentalists, Schlesingerian zero-growthers, the Walter Lippman-founded *New Republic*, and from the annals of Winston Churchill's Cold War diatribes. For example, its Jan. 25 headline reporting on the fall from orbit of a Soviet space satellite read, "Reactor Aboard Red Craft — SPY SATELLITE — Story Behind the Crash of Space-Age U-2" (original emphasis). Signed columns warn daily of the danger of communist takeovers around the globe.

The Trib's news however follows the "good grey" lies-by-omission technique of misinforming and banalizing the reader to death. For example, under the headline "GOP Cheer Black Leader," Jan 23, here's what *The Trib* did and did not report: "...the Grand Old Party cheered civil rights activist Jesse Jackson" (calling for "full employment" slave labor for blacks) "and heard party chairman Bill Brock promote the traditional democratic line that the best hope for the economy was a big tax cut" (rather than expanded industrial growth and investment favored by prodevelopment Republicans) and "defeated a move by the Republican right to move into party leadership" (that is, a rebuff to the candidate of the Reagan wing of the party).

The Trib also omitted to report on the NAACP's January resolution calling on President Carter and Congress to expand energy growth and nuclear energy development as the only real full employment program for blacks, and on former governor Reagan's warm endorsement of this resolution before a Jan. 21 Atlanta convention.

In its energy and environment section, *Trib* writers have touted solar energy, conservation and other James Schlesinger deindustrialization favorites. Its Jan. 9 "Special" from the *London Economist*, entitled "This is Chairman Hua's China Today," promoted the Peking road to labor intensive economic regression and political

alliance with the Great Han Chauvinists against industrial development of Europe, the East bloc and underdeveloped countries.

First Days — Unionbusting

The Trib really only made news on its second day — by disappearing from most New York newsstands. In true Buckley form, Len Saffir had launched the paper with a strict no-union policy for newspaper reporters, production, and delivery — he hoped. The deliverers' union responded with a job action against the paper that succeeded in keeping it off most newsstands the second day, cutting severely into circulation and advertiser confidence. Saffir lived up to another one of his "First Day" column promises — "The *Trib* will demand a fair policy for labor, without self-destructive strikes, brass knuckles and police clubs" — by bringing a court injunction and lawsuit against the union for \$50 million in damages immediately. In this union-busting stance, *The Trib's* publishers were heartily seconded by their "competitor" *New York Post* publisher, Rupert Murdoch. Addressing the Overseas Press Club in New York last week, Murdoch had this to say about *The Trib*: "I'm more optimistic for *The Trib* than most people I meet in the industry....They are using a modern technology...to produce a newspaper without union contracts....I think Mr. Saffir is on to an idea...I think you'll find other people will be following this example if he (Saffir) gets away with it."

Murdoch should know — he's been in a battle to destroy the newspaper unions at the Post since taking that paper over in 1976. Not coincidentally, as Murdoch was congratulating one Buckley brother last week, another, "Firing Line" television emcee William F. Buckley, won his long-standing union-busting suit against the American Federation of Television and Radio Artists (AFTRA), in a court case overruling mandatory union membership requirements for that industry.

Saved by the Family

The deliverers' action, combined with lack of advertisers, brought the Buckley-based *Trib* into dire financial straits by the end of its first week. Prospective big-money investors William Simon, Richard Scaife and Robert Abplanalp — all pro-Nixon Republicans — had quit the Board of Directors and pulled out financial support for the paper months earlier in a struggle over editorial control of the paper. Little trust could be placed in Len Saffir, the Buckley agent who helped run Watergate and other British intelligence operations against the Nixon White House.

Unable to swindle honest conservative layers into support for his enterprise, James Buckley looked elsewhere for bankrollers, covering up his finds as "confidential." But news of one of *The Trib's* "friends" broke when British press magnate Vere Harmsworth offered to rescue *The Trib* from its first week's financial collapse. Harmsworth is heir to British Lord Northcliffe's nineteenth century press empire — the same that helped bring Nazi Führer Adolf Hitler to power and supported the rise of his British counterpart, fascist leader Sir Oswald Mosley. (Harmsworth had recently been shopping around for press in New York and purchased *Esquire Magazine*, from which Saffir culled some of his *Trib* writing staff. Harmsworth's new *Esquire* editor is

former *Village Voice-New York Magazine* editor Clay Felker, and those publications are now run by "British" press magnate Rupert Murdoch.)

Saffir claimed he would not relinquish editorial control and therefore turned down the purchase offer from Harmsworth for the Buckley family offer instead.

— Fay Sober

U.S. Publisher Warns Against British-Style Press Censorship

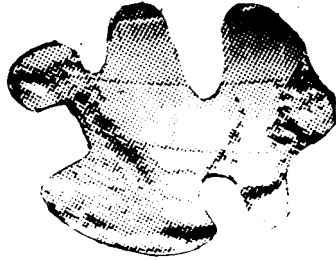
The publisher of the Panax newspapers, John McGoff, has publicly identified the National News Council, which has recently singled out conservative U.S. press for alleged media misconduct, as a "British"-modelled press-policing agency. "I know of no court in the land which would engage in some of the precipitous activities the (National News) Council has," McGoff stated in an interview with *Editor and Publisher* magazine. Referring to the News Council, a self-appointed media "watchdogs" agency that elects its own members from the "media community," McGoff warned against introducing the British system of press censorship here. "From what little I know, the British system is not working too well," he quipped.

McGoff also demanded to know "who is behind the

Council?" and identified a partial list of funders which included Institute for Policy Studies conduits, the John and Mary Markle Foundation; the Twentieth Century Fund; the Ford Foundation; the American Telephone and Telegraph Co.; Bethlehem Steel, and others.

Last year the News Council censured McGoff's press chain for criticizing the Carter White House in a series of articles McGoff describes as reflecting the apprehension with Europeans regard the unorthodox Carter White House. McGoff, who toured Europe last year, had written that Europeans questioned the advisability of delegating the First Lady, Rosalyn Carter, to carry out diplomatic missions of strategic importance such as her 1977 trip to Latin America.

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EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT
DAILY ENERGY INTELLIGENCE BULLETIN
THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, DENUNCIATION OF THE CARTER VISIT TO INDIA. IN A SCATHING INCIDENT AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA, FOR ENDING NUKAPUR COOPERATION. THE JOURNAL CONCLUDES: 'IT IS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: 'IT IS IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, THE CALLAGHAN TRIP HAS OBTAINABLE TO ALLY DIS- ONE IS TO ARRIVE AT THIS TIME. TODAY'S SECRET PROMISES AND CLOSING DETAILS TO TAKE DESAI'S SECRET ASSURANCES TO PRESS THAT CALLAGHAN HOPES TO MAKE NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11. ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS MEN'S SERVICE THAT THEY REGARD THE SITUATION AS 'CRITICAL'. THAT THEY IN SHIPPINGPORT, PA. HAS BEEN SHUT. THE UTILITIES AFFECTED ALL EXPECT TO HAVE ' A DAY, HOWEVER A SECOND COLD FREEZE IS PRE- ALTERNATIVE USED LAST WINTER DURING SEVERE IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICIALS ' STRIKE COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. OF ENERGY WILL DO NOTHING IN THE PRESENT STRIKE PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRIT' TOM KING, BRIT GOVERNMENT OF

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