

---

---

# **EXECUTIVE INTELLIGENCE REVIEW**

---

---

**New Solidarity International Press Service**

**five dollars**

[ THIS PAGE IS INTENTIONALLY BLANK ]

ISSN 0 146-9614

# EXECUTIVE INTELLIGENCE REVIEW

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

## TABLE OF CONTENTS

### INTERNATIONAL

- 1 London, Kissinger Set Up U.S.-Soviet Confrontation
- 3 \* 'Blow-Up' Scenario For Horn of Africa
- 4 \* A Europe of Chiles
- 6 \* Mideast Peace Talks At Impasse
- 7 Miller: A Traitor As Fed Head

### U.S. REPORT

- 1 NAACP Energy Policy Points Way to New Political Alliances
- 5 'Watergaters' Surrounding Carter
- 7 Schlesinger, Rand Use Budget To Force Pentagon Shake-up
- 8 USLP Announces 1978 Congressional Slate

### ECONOMICS

- 1 U.S. Eximbank Drive Links Up With Push For Luxembourg Center
- 2 W. German Weekly On the London Banking Mafia
- 3 U.S. Industrial Heartland Wants Expanded Trade

### ENERGY

- 1 Coal For Development — The Transition To Fusion

### LABOR

- 1 Alperovitz's Youngstown Steel Takeover In Trouble
- 3 Union Leader: 'Energy Consumption Must Increase'

### EUROPEAN ECONOMIC SURVEY

- 1 Dollar Collapse Takes Heavy Toll On Europe
- 2 **West Germany:** No Benefit from 'Strong Deutschemark'
- 4 **France:** Barre Plan Austerity Self-Destructs
- 6 **Italy:** Debt Albatross Threatens Expansion

### EUROPE

- 1 Europe's Leaders Say No to Cold War

### MIDDLE EAST

- 1 LaRouche: Menachem Begin's Blunders
- 2 Congressional Mideast Visits — New Peace Potentials?
- 4 The Crash of '79: Can London Make It A Reality?
- 6 Morgan's Role in IMF Austerity Plans for Egypt

**Executive Intelligence Review** is published by Campaigner Publications, Inc.,  
231 West 29th Street New York, N.Y. 10001 -- Printed in USA

Subscriptions by mail.

Address all correspondence to: Campaigner Publications, Inc. P.O. Box  
1972 GPO New York, N.Y. 10001

# EXECUTIVE INTELLIGENCE REVIEW

**Editor-in-Chief**  
Nancy Spannaus

**Managing Editors**  
Linda Frommer  
Tessa DeCarlo

**Production Editor**  
Deborah Asch

U.S.A.—Konstantin George • **Economics**—David Goldman • **Energy**—William Engdahl  
**Science&Technology**—Morris Levitt • **Soviet Sector**—Rachel Berthoff • **Military Strategy**—Paul Goldstein  
**Europe**—Vivian Freyre • **Middle East**—Bob Dreyfuss • **Africa**—Douglas DeGroot • **Asia**—Dan Sneider  
**Latin America**—Robyn Quijano • **Law**—Felice Gelman • **Press**—Fay Sober

## IN THIS WEEK'S ISSUE —

---

---

London's war on the dollar is **going nuclear**...if top Tory **Henry Kissinger's** plans to provoke a **U.S.-Soviet showdown** succeed...The strategy behind the new upsurge of **Cold War rhetoric** is revealed in this week's **INTERNATIONAL** report...how destabilizations in **Italy**...war in the **Horn of Africa**...and sabotage of the **Mideast peace negotiations**...are all the deliberate results of London's bid for world financial and political hegemony...The message for U.S. leaders: either **bankrupt London now**, or face **thermonuclear war** in the near future...Included: how Kissinger is selling his gameplan to U.S. bankers...the British Cold War deployments...and the resistance the Tories are encountering in the U.S. State Department...(See **EUROPE** for the story on how Western European leaders are **snubbing the Kissinger scenario**)...

\* \* \*

And to supervise the destruction of U.S. economic strength **at home and abroad**, the British-led forces are hurrying their own **agent of influence** into the chairmanship of the U.S. Federal Reserve...The **INTERNATIONAL** report tells how **G. William Miller** is being **sneaked through** confirmation procedures...and exposes the **Rothschild**

**banking program** that Miller is going to follow...what the code-words "**exchange controls**" and "**two-tiered credit policy**" really mean for the U.S. economy...the dollar and Nazi-style austerity...plus a **look back** to how Miller retailed the same London line four years ago...

\* \* \*

In the United States, the two prime poles of the **resistance fight against Britain**: the drive for expanded nuclear energy, polarized by the **NAACP energy statement**...and the **Exim-bank** push for high-technology exports...In **U.S. REPORT**, a rundown on the political forces that are lining up behind the NAACP's call for energy growth...and the "**rich kid environmentalists**" running the counterattack...In **ECONOMICS** a report on the increasingly open link-up between those in the U.S. who are trying to expand the U.S. Export-Import Bank's role in fostering American trade...and European moves toward a new world monetary system based on trade and production growth...**Featured**: the emergence of London's financial thug tactics **into the press**...and a **special report** from U.S. Labor Party leader Warren Hamerman on the political outlook, and prospects, of the **U.S. industrial heartland**...

INTER-NATIONAL
U.S. REPORT
ECONOMICS
ENERGY
LABOR
EUROPE
MIDDLE EAST

---

**What America is in for** if the "soft dollar" policy wins out is previewed in the devastation the dollar crisis has already wrought in Western Europe...a **EUROPEAN ECONOMIC SURVEY** in this issue examines the **painful shock to European industry and investment** that has Europeans turning to the **Luxembourg alternative**...Why the "**strong deutschemark**" isn't protecting West Germany from a dangerous shift away from heavy industry, into government-paid makework...How **economic warfare** against Italy is compounding the effects of its compromise austerity program...What the **Barre Plan** has done to **French industry**...a **carefully documented** report that cuts through the lies and nonsense of most economics commentary to give you the facts on what the dollar's fate will mean...

\* \* \*

The **breakdown in Mideast peace talks** has dominated world headlines...now find out **why it happened**, and what the chances are now for a durable regional settlement...in **MIDEAST** this week...U.S. Labor Party chairman **Lyndon H. LaRouche, Jr.** puts "**Menachim Begin's Blunders**" in the context of London's global policy of brinkmanship and

manipulation...in a statement that challenges Israel's Prime Minister to break with the **Kissinger-allied Dayan forces in his own government** and go with the **regional development** perspective that alone can assure lasting peace...**New potential** for such a policy is indicated in a survey of U.S. congressional visits to the Mideast, where Congressmen discovered new **Palestinian willingness toward moderation**, provided Israel responds...Plus an analysis of how London policymakers are trying to make **The Crash of '79 scenario come true**, and why the **Shah of Iran won't play the part** London's assigned him...and **secret documents** that spotlight the role that Morgan bankers are playing in the IMF gutting of Egypt's economy...all in **MIDEAST**...

\* \* \*

In **ENERGY**, the U.S. Labor Party's just-issued **program for the coal industry**...that dissects the Administration program of "**coal for deindustrialization**," and the United Mineworkers' suicidal policies...countering a **vast expansion** of coal production, and **coal-mining technologies**, as part of the transition to a nuclear fusion economy...including what this will demand of the country's steel industry and railroads...

# London And Kissinger Set Up U.S.-Soviet Confrontation

British agent Henry Kissinger is orchestrating the U.S. side of the City of London's strategic destabilization gameplan whose intended outcome is a relaunching of the Cold War, plunging the United States and the Soviet Union into an early strategic confrontation.

The London-Kissinger total package of operations now blanketing Western Europe and the Mideast-Africa region are designed to sufficiently lower the crisis threshold between the United States and the Soviet Union whereby any one or combination of regional "triggers" could be ignited into a full-blown superpower showdown. Included in Kissinger's global wrecking package: an internationally launched "black propaganda" campaign to foster hysteria about the "Red Menace" threatening to take over Western Europe; a 90-day campaign of terror and chaos against Italy and Portugal; threats to take action against alleged Soviet and Cuban troop presence in the Horn of Africa; and the deliberate sabotage of Middle East peace negotiations via Kissinger's cohort Israeli Foreign Minister Moshe Dayan, to tip the precarious Mideast situation into a "grave crisis" mode.

Within the U.S. itself, the Kissinger forces' attack is aimed at the jugular: the already severely weakened U.S. economy. In tandem with the global destruction of high-technology industry that is to be the economic follow-through of London's strategy, American industry and labor are being set up for a Rothschild-scripted return to British colonial status — but updated along the lines of the British "experiment" in Nazi Germany. London's ace is the planned installation of G. William Miller as head of the Federal Reserve, to be whisked through the Senate Jan. 24 with no public testimony allowed against Miller's confirmation. (For this side of the Kissinger operation, see the article below.)

Compounding the messy situation, penetration networks in the Soviet Union, run by British intelligence's Royal Institute of International Affairs, are working feverishly among the credulous elements in the Soviet leadership to achieve the City of London's "hard-line," enraged anti-U.S. reactions.

In the U.S., every British-controlled section of the major media is now actively cranking out black propaganda "news coverage" and editorials as psychological warfare to blind and numb active and potential resistance by powerful U.S.-centered forces to the Kissinger-London war plot. Indeed, the black propaganda is intended to condition the U.S. population into believing that this traitorous conspiracy constitutes "inevitable, developing reality." In full synchronization, for instance, the Royal Institute's line on Italy has ap-

peared in one U.S. paper after another — with slight variations on the details — each stressing that Italy is "ungovernable," with "terrorism and chaos" dominating the country.

An added special feature of this royal press barrage are the threats of a "Cartergate" around the case of U.S. Attorney Marston in Philadelphia to make sure Jimmy Carter makes no independent judgments on the British Cold War line. Cartergate, as with the old "Lancegate," was inaugurated in the *New York Times* column of Kissinger lieutenant William Safire, who, under the guise of "loyal supporter till the end," played a key White House inside role in Kissinger's Watergate operation that wrecked the Nixon Presidency.

In sum, this provoked deterioration of global stability follows exactly the outlines discussed by Kissinger in a heavily promoted 90-minute special on NBC-TV last week. Kissinger's special — his "Iron Curtain" speech to start the new Cold War — included a call for the immediate implementation of the London plan for the end to industrial growth as the only way to stop the advanced nations from being engulfed in chaos caused by communist infiltration and terrorism — a terrorism which Kissinger wildly linked to the Communist Parties.

The growing response to the National Association for the Advancement of Colored People's endorsement of nuclear power and expanded energy development is just one indication of the broad motion in the United States to stop London's policy of economic depression, and the war that will result from it. (See U.S. REPORT for the NAACP story.) No American can allow himself, Congress, or the President to become duped victims of the rewarmed Cold War propaganda and confrontationist course being hawked by the British monarchy and the Crown's faction within the Carter Administration. The choice is: either we bankrupt London, or the world is inexorably heading for war.

## Kissinger Pushes Cold War To Bankers

Exclusive to the *Executive Intelligence Review*

As the keynote speaker at the American Bankers Association Conference Jan. 19, Henry Kissinger headed an agenda of what were to prove almost meaningless prescriptions for bank management under conditions of economic chaos and collapse. Kissinger's own text,

however, was to the point: a confrontation policy against "the Reds" by all political and economic means.

### *Keep the Commies Out!*

Kissinger dedicated half of his keynote speech to denouncing communist attempts to enter governments in Europe and the "hordes" of Cubans in Africa. "I don't care whether the communists in Europe are oriented toward Moscow or not. They're a security risk to NATO," he said. Kissinger then detailed how Western private banks had \$40 to \$80 billion in loans outstanding to the East bloc. "I'm opposed to our giving them these loans free. Conditions must be attached. We can't make them change their domestic policies through our loans, but we can pressure them on international policy and we should."

The former Secretary of State's remarks — immediately aimed at fueling the ongoing destabilization of Italy over the entry of communists into the government — more generally tried to delude conference participants that Soviet cooperation in erecting a new monetary system for world economic recovery was axiomatically

ruled out, "for security considerations." Kissinger made the expected remarks favoring Britain's latest tactic for throttling U.S. industrial production — deflation — stating that "structural" changes in the world economy were necessary. British bankers have long used the formulation of "structured economic systems" to convey their idea of a fascist economy.

Kissinger was followed by a disorienting panel discussion, "The Central Banks Look at International Lending," featuring Federal Reserve System Governor Henry C. Wallich, Danish Central Bank Governor Erik Hoffmeyer, and Bank of England Executive Director Christopher McMahan. Wallich elicited the only real audience response of the morning when he cited the treacherously narrow spread of Eurodollar rates — the differential between what interest rate a bank can secure in lending out funds as opposed to what it must pay for the funds. Wallich then asked the audience rhetorically, "Now how many bankers here would care to say what kind of a risk premium you'd demand for a seven-year loan these days, given the uncertainty of the economy?" One New York banker in the audience murmured out loud, 29 percent!"

## Dr. Kissinger: Problem Is Industrial Development

*In response to a question on the underlying causes for the rise in popular appeal of the West European communist parties:*

...I think that all industrial democracies, and maybe all industrial societies, are facing some fundamental problems which they have not been able as yet to solve. There is, for example, the problem that most investments in advanced industrial societies tend to be capital intensive and do not necessarily produce the same number of jobs as would have been the case in equivalent periods, say, 30 years ago. The computerization of industry tends to bring about a situation in which you can have substantial investment and, nevertheless, no commensurate rise in employment.

Secondly, in some countries, especially in Western Europe, the indigenous population will no longer perform certain jobs. So, for example, you have in Germany something like a million and a half foreign workers and a million people unemployed. Now, you would think that the easy way to solve the problem is to send the foreign workers home. That isn't possible because Germans, on the whole, will not do the menial jobs that are now being carried out by the foreign workers.

Then you have an educational system in all of the advanced countries that produces an unprecedentedly large number of advanced degrees and no commensurate employment for that level of education.

Then you have the problem that in a bureaucratized state where issues become extremely complicated, the relation of the individual to his

society and to the decision-making process becomes extremely complex, so that the individual feels he cannot affect decisions. He may not even feel that he understands the decisions. All of this creates a great sense of emotional insecurity...

### *Closing remarks:*

We must not allow the fashionable theories by which our problems are going to be solved by communists who, through some magic on the eve of coming to power, have become democratic. Secondly, we ought to make clear that in our judgment the future of NATO would be severely imperiled if communist parties came to power or shared in power in European countries. That is not blackmail; that is a statement of fact.

Thirdly, on the positive side, we have to move energetically both at home and in cooperation with the democratic forces in Europe in remedying the problem of what I would call congenital unemployment, not the unemployment caused by the swings of the business cycle, but the unemployment produced by the nature of modern technology and the nature of the modern educational system and the changing values that bring new groups of the population like women and much younger men than in the past into the labor force.

This is a challenge that could unite the industrial democracies in an adventure even more significant than the constructions that formed the great policies of the later forties and fifties. This, I believe, is a crucial task for the United States.

*Henry Kissinger: On The Record  
NBC-TV, Jan. 13, 1978*

# 'Blow-Up' Scenario For The Horn Of Africa

The British faction in the U.S., led by Kissinger, Schlesinger, and Mondale, and including British spokesmen in the media, are goading President Carter into "taking action" against the Soviet Union in the Horn of Africa. Royal Institute for International Affairs spokesman James Reston of the *New York Times* issued the call in his Sunday column for Carter to prepare for U.S. military intervention. Using the technique of "leaking" faked intelligence, Reston bombarded the White House with the Big Lie: "when the Soviet Union moves its big tanks, men and satellite soldiers into areas that may dominate the energy of the Middle East and the sea lanes around the African continent, Washington obviously has to decide how to react...the Soviets know that power comes out of the oil barrels in the Middle East, and they can read maps. Washington is beginning to understand that it had better do the same." Reston concluded that "the Soviets are bent on dominating the world's oil supplies...forcing themselves into that vital position."

Hoping for a successful rerun of British manipulations of U.S. Presidents into anti-Soviet postures — starting with the "teach the Russians a lesson" brainwashings conducted by Foreign Secretary Eden and Ambassador Halifax on the naive Harry Truman beginning with his very first day in office — the Scottish-born Reston concludes with a "round-up" of the "Red-endangered" areas: Angola, Ethiopia, Italy, France, Portugal, and — in a Big Lie that outstrips even the other fraudulent enumerated cases — Saudi Arabia. Reston ends with a sinister, gleeful prediction of the expected outcome of machinations on Carter: "We are coming into another one of those tense periods between Moscow and Washington."

In the two days following the Reston column, the *New York Times* and the *Washington Post* have been filled with articles on the "massive Soviet-Cuban intervention...planning to attack Somalia...and establish Soviet naval bases in this vital region." Kissinger biographer Marvin Kalb went one better in an inflammatory nationwide radio broadcast carried on all CBS affiliates. Kalb, after gravely intoning over the "thousands of Soviet and Cuban troops pouring in" and the "planned invasion of Somalia" — that is, Ethiopia's own sovereign territory, illegally annexed by Somalia's unprovoked invasion of Ethiopia last year—then charges that warships of the "Soviet fleet" shelled the Ethiopian province of Eritrea, site of an anti-Ethiopian rebellion. The liar Kalb concludes along the Royal Institute's lines: "If this continues, a United States-Soviet showdown over the strategic Horn of Africa is near."

## *Background of Sabotage*

Among the numerous and unfortunately successful acts of sabotage against detente pulled off by Henry Kissinger during his years as British intelligence "resident" running the National Security Council, was a dry run test of the currently operational Horn of Africa crisis. It should be recalled that a gullible President Ford, on his first few days in office, was taken in by then-NSC head Kissinger and, via a briefing from faked intelligence, issued his first foreign policy statement. The

subject was a "tough warning and denunciation" of the "Soviet presence in the Horn of Africa."

Under the nefarious tutelage of the British faction in the Administration — Brzezinski, Schlesinger, Mondale, et al—the unfortunate and susceptible President Carter has thus far been manipulated into a far more dangerous situation than Ford was — although this situation is by no means irreversible.

Carter's major blunder at his press conference last week, where he charged "massive and unwarranted Soviet-Cuban intervention" into the Horn, was to give an official White House stamp of approval to the Big Lie postulates floated by Royal Institute spokesmen like Reston, thus lending an aura of "credibility" to the ensuing black propaganda barrage.

## *The Escalation*

The City of London has used this profiled response by Carter to inaugurate the current round of crisis escalation. On Jan. 16, Somalia's President Siad Barre charged that "my country is about to be invaded by the Warsaw Pact" and requested that U.S. troops be sent to Somalia, or, minimally, shipments of heavy arms be forthcoming. The statement was issued at a press conference called after an "urgent meeting" with all the Western ambassadors in the Somali capital. Siad neglected to mention that the territory "about to be invaded" happens to have been a longstanding integral part of the sovereign state of Ethiopia before Barre decided to follow a London plan and try to conquer it by force. The "Somalian territory" in question lies 500 miles within Ethiopia from the internationally recognized border.

## *Not Everyone's Buying What Henry's Selling*

President Carter's refusal to respond thus far to such ludicrous "pleas" is very good news. Within the Administration, a critical fight is now raging with sane American elements in the State Department and elsewhere struggling hard to prevent Brzezinski and his colleagues like David Aaron of the NSC, from manipulating Carter into pushing the U.S. over the edge. This short-term battle remains to and fro, with no certainty of outcome.

Last weekend it appeared that Brzezinski's manipulations were taking hold, while making the State Department (where resistance to confrontation is strong) do the overt "dirty work." Thus on Jan. 14, the Soviet ambassador was summoned to the State Department, where Secretary of State Vance formally protested over "Soviet involvement."

On Jan. 18, and in line with a Cyrus Vance speech last week before the World Affairs Council in Los Angeles rejecting confrontation, the State Department issued an official response to Barre's request for troops. "We will not contribute to a conflict..." said State Department spokesman John Trattner, "by pouring gasoline on it."

"U.S. officials," reported the *Washington Post* Jan. 19, "said there had been similar private requests in the past, and they reiterated American opposition to military involvement in the conflict and called again for negotiations."



## Vance: "We Cannot Go Back to the Cold War"

In his Jan. 13 address to the Los Angeles World Affairs Council, Secretary of State Cyrus Vance included strong statements against a renewal of tensions between the United States and the Soviet Union.

...Our country, within sight and memory of some Americans still living, has been transformed from a largely agrarian society of the world's greatest industrial power — one in which economic, political and social mobility are the accepted order of the day....

Because of who and what we are, both the basic interests and the ideals of our people must be present in our foreign policy, or it will not be long sustained.

We must maintain a defense establishment modern and strong enough to protect ourselves and our allies.

We must protect American investment overseas and ensure continuing access to vital raw materials.

We must be strongly competitive economically, so that American families can continue to enjoy their standard of living.

We must maintain our close relations with our allies, while we seek at the same time improved contacts with our main competitor, the Soviet Union, and with the non-aligned nations.

All of this, and more, can be pursued — as we pursue our national interest — while still expressing the deeper ideals and aspirations that have led us to our remarkable

economic and social progress here at home....

If we have the courage and patience to see it through, I believe we can both lower the threshold of international danger, and release new resources for the works of peace, through SALT and other such negotiations.

But we must summon the will to do it.

For it is in our relations with the Soviet Union that war and peace issues and decisions are most involved....

In the cause of peace and of our own interest, we have engaged the Soviet Union on a wide range of concrete matters, intended in the first instance to stabilize the military competition and to regulate the political competition. These are our first objectives, because they go to the heart of the issue of war and peace.

Beyond these objectives, we seek to enlarge areas of common understanding and common action on a range of international issues, including human rights; cooperation on matters affecting the lives of people everywhere, such as disease, food supply, pollution of the environment, and the application of science and technology.

Progress in these fields is uneven, and may take a long time, but we draw patience and a long-term perspective from our realization of how far we have come from the intense and dangerous Cold War spirit that prevailed only a few decades ago.

The alternative to this active dialogue with the Soviets implies a return to the tensions and mutual isolation of the Cold War. Many of you and the leadership of this Administration remember what that period was like. In good conscience, we cannot recommend that we lead the country back to the troubles and fear of that era....

## A Europe Of Chiles

The European end of the destabilization gameplan is being expanded to embrace London-orchestrated "civil war" terror and chaos scenarios in both Italy and Portugal. Taking up from where Kissinger left off in his lies about communist infiltration of Western European countries, London has activated a 90-day terror and chaos plan to reduce Italy and Portugal to fascism on the Chile model.

### Portugal

This week, the Portuguese Communist Party (PCP) broke off negotiations for a new government with the Portuguese Socialist Party after Socialist Premier Mario Soares presented his International Monetary Fund formula for a new government: a PSP coalition with the neofascist Social Democratic Party and the conservative Social Democratic Center.

An editorial in the City of London-controlled daily *La Repubblica* in Italy bares the game plan. *Repubblica* "predicts" a civil war for Portugal, where a "wave of terror" from the Portuguese Communist Party "shall occur if the new government is formed." Says *Repubblica*, "If (PCP head) Cunhal sees himself again as the leader of the only opposition party, he will lose very quickly the 'realism' he has been showing lately and will return to the maximalist perspective typical of his formation and character. Therefore, a very dangerous

clash is foreseen in Portugal: the 'white' north against the 'red' south." With the control it has over the trade union and peasant masses, the PCP can "render very difficult the job of a centrist government..."

### Italy

Using the same "90-day scenario" with some slight variations, Kissinger and the City of London have employed their agents from the top of the government to the terrorists in the streets to prevent the formation of a pro-development government with the participation of the Italian Communist Party (PCI). As of this writing, Italian President Leone is expected to formally invite Giulio Andreotti to form a new government, and the Aldo Moro wing of Andreotti's Christian Democracy (DC) and the Napolitano wing of the PCI are utilizing every ploy to prevent that government from including the PCI.

*Il Popolo*, linked to the DC, ran an article by a Moro associate stating that it is not possible to work with the PCI; 70 DC-linked "intellectuals" wrote a letter to the party's leadership saying "no" to any PCI role in the government.

In the PCI itself, Giorgio Napolitano and Gerardo Chiaromonte are raving that the PCI must go into the government without the DC — virtually an open invitation for U.S.-NATO intervention and civil war.

*L'Espresso*, in the meantime, is spreading rumors of a possible assassination attempt against PCI General Secretary Berlinguer.

The only voice of moderation seems to be coming from Vatican networks in the DC which are urging Andreotti and the DC to adopt a flexible policy toward the PCI.

All the while, Kissinger and his press networks are spreading the Big Lie that the Communist Party is to be equated with the terrorism that continues to rock the "un-governable" country.

## Economic War on Italy

*In the midst of delicate negotiations between Italy's Christian Democrats and the Communist Party on the composition of Italy's new government, the Washington Post's Rome correspondent, Bernard Nossiter, postulated that Andreotti's resignation was "plunging Italy into what could be its worst political crisis ever." In two consecutive articles published Jan. 17 and 18, Nossiter outlined what City of London bankers hope will be the results of the Italian crisis.*

*On Jan. 17 Nossiter predicted "...an election campaign could invite the gun-toting extremists of the left and the right to step up their violence on a terrifying scale...the trade unions who have been restrained by their communist leaders would be free to stage paralyzing strikes on a vast scale."*

*Under the headline "U.S. Politics Said to Shape Shift on Italian Communists," Nossiter described another angle of the British war against Italy:*

...Top U.S. officials are working on a set of recommendations for an International Monetary Fund watchdog team due here right after a new government is formed, sources said. Whether or not Italy gets the IMF team's approval will have a profound effect on Italian output, employment and income.

The United States cannot dictate to the team, but as the biggest member by far in the organization, no IMF team can afford to ignore U.S. views.

The officials understood to be working on the recommendations for the IMF include Treasury Secretary Michael Blumenthal, Under Secretary of Treasury Anthony Solomon, Under Secretary of State for Economic Affairs C. Fred Bergsten and top diplomats in the U.S. embassy here.

What the watchdog team decides will be not simply a matter of arithmetic, but of political and economic judgment. Italy's foreign currency reserves are now so big it does not need any more of the \$500 million loan it negotiated with the fund. But to get that credit, Rome pledged that its budget deficit would not run higher than \$17 billion.

The Andreotti government had forecast that its deficit would run \$22 billion this year. Moreover, if the new government does not get Communist support to cut

public spending and raise charges for public utilities, the deficit will run an estimated \$33 billion—twice the IMF limit.

The IMF and Washington are understood to be ready to take a tolerant view of a \$22 billion deficit, understanding that there are political limits to belt-tightening. Andreotti is known to have pointed this out forcefully to Ambassador Gardner here.

If, however, the IMF team disapproves of the conduct of any new Italian government, Italy could lose \$7 billion that foreign banks have on deposit here.

## British Support 'Interference' In Italy

British politicians and press outlets, representing both ends of the political spectrum, placed their stamp of approval on the destabilization of Italy in order to bar the Italian Communist Party (PCI) from participation in the government.

Harold Wilson, Britain's former (Labour) Prime Minister, speaking in a televised interview in Singapore, warned that the growing alliance between Socialists and Communists in European countries could pose a threat to the North Atlantic Treaty Organization (NATO). "You could disrupt the whole of NATO if one country in a very strategic position — look at Italy, which is very vulnerable now — were to go Communist or, worse still, fully Communist."

*Daily Telegraph*, editorial, "More 'interference' please," Jan. 17:

Accusations of American "interference" have, of course, been normal stock in trade everywhere for years. The mystery is why non-Communist politicians should seek to emulate them. It can only be because they think it gains them electoral support. But does it?...Dr. Kissinger...examined the whole question thoroughly in the admirable programme broadcast by the BBC on Sunday...It was important for the democratic forces in Europe to get the signal from their friends that we do take them seriously and that a struggle is important, rather than the signal that it (Communism) is inevitable, and that one should adjust to it. If this is "interference," it is the kind we should welcome.

*Financial Times*, editorial, "Italy Faces a New Crisis," Jan. 17:

There is little reason to suppose that fresh elections would benefit the Communists. On the contrary, some indications suggest that, while a new ballot would accentuate the left-right polarization in Italy, the Christian Democrats might well gain more than the Communists. For some time, the Communists have been acutely aware that a narrow electoral victory could precipitate the kind of disturbances that took place in Chile under Allende...

# Mideast Peace Talks At Impasse As Begin Bends To Kissinger, Dayan

Israeli Prime Minister Menachem Begin's refusal to make meaningful concessions in talks with Egypt last week marks a dangerous capitulation to Foreign Minister Moshe Dayan and other right-wing Israeli intransigents who are intent on blocking any compromise on the crucial Palestinian issue — the key to a Mideast peace settlement. Begin's capitulation has deadlocked Mideast peace negotiations, keeping the way open for an escalation of efforts by British intelligence networks linked to Henry Kissinger and Dayan to scuttle the peace process altogether.

Begin's capitulation was dramatized last week at a dinner in Jerusalem for participants in the Israel-Egypt Political Committee talks begun just two days earlier. In his toast, Begin rejected any compromises by Israel and publicly insulted Egyptian Foreign Minister Mohammed Ibrahim Kamel. The following day, Egyptian President Sadat recalled Kamel to Cairo, collapsing the Jerusalem talks.

Since the start of the Begin-Sadat dialogue in November, Dayan and his allies in the government have been continually attacking Begin, pressuring him to drop his initial position of flexibility and abandon his intentions to offer concessions for the sake of an overall peace settlement. By forcing Begin to adopt an uncompromising stance and threatening to upend the entire peace process, Dayan hopes to break Egypt's commitment to an overall settlement and force Sadat into signing a separate peace accord that would leave the region dangerously unstable.

## *Dayan and Kissinger Collaborate*

Dayan's plans to sabotage the Jerusalem talks were clear from the outset. "The Egyptians can stay as long as they like and go whenever they like," said Dayan upon Kamel's arrival in Israel. In another statement, Dayan remarked that it was better to let the peace initiative slip away than to "jeopardize Israel's existence." One Middle East expert noted that Begin was too "boxed in" by Dayan's maneuvers to follow through with any important concessions to the Arabs.

Dayan's efforts to break off the peace talks are backed fully by Henry Kissinger, who in an interview last week recommended that the peace process be removed from public view, a move that would allow British intelligence and allied saboteurs to heighten their manipulation of the parties involved.

Reinforcing Dayan's pressure tactics against Begin and Sadat is the British press, which has been systematically cultivating Israeli apprehension by reporting that "the Sadat regime is essentially unstable," giving weight to the Dayan clique's demands that Israel maintain a hardline position to ensure rock-bottom security guarantees capable of "outliving" individual "moderate leaders" like Sadat. Exacerbating Israeli intransigence are reports conducted by the British media of an imminent Soviet offensive in the Horn of

Africa aimed at overtaking U.S. sea routes for oil supplies.

Confronted by Israel's stonewalling and hampered by British control — via Kissinger and national security adviser Zbigniew Brzezinski — over key policy-making areas, the Carter Administration is waffling on formulating a solid regional development perspective that would provide crucial support for Sadat and a galvanizing kick for Begin to break through the current deadlock. In addition, Carter is hamstrung by the Dayan-connected "Israel Lobby" in the U.S., which has restrained Carter from pressuring Begin into making vitally needed concessions to Sadat, who is out on a limb and threatening to resign.

The U.S. press has ignored the real and substantive issues that have collapsed the negotiations and instead has concentrated merely on "keeping the talks going" — never mind about what. The *Washington Post* explicitly suggests that the U.S. "not take sides," while the *New York Times* says that the U.S. should put pressure not on Begin but on Sadat, whose position is described as "rather unbending!"

In contrast, the French and German press are stressing that it is Egypt which has made all the concessions and has received nothing in return, and that is up to Carter to push Begin to make the required concessions to ensure peace. Similarly, West German Chancellor Helmut Schmidt has called on his government to lend all-out support to Sadat.

## The British View: Cold War in the Mideast

*Former British Prime Minister and Rothschild provocateur Edward Heath, just returned from a visit to Egypt, Syria, and Jordan, unabashedly declared in a London Sunday Times guest editorial Jan. 15 that the main goal of the City of London faction is to freeze the Soviet Union out of any Mideast peace initiative. Heath's article, titled "Now for a Great Leap Forward," reads in part:*

Will President Sadat's great leap forward land firmly on the other bank? ... In the event of failure, no one I met has any doubt that the Arab world will become so cynical about both the genuineness of the Israeli desire for a settlement and the willingness of Europe and the United States to support a real attempt to secure this by the Arab leaders that these countries would turn instead to the Soviet Union for supplies, and make yet a further military attempt to regain their land from the Israelis. Acutely aware of the recent Soviet activities in the Horn of Africa and their advance in the south of the continent, there are few in Saudi Arabia who want to see an opportunity provided for a further extension of Soviet influ-

ence. Nor can this be in the interests of the Western world....

(The solution posed by Heath is the creation of a) European military force, in which the Soviets would have no part, to guarantee the territorial settlement in the Middle East. Of course, this would have to be at the express

request of the parties concerned....

The stakes are high for all of us. We can bring peace and greater prosperity to the people of the Middle East or we can risk Soviet infiltration and the ever-present danger of conflict.

## Miller: A Traitor At The Head Of The Federal Reserve

Reports from Capitol Hill point to extremely shady dealings surrounding the confirmation hearings of Carter appointee to chair the Federal Reserve Board, G. William Miller. Senator William Proxmire, Chairman of the Senate Banking Committee in charge of the confirmation process, has now scheduled those hearings for Jan. 24. No public witnesses will be allowed to testify, thereby precluding the voicing of any important objections to the Miller appointment.

The fancy footwork around the hearings is only the tip of a major, stinking scandal. The U.S. Labor Party National Executive Committee issued a call last week for Congress to open a full investigation into the treasonous conspiracy now trying to ram the Miller appointment through. In its statement, the National Executive charged that "Miller is a leading British agent-of-influence infiltrating the United States, and is the anchorman of a British intelligence plan to destroy the United States economy."

### What Miller Will Do

Congressional confirmation of G. William Miller, the close ally of Felix Rohatyn of Lazard Freres, will mean the beginning of the end of the U.S. dollar as the international reserve currency. Leading City of London and New York merchant and investment bankers, Lazard Freres, Hambros, N.M. Rothschild, Goldman Sachs, Salomon Bros., and others, plan to use Miller to impose reserve regulations—dubbed euphemistically "exchange controls"—on the Euromarkets which would knock commercial banks out of business. In their place, this British conspiracy would resurrect the pre-1914 "British System" of world credit based on bill-brokering and concentrated *strictly through their own institutions*.

The "exchange control" program is the international side of Miller's policy to channel all credit controllable by the U.S. Federal Reserve out of long-term productive capital formation and consumption, and into labor-intensive, low-wage pyramid-building typified by the "sweat equity" slum construction programs imposed on New York City by Rohatyn's Municipal Assistance Corporation.

The chief economist of a leading Rothschild bank in Europe outlined Miller's five-point marching orders in an exclusive interview with the *Executive Intelligence Review's* European Financial Editor on Jan. 17:

1. The U.S. dollar will be annihilated as an international currency—not merely weakened—through the implementation of exchange controls similar to those now prevailing in Britain. Currently, world trade depends mainly on uninhibited exchange of dollars and other currencies.

2. The U.S. economy will be sabotaged through the creation of a perverse "two-tier credit structure" designed intentionally to channel funds out of industrial and related productive areas, and into support of the debt structure.

3. The Federal Reserve will specifically favor real estate investment and speculation rather than industry loans, to the specific benefit of London investors taking advantage of the cheap dollar.

4. The United States economy will be placed under a Schachtian program, shifting the labor force into forced-work, capital-poor, government-funded employment.

5. The Soviet economic sector will be put through an economic crisis in the short term leading to political and military destabilization.

### *Proposed Exchange Controls*

Conversations with aides to Miller ally, House Banking Committee Chairman Henry Reuss (D-Wis.), and leading New York financial community spokesmen detail the nature of these planned "exchange controls." Reuss' Dec. 12, 1977 letter to then-Federal Reserve Chairman Arthur Burns, which called for the imposition of full U.S.-level reserve requirements on all banking operations in off-shore currency markets, was the first step, according to an interview provided *EIR* by an independent journalist with Jane D'Rista, Reuss' well-known international banking aide.

The reserve requirements, she said, constitute the most effective means of exchange control for a thoroughly internationalized currency such as the dollar—and *the* major proposal being pushed at this time by any government or academic authority. D'Rista also acknowledged Miller's receptivity to the proposals.

Parallel action by foreign governments is essential to the success of the plan, according to the Reuss aide. Especially nasty, for example, is the German situation, where the British intelligence-connected Federal Credit System Oversight Commission in Bonn has been warning that the Luxembourg-Eurodeutsche mark market is too speculative. Shutting down German commercial banks' operations in Luxembourg would kill the currently quite

active "Ponto plan" for a new gold-backed monetary system.

The actual effect of the reserve requirements was outlined by horrified commercial bank economists. The extra cost to the banks of doing business would be so prohibitive that they would be unable to roll over or otherwise extend less-developed country and other illiquid loans that come due in 1978. This would lead to probable defaults among banks in weaker positions. More serious still is the idea that a "Euro-commercial paper market" would emerge if banks were forced to pass the charges on to customers. Most banks must do this simply to make 1 percent or less on the "spread" between what they pay to depositors and what they charge to borrowers.

Commercial paper, the IOU's of corporations, which in the U.S. corporations lend to each other or through bill brokers, totally circumvent commercial banking deposits and loans. U.S. banks' domestic business has already been badly squeezed, amounting to over \$10 billion in commercial paper outstanding at the end of 1977, or about 10 percent of the total commercial and industrial loans by banks outstanding (\$125 billion). Since the merchant banks dominate the (currently small) international commercial paper business, as well as the domestic, a "Euro-commercial paper" market driving the commercial banks out of business would replicate exactly the condition of world credit markets when British merchant banks ruled in 1914: Bills alone, all of which would be brokered through the merchant banks, would be the sole source of finance to industries, cities, and governments. Felix Rohatyn's financial strip-down of New York City could be freely imposed by these same institutions on a world scale—especially in the U.S., where Miller would run the Fed and legalize the entire operation. As D'Rista said so vindictively, "The more options, the more types of money market instruments, the more competition, the better."

An officer in a French bank's New York office commented on the Reuss proposal that former Federal Reserve Board member Andrew Brimmer, the well-known Keynesian economist, has recently been pushing the Eurocurrency reserve idea quite vigorously. Mr. Brimmer is the chief consulting economist to Goldman, Sachs, and Co., the nation's second largest investment bank and the largest dealer in commercial paper in the world.

Once the world credit system has been moved out of the currently centralized banking system and into the hands of the British paper brokers, a leading economist noted, actual "exchange controls," i.e., the establishment of some international rate for the dollar, become superfluous. The bills themselves become the medium of exchange, allowing the investment banks to set the dollar rate by withholding credit to suit their fancy.

## Commercial Paper Trading: The New Option

*Jane D'Rista, an aide to the House Banking Committee, explains the exchange proposals recently proposed by Rep. Henry Reuss:*

*Q: Does Congressman Reuss' Dec. 12 release on Euromarket reserve requirements constitute a form of exchange controls?*

*A: Certainly, in fact it is the only form appropriate to the dollar in its current internationalized role. Allowing undue expansion without regulation of these bank deposits is fundamental to the weakening of the dollar. I know of no other proposal for control of international liquidity being made.*

*Q: Does the proposal have G.W. Miller's support? It was timed to his appointment, clearly.*

*A: Well, certainly Arthur Burns was adamantly, religiously against it and I assume Mr. Reuss thought he could get Mr. Miller's attention with this timing.*

*Q: But wouldn't the Europeans oppose it? It would greatly restrict international credit.*

*A: No, I think we could get all the central banks to cooperate. The United Kingdom used to oppose it and so the U.S. took a neutral position, but now with the North Sea oil, the British are less in need of the financial earnings from Eurocurrency deposits and will accept the reserve requirements. And with the Germans especially up in arms about the unregulated mess on the Luxembourg Eurodeutchemark market, the Federal Credit System Oversight Commission is greatly concerned.*

*Q: But wouldn't the U.S. commercial banking community protest?*

*A: Well, Gabriel Hauge, Chairman of Manufacturers Hannover Trust, is on record in favor of the proposal—I think the banks would welcome it as a restraint on the more speculative bankers who endanger everyone else, like Herstatt (the West German bank which collapsed in 1974—ed.).*

*Q: But I spoke to the major commercial banks in New York and they are horrified. They insist there will develop a "Eurocommercial Paper" market which will run the commercial banks out of business internationally.*

*A: Oh, they don't like it, do they? Well, well, that's too bad...don't worry, they'll be in there with their London merchant banking subsidiaries making commercial paper loans like all the investment banks...Yes, this would be big for commercial paper, but the banks don't compete, and that's their problem. The more options, the more types of money market instruments, the more competition, the better.*

## Eurocommercial Market: A Check on Commercial Banking

*An economist for a New York commercial bank outlines how Rep. Reuss' proposal would affect commercial banking.*

*Q: What would your bank say to Congressman Reuss' proposal on reserve requirements for the Euromarkets?*

*A: We'd be adamantly opposed to it—it would really harm the banks. We now have a nominal 2-3 percent reserve requirement; since most of the Euromarkets are short-term deposits of less than one year, say the prevailing rate if U.S. reserve requirements were imposed would be a rise to 16 percent. If we now charge lending rates of 9 percent, we would have to raise our rates by 16.5 percent of 9 percent or 1.5 percent. Now we are presently making 1 percent or less on loans, comparing the rate at which we pay deposits and the rate of interest we are able to get on loans due to poor loan demand. If we had to raise our loan rates by 1.5 percent to pass through the extra cost, why all the borrowers would go into the commercial paper market, that's what. Commercial paper trading has no reserve requirements and the cost to the borrower on the commercial paper market is therefore much lower.*

*Q: You mean, there would grow up a Eurocommercial paper market, internationally, squeezing out the banks?*

*A: Yes, that's right. This would be seriously crippling to us and would surely lead to a proliferation of other forms of intermediation than commercial banking.*

## A 'Businessman's' Cure... Worse Than The Disease

*Where G. William Stands*

*Here are excerpts of an article in Business Week magazine of Oct. 5, 1974, by G. William Miller entitled "A Businessman's Anti-inflation Formula," in which the Federal Reserve chairman designate outlines precisely the plan he intends to impose now.*

As a consequence, demand has outrun the capacity to supply. Shortages have bred cartel nationalism with

dramatic redistribution of capital. Financial mechanisms, domestic and international, have been strained nearly to the limit.

The problem of arresting inflation is today more political and social than economic. The task is to find an economic solution that is politically acceptable because it accommodates society's value goals.

Working our way out of inflation requires an allocation of the available but limited resources to areas of priority, thus reestablishing a proper balance between supply and demand. Allocation solely by controlling the aggregates—the supply of money and net federal spending—will bring about levels of unemployment and general economic hardships that are likely to be unacceptable. Allocation by direct controls involves even more difficulties.

An alternative is allocation by inducement, supported when needed by restraints and specific controls....

*To restrain consumption.*

\*Selective consumer credit controls.

\*A mandatory interest surcharge on loans for low-priority purposes.

\*A requirement for larger bank reserves for certain types of loans.

\*Reduction in or deferral of government spending.

\*Strong inducements for conservation of scarce items, such as a gasoline surtax.

\*Deferral of requirements to meet certain environmental standards....

*To spur business investment and productivity.*

\*...A two- or three-year moratorium on strikes, with a requirement for arbitration of disputes....

*To reduce hardship.*

\*...A decrease (or even a credit) in bank reserves required for loans for high-priority purposes, such as for housing or for small business.

\*Workfare and training programs to offset abnormal unemployment during the period of transition to stable conditions.

\*Tax relief and emergency loan facilities for small businesses.

\*Extension of tax loss carryovers to 10 years....

# NAACP Energy Policy Wins Acclaim, Opens Way For New Political Alliances

The groundbreaking energy policy statement issued by the National Association for the Advancement of Colored People (NAACP) on Jan. 8 has been applauded in the nation's press in the past week as a timely testament to a growing sentiment within the general population that the Carter energy, or nonenergy, policy is abominably inadequate to meet industrial and domestic consumption needs now and in the future. Reactions to the NAACP statement have in fact given clear indication that traditional regional and political barriers, which have prevented closer cooperation between minority groups, labor, and industry in the past, are breaking down under the pressure of the national energy debate.

From the aerospace center of the Pacific Northwest to Athens, Georgia, conservatives and industrialists alike have hailed the NAACP energy statement for its outspoken insistence that all Americans have the right to demand a growth-oriented energy policy from the Administration. The *Seattle Times* last week editorialized that the NAACP spoke for "all Americans" in rejecting the zero-growth, make-shift energy and labor proposals of Energy Secretary Schlesinger and the rest of the Carter team.

## Political Barriers Crumbling

At the time of publication of the NAACP energy policy, the national NAACP leadership predicted that long-time "friends" in the white liberal establishment would not take kindly to the organization's policy decision. Clark Watson, the Denver-based chairman of the American Association of Blacks on Energy and advisor to the NAACP's energy committee, drew out this point in his Jan. 13 speech to the conference of Americans for Energy Independence.

In his speech, Watson warned the Carter Administration and predominantly white liberals that "second-class economic status of blacks" can no longer be tolerated or perpetuated by proposed legislation. Watson singled out the kow-towing Black Congressional Caucus for its consistent refusal to push for long-term industrial expansion programs, the only programs which can satisfactorily rectify economic inequality in the U.S.

The Athens, Georgia *Daily News* was quick to pick up on these implications of the NAACP policy statement in its Jan. 13 issue. Reporter Larry Young commented that the organization's decision reflects growing disenchantment among minority layers who were assiduously

wooed by the Carter presidential campaign team, but who have since been abandoned as far as policy is concerned. Turner underscored the similarity in view between the NAACP statement and longstanding oil industry criticisms of the Schlesinger energy program, concluding that the days of the black-white liberal alliance are probably numbered.

Turner's predictions have been confirmed, in part, by a Mobil Oil Corporation ad, which appeared last week in the *New York Times*. In that ad, Mobil hailed the long-term approach reflected in the NAACP position, and sharply criticized the failure of the liberal *Washington Post* to cover the story.

## NAACP Keeps Momentum Going

The NAACP, meanwhile, has not let up in its efforts to mobilize more support around their energy perspective. In his Athens *Daily News* column, correspondent Turner reported that the NAACP has blanketed Congress with copies of the energy resolution, targeting in particular the Senate and House conference committee, which has so far failed to reach a compromise energy package.

NAACP National Chairman Margaret Bush Wilson traveled to Washington, D.C. last week to testify against the Administration's light truck fuel economy standards for 1980. Representatives from Chrysler Corporation and the Ford Motor Company joined with Mrs. Wilson in criticizing the standards recommended by the Naderite National Highway Traffic Safety Administration, headed by Joan Claybrook. The proposals, according to auto industry estimates, would force the closing of several inner-city truck manufacturing plants, with a loss of 46,000 jobs in auto and auto-related industry. At least 25 percent of those jobs would be lost by minority urban workers, Wilson accused.

## Liberal Establishment On Defensive

As predicted, the white liberal establishment, which for long has fought to keep national black minority organizations within strict racial limits, has been thrown on the defensive by the aggressive actions of the NAACP and their growing number of national supporters.

Last week's *New York Village Voice*, the newspaper of wealthy kids who can afford to fantasize about wind

power and other alternative energy resources, released a two-page feature spread on the NAACP policy statement under the banner headline, "Big Oil's New Black Ally." Not coincidentally, the slant of the *Voice* directly parallels early coverage by such senior papers as the *New York Times* and the *Washington Post*.

## National Press Hails NAACP Energy Policy

*Seattle Times*, lead editorial, "Energy Supply Tied to the Job Market," Jan. 18:

Because leaders of the recent National Association for the Advancement of Colored People energy conference broke sharply with President Carter's energy policy and called for greater strengths in the private economy, several knowledgeable observers are calling the NAACP statement a document of enormous political and social importance....

The same concerns could be expressed (by the NAACP—ed.) for all Americans, regardless of race, who face uncertain economic futures.

It is all well and good, of course, for those already gainfully employed to talk of restraining economic growth by limiting new energy production through price controls, environmental curbs, and the like. Poorer citizens also are concerned about conservation and about the possible hazards of say, nuclear power plants.

But they are on sound ground in urging, as the NAACP has done, stronger efforts to solve the potential problems of alternative energy sources, to achieve economic parity through expansion of the private sector's capacity to create jobs.

With the legislative battles to strike down discrimination long since won and with government-sponsored make-work employment a temporary remedy at best, it is encouraging to see the recognition—by important minority representatives—of the private sector as the most promising catalyst for long-term relief of joblessness and related problems.

*The Daily News, Athens, Georgia, "Carter Loses Another One," by Larry Young, Jan. 13:*

...Seems Jimmy has dawdled too long on his energy plan and thus lost the backing of nothing less than the National Association for the Advancement of Colored People (NAACP)....

Not only has the NAACP broken with Carter—whose 1976 election was supported heavily by blacks—but an energy report issued Tuesday appeared to put the NAACP at odds with long time political partners in the nation's white liberal establishment.

The report...urged deregulation of price controls on new oil and natural gas and argued against forced conversion to coal to 'job-producing industries in urban areas...'

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

Basically, the NAACP report—as have spokesmen for

the oil and gas industry—called for federal action to stimulate greater energy production and hit at what it calls the "pessimistic attitude" of the Carter administration which forecasts dwindling supplies of oil and natural gas.

"This emphasis cannot satisfy the fundamental requirements of a society of expanding economic opportunities," the report stated.

The NAACP report was framed by its national energy committee, a panel headed by James Stewart Watson Sr. of Oklahoma City.

Watson said copies of the NAACP report have been mailed to all members of Congress, and "special attention" will be paid to members of the Senate-House conference committee....

In effect, the NAACP report is expected to weaken the positions of both the President and liberal Democrats fighting natural-gas deregulation and production incentives contained in the Senate version of the energy legislation.

## Mobil Hits Washington Post Non-Coverage of NAACP

*Under the headline "Bits and Pieces," Mobil Oil ran an advertisement in the New York Times on Jan. 19 which we excerpt below.*

...As businessmen, we know that keeping the public trust is a long-term process, and that one year's gain can quickly be dissipated. We think openness helps, which is why we speak out on a regular basis in this space and elsewhere. Nor are we about to take any comfort in the fact that the press' slip is showing. But we can't help wondering whether some of the media's difficulty isn't self-created.

The *Washington Post*, for example, delayed for two days any story on the landmark position taken recently by the National Association for the Advancement of Colored People in support of an energy policy that would spur the economy by encouraging U.S. production and thus create new jobs. The *New York Times*, by contrast, announced the NAACP decision in a prominent spot on the financial page, and the *Wall Street Journal* devoted almost its entire editorial page to the story. The *Washington Star* also gave it an editorial.

The *Post* apparently failed to see much news in the fact that a major civil rights group was taking basic issue with the whole philosophy of the Administration's energy proposals.

Calling for a "more vigorous approach to supply expansion," the NAACP said "we cannot accept the notion that our people are best served by a policy based on the inevitability of energy shortage and the need for the government to allocate an ever-diminishing supply among competing interests." Nicely put, we think...



Watson acknowledged that the report of the NAACP views and recommendations involving energy represented a significant split with both the President and traditional allies in Congress.

"We simply recognize that economic development for blacks is tied very closely to the expansion of the economy," Watson said. "That's the reason we've taken the position that industry must be encouraged."

The NAACP report urged that "all alternative energy sources should be developed and utilized," including the new-generation nuclear-breeder reactor, the program opposed by Carter on environmental and safety grounds and because of the threat of proliferation of nuclear

weapons....

Interpreting the Carter energy plan as overly concerned with environmental protection and criticizing what it considered a failure to stress adequate production of supplies, the NAACP report asserted:

"The basic approach of the plan as it relates to energy supply reflects the absence of a black perspective in its development."

Due to other news considered more "worthy" by the mogul media, this little bit of news has been downplayed to a considerable extent. That's why I am glad to fill you in....

## The Village Voice

*Below is the attack in this week's Village Voice against the NAACP and its commitment to high-technology energy production:*

*By Alexander Cockburn  
& James Ridgeway*

Last week, the oil industry announced its latest acquisition, the takeover of the largest black civil rights organization in the country: the National Association for the Advancement of Colored People. The details of the acquisition were not immediately known. Members of the purchasing syndicate, headed by Mobil Oil, included Standard Oil of California, Arco, Southern California Gas, Con Edison, and the Arthur D. Little Company. The price was not announced.

The takeover was signaled in the form of an extraordinary report of the NAACP's national energy conference. Hailed by Mobil's public relations genius, Herbert Schmetz, as "terrific," the report was regarded by many stunned participants in the conference as a double-cross and one indicative of the bankruptcy of the present NAACP leadership.

The report, largely composed by industry lobbyists, urges strong support for nuclear power, including the breeder reactor; argues for higher energy prices in general and deregulation of natural gas as necessary stimulants for the creation of jobs. It sides with industry in severely rebuking the Carter administration's energy plan, and insists that the oil and gas industry should receive more money if the crisis is to be solved.

As stories about the report begin to appear last week, the *Wall Street Journal*, in a lead editorial, heralded it as a "document of major political and social significance" and added, "...for the first time in memory the NAACP has sided emphatically with the free-marketers instead of the interventionists on a major question of public policy."...

Inside the NAACP itself reaction from staffers took a different tone. "The whole thing stinks," said one member of the staff, insisting on anonymity. "We were railroaded." "Ben Hookes (the executive director of the NAACP) does not know where he is. He has his finger up his ass," said another. "I doubt if he even knew about this. He's just wallowing in that Baptist preacher bullshit." "The board," said a black activist on the

matter of the report, "is a conglomeration of assholes."

Such expressions of outrage notwithstanding, reactions to the report in official Washington took the form of grudging acknowledgement of and even admiration for, the oil industry for having won possibly important ground in the battle over energy. The President, in the wake of his world tour, was visibly surprised at the NAACP's stand. Members of the Black Caucus in Congress hastened to prepare a hostile response. Black businessmen and industry lobbyists waited to see how Senator Russell Long would use this assistance from so surprising a quarter.

### *The Industry Plot*

It is now possible to detail the strange saga of how the energy industry captured the NAACP....

Relying on Stuart's report and on vigorous arguments made to her in the course of the preceding six months by Bates of Mobil, Clark Watson of the American Association of Blacks on Energy, a representative from Westinghouse (which manufactures nuclear power plants), and others, Wilson issued the final pro-industry report—without consulting with the NAACP staff and, indeed to their intense surprise...

### Gentlemen's Agreement?

St. Louis Globe-Democrat, "NAACP Strikes a Blow for Common Sense," by Patrick Buchanan, Jan. 17:

(In his column endorsing the NAACP energy statement, syndicated columnist Buchanan issued the following rejoinder to William Tucker's recent *Harper's* magazine "Environmentalists who pattern themselves after the English gentry":)

What do black urban bricklayers have in common with English gentry?...when the energy crunch comes, blacks will be freezing on unemployment lines while environmentalists, Naderites and Common Causers roast their tootsies in front of the fire listening to revolutionary songs by Pete Seeger.

### Conyers's Rebuttal

It was sentiments such as these that provoked outrage among many black politicians. "The issue is going to be raised," Representative John Conyers of Detroit told us, "as to who the NAACP represents. How on earth could deregulation be in the interests of black people? Only 28 percent of the black heads of households make over \$15,000 a year, as opposed to 53 percent of white family heads. Obviously, we are the relatively largest unemployed, and would be the most adversely impacted by increased energy costs."

Conyers is a member of the Black Caucus, which consists of the black members of the House. Early this week, Conyers's office was drafting a response to the NAACP program, which Conyers proposed and hopes will be adopted. The response will argue that the end result of deregulating natural-gas prices will be to allow the price to be set by OPEC: There is no free market; the question is whether the price is set for American consumers by OPEC or the U.S. government. The deregulation would mean inflation, some \$10 billion in additional costs per year; deregulation means more unemployment—360,000 workers laid off as side-effects of the heavy inflation....

Finally, the NAACP joins forces with, in Margaret Bush Wilson's words, "big government" and "big oil" in ignoring the most signal of all issues: health. The brisk trade-off between environmentalism and jobs suggested in the report passes over the real meaning of environmentalism—namely, the bid to prevent poor working people from being poisoned to death. As we have noted time and again, the incidence of cancer (to mention but one environmentally-caused disease) is much higher among blacks than whites; and indeed, among the prime suspects as cancer-causing are the petrochemical and nuclear industries....

Who are the people behind this extraordinary energy report? Among NAACP staffers there were dark suspicions....

One of the most obvious of the corporate ties is the Mobil connection. Mobil, with its notorious PR operation, seems to be in the forefront of the industry in parlaying the black connection into real political clout....

Among the contributors to the NAACP energy position was Andrew Brimmer, a former member of the Federal Reserve Board who has made his own contribution to the ongoing misery of the poor by attacking the minimum wage....

The grand old man of the black oil business in Washington is Hobart Taylor, Jr. Taylor, whose family comes from Texas, practiced for a time as an attorney in Detroit, and then worked in the White House for Lyndon Johnson. He is now an attorney in Washington and an important figure on the board of the NAACP...

Margaret Bush Wilson, the chairwoman of the NAACP, is a St. Louis attorney....

The ironies, in the week of the anniversary of Martin Luther King's birthday, are sharp and bitter. The largest black organization in the country has placed itself beneath the boot of the most merciless defenders of corporate privilege both in the United States and abroad....

### Black Caucus is 'Front For No-Growth Elitists'

*The Trib, New York, report on Clark Watson's remarks to the Jan. 13 conference of the Americans for Energy Independence, Jan. 16:*

"The only way left to real equality is through economic equality. But the Administration, and particularly the Department of Energy is proposing policies that will perpetuate the second-class economic status of blacks...The Black (Congressional) Caucus has only served as a front for white no-growth elitists who thrive on the powerlessness (of blacks—ed.), but now they've been served notice to replace the rather mundane position they have taken in the past with well-thought-out policies that reflect the needs of black America...No longer will you see the Black Caucus—at least on energy—see-sawing between the usually incompatible interests of blacks and the interests of white liberals."

### Black Caucus' Mitchell Calls NAACP Stand 'Ghastly Mistake'

*News World, New York, Jan. 15:*

WASHINGTON—Rep. Parren Mitchell, D-Md., chairman of the Congressional Black Caucus, told *The News World* yesterday that an NAACP statement which condemned continued government regulation of gas and oil prices was a "ghastly mistake" and said he hoped the NAACP would "soberly reconsider" its position.

Meanwhile, NAACP Executive Director Benjamin Hooks met with Sen. J. Bennet Johnston, D-La., a leading Senate proponent of deregulation of natural gas prices, and afterwards vigorously defended before the press the organization's controversial statement, which attacked the Carter Administration's energy proposals....

Hooks said the very strong regulations proposed in the Carter energy plan would mean "you cannot have the new discoveries (of new fuel) that you have to have to expand the economy." This, he stressed, is absolutely essential to create jobs and lower the unemployment rate among blacks, which is twice that of the national average.

Mitchell attacked the NAACP's stand supporting deregulation because "if we deregulate, prices are going to rise and that will hit disproportionately on poor people."

Hooks responded by saying that poor people were more concerned about jobs than the cost of their energy, and suggested that remedial measures, such as "energy stamps" be adopted to help low-income persons cope with increased fuel costs created by deregulation.

"We want to create jobs, then we can deal with the impact," Hooks said.

## Former Defence Officer Calls Schlesinger 'Devious'

*The Dallas Morning News carried this article on former deputy Defense Secretary William Clements' attack on Schlesinger on Jan. 10.*

Former U.S. deputy Defense secretary and Texas Republican gubernatorial candidate William P. Clements unleashed a bitter attack Monday against Energy Secretary James Schlesinger.

Clements called Schlesinger a "devious character" and "an absolute disaster," in a luncheon speech before members of the Dallas Engineers Club.

"Mr. Schlesinger is an absolute disaster. To think that the president has placed our country in his hands is just absurd," said Clements, who is head of the Dallas-based SEDCO, which is said to be the world's largest oil and gas well drilling company.

In an attack on the current administration's energy program, Clements said in his four years in Washington, he was "exposed to Schlesinger" in social and business settings.

"He is the most devious character I have ever known in my life," Clements said.

He said it was unfortunate that President Carter "has to take credit and responsibility" for the energy bill

which Schlesinger and other advisers recommended to him.

He said though he never has been introduced or shaken hands with Carter, the president has indicated to him through his action that he is "hard-headed" about his energy bill and is "going to fight very, very hard" in support of it.

"But senators on the other side are equally hard-headed," he said, indicating the fight for the bill's passage will be a tough one....

*Washington Governor Pins Mondale on Energy Program  
Seattle Post-Intelligencer, Jan. 17, 1978:*

In its coverage of the meeting of Vice-President Mondale, Interior Secretary Andrus, and the governors of 13 Western states, the *Post-Intelligencer* reported that Washington Governor Dixy Lee Ray called for "increased production and, above all, the development of nuclear power." Her insistence that the national economy will not recover until the federal government comes up with an energy development plan prompted the announcement of a White House energy meeting between President Carter and the governors next month. The *Post Intelligencer* article concludes from the conference with Mondale and Andrus: "The discussions got so nitty-gritty that... Andrus... even had to give federal government's definition of the kind of road that would be kept out of roadless wilderness areas. One that was maintained with a pick and shovel, or better, he said."

## 'Watergaters' Surrounding Carter

A barrage of attacks against President Carter appeared in the nation's Eastern press last week as part of former Secretary of State Henry Kissinger's efforts to bring about a U.S.-Soviet confrontation in the Horn of Africa, the Mideast, and Italy, and the imposition of corporatist policies at home.

Using the same dynamic as in the Lance affair, the British-linked forces around Kissinger are using a psychological profile of Carter and multiplying the "Watergate" effect by keeping him surrounded by a variety of scandal stories and accusations of "retreats" — the energy bill, FBI scandals, Korean bribery scandals, "human rights," nonproliferation, the failures of Carter's European-Asian trip, the economy, and so on.

### The Marston Mess

The focal point for many of the attacks was the new "Marston Affair." According to the press charges, Carter broke his campaign pledge to hire U.S. Attorneys on the basis of merit by planning to fire the Philadelphia U.S. Attorney David Marston, a Republican, while Marston was in the process of "investigating" that city's traditional Democratic and Republican leaders, and that Carter attempted to cover up his knowledge of the situation. The real scandal has gone unmentioned in

these same newspapers: David Marston was collaborating with the Institute for Policy Studies' subversive networks which include the Civil Rights Division of the Justice Department and First Pennsylvania Bank Chairman, John Bunting to bring down the administration of Philadelphia Mayor Frank Rizzo with a series of phony charges and slanders against the mayor and his supporters.

After the *Philadelphia Inquirer* broke the "Marston Massacre" story on Jan. 7, James Weighart, Kennedy Democrat and columnist for the *New York Daily News*, called Attorney General Griffin Bell's firing of Marston "a fix" and, referring to Watergate, recommended that Carter not forget the name "Marston."

*The following are excerpts of press attacks around the Marston affair.*

*New York Times, William Safire, "Obstructing Justice," Jan. 16:*

When a Congressman who knows he is under criminal investigation calls the President of the United States to get him to tell the Attorney General to fire the prosecutor who is investigating him, and the President makes the call and the prosecutor is fired — is that an obstruction of justice?

You bet it is, and the knowledge of his foolish complicity caused President Carter to try to deceive reporters in his press conference last week....

New York Times, *editorial*, "Politics and the Philadelphia Lawyer," Jan. 17:

The performance of President Carter and Attorney General Bell in the matter of David Marston, the United States Attorney in Philadelphia, is alarming. In recent statements, the nation's two top law-enforcement officers have possibly jeopardized a promising investigation of political corruption; cast aspersions on an accomplished subordinate; and thrown doubt on their own commitment to keep politics out of law enforcement.

The Sun, *Baltimore, editorial*, "Carter Justice," Jan. 17:

In the face of an unprecedented uproar in Philadelphia (Attorney General) Bell has sent Mr. Baker there to answer this question: Will firing Mr. Marston harm the investigation? The answer probably is yes.... But that's only part of the Administration's problem at this point. A question just as important is: Will the firing harm the President and the public's conception of Carter Administration justice? The answer is obvious and you do not have to go to Philadelphia to get it.

The Washington Post, *column by Rowland Evans and Robert Novak*, "The Marston Case: How to Make a Crisis," Jan. 19:

...As with questions posed about Richard Nixon in the early unfolding of Watergate, there are alternative answers: conspiracy or incompetency. The evidence here is overwhelmingly in favor of incompetency, which has now turned a trivial patronage squabble into a nationally publicized crisis.

New York Post, *column by James A. Wechsler*, "A Philadelphia Story, a Major Storm for President," Jan. 19:

...But the Philadelphia story has stirred a wider furor because of the more dubious immediate circumstances surrounding it — Marston's unfinished investigation.... It was a little more than eight years ago that Richard Nixon and his Attorney General, John Mitchell, removed an incorruptible U.S. Attorney named Robert Morgenthau.... It was exactly a remembrance of such events that imparted so much meaning, inside and outside the legal community, to Carter's promise that things would be very different in this realm if he were elected.

Wall Street Journal, *column by Arthur Schlesinger, Jr.*, "Carter's Retreats into Standpattism," Jan. 17:

The President has seized gratefully on the excuses offered him by Washington reporters that he has wanted to do too much too quickly. In fact, he has tried to do rather less than Wilson, FDR, Truman, Kennedy, or Johnson in their first years,

...Once Mr. Carter is perceived as a Republican in Democrat's clothing... everything else falls into place. Nor are his basic values likely to change, for all the caterwauling among those who supposed they had elected a Democrat. Still, if we can't expect alteration in policy, can we expect at least an improvement in Carter's technical performance, which has thus far been too often subpresidential?

Wall Street Journal, *column by Bill Paul of the Journal's London Bureau*, "...and Worried Appraisals From Abroad," Jan. 19:

Who was the "worst political failure" of 1977?

According to the editor of the West German newspaper the *Hamburg Morgenpost*, it was President Carter.

...London's Daily Mail used the gaffes on the Carter trip as tongue-in-cheek evidence that some people are accident prone. "It is not the President's fault that he has blundered across so many trip wires and bruised so many national feelings in a way that makes his physically clumsy predecessor, Gerald Ford, seem like Fred Astaire," the article said.

The Washington Post, *column by Joseph Kraft*, "A Year of 'Almost Systematic Retreats,'" Jan. 19:

"Why not the best?" Jimmy Carter kept asking in the presidential campaign as if there were no conceivable answer....

The answer is that "the best is the enemy of the good." The painful rediscovery of that ancient truth summarizes most of what has happened in the first year of the Carter Administration.

The following excerpts from a column by the widely-read conservative columnist James Kilpatrick which appeared in the *Baltimore Sun* on January 19, indicate that the enthusiasm for Watergating President Carter is not universal among journalists:

"We know no spectacle so ridiculous," said Lord Macaulay, "as the British public in one of its periodical fits of morality." The same sort of spectacle is being staged in Washington these days, in the matter of David W. Marston.

...Talk of this disgusting affair has dominated Washington social circles for several days. We have witnessed a vast pursing of lips, a universal shaking of heads, a veritable chorus of tsk-tsk-tsks. The Rev. Mr. Carter, our impeccable pastor, is exposed as an idol with feet of clay. Ah Jimmy!

Ah, fiddlesticks. The two-party system is dead or dying in this country for one reason that towers over the others: We have gotten altogether too moral. We have succumbed to the silly notion that politicians should be above politics.

...With that said, let me revert to a splendid political maxim.... It is to this effect — that the first reason to throw the rascals out is to throw our rascals in. If Mr. Carter would abide by that homely rule, he wouldn't have so much trouble on the Hill.

## Koreagate Fuels Washington Post Fire

The Washington Post is publicizing Rep. Bruce Caputo's (R-N. Y.) "Korean bribery scandal" charges that "dozens and dozens" of Congressmen presently holding office are implicated in what the Post terms a "Democratic Party Watergate." Presently available evidence suggests that Caputo is in fact involved in setting up both parties, and the Administration, for destabilizations by pursuing the irresponsible "guilt by

accumulation" tactics which were so successful for Sen. Charles Percy (R-Ill.) in the Bert Lance affair.

The Washington Post takes the opportunity to inflame the situation, and tries to use the House Ethics Committee investigation as a battering ram against those networks in the South Korean government, U.S. intelligence agencies, the Carter Administration, and Congress that want to fight the British economic warfare against the U.S. Fueling the fire is the paper's Jan. 18 editorial and editorial cartoon. The cartoon depicts a frantic Carter and Bell surrounded by a number of boiling-over pots — labeled "Tong Sun Park Situation," "Marston Issue," and "FBI Cases." The caption reads: "You got any way of lowering the thermostat, Griffin?"

The editorial is excerpted below:

...This is the monkey on Congress's back. It is a diplomatically embarrassing fact, but a fact no less, that Congress can't get rid of that monkey unless Seoul cooperates. Congress has the power — in its direct control over aid funds and its indirect control over the whole climate in which Korean-American relations are conducted — to bargain for further testimony by other Koreans, even by present officials, if that proves necessary. We read Mr. Jaworski's complaints not so much as an attack on the Justice Department as a signal to South Korea that it can't get away merely by producing Tongsun Park.

## Schlesinger, Rand To Use Budget Issue To Force Pentagon Shake-up

Secretary of Defense Harold Brown has asked Brookings Institution official Henry Owen to accept the recently created post of Undersecretary of Defense for Policy, according to the *New York Times*. Simultaneously, Brown has established three task-forces, one headed by Rand Corporation president Donald Rice, to study and produce recommendations for the reorganization of the Defense Department and the military command structure.

So far, the reorganization proposals that have been mooted in the Eastern press echo those of the notorious Trilateral Commission Report "Remaking Foreign Policy" drafted by Kissinger associate Graham Allison and former Rand official Peter Szanton. Szanton is now chief of the Office of Management and Budget's (OMB) reorganization task force and the man to whom Brown will submit the results of the three Department of Defense studies for review and presidential action.

The *New York Times* leak was a "sneak preview" to prepare the way for Carter's call for "civil service reform" in his State of the Union address. Civil service reform was the centerpiece of the Szanton-Allison report which, among others, called for mass transferrals of seasoned Pentagon and State Department personnel into such other executive departments as Interior or Agriculture — presumably to be replaced by Ralph Nader's minions.

According to the *New York Times*, "the appointment (of Owen) cements Mr. Brown's control over the military and enables the Defense Secretary to place a civilian in a ranking job overseeing national security objectives and the military forces needed to meet them."

By way of explanation, the *Times* emphasized that Brown's reorganization plans harken back to the 1960s when Robert S. McNamara and the Rand Corp. completely overhauled the Defense Department through a not-so-clever budget reorganization; later Rand assumed direction and reorganization of the Bureau of the Budget which finally became the Office of Management and Budget during the Nixon Administration under the direction of Acting Budget Bureau head, and former

Rand official, James R. Schlesinger. This 1960s Rand initiative, led by future Rand president Henry Rowen, instituted "programmed budgeting" and with this began the 17-year destruction of U.S. research and development capabilities. Thus the *Times* asserts that Brown's reorganization offensive "could lead to an overhaul of the Joint Chiefs of Staff and has placed tighter control on spending by the armed forces" (already). "With the creation of an Under-Secretary for Policy, Mr. Brown has clearly taken the initiative for Pentagon planning and programs out of the hands of the military hierarchy and placed it in the control of civilians."

Brown first proposed the creation of the undersecretary post on the eve of the Carter Administration's assumption of office last year. As a result of strong public opposition to his attacks on the Joint Chiefs of Staff and military services at the time, he quietly dropped the issue only to conduct a lobbying effort for passage of legislation creating the undersecretary post, an effort that succeeded two months ago.

The outrage last year over Brown's proposals was fueled by an *EIR* exposé on the Graham-Allison report and how it paralleled Brown and other administration officials' actions. The report called for reorganizing Defense by dismantling the Joint Chiefs and replacing it with a "single chief military officer" who would have access to the President, where presently all the Chiefs have such access.

Now Brown is making another push, in the wake of the appointment of G. William Miller to the Fed. Miller's Textron collaborated with McNamara by "asset-stripping" private research and development firms.

The undersecretary will have authority over the Defense International Security Agency (ISA), the Defense Intelligence Agency (DIA), the National Security Agency and the department's Net Assessment branch, which evaluates Soviet military strength. The *New York Times* reports that "what has stirred the most attention" is the undersecretary's authority over the ISA. This is only partially true, since the ISA is riddled with old appointees of the Schlesinger period at Defense.

Just as critical will be any move by Brown or Owen, should he accept the appointment, to reorganize the Defense Intelligence or National Security agencies, which represent bulwarks of institutional strength for prodevelopment, R and D oriented conservatives throughout the country. Reorganization of these agencies and the Net Assessment branch would give nearly complete control over America's intelligence capabilities to the Anglophile cabal of Schlesinger, Brown, Mondale, and embattled CIA head Stansfield Turner.

Owen, a Trilateral Commission member and co-author of Brookings's "Setting National Priorities," has reportedly delayed final acceptance of the undersecretary position "pending assurances that he would have firm jurisdiction over the Pentagon agencies that deal with policy and planning," says the *Times*.

It is precisely such a waiting period that Brown has

desired all along. After having seen the elimination of the B-1, naval shipbuilding, and many other programs in the past year, the military services have been offered the prospect of planning their own demise and writing the epitaph for American military intelligence and R and D. Besides the Rand study on "Resources Management," they are participating in two other studies, "National Military Command and Control" and "Headquarters and Management." As much as they hope to win concessions by giving up their institutional strength, the old-line military will find that all final decisions will be reviewed by the OMB's Szanton.

Harold Brown's crocodile tears over a torn-up "deal" with the chiefs will be no consolation.

—Robert Gallagher

## U.S. Labor Party Announces 1978 Congressional Slate And A Strategy For Victory

*Last week, the U.S. Labor Party announced its first slate of six candidates for congressional offices up for election in November 1978. Executive Intelligence Review in New York City at the party's national headquarters obtained this interview with a spokesman:*

**Q:** The U.S. Labor Party announced a slate of congressional candidates last week. Who are they and who are they running against?

**A:** We announced a slate of six candidates who are challenging six incumbent members of the Senate and the House of Representatives. What characterizes each and every one of these incumbent members of Congress is that they have time and again lobbied and legislated against the American System and for the British Fabian programs of slave labor, low-energy dense technologies, and fascist institutional reorganization.

For instance, the Labor Party's Illinois State Chairman, Gerry Rose, has announced against Illinois's Republican Senator Charles Percy who is at this moment sponsoring the Senate's "Nonproliferation of Nuclear Energy" bill. That bill is designed to halt nuclear energy development here in the U.S. and deny advanced nuclear technologies to the European nations and the developing nations of the Third World.

Massachusetts State Labor Party Chairman Lawrence Sherman will run against Rep. Tip O'Neill, the Democratic Speaker of the House who rammed Energy Secretary Schlesinger's energy legislation through the House last year with little more than a whimper from the bill's opponents.

New York State Labor Party member Michael Billington will take on Rep. Richard Ottinger. Ottinger and 101 fellow Democrats banded together last fall to oppose the Energy Development Corporation which Senator Russell Long was proposing as part of the

Senate's energy package. The EDC would have channeled government monies into all phases of energy research and development.

Maryland Labor Party member Deborah Hannania has declared against Rep. Parren Mitchell who has endorsed every proposed slave labor legislation ever introduced in the House under the pretext that slavery, like CETA make-work jobs, is good for the black community.

Wisconsin State Labor Party Chairman Paul Greenberg will campaign against Rep. Henry Reuss, who is best known for his authorship and sponsorship of the fascist national banking reorganization bill known as FINE.

The last announced candidate is Michigan State Chairman Kenneth Dalto who will run against Rep. John Dingle. Dingle is owned and operated by the UAW and he pushed Schlesinger's energy bill through very abrupt hearings in the House Commerce Committee last year.

This slate of six is just the first round. The Labor Party is looking at the more than 70 federal, state and local offices up for election this year.

**Q:** How does the Labor Party determine what offices it will run candidates for?

**A:** The Labor Party's electoral campaign will be the opening salvo of an all-out offensive against the post-Watergate Fabian infiltration of the U.S. government. That is clear in the case of the six incumbents the Labor Party had already announced against.

In the first nationwide election after the Watergate coup, there was a 25 percent shift in the political makeup of the House alone — from Republicans or old-line Democrats to "liberal" Democrats. That same phenomenon occurred during Senate and the governorship races of that and subsequent years.

What the nation is facing is a local and national government that is bent on legislating against the U.S. Constitution, and U.S. industry and agriculture. To add insult to injury against the U.S. population, many of these legislators won their offices through outright fraudulent voting practices.

**Q:** What is the Labor Party's 1978 electoral strategy?

**A:** The Labor Party is now looking at those electoral races where the party, because it shares the American population's commitment to the nation's progress, to advanced technology, and to fostering well-paying productive jobs, has a good chance of winning the election. For instance, we are considering running a candidate against Democratic Rep. Clarence Long in Maryland who is outspoken in his opposition to rechartering the Export-Import Bank of the U.S. — the federal institution which the USLP has suggested be expanded to provide needed credits for world industry and agriculture. A similar possibility exists with the congressional seat being vacated by Rep. John Dent in Pennsylvania, and with zero-growth Democratic Rep. Patricia Schroeder's bid for reelection in Colorado.

The Labor Party is also looking at key races for governor: Dukakis in Massachusetts, Carey in New York, Shapp's successor in Pennsylvania, Brown in California, and Thompson in Illinois. Carey and Dukakis are notorious for their avid support of the Energy corporation of the Northeast (ENCONO), Felix Rohatyn's regional energy boondoggle plan that would in fact not develop any energy at all. Gov. Brown likewise is the nation's most outspoken proponent of Maoist "low-energy life styles."

In every campaign, the U.S. Labor Party will shape the climate nationally for this Congress to carry out its business of furthering the nation's interest in industry, agriculture and trade, of fostering a foreign policy for peace coupled with broad international agreements on capital goods investment in the Third World and Middle Eastern countries, and of legislating a national energy program that will guarantee full utilization of existing fossil fuel resources while commercial nuclear fission and fusion power generating plants are brought on line.

For those incumbent Fabians heading for electoral defeat in November, constituency pressure for progress should sufficiently intimidate them from pursuing their pro-British policies during this congressional session.

**Q:** What about joint action with other parties?

**A:** That is really a two-fold question. On the one hand, in cases like California where the signature requirements for ballot status are overly stringent, the Labor Party will seek united front support from Republicans, Democratic machine politicians, and trade unionists who not only tend to converge with the Labor Party on issues of program, but also consider Labor Party ballot qualification to be a constitutional right. That same united front effort was and will continue to be used in the national fight to repeal same-day voter registration.

On the other hand, there are, in cities like Chicago, potential appropriate non-Labor candidates who might pursue a vigorous campaign against a Fabian's at-

tempted coup against constitutional government. In these cases, the Labor Party will review whether there is substantial policy agreement on the part of the candidate to allow the Labor Party's endorsement of his campaign.

**Q:** The Republican Party also has an electoral strategy. Could you comment on that?

**A:** The Republican strategy stands in stark contrast to the Labor Party's. It's a no-win decision to run Republicans wherever there are no strong Democratic opponents. Where the Republican Party decided to oppose a Democratic candidate, that Democrat will not be of the post-Watergate Fabian stripe. The Republican National Committee under William "let's give the party a new image" Brock, intends to "play it safe" with ambiguous, if not issueless campaigns for the November 1978 elections.

That "play it safe" strategy will net the Republican Party a resounding defeat by an American population that is looking for representatives who share their commitment to a future of national growth. This point of view is already being put forward by a wing of the GOP whose spokesman is John Connally.

The Labor Party's strategy for victory is to forge a labor-industry alliance that will kick the Fabian spokesmen out of office and set this country on a course toward the greatest industrial boom in its history. The basis for an alliance between the Labor Party, Republicans, Democrats, industrialists, and trade unionists has already been delineated by the Labor Party and agreed to privately, and in some cases publically, by spokesmen for labor, industry, and the black community.

**Q:** How would such an alliance shape national policy?

**A:** It is appropriate to consider the alliances forged in both Portugal and Italy between industry-oriented wings of the Communist parties and the conservative government and industry factions in those two countries.

In Portugal, conservative government officials and members of the Social Democratic Party joined with Alvaro Cunhal's PCP in their opposition to the stringent demands being placed on the Portuguese economy by the International Monetary Fund and adhered to by the Mario Soares government. Their agreement on what, in reality, is an economic program for Portugal — the development of the nation's potentially rich agriculture and the enhancement of its industry — forced Prime Minister Soares to resign on Dec. 8 and is now shaping the policies around which a new government will be formed.

In Italy, Prime Minister Andreotti's wing of the Christian Democracy is acting with the Berlinguer and Longo wing of the Italian Communist Party to keep economic development in the forefront of the Italian government policy. The Andreotti government has proceeded apace on deals with other nations, including the U.S., for loans specifically earmarked to Italy's nuclear energy program. Berlinguer's PCI — representing Italy's working class — has thrown its weight behind such a policy in opposition to the British agents who have not only infiltrated the highest levels of the PCI, but the government itself.

The success of this alliance can, in a negative sense, be measured by the hysteria being expressed by the British, Henry Kissinger, and the like who have issued slanders against the PCI, threatened the Andreotti government with extinction, and have thrown its entire terrorist capability against the Italian population.

In a more limited sense, that same process of alliance building is taking place in the U.S. where the recent weeks have seen the NAACP urge the government to adopt a real jobs program based on the development of new energy sources and the technologies tied to them, and the Building Trades union in Hartford, Conn. demand the cancellation of an application for funds from the

Department of Labor's Youth Jobs Program. That process is largely the work of the U.S. Labor Party which has dissolved the alleged distinction between America's right-wing and left-wing into an actual distinction between proponents of the American system of progress and proponents of the fascist British system.

Unlike the Republican Party, which has the stupid audacity to invite Jesse Jackson to a scheduled meeting of its National Committee, the Labor Party intends to clean the Fabians out of Congress. Only then can the United States take a major role in the task of rebuilding the world's industry and agriculture.



# U.S. Eximbank Drive Links Up With Arab-European Gold Center

Two major developments last week distill the increasingly public, forceful and coordinated character of efforts on both sides of the Atlantic to make hard-commodity trade the dominant flow of a new economic order—an arrangement distinguished monetarily by a new role for gold reserves and a new high-technology-export-bolstered strength for the dollar. The head of the U.S. government's Export-Import Bank, John Moore, announced in a Jan. 16 speech to the Arab-American Chamber of Commerce in New York that the bank is currently holding talks with Saudi Arabian and Kuwaiti officials to expand the Exim's role by financing joint-venture economic development. The undertakings will initially focus on the poorer Arab countries, and are to be explicitly geared to advanced energy production, e.g. upgrading Algeria's liquefied natural gas output.

Moore's announcement is only the most public sign of a broad effort by Eximbank's backers in the U.S. and abroad to draw petrodollars and other short-term speculative world liquidity into financing the kind of high-technology sales that will draw on the expertise of U.S. and European corporations, and rejuvenate the private sector beyond all post-World War II levels. The latest issue of the West German Christian Democratic weekly *Deutsche Zeitung* (see below) not only lays out this option—whose European end involved the buildup up a Luxembourg Euromarket to funnel Arab and other funds into long-term productive investment—but names the option's enemies in London and Washington and their modus operandi. For the first time a major West German traditionalist voice was identified London's "shooting war from the bunkers" conducted through bogus scandals against progrowth financial leaders. Promising "more revelations," the *Deutsche Zeitung* hints at the biggest banking scandal of all—the London-ordered July 1977 assassination of Luxembourg's initiator, Jürgen Ponto, Dresdner Bank chairman and key liaison with the East bloc, South African developmentalists, and American Whigs.

Ponto's work is being extended and intensified by a new diplomatic offensive on the part of certain Swiss and West German bankers and industrialists, who are putting the Eximbank expansion plan and the Luxembourg potential (including a new gold reserve system) on the table in Mideastern capitals this month, in concrete, direct fashion. This multiplies the U.S. prospects for following up the sabotaged early-1970s push by the Eximbank head William Casey, now a partner in the Republican law firm of Rogers and Wells, to draw

petrodollars into productive investment. During the Ford Administration, Casey was replaced by Fabian GOPER and Lazard Frères investment banker Stephen du Brul, and the Eximbank's financial base was curtailed to its present insignificant \$4.5 billion level.

A second landmark article in the West German press, appearing last week in the *Rheinische Merkur*, says in so many words that U.S. economic and political interests lie in a revival of the progrowth Adenauer-de Gaulle axis of the early 1960s, and a return to the Eisenhower Administration's policy of collaboration with it.

The 1977 proposal of the U.S. Labor Party to transform the Eximbank and Luxembourg into bipolar launching pads for high-technology lending and investment has made a broad and salient contribution to the morale and the programmatic outlook of the forces in question. The proposal calls for enabling the Eximbank to use its full financial powers to pull world liquidity out of short-term Eurodollar pingpong into productive, low-interest loans. The proposal has served as a blueprint for integrating the narrower development efforts in North America, Europe, Japan, and the rest of the world. It is the best developed exposition of how the high and rapid returns on capital-intensive investment can, once gold-pegged underpinnings are in place, ensure the dollar its rational status as a potent international instrument.

## *Gold Pressure, Japanese Moves*

New developments on the gold front proper include a secret meeting of the "Group of Ten" industrialized nations last week which, according to the West German daily *Frankfurter Allgemeine Zeitung's* economics supplement, *Blick durch die Wirtschaft*, rejected any further extension of the 1974 ban on gold purchases by central banks—and did so at the insistence of Switzerland and Japan in particular. Even before the agreement expires on Jan. 31, Japanese monetary authorities have been quietly stocking up on gold reserves. This is the situation that explains the current two-year highs in the market price of bullion, even though the relative stabilization of the dollar's exchange rates has lessened gold's role as a mere "panic" investment.

Moreover, the Japanese government is greatly increasing its coordination with Saudi Arabia, Kuwait, and the United Arab Emirates. Japanese Foreign Minister Sonoda arrived last week in these Mideastern capitals to set up a spring trip for Prime Minister Fukuda. Meanwhile, according to the Tokyo journal *Yomiuri*, the Bank

of Japan's central authorities have shown unprecedented aggressiveness in trying to organize a new international conference on monetary reform; in working with West German officials to keep the heat on dollar-saboteur Werner M. Blumenthal and make sure the Treasury defends the dollar; and in undertaking dollar support operations of its own in the New York markets for the first time. At Bank for International Settlements meetings, the Japanese have also demanded that central banks formally coordinate their pressures on the Carter Administration to live up to its promises to avert a dollar crisis.

Respected French commentator Paul Fabra made a call in the Jan. 17 *Le Monde* for a gold-backed dollar—another sign that progrowth Europeans and Japanese are not simply telling the U.S. to take its lumps while the rest of the world piles shiny nuggets under their own mattresses, but instead are pushing for U.S. leadership to cut through London's continued broadcasts that a no-energy solution is the dollar's only hope. In the Jan. 17 *Financial Times* of London, columnist Samuel Brittain counters with an open letter to Saudi oil minister Zaki Yamani urging him to immediately switch oil revenues from dollars into the pet British antidollar fiction, the Special Drawing Right, and threatening that a gold-backed monetary arrangement with fixed currency exchange rates could unleash "trade restrictions." In an addendum advertising his concern with vital fluids, Brittain made another threat — if the Saudis continue to hold down OPEC's petroleum price, oil will run out, and the shortages will stimulate the oil price to "short upward jerks" followed by "long sags."

\* \* \*

The Trib (*New York*), "Eximbank Action," by Sharon Gamsin, Jan. 17:

In an effort to increase exports and improve the U.S. trade balance, the Export-Import Bank of the U.S. expects to increase its loan authorizations to overseas purchasers four-fold during the current fiscal year, John L. Moore, Eximbank's chairman, said yesterday.

And over 50 percent of the direct loans the bank makes in 1978 will be fore energy-related projects, such as construction of power plants or development of oil and gas resources, he added....

Moore told a meeting of the Arab-American Association for Commerce and Industry that President Carter has announced a sharp increase in Eximbank and Commodity Credit Corp. authorizations will be used to expand U.S. exports, while other measures will be taken to control petroleum imports, "all in an effort to improve the U.S. trade position during 1978."

In the first quarter of fiscal year 1978, the bank authorized \$760 million in direct loans, about \$60 million more than the amount authorized in all of fiscal 1977....

It would be a mistake for the U.S. to adopt over-protectionist policies limiting U.S. exports of technology and equipment because of a fear of exporting jobs, he continued....

He said the Eximbank is particularly interested in opening up new markets in the Middle East, and in sup-

porting an expansion of U.S. exports to both new and existing markets.

He told the group that an Eximbank team is now holding discussions with officials of Saudi Arabia and Kuwait on the possibility of entering into joint financing arrangements to assist projects in the lesser developed Arab countries, such as the Sudan, Oman and the Yemen Arab Republic.

Eximbank's largest Arab market is Algeria....

"We are prepared to provide additional broad-based support for Algerian energy resource development projects, particularly gas liquefaction plants and various oil and gas production and processing facilities," Moore noted. "We are also prepared to support essential infrastructure projects, such as power and transportation facilities."...

Other energy projects Eximbank is preparing to assist in the Arab countries, said Moore, are: a power distribution system in Morocco; the development of an important offshore gas field off Tunisia; and an oil refinery and LPG plant in Oman.

Although the government agency can't finance the sale of breeder reactors or of nuclear fuel reprocessing facilities, Moore said the bank is prepared to aid the development of several nuclear power plants in Italy and Spain.

He told the Arab-American Association Eximbank has recently offered to provide financial assistance for Moroccan purchase of U.S. steel mill equipment, and railroad passenger cars. In Tunisia, the agency has offered to extend loans for grain storage facilities and equipment, engineering services and construction of an irrigation system.

Washington Post, "Countering an Agency's Environmental Overreach," Rowland Evans and Robert Novak, Jan. 18:

An angry counterattack against federal environmentalists is now being quietly planned by Cabinet-level departments, led by the State Department, with indications of support in the White House itself.

The counterattack seems certain to modify drastically and could kill altogether new regulations proposed by the Council on Environmental Quality (CEQ) that would make Uncle Sam the environmental policeman of the world — particularly policing nuclear reactors. "Outrageous," one State Department official told us. "These regulations would impose American environmental standards on all our foreign friends and they would end up hating us."

This places President Carter in a peculiar dilemma. While crusading against nuclear proliferation and environmental pollution, he is bound as President by the practicalities of international life. As such, he seems forced to disappoint his environmental constituency

The proposed regulations were drawn secretly by CEQ planners with apparent help from the Natural Resources Defense Council (NRDC), an environmentalist private action group. They would, in effect, require standard environmental-impact statements (to be called "assessments" in the foreign field) for all exported material or technology sold abroad with some help — export licenses or loan guarantees — from the U.S. government.

The real target may be nuclear reactors, a prospect

that has infuriated the Nuclear Regulatory Commission (NRC). At a closed-door meeting called by CEQ Jan. 6, NRC Assistant General Counsel Carlton Stoiber said there is "no legal justification" for imposing U.S. environmental standards abroad. That brought objections from CEQ Chairman Charles Warren and member Gus Speth, who showed reluctance even to discuss legal justification. But Stoiber insisted that neither the 1969 National Environmental Protection Act nor its legislative history in congressional debate could justify the new regulations.

At least as upset as NRC and the State Department was Export-Import Bank President John Moore...

Speth, who took the leading role for CEQ in the acrimonious debate, gave uninformative and "fudged" answers, according to one participant. Eizenstat left the meeting before it ended, but those in a position to know say he was unimpressed with CEQ's rationale and has strong reservations about CEQ's ambition to be top cop for global environment.

Speth was legal counsel for the environmentalist NRDC before Carter appointed him to the CEQ. Last year the NRDC brought suit against the Export-Import Bank to require it to meet CEQ's domestic standards in all its foreign lending operations.

That suit, while not directly related to CEQ's proposed new regulations, helps to explain why Moore and the Export-Import Bank are so disturbed. The bank has provided more than \$20 billion in loans and guarantees for U.S. exports since mid-1974, much of it for nuclear and conventional power facilities and offshore oil drilling. NRDC claims these have direct impact on the environment.

If the Export-Import Bank either the NRDC suit (now in U.S. District Court here) or is forced to comply with the proposed CEQ regulations, billions of dollars' worth of exports of U.S. products in the future could go down the drain. Foreign buyers would be forced to wait out endless environmental investigations, filing of impact statements and predictable harassment of court actions brought by well-meaning environmentalist groups....

But the CEQ has almost certainly overreached itself. Representing an activist constituency that takes a highly negative view of extending U.S. military and political power around the globe, it now wants to blanket the world with U.S. environmental power. And that is an unwanted extension of Potomac power that Jimmy Carter, ardent environmentalist though he is, is having trouble accepting.

## 'The Banks' Mafia: London, N.Y. Fear Competition'

*The Deutsche Zeitung, a conservative weekly published in West Germany's Rheinland, came forward Jan. 20 with an insightful analysis of the behind-the-scenes struggle in the international banking community. Portions of the article, written by Burkhard Falchow, are reprinted here:*

Public Prosecutors in old Europe are taking vigorous action. The head of the Banco di Roma is arrested, Ludwig Poullain falls into twilight, large currency losses are mentioned. Who will shed light on these events?

Public prosecutors, police, and detectives who have been following the confusing whirl of high finance on the European continent are only looking at the tip of the iceberg. For leading bankers have confirmed, in their supercool language, that an embittered jungle war is raging underneath the surface, in which British and American addresses, and perhaps even the Mafia, are serving in order to stop the advance of European hard currency bankers on the international finance markets. The gnomes of Zurich put it this way: "We cannot exclude the possibility that at the moment there is conspiratorial action under way by foreign countries against leading European bankers."...

Nevertheless, not even the Commerzbank could fail to observe that the series of scandals that were uncovered in other banks are traced back to a "conspiratorial action by foreign countries against leading continental-European banks." Indeed, standing behind the undeclared but intercontinental bank war is the City of London's fear of the Luxembourg financial market, controlled by the German Eurobanks, which is carrying off increasingly more of the British share of power.

The city's fear has joined in with that of Wall Street, which is afraid that Germans could support the oil countries in their strategy of breaking from the dollar and be helpful to them in the creation of a new currency for world trade. This currency would not be based on paper or on the whims of Michael Blumenthal, Billy Miller, or Jimmy Carter, but would have a relation to the increasing value of "black gold," oil. Because this new oil currency would possibly no longer be set up in New York and London, but in Luxembourg and Zurich, it is understandable that high-minded people, who are close to distinguished clubs and distinguished banks—but who can also show experience with intrigue in the highest political offices—are firing up the intrigues against continental-European banks with both barrels.

# United States' Industrial Heartland Wants Expanded World Trade

*The following analysis was issued on Jan. 15 by Warren Hammerman, U.S. Labor Party National Executive Committee member:*

Across party lines and traditional interest-group institutional arrangements, a political configuration committed to economic growth is rapidly coalescing in the credit-starved, yet skilled-labor-and-technology-rich Midwest. Along with similar processes underway among the Atlanta-Texas industrial policy grouping, the Pacific Coast trade and technology complex and the Eastern seaboard's multifarious proponents of capital and energy intensive commerce, unprecedented ferment in the states of Illinois, Indiana, Michigan, Ohio, Wisconsin and Missouri is centering around the U.S. Labor Party's proposal to expand the Eximbank and commit the nation to a full-scale industrial and agricultural expansion, spearheaded by an unambiguous nuclear energy exports policy.

Throughout the industrial heartland, leaders of international trading corporations, skill-proud trade union officials, technology-oriented farm strata, industrial-capital bankers, scientists and educators are assimilating the fundamental common lesson of the current world trade and dollar crisis: gearing up the industrial and agricultural production hub of the world's economy in the United States is the key to assuring the global economic development.

## *What the Insiders Know*

From the land of Lincoln through Detroit and into Ohio, leading corporate, political and union officials have foremost in their minds the certain knowledge that *already-negotiated* massive trade deals could turn around the state of the American economy virtually overnight. One massive trade and development package for Italy is currently stalled for lack of a financing vehicle; contracts for construction of industrial infrastructure in several Mideast nations are postponed. Large-scale orders for capital goods and agricultural produce from the Comecon sector are blocked until primitive direct barter or other special arrangements are made. Fully detailed domestic economic expansion projects and technological modernization programs for the steel and auto sector are similarly impeded for want of low-interest credits.

Economic activity to revitalize the Midwest, or the rest of the American economy, will not come from any program which falls short of a full expansion of the world-economic "pie" supported by adoption of Hamiltonian credit policies in the United States. The ludicrous nature of "alternative" heteronomic tussles which are going on among credit-starved areas in the nation, one against the other, was graphically indicated to me by the following sequence of events I recently encountered in the Midwest.

In Chicago I was informed that the city "almost"

landed the construction of a Ford plant, which would have meant jobs and revenue but, unfortunately, the bid fell through, and was awarded to another location in Ohio. At the outset of a discussion three days later in Detroit, one banking official reported that Michigan had just "lost" a big Honda factory to another site. Some hours later I was informed that industrialists in the state of Ohio were upset for having "lost" a Volkswagen plant to Pennsylvania!

At the same time that state, regional and local groupings are scheming in byzantine intrigues against one another — which, at their worst, are manipulated into virtual internal, domestic trade wars — the large-scale global development projects and domestic economic packages around nuclear energy and other energy intensive projects are suggesting outright sabotage.

## *The PEMEX Case*

The Mexican national oil company, Pemex, on Dec. 22 notified the U.S. government and six U.S. companies negotiating purchase of Mexican natural gas, that Mexico was withdrawing from negotiations and would not extend discussions beyond a Dec. 31 deadline. The United States has now lost not only the Mexican contracts worth one billion cubic feet per day in 1979, rising to two billion in 1981; also, the U.S. has lost \$340 million in exports financed by an Eximbank loan which would be used by Mexico to finance the Cactus-Reynosa gas pipeline project. The front pages of leading Mexican newspapers have openly declared that James Schlesinger and Walter Mondale have knowingly sabotaged the deal. (see *Executive Intelligence Review*, Jan. 10, 1978, Vol. V, NO. 1).

Approximately one week before the Mexican government announcement, Eximbank chairman John Moore issued an excellent summation announcement on the implication of the Pemex deal for stimulating American economic activity and creating skilled jobs:

This huge financing package opens the way for bids by U.S. firms such as those manufacturing steel pipe and plate, valves, pumps, compressors, gas turbines, drilling equipment motors, instrumentation and controls and hundreds of other items related to the petroleum and natural gas industries. The "ripple effect" of these contracts and subcontracts should effect employment in widely diversified areas of the United States. Based on a rule of thumb, and assuming U.S. suppliers' bids for equipment and services will be competitive with those of other nations which will be bidding to Pemex for this massive project, roughly 40,000 jobs for American workers will be supported.

*Eximbank News* Dec. 16, 1977

Despite the Eximbank's straightforward evaluation of the economic stakes of the Pemex deal, Schlesinger and Mondale sabotaged the package — against fundamental

national interest. The notorious "hesitation" of the United States to accept the Shah of Iran's contract offer — estimated to be comparable in size or larger than the United States entire 1977 trade deficit — for the construction of eight nuclear power plants was also the responsibility of James Schlesinger and others.

#### *The British Thing*

During my trip to Chicago just before the Christmas holidays, a number of people expressed the following sort of attitude: "I agree with the policy thrust of the U.S. Labor Party Eximbank proposal but I don't agree with this British 'thing,' this Kissinger-Blumenthal-Schlesinger-London merchant bank conspiracy against the U.S. economy you talk about." By early January that perception among similar strata was not as prominent because of an array of intervening developments.

Firstly, G. William Miller, an associate of Felix "Big MAC" Rohatyn, had been named to head the U.S. central bank which in turn propelled the pro-development European architects of the Luxembourg hard-commodity trading center to openly deploy politically against the London-centered monetarist grouping. Secondly, the OPEC price-freeze and West European policy discussions around gold-backed trading currencies was answered by the British-dominated speculator networks with a new wave of assassinations, terrorism and dangerous Mideast destabilizations. Finally, the night before I arrived in Chicago, Henry Kissinger spoke at the Chicago Council of Foreign Relations where he advanced the thesis that it was the technological progress of "advanced industrial societies" which brings about their economic and political "instabilities."

By mid-January the attitude among many industrialist, labor and banking officials had shifted to the assessment that the U.S. Labor Party Eximbank proposal would "work technically" which raised the question, awesome in many minds, of figuring out how the proposal could be *politically* won in Washington. Many supporters of the Eximbank in the United States had been defensively bracing themselves for attacks, in the four Congressional hearings on Eximbank this year, from an assorted zoo of Naderites, human-rights and nuclear non-proliferation hypocrites like Senator Charles Percy, labor-intensive policy advocates of monetarist banking reforms like Senators Reuss and Proxmire from Wisconsin, and "labor" protectionists. Thus, many supporters of the Eximbank were thinking that would be a "major victory" if the existing Bank appropriations and charter stayed intact, let alone organizing a full-scale offensive for Eximbank expansion.

#### *Threshold for The American System*

Three extraordinary and virtually simultaneous pronouncements indicate that a sufficient "political threshold" exists in the United States at this moment to no longer warrant the sort of defensive thinking heretofore predominant among pro-development, high-export, pro-nuclear development strata in the United States. The cumulative ferment among industrialist, urban, labor, and farm strata for economic growth programs will now determine an aggressive rallying of broad-based forces behind an "American system"

solution of economic development through advancing technology.

The three indicated political signals which confirm this judgment are: 1) the NAACP's dramatic announcement of a policy commitment to nuclear energy development as the program for achieving skilled jobs for the nation's urban populations; 2) Sen. Stevenson's call for full hearings beginning in early February around a gearing up of U.S. high-technology exports, expanding the Eximbank and prioritizing research-and-development as well as basic science expenditures; 3) the American Farm Bureau's national convention commitment to a policy of expanding American agricultural exports through maintaining technologically advanced agricultural exports through maintaining technologically advanced standards in the farm sector and defending the high-protein diet of the American population in general.

It has been by no means accidental to the heightened pro-economic-growth ferment in the industrial heartland of the United States that certain newspapers in Chicago and Detroit have been instrumental in first announcing these three developments to the nation.

The Chicago-Gary-Milwaukee complex understands the benefits of immediately forcing up production output of machinery, iron and steel, metal and electrical products, chemicals, food processing, oil refining, soybeans, corn and dairy products. The Detroit-Toledo belt is well aware of the significance of revitalizing developing-sector markets for tractors, trucks, automobiles, machinery, metal, glass and chemicals. Indianapolis-Cincinnati-Dayton forces recognize the common interests for industry and labor around large new orders for transport equipment, electric and metal products, machine tools and chemicals. Missourians would not hesitate to rally behind expansion programs for food processing, aerospace, auto assembly and so forth.

The solution to the politically enigmatic labor question in the United States, as the NAACP has already indicated, is *not* the economic suicide road of protectionism of leaf-raking public works programs but rather lies in the creation of more skilled jobs. The orders of magnitude of real economic payoff for American labor, farm and industrialist strata, of a full-technology policy along the lines of the U.S. Labor Party's Eximbank and associated proposals, is indicated by four generally corroborative studies:

- (a) A private marketing study of a leading U.S. nuclear industry supplier estimates that the American share of global nuclear plant construction between 1978 and 1982 alone means 2.1 million man-years of jobs for American workers, over \$4 billion in steel orders and more than \$20 billion in export dollar earnings. (see *Executive Intelligence Review*, Dec. 26, 1977, Vol. IV, No. 52.)
- (b) The U.S. Labor Party's proposed *Nuclear Energy* million skilled jobs for American workers. (see 1,000 domestic nuclear fission reactors alone by 1990. Today the construction of a single, typical 1,000-megawatt fission reactor power plant uses 35,000 tons of steel, 300,000 tons of concrete, and requires 1,900 machine tools, 4,000 skilled workers plus 200 scientists

and engineers.

- (c) An extrapolation of the Eximbank activities in Fiscal Year 1976 to the proposed \$200 billion ceiling of the U.S. Labor Party proposal translates into approximately 11 million skilled jobs for American workers. (see *Executive Intelligence Review* "Special Supplement," Jan. 10, 1978.)
- (d) A U.S. Treasury study prepared under William Simon's tenure concluded that between the years 1975 and 1985 the appropriate capital-formation policies of the nation should channel no less than \$4 to 4.5 trillion into private investments in order to create approximately 18 to 19 million new skilled jobs in that decade. (see *Executive Intelligence Review*, Dec. 6, 1977, Vol. IV, No. 49.)

#### *On Balance*

To date, even the best of American pro-development policy spokesmen have failed to take day-to-day policy responsibility for world strategic developments as many of their West European counterparts have. There exists a margin — the margin between winning and defeat — between simply waiting for programs of economic

recovery to reach a "consensus" and openly, out-front, creating the conditions for policies in the national interest.

In Western Europe, Japan, the developing and Comecon sector there are forces committed to global economic expansion through scientific development, and their eyes are constantly on the United States for political signals of similar partisanship. Many West European industrial and banking spokesmen, for example, have made it plain that they know exactly the implications of the loose money, deindustrialization and low-energy man, G. William Miller, taking over as head of the U.S. central bank. It was West European spokesmen who called the shots of Mike Blumenthal's "malign neglect" policies against the U.S. dollar.

The political stage is now set, both in the United States and throughout the world, for clear voices to be heard announcing an economic development offensive along the principles established long ago by Benjamin Franklin, Alexander Hamilton and George Washington. Such a decisive political development would serve to tip the entire international correlation of forces in favor of "atoms for peace" and economic prosperity policies.

# Coal For Development — The Transition To Fusion

by Marsha Freeman

U.S. Labor Party Research and Development

*The U.S. Labor Party is issuing the following program for coal development at a time when the continuation of the United Mine Workers national strike could throw the nation into an energy emergency by mid-to-late February if the cold weather continues.*

*It is imperative that the miners' union and the labor movement as a whole, as well as industry act at this time to settle the strike on the basis of the outlines presented below.*

The only competent approach to formulating the fossil fuel component of a national energy program is to figure out how much will be required to bring the nation to the next "manifold" of energy production and use. Neither fossil fuels themselves nor uranium-based fission technology is the long-term solution to the problem of providing an increasing standard of living for the country and the world; only thermonuclear fusion offers the possibility of raising energy production, consumption, and throughput in the economy in the magnitudes required.

The central question, therefore, becomes how quickly we must exploit our fossil and particularly coal reserves to ensure the standard of living and the industrial production and infrastructure to reach and use fusion power. In order to rebuild our 50-year obsolete basic industry, raise agricultural productivity for export, and provide every worker in the United States with a skilled job, all necessary for an advanced fusion economy, energy growth will have to be on the order of 10 percent per year.

Due to the finiteness of fissile uranium and the current sabotage of the fast-breeder reactor program, coal will have to continue to provide approximately 50 percent of the nation's electricity. Current work in magnetohydrodynamic (MHD) technology using coal offers the opportunity of cutting the cost of providing electric power *in half*, with no sulfur pollution, and realizing fuel efficiencies *double* that of conventional coal-burning steam plants. The development of MHD technology is itself a prerequisite for the direct energy conversion possible with fusion.

The production of 1,000 fission reactors in the United States alone by the year 1990 will require more than 53 million tons of steel, more than half of total current depression levels of steel production. Agricultural expansion, modernizing and expansion of basic machine tool and other industry and transportation, and the rebuilding of the steel industry itself translate into a doubling of steel output within the next seven to 10 years.

This renaissance in basic industry means that coal production for steel, now less than 200 million tons per year, will have to at least double in the same time period. The two-thirds of coal production related to electric power will need to double in output every five to eight years.

Only if we reach commercial fusion by the 1990s can we afford such an ambitious exploitation program. Only if we approach energy growth rates of this magnitude can we hope to reach fusion by that time. The proper financial policy for such a plan has been identified in the Labor Party's "national bank" proposal for a hard-commodity credit system. Now, we lack only the will.

## Coal for Deindustrialization

None of the past year's discussions or proposed legislation concerning coal have had anything to do with the formulation of a national energy program. Coal has been used as the leading edge of the Schlesinger deindustrialization program, and the Carter Administration's drive to bankrupt American industry through skyrocketing energy prices, counterproductive conversion to coal, and draining of sorely needed capital investment funds.

The mandatory coal conversion bill now being considered by both houses of Congress would cost industry over \$50 billion and utilities over a quarter of a billion dollars. This insane proposal, which has been attacked by the National Coal Association, the Edison Electric Institute (speaking for the utility companies), and all major industries, would require scrapping all capital investment funds for a program that will waste energy and prevent old and obsolete (and polluting) equipment from being replaced with more energy-efficient and productive technology.

The outrageous Department of Energy research and development program to develop synthetic gas and liquid fuel from coal has absolutely no economic or technological justification. These "alternate fuels" would require *quadrupling* the current cost of energy, making energy a luxury for consumers and manufacturers alike. The only justification given for such a program, which has its "roots" in the labor-intensive economies of Nazi Germany, is that it will allow us to lessen our dependence on imported oil and gas and help cut the U.S. balance of payments deficit. The U.S. Labor Party's proposed nuclear-export program will not only balance the payments, but provide millions of skilled jobs in industry, rather than killing capital and energy-intensive industry by raising the cost of energy.

Over the past year there have been a barrage of newspaper articles debating which is the lesser of two evils, coal or nuclear. "Coal may kill you slowly through pollu-

tion and the carbon dioxide 'greenhouse effect,' but nuclear energy could wipe out a whole city in one fell swoop," so the argument goes. Simply lying about the supposed dangers of nuclear power, and never mentioning the fact that most coal pollution could be eliminated through high-technology innovation, the only point to this concerted campaign has been to pit coal against the nuclear industry.

*Who Believes Schlesinger?*

Neither the National Coal Association nor the nuclear industry has so far fallen for this black propaganda operation, but the vulnerable United Mine Workers (UMW), terrified that nuclear development will take away jobs in the coal mines, has found itself in the untenable position of opposing nuclear energy, although historically the union was in the forefront of fighting for advanced technology both in coal and in the economy more generally.

The Institute for Policy Studies takeover of the UMW, feeding and provoking anarchist wildcat strikes and violence (see *Executive Intelligence Review*, Dec. 26, 1977, Vol. IV, No. 52), has cast doubt on the political reliability of coal as a major energy source in the future. The fact that 25 million tons of coal were lost last year due to unauthorized strikes has succeeded in creating a situation where a minority in the currently negotiating Bituminous Coal Operators Association has seemed justified in opting for busting the union to end the anarchy in the mines. In addition, American industry and utilities who have been told to convert from gas and oil to coal, or who already rely on coal for power or industrial processing, are unsure that U.S. coal can be delivered on contract.

The crowning irony of the Carter-Schlesinger "coal program" is that unreasonably restrictive environmental legislation passed in 1977 will undermine the stated goal of doubling coal production to 1.2 billion tons by 1985. The stripmining land reclamation provisions and the suspension of stripmining on prime agricultural land will seriously hamper industry efforts to develop important midwestern and far western coal reserves.

Recently passed amendments to stiffen the Clean Air Act will make it financially impossible for many utilities and industries to burn coal. Most coal producers, therefore, do not believe there will be a market for anywhere close to 1.2 billion tons by 1985, even if they could mine that much coal.

It is clear that the current Administration's coal policy has nothing to do with providing energy, and worse, is the leading excuse for raising energy costs and prices to bankrupt industry. The present stalemate in the UMW strike gives energy czar Schlesinger the added bonus of manipulating the nation's energy supplies if the strike drags on and stockpiles begin to run out. The added features of an abnormally cold winter and significant provoked violence blamed on the UMW could be enough to legitimize Schlesinger's "Winter Energy Emergency Program" for military control of energy and transport. That will simply give Mr. Schlesinger fingertip control over all industry.

**A Real Program for the UMW**

Coal mining is currently the most dangerous industrial occupation. Since the turn of the century, one out of every

seven miners has been killed on the job. Hundreds of thousands more have died slow deaths from black lung disease. One of the major necessary concerns of the UMW, therefore, has been for the health and safety of its members in the mines.

Under the leadership of John L. Lewis, this very real concern was linked to the notions that: (1) the level of technology in the mines themselves was the determining factor in the physical well-being of coal miners; (2) that the level of worker productivity in the mines affected the material living standard of the workers as new technology raised their skill level and command for higher wages; and (3) that coal production was critical for economic health nationally and internationally, as an energy resource that could be replaced by more economical energy technology without throwing miners onto the unemployment lines, but reemploying them in new areas of economic growth when coal was superseded.

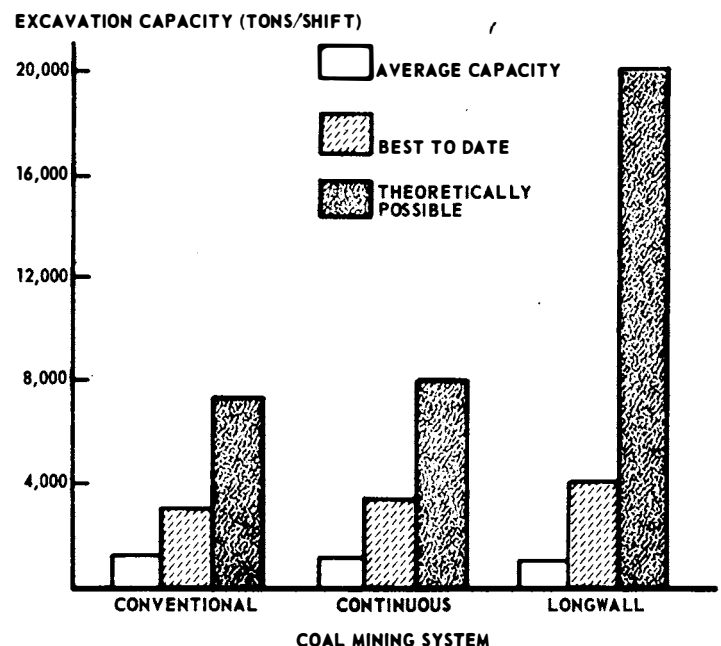
It is only by returning to such a global conception of the role of coal in the economy and the fate of the individual UMW member — as a function of the growth of the overall economy — that the UMW today will be able to both negotiate a meaningful contract in the current strike situation and be an important partner in a labor-industry alliance for development.

The technology exists today to both dramatically increase the productivity of the mineworker and protect his health and safety, instead of sending hundreds of federal OSHA inspectors into the mines to detect "dangers" in the current backward mining methods and keep mines closed until they can be patched up.

*Longwall Mining*

For the past 25 years, European Economic Community coal producers have used longwall mining technology for 90 percent of production, whereas in the United States

Figure 1  
Relative Excavation Capacity,  
By Coal Mining System



Source: U.S. General Accounting Office



this more advanced technology accounts for less than 4 percent of national output.

Longwall machinery is an integrated mining system. A single machine shears the face of the seam, carries coal out on a continuous conveyor belt, and provides steel-support for the roof of the mine. Since the miner is working with one integrated piece of machinery, he can be enclosed in an air conditioned cab, preventing inhalation of deadly coal dust. The potential of conventional longwall technology in terms of productivity is clear from *Figure 1*. In combination with more sophisticated and computerized monitoring of methane levels in the mines, cave-ins and explosions can be almost totally eliminated.

More advanced longwall technology is under experimental introduction in Poland, the world's fourth largest coal producer. There, the machinery is being completely automated through aboveground computer control. In such a system, the "miner" is a highly skilled computer technician working outside of the mine, running an extremely sophisticated machine.

The use of the most advanced mining technology is required not only for the health and safety of the miners. The General Accounting Office has estimated that in order to meet a goal of a 70 percent increase in coal production by 1985 (450 million tons), over \$45.5 billion in investment will be needed in coal production alone. This includes the opening of approximately 800 new mines, and the recruitment and training of more than half a million new miners. Using present productivity figures, this would put an enormous burden on the mining equipment manufacturers, the coal companies, and the labor force to provide the machinery and *trained* workers.

The use of longwall technology in the additional mines could cut the number of needed systems at least in half, decrease the number but upgrade the skill level of the *new* miners required, and begin to bring the industry as a whole into the modern era. The absolute amount of money needed as capital investment to expand production would probably not be greatly affected. Such dramatic increases in productivity in the mines and in standards of living for miners is the only possible way to meet our national coal production goals.

### Cutting The Cost of Electricity: MHD

All of the utilities, manufacturers and consumers who have been wondering how they will survive increased electricity costs due to coal conversion, rising natural gas prices, and multitudes of energy taxes should consider the following.

Current coal-burning plants, which produce approximately 45 percent of our electricity (and use two-thirds of our coal production), use a very wasteful, indirect energy conversion process to turn heat into mechanical energy turning turbines for electric power. In the process, they spew sulfur pollutants into the air, and dirty cities with ash and other waste.

By burning the coal at a higher temperature, about 3000 degrees Celsius, adding a potassium "seed" to help ionize the coal gas, and passing this *plasma* through a magnetic field, electricity can be produced directly, without steam or turbines. Without using one moving part, electrodes in the channel carrying the gas can carry current out of the generator directly to trans-

**Figure 2**  
**Cost Comparison: Coal-Based MHD versus Existing Electric Generating Technologies**  
 (in millions of dollars)

	MHD	Conventional Coal	Oil	LWR*
Construction of a				
1-gigawatt Plant .....	300	430	390	560
Extraction of fuel .....	100	200	520	—
Refining .....	—	—	140	—
Stack clean-up .....	—	130	—	—
Fuel cycle .....	—	—	—	140
Transmission .....	170	170	170	170
TOTAL .....	570	930	1220	870
Electricity cost				
(cents per kilowatt) .....	1.5	2.3	3.1	2.1

\* Light-Water Nuclear Reactors

mission lines. This direct conversion system, MHD, can be combined with a steam bottoming cycle to use what hot gas remains in a conventional steam cycle, to *double* the amount of electrical energy converted from a unit of coal as compared to current technology.

The potassium seed, in addition to increasing the ionization rate of the gas, chemically bonds with any sulfur in the coal, eliminating the need for costly and antiproduktive "scrubbers" and other pollution-control devices. The economic effects of increased conversion efficiency and pollution-free generation can be seen from *Figure 2*.

The technology required to make MHD based on coal fuel commercially feasible must also be developed for MHD electricity conversion based on advanced fusion fuel cycles. These would produce an ionized gas, or plasma, at much higher temperatures. Particularly, the materials problems in having near absolute zero temperature superconducting magnets in close proximity to super-hot gases must be solved for fossil-based MHD now, as a stepping stone for the similar fusion-related problems up the road.

The Schlesinger Department of Energy research and development program, which hopes coal-based MHD will not be commercial until near the year 2000 — with funding based on that perspective — must be replaced with a funding commitment commensurate with commercialization in the next 10 years. American industrial interests have already tried to bypass the ridiculous Department of Energy timetable by appealing to the Soviets, who will have a commercial demonstration plant by the early 1980s, to "transfer" this technology to U.S. companies. These companies recognize that only a high-technology coal program will provide them with energy they can afford.

U.S. industry and labor should be up in arms over the conscious sabotage of this crucial technology. They should demand that the government take up a serious MHD development program in cooperation with the Soviets, both for its implications for the fusion effort, and the obvious advantage it holds for all electricity consumers. Private deals will not substitute for a serious national MHD program.

## Steel Production — Kicking and Screaming

The coal industry's second most important market will remain the steel sector. If a serious capital investment policy is not adopted to modernize and expand steel production, this sector will not exist in any significant degree beyond this decade. Although a \$50 billion investment program has been outlined in the U.S. Labor Party program, "Steel's Only Chance for Survival," the reaction of top steel manufacturers, such as U.S. Steel, is "We are in business to make profits, not to make steel."

Regardless of this attitude expressed by top U.S. Steel executives, the industry will have to be rebuilt, even if the manufacturers *have to be made* to implement such a program; the export of hundreds of nuclear plants in the next decade depends on it, as does the modernization of basic supporting industry such as machine tools. We are just now entering the nuclear age in terms of energy production, but are still dependent on the steel age for industrial and consumer production. The steel industry must be made conscious of its role in the transition to a fusion-based economy, even if they are dragged to that realization kicking and screaming.

One of the major reasons steel companies have been unable to keep their heads above water in basic replacement and modernization of plant and equipment has been the demand by the environmentalists and the Environmental Protection Administration to meet pollution control requirements by using the "best available technology." At the same time that steel companies are shutting down "marginal" facilities, cutting back production and laying off thousands of workers, they are frittering away *billions* of dollars per year to try to meet prohibitive and generally incompetent Environmental Protection Agency standards. Despite this counter-productive expenditure, less than half of the industry met compliance guidelines at the July 1977 deadline.

### *The Jordan Process*

As in the coal mining situation, increasing productivity to become competitive with foreign steel, meet meaningful pollution standards, and bring economic health back to the industry can only be accomplished by the introduction of the most advanced technology. Otherwise, by simply "making profits" in the purely monetarist sense, U.S. steel is digging its own grave.

In some cases, even improvements in basic extant steelmaking technology can have a dramatic effect. The substitution of a blast of pure oxygen for the air now used in the blast furnace, a method worked out by engineer Robert Jordan, would increase overall combustion by raising the burning temperature. This produces a top gas richer in carbon monoxide rather than wasteful carbon dioxide, which can be used as a chemical feedstock for methanol. Methanol and the nitrogen from the air separation plant producing the pure oxygen for the original furnace blast can be spun off for fertilizer production.

Rather than venting carbon dioxide waste into the air and worrying about a "greenhouse effect" concentration of that gas, the "wastes" are converted into raw materials for additional industrial processes. In more advanced designs, if the source of heat energy is nuclear, carbon dioxide can even be recycled as a coolant for the reactor.

In terms of steel-making itself, the Jordan process *doubles* the iron throughput of the furnace as the higher blast temperature reduces the time needed for processing. To ensure that the steel industry produces what is necessary for the development of the rest of the economy, the crucial requirement is the pressure to produce from real on-the-book orders, resulting from a vigorous nuclear export program, and the political pressure of the rest of industry and the labor movement to force steel producers to recognize the criminality of current protectionist, antiproduction outlooks.

## Renovating the Railroads

The most immediate problem that will result from increased coal production will be transportation. In its attempts to pit the coal industry against the nuclear industry, the Carter Administration has played on the paranoia of the near-bankrupt national railroads to prevent a rationally coordinated transport policy from being formulated. Without such a policy, doubling coal production would be an academic exercise.

The railroads have fallen prey to a perspective of increasing the quantity but not the productive quality of rail service, while fighting tooth and nail against the "intrusion" of additional transport technologies that will be required to haul an additional 600 million tons of coal.

The nation's railroads currently transport approximately 60 percent of all coal produced, and will have to continue to handle that proportion of coal production. They are proposing to do this primarily by adding thousands of hopper cars over the next 10 years, running into the hundreds of millions of dollars. This linear approach completely sidesteps the fact that the average railroad car is in motion *less than 1 percent per year*, the most scandalous record of any railroad system in the industrial world.

With relatively minimal investment in computer technology, the scheduling and allocation of existing hopper cars could actually handle the doubling of coal production — if the rail system were in that way considered a *national transport grid*.

In addition, according to General Accounting Office estimates, about \$5.2 billion will be needed by 1980 for railroad rehabilitation, with about half of the investment in the west. This does *not* include the absolutely necessary \$4.9 billion for the 10-year upgrading of the Conrail system in the eastern and midwestern United States. Many sections of older track and roadbed must be rebuilt, and vast expansion of the western lines is needed. The use of unit trains of 100 cars semipermanently coupled to deliver coal to a specific customer over a long time period, will also greatly increase rail productivity.

There are areas, particularly in the mountainous west, where the construction of new rail lines will either be physically impossible or at least uneconomical. High-technology construction and engineering companies have proposed the construction of coal slurry pipelines in these western areas, to transport pulverized coal in a water slurry. The water for dry areas could be recycled through return pipelines.

Unfortunately, the railroads have embarked on a major campaign to try to prevent pipeline companies from securing eminent domain rights in such areas, and

have generally shrieked that development of such a technology would replace and bankrupt the railroads. Only if the government takes the responsibility of formulating a transport policy which utilizes the most efficient technology for varied transport needs will the railroads be able to see that a new, additional technology does not necessarily mean death-dealing competition, but a rational national grid to best meet coal transport demands.

### A Matter of Necessity

It is clear by this point that a coal development program, as part of a transition into the fusion age, will run into the many billions of dollars. The U.S. Labor Party analysis of "How to Spend \$100 Billion on Energy" outlines a low-cost, high-technology national energy program that will require approximately \$33 billion for coal electricity development, and an additional \$6 billion for industrial and other uses. This is based on using high

technology in coal mining, in transport, and in steel and electrical consumption of coal. As is clear from that analysis, only a high-technology fossil fuel program, combined with developing fission and fusion development programs, will generate the needed capital to bring commercial fusion online.

The coal industry, the United Mine Workers, electrical utilities, industrial energy-consumers, and every citizen have a very immediate stake in what shape the national policy for fossil fuel development will take. Congress has already been inundated with coal conversion, environmental, and other destructive legislation. Some has already been passed, through a combination of conscious sabotage and wilful ignorance.

The technical basis exists for a coal-for-development component in a national energy plan. Only a fight on that overall basis will produce an energy program — not one that we can "live with," but one that future generations will flourish under.

## NSC Aids Mine Strike Violence

The National Security Council has ordered the Federal Bureau of Investigation and the U.S. Treasury Department's Bureau of Alcohol, Tobacco, and Firearms (ATF) to so narrow their investigation of violence associated with the current miner's strike as to virtually prevent detection of the networks responsible, authoritative intelligence sources have disclosed.

The NSC has specifically ordered the FBI and the ATF to confine their inquiries to the strictest provisions of the Anti-Riot Act (popularly known as the Rap Brown Law), the sources say. And no other intelligence or law enforcement agencies are being allowed to participate in the investigation into the violence, and instead are being told to "keep out."

While the NSC's interference assures continued protection of the perpetrators of the violence, and their controllers centered in the Washington D.C. Institute for Policy Studies, Administration insiders close to Vice-President Walter Mondale are reportedly counseling Carter not to intervene in the strike itself, playing on Carter's fears that his intervention would cost him the support of organized labor.

Although both Indiana and Kentucky state police officials claim that the violence is being carried out

by "local boys," it is a well-known fact that brainwasher Eric Trist of London's Tavistock Institute has worked for years to develop networks of violence-prone anarchists within the miner's union.

For the last week, blizzard conditions in Appalachia and the Midwest have cut down the potential for violent confrontations between nonunion miners and instigated "roving bands" of strikers. As soon as the roads are passable again, police authorities expect to once again see convoys of strikers deploying out of West Virginia and Kentucky to shut down nonunion mines. Just prior to the snows, the heavily armed convoys had produced minor and major incidents of violence in four states, several of which were given prominent coverage in the *New York Times*, *Washington Post*, and similar journals. While such press accounts are in general exaggerated, informed sources report that the convoy deployment represents the maximum potential for violent incidents per se; the relatively minor violence is intended to become a credible cover for planned acts of sabotage to be carried out on orders from energy czar Schlesinger, these sources report.

# Alperovitz's Youngstown Steel Takeover In Trouble ?

Three weeks ago, the U.S. Department of Housing and Urban Development (HUD) gave Gar Alperovitz, fascist economist and fellow of the Institute for Policy Studies, \$300,000 for a "nationally significant" study of the feasibility for a "community takeover" of Youngstown Sheet and Tube's Campbell Works. While Alperovitz and his allies in the nation's media attempt to portray the entire city as being "solidly behind" Alperovitz's scheme to bilk millions of dollars from workers and community sources to buy up the closing plant, reports from sources in Youngstown indicate that Alperovitz and his allies are running into trouble.

"Alperovitz isn't really interested in running a steel plant," said a leader of a major Youngstown-based community organization. "Alperovitz is a fascist...he is what you call a social engineer. I've already seen an advance copy of what Alperovitz and his Exploratory Project for Economic Alternatives (see below—ed.) have worked up on the Campbell works. It is straight community control crap..."

So far, however, opposition in Youngstown and other areas of the state remains fragmented. Hundreds of Youngstown residents congratulated U.S. Labor Party organizers after a USLP spokesman was featured on a local radio show exposing Alperovitz and his "workers' buy-back" plan. On the state level, Ohio government and business interests are organizing to counter the plan, while locally the Youngstown Teamsters local is distributing thousands of leaflets against the Alperovitz scheme.

Despite the fact that the Alperovitz proposal would mean a de facto elimination of the steelworkers' union, United Steelworkers locals in the Youngstown area have given the scheme their cautious endorsement: "Something must be done to save the plant and its 5,000 jobs." However, the USWA International has remained silent.

"We are meeting some opposition, more than we expected," said a spokesman for Alperovitz fellow-travelers at the Ecumenical Council in Youngstown, "but right now we have the only game in town, so to speak..."

## Youngstown Plan 'Orwellian'

*Asked to comment on the Youngstown "Workers' Takeover" scheme, the steel analyst at a leading New York brokerage house described the plan as "the worst sort of 1984 Orwellian scenario":*

**Q:** What is your reaction to the plan for a community takeover of Youngstown Sheet and Tube's Campbell Works?

**A:** They don't have a rabbit in the hat. The workers can't cut wages enough to make the facility viable. There's no profit to wash out. The facility will still have to meet environmental standards. In short, there's no way the mill can be run for a profit....And where does the community come up with the hundreds of millions of dollars needed to reopen and start up the plant? The general taxpayer will be asked to cough up the money to subsidize facilities that are not viable. Hopefully, the whole community will turn thumbs down on the idea.

**Q:** In general, who benefits from a community takeover of a "marginal" plant like Campbell Works?

**A:** If the community puts up the money — if it says, "We're going to buy this plant back from you"—the company gets cash and can back out of the unprofitable facilities....Could the community's and taxpayers' money end up as a bail-out for the banks which are left holding the debt? Well, the implication is fairly nasty...but I'd say it's a very viable suggestion.

## Need Advanced Technology To Make Youngstown Profitable

*P. Calderone of Calderone Automation in Cleveland, Ohio, who attended the Dec. 20 meeting at the Commerce Department in Washington, D.C. on the Youngstown, Ohio steel crisis, submitted a proposal for introducing advanced technologies into Campbell Works as a way of turning it into a profitable operation. In the interview excerpted below, Mr. Calderone's associate in Columbus, Ohio explained the approach they are working on.*

We are proposing the introduction of new steelmaking technologies for producing savings in operating costs. Our approach is two-fold. First, introduce a super BOF (basic oxygen furnace). The plant presently operates on an open hearth furnace. A conventional BOF produces savings of about \$15 a ton. In the new super BOFs, the top gas of one BOF is used to preheat the scrap in a tandem BOF. This allows you to use more scrap — up to 50 percent scrap and 50 percent hot metal. Hot metal requires more coke ovens and blast furnaces.

Second, introduce horizontal casting. The savings

would be about \$89 a ton if continuous casting were introduced for the whole steelmaking process, from hot metal to coil, and about \$50 a ton if only from hot metal to slab.

In general, our idea is to eliminate functions at that plant and introduce new technologies that will produce very substantial savings which will make the plant profitable, even if there are still inefficiencies in other parts of the plant. Of course, this plan will require the expenditure of substantial money. We are hoping that the funds can be raised through federal loan guarantees. The industry hasn't been willing to spend the money. We had presented our plan to Lykes' Youngstown Sheet and Tube earlier, but the company couldn't get the money from its parent corporation.

Kaiser Engineers in Chicago are now reviewing the technology and its application at Campbell Works, and we will be presenting a detailed plan to the Commerce Department as soon as it is prepared. There is no assurance that anything will come of the plan.

## Carney Aide: 'Sheet And Tube Is Too Hot To Handle'

*Representative Carney (D-Oh.) has supported a "community takeover" of youngstown Sheet and Tube's Campbell Works. Carney's aide had the following to say on that proposal.*

The Congressman really doesn't want to stick his neck out too far on this one. Sheet and Tube is really too hot to handle.... There has been a lot of discussion both pro and con. We know what (Gar) Alperovitz is talking about, but we really don't know if it is feasible...

Carney is not just interested in the whole idea of community ownership. He's looking at the broader question of what is plaguing the steel industry. For example, we're thinking about introducing some "Buy America" legislation to force domestic companies to buy U.S. steel. We are going to watch to see if the government winds up going soft on the import question. The Solomon Plan (the Carter Administration's plan for "aiding" the steel industry — ed.) looks good, but who knows.... But on Campbell Works, let's see what Alperovitz comes up with. I guess then, we are going to have to take a position...

### Who Is Gar Alperovitz?

Gar Alperovitz, currently codirector of the Institute for Policy Studies spin-off, the Exploratory Project for Economic Alternatives, comes directly out of the network of social controllers established in this country after World War II by the London Tavistock Institute's Kurt Lewin. Lewin adapted techniques of coercive social psychology for application in U.S. industry to induce speed-up and to break the American worker's commitment to the idea of progress.

Alperovitz is no economist but a specialist in what social psychologists call "conflict management" (i.e., in creating a conflict and then manipulating it to a desired end). He travels in the same circles as Edgar Shein of Kurt Lewin-founded Research Center for Group Dyna-

mics at MIT; for example, Alperovitz is a consulting editor of the Center's *Journal of Applied Behavioral Science* (JABS) along with Shein and Ronald Lippett, both Lewin's direct students. Shein did pioneer studies in worker self-determination and "organizational development," which were tried out in testing grounds like the General Motors Lordstown plant near Youngstown in the early 1970s, and had the effect of introducing hellish levels of speed-up into the plant.

In 1973 JABS devoted a special double issue to "alternative institutions," which explored ways to involve the individual "more deeply in the family and the micro-community," enabling him to better adjust to "normally traumatic events, such as the loss of valued employment."

In 1969 the Lewin-MIT network had created the Cambridge Institute (now the Cambridge Policy Studies Institute, the sister organization of the Washington-based IPS), of which Alperovitz is a fellow. The Cambridge Institute's purpose, stated in the first issue of its bulletin in October 1969, was to develop the community buy-back swindles that Alperovitz is now peddling to the citizens of Youngstown, Ohio: "The Institute is particularly involved in efforts to develop new forms of community control over the local economic and political institutions." In the lead article, "National Perspectives," Alperovitz extolled the Community Self-Determination Act he had drafted in 1968 while an aide to Sen. Gaylord Nelson, and noted growing support from conservative Republicans for the proposed system of "a new community-controlled development banking system to provide loan funds by providing technical assistance, and by granting tax incentives for businessmen who help the community set up and run new industry." Alperovitz observed, "there is no reason, of course, that the concept cannot embrace community ownership not merely of tiny plants, but of major industry, again through purchase on the basis of loans."

Since its founding in 1972, Alperovitz's Exploratory Project has been dedicated to implementing this program and has received money from the Stern Family Fund, the Rockefeller Foundation, and the Field Foundation to accomplish that end.

## 'Do You Want A Job Or Straight Teeth For Your Kids?'

*Baltimore's steel industry workers and executives were treated to the following account of the Youngstown, Ohio steel crisis in the Jan. 15 and 16 Baltimore Sun.*

After 29 years in front of an open-hearth furnace, there is not much that Andy Bury does not know about making steel...

But on Sept. 19, the company's Campbell Works was abruptly closed and Mr. Bury and 3,750 other employees were sent home. Squeezed by rising costs and competition from foreign steel imports, the company said it could no longer compete.

Now Youngstown is being told that if the plant is ever to reopen, the Andy Burys and their neighbors will have to find some way to take it over and manage it, an idea

that Youngstown is having trouble getting used to....

Community leaders will soon be called on to switch \$500 to \$1,000 from their savings accounts into a new fund to "save Youngstown," says the Rev. Robert Campbell of the First Presbyterian Church of Youngstown, one of the clergymen who form the basic support of Mr. Alperovitz's effort.

Then the 200 clergymen behind the effort will ask their parishioners to do the same thing with as much money as they can spare. At this stage, no contributor would lose control of his money — it would simply be switched to a new account like a "Christmas club," presumably at the same bank. "The only difference is, they won't get a new electric blanket for changing accounts," says a clergyman involved in the project....

"What we are shooting for is about 500 big givers and 150,000 individual contributors," says Mr. Campbell. "We've got to raise \$30 million. That would be such a dramatic demonstration to the government and the outside investors that it would open all kinds of doors."...

(Alperovitz's) Exploratory Project for Economic Alternatives is financed by the Stern Fund, the John Hay Whitney Foundation and other foundations. Mr. Alperovitz has written at length to defend his belief that "the problems of American society — urban decay, pollution, crime, energy, unemployment, inflation — are as much a product of the way we allocate capital as are CB radios, oil wells, factories and office buildings."

"The allocation of capital in America has produced the degeneration of our cities — particularly in the Northeast. It has been more profitable to build in the suburbs than in the cities, to invest in new housing in deserts outside of Phoenix than to rehabilitate the Bronx."

New forms of business ownership are needed to change these priorities, Mr. Alperovitz says, and he sees

Youngstown as a test case....

Average earnings for steelworkers at the Campbell Works rose from \$5.13 an hour in 1968 to \$12.51 in the first half of 1977, an annual growth compounding at more than 10 percent, says George Bettie, a consulting engineer from Philadelphia who has studied the Youngstown steel situation.

Prices nationwide rose at only 5.6 percent per year over the same period, he said.

But the steel executive says, "The biggest resource is that labor force. Some of them are the third and fourth generation to work at the Campbell plant. The melters and furnace operators have always been considered semi-professionals....

The Department of Housing and Urban Development has financed a \$300,000 study to search for a form of community worker management that might succeed in reopening the plant. The economist conducting that study, Gar Alperovitz, stresses the possible savings that could result in an employee-owned plant. "Once you get workers in there who know what's going on, the change is immediate," he says.

The Rev. Edward A. Stanton, a Youngstown priest who sits on most of the community organizations working on the steel problem, says the steelworkers might find that six could do the work seven had done before. And they might sacrifice a dental insurance plan or other fringe benefits to make the plant's products more competitive.

"I ask them whether they'd rather have a job or straight teeth for their kids?"

Frank Leseganich, district director for the United Steelworkers of America, likes Mr. Bettie's approach of slowly bringing the plant back. "That's the way a family does it. You build the cellar first and live in it awhile; then you build the rest of the house."

## Construction Union Leader: 'Energy Consumption Must Increase'

*Following with only minor deletions is the verbatim text of an address by United Slate, Tile and Composition Roofers, Damp and Waterproof Workers' Association International President Roy E. Johnson before Senator Henry Jackson's Senate Interior and Natural Resources Committee. Although originally delivered in April, the text was obtained only recently by Executive Intelligence Review.*

...Out of the confused debate that has developed with respect to the energy crisis, one concept seems to gain more and more acceptance. Everyone seems to agree that we should not waste our energy. As a result, a lot of folks think that we must reduce our national annual growth rate.

What is not yet apparent, however, even to many sincere and concerned policy-makers, is that the total energy consumption of our nation must continue to increase in the future, even if we establish extraordinarily

successful spartan conservation programs. We obviously can and must eliminate wasteful practices in energy consumption. There is a point, however, beyond which further reduction will seriously impact the job market.

There is absolutely no moral justification for policies that would cause increased unemployment because of energy shortages. So, while energy waste can and must be eliminated, we must never allow one man's concept of conservation to be the cause of another man's unemployment.

At the present time, the building industry is in a depression with unemployment over 17 percent of our total work force. We in the Building and Construction Trades Department fully realize that if there is to be a reduction in unemployment, there must be reasonable growth in the supply of energy. We need to get on with the job of building energy facilities.

As responsible citizens, sort out the facts with respect

to our energy future; it becomes more and more obvious that one of the greatest strokes of good fortune this nation has experienced is to have our nuclear industry as well advanced as we find it today. It is ready now to provide much of the energy this nation will need during the next fifty to seventy-five years. If we did not have a large block of nuclear energy available to us for the coming decades, this country would be in critical danger.

Nuclear energy is the safest, cleanest, cheapest, most reliable energy source available. Our conclusions about the safety of nuclear power stations are based on the many years of operation and the large number of our members involved with nuclear power. Not one of our members has died because of radiation exposure. We have had no reports of our members receiving bodily harm from exposure to radiation or radioactive materials. Building tradesmen who construct, operate, and maintain the nuclear plants along with their families are among the population living closest to the operating power reactors. There have been no reported cases of radiation damage to our members' families.

The safety record of the nuclear power industry is excellent, despite the fact some critics continue to play the "what if" game. I simply don't understand those people who become so obsessed with hypothetical hazards of nuclear energy that they refuse to face the facts. A majority of Americans obviously agree. Anti-nuclear initiatives have been overwhelmingly rejected by voters every time they have appeared on the ballot.

Between April 1, 1974 and October 1, 1975, a total of 180,000 megawatts were postponed or cancelled. These cutbacks have impacted the construction industry particularly hard. A recent study has shown that more than half-a-million annual construction jobs will be lost over the next five years on account of these cut-backs. This represents an annual loss of as much as \$7 billion in wages. If the electrical utility industry could get its construction program back on its feet, the total number of unemployed in the construction industry might be reduced by as much as 12 percent.

There are various causes for the delays in construction of nuclear power plants, such as tedious licensing procedures and intricate environmental regulations. As I previously mentioned, anti-nuclear referendums and initiatives have also attempted to slow development, but thanks in good part to the state and local Building and Construction Trades Councils, these initiatives have been defeated every time they have appeared on a ballot.

One of the biggest reasons why nuclear power plants are not under construction is that, where funds for capital investment are concerned, *the public utilities are going broke. Electric utilities require more investment capital than any other industry — \$4 in investment for each \$1 of revenue.* The bulk of the desperately needed construction cancelled or delayed over the past year was a direct result of the industry's inability to raise capital funds.

The utility industry has always been highly capital-intensive and therefore catches the full effects of in-

flation and the skyrocketing interest rates that go with it. In a recent study conducted by the Technical Advisory Committee of the Federal Power Commission, it was concluded that *an average six percent growth over the next fifteen years will require the utilities industry to somehow muster \$650 billion for construction. This is more than four times its existing investment and compares with about \$145 billion spent in the last fifteen years when growth was over 7 percent.*

The Building and Construction Trades Department is particularly alarmed by the recent short-sighted proposals to postpone the Clinch River Breeder reactor and other experimentation on the reprocessing of spent fuel. The only proven technology for significant additional electrical energy in the period after the 1990s is the breeder reactor. Our country can only retain this option by keeping strong the organizations we shall likely have to call on to supply the breeder reactors.

The Building and Construction Trades Department questions the basic assumption regarding the extent of our *uranium resources* in the recent report of the Ford Foundation study group. We believe the *U.S. supply of uranium may be so limited that there will be a need to install breeder reactors commercially by the turn of the century if we are to continue using fission energy for additional electrical power....*

Since only the future will tell us what our actual uranium resources are, prudence dictates that we take no steps now that would foreclose our option to operate breeders commercially by the end of this century. *There is, in fact, no slack in our schedule for arriving at commercialization — either as regards breeder demonstration or as regards the demonstration of commercial reprocessing.* Both are required before the climate will be right for utility executives to commence commercial orders of breeder reactors and from that point it will be another ten years before the first commercial breeders begin to operate.

The design, construction and operation of the Clinch River Breeder Reactor is our only vehicle over the next few years for creating and maintaining the necessary industrial infrastructure to support a commercial breeder program. A major cutback in the CRBR Program, or a pause in it, would be exceedingly difficult to carry out without destroying the considerable infrastructure that has already been put in place over a number of years. If we were to decide later to resume our preparations for a commercial breeder, we would no longer be able to operate breeder reactors in the year 2000, should that be necessary.

In conclusion, we too are concerned about the possible proliferation of nuclear weapons states, as it could be spurred by the civil use of plutonium. We are certainly aware of the possible *contribution* of the U.S. moratorium on reprocessing and breeder commercialization to your negotiations abroad. *We know that such a moratorium would be at very high costs to our energy future.*

# Dollar Collapse Takes Heavy Toll On Europe

Despite the Federal Reserve's recent substantial intervention in support of the U.S. currency, Americans continue to be deluged with economic commentary purporting to show that the dollar collapse has relatively little to do with their lives, that it will have minimal effects on the U.S. economy and could even benefit U.S. exports.

The truth is that Treasury Secretary Blumenthal's "soft dollar" policy this fall administered a painful shock to Western European industry and investment, particularly in West Germany. As a direct result, Europe is leading the way to severe worldwide depression, which will eventually engulf the U.S. as well. The latest European production figures tell the story (see Table 1).

As this publication has documented at great length in the past, the U.S. trade deficit actually has had nothing to do with oil imports but stems from the failure of the U.S. to fulfill its role as a supplier of advanced technologies and capital goods to less-developed sectors of the world. The decline of American capital goods exports reflects both the declining productivity of U.S. industry (resulting from low rates of capital formation and diminished research and development expenditures) and the huge overhang of Eurodollar debts owed by less-developed and Eastern European nations.

### Blumenthal's "Cure"

But Blumenthal's method of "correcting" the trade deficit is not to reindustrialize the U.S. but to deindustrialize Europe. The forced appreciation of the deutschemark, rising 13.3 percent against the dollar between the end of 1976 and the end of 1977, has penalized West Germany's export-oriented capital-intensive industrial

sectors. German firms' profits have shrunk drastically, since in order to remain competitive in international markets they have had to maintain level prices in spite of rising costs.

Even if West Germany *never* reflatates to the degree demanded by Carter Administration officials or OECD staff economists, the deutschemark revaluation has *de facto* shifted West German investment away from "unprofitable" heavy industry into unproductive services and speculative merger and "asset-stripping" activities.

One little-noticed effect of the dollar plunge has been that the deutschemark has been pushed up relative to weaker European currencies, including a 6.5 percent hike against the French franc, 3.8 percent against the Italian lira, and 3.1 percent against the other "joint float" currencies during 1977. This has forced France and Belgium, in particular, to jack up their domestic interest rates, exacerbating the deflationary tendencies already evident in those economies (although rates in these countries have been eased slightly with the dollar stabilization). Despite the theory that currency devaluations benefit weak economies by boosting their "export competitiveness," the stagnation of West Germany — Europe's linchpin — has had a palling effect on intra-European trade as a whole.

As a result, France, Italy, and other weaker economies have been "competing" for a nonexistent European market, leaving trade with OPEC, the East bloc, and the developing sector as their sole remaining prop.

The so-called "strong" deutschemark simply lacks the industrial base to serve as a substitute international reserve currency. An economist at a Rothschild-associated European bank recently remarked that West Germany's foreign accounts are looking more and more like those of the U.S. in the early 1960s. Just as the U.S. has been turned into another Britain, West Germany is being "Americanized." The country's shrinking trade surplus and overall balance of payments *deficit* during 1977 reflect the fact that West German banks and corporations are investing heavily abroad—vastly increasing the international circulation of deutschemarks—without simultaneously increasing the industrial exports which should "back up" that paper.

At the same time, the City of London has encouraged a dangerous trend toward 1930s Keynesian-style protectionism and cartelization within the EEC that will result in *permanent* reductions in global production, the scrapping of "unnneeded" plant capacity, while propping prices. The EEC is in the process of establishing a "minimum selling price" scheme for European steel modeled on the U.S. plan. Limits have also been placed on the

**Table 1**  
Europe's Industry Is Shutting Down  
Industrial Production (1970 = 100)

	10/77	9/77	8/77	10/76	% change on year
Italy .....	128.1	132.9	71.0	135.6	- 5.5
France .....	123.0	125.0	124.0	128.0	- 3.9
Great Britain .....	101.4	102.7	102.7	102.8	- 1.4
W. Germany .....	121.3	116.3	98.0	119.0	+1.9
Holland.....	126.0*	120.0	109.0	128.0	- 1.6
	<b>8/77</b>	<b>7/77</b>	<b>6/77</b>	<b>8/76</b>	
Belgium .....	108.7	76.1	121.3	123.3	-11.8

\* Provisional.

Source: *Financial Times*



volume of steel imports into Europe based on EEC production levels in 1976—that is, if EEC production declines 10 percent from 1976 levels, foreign imports must be reduced by the same percentage.

As of now, the behind-the-scenes preparations of West German, Swiss, and French industrialists and bankers to establish a new gold-based monetary order centered around the Luxembourg financial market are all that

stands between the European economies and disaster. Even if the dollar were to stabilize for a few more months, based on strangling U.S. production through interest rate hikes and energy conservation, the net effect on the European economies will be the same as if the dollar had fallen—deindustrialization.

—Alice Blythe

## W. Germany :

### No Benefit From 'Strong Deutschemark'

The sharp rise in the deutschemark against the collapsing U.S. dollar in the second half of 1977 dealt a heavy blow to West German corporate earnings, sales, and orders. The City of London's attack on the dollar, launched in July, forced a decline in West German manufacturing output from the second to third quarters of the year at the same time that increased government spending and a glut on deutschemark capital markets were feeding inflationary pressures on the economy.

The threatened shift in the West German economy from heavy industry production to government-subsidized service employment will have devastating effects on industry European-wide, undermining intra-European trade. At this point, West German exporting firms are absorbing the inflationary pressures (industrial prices rose about two percent last year), and are borrowing funds, largely from the low-interest Euro-markets, to finance their own emergency trade credits — on the order of 5 billion deutschemarks in the latter half of the year.

A slight pickup in exports did occur in October and November, due to a few large contracts to OPEC countries, as well as early deliveries demanded by panicked customers trying to head off the decline of the dollar (see

Table 1). However, for the year, trade with the European Economic Community partners remained unchanged from 1976 in money terms — namely, suffered a real decline — while exports to West Germany's leading trade partner, France, registered a .2 percent fall in deutschemark terms alone (see Table 2).

As reported in a recent newsletter of the Bank für Gemeinschaft, "no new impulses" are expected for economic growth from exporting industries during 1978. Rather, the single major push behind the economy planned for this year is from the government authorities, which are expected to borrow a huge 60 billion deutschemarks on the highly liquid capital markets (compared to 47 billion last year) and to increase expenditures by 10 percent.

The stagnation in industrial output alongside the rise in government "stimulation" efforts shows that West Germany is currently at a crossroads. Long-term efforts by European Economic Community Commission head Roy Jenkins and his London-connected allies in OECD headquarters to force the West Germans to inflate their economy in order to link the deutschemark to dollar-denominated international debt paper is beginning to be implemented, despite massive political aversion to such

Table 1  
Quarterly Comparison of West German Exports and Imports  
(in billions of DM)

		Western Industrial	EEC	US	Developing Countries	OPEC	Soviet Bloc
E X P O R T S	1976 IV qtr. ....	46.24	29.76	3.6†	9.28	5.46	4.09
	1977 I qtr. ....	47.47	30.45	3.82	8.99	5.67	4.14
	II qtr. ....	47.82	30.55	4.54	9.51	6.52	3.96
	III qtr. ....	47.75	29.91	4.94	9.37	6.23	4.07
	% change II-III qtr. ....	— .1	—2.1	+8.8	—1.4	—4.4	+2.7
I M P O R T S	1976 IV qtr. ....	40.26	27.01	4.74	7.86	6.58	2.59
	1977 I qtr. ....	40.35	27.50	4.09	8.25	6.18	2.66
	II qtr. ....	40.93	27.54	4.51	8.24	5.73	2.76
	III qtr. ....	42.33	28.62	4.22	8.21	5.85	2.83
	% change II-III qtr. ....	+3.4	+3.9	— .1	0	+2	2.5

Source: Bundesbank monthly report, Nov 1977

**Table 2**  
**West German Exports and Imports**  
**by Country**  
(million DM)

	Exports				Imports			
	9/76	10/76	1-10/76	% Change 1-10/76	9/76	10/76	1-10/76	% Change 1-10/76
EEC .....	10,780	11,008	101,526	+ 5.0	9,607	9,788	93,354	+ 5.5
France .....	3,118	2,391	27,851	+ .3	2,299	2,370	22,458	+ 5.5
Italy .....	1,534	1,562	15,454	+ .8	1,713	1,837	17,292	+ 9.8
Britain .....	1,177	1,543	11,925	+19.9	974	934	8,546	+22.8
Benelux .....	1,929	1,886	17,842	+ 5.9	1,671	1,647	16,172	+ 1.7
Holland .....	2,424	2,480	22,750	+11.5	2,541	2,553	25,312	+ .2
Denmark .....	532	540	4,971	- 9.1	322	367	2,850	+ 5.4
United States ....	1,759	1,649	14,662	+23.7	1,250	1,327	14,075	+ 2.4
Soviet Bloc .....	1,312	1,386	13,369	- 6.3	939	1,026	8,976	+ .2
OPEC .....	1,922	2,230	20,358	+22.0	1,841	1,918	19,688	- 1.2
LDC's .....	2,887	3,483	30,911	+ 4.5	2,590	2,707	27,424	+14.6

Source. Bundesbank monthly report, December 1977.

a development by leading West German industry and banking spokesmen.

A leading spokesman for a European investment house stated recently in New York that as far as he was concerned, a "dollar-deutschemark axis" already exists. Linkage of the two currencies has been proposed by leading monetarist economists as a device whereby West German hyperinflation, closely resembling the 1960s explosion of international dollar lending, can be channeled into refinancing City of London- and Wall Street-held international dollar debt.

*Enhances London Control*

The strong inflationary pressure within the economy, partly shown by the 16 percent growth in overall money supply last year, has not shown up in prices in part because massive amounts of funds are being sent abroad, for example into the Euro-deutschemark bond market. Last year, Euro-deutschemark bonds rose to 27 percent of total European bond market sales (compared to 16 percent the year before), while in November, deutschemark bonds outstripped Eurodollar bonds both in number of issues and volume.

This burgeoning bond market, coupled with the spurt in government borrowing, as well as the recent jump in West Germany corporate investment abroad, is contributing to a massive discrepancy between international circulation of deutschemark-denominated debt instruments and a shrinking West German industrial base. While Jenkins and his friends may not yet have the same political control over distribution of deutschemark flows as they do over international dollar markets, the City of London's political leverage in dictating European-wide austerity programs under these conditions is greatly enhanced.

Unemployment levels over 1 million (4.8 percent in December compared to 4.4 percent in November) are now a chronic feature of the West Germany economy. Unemployment compensation and shrinking social insu-

rance funds strongly influenced the government's decision to increase its borrowing plans for this year.

The response of West Germany's Thyssen Corporation, the nation's largest steel producer, to last year's 10 percent fall in raw iron and steel output shows how the City of London's leverage works.

Thyssen Director Dieter Spethmann, a proponent of international export restrictions against Japanese steel producers, has put the company on a full-scale international diversification program aimed at reducing the raw steel component of the firm. Over 1977, only 12 million tons of raw steel were produced from a total company capacity of 17 million, while over a third of company profits came from its expansion into capital and industrial goods production. Similarly, Mannesmann Corporation announced a 29 percent drop in crude steel output from the second and third quarters.

Most recently, though, Thyssen has jumped on the City of London bandwagon to pour European investments into gobbling up U.S. companies — so-called asset-stripping aimed at an international rationalization of production and a net reduction in world output. This month Thyssen announced that it will purchase Michigan's Budd automotive parts corporation for a quarter of a billion dollars, a sum which is nearly one-third of all West German investments in U.S. industry last year.

In contrast to this overseas investment push into real estate and old equipment, domestic industrial investments in West Germany are expected to rise by 3.5 percent in real terms in 1978. A recent study by the IFO Institute in Munich asserts in addition that 50 percent of these investments will go into rationalization. City of London machinations through "environmentalist" court actions have, in addition, had the immediate, crippling effect of holding back an estimated 15-25 billion deutschemarks in investments in coal-powered and nuclear-powered energy plants and related transport projects.

One of the hardest hit manufacturing sectors last year was the high-technology chemicals industry. Both BASF

and Bayer took on sharp third quarter declines in pre-tax earnings, BASF slipping by 199 million deutschemarks and Bayer by 32.2 percent. In contrast, during 1976 chemicals exports were an important stabilizing factor throughout manufacturing. Similarly, the Hoechst chemical corporation was forced under rising deutschemark values to cease all exports of synthetic fibers to Italy, where it had previously been a major supplier. This year, in fact, Italian fiber producers entered the West German domestic market to take advantage of the lira decline.

To the extent that 1977 production and orders figures did not show how desperate West German producers really are, this is largely attributable to the low bank lending interest rates which permitted consumers to purchase automobiles and durable electrical goods on a large scale. The automobile industry produced a record 4.1 million units in 1977, with the largest producer, Volkswagen, showing a 25 percent rise in sales. However,

even in this case, the weak condition of basic industry shone through in a two percent decline in truck and commercial vehicles sales for the industry; and a 7 percent drop in truck exports.

The Bundesbank's (central bank) decision in December to impose restrictions on foreign capital flows into domestic banks by cutting off interest payments on foreign deposits will have the cosmetic effect of easing money growth figures in their accounting books. However, these funds will simply shift into the Euro-deutschmark market, where, according to one New York investment source, West German banks are even marketing government debt paper. Overall, the pressure of international claims on the country's basic industry can only be eased by an aggressive exports and investments push which places real productive growth behind the currency.

—Renee Sigerson

## France:

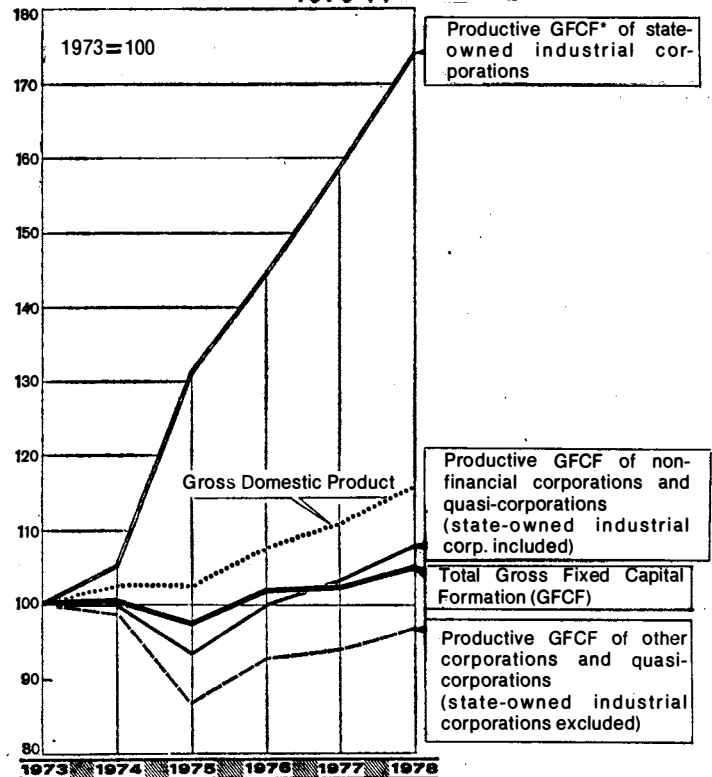
# Barre Plan Austerity Self Destructs

The situation of French investment, industrial output, and employment at year's end has dissipated any pretense that the "Barre Plan," named after French Premier and Economics Minister Raymond Barre, can salvage the economy with either its basic austerity thrust or its current patchwork "stimulation" amendments. French exports have been rescued — for the time being — from acute decline by foreign borrowing to extend new trade credits, and more positively by a general development push in the Third World and Mideast. The extinction of private sector investment, and the risky basis of public sector financing, however, remain a time bomb for the franc and the economy.

The latest news is the halving of France's annual trade deficit from \$4.4 billion in 1976 to \$2.4 billion. This occurred partly because of oil-import cutbacks (total petroleum consumption decreased 4 percent last year) as well as the abatement of drought-induced foodstuff imports. But the drastic total December import drop of 12.2 percent ultimately expresses the decline of industrial and consumer demand. Aggressive diplomacy recouped exports from the dramatic July-September drop of 10 percent, which affected all regional customers except the U.S.

Whereas average third-quarter monthly exports had been an unadjusted 24 billion francs, in December they reached 31 billion, subsuming a capital goods trade surplus of 2.5 billion, which brought the yearly capital goods margin of exports over imports to 17.8 billion (including, however, both autos and military equipment). This partly reflected a sharp depreciation of franc parities, especially toward year's end, vis-a-vis its European trading partners — from January 1976 to January 1977, 7 percent against the deutschemark, about 4 percent against the British pound and Dutch guilder,

Graph I  
France's Gross Fixed Capital Formation—  
1973-77



Source: CRÉDIT NATIONAL

(\*) Gross Fixed Capital Formation

Since 1974 State-owned industrial corporations have contributed by far the largest share of investment.

and almost 14 percent against the Swiss franc. The depreciations marginally enhanced price competitiveness and thus mitigated against a worse decline in French trade with Europe, but the situation of Franco-EEC trade as a whole remains stagnant at best.

It was a pickup in all categories of sales to the U.S. (despite a 3 percent appreciation of the franc) and, most significantly, a reversal of the 16 percent drop in third-quarter exports to OPEC plus new orders from northern and central Africa that gave trade its boost. Iran, Saudi Arabia, Nigeria, the Ivory Coast, Gabon, Pakistan and Morocco have been the key large-contract importers, along with the USSR. According to the *Moniteur du Commerce International*, 80 percent of the "big deals" as of October 1977 were for electrical construction, various infrastructural projects, chemicals, petrochemicals, and oil and gas equipment.

#### Skewed Investment

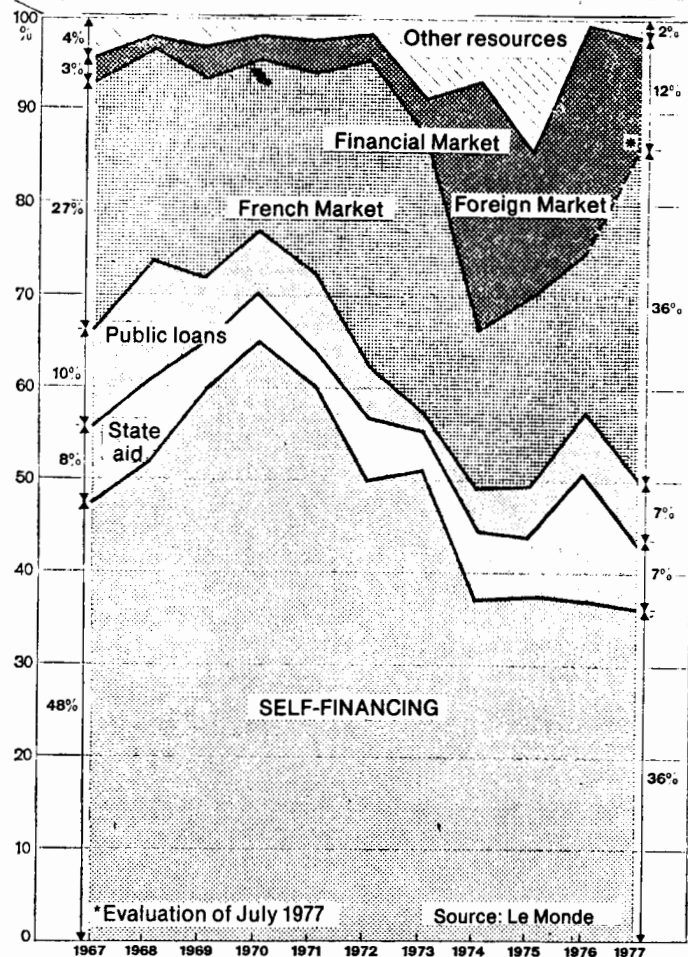
Unfortunately, there is another reason why France has run a capital-goods trade surplus, and that is the skewed situation of investment, which restricts French imports of specialized equipment from the U.S. and West Germany in particular. The private sector has essentially ceased to grow since the oil crisis (see Graph 1). In fact, the 6-7 percent increase in its productive investment represents, in real terms, disinvestment. And since 1976 the growth, such as it is, of the public sector has relied increasingly on loans from French and foreign banks and from the Euromarkets. (See Graph 2) The government has encouraged this reliance on foreign borrowing, which Gaullist spokesman Michel Debré recently called "a dangerous development...that could end by putting France under the rule of the International Monetary Fund" on the pretext of balance-of-payments deficits. Elder statesman Jacques Rueff elaborated disapprovingly that "foreign indebtedness is a way to try to undo what is attempted through credit restrictions." The upshot is that private firms use their borrowed funds for speculation or debt rollover, while bankruptcies mount. State-owned or large private firms maintain pinchpenny investments and relend their short-term borrowed funds at potentially dangerous longer terms to Third World, East bloc, and northern Mediterranean purchasers.

The efforts of Premier Raymond Barre, to "save the franc" by curbing domestic credit have thus actually put the franc, and the economy, in near-term jeopardy. Interest rates have leveled off in January after sharp November-December increases to a still formidable 9-9.5 percent range, while Euromarket France rates, owing to international lack of confidence, are at 13 percent. The Banque de France sold significant amounts of foreign exchange reserves in 1977 to support the franc, but specialists say it is hard to gauge the actual reserve position because the central bank "hides" extra reserves in the semipublic commercial banking network.

#### Plan Barre Self-Destructs

Industrial production growth, meanwhile, has been zero or negative from month to month; the ratios of business inventories to orders are worrisome in most sectors despite the export pickup; and every indication is that despite price freezes and a November-December stabilization of food costs, underlying inflation has not

**Graph 2**  
**Investment Financing of France's State-Owned Industrial Corporations\* 1967-1977**



\*i.e., Electricite de France (EDF); Gaz de France (GDF); Societe Nationale des Chemins de Fer Francais (SNCF); Charbonnages de France (CDF)

French industry has been forced to resort increasingly to the credit market and especially to foreign lenders to raise funds needed for capital investment.

been curbed. The condition of the labor force is exemplified by the Jan. 16 report that 1978 housing starts will be less 100,000 units lower than 1974, after an interval of continual decline, affecting mainly low-cost subsidized housing. A recent poll of CNPF (French industrial association-ed.) damned Barre for this zero-growth situation. Not only Debré, but the neo-Gaullist mayor of Paris, Jacques Chirac, have attacked the Premier for intensifying industrial stagnation while obstructing full nuclear-energy development. (Indeed, Barre's colleague, President Giscard d'Estaing, endorsed environmental terrorists' complaint that the public energy complex Electricité de France is "elitist" and too "independent" from their pressures.)

Despite this lapse in industry's sanction of Barre, last weekend's meeting of the CNPF by all reports produced a grotesque compromise between the development-

oriented majority and a Fabian minority which continues to exercise an unwarranted influence best seen in heavy industry's subjection to asset-stripping and cartelization in the steel sector, and increasing "rationalization" in textiles and chemicals, e.g. by Rhône-Poulenc.

The CNPF conference piously resolved to aim at a 5-6 percent growth rate — both antigrowth thinktanks like the OECD and empirical extrapolators project 3 percent at best — and endorsed high-technology investment. Yet the most concrete features of the resolution were commitments to energy conservation, and a phase-out of energy-intensive industries like aluminum.

Crash programs for fission and fusion nuclear proliferation were explicitly rejected. And instead of pursuing a labor-industry alliance for national growth, there was a call for women and youth to enter economic life more fully. Since the official decline (-15.5 percent) in unemployment during the fourth quarter of 1977 is universally acknowledged as bogus (in unadjusted terms, unemployment in fact rose 7.6 percent over the Aug.-Dec. 1977 period), this is nothing but a call for union-busting, and a sanction of the low-skilled makework programs that, along with new restrictions on unemployment claims, helped to bring down the official jobless figures.

#### *Failure of Nerve*

More courage should be expected even of an industrial constituency that has tolerated the *Plan Barre* for over a year. The plan was initially a crass austerity scheme, justified by the need to defend the franc against pressures created by the International Monetary Fund, the City of London, and the March 1978 "left threat." In the fall of 1976, French industry and labor were notified that *il faut souffrir pour être belle* — "to be attractive, one must suffer." Barre's clamps on wages, credit, and

investment punished production and, thus, fundamentally undercut the franc, while, as noted above, warping financial flows.

In early September 1977, a \$1 billion construction-centered reflation package was displayed. Selective industrial subsidies followed. For the first time in years, the government ran a budget deficit. The value-added tax was decreased to a unanimous 17.6 percent level; and minimum wage and pay-hike ceilings were adjusted to boost labor-intensive sectors and refresh consumer spending — while the work force in industry as a whole has declined in 1977 by 100,000.

In sum, Barre's deprivation regime had produced political rumblings rather than demonstrable beauty, and the rescue of the franc from incipient speculative attack stemmed from London's fear of a Gaullist-labor revolt rather than from world confidence. So Barre et al decided to inject some stimulation, consulting quack economist J.M. Keynes to alleviate the damage done by quack economist Milton Friedman.

If this were all that occurred over the past year — if other French forces favoring growth had not wangled export orders and mounted a broader diplomacy showing France's potential for positive world diplomacy — the balance sheet would already be unequivocally disastrous. As it is, either a "left" government against growth or, most probably, a chaotic no-majority interregnum as of March means the delay of an outright *political* solution. The prolonged decline of investment and production not only takes its toll in the waste of lives and national potential, but it represents the threat of imminent government destabilizations, through popular unrest and financial instability, that could end the promising growth-oriented thrusts of 1977.

—Susan Johnson

## Italy:

# Debt Albatross Threatens Expansion Plans

The present political crisis in Italy can only be resolved in one of two ways either of which will have far-reaching implications for the health of the European economy as a whole. Taking the worst case first, Italy, throttled by an immense external and internal debt, could be forced to undergo wholesale industrial rationalization, providing the prototype for European-wide Schachtian-style "cartels" in such basic industries as steel, chemicals, and auto. Alternatively, a freeze on payment as part of the debt combined with substantial foreign credits and an improved international monetary context would allow Italy to realize its considerable potential as a capital goods-exporter to the developing sector and as a "bridge" between industrialized Europe and the Middle East.

Debt is unquestionably the key issue in the current Kissinger-inspired destabilization of the Andreotti

government. Italy's medium and long-term foreign debt exceeds \$20 billion, \$5 billion dollars of which must be repaid or rolled over during 1978. The nation's commercial banks have racked up an additional short-term foreign debt totalling \$7.1 billion as of the end of November. Moreover, the government will require a fresh inflow of foreign capital this year simply to cope with refinancing the public spending deficit, which is likely to reach \$30 billion despite an IMF "limit" of \$22 billion. This is not even taking fully into account the funds needed by several public and semipublic industrial companies to cover huge losses and maturing debts, nor the capital required by the state-controlled electrical utility, ENEL, to finance its ambitious nuclear construction program. The Bank of Italy's seemingly formidable \$8 billion-plus in foreign currency reserves are effectively all borrowed and would be quickly run down in a crisis, although \$11

billion in additional gold reserves could be mobilized, especially if gold is remonetized.

#### How Italy Survived the Last Year

The foreign borrowing of Italy's commercial banking system has literally proved to be the main buttress of the economy since the 1976 lira crisis. To circumvent the restrictions which the Andreotti government placed on domestic credit expansion *in lire* (to meet IMF requirements), the banks simply borrowed *foreign* currency — to the tune of \$7.1 billion — then issued trade credits to boost Italy's industrial exports! This highly unusual banking practice allowed Italy to survive 1977 with a \$2.47 billion trade deficit for the January-November period, less than half the 1976 Jan.-Nov. deficit.

According to a report issued by Foreign Trade Minister Rinaldo Ossola, the banking system had \$4 billion in export credits outstanding at the end of 1977, half of which was directed to developing countries, 45 percent of socialist (mainly East European) countries, and 5 percent to other countries. The more than 50 percent expansion in the value of exports to Organization for Petroleum Exporting Countries (OPEC) (see Table 1) during the first half of the fiscal year 1978 shows the efficacy of this policy.

Unfortunately, as the *Financial Times* of London emphasized in its December survey of Italian banking, it also illustrates the extreme vulnerability of the entire banking system — which the *Times'* Rothschild owners will doubtless attempt to exploit, as evidenced by their selection of the following quote from the Bank of Italy's latest annual report: "Along the path towards greater financial stability to which we are committed, the banks have built a bridge. It consists of the short-term indebtedness passing through their hands; the debts of the treasury and enterprises towards the banks; and that of the banks themselves towards creditors abroad and the public. The country's external and internal monetary situations depend upon the breadth and adequate stability of the structure. *In such circumstances the credibility of the banking system becomes a question of overriding general interest.*" (emphasis added by *Financial Times.*)

The present wave of scandals which has engulfed nearly every major bank in Italy, including a rehashing of Vatican financier Sindona's role in bankrupting the Franklin National Bank, could raise that "credibility" question, in the *Financial Times* estimation.

The present wave of scandals which has engulfed nearly every major bank in Italy, including a rehashing of Vatican financier Sindona's role in the Franklin National Bank bankruptcy, could raise that "credibility" question, in the *Financial Times* estimation. The West German *Deutsche Zeitung* recently charged that City of London bankers had deliberately rigged the outbreak of banking scandals in Italy and internationally so as to counter the development of a hard currency-based European financial market in Luxembourg.

#### Austerity Guts Production

Despite the banks' propping efforts, the overall impact of the austerity measures imposed by Andreotti under IMF pressure has been to gut production. Industrial output plummeted 5.5 percent in October 1977 from the

Table 1  
Italy's Foreign Trade  
(billions of dollars)

	Value of Exports 1-6/77	% Change over 1-6/76	Value of Imports 1-6/77	% Change over 1-6/76
Total*	21.27	26.2	23.85	15.8
Industrial Countries	13.33	23.8	13.94	14.0
U.S.	1.41	25.5	1.73	8.9
EEC	9.98	23.0	10.30	13.6
West Germany	3.90	23.0	3.95	13.2
France	3.17	20.9	3.36	16.9
Great Britain	1.07	34.4	0.87	21.9
OPEC	2.75	53.3	4.63	18.7
Other LDCs	1.84	28.8	2.42	28.1
USSR, E. Europe	0.98	36.6	0.97	11.1

Source: IMF/Direction of Trade

*Total	
Value of Exports 1-11/77	40.30
% change over 1-11/76	27.40
Value of Imports 1-11/77	42.80
% change over 1-11/76	15.40

After adjusting for Italian inflation rates of 20%, Italy's exports show only modest growth to other industrialized nations but substantial gains to the oil-producing countries — reflecting heavy participation in Middle East development projects. Exports to OPEC are nearing one-third the value of exports to the EEC. Sales to the East Bloc — while growing more rapidly than other sectors — are hampered by lack of credit. Meanwhile, the severe import austerity imposed on Italian industry will likely bring even this limited "export drive" to a halt.

same month in 1976. September production was also more than 4 percent below its year-ago level, although previous increases resulted in a 3 percent rise for the Jan.-Oct. period as a whole. Unemployment shot up to 1.7 million (7.7 percent of the workforce) during 1977, with projections by the OECD that it will reach 9 percent during 1978, providing a ripe recruiting ground for the lumpenized fascist street gangs currently terrorizing Italian cities. Consumer price inflation is still running at an annual rate of 18 percent.

The shrinkage in Italy's trade deficit — which is most often cited as "proof" of the success of the austerity program — actually reflects the slashing of imports as a result of the industrial production cutback and the running down of stockpiles of materials needed to renew the production cycle. Despite the lira depreciation, the Italian export "boom" never materialized — with the exception of the above-cited exports to OPEC — due to the economic stagnation of Italy's major EEC trading partners.

Ironically, the austerity conditions have also created a shortfall in government tax revenues and aggravated the government budget deficit — a phenomenon familiar to New York City residents. The debate over the public deficit and Italian Communist Party-trade union rejection of Treasury Secretary Stamatii's proposals for still greater austerity so as to meet the IMF's \$22

Table 2

## ITALIAN CORPORATIONS : TRENDS IN RELEVANT BALANCE-SHEET RATIOS

(Figures in percent)

	795 CORPORATIONS			PUBLIC SECTOR			PRIVATE SECTOR		
	1968	1972	1976	1968	1972	1976	1968	1972	1976
Owners' equity to total liabilities.....	20.7	15.3	14.5	18.1	12.9	14.6	22.5	17.4	14.5
Total debt to fixed assets	75.7	85.5	102.6	82.5	92.5	104.9	70.2	78.9	100.0
Funded debt to total debt...	43.8	44.9	36.1	52.8	54.9	43.4	35.2	33.8	27.5
Increase in debt to assets expansion.....	45.7*	63.2	55.6	51.1*	72.5	61.8	41.2*	51.5	49.9
Depreciation allowances to fixed assets.....	5.8	6.3	6.8	5.1	4.3	6.0	6.4	8.1	7.6
Interest charges to sales...	3.8	4.5	6.7	6.7	7.4	9.6	2.6	3.1	4.9
Cash flow to owners' equity	16.2	13.2	20.2	15.3	15.6	11.7	16.6	11.7	28.3
Net margins to sales.....	0.5	-4.3	-2.4	-0.9	-3.6	-5.3	1.1	-4.6	-0.7
Labor costs to sales.....	22.6	26.7	21.7	23.8	28.4	21.5	22.0	25.9	21.9

\* 1969

Source: Mediobanca, Milan

This study of 795 Italian corporations shows how debt overhang impedes further capital formation.

billion target was the immediate trigger for this week's collapse of the Andreotti government.

#### Cartelization

The industrial depression has also deepened the financial crisis of several major public sector and private companies. A recent Bank of Italy survey of 143 firms showed that their overall indebtedness amounted to nearly \$55 billion, while their combined annual interest liabilities totaled \$8.6 billion. The situation is so desperate that the government just approved an emergency allocation of about \$500 million to the most hard-hit companies to cover payment of back bills, delayed December wages and Christmas bonuses. Recipients reportedly included Montedison (chemicals), Italsider (steel), Alfa Romeo (auto), Unidal (foods), and Liquigas (chemicals).

Lazard Freres-linked Mediobanca chief Enrico Cuccia has meanwhile stepped into the breach with proposals to take over and rationalize the semipublic Montedison chemicals group (returning it to the "private" sector), with the help of financing provided by an international banking consortium led by the Brussels, Rothschild-associated Banque Lambert. Cuccia is further promoting the idea of a European-wide "chemical cartel" aimed at reducing output and raising prices. Recent *Journal of Commerce* coverage indicates that Cuccia's plan entails a "European minimum selling price" system — similar to that just set up for the EEC steel industry. Significantly, Etienne Davignon, the EEC commissioner for industry and the architect of the new steel cartel, met with Industry Minister Donat-Cattin last week to discuss the outlook for Italian chemicals and fibers.

A similar "restructuring" is underway at Agnelli's Fiat, which has just been decentralized into 11 separate companies. According to the company's financial director, Cesare Romiti, Fiat will de-emphasize investment in industrial vehicles in favor of passenger car production. However, Romiti's long-term perspective (as paraphrased by the *Financial Times*) is that "it would be necessary to rationalize if not to merge production among the various European car manufacturers.

#### Potential for Expansion

While the Cuccia faction maneuvers to impose its "solutions" in the government crisis, there is still a chance that a proproduction labor-industrial alliance, consisting of a coalition of Communist, Socialist, and Christian Democratic elements, might emerge in control, provided international support is forthcoming. The tremendous potential for an Italian economic expansion based on exporting capital goods in exchange for development is shown by the deals already being discussed with East European and OPEC nations. The Italian state steel company, Finsider has floated a plan to build a 750-kilometer pipeline to carry coal from Poland to northern Italy. Italy presently imports 80 percent of its energy needs, and this project would help to reduce the country's heavy import bill. The Italian government, SMI-Metalli Industriali, a leading copper fabricator, and the Pechiney group of France are also discussing developing Poland's copper fields. But trade with the East bloc has generally been hampered by the Eastern Europe's debt overhand and Italy's own capital shortage.

Italy's state electric utility, ENEL, is also one of the leading exponents of nuclear power. Although the government recently gave approval for ENEL plans to build 12-14 nuclear power plants in the next five years, the question of where to raise the necessary capital — at least \$14 billion — is still unanswered. Although the Carter Administration has promised credits, from the Export-Import Bank, these loans would only cover the costs of American equipment (about \$150 to \$200 million for the first two reactors) and are still being negotiated. A planned \$500 million loan for ENEL from a Chemical Bank-led consortium remains in limbo, possibly due to the current Italian political crisis. Nevertheless, after many delays due to "market conditions," a \$200 million Eurodollar credit managed by S.G. Warburg of London was signed this week.

*Confindustria's "Program"*

In the meantime, Confindustria (employers' federation) head Carli has put forward a confused jum-

ble of proposals ostensibly designed to promote economic growth and investment without triggering inflation. While the OECD has projected 1 percent GNP growth for Italy in 1979, Carli is calling for 4.5 percent growth through selective credits to industry ("efficient" ones only), tax breaks to encourage investment, which are to be counterbalanced by cutbacks in public spending through service rate hikes and "containment" of labor costs.

The Confindustria plan dangerously pits industrialists' concern for increased capital formation against workers' needs to recoup the decline in real wages. A recent statement by CGIL leader Marianetti indicates some trade unionists are thinking in the right direction; he called on the unions to devise an expansionist program which would enable workers to abandon their present entrenched positions where they can merely fight to maintain present income levels.

—Alice Blythe



# Europe's Leaders Say No To Cold War

In the last week West German Chancellor Helmut Schmidt and French President Giscard d'Estaing have made clear that they are not in agreement with the British-inspired policy of confrontation between the U.S. and the Soviet Union.

In recent interviews and statements Schmidt has indicated that this policy is in conflict with the national security and national interests of West Germany.

*The Jan. 2 and 9 issues of the West German magazine Der Spiegel published an alleged manifesto of an "organized opposition" in the German Democratic Republic (DDR), which has been widely attacked by leading West German political figures. Although Der Spiegel claimed that the manifesto was genuine, the magazine did not reveal the authors or sources of the document. On Jan. 9, the German Democratic Republic (DDR) closed down Der Spiegel's office in East Berlin by expelling one correspondent and denying accreditation to his replacement. These excerpts are from a Jan. 16 Der Spiegel interview with West German Chancellor Schmidt.*

*Spiegel:* If we correctly understand the DDR government's reaction to the manifesto of the League of German Communists that was published in *Der Spiegel*, then it appears to us that (DDR President) Honnecker's maneuvering room around detente has become significantly smaller.

*Schmidt:* I cannot draw any conclusions from this about the maneuvering room for the DDR leadership's outwardly directed policies. I must also reject having the Federal Chancellor or another member of the government participate in public speculation about the alleged sources or the alleged background of the papers that you have published in your paper. We have explained quite clearly that, whatever you may say about its source, the Federal government has nothing to do with it. It is only the political reaction of the SED (Socialist Unity Party, the ruling party in the DDR—ed.) and DDR leadership which is important for me.

*Spiegel:* As for the authorship, your government is not involved, in the eyes of the DDR leadership. They have named the West German Federal Intelligence Service (BND) as one of the co-authors, which is a service working under your office.

*Schmidt:* Not only the BND, but also other official offices, which are part of the Federal Republic, or are attributed to it. State Minister Wischniewski has rejected this with all desirable clarity. As for the rest, concerning the closing of the *Der Spiegel* office in East Berlin, we have handed over a formal protest. I have nothing further to say on this. I only want to refer to one thing quite clearly: The federal government is not thinking of

avenging like with like. We are prevented from doing this by the binding provisions of the Basic Law and of Article 5. In addition, we do not want to contribute in any way to encroaching upon the freedom of the press, including the foreign press. But foreigners are not involved in this case, only persons to whom the Basic Law applies.

*Spiegel:* Can you agree to our thesis, that with an increase in detente—we are speaking about more economic dependence on the West, more exchanges of information—that it will basically come to more and more instability in the DDR, and that at some point, there will have to be an objective limit to detente for the DDR if it doesn't want to endanger its own system or put it into question?

*Schmidt:* This is a question that is not only related to the DDR, but the People's Republic of Poland, and other states in Eastern Europe. In any case, one thing is correct in your observation, namely the fact that economically, many states in Eastern Europe are very seriously hurt by the convulsions in international economy and therefore their ability to negotiate economically is more affected than they would prefer. But they are very conscious of this now, and because of this you will not see one single East European head of government or party chief gloating over the world economic crisis, because they themselves have been hit the hardest.

*Spiegel:* Our question is aiming at something else. Aren't VWs and money, more information and traveling, free exchange of ideas and opinions in the long run undermining the DDR's national consciousness as it is conceived of by the SED?

*Schmidt:* The process of detente is accompanied by influences upon the opposite side. If you examine the Soviet Union's new Constitution, among other things you certainly do see certain reactions to Helsinki and to everything that has been set in motion by Helsinki. For this reason, I am not able to distinguish anything exceptional regarding the DDR. The fact that the DDR, being a partial German state, is loaded down with a big rucksack of problems which the People's Republic of Poland or the CSSR or the Socialist Republic of Romania do not have, this is obvious. But that is not a result of their world-economic connections.

*Spiegel:* Does your plan, announced by Herbert Wehner (West German Social Democratic Party Parliamentary chief—ed.), to meet Erich Honnecker during this year, still exist?

*Schmidt:* I am not excluding the possibility of such a meeting. On no occasion have I said anything about a time.

*Spiegel:* What results could come from such a talk?

*Schmidt:* That's the right question. It would only make sense if it yields something.

## Schmidt on Europe's Security Goals

*West German Chancellor Helmut Schmidt is not allowing even a hint of Henry Kissinger's cold war rhetoric to creep into his dealings with West Germany's Eastern neighbors. Below is an extract from a joint press conference held Jan. 7 in Bucharest, Romania, between Schmidt and President Nicolae Ceausescu of Romania.*

**Question:** Mr. Chancellor, my question deals with disarmament and military disengagement. The problem of disarmament and military disengagement was amply discussed at the Romanian-BRD talks, and it was agreed to make specific proposals, also designed to accelerate the pace of the Vienna conference. Through President Nicolae Ceausescu, the Romanian side has already suggested that a decision be made this year to generally reduce military budgets. What is the position of the Federal Government of Germany on this proposal, and in general on military disengagement between the two blocs, in view of the fact that the BRD is still regarded as one of the pillars of NATO?

**Schmidt:** Allow me first to say that I consider the last remark incorrect. The BRD does of course play an important role in NATO and makes a considerable contribution within this organization. However, the term "pillar" seems to me misleading...

Like Romania, the BRD is not among the countries with large military expenditures, I would say. On the contrary, there are states which allocate a greater part of their national income or of their gross social product to defense. The real volume of these expenditures cannot always be clearly recognized from the outside. On the other hand, one can count exactly how many soldiers, how many airplanes, tanks and ships there are. I therefore think it is unavoidable that reductions should begin with these things, which are measurable and which can be easily checked. I believe that it is undoubtedly possible to combine this method with the principle of budget reductions affirmed by President Ceausescu.

## West German-Czechoslovak Talks Push Detente

*The official Czech news agency CETEKA, along with many other Eastern and Western sources, reported favorably on a recent visit to Prague by a delegation of parliamentarians from the West German Social Democratic Party (SPD), led by parliamentary fraction leader Herbert Wehner. CETEKA's Jan. 14 release reads in part:*

... (Wehner) said the talks enabled the SPD deputies to obtain much information for further negotiations... However, it is now decisive how this assessment of the former development of relations on the basis

of their agreement will be transferred into new impulses, and not only in bilateral contacts.... Asked about the results of the process of detente in Europe, Herbert Wehner stated that both the BRD and Czechoslovakia felt it particularly urgent, in view of their experiences and their geographic position, that the process of detente should continue and result in concrete steps towards armament and troop cuts.

## France's Giscard Intervenes Into Kissinger's Africa Hot Spot

French President Giscard d'Estaing concluded a visit to the Ivory Coast Jan. 15 with a call for a solidarity pact between Europe and Africa based on the Helsinki concept. By proposing that his government mediate the ongoing border dispute between Ethiopia and Somalia, which threatens the well-being of the continent, Giscard emphasized that France is committed to "the rights of African states to security within their present, internationally recognized borders."

Ivory Coast President Houphouet-Boigny commented on the solidarity pact, saying "I am convinced that the constitution of a large African market is a necessity for the two continents if they don't want to rot little by little, (Europe) threatened with old age and lack of raw materials and (Africa) by underdevelopment." In other remarks, Giscard also termed the creation of a "special promotion fund for Africa" necessary to thwart the expansion of the already vast north African desert.

Giscard's overtures to the Ivory Coast have both gained the support of West Germany and roused the ire of London. The West German daily *Die Welt* reported Jan 18 that Giscard's plan would be on the agenda of the Paris summit meeting scheduled to begin between Schmidt and the French president Feb. 5 and the West Germans are said to be anxious to coordinate the plan. Giscard has also said he will see that the pact is on the agenda of the next summit meeting of the European Economic Community.

The *London Times* last week termed the French relationship with the Ivory Coast "neocolonialist." *Die Welt* explained this charge: the British are "envious" that the economic achievements of the Ivory Coast were accomplished through Western aid which largely excluded the British.

Trade between the two countries belies the *Times'* accusations. Last year, France concluded 2.8 billion francs in export contracts with the Ivory Coast, now another 6 billion francs is under negotiation. The pacts which touch on shipbuilding, port and refinery extension, oil prospecting, and plant construction, may be joined by a French commitment to train native technicians to man French-produced industrial sites in Africa, making the charge of neocolonialism ridiculous.

# Menachem Begin's Blunders

*The following statement was issued on Jan. 18 by U.S. Labor Party chairman, Lyndon H. LaRouche, Jr.*

Like the Biblical Esau who sold his heritage for a bowl of pottage, Prime Minister Menachem Begin has bowed too much to the purpose of placating his enemies and has placed his political birthright in jeopardy.

I have great personal compassion for Prime Minister Begin. I know perhaps better than he might suspect the pressures acting to divert him from his course. Naturally, the incarnate evil, the Round Table gangsters of London, are at the center of his difficulties.

Yet when the fate of nations is at issue—and the fate of many nations is at issue in the current Middle East negotiations—no one has the right to make the sort of capitulation to London which Begin has made. I am certain he will be the first to concur with me—if he could but for a moment stand aside from the immediate pressures acting upon him and look at the situation from my vantage point.

There is a crucial feature of the Middle East peace negotiations which most observers are quick to overlook. No Middle East peace is possible without a massive economic development project for the region—and without uprooting the British intelligence-controlled "hard-liners" gang from the Palestine Liberation Organization (PLO). Without an economic development program for the region, there is no substance to give durable value to any agreement otherwise reached.

There can be no economic development project for the region unless continental western Europe and Japan break absolutely from London and the British pound and wilfully bankrupt the City of London.

Meanwhile the Soviet leadership now being manipulated by London, as it was during 1969-73, is being

lured into a foolish cold-war posture vis-à-vis the United States with British agents of influence like Kissinger, Brzezinski, Mondale, and Schlesinger manipulating the policies of the U.S.A. to aid in driving both the U.S.A. and Soviets into a cold-war posture right up to the brink of total war. This makes Middle East peace efforts more urgent but also more difficult.

As for President Anwar Sadat, I hope that from this experience he learns not to underestimate the significance of British agents of influence such as Dayan—one of his errors to date. Sadat too has replicated his Esau blunder: he has refused to give up the alternative of the Dayan option, has refused to burn his potential bridges to Dayan, and to London and Henry Kissinger.

As for the U.S. role during recent weeks, the overall performance of the Carter Administration has been wretched. Given the circumstances, it is difficult to estimate whether or not Secretary Vance has done as well as he might have.

Clearly President Carter lacks the toughness of a Nixon and thus capitulates to manipulation by Brzezinski and Mondale in a matter of days, while Kissinger and others required months to manipulate Nixon and years to break him. With British-connected Vice President Mondale in the wings, we must rescue Carter from the grip of the de facto traitors and surround him with positive forces—for the sake of the United States national survival.

So these are not easy times for Begin. He has my most profound and most compassionate sympathies for that, but I remind him again of Esau—would he rather give up Dayan and other British-linked "advantages" or give up the entire nation of Israel? Begin must throw away the pottage and resume the excellent course he and President Anwar Sadat began.

# Congressional Visits To Mideast: New Potentials For Peace?

On Jan. 4, a 15-member congressional delegation led by Rep. Clement Zablocki (D-Wis.), chairman of the House International Relations Committee, arrived in the Middle East for an information-gathering tour which will take the Congressmen to Tunisia, Syria, Egypt, Jordan, Israel, Saudi Arabia, and Iran. Simultaneous with this mission was the arrival in the region of a five-man senatorial delegation attended by Sen. Hollings (D-S.C.), a leading member of the Commerce, Science and Transportation Committee.

In an interview, a spokesman from Congressman Zablocki's office said that the delegation wanted to have a more direct reading of the political, economic, and military issues in the area. Informed sources on Capitol Hill report that "by taking a personal temperature reading of the explosive Mideast, the Congressmen hope to contribute to the overall U.S. policymaking process."

As the recent and dangerous developments surrounding the Egypt-Israeli political committee talks that began in Jerusalem last week have shown, the working out of the "nuts and bolts" of a peace settlement between Israel and the Arab world will be fraught with difficult moments. It is in such moments that the role of the U.S. as mediator and guarantor of a Mideast peace becomes crucial. And a successful U.S. role in the peace process must be defined by the necessity of direct economic assistance in the form of a Mideast economic development program that is the key ingredient of Mideast stability and the only true security guarantee against future wars.

The trailblazing Mideast tour of House Majority leader James Wright (D-Tex.) last November focused on the economic needs of both Israel and Egypt in particular, and a follow-up report is being prepared on future U.S. economic inputs into the Mideast. Politically, Wright acted as a go-between for Egyptian President Anwar Sadat at the time when he was preparing his historic visit to Israel's Knesset (Parliament) in search of peace.

## *PLO Moderation?*

The current congressional tours have potential to carry the peace process still further. In particular, the U.S. congressional delegation will perform a very insightful role in respect to the Administration's view of the Palestine Liberation Organization. What these Congressmen realized was that the PLO is not a gang of crazed terrorists but a political institution that is willing to moderate its position in search of durable peace.

In a three-hour discussion with Rep. Paul Findley (R-Ill.) on Jan. 6, PLO leader Yasser Arafat outlined his organization's willingness to negotiate on the exact timetable of an eventual Palestinian state. What the PLO refuses to compromise is the Palestinian people's inalienable right to their own statehood. Open for negotiation is how long the process toward statehood will take. The Congressmen's willingness to carry this message of PLO moderation back to the White House and

the State Department is reflected in an interview that Rep. Findley granted to the *Jordan Times* (see below).

## *A Number of Avenues*

On the military angle, the House International Relations Committee will review requests from Iran and Saudi Arabia for crucial U.S. aerospace technology. In the case of Iran's request for F-16 jets, commonly known as the "AWACS deal," there has been much controversy within the Administration as to whether the advanced system would fall into enemy (i.e., Russian) hands. Saudi Arabia is also interested in updating its air force through the purchase of American F-15s.

But it is in the political and economic realms that the two U.S. delegations will exercise their important powers. Both Congressman Zablocki and Findley, in particular, emerged as key interlocutors of Arab and Israeli leaders. While both met with Egypt's Sadat and Israel's Begin, the only two Mideast leaders who are involved in direct negotiations, they also met with Syria's Assad, Jordan's Hussein, and PLO chief Arafat, who, in disagreement with Sadat's unilateral gesture of peace toward Israel, have remained outside the negotiating process. Both Assad and Arafat stressed in their conversations with the U.S. lawmakers that any just and durable peace in the Middle East must address the question of self-determination for the Palestinian people and full Israeli withdrawal from the territories occupied during the 1967 war.

The need for cooperation between prodevelopment circles in the U.S. and their European allies is crucial at this time to ensure that further destabilization of the fragile negotiations does not collapse. In the area of economic guarantees, Europe has played an important stabilizing role. Last December, West German Chancellor Helmut Schmidt spent an unprecedented ten days in Egypt, and now West Germany is working on a complete development program for the debt-strapped Egyptian economy. In addition, France has actively pledged its commitment to progress in the region. Two weeks ago, a top-level trio from the French Industry, Economic and Cooperation Ministries toured Saudi Arabia and capped a rich package of economic transaction with a French-Saudi nuclear energy accord. U.S. Congressmen interested in an end to war in the region will be urging their government to use the opportunities created by PLO moderation, and join Europe in building the economic foundations for peace.

## The Congressional Tour

### *Jan. 5: Arafat meets with U.S. Congressmen*

PLO leader Arafat and Clement Zablocki discussed the Mideast situation in Damascus, Syria. During this meeting, which the Jan. 14 *Baltimore Sun* described as a debate between the Palestine Liberation Organization and the U.S. congressional delegation, Arafat proposed

that the United Nations peacekeeping forces be stationed on the border between Israel and a new Palestinian state created as part of an overall Middle East settlement. It was also at this time that Rep. Findley held private discussions with Arafat in order to better acquaint himself with the PLO position.

While visiting Syria, the Congressmen learned that the Palestinian problem is the key to solving the Mideast crisis. The Syrians expressed a friendly attitude toward the U.S. and demanded that the U.S. give its complete support to the peace process.

#### *Jan. 6: U.S. Congressional delegation arrives in Egypt*

Before leaving for the Sudan, Egyptian President Anwar Sadat met Zablocki's delegation. According to Cairo radio of Jan. 8, Sadat told the U.S. delegation that "Egypt is ready to discuss security facilities for Israel, but not at the expense of land." Sadat urged the Congressmen to stand on the side of peace based on justice. In addition to their meetings with the President, the Congressmen met with the Speaker of the Egyptian Assembly and Prime Minister Mamdouh Salem. As in Damascus, a dialogue took place in which a number of Congressmen sought clarification on all aspects relating to the Mideast dilemma and the Egyptian views.

#### *Jan. 8: U.S. Senatorial delegation arrives in Saudi Arabia*

Saudi Arabia's number two man, Deputy Prime Minister Fahd, received a U.S. senatorial group led by Senator Harrison Williams (D-N.J.), member of the banking, housing and manpower committees. The delegation reviewed the Mideast crisis in detail with the Saudi leader. According to the *Christian Science Monitor* last week, Sen. Ernest Hollings (D-S.C.) said, "The U.S. cannot afford to let Sadat down... The consequences of failure are unthinkable." Senator Hollings is chairman of the Commerce, Science and Transportation Committee.

Also on Jan. 8, the Egyptian newspaper *Al Goumhouriya* published a statement by Rep. Findley declaring that "The congressmen observed during their meeting in Damascus with Yasser Arafat that he was moderate in his stand and that he had praised President Sadat and had spoken about him in a good spirit." Findley noted in the interview that he detected a "spirit of moderation in Carter's attitude when, in his recent Aswan statement with Sadat, he mentioned the Palestinians' right to determine their own future."

#### *Jan. 13: Rep. Findley arrives in South Yemen*

Findley, the first U.S. policymaker ever to be invited by the Marxist regime of South Yemen, traveled there to acquaint himself with the country's officials. In a conversation with Rep. Findley's office, it was learned that the South Yemenese, at Saudi urging, are very interested in acquiring U.S. technology in order to develop their oil-producing capabilities.

#### *Jan. 15: U.S. congressional delegation arrives in Israel*

Upon arrival at Ben Gurion airport for a three-day

visit, Rep. Zablocki declared that the group sensed a "feeling of apprehension in the area." Zablocki stressed that Israel must respond to Sadat's initiative to keep the peace momentum going and added that the Arab leaders whom he had met, including Sadat, "believe that Israel's response to Sadat's initiative has been inadequate and disappointing."

Later, Zablocki and his delegation were shocked at the dinner-table tirade against Egyptian Foreign Minister Kamel by Prime Minister Begin. According to the *Washington Post* of Jan. 18, Zablocki was highly critical of Begin's actions.

#### Findley: "Arafat Prepared for Concessions"

*In a Jan. 12 interview with the Jordan Times, excerpted here, Rep. Paul Findley gave his view of the PLO's moderating stance in the interests of peace.*

An American congressman who met for three hours with Palestine Liberation Organization leader Yasser Arafat in Damascus last week says he feels that Mr. Arafat concedes that any Palestinian state established on the West Bank and Gaza may have less-than-total independence in the first years of its existence.

Representative Paul Findley (Republican, Illinois) told the *Jordan Times* in an interview here last night that he draws this conclusion from Mr. Arafat's suggestion to him that the Palestinians would welcome a peace-keeping and security force in a Palestinian state, if that force were composed of troops of the five veto-wielding permanent members of the United Nations Security Council (The United States, the Soviet Union, Great Britain, France, and the People's Republic of China).

Rep. Findley said Mr. Arafat called the peace-keeping suggestion "the skeleton of an idea" about how a Palestinian state could have internationally acceptable security arrangements. He said Mr. Arafat "welcomed the idea of a peace-keeping force for a stated period of time, and he chose those five countries to provide the peace-keeping forces because they could be commanded by the secretary general of the United Nations."

Rep. Findley asked Mr. Arafat if the U.N. peace-keeping force could remain in Palestine for ten years or more, to which the PLO leader replied that such details could be considered if the idea were first accepted in principle.

Mr. Arafat was then asked whether he would accept excluding American and Soviet troops from such a force, to allay Western fears of undue Soviet presence or influence in a Palestinian state, and Mr. Arafat again said that any such suggestions would be considered if the basic idea were accepted.

"He did not reject these suggestions," Rep. Findley said, "which indicates to me that he is in agreement to very substantial limitations on the independence of any new Palestinian state. Mr. Arafat said he welcomed such a United Nations-supervised peace-keeping force, and I think that by doing so he concedes that in the short term a Palestinian state will have less-than-total independence."

Rep. Findley said Mr. Arafat suggested it would take 10 to 15 years to establish "the skeleton of a government

system in a Palestinian state," and added that Mr. Arafat said he "could not see the day when the new Palestinian state would have such military power that it would constitute a threat to, or cause concern on the part of, any of its neighbors."

"His whole objective is obviously peaceful," Rep. Findley said of Mr. Arafat, whom he had met for the first time. "He came through as a moderate, as one who would make concessions and who would be part of the peace process that is now underway, in Geneva or elsewhere."

### Saudis: "Moderate Stance by Arafat"

*This editorial appeared in the official Saudi Arabian newspaper Ukaz on Jan. 14. It stresses the growing conviction among conservative Arabs that the PLO is moderating its position.*

The new attitude of PLO Chairman Yasser Arafat is bound to strengthen the current direct peace negotiations, because an interim acceptance of a Palestinian state within a reasonable context that would be amenable to the coming stage of peace gives the Arab negotiator a stronger position and political leeway in the current negotiations.

This new change in the Palestinian thinking, which Yasser Arafat has clearly expressed, is of a special and new significance, particularly when we know that Arafat made this statement in Damascus. This implicitly means that it enjoys the sympathy of Syria, without which

Arafat would not have been able to make such a statement on the Syrian territory....

Moreover, the change in the Palestinian political thinking in fact stems from the full realization that the continued rejection of all the efforts being exerted by Egypt will harm the national interests of the Palestinian cause, particularly since in all its talks with Israel Egypt insists on the need to reach a total peaceful solution with the Palestinians because real peace in the Middle East is entirely dependent on the Palestinian solution....

We believe that following this Palestinian acceptance the United States must now play a major role in the negotiations with the Israelis to make the Israeli negotiator accept Palestinian participation in these talks, particularly since Arafat has given every guarantee possible against attack from the Palestinian state that will embody the Palestinians.

Therefore, the excuse that allowing the establishment of a Palestinian state neighboring Israel would be a danger to the Israeli existence and entity is no longer valid after the explanation that Arafat has made regarding the stages of creating a Palestinian state and its political aspirations in the Middle East once the state has reached the final stages of its formation in the peaceful atmosphere that will be realized.

Therefore, Israel must clearly understand that the offer made by the Palestinians will not be repeated, and therefore its rejection of such an offer will hamper the achievement of the desired peaceful objectives, whereas its acceptance of such an offer will determine its seriousness regarding the peace it is presently negotiating, the peace on which the future of the area and both the Arabs and Israelis will depend.

## The Crash Of '79:

# Can London Make It A Reality?

A recent best seller, *The Crash of '79*, describes a scenario in which conflict between the two Persian Gulf oil giants, Saudi Arabia and Iran, plunges the Mideast into a limited nuclear war. This suspense thriller is fiction, but an international banking clique seated in London is intent on making the scenario operational. While the plot of the novel, which centers on an international monetary collapse as the motivating force for the Persian Gulf holocaust, may be considered outrageous, it is nevertheless the policy of the conspiracy emanating out of London to bankrupt the dollar and thereby reclaim international financial hegemony.

The author of *The Crash of '79*, Paul Erdman, is known to have consulted with such London allies as Felix Rohatyn, the architect of New York City's Municipal Assistance Corporation, in writing the book. Then only last month, the U.S. Senatorial Committee on Energy and Natural Resources, chaired by Senator Henry Jackson (D-Wash.), printed a report titled "Access to Oil: The United States' Relationships with Saudi Arabia

and Iran," which is shockingly similar to Erdman's thriller.

Fortunately, London does not have the novelist's ability to make all the characters play their assigned roles. The Shah of Iran has made it clear that his government wants no part of the Jackson report script, scathingly calling it a "flight into fancy," and the Saudis are also refusing to play.

### *The Jackson Screenplay*

The Jackson report, like recent coverage in the *Washington Post*, advocates a major U.S. shift in Mideast policy whereby the economically and politically powerful U.S.-Saudi relationship would be replaced by U.S. dependency on Iran and Israel as gendarmes in the region. It is the Saudi-U.S. alliance, fundamentally based on maintaining the value of the troubled U.S. dollar and supplying oil to the U.S., which is the biggest political obstacle to London's economic offensive against the U.S.

Both U.S. Treasury Secretary Michael Blumenthal

and U.S. Energy Secretary James Schlesinger have collaborated with their London allies to provoke a reaction against the U.S. within Saudi Arabia. Blumenthal was the key "inside" man in Washington, keeping the Administration from intervening to defend the sagging dollar — a touchy topic with Riyadh since 85 percent of its enormous foreign holdings are denominated in dollars. Schlesinger, already an unpopular man in the Persian Gulf since his recent statements alluding to U.S. occupation of Gulf oil fields, last week visited Saudi Arabia, and his trip did not promote harmony between Washington and Riyadh. According to the *New York Times* there were marked "differences" between the Saudi leadership and the U.S. Energy Chief.

Following the Jackson report's release, the Persian Gulf again became the focus of international attention. The French press *Le Matin* and *L'Aurore* last week detailed analyses of divergent formulas for security for the Mideast. *L'Aurore* reiterated the traditional U.S. State Department formula for the Gulf and the Mideast which necessitates close relations between Saudi Arabia and Iran as the key to regional security. The paper called for the two countries to mend past differences that were consciously heightened by the war diplomacy by the former Secretary of State Henry Kissinger. *Le Matin*, on the other hand, prescribed the Iran-Israeli military axis in exactly the terms defined by Kissinger's foreign policy.

The leadership of the Palestine Liberation Organization has also stressed the dangers of such an alignment. Abu Iyad, the number two man under PLO chief Yasser Arafat, last week linked the Iran-Israel strategy to the dangers of a Mideast settlement of the sort Kissinger and his London backers desired: the PLO would be destroyed, allowing Jordan to assume control of the Israeli-occupied West Bank of the Jordan.

#### *Toward Real Gulf Security*

In an official Foreign Ministry statement issued immediately after the release of the Jackson report, the Iranian government stressed that Iran has no intentions of taking an "assignment" from Washington to intervene in the affairs of its Arab Gulf neighbors, most importantly Saudi Arabia.

In reality, all of the oil-producing nations of the Persian Gulf have redoubled efforts to achieve regional security based on a new level of political and economic cooperation. This process has been unfolding since the November 1976 meeting of the nine gulf states in Muscat, Oman to discuss a formal Persian Gulf security pact. Following the failure of the Gulf states to reach a consensus on a security agreement at that time, Iranian diplomacy began immediately to build organic links between the nine states and break down regional differences long exploited both by British colonial networks in the Gulf and by Kissinger. Most important, this effort cuts through traditional differences between the Arab states and Iran. The public condemnation by a number of Gulf leaders last fall of Schlesinger's open proposal of a possible U.S. military invasion of the Persian Gulf to "secure" its vast oil wealth was one indication of heightened concern within the region that independent

security measures had to be taken. Iran and the Saudis have closely coordinated measures to insure no terrorist incident occurs that could disrupt oil flows.

The Shah's visit to Riyadh earlier this month and his meetings with King Khalid and Crown Prince Fahd marked a breakthrough in Saudi-Iranian relations. There was unanimity on a number of crucial issues including a formula for a Mideast peace and joint work to insure continued moderation in the pricing front within the Organization of Petroleum Exporting Countries.

Furthermore, in the last two months the Shah has had personal consultations with the Sultan of Oman, whose country controls the strategic mouth of the Gulf, the Straits of Hormuz. The Shah also met with the leader of the United Arab Emirates, Sheikh Zayed. Following a series of high-level meetings between the governments of Iran and Iraq, the Shah announced last month that he would soon be making his first visit to Baghdad, a visit which is the product of a process of normalizing relations between the two Shi'ite Islamic countries since the historic 1975 Iran-Iraq border agreement.

The strategic importance of the growing political unity among the Gulf states has a twofold significance. First, it makes London's efforts to gain control of the region's oil resources more difficult. Second, it has direct relevance for the security of the Indian Ocean.

The Shah is expected to visit Indian Premier Desai at the end of the month to propose cooperation between the countries of the subcontinent and Iran patterned after Europe's Common Market. In this connection, Iran is playing a unique regional role of unifying the Gulf states and the Asian nations that would allow India, Iran, and Saudi Arabia to take the lead in providing stability to the region as a whole. This formula is favored by many traditionalists in the U.S. State Department.

#### *Counterattack: Provoking Iranian Instability*

The Iranian Foreign Ministry last month publically criticized both the British Broadcasting Company and the British Foreign Office for provoking instability inside Iran against the Shah. (see *Executive Intelligence Reviews*, Vol. V, No. 2.) The increasing openness of the Shah's positive diplomatic initiatives, and the obvious aim of the British *Crash of '79* policy, puts a new light on the "Iranian dissent" issue. In recent weeks, Iran has been hit with a new wave of terrorism which has led the government to close a number of universities. These terrorist operations are designed to break the Shah's long-standing internal security apparatus and allow British intelligence some breathing space to further increase operations against the Shah. British-linked Iranian dissidents have been demanding that the Shah "liberalize" his policies — a code word for the loosening of the present Iranian security and intelligence apparatus run through Iran's secret service, the SAVAK. If this liberalization, under the slogan of "human rights," were to materialize, the Shah would be much more vulnerable to assassination and his government more open to British-led subversion. Most likely, this is the only way that the City of London's strategic perspective of the Persian Gulf and the Mideast could be translated from scenario into reality.

—Judy Wyer

## Iran: Jackson Report "A Flight of Fancy"

*The Iranian Foreign Ministry's stinging condemnation of the Jackson Report's description of the Persian Gulf situation was printed in the Iranian state-owned newspaper Kayhan on Dec. 24, 1977. An Iranian Foreign Ministry spokesman Parvis Adl, particularly responded to a formulation in the Jackson report which stressed that Iran could be "called upon to intervene in the internal affairs of any Persian Gulf state."*

"Flights of fancy are now part of the regular stock of genius behind the production of films, novels, and other works in the U.S. Iran and Saudi Arabia are two friends and neighbors who are in no way engaged in, or heading toward, a confrontation. As for Iranian intervention in Persian Gulf states, Iran would provide assistance to these countries if, and only if, they request it, as the Shahanshah recently stated in Oman. And such assistance would continue only as the request remained in force."

*Adl criticized the study for its allegation of Iran's accepting an "implied assignment" from the U.S.*

"Iran's power is aimed at the protection of its national interests, peace and tranquility. At any rate, this power shall never be used at the instruction of others."

\* \* \*

## Moscow Says: 'The Gulf States Won't Bend'

*Radio Moscow questioned the motives of the Jackson report, in a commentary Jan. 12, speculating that an Iranian military threat to Saudi Arabia would be designed to pressure Riyadh to moderate its formula for a Mideast peace.*

"Official circles in some Western capitals believe that the stepping up of American pressure on Saudi Arabia is due to the position of the Saudi leadership which has diverged with Washington's plans for a Mideast settlement....But the forces behind this policy of pressure seem to have forgotten that the era of colonialist control of the Gulf region has gone forever, and that the peoples of this region reject any bargaining over their sovereignty and national independence. This is a fact not even political officials of the Gulf states can ignore; this is why, despite American pressure, Prince Sa'ud ibn Faysal has reaffirmed that his country's position is different from America's.

As for Iran, its leadership is conscious, too, of the dangers to Iran implicit in being dragged into American schemes in the Gulf area; for this reason, an official spokesman of the Iranian Foreign Ministry has described the plans of the American Congress to use Iran as a fist to be used in an attack against Saudi Arabia as an aspect of the old imperial credo, "divide and conquer."

## Documents Show Morgan's Role In IMF Austerity Plans For Egypt

*The Morgan family's role in coordinating the International Monetary Fund's attempts to override the Egyptian government and force draconian levels of austerity on that country is fully documented in a series of privately circulated reports that we excerpt here. The reports were provided to the Executive Intelligence Review by a leading Middle East official.*

*First, portions of a recent letter from an official of one of the Morgan banking group's commercial arms.*

As you know, the first phase of our assignment has involved working with GODE (Gulf Organization for the Development of Egypt —ed) and Egypt, first in connection with the payment of outstanding arrears on banking facilities and supplier credits, and then with the process of obtaining the remaining GODE funds for balance of payments needs . . . .

Egypt has been current in its banking facilities since the end of August, 1977. This development, as we have learned in our continuing consultations with them on your behalf, has been well received by the international banking community . . . .

As you know, in order to implement the first phase of our assignment as outlined above, it has been necessary

and desirable for Morgan Stanley personnel to be present in Cairo for extended periods of time. It has been clear, and we have all agreed in principle, that in order to fulfill our responsibilities it is necessary for Morgan Stanley to maintain a continuous presence in Cairo. . . .

. . . We might say at the outset that we expect that Morgan Stanley will be in a position to make a more substantial and lasting contribution to Egypt in these subsequent phases than circumstances of the first phase permitted. We look forward to that.

For instance, the next phase of our assignment will concern long range balance of payments matters. This phase will include the continuing questions of the rationalization and management of Egypt's external debt. We expect in this connection to be working closely with the Ministry of the Economy and Economic Cooperation, the Central Bank, the Ministry of Finance, the Ministry of Planning, the GODE States, the multinational commercial banks, the international agencies and other organizations and sources of funds as may be appropriate . . . .

During our last visit in Cairo it came to our attention that thought is being given to the recapitalization of the public sector companies in order to enable them to in-



dependently finance their operations in the capital markets. You have told us that in order to improve the profitability of these companies, consideration is being given to ending price controls, thereby allowing prices to rise to a level where operations could be self financing. We believe that Morgan Stanley can be helpful in this respect, in light of our considerable experience over the years with questions involving the capital structure and financing of corporations . . . .

For your information, we are pleased to report that we have joined the Egyptian-American Business Council. In addition, after discussions with you on the question of its appropriateness, I have agreed to assume the duties of Chairman of the committee on Egypt's foreign investment law. We have all agreed that this will be a positive move in the furtherance of our activities on your behalf . . . .

*Morgan Stanley officials submitted this detailed report of their meetings with representatives of the International Monetary Fund and other monetarist interests while in Cairo and Riyadh. Presented in chronological order, the banking officials provide their superiors with profiles of Egyptian government representatives and of the current state of Egypt's finances.*

*Wednesday, November 30, 1977*

EDMorris and ASFoda arrived separately in Cairo in the afternoon of Wednesday, December 30. EDMorris and ASFoda met at the Nile Hilton in Cairo where they briefly discussed the latest development on the Egyptian project and placed a phone call to Hans Gerhard, the IMF Representative in Cairo . . . .

At around 8:30 p.m. Hans arrived and after a brief exchange of pleasantries we started talking about the current economic situation . . . During the discussion, Hans stated that he is somewhat disappointed with the current economic situation and the management of the economy as a whole. . . He stated that Egypt had not yet taken the hard decisions with respect to the removal of subsidies and the rationalization of the general pricing system of the economy. He added that although the situation is substantially improved from a year ago, the hard decisions are yet to come to put the economy on the right course. He stated that the management of the economy is still inefficient and timid and that he and the IMF group which just visited have not seen any major changes in this respect. There is considerable frustration within the IMF with the reluctance of the Egyptian officials to undertake the major economic policy decisions. Hans added that the reason the Egyptians are still current on their banking facilities is the \$50 million grant that was received from Kuwait, otherwise Egypt would have been in arrears again. He characterized the people managing the economy as being timid, too politically oriented or incompetent. He explained that Dr. Kaissouni (Egyptian Deputy Prime Minister for Economic Affairs —ed.), in the aftermath of the January 17-18 economic decision and the riots, is too timid and unwilling to take the hard decisions needed to rectify the inadequacies of the current price system. He explained that Dr. Kaissouni has no lines of communications with the President . . . .

He characterized Dr. El-Sayeh (of the Ministry for Economic Cooperation —ed.) as too politically motivated and opportunistic and, therefore, unable to give sound advice to Dr. Kaissouni. With respect to Dr. Salah Hamed, the Minister of Finance, he explained that he is completely incompetent. When asked about other people in any one of the Ministries of Economy, Planning, or Finance who may be able to take part of the responsibility for rectifying the economic policy of Egypt he stated that he knew of no particular person who has the level of competence needed to undertake the job . . . He added that the IMF, during the visit to Cairo, had submitted a proposal for extended IMF facilities to Egypt. He stated, however, that he does not believe that with the current way the economy is managed that the Egyptian will have much chance in getting those extended facilities . . . .

*Thursday, December 1, 1977*

. . . At around 11:00 a.m. we were invited to meet with (Central Bank) Governor Mohamed Abdel Fattah Ibrahim. We reviewed with the Governor and Mr. Singer the arrangements discussed on the draw-downs of the second tranche. We expressed our pleasure to have the opportunity to continue our financial advisory assignment with Egypt and expressed the hope that we could do more to the Egyptian economy. The governor expressed pleasure with the continued involvement of Morgan Stanley and stated that he had a few projects that he wanted us to get involved with. . . .

Referring to Morgan Stanley he stated that we might be able to provide assistance in some other projects like the reevaluation of the capitalization of some of the public sector enterprises. He explained that some of the public sector enterprises are partly owned by the private sector. He added that during the last few years the Government had spent millions of dollars on these companies. These funds, however, have not been included in the current capitalization of the companies. The government is currently thinking of abolishing the price controls on the products of these companies which will make them very profitable. If this happens and these companies were to be resold to the private sector or their shares started to trade, the market value of these shares will greatly exceed their book value because the Government capital expenditures on these public sector enterprises were not taken into account. He therefore looks to us to provide assistance on the valuation of such public sector enterprises. On the other hand, he stated that under different circumstances there are some other firms that have completely exhausted their ability to be funded by the government. He stated that one such industry is the construction industry which has greatly exhausted its ability to be financed through the Government. He said that our work on the capital markets may provide an avenue for such firms to be financed directly through the public rather than through the Government . . . At this point we expressed our pleasure to be of further service to the Egyptian economy and the Central Bank and explained to the Governor that we have been considering a Morgan Stanley presence in Cairo so that we could be more effective in our service to the Egyptian Government. The Governor welcomed this idea and said

that this would be a good step and there has been discussion with Dr. Kaissouni and Dr. El-Sayeh with respect to a Morgan Stanley presence in Cairo. He said that he will be glad to be of assistance to Morgan Stanley in locating space in Cairo or in any other way. . .

The Governor asked us to write him a letter outlining the capabilities of Morgan Stanley so that he may make better use of our expertise. We promised to do so . . .

*Friday, Dec. 2, 1977*

During a dinner party, EDMorris had a discussion with Christopher Wren of the *New York Times* in which Mr. Wren stated that there were rumors that Kuwait has cut off its financial aid to Egypt because of the current political situation and the Sadat initiative. EDMorris denied any knowledge of such cut-off in the aid program to Egypt by Kuwait and added that the GODE program is a multinational program that has nothing to do with the country to country relationship and that the prospects for such a cut-off of aid are highly unlikely. Also during the same discussion EDMorris noted that there has been an article in the *New York Times* which was published recently which, he explained, was well intentioned but had misinformation with respect to GODE. This article stated that the drawdowns on the GODE loans had not yet started . . .

On Saturday morning we had an early breakfast and went to our appointment at the Ministry of Economy and Economic Corporation. At around 10:30 a.m. we met with Mr. Abdel Aziz El-Zahwy, Under-Secretary and Chief of the Minister's Cabinet . . .

We had a broad discussion of the Morgan Stanley assignment and expressed our desire to be of more service to the Egyptian Government and to be able to extend our expertise in areas which Egypt needs. Mr. El-Zahwy stated that he is aware that we are going to be working on the stock exchange assignment and that two Egyptian officials have been assigned to work with us on the stock exchange assignment.

We talked with Mr. El-Zahwy about our long term objective of being of service to the Egyptian Government as their main investment banker. We added that we had had discussions with the Minister of Economy and Dr. Kaissouni as well as Governor Ibrahim with respect to establishing a presence in Cairo. We stated that this presence would be costing around \$250,000 and that we looked forward to Egypt and the GODE to compensate us for this cost. . . .

. . . At around 2:00 p.m. we met with Mr. Sayed Singer, Mr. Mohamad Halfawi and Mr. (X) of the Central Bank of Egypt who invited us to have lunch with them. The lunch was quite cordial and during which we had a discussion on the Egyptian-U.S.S.R. trade relationship. We understood from Mr. Singer that the total volume of the trade is approximately £120 million a year. One-third of this total amount is in traditional goods such as cotton and rice, etc. Mr. Singer said that the nontraditional goods, which are mainly privately produced, will be suffering a lot as a result of the breakdown in commercial relations with Russia. He stated that these goods are not up to the international standard with respect to quality and that Egypt will have a very hard time to export them to countries with which Egypt does not have

a bilateral agreement. He stated that some of the private producers are currently undertaking major investments to upgrade the quality of their products to bring these up to an acceptable level so that they can export them to free currency countries. During the meeting we also discussed the debt management unit and we learned that there are at least two units, one in the Central Bank of Egypt and the other in the Ministry of Economy. The debt management unit in the Ministry of Economy is under the direction of Mr. Abdul Aziz El-Zahwy. We understood from Mr. Singer that Mr. El-Zahwy has exclusive information relating to the utilization of Government loans. We understood that Mr. El-Zahwy has about 18 staff members in that unit and that those staff members collect this information from various ministries and organizations as to their utilization of the Government loans. The Central Bank, on the other hand, has data on the use of banking facilities and supplier credits transacted through the banking system. This data, collected by the Central Bank, is sent to Mr. El-Zahwy periodically. We understood from Mr. Singer that the flow of information from the Ministry of Economy to the Central Bank is less than forthcoming and that the Central Bank has problems in constructing a clear picture on the utilization of Government loans by the various ministries and organizations. It was clear that there was some kind of competition and ill-will between the two organizations and Mr. Singer expressed great frustration with the behavior of the Ministry of Economy with respect to supplying information to the Central Bank of Egypt. . . .

*Sunday, December 4, 1977*

. . . At around 10:00 a.m. we went to the Central Bank of Egypt where we had about a one and one-half hour discussion with Mr. Aly Negm and Sayed Singer, of the Foreign Department . . .

We then discussed with Aly Negm the Cairo office and went into the details of how we could be helpful in our assignment if we had a presence in Cairo and the cost of such a presence. We stated that we wanted some indication as to whether we are wanted in Cairo and confirmation that we are going to be paid for such a major commitment of Morgan Stanley's resources. Aly Negm said that this has been subject to discussions between Dr. El-Sayeh and the Governor and that from all indications, he knows that we are wanted in Cairo and he would personally like to see a Morgan Stanley presence in Cairo. He reiterated the fact that there have been several discussions between Dr. El-Sayeh, the Governor and Dr. Kaissouni with respect to a Morgan Stanley presence and ways to get Morgan Stanley paid . . .

*Tuesday, December 8, 1977*

. . . From GODE's office, ASFoda phoned Dr. Younes Al-Batrik at the Faculty of Commerce, Riyadh University. We agreed to have lunch with Dr. Al-Batrik who was to meet with us at the Intercontinental at around 12:30 p.m. Dr. Al-Batrik came to the Intercontinental and took us to a new restaurant in Riyadh called Al-Siteen. Dr. Al-Batrik has been a visiting Professor of Economics at the University of Riyadh for the past five years. We understood from Dr. Al-Batrik that he is also working as part-time advisor to the Ministry of Finance and in that function he is closely working with the taxation depart-

ment. He is also working with the economic planning department with Dr. Mansour Turki. We discussed with Dr. Al-Batrik the general economic situation in Saudi Arabia and the changes that are being brought about by the rapid pace of the economic development plan and the current construction boom that is apparent everywhere in Saudi Arabia. . . .

Discussions covered the real estate market in the United States, especially with respect to Dr. Al-Dukheil's plans to buy a house in the suburban surroundings of Washington D.C. This, we assumed, is in conjunction with the proposed appointment of Dr. Al-Dukheil as the Saudi Arabian IMF Representative. Dr. and Mrs. Al-

Dukheil left after about one hour. Thereafter we had some general discussion of the social situation in Saudi Arabia and the change that is being brought about by the rapid pace of the development in the Kingdom. . . .

At around 10:30 a.m. EDMorris returned back from the Saudi Arabian Monetary Agency (SAMA) and said that we most probably will be having lunch with some of the advisors, mainly David Mulford, and that he had to return back and wait because they're very busy and he is not sure when he will be able to meet with them. At around 2:30 p.m. EDMorris returned back from SAMA. . . .

## PLO Charges Britain With Hammami's Murder

*Simultaneous to the Executive Intelligence Review's (Vol. V No. 1) disclosure that British intelligence was responsible for the murder of PLO leader Said Hammami in London on Jan. 6, Moscow radio aired the statement of PLO official Muhammad ash-Shair accusing Britain of complicity in the assassination. Portions of the statement aired on Moscow's Arab-language station Jan. 9 are reprinted here.*

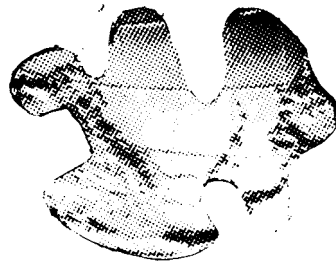
The assassination of the Palestinian leader Said Hammami in London on Wednesday, 4 January 1978, continues the chain of assassinations and treacherous liquidations the enemy has been carrying out with the direction and planning of the U.S., British, and Zionist intelligence services. All these are considered a single entity in their cooperation with each other and their links and aims which are to liquidate every national liberation movement, using all means and methods, including the fabrication of contradictions and disagreements inside and between the movements. This also includes buying people's loyalties, infiltrating some nationalist movements and political groups and, finally, assassinating leaders and active, effective patriotic elements.

The latest episode was the assassination of Said Hammami, official representative of the PLO and Fatah in Britain.

How could Said Hammami be assassinated when he was under stringent guard, as if in semi-confinement? How could Said be murdered when the British guard was only a few meters from the building in which he worked and how could his killer not be caught or his identity known? All evidence indicates that the assassination plot was prepared with the knowledge of the British authorities and their intelligence services. The PLO leadership referred to this in its statement on the assassination of Said.

In order to conceal this abominable crime as usual the British mass media seeks to portray to the world and Arab public that the assassination was the result of differences between the Palestinians themselves—between those who reject and those who approve of Sadat's policy...But such methods have been exposed and become known even to simple minded people. The coming days will reveal who was behind the crime and who prepared, planned, and carried it out. The world knows that it does not go beyond the framework of the British authorities and the Zionist and American intelligence services which collaborate with them....

*Your newspaper gives you  
only part of the picture...*



*It leaves you puzzled...*

No matter what newspaper you read, coast to coast — from the Wall Street Journal to the Los Angeles Times — at best you're only getting parts of the puzzle. And a lot of those parts don't even fit when you try to put the whole puzzle together.



If you don't believe us, thumb through a few back issues of the newspapers you read, and then compare with the Executive Intelligence Review...

Which gives you the facts and analysis you need to know?

Isn't it time you subscribed to the Executive Intelligence Review?

PRICE CHART \*

Area	3 months	6 months	1 year
U.S., Canada, Mexico	\$125	\$225	\$400
Venezuela, Colombia, Caribbean	\$140	\$250	\$455
Europe, South America	\$115	\$265	\$495
Rest of World	\$150	\$280	\$520

\* Personal and bulk rates on request.

I am subscribing to the Executive Intelligence Review for the following:

3 months       6 months       1 year

Name.....

Address.....

City..... State..... Zip.....

Signature.....

amount enclosed.....

Make checks payable to:

New Solidarity International Press Service,  
G.P.O. Box 1922, New York, N.Y. 10001

# EIR Daily Energy Intelligence Bulletin

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

\$2000 per year\*

Special arrangements have been made with the publisher of the International Journal of Fusion Energy and Fusion magazine, and all charter subscribers to the EIR Daily Energy Intelligence Bulletin will also receive a one year subscription to these periodicals as a bonus.

\*The price includes airmail or first class postage. Telex or express mail can be arranged at additional cost.

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

Global Telegram  
 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  
 RAN A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION  
 TO DENUNCIATE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD  
 AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA.  
 THE JOURNAL STATES: "SO WHILE WE THINK THERE ARE BETTER ARGUMENTS  
 FOR ENDING THE INDIAN COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS  
 DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: "IT IS  
 EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MIXES AND  
 IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS  
 POLICY INTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER  
 HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR  
 THE OPEN MIKE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER  
 TO TELL US A LIE WAS USING THE PLOY 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 AT THIS TIME, TODAY'S SECRET PROMISES AND TO TALLY DIS-  
 CLOSING DETAILS AT A COMPROMISE AGREEMENT WITHOUT TALLYING GOALS.  
 THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET PROMISES AND TO PRESS  
 PLEDGES. TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES ON ITS  
 CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED  
 IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED  
 THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN  
 CURRENT CONTRACTS.  
 MIDWEST COLD FREEZES ONTO COAL STOCKPILES  
 JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINERS  
 AND COAL-HANDLING MACHINERY, A SPOKESMAN HAS PROVEN  
 ELECTRIC UTILITY TOLD THIS NEWS SERVICE FOR THE  
 CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT INT  
 FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT  
 THE UTILITIES AFFECTED ALL EXPECT TO HAVE T  
 A DAY HOWEVER A SECOND COLD FREEZE IS PRE  
 WEEKEND. THE ONGOING WINTER DURING SEV  
 ALTERNATIVE USED LAST WINTER FROZEN STRIKE  
 IN FRESH COAL TO REPLACE FROZEN COAL.  
 THE OHIO STATE ENERGY OFFICE DURING TV  
 COAL DELIVERIES TO RESIDENTIAL USERS  
 A SPOKESMAN FOR THE U.S. DEPART  
 WILL DO NOTHING IN THE PRESENT ST  
 MAKES A STATEMENT HE ADDED THAT T  
 PRODUCED BY THE ONGOING STRIKE  
 AND UNTIL THEN THE GOVERNMENT  
 CONSERVATIVE BRIT  
 FIRING OPPOSITION  
 KING, BRIT  
 GOVERNMENT  
 HIS O

383-1111

Reply via FIC: call 212-363-1111

Reply via FIC: call 212-363-1111

ITS FILES