

Namara had authorized him to express the joint interest of the U.S. and the Bank in stepping up the Bank's lending for labor-intensive programs in areas of high emigration to the U.S.

The World Bank is currently funding a gigantic \$1.2 billion rural development program in Mexico called PIDER, and is considering a \$100 million pilot program to extend labor-intensive methods to small and medium industry. According to Mondale, the U.S. will also encourage the Interamerican Development Bank to expand lending for such purposes.

To highlight this proposal, Mondale met for a highly publicized session with zero-growth agronomist Norman Borlaug, who is credited with pioneering the conception of the "green revolution" in Third World areas. Three days before, Borlaug had announced that "Malthus was right" and that the growth of human populations must inevitably fall behind increases in food production. Mondale's wife, Joan, declared to Mexican reporters that "the stage of industrialization is over," and that "no more machines or technology" should be sought. She advised Mexico rather to look for other roads to "development."

Administration Lineup

Mondale's failure to achieve accord on, or even serious discussion of, the gas deal and the illegal aliens issue does not mean that the U.S. Administration is backing off from pressuring Mexico on these points. Washington in fact has lined up a series of officials to visit Mexico in the near future. Agriculture Secretary Bergland arrived Jan. 24 to conduct an on-site inspection of rural districts thought to be appropriate for increased agricultural exports to the U.S. Attorney General Griffin Bell is due to arrive in Mexico City for discussions on the illegal aliens question Feb. 3-5. And Labor Secretary Marshall, Secretary of State Vance, and President Carter himself are all tentatively scheduled to follow the same route sometime during the late winter and spring.

'USLP Charges U.S. Blackmail Against Mexico'

Among the factors that made the U.S.-Mexico natural gas deal too hot for Mondale to handle in his Mexico visit was a Jan. 17 Washington, D.C. press conference called by the U.S. Labor Party to demand congressional investigation of Schlesinger's role in the breakdown of negotiations with Mexico. The conference attracted a cross section of representatives from the gas industry, energy trade publications, U.S.-Mexico trade organizations, and Latin American press correspondents. Here's how the USLP call was covered on the international page of the Mexican daily Excelsior Jan. 18, under the headline "USLP Charges U.S. Blackmail Against Mexico on Gas Question."

An opposition political group in the United States today called on Congress to investigate alleged blackmail by the United States executive branch against the Mexican government on negotiations concerning natural gas.

The U.S. Labor Party announced that it has evidence that James A. Schlesinger, Secretary of Energy, violated the powers of the department under his charge by linking the purchase of natural gas to the problem of undocumented workers from Mexico....

Spokesmen of the USLP started in a press conference that they will present this evidence to the Congress. They declared that they have evidence of the following specific charges:

—that the intervention of Schlesinger and the Department of Energy in the negotiations between six U.S. gas companies and Petroleos Mexicanos, before the signing of contracts, flagrantly violated the jurisdiction of the department, and

—that Schlesinger introduced into the negotiations matters not pertinent to the nature of the contracts, that is, the question of undocumented Mexican workers.

The spokesmen stated that the hearings could be called by the Energy subcommittee of the Senate or the Foreign Relations Committee, also of the Senate.

Rand Wargames In Latin America Feed Global Conflagration

The incursion of Ecuadorian troops into Peruvian territory on Jan. 17 and 18 confirm that British monetarists and their American allies, nested around Henry Kissinger, are intent on activating the Rand Corporation's scenario for regional wars in Latin America. The dispute over the contested oil-rich Peruvian jungle, which that nation won from Ecuador in a 1941 border war, is only the hottest of a chain of tense border situations stretching to the southernmost tip of the continent at Tierra del Fuego.

The British have directly intervened to fan the smouldering fires of longstanding, often bitter territorial disputes between Chile and Argentina by handing over to

Chile three islands in the Beagle Channel, which formerly belonged to Argentina. This British action is precisely tailored to the prescriptions of the Rand Corporation's 1975 document predicting a "second War of the Pacific," and reaffirmed in an updated 1977 version.

On Jan. 17 and 18, Ecuadorian troops attacked a garrison well inside the oil-rich jungle territory of Peru, that Ecuador still claims as its own. Peru's Foreign Minister issued an angry protest to Ecuador Jan. 18 charging a series of such territorial "incursions" since June 1977, and warning harshly that any further violations "could affect the peace" between the two neighbors.

The situation quickly cooled down, however, after an emergency meeting between high-level military delegations from the two nations on Jan. 20. The Inspector General of the Peruvian Army announced on television the following night that a "friendly accord" was reached settling the affair and stressed that "no greater dimension" should be attributed to what he termed "simple border incidents."

Since the 1968 "Peruvian Revolution" led by nationalist General Velasco Alvarado, Peru has been a special target of Rand war games. The threat of border conflict with neighboring Chile, and Ecuador, has been used at several key political conjunctures to influence internal policymaking and decide political factional struggles in behalf of Peru's Anglo-American creditors.

Despite two years of battering from the International Monetary Fund (IMF) and New York commercial banks, Peru, now utterly bankrupt, is still not totally under monetarist control. Peru's creditors fear that President Morales Bermudez's government is too weak to impose the "total austerity" demanded by the IMF because of escalating pressure from a politicized labor and peasant movement and from the still sizable nationalist layer of the army.

Rand's Xenophobic Profile

Playing on ingrained geopolitical rivalries, the Rand scenario creates the spectre of a perceived "external threat" that necessitates "national unity" and an end to all factional "differences" that might weaken "national defense." In the Chile-Argentina cases, the territorial dispute succeeded in drowning out the anti-British, anti-IMF organizing of Argentine nationalist forces around retired General Juan E. Guglielmelli in a wave of feverish calls for "national unity" to "defend the *Patria*." Similarly in Peru, last week's incident served an immediate internal purpose. The communist-led CGTP trade union federation announced Jan. 21 the suspension of a national general strike protesting IMF austerity dictates that had been planned for Jan. 23-24, at the personal request of President Morales Bermudez. The reason given for the cancellation was the "grave situation of national defense" around the border incident with Ecuador.

One U.S. think-tanker termed the border incident purely "fictitious," designed to quell internal opposition to government economic policies, an estimation supported by another Latin America specialist who asserted that Peru deliberately chose to "blow up" this incident.

The "Frankenstein Principle"

While the border incident was obviously tailored to provoke just this terrified reaction within Peru, the overall danger of an actual outbreak of regional war remains serious. In much the same way that Kissinger's insane attempts to foster an anti-Soviet Cold War environment in Europe increases the possibility of general war, so the Rand war games in Latin America greatly reduce the threshold for a real conflict.

As Kissinger and the Rand scenarists know, deliberate cultivation of Peruvian paranoia can, at some point, propel that country into preemptive military action against Chile on Peru's southern border. Ecuador repre-

sents, for Peruvian military strategists, a danger only as a "second front" to the militarily stronger Chile, with whom Peru has a border dispute dating back to the original 1879 War of the Pacific.

If one such regional conflict is set off, a chain reaction of hostilities is not only probable, but almost certain. As one State Department official put it, implicitly recognizing the "Frankenstein Principle" inherent in the Rand scenario war games, such a conflict "cannot be controlled by any formula."

The fact that war has not broken out in the region, despite numerous "close calls" in recent years — particularly the summer of 1975, when border tensions were used to aid in the ouster of Peruvian nationalist president Velasco Alvarado, and again in the winter 1976, when a war scare helped squelch opposition to imposition of the pro-IMF "second phase" in Peru — can be attributed in large part to the intense organizing against the wargame manipulations by the U.S. Labor Party and its fraternal organization, the Latin American Labor Committees.

Inside Peru, organizing around the Rand scenario is already well advanced. The "leftist" weekly *Marka*, connected to the terrorist-controlling Institute for Policy Studies, based in Washington, D.C., featured last week a lengthy, paranoia-inducing article on the "facts" of Peru's "border problems." Undoubtedly penned by *Marka* founder and writer, retired officer Victor Villanueva, who helped Kissinger protégé Luigi Einaudi profile the Peruvian nationalist military, the article calls on the Peruvian left to get involved in questions of the "border, peace, and war."

The centrist weekly *Oiga*, meanwhile, warned this week that the Ecuadorian border incident was coordinated with Chile, to divert Peruvian military attention from its southern border and thus give Chile greater freedom in its dispute with Argentina, Peru's traditional ally.

Rand Scribbler: "Small-scale War Not Unrealistic"

These extracts are from the October 1977 Rand Corporation document, "U.S. Arms Transfers, Diplomacy, and Security in Latin America and Beyond," written by David Ronfeldt as one chapter in a Council on Foreign Relations book on arms transfers policy. As in his 1975 paper outlining the Rand Scenario for provoked regional wars, Ronfeldt concludes that the U.S. should maintain a policy of "unrestricted but unsubsidized" arms sales to Latin America, asserting that arms sales have no impact on the possibility of outbreaks of regional war on the continent:

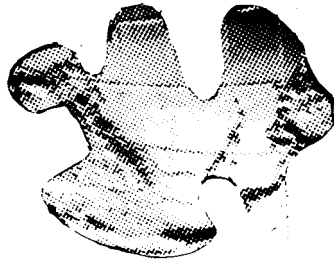
The potential for intraregional conflicts has increased in Latin America.... Small-scale war in the Latin American region is not an unrealistic scenario. Indeed, evolving trends are similar in important ways to trends that transpired in the 1930s, when several border engagements and one protracted conflict (the Peru-Ecuador 1941 border war, and the famous "Chaco War" between Bolivia and Paraguay, in fact a "proxy war" between Exxon and Shell for control of oil in the region — ed.)

took place in South America. At present, the trends include a decline of U.S. power and presence....and locally rising tensions based in part of geopolitical perceptions. Earlier decades of peace, stretching from the end of the Peru-Ecuador conflict in 1942 through the Honduras-El Salvador clash of 1969, may be attributed in part to U.S. hegemony and to the greater priority that Latin American governments gave to relations with foreign powers over relations with their neighbors....

There are no reliable formulas for judging whether arms transfers are likely to alleviate conflict potential or stimulate arms races under various circumstances.

Assessment in this area becomes especially complicated when a country such as the U.S. provides arms to two neighbors — as in the cases of Peru-Chile, Venezuela-Colombia, and Honduras-El Salvador — for defense against a third-party internal or external threat, when in fact the two neighbors become more interested in using the weapons for defense against each other....Symbolic strength provided by arms acquisitions may facilitate diplomacy to resolve some dispute at least temporarily, as may have been the case with Peru-Chile and elsewhere with Iran-Iraq....

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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, FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES 'IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE NIXES AND IS IN ADDITION SO CONFUSED HE THINKS A LETTER WILL KEEP HIS HAND, PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE.'

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN, HAS ARRIVED IN INDIA TO SUPPOSEDLY EVOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN 'HAS SUCCEEDED WHERE CARTER HAS FAILED' AS PRESENTED BY THE LONDON TIMES, TODAY'S SECRET LONDON DAILY TELEGRAPH ADDS ONE IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DISCLOSING DETAILS AT THIS TIME. DESAI'S SECRET 'PROMISES AND PLEDGES' TO PAKISTAN WHERE HE WOULD USE THESE SAFEGUARDS TO PRESS THAT COUNTRY TO AGREE TO NEW RESTRICTIONS AND SAFEGUARDS ON ITS CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES ONTO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINER AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BY THAT THEY REGARD THE SITUATION AS 'CRITICAL'. THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT A DAY, HOWEVER A SECOND COLD FREEZE IS PRE THE UTILITIES AFFECTED ALL EXPECT TO HAVE T WEEKNEND. THE ONGOING MINERWORKERS' STRIKE ALTERNATIVE USED LAST WINTER DURING COAL IN FRESH COAL TO REPLACE FROZEN COAL. THE ONTO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE GOVERNMENT MAKES A STATEMENT THAT THE GOVERNMENT PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRITISH FIRING OPPOSITION

TOM KING, BRITISH GOVERNMENT, HIS D

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