

May 16-22 , 1978

Vol. V

No. 19

---

---

# **EXECUTIVE INTELLIGENCE REVIEW**

---

---

**New Solidarity International Press Service**

[ THIS PAGE IS INTENTIONALLY BLANK ]

# EXECUTIVE INTELLIGENCE REVIEW

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

## TABLE OF CONTENTS

### INTERNATIONAL

- 1 **The Brezhnev-Schmidt Pact: Opening The Way Out Of World Depression**
- 2 —I Text Of W. German-USSR Economic Agreement
- 4 —II The Brezhnev-Schmidt Communique
- 5 —III Schmidt: 'Make Detente Irreversible'
- 6 —IV Brezhnev: 'Peace Is The Essence Of Our Life'
- 8 —V European Labor Party: London Stunned By 'Rapallo' Breakthrough
- 10 World Map Of Trade Deals
- 11 British Lead Press Panic
- 12 U.S. Looks For An Opening

### SPECIAL REPORT

- 1 **LaRouche To Ronald Reagan: Build A Strong Whig Republican Force**

### U.S. REPORT

- 1 **Administration: Carter Boxed In**
- 2 **Miller Comes Under Fire**
- 4 **What's Blocking E-W Trade?**
- 7 **Energy: Never On Sun Day**

### ECONOMICS

- 1 **Business Outlook: Stock Market Rise Blinds Commercial Banks**
- 2 **Foreign Exchange: Accounting Pad Folly**
- 3 **Japan: Fukuda Drops Fusion Bombshell**
- 5 —U.S. Invited To Join Science & Technology Deals
- 6 **OPEC: Why The Arabs Stick With The Dollar**
- 7 —Oil Rivals Pull Together
- 7 **Corporate Wreckers: Why Curtiss-Wright Wants Kennecott**

### ENERGY

- 1 **Texas Study Shreds Schlesinger's National Energy Plan**

### SCIENCE & TECHNOLOGY

- 1 **Pulling Out Pollution With Super Magnets**

### THIRD WORLD

- 1 **Egypt: IMF Put On Notice, Heralding New Era Of Economic Development**
- 2 **Trade & Development — Way To Mideast Peace**

EXECUTIVE INTELLIGENCE REVIEW is published by Campaigner Publications, Inc.

231 W. 29th Street, New York City, N. Y. 10001

Subscriptions by mail for the U.S.: 3 months — \$125, 6 months — \$225, 1 year — \$400.

Address all correspondence to: Campaigner Publications, Inc.

P.O. Box 1922, GPO New York City, N.Y. 10001

# EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief  
Nancy Spannaus

Managing Editor  
Tessa DeCarlo

Production Editor  
Deborah Asch

**International**—Nora Hamerman • **U.S. Report**—Stephen Pepper • **Economics**—David Goldman • **Energy**—William Engdahl  
**Military Strategy**—Paul Goldstein • **Counterintelligence**—Jeffrey Steinberg • **Defense & Diplomacy**—Konstantin George  
**Europe**—Vivian Freyre • **Science & Technology**—Morris Levitt • **Soviet Sector**—Rachel Berthoff  
**Middle East**—Robert Dreyfuss • **Asia**—Dan Sneider • **Africa**—Douglas DeGroot • **Latin America**—Robyn Quijano  
**Law**—Felice Gelman • **Press**—Fay Sober

## IN THIS WEEK'S ISSUE

---

**A new Rapallo?...** That's how many — some with fury, some with great hopes for the future — are describing the just-concluded **25-year pact between the Soviet Union and West Germany...** what could be the **most important diplomatic event in our time...** While most of the world's press has reported **little or nothing** of the real story on the Brezhev-Schmidt agreement, this issue's **INTERNATIONAL** report has been expanded to offer our readers **what they need to know...** with an analysis of why the USSR-West German deal means a **way out of economic depression** for the U.S. and the rest of the world... what must be done to **make that opportunity count...**

\* \* \*

The full text of the treaty itself, the two leaders' **official communiqué**, their **speeches** announcing the pact...a **warning by the European Labor Party** of the reaction from the **City of London**-led political axis most bitterly opposed to the pact's peace-through-development implications...and a survey of some of the **wildest lies and angriest ravings** yet seen from the British press...the more rational responses of **business** and other

leaders in the U.S. and elsewhere...and the **Soviets' own harsh denunciation of the British** style of journalism...all in our special **INTERNATIONAL** report...

\* \* \*

The challenge this poses to U.S. policy-makers is the subject of our **SPECIAL REPORT** this issue... a political "how-to" manual by U.S. Labor Party chairman **Lyndon H. LaRouche** on "**Building a Strong Whig Republican Force**"... that uses the political cul-de-sac into which the GOP has plunged itself to illustrate the more profound policy crisis of the United States in this century... In this framework, LaRouche defines the fatally dangerous appeal of the bipartisan "**political whorehouse**" overseen by such as Henry Kissinger and the Kennedy operation... points to the role of the U.S. Labor Party in a **positive counterpolicy for the November 1978 elections**, and beyond... contrasts "**dirigism**" and "**socialism**"... and proposes that America's would-be Whigs adopt the essential political-economic dictum: "That capital that does not produce, shall not eat."...



On May 6, in Bonn, West Germany, Soviet President Leonid Brezhnev and West German Chancellor Helmut Schmidt signed a 25-year treaty which promises to be the most important diplomatic event in the 20th century.

Yet thus far the public has been kept in the dark about the West German-Soviet "deal of the century." Either through honest ignorance or (as in the case of the New York Times, the Washington Post, and the British press they ape) hysterical lying, the press has failed to report the facts of the Brezhnev-Schmidt treaty.

The Executive Intelligence Review has therefore combined its usual *ECONOMIC SURVEY* and *EUROPE* sections into our *INTERNATIONAL* report in this issue, to provide our readers with full analysis and documentation of one of the most important news stories ever.

—Nancy Spannaus  
Editor-in-Chief

## The Brezhnev-Schmidt Pact: Opening The Way Out Of World Depression

The unprecedented trade agreement just concluded between the Federal Republic of Germany and the Soviet Union provides a framework of cooperation between the two countries on a level that amounts to near-integration of the two economies: cooperation in industry, mining, science and technology, energy and nuclear power, and the establishment of high-technology industries in third countries in the developing sector.

The scope of the protocol, including its commitment to long-term, state-backed credits at most favored nation status, makes it the immediate springboard for a broad effort by the industrialized nations to launch a massive transfer of technology to the Third World, and a new monetary system based on that commitment.

This East-West trade agreement simultaneously signals a basic strategic shift between the military alliances of East and West. At the Brezhnev-Schmidt meetings and in the communiqué and treaty which they signed, the Soviet president for the first time adopted the perspective of avoiding war through the expansion of economic cooperation. As if to prove the value of such a war-avoidance strategy, Chancellor Schmidt and other West German government spokesmen have announced substantial progress on West Berlin, the Mutual Balanced Force Reduction talks, and disarmament since Brezhnev's departure.

The Schmidt-Brezhnev agreement is both an object-lesson and open invitation for the United States to enter into an new era of economic prosperity and détente. Chancellor Schmidt, who has been on the telephone repeatedly with both President Carter and Brezhnev since the visit concluded, has already conveyed this opportunity to Carter.

The controllers of the press, however, have determined that only lies or nothing will be printed. If they succeed in maintaining their controlled environment, the U.S. will once again be used as Britain's dumb giant, to enter the deepening spiral of depression into war.

Unlike the aborted Rapallo period of the 1920s, the

### *Included In This*

#### *Special International Report:*

- The text of the economic agreement between West Germany and the USSR;
- The official Brezhnev-Schmidt communique
- The speeches in which both leaders announced their agreement to the world
- An analysis of the impact and significance of the agreement by the Executive of the European Labor Party;
- And a survey of reactions, public and private, to news of the Schmidt-Brezhnev pact — ranging from the enraged howls of the British press and its cothinkers, to some American and other leaders' search for how to bring the U.S. in.

aborted U.S.-Soviet collaboration during World War II, the aborted Atoms for Peace program of the 1950s and the Rogers plan of the 1970s, this opportunity must be seized by a U.S. population determined to build a future for itself and the world.

There is no question that Britain and her agents will do everything they can to subvert this opportunity. A conspiracy of silence, Fed chairman Miller's binge of high-interest rate "bear trapping," the real questions of financing, lies about sinister Soviet intent, escalated terrorism — all are being used.

The door, therefore, is open, but whether the world gets through that door into a new era of global peace and prosperity remains a question of political leadership. And that rests largely on how soon and how emphatically U.S. leaders, and the population generally, recognize and support the central leadership role of the U.S. Labor Party, which formulated four years ago the ideas that Brezhnev and Schmidt are now beginning to carry out.

### *Jobs, Jobs, Jobs*

By the confession of the West German industrialists involved, the West German-Soviet agreement is too large to be carried out without involving other industrialized nations. The West Germans have already brought a high-level Japanese delegation, including Minister for External Economic Affairs Ushiba, into discussions, and have indicated that they will offer contracts to France and Italy. "Of course the U.S. is welcome," said the West German industrialists' association to a news reporter.

The scope of the implementation already under discussion shows why. During the course of this week, West German industry and government has been intensively discussing an integrated development plan for the Middle East that will involve the entire Eastern Mediterranean in a program of nuclear development and capital-intensive agriculture and industry. The core of the plan is Egypt, for whom West Germany has developed a plan for flooding the Qattari Depression that will now go into its second stage of operation, and for whom it is demanding a debt moratorium. But it also includes cooperation with Iran, Saudi Arabia, Sudan, Italy, and even Turkey. A director of the Deutsche Bank, speaking at the Middle East Institute in West Germany this week, estimated that this development would establish a market of about 7 trillion deutschemarks (about \$3.5 trillion).

Equally instructive is the collaboration developing between West Germany and Italy for the export of Western technology and infrastructure to the mineral-rich Soviet frontier of Siberia. As explained by an Italian banker, Italy will be able to employ thousands of people building components for plants that will then be sent to West Germany and assembled into entire factory complexes. "West Germany will be the lung of development," he said, "and we will be one artery of supply for that lung."

This development nexus has already made a formal offer to the United States through Japanese Premier Takeo Fukuda, who last week proposed the formation of an open-ended fund for the development of nuclear fusion power. Innumerable other offers are coming through private industry for nuclear plants and other technology

vitaly needed to develop the living standards and the creative powers of the European and East Bloc populations. They are being sabotaged in the State Department, in the Commerce Department, and according to all indications, by Carter confidante Robert Strauss. Where one plant alone means at least 600 man-years, the cost of that sabotage is nothing less than the U.S. economy.

### *Real War Avoidance*

The strategic implications of establishing East-West relations first and foremost on a base of economic collaboration have begun to have equally dramatic results.

Schmidt's announcement of Soviet agreement to negotiate "grey areas" not dealt with in SALT and MBFR, and to "ensure secure defenses through approximate parity," as reported in today's Baltimore Sun, smash to bits the British NATO command's complaints about SALT. "Nitze's Team B-Committee on the Present Danger strategy (in fact, a war-provoking scheme), is destroyed by this," commented a high-ranking intelligence officer.

In combination with his mediation and parallel agreements reached by U.S. and Soviet negotiators in Geneva this week, the Schmidt-Brezhnev military results could tilt the balance for the conclusion of SALT.

The China strategy of the British and their minions Kissinger, Haig, and Brzezinski has been shaken to the roots as well. The show of collaboration between West Germany and the Soviets has reinforced Chinese fears that the British cannot deliver their anti-Soviet alliance. The pragmatic Chinese are already indicating that they may have to shift their "friendships" to ensure their own self-defense.

The military implications of the deal include the seeds of essential East-West collaboration against the British terrorist warfare, as PLO-Egyptian-Vatican-PCI-West German collaboration against Israeli intelligence already shows. The primary threat for terrorist deployment remains the shadowy anonymity of their controllers in Canada and Great Britain — as the British intelligence rampage in southern Africa already demonstrates.

## I. The Text of the Economic Agreement Between West Germany and the USSR

The government of the Federal Republic of Germany and the government of the Union of Socialist Soviet Republics,

Recalling the resolve expressed in their treaty of August 12, 1970, for improvement and expansion of cooperation, including those of economic relations, in the interests of both states, and

In reference to the Agreement on General Questions of Trade and Shipping of April 25, 1958, the Agreement on Development of Economic and Technological Cooperation of May 19, 1973, the Agreement on Further

Cooperation With Respect To Economic Cooperation of October 30, 1974,

In honor of the considerable progress achieved previously in the areas of economic, industrial, and technological cooperation between the two states,

In the effort to deepen and continuously develop the entire area of relations between the two states,

In the conviction that an expansion and intensification of their long-term cooperation in the areas of economic, industrial, and technological relations...in the conviction

that...lies not only in their common mutual interest...but rather constitutes an important contribution to long-term cooperation in all of Europe,

In the wish to realize this cooperation on a long-term basis,

In the recognition that the deepening of economic, industrial, and technological cooperation in Europe, corresponding to the final Documents on Security and Cooperation in Europe, signed in Helsinki on August 1, 1975, serves the interests of international detente and peace in Europe and the world,

Have agreed upon the following:

#### *Article One*

The treaty partners set themselves the goal of promoting economic, industrial, and technological cooperation between both states as an important and necessary element for strengthening bilateral relations on a stable and long-term basis. With respect to the long-term nature of the present agreements between organizations and businesses, or those presently in preparation, and future projects, especially in the area of raw materials and energy, the treaty partners strive for a further intensification of cooperation on the basis of mutual advantage.

#### *Article Two*

The treaty partners will support the further development of cooperation, especially in the following areas: establishment, development, and modernization of industrial installations and plants; joint development and production of equipment and other products; mining and processing of raw materials, including sea mining; cooperation in the area of energy; technical cooperation between the respective factories and organizations; cooperation in banking and insurance matters, transportation, and other service facility areas; and cooperation with business and organizations of third countries.

The following industrial branches are taken into special consideration for cooperation: machine and vehicle construction, steel technology, chemicals, electrotechnics, including the electronics industry, and consumer goods industry.

#### *Article Three*

The treaty partners will promote the broadest possible exchange of economic information in order to improve mutual marketing opportunities. Thereby, they will support further business contracts and working conditions for trade promotion agencies and sales commissions, representations of businesses, mixed companies, and technical personnel, as well as the holding of fairs, experts' meetings, symposia, and similar forums, in the context of applicable laws and regulations.

#### *Article Four*

The treaty partners will make efforts to take into account the fundamentals of the international division of labor and the given conditions of the momentary

markets in the development of economic, industrial, and technological cooperation between the two states. With respect to large and long-term projects in cases of mutual interest, the cooperation may be linked with delivery of production issuing from this cooperation.

#### *Article Five*

In view of the importance which financing, including the guarantee of mid-and long-term credits, has for the development of economic cooperation, the treaty partners will, in order to achieve this goal, undertake efforts with respect to state guarantees, thereby to be able to guarantee mid-and long-term credits at the most favorable conditions in the context of the regulations existing in both states.

#### *Article Six*

The Commission of the Federal Republic of Germany and the Union of Socialist Soviet Republics for Economic and Scientific-Technological Cooperation will be authorized to support and supervise the practical achievement of this agreement under participation of the responsible and interested authorities. For the realization of the goals of this agreement, the commission, with participation of the named authorities, will develop a long-term program on the focal points of consideration of this cooperation.

#### *Article Seven*

Corresponding to the Quadripartite Agreement of September 3, 1971, this agreement is to be extended in accordance with the described regulations applicable to (West — ed.) Berlin.

#### *Article Eight*

This agreement does not affect the previous two-sided and multisided treaties and agreements resolved by the treaty partners. In this connection, the treaty partners will, if necessary, carry through treaty-partner consultation upon proposals, whereby these consultations must not put the basic goals outlined in this agreement in question.

#### *Article Nine*

This agreement is established for a term of 25 years. It has an initial effective term of 10 years, after whose expiration it is to be renewed for further five-year terms upon agreement of the treaty partners.

#### *Article Ten*

This agreement takes effect as soon as the treaty partners exchange notices that the required preconditions are fulfilled in each of the respective states.

Signed in Bonn, May 6, 1978.

Two signatures each, in German and Russian, each equally binding.

In the name of the Federal Republic of Germany, signed Schmidt.

In the name of the Union of Socialist Soviet Republics, signed Brezhnev.



## II. The Brezhnev-Schmidt Communiqué

The Chancellor of the Federal Republic of Germany, Helmut Schmidt, and the General Secretary of the Central Committee of the CPSU, the Chairman of the Presidium of the High Supreme Soviet of the USSR, Leonid Brezhnev, affirm that the resolution of the treaty of August 12, 1970 was an event of fundamental importance for the development of mutual relations and the improvement of the situation in Europe; this treaty remains the indicator of the relations between the two states.

In their intensive discussions, Helmut Schmidt and Leonid Brezhnev have come to the mutual conclusion that further energetic efforts are necessary to secure peace, to promote detente, and to achieve progress in disarmament and arms limitation.

They correspondingly declare the following: Both sides draw the conclusion from developments of the last decades that detente is necessary, possible and advantageous. They see no reasonable alternative to the peaceful cooperation of the states, despite differences in numerous basic matters and different political, economic, and social systems. They express their will to deepen and develop the detente process, and to make it continuous and lasting.

In respect to the indivisibility of peace and security in all parts of the world, they will act according to their political and economic potentialities for this goal, unilateral, bilateral, and multilateral.

Both sides are resolved to contribute to the progress of the development dynamic introduced in Europe by the Conference on Security and Cooperation in Europe. To this aim, they affirm that all principles and determinations of the concluding documents signed in Helsinki should attain full effectiveness in relations between all participant states — in the interest of the cooperation of states for the well-being of humanity.

This policy, established for the long term, requires continuous effect and concrete progress. In this sense, both sides will use the time ahead constructively to aid in the success of the joint projects they have resolved, and of the meeting of the participant states of the CSCE. On this effort, both governments will remain in contact.

In view of the destructive power of weapons at hand, and increasing stocks of weapons of all kinds, concrete measures are required to contain the arms race.

This is, in the conviction of both sides, a problem of first-rank urgency and importance. The overcoming of the arms race, with the goal of general and complete disarmament under effective international control, lies in the political and economic interest of all states and peoples of the world, irrespective of their size, above all, however, in the interest of their security.

Agreements for further steps in the area of disarmament and arms limitation must be accelerated, so that the process of detente is not prejudiced by developments in the military area, but expanded by them.

Both sides consider it important that no one strives for military superiority. They proceed on the basis of approaching balance and parity sufficient to guarantee defense. In their opinion, appropriate measures for disarmament and arms limitation in the nuclear and conventional areas, corresponding to this fundamental aim, would be of great importance.

With respect to the armed forces in central Europe, both sides affirm the goal of the Vienna negotiations to achieve a stable situation on the basis of un-reduced security of the participating states at a lower military level.

Both sides confirm once again that they will be correspondingly ready to participate with their armed forces in the reduction of direct participants, according to the modalities negotiated in Vienna.

By means of these negotiations and their results, as well as by means of confidence-building measures in Europe, the existing mistrust and dangers of military confrontation could, in the view of both sides, be reduced, and the security of all strengthened.

Both sides are resolved to raise the quality and level of their relations in all areas, and, accordingly, to strive for this goal so that good neighbor relations and growing cooperation may become the assured possession of coming generations.

Both sides respect the active and objective exchange of opinion as an important means which serves to produce a better mutual understanding and greater trust. They are thus resolved to continue such exchange of opinions, also in the form of regular consultations, in all appropriate areas with the aim of developing the fundament of their commonalities.

It is of great importance that the thought of better mutual understanding, mutual respect, and greater mutual resolve are anchored and deepened in the consciousness of the people of both states.

This is especially true for the youth, which should never again experience what generations before them had to experience. Both sides are aware that this requires continuous and ever renewed efforts, also in common.

Both sides set themselves the goal of promoting scientific, industrial, and technological cooperation. They consider such cooperation to be an important and necessary element for strengthening their bilateral relations.

This cooperation should be increasingly oriented to the long term, so that mutual interest in its development grows. Thus emerges a solidly developed material fundament of mutual relations which extend beyond this century and is to the advantage of the peoples of both countries.

Both sides are convinced that the agreement signed May 6, 1978 on the development and deepening of long-term cooperation of the Federal Republic of Germany and the Union of the Socialist Soviet Republics in the

area of economy and industry will essentially contribute to this development.

The experience of history and the responsibility for peace strengthen both sides in the conviction that only the way of detente and the development of mutual relations in a constructive spirit can bring the hopes of the peoples for a lasting security of peace closer to realization.

Both sides affirm the conception that the strict maintenance and full application of the Quadripartite

Agreement of September 3, 1971 remains an essential precondition for lasting detente in the center of Europe and for the improvement of relations between the respective states, especially between the Federal Republic of Germany and the Soviet Union.

Both sides stress that they will form their bilateral relations also in the future in the sense of the demands of detente and cooperation. They are convinced that this is to the advantage of all.

### III. Schmidt: 'Make Detente Irreversible'

*Speech by Helmut Schmidt, Chancellor of the Federal Republic of Germany delivered at breakfast with Soviet President and Soviet Communist Party General Secretary Leonid Brezhnev, Friday, May 6 (excerpted unofficial translation from Pravda, the CPSU daily):*

We attribute very great significance to your visit.... We esteem you as a far-seeing statesman who is conscious of his responsibility. Your very important successes in improving relations between East and West are linked with your personal activity and to the principle of detente, which to a very great degree was given definition by you personally. We esteem you as a partner who we know is, in correspondence with his experience and convictions, interested in frank meetings....

Peaceful coexistence, in our opinion, must not mean fencing ourselves off from each other.... Shutting ourselves off would not only violate the continuity of European history which we created together—both bad and good—but it could also create a threat to peace....

During this century Germans and Russians have raised arms against each other. Especially the last and most horrible of all wars inflicted immeasurable suffering on our peoples. We who hold political responsibility must—such is our mission and at the same time our duty before history—take care that this is never repeated. I am convinced that the Ukrainian farmer and the Russian miner share my opinion on this question.

The memory of the war, however, must not build up an insurmountable wall between us. All the horror and suffering of the war gave our peoples similar experiences and impressed upon them similar views. I want to remind you of a paragraph which belongs to one of your authors: "The word 'peace' can only have concrete meaning for one who knows what war is, and if I can at all be thankful for war, it is because it helped me to understand the meaning of the word 'peace'."

I know that this is true for you, Mr. General Secretary, and this is true for me, too. ...

If you consider Europe's creative heritage, then it is difficult indeed to differentiate between what has been contributed by the Western part and what by the Eastern part. Europe's culture and civilization are a unique whole. They belong to all of us in equal measure....

#### *The Process of Detente*

The treaties between the Federal Republic of Germany and the countries of Eastern Europe, including the

Moscow Treaty of 1970, were an achievement in which former Chancellor Willy Brandt, President of the Federal Republic of Germany Walter Scheel, General Secretary Brezhnev, Foreign Minister Gromyko, and the entire Soviet leadership have participated in equal degree....

The Helsinki conference was to a considerable degree the consequence of your personal initiative, Mr. General Secretary. We can all be satisfied with the results achieved so far.

In the years which followed this culminating moment, the detente process has slowed down, and there have been failures. But during a period of peace we do not want to close our eyes to the potential dangers of a new confrontation.

I would like to express the main thing for guaranteeing peace by quoting an instructive Russian proverb. It says: "Mind without Reason is a calamity."

...East and West must learn to conduct their policies with reason and without reservations, in harmony with the aims of detente....

*(Referring to a recent speech by Brezhnev in which the Soviet chief of state said that his visit to the Federal Republic of Germany would not only strengthen cooperation between the two countries, but detente in the entire world, especially in Europe):* We share with you this purpose whole-heartedly. At the time of your last visit to our country this found a concrete expression in the meetings on Berlin. You, Mr. General Secretary, agreed at that time with my friend Willy Brandt on a formula which we have subsequently followed reliably and loyally: strict observation and full application of the Quadripartite Agreement. Now it is necessary to find, through joint efforts, the common criteria for the realization of this agreement, in order to smooth frictions and obstacles. This would create the conditions under which this city could participate comprehensively in the process of detente in Europe...

#### *Economic Progress*

Over the past years the economies of various countries have become interwoven more than ever before. Under these conditions, the countries of Eastern Europe could not avoid the consequences of inflation and recession suffered by the Western countries. This element of joint risk, moreover, must arouse within the CMEA countries the consciousness that they are directly and immediately

interested in making a contribution to the stabilization of the world economy. I am particularly thinking of joint efforts with the aim of not allowing any further widening of the gap between the developed industrial countries and the developing countries, between the rich and the poor; on the contrary, we must overcome the gap.

(With the 25-year economic cooperation agreement) we add to our economic and industrial cooperation the element of continuity. We are setting down in writing our mutual trust, and in this way are favoring a peaceful future.

Your country, industrially developed and rich in useful raw materials, and ours, poor in raw materials yet highly developed technologically, can complement each other for our mutual advantage....

#### *Disarmament*

(Concerning the disarmament questions, Schmidt said he hopes that the Strategic Arms Limitation Talks will be concluded successfully soon, since this will mean a

stabilization of the strategic potential at a "much lower level." At the same time, both countries are working towards the creation of a stable relationship of forces in Central Europe. The recent initiative by the Western countries is based on the principles of "parity and collectivity.")

Mr. General Secretary, I want to note my agreement to a considerable degree with your recent call... that neither side should strive to establish military superiority over the other side.... As a whole, the political aspects of detente must be complemented with comprehensive military aspects.

Mr. General Secretary! We know the course of your life. We also know that you were born in a family of workers. When you speak in favor of detente, for cooperation and peace, you are expressing the feelings and strivings of an entire people. Your innermost desire is to make detente irreversible. I declare to you and to the Soviet people: Such is also the Germans' desire; such is also my personal desire and striving.

## IV. Brezhnev: 'Peace Is The Essence Of Our Life'

The following address by President Brezhnev was aired by West German television the evening of May 6, just hours after the signing of the Soviet-West German economic agreement. This is a full translation from Pravda.

It was with great satisfaction that I accepted the proposal to chat with you today. My second visit to your country is coming to an end. We are fully satisfied with its results. Our talks with President Walter Scheel, Chancellor Helmut Schmidt, Deputy-Chancellor Genscher, and meetings with Chairman of the Social-Democratic Party of Germany Willy Brandt and other state and political personalities of the Federal Republic were very much needed and useful.

As we left for Bonn this time, we considered that our task was to determine together with the Federal Republic of Germany's leaders, on the basis of the Moscow Treaty of 1970, the main lines of further cooperation between our countries in bilateral affairs, and to chart our mutual actions for the consolidation of peace and international detente. In my view, much has been achieved in this respect during the visit. There is the basis to hope that its results will contribute both greater stability and greater scope to the relations between the Federal Republic of Germany and the Soviet Union.

We are now at a very crucial turning point in the development of events in the world. The Soviet Union and the Federal Republic of Germany are in a position to do much to eliminate the difficulties which the process of detente has confronted in its development. To a large extent, it depends on our countries, whether the positive processes in international relations that began in the first half of the 1970s will be bolstered and deepened.

It is no secret that today these processes have been somewhat slowed. I will not go into all the reasons —

there are many. But the main one is that there has as yet not been success in reining in the monstrous arms race. This is a very alarming circumstance. For such a race cannot continue indefinitely. It inexorably undermines the edifice of political detente. If not stopped, it could cast in doubt the very future of the human race.

Our country, the Soviet Union, therefore sees its most important purpose in international affairs to be preventing humanity from crawling toward war, to be defending and strengthening peace — universal, just, and long-lived peace. This is our unshakable course. It is not subject to any conjunctural fads. It is affirmed as law in the Constitution of the Soviet Union. We are unflinchingly implementing this course by all means. The work of Soviet diplomacy is subordinated to this course. The entire public of our country supports it. All our plans are developed with this orientation to a peace perspective.

Each year more and more people, including citizens of the Federal Republic of Germany, visit the Soviet Union. And every person who becomes acquainted with our life in an unbiased fashion invariably will confirm: the entire atmosphere in our country is permeated with the deepest commitment of our people to peace and the aspiration to life in friendship with all peoples.

When we say that we Soviet people need peace, we are saying something very close to our hearts. I have had the opportunity to travel a good deal in our country. Recently, for example, I was in Siberia and the Far East: I traveled thousands and thousands of kilometers and met many people. And no matter what was being discussed, the conversation always turned to international problems. And it ultimately boiled down to the question of all questions: will peace be defended and strengthened?

In the Soviet Union we have no classes, no social layers, no professional groups who would be interested in

war or preparations for war or hope to gain from that. Of course, we have military factories and an army — but neither the managers of those factories, nor the commanders of the army, nor workers, nor soldiers see any dependency between war and military orders and their well-being. We would like — to the great gain of the whole society—to convert the military factories to the production of peaceful goods, for peaceful and creative goals.

#### *We Are Building a Lot*

Our country is frequently compared with a giant construction site. And this is not a figurative expression, but a fact. We are building a lot. And we are not simply building; one could say we are transforming the very face of our country.

You have probably heard about, say, the Baikal-Amur Mainline. This railroad is more than 3,000 kilometers long. It is being laid across permafrost, across untrodden virgin taiga, and tunneled through rocky cliffs. To build it does not just mean to shorten the route to the Pacific Ocean by a little, but to settle a territory equal to that of several major nations. And all this has to be accomplished in a practically desolate area.

Or take the development of the Tyumen oil deposits in Western Siberia. We began this grand task less than 15 years ago. And today, every second ton of Soviet oil is extracted there. There on the Ob River, we are developing a region of approximately a million square kilometers.

Or, finally, our plans for the genuine renaissance of our Russian non-black earth zone. This means the transformation of, so to speak, the heart of Russia. Imagine: we resolved to create — essentially from scratch — highly productive agriculture on an area approximately equal to that of France. All the projects, including drainage and irrigation of arable land, will be finished only by 1990. But already in 1980 these lands are to produce one-sixth of all the agricultural products of the Soviet Union.

Our undertakings and plans are calculated for decades ahead. We are working on not one, not two, but dozens of projects, each of which surpasses in scale the plans of some nations. And each of them has the ultimate goal of raising the welfare of millions of people, of our entire people.

We are solving ever greater and more laborious tasks in the social sphere. I will give an example. In our Constitution, we have established for the first time the right to housing. This right could not simply be proclaimed. To realize it, huge efforts are being undertaken. Every year we have 11 million people moving into new apartments. And our apartment rents in state-owned buildings are very low. They were set 50 years ago and have not gone up. All of this means that the society and the state take on an increasing portion of housing expenses. Or another example, we have free medical services, and probably the most extensive, for the entire population. One third of all the doctors in the world are Soviet doctors. But to most effectively guarantee the constitutional right of every citizen to good health, requires further major capital investments, social measures and

scientific research. And there are a great number of examples like these.

These are all far from simple tasks. We have not a few difficult problems, and not a few shortcomings, but we are solving these problems through the growing activity and initiatives of millions of citizens. And we will solve them without fail, given one condition — if we succeed in averting a new world war, and ensuring lasting peace on the reliable foundation of peaceful coexistence. In light of this, it is not difficult to understand that the peaceful orientation of our policy is not a posture, but the very essence of our life. This is the guarantee of the consistency and stability of the USSR's foreign policy, whose goals, I think, are clear and near to everyone: peace, disarmament, and the security of peoples.

#### *International Goals*

The important concrete proposals which the Soviet Union puts forward internationally are subordinated to precisely these goals. We strive to at least halt the growth of armaments and the armed forces of states with major military power, as soon as possible. This is the meaning of the initiatives we have put forward most recently.

Respected citizens of the Federal Republic of Germany!

The beginning of May is a special time for our countries and peoples. Every year at this time we mark the end of fighting in the Second World War on European soil. Of course, we mark this in different ways and experience feelings which differ in many respects. This is understandable. But there are not only differences in our moods and feelings. There is also that which we have in common — this, in my view, is the most essential and important in our days. Our peoples suffered huge, irreparable losses during the war. And although today new generations have grown up, and although today perhaps every second inhabitant of the USSR and the Federal Republic of Germany knows about the war only from books — still the past inspires us to draw a lesson from recent history and strengthens the striving to live in peace and not permit a new tragedy.

I think it is time for responsible politicians of all states without exception to say to each other and to their peoples: War must not be! To say this — and do everything so that indeed there is no war. But time does not stand still: every day lost, every delay, every slow-down may cost humanity, all of us, too much.

It was by this that we were guided during our talks in Bonn. The documents adopted here are of great significance.

The Joint Declaration which Chancellor Helmut Schmidt and I signed expressed the resolve of both sides to develop political cooperation between the Federal Republic of Germany and the USSR on a firm, lasting basis. This applies both to bilateral matters and to major international questions, above all those of peaceful coexistence, detente and reining in the arms race. An agreement was also signed which provides for the broad

development of economic ties for a very-long term period — to the end of our millennium. A solid material foundation is being created for the peaceful cooperation of our two countries.

These are good results. Now, in our point of view, the task is for the agreements achieved to be brought to life in real undertakings, real joint efforts on the international scene. Let us continue the historical cause begun when the Moscow Treaty was signed in 1970. Let us develop and enrich the noble traditions of cooperation in the name of the interests of the peoples of both our

countries, in the name of the further consolidation of peace and development of fruitful cooperation in Europe and the whole world!

In conclusion, heartfelt thanks to our hospitable hosts — Federal President Walter Scheel, Federal Chancellor Helmut Schmidt, and all with whom we met and talked, and all of you, citizens of the Federal Republic of Germany, for your warm welcome and cordial hospitality.

*All the best to you! Auf Wiedersehen!*

## V. European Labor Party: London Stunned by Rapallo Breakthrough

*The following statement was released by the Executive Committee of the European Labor Party on May 2, 1978.*

Soviet President Leonid Brezhnev's televised address to the citizens of the Federal Republic has predictably driven London into a *schwaermerei* of fear. Massive West German participation in Russian economic development, the development Britain has feared most throughout this entire century, appears to have been negotiated into reality by Chancellor Helmut Schmidt.

Unless Britain succeeds once again in upsetting this "Rapallo" agreement, as London did in bringing its protégé Hitler, to power in 1933, the inflationary world depression spiral is about to end. Chancellor Schmidt's brilliant success will, unless sabotaged, quickly establish a new economic miracle throughout the northern Eurasian continent, a prosperity in the industrialized nations of Europe and Asia which will provide the basis for cooperative efforts of massive economic development in the developing nations. With a continental Europe and Japan joined in a massive, coordinated effort of high-technology economic development, Britain's power over the world's affairs will be quickly at an end.

Led by the London Daily Telegraph, the forces around the British monarchy are already howling in pain and rage. Unless they can somehow block ratification and implementation of Chancellor Schmidt's negotiations, the evil geopolitical scheme of Lord Alfred Milner — and of British agents Major-General Professor Karl Haushofer, Alexander Helphand-Parvus, Haushofer's protégé Rudolf Hess, and Haushofer's and Hess's *Mein Kampf* (attributed to Hitler) — is finished. Henry Kissinger will bellow, pound tables, and break furniture — as he is wont to do when most frustrated. Every public conduit of British influence in the Federal Republic will howl or sputter echoes of London's rage.

The old version of the British geopolitical doctrine, as developed by Rothschild protégé Milner and echoed by Mackinder, Haushofer, Parvus and Hitler, was to send Germany eastward into Russia in London's interest, with London picking up the fruits of bloody attrition between the two powers. Two world wars were fought in this century under the guidance of that version of Milner's, Churchill's, and Chamberlain's policy.

That old version of the British strategy toward the Eurasian "world-island" is no longer feasible. For World War III, London, and such British agents as Henry Kissinger propose to replace the past role of Germany by China. London's stated intent is to forge an anti-Soviet alliance among the United States, China, and Japan, so that thermonuclear World War III is centered in the Pacific, not the Atlantic. With the mutual destruction of the USA, China, and the Soviet Union, London assures itself it will rule the remaining regions of the world.

However, just as London has feared throughout this century, economic cooperation for rapid technological progress on the continent of Europe, now including the industrialized Soviet Union, represents the dominant economic power on earth. Peking, whose leaders are, on certain most-relevant accounts, more than a match for the pathetically-neurotic Henry Kissinger, Henry Jackson, and Zbigniew "Woody Woodpecker" Brzezinski, will "inscrutably" adapt themselves to such a reality. At bottom, Peking's anti-Soviet policy is "you and he fight; we wait," mixed with "but do not hesitate to bribe us."

London will react to this development not only with the most lurid propaganda. London will kill. It will unleash every destabilization scenario in its repertoire, in every region of the world. Bloody eruptions in southern Africa, fresh atroc

Middle East, escalated terrorism throughout Europe, including waves of attempted assassinations directed against key pro-Rapallo figures. The success — from London's standpoint — of all such atrocities depends upon Britain's ability to manipulate the U.S. White House and Congress.

In the intent of Chancellor Schmidt and President Brezhnev, "Rapallo" is settled. In the intent of London, the Schmidt-Brezhnev agreements must be wrecked by all means available. Europe has Rapallo and de Gaulle's "Europe from the Atlantic to the Urals" — and beyond, but keeping what Europe has will depend upon defending this achievement from the enraged British Bull.

Crucial, the United States must quickly join Chancellor Schmidt, Prime Minister Fukuda, President Giscard, and Prime Minister Andreotti in the New World Economic Order. For that latter result, Europe and Japan must give massive support to Vance, Young, and other

viable figures against the British conduits, Kissinger, Jackson, Brzezinski, Mondale, and Kennedy.

Britain must be promptly informed, and in the sternest language, of the penalties it will suffer if it continues its wrecking efforts. Those warnings must be backed by a commitment to enforcement.

#### *Brezhnev's TV Address*

On the basis of the German translation delivered as Brezhnev spoke, his brief television address to the citizens of the Federal Republic was astonishing. It was the most effective and appropriate pronouncement he has ever delivered, to the best of our knowledge. We note this fact not to pay compliments to President Brezhnev, but to draw attention to highly significant features of the address. We refer to those features of the address which had powerful subliminal effects on many viewers, but, most frequently, without their understanding of why they experienced such effects.

The fact that the address was so extraordinary in its quality reflects both the fact that it was clearly prepared with the greatest care with respect to every detail, and that the effects produced were gained because they were efficiently intended.

Overall, the style of the formulations used was typically Brezhnev. Brezhnev is noted for concentrating on using the simplest expressions in public statements, intending not to make a single sentence beyond the comprehension of any member of his audience.

It was also typically Brezhnev that the address was built up around topically-grouped simple statements of fact. Through these arrangements of simple factual statements, Brezhnev painted a picture of the policy he was reporting to his German audience. The essential policy-conceptions were not embedded *in* the simple sentences; the simple sentences were like daubs of paint, each arranged to its designated place in the whole portrait. Apart from a few key sentences located at the summary, a positive location, following each group of reflected related statements, the essential ideas were communicated by the address as a whole, not by any of its parts.

The famous rhetorician, the late Winston Churchill, would have been livid with envy. As an address, Brezhnev's presentation was one of the masterworks of art in political literature.

The fact that Brezhnev's address was a masterwork in its composition should not be taken to suggest it was merely rhetoric. There was not a single point of posturing, bluster, exaggeration or dissimulation in the presentation. Rather, the careful preparation reflected the fact that this agreement is the goal to which President Brezhnev has dedicated his life during recent years. It was for him the crucial world-historical act of his personal existence. It is clear that he focused every resource on perfecting each significant detail of this negotiation, with special attention to the potentially crucial TV address. He was faced with what he regarded as the most crucial task of his life; he was obviously determined to do it well.

The points which certainly had the greatest impact on the German audience, the points which need to be named to bring them out of the unconscious into the conscious realm, are principally these.

Brezhnev concentrated on the theme of offering the Federal Republic a new economic miracle for the re-

mainder of this century, strengthening this point by listing a few areas for German participation in Soviet projects to communicate a sense of the magnitude of the prosperity being offered.

Around this theme, Brezhnev developed also the following further key points.

Although war must be prevented, and the arms race stopped, economic benefits to Germany are not merely incentives for securing peace and disarmament agreements. Instead, he proposed, the creation of a powerful and enduring mutual interest among nations through massive economic cooperation is the wellspring from which we shall derive the motives giving substance and durability to peace and disarmament treaties. Those nations which knowingly need one another will not be lured into making war upon one another.

This reflects a profound policy principle. Brezhnev did not argue that principle theoretically at length. He painted the facts pointing toward the principle in simple factual statements, one listed after the other, and then stated his pointing one sentence. That was Brezhnev's method in the address, which method the viewer should reflect upon in seeking a deeper insight into the way the address affected so many.

In another sentence, a single sentence, he used the same facts to present another, also profound policy-principle. He identified Soviet housing, agriculture, and medical programs as directed to the included economic purpose of increasing the productive powers of the Soviet population. Brezhnev said to every neoplatonic humanist in Germany: We, too, are city-builders, who view technological progress as the means for the development of the individual.

For those industrialists urgently requiring exports to revive their firms, Brezhnev offered the greatest wave of prosperity through participation in such enterprises as the development of an area "as large as France." For the German worker suffering or fearing unemployment, Brezhnev indicated a construction project vaster than the capacities of the largely idled construction industry of Western Europe.

At the same time, on a higher level, to the world's leaders, he proposed as two fundamental principles of Soviet domestic and global foreign-policy (1) packages of high-technology economic development are the indispensable foundation for political solutions to threats of war and similar problems in all regions of the world; (2) the maintenance of economic growth depends upon programs for development of the productive potentialities of the population. These were also the policies of Thales and Miletus, Plato's Academy, Friedrich (Hohenstauffen) II, Georgias Gemmisto Plethon, France's Louis XI and Henri IV.

Brezhnev proposed a humanist ecumenical policy to those with the education and understanding to comprehend that offering, and an appeal to basic self-interest for those who prefer to think in non-theoretical terms.

The address contained no rhetoric in the classical Greek and Roman sense of that term. Nonetheless, it included a powerful rhetorical effect. This effect was achieved in the ways we have already indicated. It was also achieved principally in one additional way.

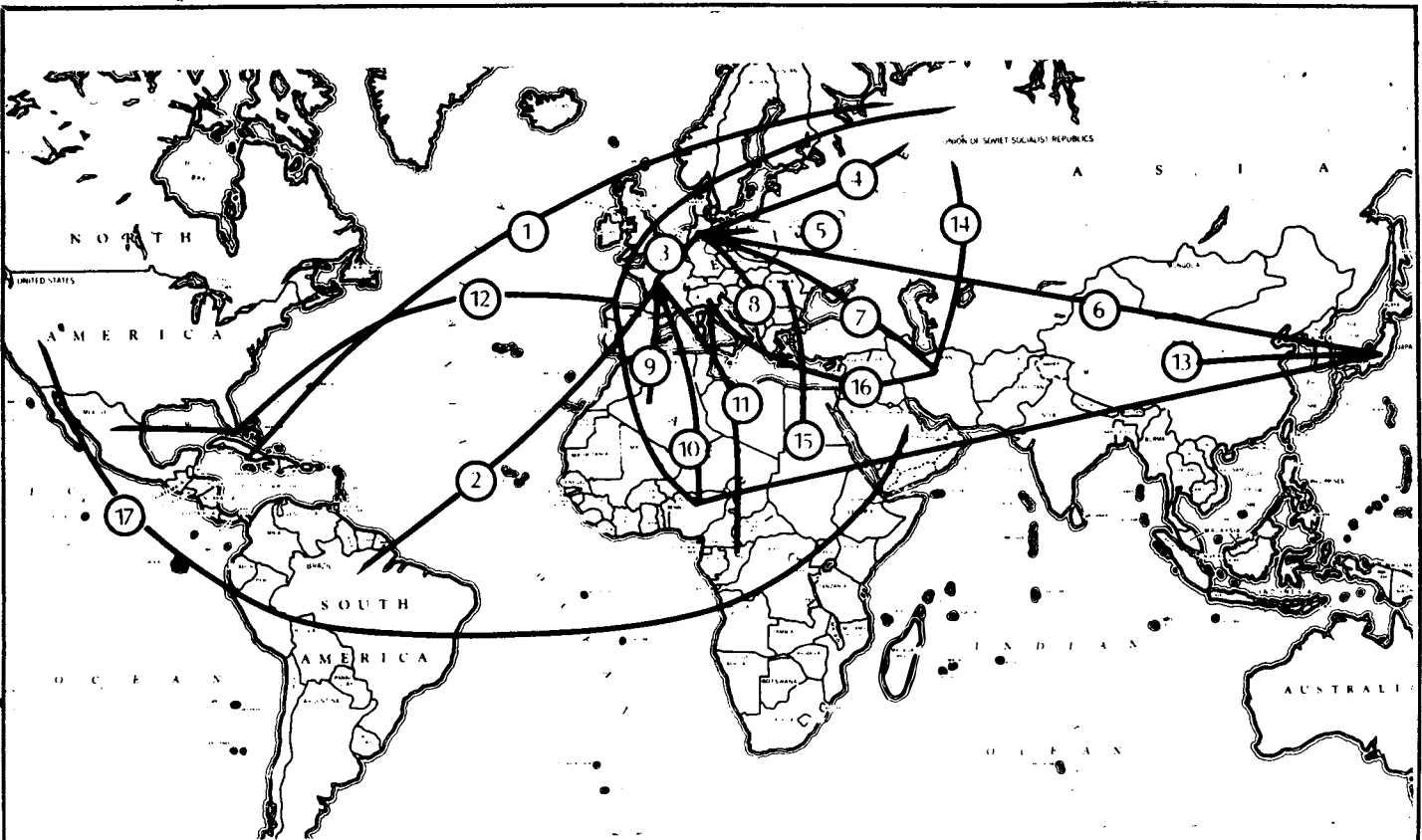
The overall characteristics of the address, apart from the elements already outlined, was the combination of

the sheer *bigness* of the landscape he painted with a dominant mood of economic-growth outlook and drive toward massive surges in technological progress.

These two overtones of the address took the German viewer back to the world outlook he or she had taken for granted during the time of the German "economic miracle," to the deeply-embedded commitment to economic progress, prosperity, and technological achievement which prevailed prior to the 1969 launching of the zero-growth campaign and the worsening world economic situation of this present decade. To such viewers,

the overtone of the address awakened the dream, the hope of the 1960s, and showed in the progression of simple, factual sentences that that dream, that hope could be realized through the rest of this present century.

These features of Brezhnev's address have not been missed by the secret intelligence service specialists of Britain's Sussex University, Britain's psychological-warfare division. For that reason, the address itself, almost as much as the negotiated treaties, is already producing fearful rage among British networks throughout the precincts of the Atlantic and Mediterranean.



### The World Starts Trading

This week's signing of the monumental 25-year trade pact between the Soviet Union and West Germany crystallized an international process of diplomacy which has seen an enormous number of bilateral and trilateral trade agreements signed between Eastern European, Western European and Developing Sector nations. For example:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>1 <i>USSR-Jamaica</i> — deepwater port in Kingston</li> <li>2 <i>France-Brazil</i> — hydroelectric dam in Amazon</li> <li>3 <i>BRD-France</i> — French reprocessing of BRD nuclear fuel</li> <li>4 <i>BRD-USSR</i> — 'The Deal of the Century' — 120 high technology agreements</li> <li>5 <i>BRD-Poland</i> — 34 million marks in trade</li> <li>6 <i>BRD-Japan</i> — chemicals, heavy machinery, computers</li> </ul> | <ul style="list-style-type: none"> <li>7 <i>BRD-IRAN</i> — \$20 billion oil-for-technology nuclear package</li> <li>8 <i>BRD-Yugoslavia</i> — 4.9 million marks in trade</li> <li>9 <i>France-Algeria</i> — 255 million francs for fertilizer production</li> <li>10 <i>France-Spain-Japan-Nigeria</i> — uranium exploitation</li> <li>11 <i>France and Italy-Congo Brazzaville</i> — oil fields development</li> <li>12 <i>Mexico-Cuba-Spain-USSR</i> — oil</li> <li>13 <i>Japan-China</i> — oil for technology</li> <li>15 <i>Iran-BRD-USSR</i> — gas pipeline connecting northern Iran to USSR</li> <li>15 <i>Rumania-Egypt</i> — electrical grid in Egypt</li> <li>16 <i>Iran-Italy</i> — natural gas for industrial goods</li> <li>17 <i>Saudi Arabia-U.S.</i> — \$10 billion industrial city on Red Sea</li> </ul> |
|--|--|

# British Lead Press Panic

West German press coverage of the 25-year trade and economic cooperation agreement signed by Bonn and Moscow this week was so inaccurate that the government of Chancellor Helmut Schmidt officially upbraided the British-directed campaign of press smears against the agreement. On May 9, the Chancellor's office issued a statement reading in part, "We are disappointed at the pettiness and total lack of historical perspective on political developments" currently displayed by the press. Selected outraged howls by London's conduits in West Germany, the U.S. and Great Britain, follow:

The Daily Telegraph (London) editorial, "Brezhnev Draws a Blank," May 9:

We must never lose sight of the fact that the main aim of Russian policy is to undermine Germany's loyalty to NATO and confidence in its protective effectiveness. To Russia this remains the unique "Open Sesame" to world domination, whatever peripheral schemes and adventures are pursued elsewhere....

Yet as Russia's military superiority on their doorstep grows, men's minds could begin to play strange tricks in rationalizing away unpleasant realities....

Chancellor Schmidt had to stand firm while taking care not to be inflexible, unreasonable or provocative to the mighty Soviet Czar (Brezhnev)....

Mr. Brezhnev gave nothing away either.... One thing he did get in Bonn was a 25-year agreement on economic cooperation and that he needed very badly. If it is not forthcoming, the screw will turn. But it will anyhow.

(London and Manchester) Guardian, May 5:

In his only public speech so far Mr Brezhnev has made an eloquent appeal for peaceful coexistence based no longer on the balance of fear and terror, but on trust and confidence between nations. He said that he recognized this requires work and not just words, especially in the area of arms control and disarmament.

But he also tried to drive a wedge between the U.S. and its Western allies. Renewing his call for a negotiated ban on the neutron bomb, he described this weapon as "an ominous gift of Dani" (the ancient Greeks) that is being offered "to the people of our continent."

(London) Observer, May 7:

The West German and Soviet leaders signed a 25-year agreement on economic cooperation which diplomats here see as a hint from Moscow about where Germany's long-term interests lie.

The Soviet Union has more to offer West Germany than supplies of oil, natural gas and uranium. It also holds the key to the reunification of Germany.

The thought that Moscow and Bonn might ever see eye to eye on this delicate matter is of course deeply upsetting to many other countries in Europe: a case of

possible Soviet-German trust inspiring the greatest possible mistrust elsewhere.

Financial Times, May 8 "Brezhnev completes Bonn discussions" by Adrian Dicks:

Mr. Leonid Brezhnev, the Soviet President and Communist Party leader, flew home to Moscow from Hamburg this afternoon at the end of a four-day visit to West Germany which appears to have left both Governments at least officially satisfied, even though relatively little progress has been made on specific issues....

The most tangible result of the visit is the long-term economic agreement between the two governments, which aims to double bilateral trade during the period 1976-80 compared to the previous five years.

## Soviets Call British Bluff

In response to British press lies about the USSR-West Germany treaty, the Soviet party paper *Pravda* has singled out the most scurrilous British newspaper, the *Daily Telegraph* for attack, linking the paper to the efforts of Tory leader Margaret Thatcher and British Chief of Defense Staff Neil Cameron to poison East-West relations.

*Pravda* commentator Vladimir Shelkov berated the *Telegraph* for its manufacture of "blatant anti-Soviet fabrications," adding that the newspaper has consistently distorted Soviet foreign policy, retailing instead "certain portions of falsehood" each day. "The actions of the *Daily Telegraph* and those who stand behind them reflect the general line of right-wing circles in Great Britain toward undermining the process of detente," said *Pravda*.

The article denounced British Conservative Party leader Margaret Thatcher and British RAF head Neil Cameron (from whom the Soviets earlier called for an official apology over his anti-Soviet efforts in China) for sowing "enmity and suspicions in relations between European peoples" and engaging in a campaign to "misinform public opinion."

Predictably, the *Daily Telegraph* put out an editorial the next day, describing results of the Brezhnev-Schmidt talks as a "blank" and accused the Soviets of trying to "detach" West Germany from NATO as part of its "unique Open Sesame to world domination."

As a safety measure, Romanian officials have barred a reporter from the London *Times* from entering the country, due to the newspaper's "incorrect reporting." The exclusion order comes a month before Romanian President Ceaucescu is scheduled to visit Britain.



*Le Monde (Paris), editorial, May 9, "No Surprises In Brezhnev Visit to Bonn":*

The same event can engender diametrically opposed interpretations. It is so with the trip Mr. Brezhnev has just made to West Germany: while West German observers see no new element out of this trip, the Soviet press is designating it to its readers as "the most important event of the year" which will "determine" for a long period the development of relations between the USSR and the BRD and serve the cause of the reinforcement of peace.

These divergences should come as no surprise. The important thing for the Soviets in this trip without surprises, is that it took place....Nothing in the results of

### West Germany: "Totally New Perspective"

*Interview with a board member of VDO, a manufacturer of armaments and machine tools in Frankfurt, West Germany:*

*Q: Are you aware of Chancellor Helmut Schmidt's "Grand Design" plan and how it connects to the Brezhnev visit?*

*A: I am fully aware of the importance of the Brezhnev visit. I also know that what the press is writing about the visit is all crap, but the really important people know what is going on.*

*Q: How are you planning to get around this press blackout?*

*A: What we want to do is to get a joint press campaign going with the VDMA (the association of German machine tool manufacturers). It will consist of an advertising campaign around the theme "Progress Creates Jobs." This will first of all counterattack the zero growthers, and also stress the importance of trade with foreign countries.*

*Interview with Messer Griesheim, board member of a mechanical engineering and chemicals firm in Frankfurt, West Germany:*

*Q: What is your opinion of the results of the Brezhnev visit?*

*A: This visit was urgently needed. Qualitatively, much more was accomplished than ever before. The atmosphere between both countries is really pretty good now.*

*Q: But a lot more will be needed to end the depression, true?*

*A: Yes, but look at it this way. If the problems of the West can be solved in the way that Schmidt and Brezhnev solved their problems, then there may be some hope again, and we will have a totally new perspective.*

his trip announces a Soviet initiative capable of unblocking the situation: the communiqué, the joint declaration, and the framework accord for economic cooperation signed in Bonn are not capable of hiding in their impressive number of pages the meagerness of results obtained.

*Washington Post, May 7, "Brezhnev Urges End to Arms Race" by Michael Getler:*

Otto Wolff von Amerongen, chief of the powerful West Germany Industry and Trade Council, said yesterday the new treaty was "not an historical agreement," as the Bonn government called it. There was scepticism here generally over the results of the Brezhnev trip.

The influential Frankfurter Allgemeine Zeitung stressed the lack of concrete progress achieved on key issues, such as disarmament, in a front-page editorial today. It said the visit was not likely to go down as an event of historic importance. "The reality is far more prosaic," it said.

Referring to the surprise with which Bonn officials were caught when Brezhnev, after years of delay, finally decided to come here, the paper said "four weeks ago, no one even had the idea of a long-term economic accord which, having been rapidly stitched together, is now being portrayed as a miracle."

*Washington Post, May 6 "Brezhnev-Schmidt Talks Seen Stalled" by Michael Getler:*

Lengthy private talks here yesterday between Soviet leader Leonid Brezhnev and West German Chancellor Helmut Schmidt centered on disarmament, but yielded no signs of progress and apparently included a Soviet refusal to trade any of its military superiority in Europe for a U.S. ban on neutron weapons...

There was also some West German words of caution with respect to trends in trade between the two European powers, a subject that is of interest to the Kremlin....

Today the two leaders will sign the most positive step coming out of these talks, a new 25-year "framework" for economic cooperation.

But Bonn's economic spokesman said yesterday that in trade talks also going on here, the West Germans had expressed some concern about the increasing Soviet tendency to demand that Bonn accept repayment in so-called compensatory or barter goods.

*New York Times, May 7:*

At first, the West Germans indicated they saw no particular reason for the visit. But then the Russians proposed the 25-year pact on economic and industrial cooperation, to be signed in Bonn, and the West Germans agreed.

*New York Times, May 9:*

Five years ago, Mr. Brezhnev's plea in Bonn for the West German and Soviet peoples to put an end to "a history full of sorrows" seemed genuine and moving.

Today, public opinion in West Germany seems more skeptical....

Mr. Brezhnev, the first Soviet leader to set foot on West German soil, journeyed to Bonn in 1973, and to Washington only a month later. The political climate was warmer in both places then than it has been in either for many months now.

*Frankfurter Allgemeine Zeitung, May 5:*

In a major editorial, this newspaper warned that it is high time to get rid of all current misunderstandings between Bonn and Washington. America may end up losing all of Europe, and then the Federal Republic of Germany would be standing all alone, helplessly, against the East. This would create a policy vacuum "into which only those who still believe they can follow Bismarck's approach of seeking their future in the East, would stop."

*Frankfurter Allgemeine Zeitung, May 6:*

It was no secret that the financing of the big deals with the Soviets will not be that easy....Even the nuclear cooperation deal, wanted by the Soviets, is not included in the package — the stress is merely on Third World cooperation.

*Frankfurter Allgemeine Zeitung, May 8, "The Myth of Military Detente," by Adalbert Weinstein:*

Detente has been merely a useful play for the Soviets up to now; the East is on the offense, while the West is

still defensive. Kissinger's illusion was that the understanding of détente would be identical in both East and West, but the Soviets understood it as merely a means to achieve generous terms of trade with the West.

*Another article reads in part:*

The Germans would have liked to tell Brezhnev more of what he wanted to hear....But under present conditions this was not allowed. These conditions began to be created in 1938, when Germany destroyed its neighboring nations which acted as buffer states....Now we have that uncanny neighbor relationship with a giant continental empire and with its specific political system....The so-called intimacy of the two cannot get any closer....For Bonn, the Brezhnev speech did not obliterate the fact that his peace is the peace of automatic killer-rifles placed at our eastern border.

*Frankfurter Allgemeine Zeitung, May 9:*

The behavior of the Federal Republic of Germany was such as to awaken irritating memories of Rapallo....

*Die Welt, May 9:*

Unnamed NATO officials, according to this paper, are "irritated by Bonn's recent behavior." Bonn, they say, seems not to understand what Brezhnev's real intentions are: he is concentrating on the weakening of Bonn's position for the upcoming NATO summit meeting, and is harping on the weakness of the American president.

## U.S. Looks For An Opening

*While Hodding Carter III, the State Department's press spokesman, gave out once, twice, then thrice a "no comment" at press briefings this week on the world-historical West German-Soviet accord, news of the momentous accord drew the following responses in Washington and elsewhere around the country:*

*A top aide to Frank Weil of the Commerce Department:*

This 'is really nothing new....West German-Soviet economic relations have reached the point where no real breakthroughs are possible....You can only have the working out of final details of already-concluded deals....If you write a story saying something significant took place, you'll be misleading your readers.

*An aide to Senator Jacob Javits (R-N.Y.):*

We're too busy here dealing with labor reform and other important matters like that — I couldn't possibly get the Senator's response on this.

*A New York executive connected to the Council on Foreign Relations:*

I can certainly understand why London doesn't like this....

*A business source close to the intelligence community:*

I have the same reaction to this as you do. Brezhnev

has even called for the Warsaw Pact lowering its forces in Europe, which undercuts Paul Nitze and that whole "Team B" crowd.

*A former U.S. Export-Import bank official:*

This must be used as an example of how the U.S. will be left in the dust unless it increases East-West trade....We must use it against the people who are blocking such things.

*Official at the Commerce Department:*

This is extremely important. I agree about its significance. It must have been stopped "at the top" because nobody in our departments was told about it.

*An assistant to U.S. Special Trade Negotiator Robert Strauss:*

This must be being handled only by the President, because we normally get briefed on things like this — but we don't know anything. It really sounds historic....

*A Teamsters official:*

...This will mean thousands and thousands of jobs, for years and years.

*A Republican Ward Captain in Buffalo:*

This is an opening we must get in on, a new alternative for the world.

# Build a Strong Whig Republican Force

*A Public Appeal to Ronald Reagan from the Labor Party's LaRouche*

*The following statement was issued on May 6 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.*

This past week, an obscene political alliance — albeit a morganatic alliance — was negotiated among Henry A. Kissinger, Fritz Mondale, and the *Washington Post's* Katherine Graham. Among the chief sponsors of this pornographic embrace are the Republican senators, senators who have signed a laundry list of complaints against President Carter, a list drafted by top circles of the British Secret Intelligence Service.

I am certain that you, Governor Reagan, are well or perhaps better informed than I of thinking among Republican National Committee (RNC) circles. Men and women for whom you and I ordinarily have respect, and for whom we ordinarily have a certain moral affinity, have submitted to temptation, and have followed the pimp Henry Kissinger into the political whorehouse operated jointly by the Kennedy machine, Fritz Mondale, and Katherine Graham. The excuse which those Republican Senators offer for this unwholesome expedition is pursuit of gratification in the November congressional elections.

Let us review publicly between us the following points. First, let us review what the foolish RNC would actually gain from the fall elections — as opposed to the result the present delusion informs us they might secure. Let us then consider the reasons the national interest requires a strong Republican showing in the fall 1978 elections. Let us review the importance of such a strong Republican showing from the standpoint of both the U.S. Labor Party and the non-Fabian forces of the Democratic Party. Let us, in conclusion, review the common policy which ought to ally *Whig* Republican, *Whig* Democrats and the U.S. Labor Party in behalf of the national interest at this time.

### *Prostitution's Venereal Disease*

The man who patronizes prostitution often gains something quite different than what he seeks: venereal disease. Those who prostitute themselves are certain to suffer such degrading consequence and worse. Granted, the Republican senators seduced into signing the document will gain a few days of orgiastic fantasies. It is in order to investigate what Fritz "vote-early-and-often" Mondale and the Kennedy machine will take from the foolish Republican wallets while the foolish senators are preoccupied with their pleasure.

As long as they are under the influence of Judas-goat Kissinger, the foolish RNC sheep will follow the British

line of "fiscal conservatism," constricted money supply, sky-rocketing borrowing costs, and an aggressive anti-labor wages policy pushed by U.S. Steel's *Mondale-allied* Speer. The electoral consequences of such a policy over the spring and summer on the fall elections ought to be clear: the labor movement and farmers minorities will follow the liberals into a pro-Kennedy landslide in the November 1978 elections. By comparison, Governor Landon will seem almost the victor of the 1936 presidential campaign!

The foolish RNC, reading the current polls, is convinced that the time is ripe for administering the political coup de grace to President Carter's career. Those foolish RNC dupes argue: If a Democratic President is discredited, *obviously* the Republicans must gain. On the contrary, an anti-Carter campaign of that sort means that, according to the profile in the hands of the Kennedys, Mondales, and Katherine Graham, President Carter will resign, and Mondale will take over. The foolish Republicans will be brutally crushed in the fall elections, in repayment for their services to the Mondale cause.

The foolishness of the RNC is directly linked to a similar imbecility among some Manhattan commercial bankers. These foolish fellows are so obsessed with the next quarter's speculative profits that they refuse to see the results of their short-term greediness over the six-month or one-year term. They are currently behaving, in the main, like poor sheep, tailing after Lazard Freres's (i.e., British Secret Intelligence Service's) G. William Miller just as pitifully as RNC sheep are following the stinking Judas-goat Kissinger.

As any sane professional ought to know, the base of the commercial banks is the savings and loan banks. Both such classes of banks, together with the vast pension fund and related portfolios, are trapped in an overhang in a dangerous real-estate speculation bubble. If that bubble is pricked, as Miller's policies will do, the resulting wave of bankruptcies in the real estate and related fields, combined with a stocked market bubble collapse, will hit the commercial banks like a tidal wave. The victor of this slaughter of the U.S. dollar will be the private merchant banks (investment banks) linked to their accomplices in the City of London market. Just as the Shanghai and Hong Kong Bank whose power is based on a century and a half of opium-smuggling has moved in on Marine Midland, the London-linked investment banks will pick up the nation's distressed commercial banks cheap at auction.

The only hope for stable recovery of Manhattan commercial banks — like those in Chicago, Houston, Atlanta, California — is to reverse the ratio of illiquid holdings in their portfolios by holding down the amount of speculative and other non-performing paper. Hard paper comes only from prosperous farming, hard-commodity export increases, useful construction, and industrial firms operating substantially above break-even points. Similarly, inflation can be defeated only by increasing the ratio of agricultural and industrial production in the GNP and by increasing the tax-base of federal, state and local government — both through hard-commodity forms of economic expansion.

Socially and politically, the only sane remedy for increasing unemployment begins with utilization of presently idled capacities in industry. The Bureau of Labor Statistics data purporting to show a decline in unemployment are technically legal, but in fact fraudulent. Long periods of unemployment produce attrition in the statistically accounted national labor force such that actual unemployment spirals upward while reported unemployment ratios decline. Under the present policies of the Fed and New York commercial banks, there will be a massive rise in even reported unemployment beginning about late June or July, with politically explosive social effects. The growing mass of unemployed means leaps in welfare applications. This can be ameliorated only through Schachtian schemes such as the Humphrey-Hawkins "full-employment" atrocity, or, contrarily, through *directed* flows of credit to bring idled productive capacities back into use. Forty billion dollars of added, revolving public credit to industry and agriculture for U.S. exports will accomplish, at no net longterm cost to government, what would otherwise require two to three hundred billion dollars of WPA-type, inflationary governmental spending.

The foolish commercial banks, like the duped RNC circles, refuse to "bite the bullet" on the issue of directed credit policies. These foolish people, who know nothing of U.S. history, argue in effect that Alexander Hamilton, John Quincy Adams, Henry C. Carey, and Abraham Lincoln were "socialists." These misguided people do not know that the American Revolution and the U.S. Constitution were undertaken to save this nation from the policies of Adam Smith. They would rather, however unwittingly, wreck the U.S. economy, and bankrupt their own commercial banks and U.S. farms and industries, than offend the British "free trade" doctrines of that liar and incompetent Adam Smith.

So, the commercial bankers, U.S. Steel's Speer, and Kissinger's foolish dupes in the RNC commit themselves to that "fiscal conservatism" which London shamelessly advertises as its plot to wreck the U.S. economy and collapse the value of the U.S. dollar. London, Ted Kennedy's crowd, and Fritz Mondale risk only losing unmentionable parts of their anatomies — through excess of laughing at the foolish Republicans and commercial bankers suckered into this scheme.

So much for the "shrewdness" of those who abandon the vital interests of the nation, abandoning all principles, in pursuit of the imagined whorish pleasures of the *Washington Post*, *Newsweek*, and *NBC's* "consensus."

No one political party could emerge from the fall 1978 elections with a clear majority for those policies which are in the vital interests of the United States. Unfortunately, within both the Democratic Party and the Republican Party there are strong factions of "liberals", centered around such evil figures as Ted Kennedy and Jake Javits, whose policies mean the destruction of this nation. What is needed is a cross-party majority of Republican and Democrat Whig forces in both the Congress and state governments, to the effect that the radical-liberal forces of both the Republican and Democratic parties are a contained minority in state capitols and the national legislature.

What is needed for the weeks and months immediately ahead is a visible juggernaut of such forces on their way to winning those results in the November elections. What is needed is a highly visible counterpole of political influence and power, a counterpole which captures the imagination of a troubled and frightened electorate through advancing and making clear the real solutions to the problems of domestic policy and strategy confronting the nation.

Our joint electoral base is the "silent majority," that is the lawful, natural electorate shared by the Whig forces in the Republican and Democratic parties and, to a lesser extent by the U.S. Labor Party.

We do not exaggerate our position. In every case the U.S. Labor Party has run in local elections, in which there has not been the most massive vote fraud, stealing Labor Party votes, the Labor Party has a persisting trend-range between 8 and 25 percent of the total vote cast. This vote comes chiefly from labor and minorities, and, in cases in which both Republican and Democratic candidates are pro-environmentalist liberals, a significant section of the Republican and non-Fabian Democratic vote.

The key problem faced by Whig forces in the United States is that large sections of the leadership of the labor unions are under an almost dictatorial control by Fabians allied with the Kennedy and Mondale machines. The Americans for Democratic Action, the League for Industrial Democracy, the networks of the Institute for Policy Studies, and the Naderite-Commoner machine are the gut of this subversion of the organized labor movement.

Apart from such outright Fabians as the UAW leadership, Victor Gotbaum types, and types such as Clayman of the AFL-CIO Industrial Union Department, the key to Fabian control over the labor movement is the foolish conservative support for the Kennedy machine's longstanding vendetta against the International Brotherhood of Teamsters.

True, there has been spillovers of our nation's widespread corruption into the IBT. Apart from IBT cooperation with the CIA and FBI during past periods, an uncomfortable but not properly indictable arrangement, the notable outside influence within the IBT has included the use of trucking as a means for distribution of illegal addictive drugs such as marijuana, heroin, cocaine, and so forth.

These drug networks are linked historically to Arnold Rothstein's operations, and to the other elements of the organized crime created by British Intelligence around Scotch whisky smuggling via Canada and the British

West Indies during the Prohibition period. The British used the same networks created for booze-smuggling to introduce the heroin traffic through the same Canadian and British West Indies channels, the same British interests which aided Joseph Kennedy in creating his family's fortune. Those networks in the IBT which have collaborated with British drug-smuggling via Latin America, Canada, and the Hong Kong and Singapore depots are the backbone of the union's factional forces behind the currently attempted "Watergating" of the IBT leadership, a campaign orchestrated by the pro-Maoist forces behind terrorism in alliance with Kennedy elements in the Justice Department and other governmental agencies.

The major sources of the heroin, marijuana and cocaine traffic into the United States are Canada and the British-controlled financial networks in the West Indies and Latin America. By way of Canada, the key redistribution points are Vancouver, Montreal, and Toronto, through channels directly supervised by top Canada-based elements of British secret intelligence. These elements of British intelligence are identical with the pro-Peking forces inside the United States, including British Columbia-based influences supporting Senator Henry Jackson, and are also directly linked to the forces pushing "decriminalization" of heroin, marijuana, and cocaine. These are forces allied to both the Kennedy and Mondale machines.

The Kennedy campaign against the IBT is chiefly a corrupt hoax, a fraud. It is the forces within the IBT supporting the Kennedy machine's effort which are precisely the focus of the corruption to be cleaned out of those precincts. It is not accidental that the most enthusiastic allies of the Kennedy machine within the Teamsters are the shameless potheads.

To cut through the Fabian arm-lock on the labor movement, we must build a visible, powerful machine on the flank of the healthy forces within the labor movement, thus affording the honest labor leaders as well as the rank-and-file sufficient strength to buck the Fabian dictatorship of Kennedy and Mondale allies.

The ordinary American citizen will fight for his or her nation's and his or her own interests if he or she is afforded visible, credible leadership. Since the U.S. Labor Party has no visible direct position inside the government, the party cannot do this job alone. If we can demonstrate to our friends and supporters within the labor movement that Whig Republicans and Democrats are committed to policies in the national interest, then the majority of the labor movement and working minorities forces will develop the courage to come out into the open in support of such policies.

The U.S. Labor Party's immediate problem in mobilizing labor is inclusively the fault of otherwise honest Republicans and Democrats who refused to sustain a struggle for honest elections. Although the pattern of local voting support for the Labor Party is in the order of between eight and twenty-five percent in key localities, the wholesale stealing of this vote in numerous elections has its intended demoralizing effect on our supporters. The criminals behind this massive vote-stealing are principally the machines supporting Mondale and Kennedy, with complicity of Henry Kissinger's enthusiasts in the Republican machines. But for this vote-stealing, as results in less-massively

corrupted elections demonstrate, the Labor Party would already have elective office in state and local governments in a few localities, and possibly also representatives in Congress.

Despite massive vote fraud by supporters of Fritz "vote-early-and-often" Mondale, the U.S. Labor Party electoral campaigning has strengthened the support for Whig candidates among conservative, Republican and Democratic lists. This marginal influence of Labor Party campaigning in improving such results is a critical — if marginal — feature of voting patterns in key regions of the nation. On this basis, a *de facto policy alliance* exists in fact — or should exist — among Whig forces of the Republican, Democratic and Labor parties.

It is in the vital interest of both the Republican and Democratic parties that the U.S. Labor Party win at least a few key elections. This ought to occur where removal of pro-Mondale electoral frauds and checking harassment by the corrupted, Fabian-liberal Federal Election Commission would produce such a result naturally. A pattern of a handful of such Labor Party victories would strengthen the position of the Whig forces in the two major parties.

The included importance of such arrangements is the key role of the Labor Party both in developing policies and providing an alternative to the Brookings Institution and other Anglophile-liberal sources of disinformation on vital facts concerning both domestic and foreign policy.

As a consequence of deeply embedded sabotage of key government agencies, beginning with the Kennedy Administration, neither the federal administration nor Congress possess a rounded, independent capability for developing the facts indispensable to national domestic and foreign policy decisions. The government — both the Administration and Congress — are dependent, predominantly, on private "think-tanks," the most influential of which are under the control of either the British Secret Intelligence Service or British sympathizers.

This has been monstrously aggravated by gutting the Central Intelligence Agency by Kissinger, Schlesinger and the accomplices of Morton Halperin. With the most recent gutting of the CIA by Mondale, Brzezinski, and Halperin, and systematic destruction of U.S. intelligence community, essential sources of information and influence, notably by Henry Kissinger and Israeli intelligence, the U.S. Administration and Congress are running blind in the most sensitive areas of foreign policy judgments. Totally false information, run into the United States chiefly from London, and spread around by such British agents-of-influence as Kissinger, is credulously swallowed and regurgitated widely among Administration and congressional spokesmen.

Excepting surviving State Department and Defense Intelligence capabilities and sources, the U.S. Administration and Congress have no competent governmental sources of strategic intelligence at their command, but depend increasingly on private sources which are predominantly controlled by persons whose commitments and outlooks border upon treason. To make matters worse, Brzezinski, Mondale and Kissinger predominantly prevent the competent intelligence developed by agencies such as the State Department and Defense Intelligence Agency from reaching Congress or

being reflected in Administration perceptions and policies.

The Kissinger-Halperin campaign to gut the domestic counterintelligence capabilities of the FBI — in which Halperin and William F. Buckley are playing Mutt-and-Jeff roles under Kissinger's direct coordination — is leaving the nation open for a wave of terrorism coordinated by Institute for Policy Studies-linked networks in cooperation with British and Israeli intelligence services.

Although many elements of Whig-oriented influential private and governmental forces have far better intelligence on specific points than the U.S. Labor Party, no agency is presently putting all the pieces together for an overall strategic evaluation. The excellent knowledge which various other Whig-oriented sources have concerning individual pieces of the intelligence jig-saw puzzle tends, in aggregate, to parallel the case of "the blind men and the elephant." No agency of government is competently developing the global strategic picture, and, more important, no such agency has yet mastered the crucial elements of methods of evaluation needed to arrive at an efficient policy formulation.

Consequently, in addition to the Labor Party's direct influence within various parts of the electorate, it serves also as a policy formulation and evaluation resource for various agencies, including Whig forces within the government and within the Republican and Democratic parties. Although these Whig-oriented forces do not automatically adopt Labor Party policies — by no means — the *policy dialogue* is an essential integral part of effective policy formulation by each of such forces.

By our repeated exposure of the purpose and effect of various operations launched by the Anglophile creeps, we have been efficient at many points in exposing and blocking some of the worst schemes put forward by the accomplices of Mondale, Kennedy, and Kissinger. Whether or not our advice is accepted in each case, there is no doubt that the availability of that advice is a valuable part of the policy formulating process. After all, we do represent different political parties — homogeneity or automatic concurrence are not to be expected.

#### *The McNamara Syndrome*

Just as the McNamara reorganization of the Defense Department under Kennedy and Johnson wrecked the United States' strategic posture, so McNamara of the World Bank is using the same incompetent methods to wreck the U.S. dollar and economy, destroying various developing nations' economies and U.S. export markets by World Bank policies and policy influences so incompetent as to be criminal.

Let us look at this from the standpoint of the defense problem first. Then let us consider how the McNamara "cost-benefit analysis" and "body-count" approaches to military policy yield comparably disastrous effects on the value of the U.S. dollar.

The wrecking of the U.S. strategic military policy was rooted in the ravings of General Maxwell Taylor and the lunatic mixture of "madness and deterrence" which is associated prominently with Henry "Strangelove" Kissinger. McNamara's lunatic "cost-benefit" approach to "weapons system" accounting practices rearranged the internal structure of Defense Department, Administration, and congressional military budget and

related policy-making procedures, to bring policy-making into conformity with the Taylor and Kissinger outlooks.

Working from the prevailing strategic assumption that the Soviet Union is the only credible military adversary of the United States, each of those nations is axiomatically obliged to adopt a war-winning capabilities' policy with respect to the other. Once a direct engagement occurs between the forces of either nation, no consequence but general and total war is possible. *For the condition of war, any other policy is imbecility.*

This has been and remains Soviet *strategic military policy*, despite Kremlin denials of such policy. The denials are not entirely dishonest. The assertion of a Soviet war-winning capability by a political official of the Soviet state would be a *provocative* assertion. So, Soviet officials' denial of a war-winning strategic military policy is not *politically* dishonest, since even a nation with a war-winning capability must deny such a capability up to the last minute of war-avoidance.

We are thus faced with a paradox. Assuming both states to be rational, under conditions prevailing to this point, both must pursue a military strategic policy of war-winning capability, while denying such a policy in the interest of maintaining a war-avoidance policy in the domain of political actions. For this case, the development of a war-winning military capability by both nations is not *in itself* an aggressive act, but merely a rational policy flowing from state interest. Such a war-winning military strategic policy must persist up to the point war-avoidance between the states is conclusively established. This may seem an incomprehensible paradox to many, but such is the rational necessity of the current state of world affairs. It is necessary that the governments of the United States and Soviet Union look into each other's eyes knowing that this paradox is the case, without any neurotic "flight forward" on that account.

If one is affrighted by the implications of a war-winning military commitment, then one must, all the more, decide whether an assured war-avoidance state of affairs can be established, or war is inevitable. The in-between state of mind, the Kissinger policy, the Taylor policy, is sheer moral cowardice and lunacy.

So, that stated, we have two guiding facts in hand. First, that assured war-avoidance between the U.S. and USSR does not yet exist. Second, that that same condition has prevailed since (in particular) 1960. The military side of U.S. strategic policy should have been an efficient war-winning policy, while U.S. political deployments and postures would have been war-avoidance.

The characteristics of the Kissinger and Taylor policy reflected the state of mind of inadequate men, who lacked the guts to look modern total warfare in the eyes. *Both, under the influence of British circles*, played the role of Miniver Cheevy, fled in terror from the realities of modern warfare to the psychologically more endurable domain of earlier forms of warfare. Taylor wished to fly back into the kind of warfare he was persuaded he had the competence to fight: World War II prior to Hiroshima. Kissinger wished to ignore the reality of modern total war, by a mixture of nineteenth-century British politics and eighteenth-century British and Prussian "cabinet warfare" military thinking.

So, we had the Vietnam war. It ought to be known that the U.S.-Vietnam agony was the result of worked-out budgetary proposals and military strategies and tactics created by the British monarchy, introduced to U.S. policy under the Kennedy Administration. Furthermore, every major development of escalation in Vietnam was the result of pressures on the U.S. from the British monarchy. As the case of Kissinger protégés Daniel Ellsberg and Morton Halperin proves, both sides of the Vietnam war — the war and the anti-war movement — were initiated and orchestrated by Anglophile agents linked to the "Zionist Lobby."

The U.S. involvement in the Vietnam war was the key means McNamara employed to wreck U.S. strategic military capabilities — including the ultimate included consequence of the "all-volunteer force." Kissinger's role in this process was mistakenly assumed widely to be a pro-Soviet role, largely on the basis of evidence that every key Kissinger maneuver had the effect of weakening U.S. capability vis-a-vis Soviet capabilities. *Many have mistaken the consequences of Kissinger's strategic incompetence for his intent.* Kissinger has always been a raving Anglophilic anti-Soviet personality; yet it happens that because of Kissinger's strategic incompetence, each of his supposedly clever maneuvers against the Soviets has directly or indirectly enhanced — or provoked — a secular gain in the relative strategic strength of the Soviet forces.

The dovetailing of Taylor and Kissinger's policies with McNamara "cost-benefit" imbecilities should be immediately clear the moment the ABCs of war-winning under modern total war conditions are considered. The way to prepare to win a total war is to begin with the whole capability in depth for conducting a war, and to develop the individual components as the whole deployment requires. Taylor and McNamara's view was directly opposite; both begin with the isolated elements of capability, or the isolated "cost benefit" features of an individual weapons system. Kissinger's policy dovetails with this in respect of its specifications that war is an escalation toward the never-quite reached asymptote of total war (total deterrent capability).

Winning a total war centers on the problem of building into one's capabilities what is well termed characteristic advantage. This is not accomplished by individual "wonder weapons." One senses Kissinger's mind — like Mondale's — is of the infantile quality otherwise associated with Warner Communications "super heroes" comics. The defeat of the U.S. forces in Vietnam ought to remind one of this point. The combined forces of the North Vietnamese Army and the National Liberation Front won because their military capabilities were adequate to the realization of a characteristic point of strategic *political* advantage.

One must think through general war from the initial assaults to the final act of war: the successful pacification of adversary-populated territory by armed infantrymen. What will bring an adversary population to such political submission is the crucial, decisive issue of general war. The more acceptable the perceived terms of submission, the earlier the point of warfare at which an adversary probably submits. One must design one's total war-winning capability with that end result constantly in view.

The general problem of warfare is not brilliant maneuvers, devastating assaults, and so forth. These matters have their important, subordinate places in the whole. The crux of the matter is much simpler, involving principles known by the ancient Romans and underlined by Machiavelli. One must discount in advance the fact that the adversary's maximum capabilities will have to be endured. After that is considered, in the balance of forces, does one have a remaining greater margin of surviving in-depth capability for counteroffensive than the adversary?

Wars are not won (and lost) according to any predictable line of play of a total war game of the sort printed out by a Rand Corporation computer. War includes the unpredictable — otherwise, generals are superfluous: What remains largely predictable is the fact that continuing war proceeds in layers of warfare, in which the surviving in-depth capabilities existing at each layer of continuing war determine the potentialities of in-depth surviving capabilities available in the succeeding layer of warfare.

Characteristic *advantage* involves consideration of massive loss of entire categories of capabilities in the course of such successive layers. There must be nonetheless an increasing margin of surviving in-depth capability at each layer of warfare, such that commanders may assemble from this adequate means to enhance the same sort of margin in the succeeding layer of warfare.

The Peking regime advertises its holes in the ground to this effect. In that matter, Peking's notion of warfare is informed by correct principle, although its purported solution to the problem is pathetically vulnerable to bacteriological and chemical warfare applications. Holes in the ground would assist Soviet forces in the matter of burying dead Chinese.

Given equal political potentialities of adversary nations, technology predominates in shaping characteristic advantage. Durable political strength of the population for circumstances of continuing warfare combined with a higher technological level of development of economies is the basis for war-winning potentialities. However, it is not adequate that such potentialities exist: they must be developed as actual war-winning capabilities, beginning with the principle of the national militia force.

The present profile of the U.S.-NATO capabilities for actual warfare is inferior to that of the 1941 Nazis for the case of warfare vis-a-vis the Soviet Union. The U.S.-NATO forces have, predominately, a shallow blitzkrieg orientation in terms of capabilities for continuing total warfare, and lack the in-depth militia required to provide a basis for drastically altering that dismal picture.

In general, under the influence of Kissinger, McNamara and similar Anglophile sorts, the U.S. and NATO have a developed capability for a war of the sort which would not occur, and a characteristic disadvantage of total forces for that sort of war which would occur. The centerpiece of this built-in flaw in U.S. capabilities is the "cost benefit" policies instituted under McNamara.

Since 1966, U.S. technological progress, especially in research and development, has collapsed at an accelerating rate. In basic scientific research, the U.S. is

subsisting on the fag end of the institutional research capabilities left over from the Manhattan Project, the Eisenhower period and the NASA aerospace "Manhattan Project" — type mobilization. The situation is on the same order in research and development for applications. When this situation in private industry and agricultural, as well as military-aerospace-related programs, is compared with the trendlines in Soviet scientific and engineering development, the conclusion deduced is of overwhelming weight.

Within the setting of the "post-industrial society" wrecking of the U.S. economy and the U.S. technological capabilities, and within the shrinking rate of the real component of GNP correlated with this, situate the "cost benefit" practices which radiate from the Department of Defense into the Office of Management and Budget, the Congress, and so forth. One sees immediately how, day-by-day, week-by-week, McNamara, Kissinger, Schlesinger and so forth are wrecking both the U.S. economy and defense capabilities.

Washington bureaucrats generally have their noses so far inserted into the lower alimentary tract of each line-by-line element that virtually no branch of the Federal government, Defense included, has in view what is developing in either the economy or strategic posture as a whole. It is only as professional military specialists and others stand entirely outside the anal-erotic obscenities of cost-benefit imbecility, that they judge, and rightly so, "this is disaster!"

The only remedy is to permit a Washington bureaucrat to utter the words "cost-benefit analysis shows" but once — for the next such offense, the only proper remedy is to ship the poor creature off to the funny farm as a certified victim of compulsive idiocy.

#### *The World Bank*

In Kenya, the World Bank promoted the development of a cattle-raising project and a matching, nearby meat-packing plant. The plant squats idle, since none of the cattle raised under the project are sufficiently disease-free to be packed for human (or cats' and dogs') consumption. To the extent that the World Bank has sponsored projects of intrinsic merit in original conception, the financing of such projects and the omission of essential matching elements of development has turned nearly every World Bank project but its health and highways programs into a wretched disaster.

Any leading American farmer, almost as well as professionals of the Department of Agriculture, has but to look over a few of the agricultural and related projects of the World Bank to report with absolute certainty that McNamara's gang is a collection of the worst incompetents ever turned loose on the world. The fault, as in the cited case from Kenya, lies not so much with the original conception of the particular development, but in the way the conception was mauled into incompetence by the accounting "geniuses" at the World Bank. A jackass could do better than McNamara and his accounting whizkids masturbating with their computers.

I have had the advantage of going over such cases with representatives of developing nations, and receiving a much broader range of reports to the same effect through my immediate associates. We in the United

States have in our advanced farmers, our agronomists, our Department of Agriculture, the greatest machinery of utmost competence for producing food in any part of the world. We also have in our State Department certain groups of professionals who are also of outstanding capability for collaborating with our Agriculture Department on such matters of foreign aid. Yet, because the IMF and the World Bank have de facto veto power over U.S. foreign aid policies, the representation of the U.S. in foreign aid agricultural projects is predominantly an atrocity.

Development in the Third World succeeds only in the case that agricultural, industrial, and infrastructural projects are assembled as balanced packages, so that *all* of the working parts of a successful project are included in a single package. If tractors are to be used, tractors must be maintained over their term of life as well as supplied. To give the simplest sort of illustration. In a number of projects involving World Bank meddling in African nations, so elementary a point was overlooked. Projects collapsed into ruin before pay-out level could be reached, merely for reason of such rudimentary forms of McNamarian stupidity.

When a balanced project design falls into the hands of the accountant-jackasses and computer-freaks at the World Bank, what results? Each element of the project on a nation-by-nation basis is independently reviewed for cost-benefit-analysis evaluation — line-by-line. Those lines which survive this procedure may possibly be approved — to the effect that only the back-end of a mule may be authorized, since the head did not pass cost-benefit tests. Any skilled worker could be taken directly off the job to be placed in charge of the World Bank, and could do a vastly more competent job from the outset.

Whole developing-sector nations are closed off to U.S. exports because of World Bank and IMF criminal incompetence. In this side of the matter, McNamara supplies a gang of accountants to each nation's budget. These imbeciles go over marketable output of the economy and imports, prescribing austerities which — on paper — appear to them to produce sufficient reductions in imports and consumption to enable the nation to pay debt-service on an enlarged debt. This is done, most notably, under the circumstances that the nation is defaulting on outstanding debt, to which the World Bank and IMF respond by "refinancing" the debts into a pyramided, significantly larger — more unpayable — debt. These McNamarian nitwits assume that a nation's prosperity can be improved by drastically reducing its ability to produce. Labor-intensive emphasis reduced the nation's social productivity, reversing the process of technology progress, and the maintenance of industries still producing is gutted as an "economy measure."

We have entire regions of the world in which a 15- to 25-year development project would produce results analogous to those Japan achieved following the Marx-Hamiltonian 1868 Meiji Revolution, but which are collapsing into epidemic-ridden economic genocide and ruins, because of the "wisdom" of "cost-benefit" freaks at the IMF and World Bank.

The same imbecility is presently institutionally embedded in the organization of the OMB, to the effect that under the conceptions of "zero-base budgeting" and



“cost-benefit analysis” predominating at the OMB, the entire federal government is a nightmare of increasing bureaucratic incompetence. “Zero-base budgeting” perpetuates programs which are worse-than-useless, notably those of HUD and HEW while gutting federal programs which would have the effect of expanding the revenue-base.

These imbecilic policies are doing to the United States what McNamara’s nitwit accountants are doing to the developing nations. These policies, which Schlesinger carried from the Brookings Institution into the OMB, aggravated by the imbecility rampant in the joint economic committee of the Congress, not only make the present federal budget a hopeless can of worms, but ensure that the budget-mess must become worse with each passing session of Congress.

#### *A Whig Policy*

The central problem in both domestic and foreign policy of the United States today is the way the Soviet issue is approached among leading circles which should know better than appears to be the case.

The standard routine is to adopt what purports to be a knee-jerk, anti-Soviet posture on any issue, at the same time that no competent U.S. policy is proposed.

This knee-jerk nonsense must be ended. What we must do is to define a global strategy which coincides with the interests of the United States and most of its industrialized allies *as exporters of high-technology capital goods*. “Allies” includes notably the United States, Japan, the Federal Republic of Germany, France, Italy, and the forces representing the political heritage of Kruger in the Republic of South Africa, as distinct from the British-influenced forces in that latter nation.

We require for the developing nations a *sustainable* program of technologically oriented economic development, and measures to provide security for future capital advances to those nations. To the extent that the Soviets efficiently concur with that policy and to policies respecting the sovereignties of those nations, no strategic conflict need exist.

At present, the United States has no consistent foreign policy corresponding to the most vital U.S. foreign interests. We are dragged in the tail of British geopolitical dictates, we are the foolish “dumb giant” destroying itself to keep Winston Churchill, Denis Healey, and Healey protégé David Owen smiling. We have *as a nation, no policy of our own*, except that, in effect, the Soviet Union should not make Queen Elizabeth unhappy.

Relative to Japan’s Prime Minister Fukuda, West Germany’s Helmut Schmidt and Wolff von Amerongen, and France’s Giscard, the United States government has been the world’s great ninny.

Do we know what Henry Kissinger really is? Are we so stupid we do not know what the Kennedys really represent? Do we not know what Mondale really is? Do we not know what Joe Rauh, Jr. really is? We know that the Institute for Policy Studies is the mother of terrorism in the United States, directly linked to terrorism abroad. Yet the Congress dutifully certifies one after the other of that collection of proterrorist, pot-headed gangsters into governmental and related posts.

The second obstacle to development of a competent policy perspective among Whigs is the myth that “dirigism” is “socialist” or something of that sort. On the first issue, Soviet policy, Whigs tend toward “*I am impotent*,” *negative* posture, rather than posing a strategic policy which defines actual U.S. vital interests, and then negotiating with the Soviets on that basis. On the second point, the Whigs fall back from developing a competent domestic and foreign policy, because at each point the result they desire can not be achieved without “dirigist” credit policies.

Were George Washington, Alexander Hamilton, Nicholas Biddle, John Quincy Adams, Henry C. Carey, Henry Clay, and Abraham Lincoln therefore “socialists”? The fact is that it was George Washington’s Administration which established the United States Bank, which adopted Hamilton’s *Report on Manufactures* as the outline of national policy. It was those policies which reestablished the credit for our young nation and launched us on the road to prosperous development.

The opposite policy is that British doctrine set forth by Adam Smith in *The Wealth of Nations*. Our forefathers made a revolution because the British policies of Adam Smith’s doctrines would have condemned us to the same fate which degraded most of those nations which continued under British domination. Admittedly, at several points in our history, our government has repudiated our founding fathers “dirigist” policies in favor of British policies. We erred so under Presidents Jackson and Van Buren — and saw our national credit collapse as a result. We did so repeatedly during this century, and suffered depressions and related disasters as a consequence each time. President Nixon with his Treasury Secretary Connally, by refusing to fight the British in the summer of 1971, opened the door to the undoing of the Nixon Administration, and permitted the continuation of the downslide into the present economic state of affairs. *Anyone who races about, holding up Adam Smith as his authority is acting as a British Tory, not as an American.*

The assassination of President McKinley, by a British-Intelligence Service’s assassin deployed by way of Emma Goldman’s base at the Manhattan Henry Street Settlement House, put the presidency in the hands of Anglophilic Theodore Roosevelt. The easier British manipulation of Theodore Roosevelt, along lines dictated by Lord Milner’s group, opened the doors wide for the rape of the United States by galloping Anglophiles such as the William and Henry James gang, John Dewey, Louis Brandeis, Felix Frankfurter, Colonel House, and by such outright British agents as Charles Beard and Walter Lippmann. This corruption, aided by Justice Holmes’s Hobbesian sabotage of constitutional principles at the Supreme Court, was abetted by British financial influences in the Manhattan banking community.

In consequence of 75 years of British 20th century subversion of our culture and institutions, our university liberal arts departments teach the wildest lies concerning U.S. history as fact, and poison the pores of our public school curricula with the same lies. This drilling of outright lies into the minds of our youth is

aggravated by a dominant role of lying press institutions, ranging in evil from the *Washington Post* on downwards, toward the merely credulous lesser offenders, who merely parrot falsehoods and distortions without the slightest manifested sensibility of what they are in fact doing.

It is that climate of subversive lying and credulousness which creates the acceptance of the myth that "dirigism is socialistic." Dirigism in matters of national credit and fiscal policies is federalist, Whig-American. Dirigism is what distinguishes the American system from that evil British system from which our forefathers fought to free us.

Whigs propose private industrial and agricultural progress, propose technological progress, propose advances in industrial and agricultural output as the basic means for providing employment and necessities of life. Yet, desiring these objectives — and rightly so — they stumble and retreat from adopting the credit policies needed to make these things possible.

Both domestically and in foreign policy, the one ingredient essential to making the American system work is a selective credit policy which favors investment in technologically progressive industrial and agricultural development, over credit for uses outside of

production and distribution. We require abundant, cheap credit for use in sound investments in production, with emphasis on low borrowing costs for productive long-term investment. These aspects of economic policy must be aided by both government credit policies and fiscal policies. We must have the most favorable rates of taxation for basic household income and for savings and credit advances for expansion and improvement of industry, useful construction, of agriculture, and for education and science. We must let the relative weight of taxation fall upon incomes not used for these purposes. By these means — using the simplest, *non-bureaucratic* sorts of direction for shaping the economic climate, we channel private initiative into the paths which are the most beneficial to the nation as a whole.

*That capital which does not produce, shall not eat.*

Once we adopt such basic credit and fiscal policies of the American system as the money and banking side of our approach, all the other elements of our proper programs become workable. Once we ally our forces around such policies, all the essential features of foreign and domestic policy fall into place. *Let us then so resolve to continue the principles of the American Revolution and the adoption of the Constitution.*

# Carter Boxed In

## Confused Exec Swings Both Ways

President Carter is now being encircled by both a left and right wing operation which has as its objective cutting Carter off from a foreign and domestic policy geared toward economic growth. On the liberal side, Carter is confronted by the deindustrialization, soft-technology favoring antics of Sen. Edward Kennedy and California Governor Jerry Brown, now both widely touted as presidential contenders by the press. The flip side of this deployment features the anti-Soviet rantings of Henry Kissinger-deployed Senators Daniel Moynihan (D-NY) and Lowell Weicker (R-Conn).

### THE ADMINISTRATION

The hurried activities of the Kissinger-Kennedy axis follow closely the conclusion of a multi-billion dollar trade agreement between West Germany and the Soviet Union. In the positive context created by a European push for détente and the May 3 invitation issued by Japanese Premier Takeo Fududa for the United States to join in developing new energy technologies with Japan, an "uncontrolled" Carter Presidency is too great a risk for the London monetarist forces.

The possibility that Carter might involve the U.S. in some of the economically crucial trade pacts between the USSR and West Germany is not unfounded. Capitol Hill sources report that as Schmidt and Brezhnev closed their historic agreement May 6, the West German Chancellor had extended telephone conversations with President Carter.

#### *The Kissinger Lobby*

On May 8, former Secretary of State Henry Kissinger began to threaten the President while addressing a Senate Foreign Relations Committee meeting that if he did not capitulate to Kissinger's Cold War confrontation policies he would face a "divisive" fight. Within hours, Sen. Weicker (R-Conn.) and Sen. Moynihan (D-N.Y.) attacked Carter's "appeasement" policies at the American-Israel Political Action Committee (AIPAC) conference.

Kissinger reiterated that the U.S. had disappointed its allies by adopting a "soft" foreign policy and "losing" Angola. The former Secretary of State demanded that the Administration adopt his "geopolitical" confrontation approach. "It's in the national interest to have a bipartisan foreign policy...we can't afford a divisive fight," he said.

The nature of the bipartisan policy being proposed was

spelled out by a red-nosed Moynihan at the AIPAC meeting. Moynihan ranted that for three years there has been a failure of nerve in U.S. foreign policy, "When Carter and Brezhnev sit down together, they get along well; they have similar dreams." The Soviets are the successors to the Nazis, Moynihan claimed, and their goal is to dominate the world.

Senator Weicker followed Moynihan, ostensibly blaming National Security Advisor Zbigniew Brzezinski for the Administration's policies, he compared it with others who "sacrificed" the Jews for the sake of "world order." "The Carter Administration is on a collision course with history," Weicker added. Mark Seigel, the former White House advisor and liaison to the Jewish community, followed, saying that the Administration planned arms sale packages to Saudi Arabia and Egypt were designed to destroy the Zionist Lobby. Siegel's implication was clear: The Zionist Lobby should get Carter first.

Kissinger's input was also apparent in the statements of the Coalition for A Democratic Majority released May 6. Headed by Moynihan and Senator Henry Jackson (D-Wash.), the coalition issued a statement warning that Carter was destroying the Democratic Party with his "softness." The group condemned the Administration for "continuing a pattern of retreat and international accommodation, which is weakening our nation's standing at home, breeding division among Democrats and giving ground to the Republicans."

#### *Carter's Tilt*

Carter is particularly susceptible to the Democratic hard line since he won the White House without developing a strong base of support within the party. This has contributed greatly to Carter's particular malleability to press coverage in the *New York Times* and *Washington Post* that Jerry Brown and Teddy Kennedy are likely challengers to his bid for the Democratic nomination in 1980.

Following criticism from the solar power-supporting Brown on Carter's Mideast policy, the President announced during his May 3, "Sun Day," visit to Golden, Col. that he had ordered "all our departments in the federal government under the leadership of (Energy Secretary) James Schlesinger to go into more ways that every agency of the government can help solar energy become part of the everyday life to the American citizen." He also announced a directive that \$100 million be added to the Energy Department budget for solar energy "research" in tandem with similar moves in Congress.

Carter next cuddled up to the same Teddy Kennedy of whom during his 1976 presidential campaign he said "I don't have to kiss Teddy Kennedy's ass" to win the nomination. In a poor parody of each of Kennedy's stances on his pet issues — health care and judicial "reform" — Carter unleashed diatribes against the legal and medical professions for "ripping people off." Carter was setting himself up to embrace the Senator's "right to die" health plan and the unconstitutional judicial revision.

Carter's populism was exactly what the Kissinger-Kennedy axis was aiming for: a terrified Carter disoriented by opposition would imitate its fascist policies.

To maximize the threat of opposition the Kennedy crowd this week arranged the release of a recent Gallup

poll showing Carter's popularity as ebbing. George Gallup, a personal friend to the Kennedy clan, shows in his latest poll that Democrats prefer Kennedy to Carter as a presidential nominee 53 percent to 40 percent. Even in Carter's home territory, the South, the poll showed Kennedy running equal to Carter in strength.

At the same time Jerry Brown, who placed third in that Gallup poll, announced he was running a \$1 million effort to win the California Democratic primary for governor, a race in which he is unopposed. As the press has gloated, this is a sure sign that Brown wants to make a name for himself so that he can challenge Carter in 1980. And as Kennedy-clan associate Tom Wicker commented in the *New York Times* May 9, Brown's activities place Kennedy under pressure to officially announce his own presidential intentions.

## Miller Comes Under Fire

### *White House Takes Aim At Fed Chief*

Federal Reserve Chief G. William Miller is under fire in what promises to be a widening battle. As yet, only the first shots have been fired, beginning with an article in the *Dallas Morning News* May 6.

There it was revealed that the Bell Helicopter Division of Textron Company, formerly chaired by the Fed chief, had repeated its Iranian payoff operation, albeit on a lesser scale, in Ghana. Worse, it was also disclosed that a key document pertaining to the deal was destroyed the day after the matter was brought up in Miller's confirmation hearings last February.

Miller's confirmation by Senator William Proxmire's (D-Wisc.) Banking Committee had already been delayed several weeks when information was leaked that Bell had paid almost \$3 million in bribes to Iranian government officials to secure a helicopter sale. At the time the committee staff did not consider the much smaller Ghana payoff — some \$300,000 — to merit the same attention.

The Iran payment itself would never have become an issue had not sources in the U.S. intelligence community revealed the evidence in an attempt to halt Miller's confirmation. Despite a Securities and Exchange Commission investigation and one by a special Justice Department task force, the confirmation was railroaded through when the entire committee, according to staff members, demanded that Proxmire call a vote and stop prolonging the hearings.

#### *The Politics of Scandal*

Having now ensconced himself in the Federal Reserve and moving to push up U.S. interest rates as quickly and drastically as politically feasible, Miller is meeting opposition from those same quarters who engineered the original Textron leak, apparently joined this time by a White House faction developing around Robert Strauss, the Special Trade Negotiator and Presidential inflation fighter. Strauss hinted such a move might be in the works

in a press conference May 4 (by referring) to himself as a "low-interest man."

Strauss's political mode of operation is not likely to result in more open attacks in the immediate term. However, the following Saturday, the *Dallas Morning News*, after checking with the Securities Exchange Commission and the Justice Department, leaked the Ghana story, including as well a Latin American bribe angle that has not yet been picked up elsewhere. Strauss has strong roots in the Texas business community, which has on its own been more forthright than other business groupings in its dissatisfaction with Miller's credit-crunch policies.

Caught off guard, Proxmire issued a press release on May 6 indicating his "distress" over the "inadequate explanation" of the Ghana affair provided to his committee, "thus foreclosing a relevant area of inquiry into Mr. Miller's qualification to become the Federal Reserve Chairman." Senator Edward Brooke, a member of Proxmire's committee, issued a similar release. Both called on the Justice Department to determine whether the destruction of the document provided sufficient basis for criminal prosecution — closing the barn door too late, in effect, since Justice already had an investigation under way.

Both the pro-Miller *New York Times* and democratic committee staffers attempted to divert attention from Miller's responsibility for the actions of his corporation to the issue of possible CIA involvement, through the participation of a sales company in Ghana alleged to be largely CIA-owned. The funds had allegedly been laundered through an arrangement by which Bell Helicopter billed the sales company list price for the helicopters. They in turn billed the Ghanaians the list price plus the \$300,000 and passed this total sum on to Bell in the U.S. for their "own" account, the retail portion then going into Bell's general receipts and the bribe peeling out again into the hands of the Ghanaian official.

The assistant to a top American financial analyst and advisor revealed this week that indeed the CIA did have further hot goods on Textron, and that the White House had the information as well — and might use it.

#### *Administration Blast*

The following week Stuart Eizenstat, the President's domestic policy advisor leveled the first official Administration blast at the Fed chairman. Noting ironically that he was "not entering into a public battle with Mr. Miller," Eizenstat told a fundraising group of the Democratic National Committee that the Fed's interest rate

### "Kissinger is the Problem"

A member of the executive board of AEG, one of West Germany's largest electrical and electronics firms volunteered why he thought U.S. firms were being kept out of the West German-Soviet trade agreement.

*Q: How would Japan and other countries react to the idea of consortia to organize international cooperation under Soviet leadership for development projects in Siberia?*

*A: America — that's more important. But it will take time, because there are problems at the present moment. The problem is not an economic one, it's political.*

*Q: Both Miller and Kissinger have been under attack from the White House staff around Stu Eizenstat and Jody Powell in the last few days. Isn't it also those people who are blocking U.S. collaboration in the Schmidt-Brezhnev motion?*

*A: Yes, Kissinger is the political problem I mean.*

moves were not "ones we asked for," and "aren't ones we have applauded." He made the point — increasingly clear to credit-hungry U.S. corporations — that the Fed policies are likely to "undercut the recovery."

Eizenstat has long been considered an ally of Vice-President Walter Mondale, the man who pulled the White House behind the Miller nomination. So not only is the "honeymoon" over between Miller and the Administration, as the *Wall Street Journal* noted May 10, but Eizenstat has apparently been swung behind the Strauss group. Miller may be Mondale's last nominee ever. A well-informed Texas editor hinted broadly at the Strauss leadership role in an interview last week. "If Strauss is behind this," he remarked, "you won't find out. Now I know Bob Strauss, and I'm seeing things pretty much the way you are. I wouldn't be in the least surprised if he was."

#### *Who Will Get Hit?*

Although some Banking Committee staffers were pointing to the CIA angle, others eagerly amplified the original Proxmire remarks, directing inquiries to the *Dallas News* article and remarking on the great difficulty of extracting even the evidence that was handed over by Textron. In many cases Miller's corporation did not admit the existence of any material evidence at all, until documents were specifically subpoenaed after their existence was revealed through other channels.

It is still possible that should the scandal grow, it may spill over into a general discrediting of the White House itself — which did nominate and defend Miller. However, it is more likely at this point that the anti-Miller forces will escalate. Notwithstanding a recent statement of support for the chairman from his predecessor, Arthur Burns, Miller does not have unanimous support from either the Federal Reserve Open Market Committee or the Board of Governors, many of whom are responsive to precisely the kinds of industrial pressure that largely shape Strauss's political outlook. Nor is all the evidence yet out in the open.

—Richard Welsh

# What's Blocking East-West Trade?

'Hard-line' Legislation Is Losing The U.S. Billions

How much is Henry Jackson worth to the United States? It's a question more U.S. business, political, and labor leaders should be asking — since the Senator and his British backers' "tough on the Soviets" posture is costing the nation tens of billions of dollars a year in East-West trade deals.

Projections by an official in the East-West Trade Bureau of the Commerce Department confirm that if it were not for the Jackson-Vanik Amendment and a host of similar restrictions on economic dealings with the Soviet sector, within an approximate five-year period, expanded U.S. exports to the East bloc would entirely balance the U.S. trade deficit, which last year ran \$27.8 billion.

"The Soviet bloc countries are anxious to buy American commodities, especially advanced technology items," the official said. "At present they do not have sufficient hard currencies to purchase the items they need and, while I cannot give any figures, I predict that were these restrictions removed, they might indulge themselves wildly if credits were available.... There is no

question these countries could give financial guarantees."

With continuing restrictions, he reports, the U.S. deficit will continue to rise — and the deficit figures being passed around the Commerce Department are "very scary." He underlined the magnitude of economic interference staged through these "anticommunist" political showpieces with the following predictions:

(1) With only a minimal easing of restrictions, trade with the Soviet Union could edge up to the \$2 to \$5 billion mark over the next one to two years.

(2) If the rate of expansion of the 1972-1973 period had been allowed to continue, Soviet-American trade would now be in the \$13 billion range.

(3) With all restrictions removed, it is conceivable that East bloc exports would balance the U.S. deficit within five years.

Legal blocks to expanded economic East-West cooperation, as pushed by the likes of Senator Jackson, are represented by the following review of some key political obstacles to trade with the Soviets.

---

## The Stevenson Amendment to the Export-Import Bank Act of 1945, as revised in 1974

Senator Adlai Stevenson (D-Ill.)

---

### DEFINITION

Places a \$300 million ceiling on credits and lending to the Soviet Union, and a \$40 million ceiling on credit for the purchase of anything involving fossil fuel energy resources.

### HOW IT WORKS

The Stevenson Amendment became *Section 7(b)* of the Export-Import Bank Act of 1974. It reads, in part:

"After the date of enactment of the Export-Import Bank Amendments of 1974, the Bank shall not approve any loans or financial guarantees, or combination thereof, in connection with exports to the Union of Soviet Socialist Republics in an aggregate in excess of \$300,000,000. No such loan or financial guarantee shall be for the purchase, lease, or procurement of any product or service for production (including processing and distribution) of fossil fuel energy resources. No more than \$40,000,000 of such aggregate amount shall be for the purchase, lease or procurement of any product or service which involves research or exploration of fossil fuel energy resources."

---

## The Byrd Amendment to the Trade Act of 1974

Senator Robert Byrd, D-W. Va.

---

### DEFINITION

Essentially the same as the Stevenson Amendment, but attached to the Trade Act of 1974.

### HOW IT WORKS

Places the same ceiling amount on credits and lending to the Soviet Union.

---

## The Jackson-Vanik Amendment to Trade Act of 1974

*Senator Henry Jackson (D-Wash.), Representative Charles Vanik, (D-Ohio)*

---

### DEFINITIONS

Forbids Most Favored Nation status to all East bloc and "Communist" countries due to lack of free emigration for minorities. The Amendment prohibits all credit and funding from U.S. government institutions to non-MFN nations unless the President makes a special request to Congress which stipulates how such lending will promote the requirements of the Amendment.

The Jackson-Vanik Amendment applies to all lending agencies of the United States Government. In particular, it shackles the following institutions, which could otherwise be extending credits or guarantees for East-West trade:

1. Export-Import Bank
2. Commodity Credit Corporation of the Agriculture Department
3. International Finance Corporation
4. International Development Association
5. Agency for International Development

### HOW IT WORKS

Jackson-Vanik became *Section 402* of the 1974 Trade Act entitled "Freedom of Emigration in East-West Trade," with provisions as follows:

*402 A* — "On the basis of protecting human rights...products from any non-market economy country shall not be eligible to receive nondiscriminatory treatment (Most Favored Nation treatment) and such country shall not participate in any program of the Government of the United States which extends credits or credit guarantees or investment guarantees, directly or indirectly, and the President shall not conclude any commercial agreement with any such country during the period beginning with the date on which the President determines that such country (i) Denies its citizens the rights or opportunities to emigrate; (ii) Imposes more than a nominal tax on emigration or on the visas or other documents required for emigration for any purpose or cause whatsoever; or (iii) Imposes more than a nominal tax, levy, fine, fee or other charge."

*402 B* — Requires that the President make special reports to Congress proving that a non-MFN nation meets these requirements before concluding any commercial agreements. This must then be acted upon by Congress.

*402 C* — Waiver clause. Since no "communist country" can meet such provisions, *Section 402 C* allows the President to waive the requirements of *Sections 402 A* and *402 B* if such a waiver can be proven to "promote these requirements or lead — in a definite time frame — to meeting these provisions." It is this waiver clause which was used to gain MFN status for Romania and will be used to gain MFN status for Hungary. Waiver authority is granted to the President for only 12-month periods, and waiver extensions must be granted by Congress.

---

## Johnson Debt Default Act of 1948 (part of the Export- Import Bank Act)

---

### DEFINITION

Prohibits credits or loans to any government which has defaulted upon or not renegotiated the terms of U.S. government or government-backed bonds; requires a Presidential review of particular situations and submission to Congress for exemption from this Act.

### HOW IT WORKS

Applies essentially to the Soviet Union and East bloc countries who defaulted following World War II or who refused to abide by the conditions of such bonds.

---

## Section (2 (b) (3)) to the Export-Import Bank Act

Senator Frank Church, D-Idaho

---

### DEFINITION

Places harsh restrictions on all high-technology and energy exports, with particularly harsh provisions applicable to the Soviet Union.

Church's argument for his Amendment was propounded during Senate floor debate Dec. 19, 1974: "I believe that the only way we can be certain that major energy development projects inside the Soviet Union are not to be underwritten with American capital, is to insist upon the right of Congress to pass judgment, prior to the making of any foot-in-the-door loans through the Export-Import Bank, on whether the ultimate purpose of the transaction serves the best interests of the United States."

### HOW IT WORKS

This Section provides:

"No loan or financial guarantee or combination thereof (i) In an amount which equals or exceeds \$60 million (ii) In an amount which equals or exceeds \$25 million for the export of goods or services involving research, exploration, or production of fossil fuel energy resources in the U.S.S.R., or (iii) For the export of technology, fuel, equipment, materials or goods or services to be used in the construction, alteration, operation, or maintenance of nuclear power, enrichment, reprocessing, research, or heavy water production facilities, unless, in each case, the Bank has submitted to the Congress with respect to such loans financial guarantees or combination thereof, a detailed statement describing or explaining the transaction — at least 25 days of continuous session of Congress prior to the date of final approval."

---

## International Security Assistance Act

---

### DEFINITION

Restricts sales of military or military-related technologies to, especially, "communist countries." Most important is how decisions on "gray areas" are determined, that is, "of potential military application," which can include chemicals, baseball bats, etc.

### HOW IT WORKS

Revised yearly as a subsumed part of the Arms Control Export Act.

Decisions on application of the Act are now made by the President on recommendation of the State Department's Office of Munitions Control and the Office of Human Rights. Formerly such decisions were made by the Commerce Department.

---

## U.S.-British Joint Declassification Agreement on International Fusion Research

---

### DEFINITION

Established in 1958 between the United Kingdom and the United States. Makes the British privy to all U.S. developments in the field of fusion energy development. More importantly, it allows the British government effective veto power over all areas of U.S.-Soviet cooperation in fusion research, by giving Britain the power to determine what material is or is not "classified." Anything labeled "classified" — however far-fetched the basis for "classification" — thereby cannot be shared with the Soviets.

### HOW IT WORKS

This agreement was the basis for British sabotage of a series of Soviet proposals during the past year for advanced U.S.-Soviet collaboration in fusion research. Last November, for example, leading Soviet fusion scientist Basov made a proposal for integration of Soviet fusion technologies at certain U.S. laboratories such as Los Alamos — a proposal vetoed by Energy Secretary James Schlesinger and the British government. Had the Basov initiative been accepted — combining the Soviet Union's advanced fusion technology with the high energy resources of the U.S. — the United States could produce a demonstration on-line model fusion reactor by the mid-1980s.



# Never on Sun Day

Despite a million dollar promotional budget and the glow of celebrity support, key regional U.S. press saw clouds on the horizon during the "Sun Day" salute to solar power May 3. While much of the national press gave prominent display to the primitive rituals for which a few gullible people turned out in various locations, the overall realization was that Sun Day had flopped.

At the United Nations, a sunrise ceremony featured actor Robert Redford and U.N. Ambassador Andrew

---

## ENERGY

---

Young presiding over the mock sacrifice of a teddy bear by a costumed zombie. The zombie then treated the audience to "sun chants" in many languages.

Sun Day activities elsewhere also bombed. The demonstration against the Rocky Flats, Colorado nuclear weapons facility, billed as a "national call to action," drew only a few hundred environmentalists from the Mobilization for Survival, a creation of the Rocky Flats Action Group and the Institute for Policy Studies. After a few hours of speeches from such movement personalities as a middle-aged Stokely Carmichael and Henry Kissinger protégé, Daniel Ellsberg, the audience dwindled to 150. Even these numbers were to drop as the 24 hours of rain rinsed away many of the demonstrators.

A forthright characterization of the Sun Day movement by an irate caller to a Philadelphia radio station gave a clue as to why few sane Americans attended the Sun Day rites: "The Sun Day people are the same people who sold me LSD in the 1960s," the caller said.

Below are selections showing how some American newspapers saw Sun Day. It is worth noting that criticisms of the solar energy campaign were printed in both leading papers of St. Louis, the home base of Washington University's Barry Commoner, who is the USA's leading solar power propagandist.

*St. Louis Globe-Democrat*, (editorial), "Don't Let 'Sun Day' Blind You," May 3:

There is a vocal, activist minority in the country organizing and working overtime to try to stop the development of nuclear power by any means it can find.

*During the last week the antinuclear groups, such as the Clamshell Alliance, have been staging demonstrations against nuclear power in Colorado and South Carolina in conjunction with the buildup for national "Sun Day."*

The national mobilization of the Sun Day apparatus has two goals, both of which are against the national interest. The first is to discredit nuclear power by trying to convince the public that it cannot be safely produced, and is uneconomic. The second is to make the public believe that solar power is a viable alternative to nuclear power and other forms of energy.

The truth is that for the next two decades at least the

role of solar power in this country will be small...

*Under present applications of solar energy, large areas of the country would have to be paved to make way for gigantic solar collectors to gather significant amounts of energy for an urban population. This is due to the very low density of sunlight at the earth's surface.*

*For example, to supply the 10,000 megawatts of power needed for New York City would require a solar reflector of 200 square miles. The cost of materials for this monstrosity would cause the price of solar energy it produced to be more than 10 times more costly than conventional forms of power.*

By contrast, nuclear power is being produced in this country at a cost of only 2 cents for a kilowatt hour, or about half the 3.9 cents it costs to produce a kilowatt hour from coal and oil....

The reason that nuclear power is so much more efficient than solar power and the fossil fuels is its high density. The fast breeder nuclear reactor which President Carter is attempting to stop would provide 60 to 80 times more energy from the same nuclear fuel now being used in current reactors.

And, eventually, nuclear fusion will provide another quantum jump in efficient power production provided that research is continued at the proper rate.

*It should be obvious that the best option for the nation is to move full speed ahead in developing nuclear power in all of its aspects while continuing to develop all other forms of power, including solar energy.* (emphasis in original — ed.)

*The Black American* (America's largest circulation black weekly), (editorial), "The Terrorists Are Coming," May 4:

Sun Day is no NEW thing.

Remember the Weathermen?

Remember the SLA? (Symbionese Liberation Army — ed.)

Remember the BLA? (Black Liberation Army — ed.)

Well, they are back.

British intelligence has programmed it for now, as an extension of the activities of The Baader Meinhoff and The Red Brigades. Their Generals here (Kissinger, Mondale, Schlesinger, Brzezinski, Blumenthal and Javits) have received their orders to push the button.

So it's Strike Up The Band.

All out for Sun Day. May 3.

Get the Peanut Man to declare it a National Day.

Get the churches to bless it...

Get the public institutions to celebrate it. (I have before me a News Release from the Brooklyn Public Library "in celebration of national solar energy day.") Get all of our intellectual pimps to endorse it and rally their soft-headed employees to shout for it.

The "grass roots" leaders of this Sun Day thing are the American brand of terrorists. The Weather Men. The FALN (Armed Forces for the National Liberation of Puerto Rico), the SLA and the BLA. The objective is the Same Old, Same Old: cripple the USA in the name of the

dear old Union Jack.

The British Tories got their ass kicked in the 1776 Revolution. They tried to stab us in the back and destroy the Union during the Civil War (1861). They failed because we were backed up by the Czar of Russia, Czar Alexander II...

This is the background to today's strategems and conflicts. It's still Britain. It's still her aim to weaken and destroy the United States...

We have been hurt by unemployment, inflation, and an energy crisis, a cause of open rejoicing in London. When it became obvious, however, that *nuclear*, tomorrow's energy, would bring us full employment, a qualitative leap in industrialization and record-breaking prosperity, her Majesty pushed the button for *sabotage* and *terrorism*... (emphasis in original - ed.)

In Europe they sent in the terrorists against unity-makers and nuclear developers with a program of Nuclearizing Europe and technologizing and industrializing the Third World. The terrorists murdered pro-nuclear, Inter-fractional bankers and industrialists. (To date 27 top politicians and industrialists have been killed, and not one of them are Englishmen). They stoked the fires in Ethiopia, Angola and South Africa, attempting to draw the U.S. into another nightmare of Vietnam.

And now they are ready for us on our home turf. The Weathermen are in charge of the troops below, with the D-Day blessings of Peanut Carter.

Watch as it develops.

Better yet, do something about it. Call your congressman, write to him, or her. Plead with them. Implore them to wake up, to stop being used by British

agents. Write to Carter. Demand the jobs and the higher standard of living that comes from Nuclear Energy. Solar Energy is for the birds. We want to move on, to move ahead. We don't want to go back to pick 'n shovel jobs. We must go ahead.

*St. Louis Post-Dispatch*, "Here Comes the Sun," by Jon Sawyer, May 1:

...It is unfortunate, the Westinghouse Corp. said in an official response to Sun Day, that "solar is being promoted at the expense of other energy forms." Westinghouse is a major government contractor for solar research and development. It is also the largest U.S. manufacturer of commercial nuclear power plants.

"Alexander Hamilton and Thomas Jefferson are both alive and well," Robert L. Allen, an economist at the University of Missouri at St. Louis, observed at a Sun Day forum last week. He suggested that amid the paraphernalia of solar energy — roof collectors and sun-powered photovoltaic batteries, windmills and fuels derived from agricultural products — there exists the spirit of Jeffersonian self-reliance.

"And Hamilton hovers over the giant nuclear power plant: a nation proud and strong, through the industrial might of its people working collectively."

Although he predicted that solar power would ultimately supply all our energy needs, Allen said he doubted whether it would prove to be the panacea its proponents promise.

"Self-reliance and independence carry a high price tag," he said. "Small may be beautiful, but beautiful can be costly..."

# Stock Market Rise Blinds Commercial Banks

The euphoric, 12-point rise of the New York stock market on May 11 after the Federal Reserve raised the discount rate another notch to 7 percent can only be described as foolhardy. The intention of Federal Reserve Chairman G. William Miller is to bring on an early recession in the U.S. economy, not fight inflation.

---

## BUSINESS OUTLOOK

---

This reality has already begun to dawn on credit-dependent small and medium-sized businesses in the regions and the regional bankers who serve them. For the moment, the money center commercial banks are blinded to the inevitable impact of steadily increasing interest rates on production and investment by the illusory short-term profits accruing to them from the spread between the discount rate — even at 7 percent — and the now general 8.25 percent prime rate.

The steady rise in interest rates since Miller took over at the Fed this April and began "out Burns-ing Burns," in fact, has significantly raised financing costs throughout the economy, thus fueling inflation in the immediate term and blowing up the bubble that is to be burst. So much for Miller's homilies about fighting inflation.

Thanks to Miller's deliberate monetary manipulations, the Federal funds rate, the key interbank rate which determines all short-term interest rates, averaged 7.32 percent in the week ended May 10. The news that M-1 (demand deposits and currency in circulation) had jumped \$4 billion in the week ended May 3 — pushing to a 14 percent annual rate the growth of M-1 over the latest eight-week period — confirmed many analysts in their belief that the Fed now "has grounds" for raising the Fed funds rate further to 7.5 percent.

In a "concession" to savings banks, which are worried that money will now bypass them for high-yielding Treasury securities, Miller and the nation's other banking de-regulators have offered savings and commercial banks two new six-month and eight-year savings certificates pegged to the Treasury bill rate to halt disintermediation. However, this offer drew an appropriately skeptical response from Saul B. Klamman, president of the National Association of Mutual Savings Banks, who pointed out that the certificates would mainly encourage depositors to switch funds out of regular savings accounts into the higher yielding certificates — thus feeding the overall rise in the interest rate structure. Klamman said the principal effect of the

certificates would be to raise savings banks' cost of money, forcing them to pass on their own costs in higher mortgage rates.

The average effective rate on conventional mortgages rose to 9.30 percent in April, the highest level since January 1975 — while the average price of a new home rose to \$61,600, from \$53,400 in April 1977. Large savings and loan institutions were forced to increase mortgage rates to 10 percent in the first week in May, after Miller hiked the Fed funds rate target to 7 percent moments before the Treasury's May financing.

### *Crisis of Profitability*

Ironically, the objective economic basis for the steady rise in interest rates and thus the misguided euphoria on the stock market is the crisis of profitability which has hit the U.S. corporate sector. Beginning in the fourth quarter of last year so-called operating profits — that is, profits adjusted to exclude illusory profits stemming from the revaluation of inventories due to price increases and to take into account underdepreciation — began seriously eroding. Lacy Hunt of Fidelity Bank of Philadelphia estimates that operating profits totalled \$55.9 billion in the first quarter, down from \$71.5 billion in the fourth quarter. These figures differ sharply from the generally accepted estimate that after tax corporate profits were running at a \$101 billion annual rate in the fourth quarter.

This devastating erosion of real profits — which is expected to worsen, not improve in the second half of the year — means that corporations' internally generated funds are falling very far short of their requirements for funds — funds needed merely for financing receivables and moderate inventory accumulation and embarrassingly low levels of capital spending — merely for the replacement of worn out equipment, pollution control devices, etc., not plant expansion.

Thus, in the first quarter of the year, short-term credit demand from corporations (commercial and industrial loans and industrial commercial paper) advanced at a 12.1 percent annual rate, compared with a 10.9 percent increase in 1977. Lacy Hunt estimates that corporate cash requirements in 1978 could total over \$59 billion — compared with \$34.7 billion in 1977, \$21.5 billion in 1976, and \$7.2 billion in 1975. David Jones of Aubrey G. Lanston reports that whereas a great deal of liquidity was concentrated in the hands of large corporations until very recently, now even they are beginning to feel the crunch and are turning to the credit markets for cash. He estimates that short-term borrowing by corporations will expand by 18 percent this year, compared with half that

in 1977.

The profitability of U.S. industry has been wiped out by inflation, which presents itself to the individual corporation as the steadily rising cost of replacing inventories and plant and equipment used up in a given quarter. U.S. businessmen are acutely aware of how inflation cuts into their profit margins, but the primary source of this inflation is usually misidentified.

Anyone who still thinks that wages are the main problem and that an incomes policy or good old fiscal conservative wage austerity is the solution should consider the following. In the period from 1960 to the present the Japanese economy showed the highest rate of increase of productivity and the sharpest decline of unit labor costs, even though wage increases were the highest of any country. The Japanese success story was due to the fact that the ratio of fixed investment to GNP (excluding residential construction) was upwards of 30 percent during the period — by far the highest of any

country. In the U.S. by contrast, which was only surpassed by Great Britain in its record of eroding productivity and rising unit labor costs, the ratio was half that.

The fundamental source of inflation in the U.S. economy today is chronic underinvestment in productivity-improving plant and equipment and new technology, combined with Fed Chairman Miller's malicious high interest rate policy. The corporate sector as a whole is feeling acutely the effects of eroding productivity — due to the dilapidated condition of plant and equipment, rigged price increases of selected materials like steel, and ever-rising financing costs. Miller's "solution" to inflation will not only raise those financing costs further, but will further suck funds out of productive investment, that would actually begin to reverse the inflation problem, into inflation-producing speculative investments.

— Lydia Dittler

## Accounting-Pad Folly — Ottawa Borrowings, Bundesbank Statements

As economic-development agreements begin to draw much of the world into a 21st century defined by the politics of peaceful high-technology proliferation, certain central bankers are still operating according to the synthetic 19th-century British categories of balance-of-payments equilibrium and interest-rate manipulations.

---

### FOREIGN EXCHANGE

---

The two most recent cases in point are the mammoth Canadian state borrowings to stabilize the Dominion's dollar and the May 10 pronouncement by Otmar Emminger, president of the West German central bank, the Bundesbank, that the way to stabilize the American dollar is to further widen the gap between low West German interest rates and high U.S. ones in order to draw footloose funds into dollar holdings. While less-developed countries are breaking out of the International Monetary Fund's boxes and moving — with Western European governments' backing — toward economic growth on the basis of a net expansion in global investment and trade, the Anglophiles in Ottawa and Frankfurt openly proclaim that their currency and interest-rate gimmicks would produce no material national benefits, and these nonbenefits will accrue at the expense of other national sectors.

The upshot is a competition for funds between speculative refinancing operations and a sufficiency of productive trade credits: both cannot prevail.

### The Canadian Sinkhole

For three months, as the Canadian dollar reached the 86-cent level in mid-April, Canadian monetary authori-

ties have been piling up credit lines for fresh reserves to be used in currency-market interventions — totaling the biggest privately managed sum on record. On top of a \$1.35 billion (U.S.) drawing on a \$2.5 billion kitty assembled by Canadian banks, a \$750 million (U.S.) bond, an \$820 million (Canadian) Eurodeutschemark credit, and \$2.2 billion in domestic cash-raising in the first quarter of this year, there now exists a new \$3 billion credit line, which has not yet been utilized. This loan was put together by Citibank and other New York commercial-bank managers; the Toronto *Globe and Mail* chuckled May 5 that they were glad to get the \$2 million commission. These borrowings have multiple effects, one being the Canadian central bank's ability to dump large piles of dollars into the market as it intervenes; traders cited these interventions as the chief reason for the U.S. dollar's May 4 weakness, for example. The domestic borrowings are absorbing as much as 45 percent of total credit flows, crimping the productive areas of the economy, while the New Democratic Party calls for capital controls against investment outflows and penalties against U.S.-controlled corporations.

Most of all, the borrowings implement the overwhelmingly tried-and-failed notion that sheer adjustments of reserve positions and payments accounts have anything to do with the health and future prospects of an economy. The vast amounts of pre-Citibank borrowings failed to help the Canadian dollar at all. And insiders attribute its current moderate \$.89-level strengthening to the possibility of the Trudeau "small is beautiful" government's replacement by an ostensibly more probusiness regime.

Even the dullest-witted Canadian subjects are not pointing to the silver lining of cheaper exports, since more expensive imports have more than offset this benefit — which, as not-too-distant British experience

shows, is an illusory one in any case. The swift and sure remedy for Canada does not appear imminently possible: a government committed to crash industrial development in cooperation with, especially, the U.S., USSR, and Japan. It is one more sign of U.S. importance that, despite the tremendous volume of its trade with and investment in Canada, it does not have a partner or even a tractable client state north of the border, but a London-coached problem.

### Emminger's Version of Stabilization

Bundesbank chief Emminger meanwhile is applauding U.S. Federal Reserve chairman Miller's credit crunch against the American economy. In the midst of the West German-Soviet "deal of the century," Emminger presented himself publicly to say that he sees no impulse for the growth of West German exports! What he does see, he claimed, is a flood of cheap exports from less-developed countries threatening world trade.

Emminger went on to repeat that there is no substitute for the dollar as the world reserve currency — and ended with the prescription that in fact there is no way to avoid the deutschmark taking over some of the dollar reserves' activities. In terms of international policy measures to stabilize the dollar, concluded Emminger, authorities should draw the mark interest rates (currently in the 3.5 percent range, and weakening) even lower, push the U.S. rates (corporate prime rates at 8.25 percent, and rising) higher. This exercise is supposed to draw investment into the U.S., beefing up the balance of

payments and thus the dollar's standing. Emminger added that since money is already moving out of West Germany to high-interest spots, the Bundesbank can afford to increase domestic liquidity — i.e., print more marks for the mark reserve operations. Emminger also called for selective European reflation — "lower growth differentials" — to enable the joint-float currency snake's expansion, one of London's anti-dollar projects.

Emminger has the faceless demeanor of a classic, conservative European central banker, but his conservatism seems to represent the worst tradition of the Milton Friedman-Friedrich von Hayek monetarism that was imposed on the Federal Republic through the late 1940s. Emminger spent much of the 1950s in the City of London, which invented this German-model anti-dirigism and credit restriction; he is said to conduct even intramural business in the Queen's English.

Such central bankers have usually been able to strike a responsive chord among many West German businessmen who are eager to increase their Third World, OPEC, and socialist bloc exports, but think it necessary to keep an Antaeus hold on the earth when it comes to proposals for state export financing or massive low-interest long-term private credits of the kind Emminger is implicitly ruling out.

The 25-year Bonn-Moscow agreement and its multi-lateral spinoffs hold a Herculean promise of sweeping the Bundesbank into line, or out of the way. But in the meantime, Emminger is bolstering Miller's credibility just as Miller begins to lose his own footing.

—Susan Johnson

## Fukuda Drops A Fusion Bombshell

Japanese Prime Minister Takeo Fukuda has challenged the United States to join with Japan in "colossal investment in human and material resources" to develop thermonuclear fusion power. Speaking May 3 before the Foreign Policy Association and Japan Society in New York, Fukuda stressed that the key to a Japanese-American collaboration is the effort by both nations to develop new technologies to lead the world economy out of the "doldrums" and to solve the problem of North-South competition over "limited resources."

---

### JAPAN

---

Fukuda emphasized that such a U.S.-Japanese effort should not exclude other nations committed to the peaceful development of fusion power. Japan, whose national budget allocation of fusion power research now exceeds that of the U.S., is now working extensively with the Soviet Union in a joint fusion program started last year.

The Japanese government's concern over close collaboration with both West Germany and the Soviet Union was underlined by Japanese Foreign Trade Minister Ushiba who left New York at the end of Fukuda's visit and flew to Bonn for meetings with Chancellor Schmidt and leading West German

businessmen. Before Ushiba left he told *New York Times* correspondent Leonard Silk: "There is no question that the depression led to World War II." Silk then comments: "How to prevent such a recurrence of that tragic sequence of events is the dominant worry of the Japanese government." The Japanese government's policy is to create a development axis between Bonn and Tokyo and to draw both the Soviet Union and the United States into that axis on the basis of these nations' commitment to high technology. While Chancellor Schmidt and Soviet President Brezhnev outlined the way the Soviet and European economies could be more fully integrated through a series of extensive development deals Fukuda attempted to bring the "blue chip" elite of U.S. industry into the same axis. The vehicle Fukuda chose was his proposal for joint development of fusion power.

#### *Fukuda: Technology For Man's Well-Being*

Fukuda told his audience of 1,300 leading Japanese and American businessmen in New York:

*Fusion involves harnessing almost unlimited energy from a man-made process which employs the same principle by which the sun creates its heat and light in nature. It is in effect, the creation of a miniature sun on earth. Japanese and American experts are already exchanging technical information in this field but I should like to take a step further, pooling our human and financial resources in a joint effort to realize an ultimate*

*dream of mankind....Colossal investment in human and material resources are needed for research and development in all these areas.*

*With a view to making more efficient use of limited resources available and to make Japan-U.S. cooperation more meaningful, I wish to propose that Japan and the United States seriously study the establishment of a joint fund for the advancement of science and technology, to serve as a framework for international cooperation in these areas....The door could be open for participation in these projects by all countries which wish to cooperate with Japan and the United States to put science and technology to work for the well-being of mankind.*

He correctly located the need for scientific development as the solution for world economic recovery, warning his audience:

*The present condition of the world economy presents the most threatening challenge we face as Japan and the United States work together to build a better world....I am deeply concerned that unless we find a way out, a situation may develop where world stability and peace are endangered. It is most important that the United States and Japan, two of the greatest economic powers in the world, approach this challenge, not as bilateral problems between our two countries, but rather as a responsibility — and, indeed, an opportunity — to contribute individually and jointly to the stable expansion of the world economy.*

Fukuda then located the need for scientific development as crucial to the continued growth of the developing nations, and to Japan's commitment to play a leading role in the drive for peaceful progress, and said:

*Science can provide impetus to new productive activities, and serve as a prime mover in the future expansion of the world economy, or can waste our resources and threaten our survival. Exactly because of this dual character of science and technology, I believe it is the duty of Japan, a nation dedicated to peace, to participate vigorously in cooperative international efforts to utilize science and technology solely for improving the standard of living of the world's peoples...*

#### *Whither the U.S.?*

After his speech, Fukuda left for a private meeting with David Rockefeller, New York Federal Reserve member Paul Volker and 18 leading U.S. businessmen to get U.S. business support for his proposals. However, efforts to get private support for fusion development will not mitigate the fact that the Japanese Prime Minister received no direct word of support from the Carter Administration itself.

In Washington, Fukuda faced an Administration torn between the faction around Special Trade Negotiator Robert Strauss and that of Treasury Secretary W. Michael Blumenthal.

In his talks with Carter Administration officials, Fukuda took a very strong stand defending his government's economic policies with charts and figures. Fukuda's economic policies met with the support of U.S. Secretary of State Vance, an ally of Strauss, who told the

Japanese that he believed that Japan had made a "strong commitment" to reduce its surplus. In direct talks with Carter, Fukuda made a calculated effort to undercut the antidevelopment Blumenthal faction by proposing to reverse the trade imbalance between the two countries by increasing Japan's purchases of U.S. uranium exports. The United States, incredibly, refused to accept Fukuda's offer and U.S. officials would only say that they had "discussed" the sales with Fukuda.

Fukuda's own contempt for Carter personally as well as Fukuda's own appreciation of the U.S. State Department was evident in his New York address. In his speech Fukuda barely mentioned meeting Carter while he went out of his way to praise U.S. Ambassador to Japan Mike Mansfield who is the major spokesman for the State Department line on Japan. Mansfield also played an important role organizing his former colleagues in the Congress to insure that Fukuda would receive a civil reception from the U.S. Congress, which has a widespread reputation in Japan as a hotbed of protectionism. According to one Japanese, Fukuda was far more concerned about his meeting with the U.S. Congressmen than he was about the reception he would get from Carter!

#### *The Development Targets*

Despite this lukewarm reception by the Carter Administration, the Japanese have not ruled out future U.S. cooperation in large-scale development projects now on the drawing boards. In late May, U.S. and Japanese business interests and Soviet representatives will meet in Tokyo to plan a major liquified natural gas development project for Siberia.

The Japanese attempt to have the U.S. participate in the development of both fusion power and the vast natural resources of Siberia was directly influenced by the publication recently of a Rockefeller Foundation report on Energy which also stressed the necessity for both fusion power and Siberian development.

Similarly, the Japanese are encouraging U.S. business involvement in the development of Southeast Asia. The head of Japan's Ministry of International Trade and Industry, Toshio Komoto, is now touring the area, mapping out largescale development projects. Prime Minister Fukuda in his New York speech also stressed the importance of Southeast Asia to Japan especially Japan's role as a nonmilitary supplier of technology to the entire region, which Fukuda stated includes Indochina as well.

In his New York speech Fukuda also announced that Japan's development aid would be doubled in the next three years with much of the aid going to build up Japan's position in the Asian Development Bank, which is already heavily dominated by Japanese capital. At the ADB's annual meeting in Vienna a week ago the Japanese head of the ADB attacked Blumenthal flunkey C. Fred Bergsten who had argued for cutoff of ADB aid to Vietnam because of "human rights" violations. The ADB has a deep institutional presence in the region which could be easily expanded with U.S. capital investment.

—Kevin Coogan

# Japan Congressman Invites U.S. To Join Science & Technology Deals

*Exclusive to the Executive Intelligence Review*

*Mr. Tsutomu Kawara, a member of the House of Representatives of the Japanese Diet, expressed concern that the United States' lack of an official policy for energy development could impede participation in cooperative technological development with Japan. Accompanying Prime Minister Fukuda during his beginning of May tour of the U.S., the Diet member, who also leads a study group on Future Energy Sources, gave the following interview last week.*

*Q: The idea of joint Japanese-United States cooperation in the industrialization of Third World areas such as Southeast Asia has been raised in discussions between Americans and Japanese business and government officials, as a way to solve the bilateral trade and other economic problems between our countries. What do you think about this?*

*A: As you may know, the new fiscal year began in Japan on April 15, fiscal year 1978, and the first goal of the year is the domestic recovery of the Japanese economy. The second goal however, is to help the world emerge from the global depression. We are determined to cooperate with the less developed countries in this effort. In this regard, we like the idea of trilateral cooperation with the developing countries, involving the United States, Japan, and maybe West Germany. However, no consensus has been reached on such a policy among the various possible participants. On his trip to southeast Asia last August, Prime Minister Fukuda took the initiative in proposing this idea. It now remains for concrete ideas in this regard to be developed.*

*Q: Prime Minister Fukuda spoke about cooperation between the United States and Japan in his speech today. Can you tell us any more about this?*

*A: As you know, much research is already taking place on the development of alternative energy sources, and cooperation between Japan and the United States in this regard already exists. But this can be expanded.*

*Last summer, I came to the United States with a group of other members of the Diet, and we traveled around the United States exchanging ideas on alternative energy sources. We spoke with General Electric and General Atomic about research and development efforts, we traveled to Houston and talked with oil producers, came to New York and discussed with executives from the major oil producers. We also traveled to a research and*

*development facility in New Jersey. In Washington, D.C. we met with Senator Jackson, Senator Mike McCormick, and others.*

*In Japan 31 legislators, including myself, have formed a group to study future energy sources. We particularly like thermonuclear fusion (power).*

*I believe that mankind must continue to develop and grow, and the industrialized countries can greatly benefit, both materially and culturally, from the development of fusion power. Prime Minister Fukuda supports this project.*

*Today, just five minutes before his speech, Fukuda asked me if I liked the idea of emphasizing fusion power and I told him yes, I liked the idea very much.*

*Q: Some people in the United States have mentioned Senator McCormick as a possible replacement for Schlesinger as Energy Secretary.*

*A: I wouldn't know about that, but much would depend on President Carter changing his present nuclear power policy. I don't know if McCormick is a strong supporter of fusion power. I know he very much wants the Clinch River breeder reactor.*

*Q: Are you aware that both Schlesinger and Treasury Secretary Blumenthal have come under heavy criticism in the United States for their low growth ideas, Schlesinger in relation to energy, and Blumenthal because of his policy of allowing the dollar value to fall?*

*A: Let me give my frank opinion of the situation in the United States. I think the United States has been a great pioneer in many fields and really has a pioneer spirit. But recently the United States has been losing a sense of a national objective, and this has led to many problems.*

*Q: We refer to this as the "British disease."*

*A: I wouldn't go that far. I don't think the United States will ever be that weak.*

*Before I came to the United States I saw the American movie "Close Encounters of the Third Kind," and I think that the United States must have an "encounter" with the future. The United States must face the future with courage. If this is done, the dollar will regain its international prestige as the key international currency. In this regard, I think Japan and the United States should cooperate very closely in developing the technologies of the future, for the benefit of both countries.*

# OPEC Demands Development

## *Why The Arabs Stick With The Dollar*

The Organization of Petroleum Exporting Countries (OPEC) concluded a special meeting on May 5 in Taif, Saudi Arabia by announcing its continued commitment to the dollar as the international reserve currency. The meeting, which predates OPEC's regular semi-annual pricesetting meeting by a little over a month, was called together by Kuwait to consider policy respecting the declining value of the dollar, which has cut into OPEC's oil receipts.

---

### OPEC

---

Both Kuwait and Iraq called upon the 13-member cartel to either adopt a "basket of currencies" to replace the dollar in pricing crude oil, or to stick with the dollar but raise the price of oil. Both demands were overridden by OPEC's two most powerful influences, Saudi Arabia and Iran.

Following the meeting, Iranian Finance Minister Yegeneh justified OPEC's continued support of the dollar by stating: "We don't want to do anything to disturb the world economy." He indicated that OPEC would continue to meet the growing world demand for oil. Both Saudi Crown Prince Fahd and Oil Minister Sheikh Zaki Yamani declared that the value of the dollar will rebound within a month.

What's behind the OPEC decision, however, is better indicated by what its leading Arab members are doing outside OPEC. Ruling factions in Riyadh and Tehran, in particular, have made abundantly clear their commitment to world industrial development, and the use of both OPEC oil and OPEC oil proceeds to foster that development. London financial pressure against the dollar is perceived by the Saudis and others as pressure against world development, which the U.S. economy must play a preeminent role in. But it has put them in a position where they must demand, and have been demanding, that the U.S. respond to OPEC country offers of petrodollar investment in U.S. industries, purchase of U.S. exports of technology, joint development of third nations and so forth.

So this week, OPEC backed the dollar yet again. What happens the next time OPEC meets will depend on the Carter Administration.

#### *Diplomatic Offensive*

What exactly have the Arabs been offering? In a speech delivered to an audience of businessmen in Chicago during a conference sponsored by the U.S.-Arab Chamber of Commerce, last week Kuwaiti delegate, Mohammed al Khaja urged the United States to link its immense technological and industrial capacity with billions of Arab petrodollars to develop the Third World. Khoja announced the proposal as a decisive "no" to a plan put forward by a Chicago banker to use Arab oil

wealth for speculative real estate investment in the U.S. At the same time the Secretary General of OPEC, Ali Jaidah, brokeranks with his OPEC colleagues last week in order to criticize for the first time the Carter Administration's energy program as having been "too hastily conceived" and "too dependent upon reducing oil imports," according to an AP Dow Jones wire. Jaidah urged the White House heal the ailing dollar by enacting an export policy emphasizing capital and industrial goods.

Both Sheikh Yamani and Saudi Prince Mohammed ben Faisal have called upon Washington to cooperate with Riyadh in using its multi-billion dollar reserve to promote world economic recovery. Yamani was quoted in the *Washington Post* May 2: "We prefer right now to stay with the dollar. We don't want to further deteriorate the value of this currency." He then called on the U.S. "to do more in providing technology to Saudi Arabia, spurring its development and helping to solve its financial problems...We need especially your help to bring peace to this area, and I should put much emphasis on this."

Just prior to the OPEC meeting, the Saudis awarded a record contract to a U.S. firm, Ralph M. Parsons Co., for \$10 billion to oversee the construction of an industrial city on the Red Sea. Such contracts exemplify the benefits both the U.S. and other industrialized economies can reap in cooperating to industrialize the OPEC nations.

According to State Department sources, the Saudi royal family has also established private communication links with the Soviet Union around both economic matters and achieving a Mideast peace. Significantly, the Soviet press has more than once praised both Saudi Crown Prince Fahd and Foreign Minister Saud ben Faisal for Riyadh's foreign policy in recent months — a fact belying the customary profile of Riyadh as staunchly anti-communist. Both the growth of Saudi petrodollars since the 1973 Mideast war, which has thrust the Saudis into the forefront of global policymaking, and the emergence of a more educated intelligentsia within the Saudi elite are responsible for such a shift.

The leading members of the Saudi royal family are presently engaged in a series of diplomatic meetings around both economic policy and the related question of peace in the Mideast. Saudi King Khalid along with his Defense Minister and Foreign Minister arrived in Belgium this week for talks on strengthening European Economic Community relations with the Arab world. Khalid will meet with French President Giscard D'Estaing. Crown Prince Fahd will lead an industrial delegation to West Germany in June to solidify trade and economic deals with Bonn worked out by the Saudis last year. Foreign Minister Saud will arrive in Washington following his talks with European leaders to attempt to bring the White House into the framework of economic recovery.

According to a Washington source, Saud, in particular



favors a return to the U.S.-Soviet declaration on the Mideast Oct. 1, which begins to deal adequately with the question of the Palestinians, as a basis for negotiating a Mideast peace. This, too, will be a subject of his Washington talks.

### Iran Looks West...And East

Paralleling Riyadh's diplomatic aggressiveness, the Schmidt-Brezhnev meetings in Bonn this past week, reportedly discussed both Iran and Iraq as sites of future joint investment. Just prior to Brezhnev's arrival in Bonn, the West German Economic Ministry decided to send a representative to Iraq to discuss investment. At about the same time Czechoslovakian Communist Party chief Husak held talks in Bonn on joint Third World development projects, naming both Iran and India.

Iran, meanwhile, is becoming the focus of Soviet-

German triangular deals, exemplified by the multibillion dollar 1975 agreement by which Iranian gas exports to the USSR will be swapped for Soviet gas slated for export to Eastern and Western Europe. After lengthy negotiations, Tehran and Moscow have just completed an agreement to build the second section of a gas pipeline which Soviet Premier Alexei Kosygin called the "deal of the century." The Shah has resumed trade negotiations with East German Foreign Minister Oscar Fischer who visited Tehran last month, and has announced that he intends to make a visit soon to both Bulgaria and Hungary.

At the same time, Italian Foreign Minister Forlani and his Iranian counterpart, Abbas Ali Khalitbari, recently signed a massive barter deal involving Iranian gas for Italian industrial goods; West Germany has just agreed to sell Iran two more nuclear reactors.

—Judy Wyer

## Oil Rivals Pull Together

Saudi Crown Prince Fahd this month will make his first official visits to Saudi Arabia's traditional rivals, the neighboring states of Iran and Iraq, in order to finalize an agreement to establish a Red Sea-Persian Gulf Security Organization. The organization will be officially inaugurated at the end of the year with 11 nations participating, including all nations in the Persian Gulf-Red Sea region except South Yemen. The organization is designed to eliminate the threat of terrorism against these two crucial seaways through which a vast percentage of the world's oil passes. It is also a critical precondition for insuring cooperation among the region's nations as they undergo expansive economic development.

The unprecedented agreement — which was put together by Saudi Arabia, Iran, and Iraq — comes at the time when both Europe and elements in the East bloc are cooperating to clean up such terrorist operations as the Red Brigades. Such an anti-terrorist drive has already been felt in the Mideast where both Egyptian police and moderate elements in the PLO have been cooperating in the arrest of terrorist rings with wide international connections.

The developing diplomatic dialogue developing between the Gulf's three most powerful countries signals a new era of political and economic cooperation and acts to further solidify OPEC around world development policies which the Saudis are now discussing with Washington, the Soviet Union and other advanced countries.

## London Sends A Message

### Why Curtiss-Wright Wants Kennecott

The Curtiss-Wright corporation's much-publicized attempt to take over the Kennecott Copper Company could have a major impact on the entire U.S. economy—an impact which does not depend on whether Curtiss-

As the case of G. William Miller's record at Textron also illustrates, the City of London's policy toward the United States is asset-stripping. The Kennecott affair is essentially a terrorist operation directed at America's top industrial management as a whole within London's asset-stripping campaign.

The relevant background information on the Curtiss-Wright operation itself is as follows.

Last year, the Federal Trade Commission forced Kennecott—the nation's largest copper producer—to divest itself of Peabody Coal Co., the biggest coal mining firm in the U.S. Then, when Kennecott used part of the proceeds to buy the Carborundum Company—a company that Lazard Freres had also been bidding for—Curtiss-Wright, claiming outrage at Kennecott's new investment, bought 10 percent of Kennecott and launched a proxy fight to replace the current Kennecott board. Curtiss-Wright held out as a bribe to Kennecott's stockholders the promise of a payoff from the proceeds of the Carborundum Co.'s resale.

### CORPORATE WRECKERS

Wright's T. Roland Berner actually wins this biggest proxy fight in years. What Berner is up to is simply this: On behalf of the London financial community, he is delivering a "message" to top U.S. corporate executives—liquidate assets, cut investment, transform the proceeds into immediate dividends, and to hell with the industrial future—or some London-controlled corporation will organize an ignorant, disgruntled stockholders' insurgency to take you over, or at least force you into a policy change to London's liking.

Kennecott, for its part, explained to its stockholders that dividends were poor because of the extremely depressed condition of the world copper market. Kennecott was using proceeds from the forced Peabody sale to retire debt, modernize existing plant, and acquire a company (Carborundum) that would stabilize cash flow against the vicissitudes of world copper prices and demand. Kennecott's copper holdings, management noted, are located in the U.S. where ore quality is poor but where the company is able to compete through development and investment in the most modern recovery technologies.

On the face of the matter, therefore, the Kennecott board is insisting on the type of management policy that is historically associated with the "American System" of industrial development. Conversely, the Curtiss-Wright "stockholders" insurgency—in its apparent emphasis on the immediate "profit" to be gained from asset liquidation—stands for a "British System" policy, whose effects are documented in that industrial cemetery known as England.

#### *Kennecott's Enemies*

There are specific reasons for London to go after Kennecott itself. The price of world copper is determined on the London Metals Exchange. There are financial factions—centered in London but by no means wholly confined to there—who propose to raise world commodity prices, including highly depressed copper, through commodity cartel schemes. This would involve lots of shutdowns among world copper producers. The IMF-World Bank apparatus, for example, is known to be actively pushing the cartel idea among African producers. This monetarist faction would like to see a major shutdown wave, including bankruptcies and liquidation sales, among U.S. copper producers, the most notable of which is Kennecott.

Significantly, there was much consternation within the London and related investment banking community in New York last fall when Kennecott broke ranks with other domestic producers—for example, the commodity cartel-oriented Phelps Dodge—to conclude a reasonable contract with its labor force. The other producers had been hoping to prolong the strike to run down surplus copper stockpiles.

But quite apart from Kennecott, the whole affair has sent chills down the spines of business executives throughout the country, many of whose corporate equities are also selling below book value. London's purpose in attacking Kennecott is to pressure U.S. capitalists to cease new investment, liquidate assets, and otherwise act like mindless Robert McNamara-style accountants rather than industrial capitalists—and they're feeling the pressure.

The following interesting details of the Curtiss-Wright vs. Kennecott affair confirm this portrayal:

\* T. Roland Berner, the chairman and president of Curtiss-Wright, is a product of the law firm of Cravath, Swaine and Moore, just as is Textron's professional asset-stripper, G. William Miller, the new Federal Reserve Board chairman. Cravath, Swaine and Moore is topheavy with partners who have links to British intelligence, it is the law firm that ran the Church Committee hearings which were designed to purge the

"American faction" of the CIA. The firm also helped create the RAND corporation. It was heavily involved in the Lockheed scandals which singled out pro-development political leaders in Italy and Japan.

Berner started his law career at Cravath after graduation from Columbia Law School in 1935. He remained there until 1942. Following unspecified service in the Naval Reserve, he engaged in private law practice from 1945-1960, emerging in the latter year as head of Curtiss-Wright.

Berner launched his Kennecott takeover attempt just as his Cravath protégé Miller was installed at the Fed. Miller "crunch" credit politics at the Fed notably set up much of the U.S. corporate sector for asset-stripping takeover bids of the Kennecott type.

Providing vital "eleventh-hour" legal assistance to asset-stripper Berner has been Judge Murray Gurfein of the U.S. Court of Appeals. It was Gurfein who, mere hours before the scheduled May 2 Kennecott annual stockholders' meeting, issued on behalf of Curtiss a stay against an injunction Kennecott had obtained the day before from Judge Lloyd Francis MacMahon, U.S. District Judge in the Southern District of New York (Manhattan). MacMahon on May 1 issued a 75-page decision lambasting Curtiss-Wright's proxy materials as false, misleading, irresponsible, incompetent, and in violation of Federal anti-trust and securities laws, including the Clayton Act.

Unfazed, Judge Gurfein moved to stop Judge MacMahon's injunction, thereby allowing Curtiss-Wright's solicitation to proceed to a vote May 2.

Who is Judge Gurfein? In "Who's Who," he lists himself as "Hon. officer Order of Brit. Empire." From 1942-45, he was Chief of Intelligence of the Psychological Warfare Division of SHAEF—the "British faction" of the U.S. government's fledgling intelligence service. In that capacity, Gurfein secured the release of Lucky Luciano, the drug and prostitution czar of the American Mafia who was then in a New York prison. Luciano was dispatched to Italy and Sicily to revive Mafia networks there for use as a part of British intelligence "resistance" preparations for the Anglo-American invasion of 1943. (The "Mafia" remains an integral part of Her Majesty's secret service to this day.)

Judge Gurfein is better known for his initiating role in the "Watergate scandal" against the Nixon presidency. It was Gurfein who ruled in favor of the *New York Times* in the "Pentagon Papers" affair. It was then that Henry Kissinger convinced Mr. Nixon that courts were of no avail, that security leaks could better be stopped by formation of a "plumbers' unit".

\* The third tipoff to the British component in the Curtiss-Wright takeover move is signaled by the coverage given it in the May 4 *New York Times*. After weeks of playing up T. Roland Berner's bid, the *Times* conceded that when the proxies have been counted toward the end of May, Kennecott will probably be found to have won handily. But, writes the *Times*, if Kennecott's present management and board of directors slate is victorious, it is only because the investors who cast their proxies for the incumbent management are expecting a new "takeover at some future point by a more acceptable company."

—Richard Schulman

# Cutting Energy, Boosting Inflation

## Texas Study Shreds Schlesinger's National Energy Plan

*A recently completed study coauthored by the dean of the University of Texas Graduate School of Business confirms with hard figures that Energy Secretary James Schlesinger's energy program, far from redressing the nation's trade deficit and inflation problems, would significantly aggravate both.*

*The study, titled "Evaluation of the Conversion of U.S. Industry and the National Energy Plan," is no mere academic treatise. Senators Tower and Bentsen appeared last month in press conference with the study's coauthor, Dr. George Kozmetsky, by way of endorsement of its conclusions.*

*One of these conclusions was that cutting oil imports, a favorite Schlesinger cure-all, would likely be counter-productive to U.S. interests because the countries from whom we buy our imported oil use the dollars received to purchase U.S. goods. Reducing oil imports could likely mean reducing all kinds of exports.*

*The study is printed by the Institute for Constructive Capitalism, a body affiliated with the University of Texas Graduate School of Business in Austin, where Dr. Kozmetsky is the Dean. The study was funded in part by the Mobil Foundation, and Dr. Kozmetsky himself is a director of the Gulf Oil Company. His colleague and co-author, Hossein Askari, is also the author (with J. Creasey) of a study titled "Texas and the Middle East: a Case of Economic Interdependence" (Texas Business Review, September 1977).*

*The excerpts which follow are from the concluding section of Professors Kozmetsky and Askari's evaluation of the effects on U.S. industry of the Schlesinger energy plan.*

We are convinced that vital national and international interests require all-out energy production and conservation in the United States. However, our study leads us to somewhat different conclusions than the National Energy Plan.

Our major points of consideration are simple. First, the transformation of U.S. industry from oil and gas to alternative fuel sources, such as coal, will place a substantial economic burden on the nation. We estimate that the direct investment cost to the private sector of such a conversion is on the order of \$220 billion; this sum is equivalent to about 1000 percent of the entire U.S. manufacturing sector's aggregate annual investment in machinery and equipment or to over 300 percent of net profit, after taxes, of all U.S. manufacturing. Furthermore, the \$220 billion makes no allowance for additional capital required for environmentally directed investments which alone could be in the order of \$50 billion; nor does it allow for increased operating costs of the new

facilities. These alone could add an additional cost of \$13.50 per short ton of low sulphur western coal.

We have not even included an estimate of the social capital requirements associated with the relocation of plants or expansion of newer energy resources required by federal, state and local governments. This required investment has far reaching implications for U.S. capital markets and the general availability of investment funds. This conversion cost has not been, until now, a part of the ongoing discussion of the NEP.

Second, the regional impact of such a transformation policy will be severely skewed. That is to say, the absolute impact will be greatest on the large industrial states — Texas, Pennsylvania, Ohio, New Jersey, Louisiana, Illinois, New York, California, Indiana, and Michigan — and on regions with heavy dependence on oil and gas — Texas, Louisiana, and Oklahoma. The replacement cost for Texas alone will be in the order of \$20 billion.

Third, certain industries will bear the brunt (70 percent) of the necessary conversion costs — chemical and allied products, primary metal industries, paper and allied products, petroleum and coal products, and stone, clay, and glass products. In short, besides the overall costs, large regional and industrial distortions will be also introduced into the U.S. economy.

Finally, and most fundamental to the National Energy Plan, we have serious reservations about conversion (from oil to coal — ed.) On the face of it, reduced oil imports would be expected to help our trade balance. However, to import less oil, the U.S. would have to divert more national resources to producing coal, building new electric power plants, and producing new machinery to replace machinery that is based on oil and gas. Economic resources are finite; thus, this transfer of resources must mean less input of capital and labor to other sectors of the U.S. economy. The prices of available capital and labor would rise due to increased demand. Some of the costs of the reduction in available capital and labor will be borne by the export sector.

The large investment requirement of conversion and increased operating costs will add to inflation in the industries most affected. Some of these industries also contribute to our current exports.

For example, in 1974 our exports of chemicals and allied products alone were \$8.8 billion while our total exports of all merchandise was \$97 billion; or this one industry was 9 percent of our total exports. Because of the increased cost of production prices will rise which will, in turn, reduce our exports. U.S. exports will therefore decline, causing further deterioration in our trade balance. In addition, if we buy less oil, income outside of

the United States will decline. This lower income will reduce the demand for U.S. exports, leading again to a deterioration in our trade balance. Finally, some of the capital equipment necessary for conversion may have to be imported. Thus, the net effect on our trade balance is unclear.

We see little incentive for industry to convert given the relative size of the investment requirement for conversion of \$220 billion in comparison to the penalty of a user tax, estimated to be \$90.5 billion. The end result in case of no conversion would be a general excise tax on industry at a time of high inflation and high unemployment. If anything, the private sector needs incentives for expansion rather than for contraction.

More fundamentally, international trade is based on the notion that a country should export the commodity

that it produces efficiently, relative to the rest of the world, and should import other commodities.

In the case of the United States, oil and gas prices are controlled; therefore, we do not know whether we could domestically produce all the needed oil and gas if our prices matched current OPEC prices. But let us, for the moment, assume that even with decontrol of oil and gas prices the U.S. would still import oil. Now why would the U.S. import oil? The answer is clear — only if the U.S. were not endowed with reserves of the same quality as the OPEC reserves and therefore could not produce new oil even at the cartel's prices.

International trade would, therefore, dictate that the U.S. should import oil and export other commodities which could be produced by employing the capital and labor that would have been used to produce high-cost domestic energy.

## Pulling Out Pollution With Super Magnets

Water pollution can become a thing of the past, using superconducting magnets to literally pull the pollution out of the water — and at a fraction of the cost of current methods of pollution control. As usual, the real answer to an environmental problem is more technology, not less.

Water treatment is only one of a number of immediately available large-scale industrial applications of superconducting magnets, as used in a process called high-gradient magnetic separation. This means that while conventional magnets can separate only three common ferromagnetic elements (iron, nickel, and cobalt) superconducting magnets make it possible for a host of other elements which are paramagnetic to also be separated. The result is a technology that can redefine the term "resources" in mining and many other forms of raw materials exploitation.

Applying high magnetic fields, economically and scientifically feasible only with superconducting magnet technology, allows the manipulation of very small particles. This technique has been proposed not only for water pollution control, but also for desulfurization of coal, mineral beneficiation and other kinds of purification. In some cases, pilot plants have already been constructed.

Until the early 1970s there were essentially five methods for separating finely divided, or colloidal articles from a background substance. These included: gravity separation, a slow process requiring large settling tanks and chemicals; inertial separation, using a centrifuge, the cyclone, or other variations; electrostatic precipitation, which is limited to very dry materials having suitable electrical properties; froth flotation, requiring sudsing agents and large areas of overflow tanks; and filtration, a slow process in which the entire medium must flow through holes smaller than the particles to be removed.

While magnetic separation has been practiced by the mining industry for several decades, it has been largely limited to the mining of iron ore or the removal of relatively large particles. The use of superconducting magnet technology further extends beyond present bounds the application of magnetic fields to paramagnetic particles several microns in size.

### *Magnetic Filters*

In order to separate paramagnetic particles down to colloidal size of 1-100 microns, Dr. Henry Kolm at the MIT Bitter Magnet National Laboratory developed the idea of using a filamentary ferromagnetic material, such as steel wool, formed into a ferromagnetic matrix. Such a material, including woven or felted steel fabric and wire mesh, has a low density and therefore large effective surface area. It acts as a strong magnetic trap to filter the magnetic components of a slurry passing through it. The basic principle is to make the magnetic

force on weakly paramagnetic particles larger than the competing gravitational and hydrodynamic forces acting on the particle. Using a ferromagnetic matrix, particles in the colloidal size range can be manipulated. Using these extremely powerful magnetic fields, this process has been termed High Gradient Magnetic Separation (HGMS).

The first HGMS device was patented by Kolm in 1971. That same year, Magnetic Engineering Associates in Cambridge, Mass. patented a HGMS device which they had built for the kaolin industry. The first commercial application was to separate stained particles of titanium dioxide from kaolin clay. These particles cause unwanted discoloration and limit the brightness of the kaolin, which is a critical property in the clays used in paper coating. Since 1973 HGMS devices for the kaolin industry have been manufactured by MEA (which is now Sala Magnetics of Cambridge), Magnetic Corporation of America, and Aquafine. Previously employed purification techniques, such as acid leaching and flotation, have proven to be less effective and less cost efficient than the electromagnetic HGMS.

Almost as soon as the concept of HGMS was shown to be technologically feasible, work at MIT and at Magnetic Corporation of America (also a major producer of super-

### What Is Superconductivity?

The phenomenon of superconductivity was discovered by Kamerlingh Onnes at the University of Leiden in Holland. In 1908 Onnes had succeeded in liquifying helium by achieving for the first time a temperature of 4.2 degrees Kelvin. (Zero degrees Kelvin is the absolute zero of temperature, the point where all molecular motion ceases.) Three years later Onnes discovered superconductivity while exploring how far the resistivity to the flow of an electrical current of a pure metal would drop as the temperature dropped. He found that materials brought down to 4.2 degrees Kelvin exhibited *no* resistance to electric current — that the current, once established, would continue to flow completely unimpeded and appeared capable of persisting forever: no resistance meant no loss of energy! The importance of the discovery of superconductivity can be seen from the following comparison. A conventional 12 gauge copper wire cannot carry a current greater than 20 amperes due to heating from resistance which would melt the copper wire. A comparable wire made of superconducting materials, such as the niobium-titanium alloy presently used, if kept at the temperature of liquid helium (4.2 degrees Kelvin) can carry a current of 50,000 amperes, with no significant loss or heating.

conducting magnets) on replacing the high-field electromagnets used in HGMS with superconducting technology. The replacement of conventional magnets with power saving higher-field superconducting magnets opens up magnetic separation to a large variety of areas which would be otherwise economically unfeasible.

#### *(1) Mineral Mining and Beneficiation.*

The vast majority of the earth's mineral resources are too finely divided to mine economically. Many remaining reserves of ores and minerals, particularly in the United States, are of too low a quality to be used in industrial processes without concentrating their properties.

Ten years ago the Mesabi iron ore Range, backbone of the Great Lakes steel industry, was exhausted. The only remaining ore was taconite which was too finely divided for use in blast furnaces. The invention of pelletizing averted disaster as the taconite was finely ground and concentrated by hundreds of magnetic drum separators, in what was the largest scale application of magnetic separation in the world.

A new crisis is now facing the Mesabi Range, however, because reserves of magnetic taconite are running out, leaving vast quantities of more highly oxidized ore rich in geolite, called semi- or non-magnetic taconite. It could not be concentrated by electromagnetic separation methods. In 1973 the scientists at MIT had promising results with laboratory tests of high gradient separators and a pilot plant using conventional magnets was constructed. However, a full-scale taconite concentrating plant would be unthinkable without using superconducting magnets. The ore mining industry has not yet made the decision to go to commercial-scale superconducting plants but the industry will face increasingly high costs either from the Mesabi Range, or from importing iron ore.

In addition to nonmagnetic taconite, preliminary investigations have shown that superconducting HGMS would be useful for uranium, molybdenum, and other transition metal elements.

#### *(2) Water Pollution Control*

Water pollution problems have become quite complex over the past two decades, requiring multistaged treatment processes which are expensive and time-consuming. This is the case for municipal treatment facilities, for decontamination of industrial waste, and for purification of natural bodies of water.

The impurities in water are diamagnetic and therefore

require treatment with a metallic iron as a seed. Coliform bacteria and other suspended and dissolved nutrients can be removed by seeding with iron oxide. For certain contaminants a chemical coagulant is needed in addition. Large-scale laboratory tests have been done at MIT on purifying water from the Charles River Basin and the Dear Island sewage system using HGMS. Flows of 50 to 150 gallons per minute per square foot have been obtained, or a magnitude faster than conventional purification techniques. Since municipal sewage treatment facilities can handle as much as .3 billion gallons per day, the savings is substantial.

Another important use for HGMS in water pollution control, is to stop the rapid eutrophication of large bodies of water, which can be alleviated by limiting the input of growth-promoting nutrients like phosphorous. At the present time this process requires large settling facilities and is very time-consuming. With HGMS, retention times of a few minutes are possible, with extremely rapid water flows.

#### *(3) Magnetic Desulfurization of Coal*

In 1973 a preliminary economic analysis in work done at MIT on magnetic desulfurization of coal showed promise for the commercial application of the superconducting magnetic process. Though there had been attempts to pretreat high sulfur coal previously, non-HGMS methods required using additives to enhance the magnetic susceptibility of the components to be separated.

In most of the commonly used pretreatment processes, such as dense media cyclone washing, the coal particles sink or float according to their densities. The heavier particles contain a larger amount of minerals, so that the float produces a product purer than the original coal. Unfortunately, however, in many coals the minerals are intimately mixed with the coal substance and grinding to a fine size is required prior to treatment. The problem is that there are not many preparation processes for fine size coals and the processing costs are higher than average. In magnetic separation the particle size does not limit the operation of the process.

Most importantly, using parameters established through experiments at MIT on various applications for HGMS, a computer projection of the rate of flow of the slurry, particle size, water component, and so on was verified by the small-scale experiment with a coal slurry at MIT. Initial projections are for commercial scale at 1,000 tons per hour.

# Egypt Puts IMF On Notice

*Heralding New Era Of Economic Development*

The political and military command structure of Egypt last week put the International Monetary Fund — architect of Egypt's austerity programs — on notice and outlined a course for the industrialization of the country through nuclear energy.

The Egyptian move, in the context of the recent historical accord between West Germany and the Soviet Union, signals that the basis now exists for a regional development plan for the Arab world and Israel, a plan that would provide the foundation for a lasting political settlement in the Mideast.

Reversing policy, President Sadat reshuffled the Egyptian cabinet, ousting the former Minister of Economics and Finance, Abdel Moneim el-Kaissouny, and creating a new Ministry for Economic Planning. The

long-rumored ouster of Kaissouny represents Egypt's virtual abrogation of the IMF's heretofore dominant role in Egypt's economic policy making.

## *Debt Payment Versus Development*

Kaissouny's removal took place at a time when the Egyptian cabinet was deeply split over whether to implement a further round of IMF-ordered austerity measures which led to nationwide riots and the near overthrow of the Sadat regime in January 1977. At that time the Egyptian government announced that subsidies would be removed from food and other necessities, thus putting pressures on Egypt's poor.

According to the May 10 *New York Times*, Prime Minister Mamdouh Salem and Kaissouny "clashed over the issue of state treasury subsidies to keep basic consumer prices within reach of low-paid workers and peasants. Dr. Kaissouny wanted the subsidies trimmed as a step to help balance the budget. Mr. Salem, as Prime Minister, had to cope with the riots that broke out in January 1977 after an attempt was made to eliminate some food subsidies. He was reluctant to see the program tampered with."

The internal cabinet debate, though, is only a reflection of international and related Arab maneuvers to weaken the IMF's hold on the Egyptian economy. As the same *New York Times* article reported, "The Egyptian economy has been shored up by huge infusions of foreign aid. Such aid totaled slightly less than \$3 billion in 1977 alone, nearly a third from the United States. An even larger amount was provided by the Arab oil-producing countries, particularly Saudi Arabia and Kuwait, which formed a consortium called the Gulf Organization for the Development of Egypt." The GODE is known to be opposed to having its money flushed down the bottomless hole of Egypt's foreign debt-payment requirements. Egypt's foreign debt is estimated to be \$18 billion with debt service of over 25 percent per year.

## *International Economic Support*

The centerpiece of Egypt's new economic policy is nuclear energy. The clearest statement of this commitment came from an April 26 conference of over 500 Egyptian scientists and engineers. A proposal was adopted by the conference to have the Arab League draw up a plan for a long-term Arab energy strategy in which "economical" and clean nuclear energy would play a central role.

According to sources at the West German Economics Ministry, Cairo has proposed that West Germany consider the construction of a series of nuclear power plants in Egypt to provide energy for industrial growth, and the West Germans are currently in contact with Washington to work out a cooperative effort on the project.

## Egypt's Scientists Call for Nuclear Energy

*Following their meeting in Cairo on April 26, the Egyptian Nuclear Science Association issued the following press release:*

In its recommendations today the conference on nuclear applied science, which was organized by the Egyptian Nuclear Science Association in cooperation with the Atomic Energy Authority, called on the world's advanced states to work for the non-proliferation of all types of nuclear weapons. The conference also called on these states to prevent the production of the neutron bomb, which is a weapon for mass killing. The conference recommended that the Middle East should be free of nuclear weapons.

Concluding its sessions today, the conference recommended that the Arab states coordinate their plans and programs toward a unified strategy in the field of long-term utilization of energy, including nuclear energy, and direct the manpower and material resources into the Arab countries to serve these programs.

The conference, which was attended by 500 scientists and researchers from various scientific organizations and centers in Egypt, supported the state's plan to establish nuclear power stations as being more economical and better preservers of the environment than other, traditional methods, which failed to meet the country's energy needs.

The conference also recommended intensive prospecting and production of uranium and promotion of applied research in fields which serve development plans.

Behind the nuclear effort, Egypt has launched a nationwide mobilization of its labor and resources. The slogan of the new Egyptian government is: "Increase production, increase wages, and decrease prices!" As its first act, the new government directly contradicted the austerity dictates of the IMF by issuing an order granting a bonus of 10 days' wages to all workers in the Egyptian state sector which is the bulk of Egypt's workforce.

Among the projects now under active consideration is the immense Qattara Depression development scheme in Egypt's western desert, involving the creation of a new salt-water inland sea for power generation, desalination, and irrigation, as well as fishing and recreation. The West German government announced in Bonn May 10 that the \$20 billion project is now going ahead, and that U.S. support would be sought for the plan. Scores of new factories and housing projects are also in the works for the Suez Canal corridor and Alexandria, and a major re-vamping of Egypt's decrepit infrastructure is planned.

The reorientation of Egypt's economic policy could not have occurred without international support. And now the climate created by the Brezhnev-Schmidt talks in Bonn, where one of the main agenda items was the implementation of a real North-South dialogue for economic cooperation, spotlights Egypt as a possible testing ground for just that.

If the might of West German industry is to help restore Egypt's economy, the French government has already staked its claim in the political and military areas. The crucial role of France was underlined by War Minister Gamassi of Egypt, who told an interviewer this week that the backbone of Egypt's efforts to rebuild its shattered army would be French-built Mirage jets. Egypt and Saudi Arabia are collaborating with France and West Germany for the construction of a complete aerospace industry in Egypt called the Arab Organization of Military Industries. Informed sources report that this project, extremely capital-intensive in nature, will require the virtual overhaul of Egypt's educational system and industrial infrastructure. Adding that the French Mirage jet was the "spinal column" of the Egyptian airforce, Gamassi said that the token shipments of American F-5E jet fighters to Egypt were "not vital," and that the arms deal with the U.S. was purely political in character.

Although the United States has remained somewhat reticent on direct economic intervention in Mideast development, the recent statement by First National Bank of Chicago Chairman Robert Abboud at a May 10 American-Israel Chamber of Commerce and Industry meeting is a signal that key industrialist and banking circles in the U.S. are collaborating with the recent policy objectives outlined during the Schmidt-Brezhnev talks. Declaring that an "economic solution is the only hope for a meaningful peace in the Mideast," Abboud called for a common market and a common currency to foster trade and development throughout the Mideast and into Pakistan and India.

—Mary Jane Coates

## IMF Faces Hard Times

Egypt's break with the IMF and its concomitant dialogue with the West Germans have already triggered anti-IMF policy moves in neighboring Sudan and in Turkey to the north.

West German Economics Ministry sources in Bonn have announced that the BRD is planning to fight for some form of moratorium on Egypt's debt at meetings planned in June of the "Donors' Group" of institutions and countries to which Egypt is indebted. In tandem with debt alleviation for Egypt, the West Germans are actively pushing for a moratorium on most of Turkey's \$13 billion debt. They are tying these proposals to the creation of new development arrangements involving the employment in new projects of Turkish skilled workers returning to Turkey from West Germany. Turkish Prime Minister Ecevit is now in Bonn to discuss these arrangements.

Following Egypt's lead, neighboring Sudan has informed the IMF that it is displeased with the Fund's austerity policies, and a special delegation has been dispatched to Saudi Arabia to seek financial aid for Sudan's prodevelopment efforts. The future breadbasket of the Mideast and Africa, the Sudan has long been the target of West German, Saudi, and Rockefeller circles for large-scale agriculture development projects. Chicago banker Abboud alluded to this program when he stated that plans were being drawn up to make this area a major food producer whose products could be shipped notably to West Europe, but also eastward to the impoverished countries of Pakistan, India, and Southeast Asia.

## Trade & Development — Way To Mideast Peace

*A. Robert Abboud, chairman of the First National Bank of Chicago, spoke at a meeting of the American-Israeli Chamber of Commerce and Industry on Monday May 10. Excerpts from his speech, entitled "The Key to Middle East Peace is Economic Development," are reprinted below:*

Since the beginning of history, the Middle East has been a crossroads — a crossroads for different civilizations, a crossroads for trade, and, unfortunately, a battleground for the peoples from three continents. Recent history has been more of the same....

Diplomacy, even in its most refined state, will... not produce peace. Diplomacy can establish channels of communication, but it is no substitute for substance. Diplomacy is only useful to settle grievances where the relationship of substance already exists.

The only possible solution for a meaningful peace in the Middle East is economics. Trade and investment must be made to flow freely throughout the region, creating interdependencies which transcend the cultural differences among the various peoples. A common currency, a common market, and free investment flows on a regional basis are the only possible catalysts for



peace. The great value of such an economic initiative is that peoples doing business together begin to understand each other, because no business will long endure if people do not know each other's history, or have an appreciation for each other's culture, and a respect for each other's traditions.

I know this sounds like a daydream. I also understand the formidable obstacles which make such a dream difficult to realize. On the other hand, there appears to be no other viable alternative other than the continuation of armed conflict, interrupted by armed truce, with economic devastation at best and the remote possibility of worldwide conflict at worst.

For a common market to be successful, the minimal area must include Lebanon, Syria, Jordan, Israel, Saudi Arabia, the Emirate States, Kuwait, Egypt, Sudan, Yemen, Aden and Oman. Then if the market were to be broadened to include Greece, Turkey, Iran, Iraq, and other nations in Asia or Africa, so much the better. But, in the beginning, the nations immediately abutting Israel appear to be the core nucleus with the Arabian peninsula and Sudan required for financial and economic viability.

This market, so defined, would embrace an area of 2,657,000 square miles, about the size of the U.S. excluding Alaska, Texas, and California, and 1.75 times the size of non-communist Europe. It would include a population of 90 million, which represents approximately 43 percent of the U.S. population. And it would include a wide variety of climate, access to three continents by land, sea, and air, agricultural land in abundance, mineral resources, and more energy and potential financial resources than almost anywhere else in the world. Lacking, of course, would be organization, infrastructure, communication, transportation, technology. But, these ingredients are available elsewhere in the world, and over time, could be the most modern and efficient anywhere. Moreover, as our energy needs move from hydrocarbons, through nuclear, to solar, where else in the world is there a greater abundance of concentrated solar density?

Let's review the feasibility of some of these projects. First, for any market to be operative, there must be a common currency or, at the very least, free interchangeability of currencies. Such an accord is not as difficult as one might imagine. Many of the currencies within the region are already freely convertible. The most difficult challenge would be for Egypt, but in a comprehensive accord, these difficulties could probably be resolved.

Secondly, there must be the free movements of goods.

Once again, however, the official barriers appear more formidable than the actual course of conduct. The movement of goods through the invisible markets, including the movement of goods to and from Israel, is already formidable. A customs union could be negotiated, much along the lines of other customs unions throughout the globe.

Probably the most difficult, yet the most necessary, objective would be the establishment of free and easy investment with a guarantee of capital protection and repatriation. We all know the abundant liquidity represented in the oil producing states. This capital requires an investment outlet, preferably denominated in a local currency unit, which would not only serve to develop the region but also to create ever increasing streams of income for future generations.

To achieve such an objective would require a common central bank for the entire region which would issue its own notes as the universal currency. Obviously, the involvement of the Saudis would be imperative.... But, after all, they have the money, and their reserves would be essential to give the new central bank solvency and liquidity.

In addition, there would have to be a system of commercial tribunals or courts which would resolve commercial disputes. The adjudications of these tribunals would have to be overriding and enforceable throughout the region and despite any contrary pronouncements by local courts or local bureaucracies. Such could be accomplished through acceptance of a common treaty which would vest such authority in these commercial courts to be established.

It is not difficult to envision some of the benefits. Consider, for example, the advanced medical capabilities of the Israelis, which could be spread throughout the entire region. There would be no need for any inhabitant of the area to go beyond the union for the latest in medical knowledge and advancements. Some of the world's finest hospitals are located in Israel....

The opportunities in agriculture defy measurement. Areas of Lebanon, Northern Syria, and Sudan compare with the finest agricultural lands anywhere in the world. The agricultural innovation in Israel, where the desert has been turned into productive territory, is the most advanced anywhere. Then there is the Nile Valley, and the selected regions of Jordan and the Arabian Peninsula. All in all, the territory could produce more than enough food, not only to feed its own people, but also to export westward into Europe and eastward into the teeming population areas of Pakistan, India, and Southern Asia.

# What are the billion-dollar markets of TOMORROW?

## Reports from *Advanced Technologies Enterprises, Inc.* tell you TODAY.

### **Fusion Power: Status and Prospects**

An in-depth study of the status of the international fusion effort and the economics of fusion power (40,000 words).

*Includes:* "What is Fusion?"; descriptions of all major fusion devices, their advantages and disadvantages; the fusion-fission hybrid; applications of fusion power; fusion technologies; the comparative economics of each fusion device, the potential markets for fusion research and development; fusion reactor production to the year 2000.

*A businessman's map of the energy supply of the future.* Price: \$625.

### **Superconductivity: Applications and Opportunities**

A thorough study of the burgeoning new superconductivity field, and the applications of superconductivity (30,000 words).

*Includes:* "What is Superconductivity?"; applications to computers — the Josephson effect; superconducting generation and transmission of energy, and superconducting motors; applications in fusion and magnetohydrodynamic advanced power systems; high speed transit; industrial applications — magnetic separation; medical applications. Full comparative economic analysis of superconducting techniques versus conventional methods, and detailed projections of the superconductivity market in the next 20 years.

*An invaluable guide to a multibillion-dollar market.* Price: \$625.

### **Advanced Fission Systems**

A definitive economic and technical analysis of the coming technologies of nuclear fission energy generation, demonstrating the areas of fission technology development that will lead to marked reductions in the costs of electric power (30,000 words).

*Includes:* The high-temperature gas reactor; the gas turbine; the liquid metal fast breeder reactor; the gas-cooled fast breeder reactor; the pebble bed process heat generator; the molten salt breeder reactor; the plasma core reactor; analysis of alternative uranium and thorium fuel cycles; technical status of each type; detailed economic comparisons.

*Essential for anyone in the fission field, and for anyone involved in energy production.* Price: \$625.

Published by Business Communications Company, Inc.

**Advanced  
Technologies  
Enterprises, Inc.**  
65 Hillside Avenue, Suite 6-F  
New York, NY 10040

*Please send me:*

- FUSION:  
STATUS AND PROSPECTS
- SUPERCONDUCTIVITY:  
APPLICATIONS AND  
OPPORTUNITIES
- ADVANCED  
FISSION SYSTEMS

I enclose a check for \$ \_\_\_\_\_

- Send me more information  
on Advanced Technologies  
Enterprises, Inc.

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_

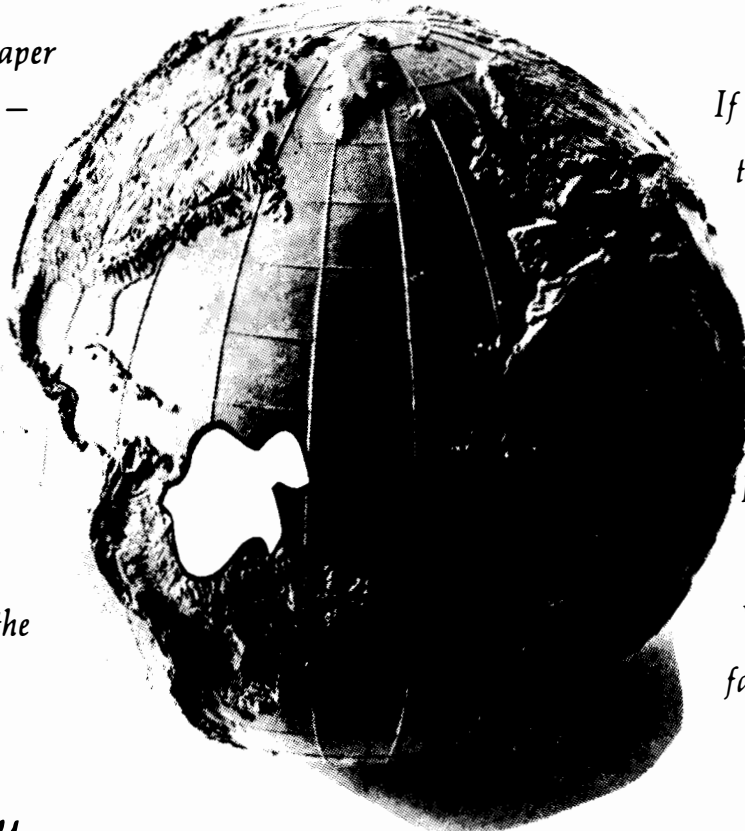
State \_\_\_\_\_ Zip \_\_\_\_\_

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 Energy 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 ecologists' latest ploys, 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, FOR FUELING NUCLEAR COOPERATION COLLOIDLY AND BLOOMBY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: "IT 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 THE INDIANS WHO WERE INTENDED TO OVERHEAR THE GEN MINE. 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 GOSSIPING DETAILS AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DISPLEASING" TO PAKISTAN WHERE HE WOULD USE THESE ASSURANCES TO PRESS THAT CALLAGHAN HOPES TO TAKE DESAI'S LONDON DAILY TELEGRAPH ADDS 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 FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT DOWN TODAY. HOWEVER A SECOND COLD FREEZE IS PREDICTED FOR WEDNESDAY. THE ONGOING MINERS' STRIKE IN OHIO COAL TO REPLACE FROZEN COAL DURING TV WEEKEND. THE STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS.

**CONSERVATIVE BRITISH FIRING OPPOSITION**

A SPOKESMAN FOR THE U.S. DEPT. OF ENERGY WILL DO NOTHING IN THE PRESENT STRIKE. HE ADDED THAT THE PRODUCTION BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT.

TON KING, BRITISH GOVERNMENT, HIS D...

383-4141

Reply via RCA call 212-383-4141

Reply via RCA call 212-383-4141

IT'S FILES