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-

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.

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.

Kennecott, for its part, explained to its stockholders that dividends were poor because of the extremely depressed condition of the world copper market. Kennecot 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 politices 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 assistant 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