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TABLE OF CONTENTS

INTERNATIONAL

- 1 **Europeans Establish New Monetary System**
- 2 **Israel Uses Lebanon Crisis Against Bonn Summit**
- 3 **LaRouche Comments On Bremen Decision**
- 5 **—Miki: Summit Must Take Responsibility For World Economy**
- 7 **USLP Convention: Rule The World With Reason**
- 9 **—LaRouche On Bringing The U.S. To The Summit**

SPECIAL REPORT

- 1 **The Line-Up On The Eve Of The Bonn Summit**
- 1 **—W. Germany's Schmidt**
- 3 **—France's Giscard**
- 4 **—Japan's Mitsubishi Institute**
- 6 **—Soviet Leaders**
- 7 **—The Opposition: Nobility Calls For Zero Growth**
- 8 **—Vatican Takes Aim At British Monarchy**
- 9 **—Monetarists: Stop Grand Design At All Costs**

US. REPORT

- 1 **Foreign Policy: Brookings Scenario For Bonn Summit**
- 4 **The Courts: Heavy On Congress, Light On The Constitution**
- 5 **Trade: Eximbank Recharter Passed By Senate Subcommittee**

ECONOMICS

- 1 **Foreign Exchange: Europe Fights 'Dollar Collapse' Scenario**
- 2 **International Outlook: Will American Retain Its Alliance With Japan?**

ECONOMIC SURVEY

- 1 **Why Food Costs Rise While Farmers Go Broke**

ENERGY

- 1 **New Profile For U.S. Oil Multinationals: The Nuplex Approach**

SOVIET SECTOR

- 1 **The Soviet Enigma Mastered Enigmatically — USLP's LaRouche On Strategic Issues At Stake At Bonn**

THIRD WORLD

- 1 **Asia: The 'Modern Minds' Of India Today**
- 2 **Near East: The Truth About Afghanistan**

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IN THIS WEEK'S ISSUE

While many Americans are still asking, "What's the Bonn summit?"... the July 16 heads-of-state meeting is shaping up as a potential turning point in the history of the century... We've devoted a substantial portion of this issue of the **Executive Intelligence Review** to explaining how, and why...

* * *

Our **INTERNATIONAL** report leads with the results of the July 6 pre-meeting of European nations... and its agreement, over the City of London's furious opposition... to form a **new international monetary system for a Grand Design** of production, trade, and development... emphatically including a **stable U.S. dollar**... and Third World industrialization... But the realization of the Grand Design policy is **imperilled**... by the terrible danger of **war in the Mideast**... as a second **INTERNATIONAL** feature shows...

* * *

An **exclusive interview with Takeo Miki**, Japan's former Prime Minister, in **INTERNATIONAL**... from our Stockholm bureau... highlights the Japanese side of the Grand Design push... Miki's careful appraisal of the prospects for Japan's economic growth initiatives... is backed up by a study in **ECONOMICS** of how the perceptions of today's Japanese leaders... of what they **can and cannot do in**

the international arena... are shaped by the experience of the **1930s and World War II**... and by **Britain's "geopolitical" manipulation** of that fact... showing why a **U.S. failure** to take up Japan's offers of mutually profitable **large-scale economic initiatives**... could mean a **repeat** of the World War II conflict, and worse...

* * *

The program dominating the Bonn agenda wasn't arrived at by chance... The **U.S. Labor Party** and its international allies — its "**international network of reason**" — were central in determining the Grand Design cast of international politics... Also in **INTERNATIONAL**, a report on the Labor Party's just-concluded national convention... where the Bonn summit, and its possibilities, were a central subject... part of laying the basis for putting party chairman **Lyndon H. LaRouche in the White House in 1981**... Included: Excerpts from **LaRouche's convention keynote** delineating the Labor Party's international role... the factional polarization **for and against the Grand Design**... and the dangers to that policy from the British advocates of **austerity, war, and genocide**... Plus, in **SOVIET SECTOR**, a strategic overview by LaRouche on the issues that will be on the table in Bonn... in the context of the **world strategic picture**... with special emphasis on the problems and possibilities of a force that will not be directly represented at Bonn — the **Soviet Union**...

INTERNATIONAL
SPECIAL REPORT
U.S. REPORT
ECONOMICS
ECONOMIC SURVEY
ENERGY
SOVIET SECTOR
THIRD WORLD

* * *

To fill out the picture, our **SPECIAL REPORT** presents the lineup of forces as the Bonn summit approaches... bringing together the news, speeches, and articles, translated from a multitude of languages, that you'll find in no other single source... How **West German Chancellor Schmidt** extended the Grand Design organizing drive to **Africa**... What **French President Giscard** did to bring **Spain** and its allies in... including the French press's sharp evaluation of the "Grand Design strategy for Bonn"... The **Japanese Mitsubishi Institute's** proposal for a \$500 billion peace development fund... The **Soviet Union's** attitude toward the Bonn goings-on, as evidenced most sharply by their attacks on the Grand Design's opponents in **Britain**... which we've translated and excerpted... And the opposition to the trade and development policies from the **hard-core bestialists of Europe's atavistic aristocracy**... and how that campaign is being countered by the **humanists in the Vatican**... plus a sampling of the howls of fear and outrage from the **British press** and some of its cothinkers elsewhere... a comprehensive account that no other source can offer... in **SPECIAL REPORT**...

* * *

What about the United States?... Will Jimmy Carter pick up on the real human rights of peace and prosperity, and join

America's allies in opposing British policy at Bonn? ... or will the Tories make him a fall guy for world depression?... In **U.S. REPORT**, an evaluation... that tells how the Brookings Institution is trying to commit Carter to a disastrous Bonn debacle... and lays out the factions and policies that are fighting for hegemony in the White House... Plus, an examination of the **Supreme Court's recent decisions** on nuclear energy and affirmative action... that finds the Court shackled by an incompetent understanding of the U.S. Constitution... And a report on the fight to give the United States a sane export policy... telling the status of the rechartering of the **Eximbank**... and why a congressional effort to bypass the **Jackson-Vanik** restrictions on East-West trade seems, unfortunately, half-hearted at best...

* * *

Also in this issue: In **ECONOMIC SURVEY**, a startling look at the food industry "middleman"... that shows why it's **World Bank-style economics** that's responsible for high food prices and low producer profits... In **THIRD WORLD**, an exclusive report on India's "Modern Minds" from Asia desk chief Dan Sneider, recently back from New Delhi... plus a report on why a coup d'etat in the world's poorest nation was mourned as a disastrous defeat by **British strategists**...

Europeans Establish New Monetary System To Support \$, Industrial Development

Agreement on establishing a new European monetary system was reached at the pre-Bonn Summit meeting held in Bremen, West Germany July 6. The agreement puts on the Bonn agenda what a high West German official called "the seed crystal for an institution that will replace the World Bank and International Monetary Fund." The new monetary system will also provide support for the U.S. dollar as a currency of hard-commodity export to the developing sector.

The significance of the European agreement, which was organized by West German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, is underlined by the fact that the financial institution it establishes, the European Monetary Fund, will include gold reserves. This fund, which was announced as open to participation of non-European Community members, gives the Europeans the instrument to control and channel surplus dollars into already proposed development projects in Africa, the Mediterranean and Middle East.

Despite the threats of British representatives at Bremen and the Cassandra-like predictions of British-run operatives like Henry Owen in the U. S. government, the fund will immediately strengthen the dollar. It is considered unlikely that the United States will be able to refuse acceptance of high-technology export orders based on the accumulation of dollars by the Europeans, Japanese, and Arabs. President Carter has to do little else but to follow the lead of Schmidt and Giscard at the upcoming July 16-17 summit in Bonn — and offer to fire dollar-wrecker Treasury Secretary Blumenthal — to bring the United States into a period of monetary stability and unprecedented prosperity.

"European Monetary Fund" Announced

Armin Gruenewald, official press spokesman for the government of West German Chancellor Helmut Schmidt, told the press in Bremen, West Germany on July 7 that the Bremen Summit of the European Community (EC) has reached "broad agreement on the new European monetary system . . . (in order to) influence . . . the stability of the U.S. dollar. It was the erratic fluctuations of the dollar during the early months of 1978 which first prompted the Franco-German initiative," he said, according to Dow Jones. Gruenewald "explained that by replacing the current snake with a wider-based new monetary system, speculators would find it harder

to center on any one currency" when speculating against the dollar.

West German Chancellor Helmut Schmidt then announced on television the creation of a "European Monetary Fund" with the equivalent of \$20 billion in deposits from the EC member central banks. "Anyone who wants to speculate against the dollar is going to have to deal with the European monetary system," Schmidt said, killing rumors that the European plan would be prejudicial to the dollar. The West German Chancellor announced five points:

1) The creation of a "European Monetary System."

2) The European Monetary System will work as strictly as the snake, employing a four percent band of fluctuation for participating currencies around a central point. Currencies will be brought into this relationship over a two-year transition period.

3) Non-EC member countries may join this arrangement (according to press commentary, a reference to the Swiss and Austrians. The Japanese yen has come up in discussion).

4) The central point of the European Monetary System for calculation of currency parities will be the European Unit of Account, a market basket weighting the European currencies. Intervention will be conducted in national currencies.

5) A European Monetary Fund will be created on Jan. 1, 1979, when the French take the rotating chairmanship of the European Community's Council of Ministers. The EMF will pool \$20 billion of European currency reserves, including \$10 billion from West Germany, \$5 billion from France, and \$5 billion pro-rated from other EC members.

However, the point of this fund is not merely currency stability. According to French, West German, and other press accounts, and to discussions with ranking West German officials, the institution will also have a direct lending function. Loans will go for technological improvements in European industry, according to the formula proposed earlier this week by West German Foreign Minister Hans-Dietrich Genscher, and for development financing in the Third World and possibly the Comecon.

The \$20 billion central bank input can be properly viewed as the equivalent of a bank's shareholders' capital, which may be leveraged many times over. Although details have not been officially announced, various ways of absorbing the "dollar overhang" into the

EMF have been under official discussion. Either by raising dollars directly through currency intervention, or by issuing securities to surplus dollar holders, the EMF will become the agency that transforms much of the almost \$400 billion in garbage liquidity in the Eurodollar market into stable, long-term development credits.

For example, the West German daily *Handelsblatt* July 3 reported that the arrangement could only work "if the European Monetary Fund is prepared to take up sums of dollars that cannot be held by other institutions." In other words, the EMF will intervene with the currencies that make up the ECU basket to support the dollar, and absorb virtually unlimited dollars in the process. From Chancellor Schmidt's previous statements, such bonds will be used for technology transfer and comprehensive development and nuclear energy programs for the developing sector. At the same time it was announced in the Japanese paper *Mainichi* that Prime Minister Fukuda will present at the summit a proposal for international collaboration to develop fusion energy.

A full 20 percent of the \$20 billion starting sum will be held in dollars and gold, according to Schmidt's official announcement. According to authoritative Italian sources, the French and Italians will make most of their contribution in the form of gold, "in order to obtain equal status with the West Germans in the new Fund," according to one source. That points to the remonetization of gold as a central bank reserve asset.

The British Were Outflanked

The French daily *Le Monde* reported today that the French and West German had "rigged" the summit to prevent a British veto of the plans, which might have led to a rupture with the United States at the Bonn meeting. "President Giscard was puzzled by British obstinacy about the monetary proposal, and came to the conclusion that Britain did not want to end the residual reserve role of the pound sterling," *Le Monde* said. The groundwork was done earlier in the week, when French central bank chief Bernard Clappier and West German Chancellory official Dieter Hiss made the Belgian Prime Minister, Leo Tindemans, an offer he couldn't refuse at a meeting Tuesday in Brussels. According to informed sources, the French and West German officials threatened Tindemans with a Belgian franc crisis if he didn't behave at Bremen.

Remarkably, the West German daily *Die Welt* reported today, Tindemans brought the "Fronde of smaller countries opposing the Franco-German plan" into line. Isolated, Callaghan had to give his assent. Reports on the morning of July 7 in the British press and in the *New York Times* had predicted that Callaghan "would provoke a split in the EC," in the words of the London *Guardian's* headline. No such thing occurred, and the road is clear for Bonn.

— David Goldman

Israel Uses Lebanon Crisis Against Bonn Summit

A crisis in Lebanon that potentially carries with it the seeds of World War III has emerged as the leading threat to the success of the Bonn economic summit.

The civil war in Lebanon, which is a proxy conflict between Israel and key Arab forces, threatens to trigger another Arab-Israeli war in which Israel is expected to bombard Arab oil fields in the Persian Gulf. Because of the extreme urgency of the situation and the immense importance of Middle East stability to the success of the Bonn meeting, West German Chancellor Schmidt and President Giscard d'Estaing of France are working together to convince the United States to convene the Geneva conference on the Middle East. Meanwhile, key Western powers have taken steps to quarantine the Israeli military to prevent a Lebanon explosion.

But as of July 7 the crisis in Lebanon was perched on the brink of general war. Syrian troops in Lebanon were conducting a broad offensive aimed at crushing the political power of the ultrarightist Christian militia led by Camille Chamoun and Pierre Gemayel's Nazi-

modeled Falangist Party. Israel, which supplies the fascist militia and lends its political support to Chamoun and Gemayel, immediately issued a series of warnings to Syria, sent its air force thundering across Beirut, and moved troop reinforcements to the Lebanese border and the Golan Heights. The Syrians reportedly responded by alerting their military forces.

The Israelis are well aware of the implications of the Bonn summit preparations. Working closely with British intelligence, the Zionists fear that the current alliance between Iran and Saudi Arabia in the Organization of Petroleum Exporting Countries context may provide a solid foundation for the United States, West Germany, France, and Japan to work closely with OPEC on establishing a new world monetary system.

Speaking privately, a leading American Zionist was explicit on this point. The deteriorating situation in the Middle East, he said, bears a direct relationship to the meeting in Bonn in mid-July. "There is a concentration of currency and oil reserves in that area, an area which

is highly unstable and subject to surprises, embargoes, and destabilization from within." Continued instability there, he added, would ensure that the Bonn meeting would be "all talk, big on rhetoric and soft on action."

The Arrogance of Israel

From political and military sources in Israel have come a series of threats that Israel will invade Lebanon to defend the "Christian minority." But, in fact, the Syrian action in Lebanon is aimed at eliminating a nest of Nazi militiamen—direct descendants of the pro-Hitler Lebanese gangs of the World War II era—who have formed an unholy alliance with the Israelis. Israel's nauseating posturing about "humanitarian" concerns in Lebanon is thus revealed to be nothing less than a cover for a deal with Nazis.

The renewed Syrian attacks on the rightists, which have left about 200 dead in seven days, came after the assassination of Tony Frangieh, a former ally of the Gemayel-Chamoun clique whose family had broken with its fellow Maronites and openly endorsed the Syrian role in Lebanon at a time when Chamoun was demanding a Syrian withdrawal. Frangieh was close to the Syrian leadership, especially President Assad's brother Rifaat Assad, with whom he was in partnership in various business deals, from trading to drug merchandising.

Threats to intervene against Syria came last week from the office of Prime Minister Begin, Defense Minister Weizman, and from Military Intelligence chief General Shlomo Gazit. In addition, Weizman said that the Syrian action would force a "reassessment" of Israel's negotiating position in Middle East peace talks. At the same time, Israeli officials announced a rejection of the long-awaited Egyptian peace plan, which was

delivered to Israel on July 4 by the U.S. ambassador.

At stake in Lebanon is nothing less than the existence of the nation. At the height of the crisis, President Sarkis of Lebanon threatened to resign unless a ceasefire were implemented, reportedly adding that the Syrians must drop their conditions which included the dismantling of the power of the rightist Lebanese Front. Sarkis's threat to resign would mean total chaos in Lebanon, since it would be followed immediately by the declaration of several rival governments, leading to partition.

Chamoun, leading the fight against Syria, declared that his forces will fight "for our own state," implying a partition. A Falangist source said that they anticipate the declaration of a free and independent Mount Lebanon "state," based on pre-1860 lines, "which would be immediately backed by Israel." The Washington Post, editorially, backed such genocidal schemes, accusing Syria of "mass slaughter of civilians" and adding that partition "is a decision that the Lebanese can only take for themselves."

Internationally, both the United States and the EEC condemned the fighting in Lebanon and urged an immediate ceasefire. Both the U.S. and the EEC emphasized the importance of maintaining the territorial integrity and unity of Lebanon, and Washington said that it would take "whatever steps we consider necessary" to end the fighting.

Carter, in addition, last week stated that the United States would favor the convening of the Geneva conference if the current round of Egyptian-Israeli talks fails, as expected. Carter's statement, which echoes a similar plea from Schmidt, was described as a "bombshell" by the Israelis.

—Bob Dreyfuss

New York Times' Paul Lewis Article Disinformational Garbage

LaRouche comments on Bremen decision

On July 7, U.S. Labor Party Chairman Lyndon LaRouche, Jr. issued from New York this release on the developments at Bremen and their implications for United States policy:

The July 6 dispatch published under Paul Lewis's by-line in today's *New York Times* is totally disinformational, and willfully so on every point but Lewis's reporting of the British hostility to the New European Monetary Union established by today's EEC decision.

Fortunately, those key figures in Washington and elsewhere who have reviewed the European events of July with myself and my associates during recent weeks will recognize from today's official BBC reports that my forecast of breaking policy developments is entirely confirmed. However, Robert Strauss's office and other key elements of the Administration, Congress and business community have been until recent hours incapable of

comprehending the basic realities of European and Japanese outlooks and policies. A continuation of the obsessive focus on German and Japanese "reflation" and other exercises in futility by the office of Strauss and other Administration circles is exceedingly dangerous at this juncture.

New World Monetary System

What is now in progress is the establishment of a new, gold-reserve-based world monetary system to replace the shattered Bretton Woods system — to replace the dominant role of the International Monetary Fund and World Bank. The European Monetary Union, adopted by the EEC is the first major step toward that indispensable objective.

The basic features of the new policies being installed are as follows:

1. The establishment of a new world "central bank,"

like the International Development Bank which I proposed first during Spring 1975.

2. This bank will be established by converting idle liquidity, especially U.S. dollar holdings, into long-term bonds ultimately pegged to gold denomination in ounces of gold, at low interest rates. Governments and central banks will initiate the market in such new bonds on the order of tens of billions of dollars. A mixture of such dollars and gold will represent the reserves of such a new banking institution.

3. This bank will develop by phases, with the first phase concentrating on stabilizing the dollar by converting idle dollar balances into bonds which will become convertible into gold-denominated bonds (at \$230-\$250 per ounce). The use of Japanese bonds to sop up excess dollars is exemplary of the process's initiation.

4. The credit so created will be used to finance a global, high-technology investment and trade expansion, with emphasis upon nuclear energy-centered development of industry, agriculture and infrastructure in the developing nations. Increased East-West trade will be integrated with North-South capital flows, with imbalances in East-West trade settled through aid of cooperation in high-technology development projects in the "Third World."

5. This will create an international "two-tier" investment and credit market, whose included objective is to force churning masses of liquidity away from inflationary speculation in such areas as high-technology debt-refinancing into tangible improvements in industry, agriculture and infrastructure globally. There will be secure, gold-denominated low-interest (anti-inflationary) investment in tangible improvements draining away capital from high-interest, inflationary, speculative markets.

6. The present phases of the effort are preliminary: to stabilize the dollar and to start world economic recovery, in anticipation of subsequent full U.S. participation in this global economic recovery.

7. It also portends the end of the dominant role of the City of London financial markets and commodity markets, requiring the United Kingdom to choose either total economic collapse and total collapse of sterling, or a shift in high-technology reconstruction of the United Kingdom's dilapidated and decaying internal economy.

8. The grave danger is that the City of London will use a combination of the Orde Wingate followers in Israel in conjunction with Britain's sovereign thermonuclear "wild card" bases in Cyprus, to trigger a Middle East war — and possible immediate World War III — in an effort to prevent the economic recovery from being launched. In this connection, London-controlled elements of the USA's "Zionist Lobby" and members of the International Institute for Strategic Studies division of British secret intelligence must be watched closely to prevent them from aiding in the promotion of World War III. These forces must be treated as traitors in effect at this juncture, until the crisis is past.

USA Policy

It can not be expected that the Carter Administration will contribute positively to world economic recovery at this moment. As long as policies associated with Brze-

zinski, Blumenthal, Schlesinger, Kissinger, Turner, Joseph Califano, Kennedy, and other London-allied elements persist, U.S. official policy tends to run contrary to fundamental U.S. interests. For the moment, the U.S. government must ensure that the Brookings Institution is kept out of the policy-making processes and that no obstacle is placed in the way of full success of the mutual efforts of Giscard, Schmidt, Andreotti, Fukuda, and Saudi Arabia's King Khalid.

Let the continental Europeans and their collaborators have full latitude to initiate the new monetary institutions which halt the collapse of the U.S. dollar and initiate world economic recovery. The success of Giscard, Schmidt, Andreotti, Fukuda and their collaborators in this venture is in the vital interests of the USA at a time when the USA lacks the capabilities of adopting policies which are efficiently in its own vital interests.

Put a "protective containment" around Israel as defined by Israel's 1967 borders, warning Israel that if it breaks out of that protective containment, following a "breakaway ally scenario," the USA will not interfere in Soviet honoring of defense agreements with Syria. *Armageddon must be prevented by whatever measures are efficient to that effect.* In any case, a discrediting of the Orde Wingate elements within the Israeli ruling strata will merely hasten the accession to power of the Sephardic-based, "dovish" majority of the Israeli electorate — which is probably the only means by which durable peace can be secured in the Middle East in any case. In particular, emphasize that Lebanon is not a satellite of Israel.

If Israel wishes security and independence, it must terminate its role as a virtual puppet of undesirable powerful forces based in the City of London. On that condition, the USA and its allies must absolutely guarantee the security of Israel within its 1967 borders — or reasonably-adjusted borders to the same effect.

Immediate Administration and Congressional action must be taken to end the log-jam of export licenses now the principal short-term cause for our acute balance-of-trade deficits. The Jackson-Vanik condition must be repealed quickly, as an emergency action, and the gates opened for U.S. high-technology exports — and recovery in U.S. employment rates. We need exports of high-technology products to stop the collapse of the U.S. internal economy. There is no acceptable solution to the growing unemployment and tax problems without such remedies.

As European, Japanese and Saudi action creates new world monetary alternatives, and on condition that the U.S. administration ceases to sabotage U.S. exports, excess U.S. dollars overseas will be exchanged for U.S. industrial and agricultural exports, bringing employment back to numerous idled work-places throughout the nation's industrial plants. Once the electorate gains a taste of such export-driven recovery in industrial employment, the electorate will produce an unbeatable constituency for the kinds of policies which bring the USA fully into the world economic recovery.

Industrialists, regional bankers, progressive farmers, trade unionist and those representatives of "minorities"

typified by the NAACP leadership's efforts must join together now around the forthcoming Bonn Summit to ensure that we avoid the alternatives of a deep world depression and probable thermonuclear war. If these

forces cease vacillating, and join openly with me now, we have the best chance we have had since World War II to win the peace and to secure the next century for ourselves and our posterity.

Miki: Bonn Summit Must Take Responsibility For Entire World Economy

On July 3 Takeo Miki, Japan's Prime Minister from November 1974 to December 1976, gave this news service his views on the "perspectives for the Bonn summit" in an exclusive interview.

Miki is best known in the West for the international development proposals which he brought to the fall 1975 Rambouillet summit, proposals which were a precedent for those Japan is bringing to Bonn. These included: (1) joint development of fusion power; (2) a new international body to fund and coordinate capital-intensive development projects in the developing countries; and (3) willingness to seriously consider developing-country proposals for moratoria on international debt. These proposals were made in coordination with many of the businessmen who promoted the Pacific Basin development proposal (for details, see our Japan coverage in our SPECIAL REPORT).

Today, Miki's deputy in his faction of the ruling Liberal-Democratic Party, Toshio Komoto, is Minister of International Trade and Industry. Komoto has played a leading role in pushing Japan to fight for joint development efforts at the Bonn summit, including the Mitsubishi proposal and Premier Fukuda's earlier proposal for joint research on fusion power.

The interview was conducted during Miki's trip to Sweden by Clifford Gaddy and Joseph Cohen of our Stockholm bureau.

Q: In view of your own previous advocacy of fusion energy and of global cooperation in that field, do you regard the energy question in general and fusion in particular as as urgent today as at the time you advanced your proposals in the international context?

Miki: Of course you know that I am not in government and therefore all the opinions that I will express will be purely my own.

At the risk of stating the obvious, if I confine my remarks to the situation surrounding Japan, Japan does not have any oil and yet she is a highly industrialized society. Therefore, the question of energy is of vital importance, and no other country in the world is as dependent on energy as Japan.

Now with respect to oil, again as you know, Japan has to depend upon external sources of oil to almost 100 percent. Therefore, it is not only in the interests of the entire world, but perhaps also in the selfish interests of Japan that the Middle East situation should be brought to a successful settlement, because Japan is chiefly

dependent on Mideast oil. And that is an area in which Japan should cooperate with the rest of the world to solve the crisis situation in the Mideast.

And, at the end of this month, I am planning to visit the Middle East to explore possible avenues for whatever Japan might be able to do to resolve this question.

Now, the second area is of course coal. And new technologies for gasification and liquification of coal should be developed. Japan produces only about 20 million tons of coal annually, which means we will have to continue to import most of our coal.

The third area perhaps is, as you indicated, nuclear. We have been trying to do our best to develop nuclear power, but the level of public understanding of the need for such development is far from adequate and this calls for greater effort to secure better public understanding of the necessity of nuclear generation in the future. *(Japan currently has 14 units of nuclear power generation in operation, producing 8 million kilowatts of energy — ed.)*

The fourth area perhaps — although this is somewhat in the remote future — is the discovery of possibility for generation of alternative sources of energy such as the better use of solar energy and so on.

Q: Referring to your comment on the Mideast: In our view one of the most constructive approaches to the Mideast problem is the simple, almost self-evident statement that any peace in the Mideast will have to be based on the economic development of the area, utilizing Israeli know-how together with Arab manpower and liquidity. At the same time, this will require outside participation, specifically of the industrialized countries of Western Europe, the United States, and Japan. Will your talks with Mideast representatives also follow this approach?

Miki: My trip is going to be an "exploratory" one, so to speak, now that I am no longer in government. I am going to meet with several Arab leaders to find out what they have in mind as to the possible avenue for the settlement of the Mideast situation, including, yes, discussions along the lines that you suggested.

Several years ago, immediately after the oil crisis, I toured the Mideast — I was Deputy Prime Minister at that time — and I personally am acquainted with all the Arab leaders there. So I'm going to deepen my discussions with them.

Q: Further on this energy question, what is your view of the necessity and the perspectives of the development

of oil in Siberia, both with the Soviets and together with other capitalist countries?

Miki: We did engage in negotiations with the Soviets on oil resources in Siberia, in the Tyumen area for instance. But our negotiations turned out to be abortive, and no concrete plans were laid out for Japan to participate in the development of oil resources there.

In respect to natural gas, yes, we did engage and still are engaged in negotiations there.

Admittedly, Siberia abounds with oil, yet we are not totally convinced as to the exact amount of the oil deposits there and the possibility of their development.

Q: Was then the reason for the stalling of the negotiations one of the hesitance from the Japanese side as to the economic feasibility of the deal rather than anything to do with political considerations?

Miki: Not necessarily political complications. The basic reason was that we were not assured of the amount that the Russians would supply us.

Q: On the question of global development: Some people have, in discussing models of development, pointed to the obvious success of Japan's own economic development in past decades and indicated that there are lessons to be drawn for developing countries today. They refer specifically to the concentration on high-technology development in both industry and agriculture, etc. Would you support this view?

Miki: It may appear to the outsider that Japan has made spectacular economic and industrial strides over the past two to three decades. But I would say that it has taken over a century to bring the economic might of Japan to what it is today.

At the very beginning we expended a great deal of effort and time and energy on the development of agriculture, and later on, on the development of agriculture-related light industry. And then, still later, heavy and chemical industry.

So this has been a long, drawn out process. And considering the fact that each nation differs from other nations in various manners, I wonder if the past developmental pattern in Japan could be applied to other nations. So I don't think that the wholesale "dumping" so to speak of the Japanese model on other developing countries might or might not be valid.

Also, at the very beginning of Japan's process of modernization, the Japanese government did earmark disproportionate sums of money for education. And I think we in contemporary Japan are terribly indebted to our forefathers for their foresight in placing such a high priority on mass education. We are now reaping the fruits of those efforts in the area of education, mass education, that is.

Of course, developing countries in today's world need not repeat the same long, drawn out process of industrialization that Japan has gone through. There are many benefits that do exist today that did not exist in those days for developing countries. And yet, the situation varies from one country to the other. Considering this, I wonder if the Japanese experience could be applicable to all of the developing countries. We don't like to give the impression that Japan is exporting a model for the rest of the world to copycat.

Q: There are clearly divergent approaches being suggested for the development of the Third World sector. One broad group — ranging from "leftists" to old-style imperialists — claim that labor-intensive development is the only suitable model for the developing sector: They can't "handle" advanced technology, etc. The other view is the direct opposite: That development is most effective when it centers on "nuclei" of the highest technology available, with the effects then radiating out to the society as a whole. What's your view on this?

Miki: I wouldn't subscribe to an "either/or" approach to this sort of question. I'm a good oriental, and I am a great believer in "both/and." That is to say, labor-intensive industries should be given emphasis in developing countries in that there, labor-intensive industries may be more competitive than the labor-intensive industries of developed countries. Therefore, the developing countries should take full advantage of the competitive edge that their labor-intensive industries may have over the labor-intensive industries of the developed nations.

But, nonetheless, this does not rule out, in my opinion, the possibility of developing countries engaging in modern, technology-intensive industry. And for understandable political and other reasons, the leaders of developing countries are now trying to expedite the process of modernization and industrialization, carrying out prestige projects, for very understandable reasons. And to this end, I think it will be very important for developed countries to render technological and economic assistance to the developing countries.

In the good old days, when Japan was on the road to becoming an industrialized nation, the one or the other, the "either/or" approach might have been possible, but the "either/or" approach is no longer possible in this day and age, when the pace of change is so rapid and exposure to developed countries on the part of developing countries is so full.

I think it would be egotistical of the developed countries to impose *only* labor-intensive industry on developing countries, because labor-intensive industries in the developing countries simply mean taking advantage of lower wage levels, and the perpetuation of lower wage levels and inferior working conditions would naturally incur anger and frustration on the part of the developing countries.

I think that human history is moving in the direction of eventual equalization of levels between different countries, and I think that the developing countries should also be given the opportunity not only of taking advantage of their lower wage scales but also of earning more value-added to whatever commodities they turn out.

Q: Let me conclude by asking how you, on the basis of your own past experience of previous summits, see the perspectives for the upcoming summit meeting in Bonn on July 16-17?

Miki: I personally attach much utility and importance to summit conferences such as the one in Bonn. The reason being that, after all, the seven nations represent a little over 50 percent of total world trade, including the communist world, and again the seven countries

represent over 60 percent of the gross national product on a worldwide basis. As such, these seven nations do assume a very important, vital role in the world economy as a whole. And I think that these seven nations should hold themselves responsible not only for their own national economies but also for the entire world economy.

And this, I think, is especially relevant and important in these days of increasing mutual dependency. What I think is extremely important for the seven leaders to keep in mind is that the world economy should not be geared in the direction of shrinkage but that it should be geared in the direction of expansion, and that with this broad target in mind, the aim must be to stem the tide of protectionism and to devise more effective means of aid to the developing countries.

Therefore, to repeat, I personally attach much importance to summits such as the one in Bonn.

Now, a second value of such forums would be for top leaders to get acquainted with one another, in informal circumstances as well as in the formal meetings. If these leaders can, among themselves, develop a sense of trust and credibility, then this in itself will represent a kind of "early warning system" in the event that negative tendencies do arise.

Of course, I'm not implying that previous summits

have not functioned in this manner, but I simply want to underline that these aspects are especially important to be continued and developed.

Q: Recognizing, then, this function of the "early warning system" against negative tendencies, would you say that the time has now arrived for summitry to go beyond this stage? That is, that such meetings must serve as forums for positive, constructive cooperation in the spirit of the "Grand Design" as I outlined in the beginning?

Miki: I do not know if summitry is actually moving in this direction, but I am convinced that this is the way it should go. All effort should be made today to avoid a situation as we had in the 1930s, where each country tended to confine itself and shrink from global cooperation. This blunder must not be repeated.

Therefore, these leaders at the summit today, representing as they do such a high proportion of the world economy, should hold themselves personally responsible for the state of the world economy. They are really morally obligated to feel that. Of course, the question of the restoration of the world economy is not only their responsibility. But nonetheless, as I said, representing as they do such a high proportion of the world economy, they should really do their best to avoid the blunder that we jointly committed back in the 1930s.

U.S. Labor Party Convention: Rule The World With Reason

The agenda for the upcoming economic summit of the industrialized capitalist nations was derived from the U.S. Labor Party's well known program — nuclear power, high-technological development, and the industrialization of the Third World. This was one of the major themes struck during the party's June 30-July 1 weekend National Convention, as Labor Party National Chairman and presidential candidate Lyndon H. LaRouche, Jr. told 500 delegates and party supporters that the international financial and political currents leading into the Bonn Summit have been significantly shaped by the USLP's "international network of reason."

"We rule the world," said LaRouche during his keynote address in New York City, "not as dictators, not as tyrants, but by reason. We have created the most important network in the history of humanity — an international network of reason. Like Italy, Mexico, Germany, and as the Arabs are now doing, reason begins to rule international relations. The Grand Design is the way to bring the world to reason."

By bringing the world's populations to willful use of reason, the Labor Party will lay the basis for putting Lyndon H. LaRouche into the White House in 1981. That was the determination resolved at the Party's National convention.

This conference, titled "The Humanist Purpose of America," established that if the global Grand Design is to be realized, Lyndon LaRouche must be in the White House in 1981. The alternative, LaRouche stated in his opening address to the conference, is World War III. "The process of the Bonn summit," the world leader said, "has occurred because the countries of western Europe and Japan perceive this danger of war. At the highest levels, there is an understanding that the world faces two options in the immediate future: The implementation of the Grand Design must in fact become irreversible this year in order to secure the world from war. Twice in our century, the failure of those forces who knew what had to be done and yet failed to act, led to the process of World War I and World War II.

"The British monarchy is the jewel of everything that has been wretched during the past 3,000 years of Mediterranean-centered civilization. The monarchy is insisting on maintaining its feudal utopia in its historical alliance with usurious tax farmers speculating on the debts of nations. Who are the allies of this parasitical landlord class and its financial bankers? The declassé middle class, the urban rabble, the liberals, the environmentalists, and the rural idiots. This is the social composition of *fascism*, the forces shaped by the oligarchy over the centuries, and now by the British crown,

into an expendable battering ram against the city-builders and technology-proud farmers.

"What do we have in the U.S. and across Europe? We have a plague of fascism, controlled by the oligarchy. The prominent international spokesman for this fascist force is Otto von Hapsburg. Who are his followers? The 'greenies,' as he himself says. We are engaged in an international battle against these fascist forces, and if we don't win, the chances for the human race are very slim."

To Guarantee Humanity's Survival

As National Executive Committee members Carol White and Fernando Quijano developed in their presentation on "The Rhodes to Treason," the ensuing American presidents — even the best-intentioned Whig presidents like Abraham Lincoln, McKinley, and Garfield — were all tragically inadequate to carry out the Grand Design of their era. The result was that the United States was maneuvered into carrying out the policeman's role for the maintenance of the British empire. Once the British had established their rule under the "American century" doctrine, the world was set irrevocably on the course that led to World War I, and then, World War II.

The problem today, stated Costas Kalimtgis, is that people believe the myth that World War II is over. It is up to us — who have gone beyond Plato's "noble lie," who don't capitulate to the prevailing myths in society — to win the peace and guarantee the future survival of humanity.

Getting the Grand Design underway is the pivot for putting LaRouche in the White House. In the months ahead, said Costas Kalimtgis, U.S. Labor Party Chief of Staff, "we are going to get Moscow, Havana, Germany, France, Mexico, and Italy to campaign for the LaRouche presidency."

The Rule of Reason

The lawful process by which the U.S. Labor Party will win the peace was the subject of the deliberation for the following day's business meeting. "The human race has had too much bestialism. We've had suffering, misery, wars. We will win the peace by ruling the world. Not by power, but by man's reason," stated LaRouche.

LaRouche stressed that the Labor Party has delineated the 3,000-year struggle of the humanists versus the bestialists — the struggle of reason — but communicated it on the mere level of the understanding. The task of the organization now is to consolidate itself as a force which has mastered the process of reason and has placed its own creative powers under its willful control. "It is when reason — creativity — comes under your conscious will, that your will becomes reason," said LaRouche.

In the U.S., the core of a constituency for reason is an independent labor movement, LaRouche explained, because it is the only constituency which has no self-interest other than self-development. But as the previous day's discussion made clear, to bring this constituency into being, the amoral stoicism of the population — the

attitude that, "Sure, they're destroying the cities, sure, there's going to be war, but what can I do?" — must be routed.

For this reason, getting LaRouche into the White House will first involve getting the endorsement of the elites, said LaRouche. "I say to them: 'You need my policies. They are correct. To carry them out you need me in the White House; you're going to help me get there.' Once the population sees that we have a chance of winning — we will win the election by 70 percent of the vote.

"People are going to be faced with reality and they are going to see the degree to which we have shaped the reality they see. There's going to be a **cultural shock**. The Labor Party's task then will be to provide the mass education of the population that will turn to us."

The Humanist Purpose of America

"We need to be in the White House because we need those four years to guarantee the Grand Design," said LaRouche. "Then we need a hundred years of development to secure our posterity from the bestialism of wars, devastation, and suffering.

"If our descendants want to reorganize the solar system, we must give them the power to do so. We are going to lift a generation out of bestialism. How? We are the city builders. We are going to build hundreds of cities in the next 25 years."

These cities, explained LaRouche, will be arranged around nuplexes — nuclear power plants surrounded by accompanying off-shoot agro and capital goods industries. Electrical and transportation grids will be laid six to seven levels beneath the ground level, with ground-up construction of the city above, including schools, universities, and cultural centers. Two nuclear power complexes will provide electrical and heat energy for industry located around the city, and all construction will be planned to utilize a hundred years of technological advances.

"Put me in the White House," LaRouche said, "and we'll begin negotiations the next day for their delivery to the developing sector. We'll use every industry we've got and build what we haven't. The U.S. export program will reach trillions, not mere billions of dollars."

World leadership in this task is the humanist purpose of America. In the final report to the convention, on the Humanist Academy, European Labor Party Chairman Helga LaRouche underscored the international activity of the Labor Parties as the key in coordinating and extending the networks of reason. "Our activities, our programs have transformed Helmut Schmidt into a committed humanist citybuilder. The Gaullists in France tell us that they regard the U.S. Labor Party as the leading Gaullist force in the United States. Now think to yourself what an organizer in the European Labor Party is looking to us to accomplish here before the Bonn summit."

—Linda Frommer

Bringing The U.S. To The Bonn Summit

Here are portions of Lyndon LaRouche's keynote address to the conference.

The key to the world situation at this moment is the series of events which centers around the Bonn summit in the middle of the coming month, to be preceded by another little festivity, the EEC meeting on July 8.

While there is some differentiated perception of aspects of the Bonn summit in Washington, the White House, in particular, does not wish to believe the Bonn summit is occurring. Within the belief structure of the Administration, the White House is trying to manipulate the situation with a lot of things that aren't going to work; these are things which at best could not produce any of the results the White House desires, but could only produce chaos with a risk that chaos might set into motion the chain of events which could lead to World War III.

One of the reasons this Bonn summit process is occurring is that a number of people, in West Germany, France, Italy, the Soviet Union, and in other countries, correctly perceive that unless the Grand Design is put into effect with significant, irreversible steps this year, there is nothing in sight that can stop World War III. . . .

Among those confronting Washington at the Bonn summit will be the Japanese. The Japanese understand economics better than anybody but us. Leading Japanese are the only force in the world which has an understanding of political economy that converges upon ours.

The Japanese say that the basis for economy is the development of labor power; that the resource of a national economy is to develop and export knowledge; capital goods are the mediation for *the export of knowledge*. The source of new wealth, therefore, is to be able to create higher forms of capital goods as higher forms of mediation of higher qualities of knowledge. Therefore, the development of a population's ability to produce knowledge is the source of wealth.

The Japanese understand this, which is very important in Japan. But it is also important because the Japanese are accumulating a big surplus of dollars. Therefore, since the dollar is the world's reserve unit of trade, when the Japanese possess dollars and the Japanese have an understanding of economics which for practical purposes is interchangeable with our own, the kind of thinking we represent has control of those dollars!

We may win, although not necessarily at the Bonn summit. Nobody can know what is going to happen there. These are diplomatic charades. The British are going to launch terrorism, murderous covert operations, and every dirty thing of which the British are uniquely capable. The Bahai Shi'ite operation in the Middle East is going to destabilize governments there. The Israelis and Pekingese made a little mistake in Yemen. That area, to their discomfiture, has been stabilized. The Pekingese and the Israelis lost out in the little, dirty game they were playing in Yemen.

But they will pull every dirty game they can. They will murder wherever they consider it prudent and advantageous to do so, and so forth.

Nonetheless, in terms of the correlation of forces, we have a chance to see in the process coming out of the Bonn summit, a convergence on the policies for which we have campaigned. These policies are being developed with foreknowledge, and are converging upon the potentialities expressed by the May 1978 Schmidt-Brezhnev accords.

The basis of this is to develop an economic cooperation among the industrialized nations in order to entirely transform the developing sector into modern productive nations in approximately 25-year increments. Twenty-five year increments are generations. We must, with the current generation, transform the coming generation in the developing sector by providing the technology, the infrastructural development that they need. Following that, we have to have another 25-years — a new generation — to develop further; fifty years from now, the human race must be in a condition for new things to happen.

That is why I must be in the White House between 1981 and 1985 — four years — to secure the future of the human race for 100 years to come. That is what I am dealing with among leading circles in the United States acting on the same basis of reality.

This reality has affected the perceptions of people in continental Europe, Japan, and elsewhere. I am the only person in sight who is remotely qualified to get this nation through the crisis and to secure the future of humanity for a century to come.

If we've got a century of insurance ahead of us, within 100 years the human race can figure out what to do with the succeeding centuries. But we have to get that 100 years of security and 25 years of immediate security before us to lay the foundations for the future. . . .

There are two ways at present of dealing with this problems in the economically advanced sector of the world. We have the industrial capitalist development approach, which is workable; it is politically workable and it is economically workable — particularly if I'm running it. I know how to make it work. Those who are presently running it don't know so well how to make it work. They think Adam Smith was a human being. (If they saw his portrait, they would know better.)

There is also the socialist form. Lenin understood this perfectly when he wrote "Two Tactics." Marx had an understanding of this — not a perfect understanding, but it was a working understanding.

In any industrialized society, you have two alternatives. The industrial capitalist, as a political force, must accept the responsibility which Count Witte and Czar Alexander II tried to impose on the Russians: to undertake the Grand Design, in that case, for the industrial development of Russia. However, if that strata of society will not commit themselves to an industrial capitalist form of development, the only possibility for continuing human progress is to have a political labor movement take over the responsibility of industrial development and the progress of humanity. It's very simple . . .

Therefore, the primary political consideration is not specific political forms of government. We go back 3,000 years! We have only one thing that concerns us, and its political expression is the Grand Design. The particular concern in each time and place is to find political instruments which are capable of implementing the Grand Design on a global scale.

Our objective in continuing warfare over 3,000 years is to eradicate at last the influence of the oligarchists, the forces represented by the debt bankers, Otto von Habsburg, and the British monarchy today. Our objective at this time — our strategic war commitment in a fight against fascism on a world scale — is to eliminate from power in every part of the world everything that Otto von Habsburg and Felix Rohatyn stand for; to secure for the human race the global rule of the Grand Design under the leadership of the viable existing states which are themselves committed to the Grand Design.

It is possible that China will not enter the Grand Design. Even so, we establish the hegemony of a combination of forces on a global scale, states of different types, which are committed to the Grand Design. Given 25, 50, or 100 years of the Grand Design's advancement of humanity and the security of humanity on that basis, we need not concern ourselves now with what the future in particular will bring.

We are not the end of the human race, let us hope. We do not exist to realize in our time everything which might be desirable for the future; we exist in our time to make a permanent, immortal contribution to the future of the human race; to enable our descendants to live; to enable our descendants to have the power, and means, and opportunities to make further decisions on the problems which confront them down the road.

We do not live to make the last discovery in physics. We live to advance physics to a higher state, so that our followers and descendants are thus empowered to make new and greater discoveries. We do not live to realize in ourselves, in our brief lifetime, every joy and specific pleasure which the human race might enjoy.

We live to make an immortal contribution to the future of humanity and to ensure the future of humanity the opportunity to do what is beyond our capacity to do now. That's the Grand Design.

We exist to realize as the dominant institution of the human race, the species nature of mankind, which is based on the creative powers of mind. This is an order of mankind in which the individual uses his creative powers and develops them, knowing that he or she as an individual is of immortal importance to the human race as a whole because of the contributions of discovery and advancement of knowledge and practice which that individual makes by applying those creative powers to the discovery, assimilation, propagation, and application of new knowledge.

We know that the development of such powers means that the human race describes what it has demonstrated itself to be since the Pleistocene. The human race, by applying knowledge, can transform itself and transform its mode of practice to increase the power of the human race over not just the earth, but over the universe.

I am not concerned whether I can get into a space vehicle and travel to some distant point in the universe; that is not important. I am concerned that my descendants be able to do that. I am concerned that the human race have the quality of conditions, the arrangement, the configuration in which the potentialities of man as a species can be realized.

Man must value himself as a member of the human species, not as some talking animal as the environmentalists would like. Man must not put himself down on the same level with a lousewort, or the snail darter, which only exists in one part of the world. This must mean it's pretty useless; if it was useful, you could put it in other parts of the world. It's useless except for rubbing against each other . . . and for the abstract sexual gratification of the environmentalists.

Our goal is for human beings to recognize themselves as human beings, to regard themselves as important to the entire human race, and to regard other persons as important or potentially important to the human race as a whole on the same basis. To realize this identity in practice — is what the Machiavellian problem is: take what you've got, and move it! Make it move in the right direction. Don't try to solve every problem. The basic problem is to get the human race organized and dedicated to moving in the right direction.

Our descendants will take care of the rest. It is necessary, however, to have descendants.

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The Line-Up On The Eve Of The Bonn Summit

As the Bonn Summit approaches, international forces on both sides of the development debate are taking a stand on what kind of forum Bonn is to be.

The July 16-17 meeting in the capital of West Germany continues a series of meetings bringing together the heads of government of the seven leading industrialized noncommunist nations, to discuss pressing economic and political issues with the purpose of coordinating policy — wherever possible. The participating nations include the United States, Great Britain, West Germany, France, Italy, Japan and Canada. The last meeting took place in London in July, 1977, and was widely considered as Jimmy Carter's debut among the industrialized nations.

Under the leadership of the governments of West Germany, France, and Japan, which have coordinated their preparations with the USSR, and such developing sector leaders as Saudi Arabia and Mexico, an agenda has been prepared for the mid-July conference which includes the following major policy items:

- 1) supporting the U.S. dollar by investing surplus dollars in high-technology industrial development projects;
- 2) expanding nuclear fission as a global energy source and rapidly achieving commercial application of thermonuclear fusion as the power source of the future;
- 3) implementing capital-intensive regional development plans as the solution to dangerous conflict spots in Africa and the Middle East;
- 4) replacing the International Monetary Fund and World Bank as the dominant international credit institutions, with new institutions which will finance economic development rather than merely collect debt.

This is the agenda which Jimmy Carter will confront in Bonn. Here we present a survey of some of the specific proposals, organizing, and counterorganizing underway on the eve of the summit.

1. Schmidt Takes The Grand Design To Africa

West German Chancellor Helmut Schmidt's June 26-29 trip to Nigeria and Zambia, the first visit to black African states ever by a West German Chancellor, is the best example yet of how Schmidt intends to organize a Grand Design for development among Third World nations.

At the Chancellor's historic May 6 meeting with Soviet President Brezhnev in Bonn, the two men signed a 25-year economic cooperation pact that stressed that a nation's economic well-being is the key to preserving the peace. Both nations pledged to increase economic cooperation between their countries and the Third World. It is clear from the results of Schmidt's African visit he used his agreement with Brezhnev to develop West German ties to Africa.

Schmidt's accomplishments in Africa range from a nuclear cooperation treaty with Nigeria to support for Zambia against International Monetary Fund austerity

conditions, items that are clearly designed to facilitate the increase in overall world trade.

Schmidt, however, is not using his African trip merely to flesh out his trade and peace agreement with Brezhnev. At the July 16 Economic Summit in Bonn, he will present the results of his African tour as concrete proof of the feasibility for Grand Design economic development between industrialized nations and the underdeveloped Third World.

Prince Fahd and Schmidt

Before departing for Nigeria, Schmidt held a reception for Saudi Arabian Prince Fahd in Bonn on June 26, highlighted by his speech on North-South relations. Fahd had purposefully arrived in Bonn *before* the July summit to give Saudi Arabian approval for Schmidt's plan to use OPEC oil wealth to purchase advanced technology from the West to industrialize the Third World. Schmidt's welcoming speech to Fahd shows how he viewed his task:

We stand today before the historic task of linking North and South, industrial countries and developing countries, as well as the oil countries, in a peaceful dialogue for long term cooperation. We want to contribute to the development of an

international order that gives all countries and all people a fair chance. We need an order which is not constantly threatened by disruption and conflicts. The danger with disruptions and trespasses is that confidence is lost in the continuous development of our world.

Hours after this speech, Schmidt faced the first threat to both his African trip and the Bonn summit as his plane was parked at the Hamburg airport, ready for take off. After one look at a speech prepared for him to give to the Nigerian Institute for International Affairs, the Chancellor postponed his departure one hour, and called his closest aides together to deal with what he called "a threat to the Bonn summit." Schmidt rejected the prepared speech from the office of Economics Minister Otto von Lambsdorff:

Lambsdorff speaks a kind of gibberish about market economy which even a court of law could not understand. We are not going to Nigeria to address the founder of liberal economic policies, Granddad Walter Eucken, gentlemen, but to a military government. . . .

After this meeting, Schmidt penned his own speech, which read in part:

My trip should be understood as the announcement of our desire and will to seek with you a common way to bring our historical allies of continental Europe and Africa closer together. Europe and Africa are not only geographical

neighbors, but also natural and ideal economic partners. Therefore, the Federal Republic cannot pursue a policy with respect to Africa that is oriented only to our own, German interests. Our interests must be imbedded in the area of the economic and political relationship of Africa as a whole to the European Economic Community.

Schmidt developed the idea of "real freedom," which comes not merely with the liberation from colonial rule, "but must be assured through a continuously developing economy within secure and recognized borders. We want to help the African states become strong economic partners with whom we can carry on mutually advantageous trade." Schmidt blasted speculative schemes for "commodity stabilization" through a "common fund" — plans in fact authored by the Brookings Institution to gullible Third World leaders and promoted by IMF partisans Henry Kissinger and the Second International's Willy Brandt — as the illusory product of "a handful of propagandists."

Nigeria

Schmidt backed up his words with concrete actions, impressing Nigerian head of state Obasanjo with the speed and skills used by West German construction firms to finish the Tin Can Harbor Development project in record-breaking time, 15 months. In return for this proof of good faith Obasanjo signed a nuclear power cooperation agreement with Schmidt, West Germany's first

Europeans Seek Stability In Africa

Zambian President Kenneth Kaunda has declared his support for the "Grand Design" campaign of West German Chancellor Helmut Schmidt, who visited Zambia last week. Describing Schmidt as an "eminent statesman", Kaunda said, "The German Federal Republic holds the key to peace in Africa and the world in its hands."

Schmidt's highly successful visit to Zambia included a meeting with Rhodesian Patriotic Front co-chairman Joshua Nkomo. As Schmidt explicitly noted, the meeting was intended as a signal to Rhodesian Prime Minister Ian Smith that Western Europe supports the Patriotic Front's fight for a settlement leading to majority rule, not Smith's white minority government.

Schmidt's diplomacy has been complemented in peace and development initiatives by Angola, Zaire, Portugal, and France to improve relations between the African and European countries. These initiatives are serving to counter British and Belgian efforts at destabilization of the region.

While Schmidt was in Zambia, Angolan President Agostinho Neto issued orders on July 1 that refugees from Zaire's Shaba province now living in Angola move further from the Angola-Zaire border, to forestall a repeat of April's invasion of Zaire by a Belgian-sponsored refugee army. At the same time, Zairean President Mobutu Sese Seko has backed away from his earlier charge that Angola and Cuba were responsible for the invasion. A Zairean government

news agency release July 1 charged that "certain sectors in Belgium" helped the Shaba rebels, threatening to cut off diplomatic relations with that country.

Portuguese-Angolan Rapprochement

After meetings between President Neto and Portuguese President Ramalho Eanes, the two countries have put together a joint commission to supervise improvement of their economic and diplomatic relations, including improved trade ties and the repatriation of thousands of skilled white Angolans who fled the former Portuguese colony during the 1976 civil war.

There are also indications of a reversal of French policy toward Angola after a meeting last month between Foreign Minister Louis de Guiringaud and the Angolan Ambassador to Brussels Luis de Almeida. France is reportedly backing off from any connections to the three anti-government guerrilla counter-gangs now operating in Angola, and is considering possible increases in trade and other economic ties.

President Leonid Brezhnev of the Soviet Union has effectively endorsed European efforts to stabilize Africa. Brezhnev this week told the President of Madagascar that he did not object to attempts by the West to settle the Namibian (Southwest African) and Rhodesian conflicts, so long as those efforts "meet the lawful interests of the peoples" involved.

such agreement with a black African state. A multinational West German electric power firm, Siemens, has already supplied Nigeria with a high-voltage power network, and will shortly begin building Nigeria's first nuclear reactor. Nigeria has been for several years a major supplier of oil to West Germany.

In discussions between Schmidt and Obasanjo, held at the army base that serves as the seat of the Nigerian government, Obasanjo asked Schmidt why West Germany still had no diplomatic relations with Angola. Schmidt replied that although West Germany had been trying to establish relations with Angola for several years, Angolan President Agostinho Neto refused to initiate diplomatic relations for fear that a missile base in neighboring Zaire, operated by a private West German firm, OTRAG, was being used as a secret NATO base in Africa. Although Schmidt told the Nigerian that he could not interfere with a private company, he did promise to discover if OTRAG, which has turned into a *cause célèbre* among the European and African left, is actually an illegal tax dodge operating under the cover of a make-shift rocket base in Zaire.

Both the Nigerian and West German governments skillfully handled charges in the *Nigerian Herald* and the *New Nigerian* that Schmidt was helping South Africa get weapons and giving Rhodesia support. The joint communiqué signed by both heads of state stated that "there is no kind of military and-or nuclear cooperation between the Federal Republic of Germany and the Republic of South Africa and there will be none."

Zambia

The Chancellor destroyed charges that West Germany is supporting Rhodesia during his one-day stop in Zambia. There, he not only met with Zambian President Kenneth Kaunda, but also with Josua Nkomo, the leader of the Patriotic Front guerrilla forces fighting the Smith regime in Rhodesia. Nkomo was told by Schmidt that "Bonn will always support those forces in Africa who really want equal rights."

Equally important, Schmidt promised Kaunda that West Germany will do something about the depressed prices of copper (which comprises 95 percent of Zambia's exports), and recent International Monetary Fund demands for more austerity in Zambia to meet debt service payments. The Chancellor promised that West Germany, a major voice in the IMF, would negotiate with that organization to ease the monetary pressure on Kaunda's government.

— James Cleary

2. Giscard: Wedding 'Western Technology And Oil Money'

Paris is bent on marrying "Western technology and oil money" to industrialize the Third World, in the words of the French weekly *Perspective*. Effectively, the government of French President Valéry Giscard d'Estaing is committed to what insiders call "the Grand Design," a

plan to relaunch the world economy through a massive inflow of technology into the Middle East, Asia and Africa.

This is "the proper subject of the Bremen and Bonn Summit" — as France's Economics Minister Monory said July 5 — and its launching pad will be the establishment by France and West Germany of a "European Monetary Fund," a competitor-to-the-death of the International Monetary Fund. Instead of the IMF's policy of austerity for debt collection, the new institution is reportedly planned to channel petrodollars and other financial resources into large-scale development projects.

The West German-Soviet agreement for 25 years of in-depth economic cooperation concluded last May was key in activating France for the Grand Design. Over the past 8 weeks, French leaders have been publicly mobilizing France's African and Arab networks, legacy of the Gaullist era, behind the peace and development drive.

First there were military-political interventions to stop British-orchestrated tribal destabilizations across the African continent, notably the case in Zaire, Chad, and Western Sahara, as well as a large peace-keeping force to help the Lebanese government assert its authority in the wake of the chaos generated by the Israeli invasion.

Step two involved the visit of the entire decision-making strata of the Saudi ruling family to Paris for top-level, secret talks with Giscard on the ways and means of using petrodollars for nuclear and infrastructural-agricultural development of the African continent and the Arab world. Among the subjects of discussion, say informed sources, was the feasibility of putting perhaps up to half a trillion dollars of Saudi money into the institutional form now emerging as the European Monetary Fund.

Step three was initiated publicly with Giscard's visit to his good friend King Juan Carlos of Spain at the beginning of July.

As was discussed with the Saudis, the Southern European economies of Spain and Italy could take off quickly with backing from West German and French industry, fostering Europe's total export capacity toward the Third World.

Thus while Chancellor Helmut Schmidt is taking care of Italy, notably with loans to help protect it from the voracious IMF, France's historical responsibility lies with Spain.

In his address to the Cortes, the Spanish National Assembly, Giscard reflected that Spain and France "embody the principles of Christian humanism in Europe." He continued,

Whether concerning the consolidation of détente, advancing the cause of disarmament, favoring the implementation of the new world economic order, or contributing to the development of Africa, Spain and France can unite their efforts to the extent that their objectives are identical and their means often complementary.

The French also consider Spain a crucial stepping-stone into Latin America. Thus various French government representatives have talked about, or alluded to, the possibility that Spain might give a helping hand to

'Bonn Summit: A Franco-German Grand Design?'

These excerpts are from an article which appeared in the June 29 issue of the French newsletter Perspectives, written by A. Gascuel, its foreign policy editor.

Preparations for the July 16 Bonn Summit of the main industrial countries has entered an active phase. . . . There is a project which could closely associate France and Germany, on the initiative of Paris: it consists of launching the development of the Third World on a large scale, by coordinating Western technology with the financing means of the oil producing countries. This idea is not new. What is new is that the German Chancellor is interested. For a long time persuaded that Germany should remain neutral in front of the evolutions and the political events in the rest of the world, being content with ensuring progress in trade, he now sees the advantage of a more active and concerted policy, of which there would be several simultaneously:

— Acceleration of the development of the Third World, and an upswing in activity provoked by its increase in buying power. Experience shows that the Western countries should not fear this "rise of the Third World," which creates more jobs than it eliminates. It is a question of integrating the populations of the Third World in the Western economic system, to

whose functioning they will contribute, for the greater benefit of all.

— Political stability of the Third World countries, since the governments in place would, thanks to increased (economic) aid, be able to more efficiently resist attempts at destabilization. . . .

— Maintenance of control over raw materials sources. This is a stronger argument. As much as it is absurd to imagine the USSR establishing its empire over the whole of the Third World, the struggle for raw materials is increasing and becoming more precise. To help the Third World is to ensure economic stability, the permanency of trade, the long term activity of the Western economies which Moscow could, by controlling the sources of raw materials, threaten. . . .

This economic argument is reinforced by experience. We see certain countries of the Third World that have "gone to the East," coming back to the West. . . .

There are several signs of Helmut Schmidt's interest for this grand "design," of multiple aspects: he is presently visiting Nigeria and Zambia, he has met with Prince Fahd of Saudi Arabia who also talked with Giscard d'Estaing. It remains to convince the other Westerners. It is said that President Carter hesitates to commit himself on the side of Europe. . . .

French aerospace sales into Latin America and putting its extensive banking connections to use for encouraging other exports. For months now French emissaries have been traveling to that doorway to Latin America, the great Republic of Mexico. After the atomic energy chief and the Agricultural Minister came Industry Minister Giraud, who openly spoke of French expectations of nuclear plant construction projects in Mexico, Venezuela, and Argentina.

In the wake of the Giscard-Carlos meeting, there is talk of employing French expertise in the construction of the subways in Mexico City, Caracas, and Buenos Aires. And, Giscard has been officially invited to Mexico.

After the Spaniards' decision to buy four Airbus planes and take options to the next-generation B-10 Airbus plane, the Venezuelan airlines decided to put in orders for the B-10 as well, making for a real boost to the French aerospace industry.

The Giscard-Carlos entente has military implications as well since Spain is making faces at the British push to have it enter Nato, and, adding insult to injury, just decided to tighten military cooperation with the French in all areas and to buy 49 Mirage F-1 jets from the industrial firm of Dassault.

3. Japan's Mitsubishi Institute Proposes \$500 Billion Peace Fund

Masaki Nakajima, chairman of Japan's Mitsubishi Research Institute, and leading spokesman of the industry-based "Zaibatsu" economic grouping, has proposed a \$500 billion "World Peace Development Fund." The fund would mobilize the technological resources of the advanced nations to transform the Third World. This international cooperation for development, Nakajima stressed, is the only guarantee of world peace.

An exclusive translation of an interview with Nakajima, who is now advising Japan's Prime Minister Fukuda on the role Japan must play at the Bonn economic summit, is excerpted below. The interview originally appeared in the June 21 Japan Economic Journal (Nihon Keizai Shimoun), titled: "Light at the End of the Tunnel: A New Deal for the 1980s; Global Infrastructure Fund: Construct a \$500 Billion Peace."

Q: It is said you have a proposal to establish a "global infrastructure fund" or world-wide public works realization fund. . . .

A: The U.S., West Germany, Japan, Canada, and other developed nations will each year contribute \$5 billion, OPEC another \$5 billion, \$10 billion altogether, and establish a fund. Additionally, other financing sources and funds will be added and a total of \$500 billion within this century will be loaned to the "south," I hope, for electrification equipment, roads and transport networks, agricultural development, etc. There were objections, even in my Institute, that a mere \$500 billion may not be effective enough to overcome the world-wide recession, but I would call it a feasible preliminary amount. That's about what the U.S. spent in World War II.

Q: Is the continuing narrowing of the world market the idea behind your proposal?

A: Yes . . . (while) the destruction of the (Second World) War weighed heavily on economic growth, at the same time, a good part of the major new technologies were born during the war. This was why new production also developed. . . for the most part during the 1950s, after which that level of technology has not been surpassed. . . Productive capacity hurriedly constructed during the war fell into overcapacity. . . . Although they say they would like to improve production by new investment, business never actually does so, because it would soon mean overcapacity. . . .

Q: On the part of big business, . . . there are calls for war production. . . .

A: Yes, when I floated the fund proposal it was because I heard those calls. Japan's military expenditures are now less than 1 percent of the GNP. . . . If Japan had large military power, would the nations of the world have bought Japanese goods? Even if the demand was there, for us to be a war-loving nation would have produced an allergy. . . .

Keynes, to deal with the 1930s recession, thought of individual domestic public investment. How about widening this idea on a global basis, the idea of global public investment? Besides, even if nations such as in Western Europe decide on domestic public investment, social capital is already overstrained and besides there is the fear of inflation. . . .

Greening the Desert

Q: Do you have concrete plans?

A: What is most important is projects like greening the desert. These have already begun piecemeal, and this is easiest for OPEC to invest in, since it means development of food production.

I personally think the Indian-China border Brahmaputra River-Himalaya hydroelectric power station construction project is an excellent idea. It was conceived by Mr. Matsue. This river's water basin starts in the Pamir (Tibet —ed.) plateau, traverses the Tibet

plateau, gathers the water shed from the entire northern face of the Himalayas, and falls 3,000 kilometers from the highest west face of the mountains. Then it falls another 2,500 km into the Indus River. From that high point, we would build a 17 km tunnel which would produce . . . about half of the total electricity production of Japan. . . . This would give India a major energy resource.

The problem with the plan is that the area lies on the disputed Indo-Chinese border, but it should be possible to sit down and discuss the plan and the sharing of the electric power between India and China.

Q: What about . . . U.N. sponsorship for the fund?

A: No . . . too much politics. We need an independent fund for such a special program.

Q: Don't you worry that many people say that . . . before building foreign public infrastructure, Japanese domestic projects are more important?

A: For the sake of Japan's peace and military security, we should have an insurance policy. If you don't have a fire in your own house fire insurance may gain you nothing, but by taking out the insurance policy . . . you have various kinds of safety This is also true of Japan's security. . . . In so far as business has a social conscience, peoples will have an international conscience. . . .

An addendum, excerpts of which are also translated below, followed the interview. It was taken from the working papers of the Mitsubishi Research Institute and was headlined: "World Public Infrastructure Plan Specifics."

— Himalaya Hydroelectricity (India, China): Bring together the upper flow of the Brahmaputra, the Senpo River at the Indo-China border, and transport the water to India by tunnel. 50 gigawatts of electricity.

— Bering straits (Soviet Union, United States): Widen the Bering Straits to permit inflow from Arctic Ocean to Bering Sea. This will modify the Northern Pacific climate and summerize (warm) the entire region. (This is clearly for purposes of climatizing Siberia to aid resource development there — ed.)

— Greening the Desert (North Africa, Israel, Egypt, Arab nations): Green the Sahara, Sinai, and Arabian peninsulas.

— Central African Lake (countries of all central Africa): Dam the Congo River and form a huge new lake in the Congo-Chad region. From this construct regional irrigation projects.

— Second Panama Canal (U.S., Nicaragua, Panama): Build a second Panama canal from Atlantic to Pacific through Nicaragua.

— Kra Canal (Thailand, Malaysia, Singapore): Across Malaysian Isthmus.

4. Soviet Leaders Urge U.S. To Join Grand Design

In the weeks leading up to the Bonn summit, the top Soviet leadership has gone on the stump to broadcast the recent breakthroughs in détente in Europe, and urgently call on the United States to join in what West German Chancellor Schmidt calls the "Grand Design."

Soviet Premier Alexei Kosygin, in a speech July 5 to a session of the Supreme Soviet, made mincemeat of rumors widely circulated in the U.S. and British press that the USSR's aim is to "split Western Europe off" from the United States, and that Schmidt is "self-Finlandizing" his country.

Kosygin urged the United States to drop barriers to expanded trade and cooperation. Citing the paltry 2 percent of U.S. foreign trade turnover that is with the Soviet Union, Kosygin said "this means that cooperation is at a preliminary stage...It is important that the striving for wider business links should be mutual and the cooperation itself advantageous to both sides."

Kosygin's speech complements an address by Soviet President Leonid Brezhnev in the city of Minsk June 25. Avoiding heated polemics against the U.S., Brezhnev hailed his country's relations with West Germany, France, Italy, and Turkey as areas of significant progress in consolidating détente. He quoted Chancellor Schmidt that "there is much more mutual trust in Europe today than at any time in the past decade."

Brezhnev's praise for Schmidt — and his failure to criticize French intervention in Africa, an aspect of France's foreign policy which has drawn considerable ire from the Soviet press — demonstrate that Brezhnev does not fear the emerging Bonn-Paris axis for development.

During the 1960s, British agents-of-influence successfully terrorized the Moscow leadership with nightmares that the nascent de Gaulle-Adenauer alliance meant West Germany would "get the bomb." However, the best British efforts today to use the recent Zaire crisis to blast away Soviet backing of French and West German foreign policy initiatives is now shown to be a failure. The Soviet leadership was evidently reassured by public and private statements by French President Valéry Giscard d'Estaing, insisting that his country's moves in Africa are not motivated by anti-Sovietism.

"Citybuilding"

Brezhnev's Minsk speech locates him squarely within the international humanist tradition of "citybuilders" who provide the basis for a grand design of industrial and scientific collaboration today. Praising the heroic efforts of the people of Minsk to rebuild their city after World War II, he said:

Awards to cities are of course awards to people. People build cities. People defend them. People raise them from the ruins. People improve cities and transform them...(This) city practically did not exist and so the struggle began again, not only to raise the capital of Byelorossiya from the rubble, but to make it more beautiful still...

Brezhnev demonstrated a growing understanding of how politics really works, in a highly unusual statement on the role of "the masses":

The struggle for a firm peace is the business not only of governments, but of peoples. Already in the middle of the last century, Karl Marx appealed to the working class to master the secrets of international politics.... (emphasis added — ed.)

This challenges the more narrow-minded hardliners in the Soviet Communist Party with a startling new idea: it is not "the masses" as such who determine political processes, but human beings acting on the basis of knowledge and reason.

Brezhnev's political astuteness is backed by increasingly differentiated and accurate Soviet press commentary on the West. The June 22 anniversary of Hitler's "Operation Barbarossa" attack on the Soviet Union served as an occasion for articles comparing Western illusions about the "China card" today with the foolish efforts of "Western moneybags" to drive Hitler to the East. It is an ABC in Soviet history books that it was Great Britain that incited Nazi Germany against the USSR, and some of the articles excerpted below identify British sponsorship of Peking today.

Brezhnev's Vulnerability

Despite Brezhnev and Kosygin's organizing efforts, there is widespread resistance to the Grand Design idea within the ranks of the Soviet Communist Party itself, and a faction of ultra-hardliners and British agents-of-influence continues to make itself loudly heard. The arrest last month of an executive from International Harvester, plus the indictment of *New York Times* correspondent Craig Whitney and *Baltimore Sun* correspondent Hal Piper, are part of this factional tug-of-war in Moscow.

At a meeting of the Council for Mutual Economic Assistance (the socialist countries' economic group) in Bucharest last week, it was widely reported in the Western press that the Soviet delegation was pressing rules changes which would enhance the ability of the CMEA to negotiate with the European Economic Community and other bodies — a change in voting procedures from unanimity to majority rule. Kosygin in his speech there called for "greater flexibility" in economic dealings with nonmember countries. But nationalist opposition to the voting rules change — led by Romania — reportedly blocked the Soviet proposal.

Soviets Point to Britain's Role

Red Star (*Soviet military daily*), "The Past Teaches Vigilance," by Col. A. Leontiev, June 22:

...Western moneybags equipped (Hitler's Germany) with funds, helped it to rearm, supposing that the guns would be aimed solely in one direction. But they were sadly mistaken. Their protégé went and struck the Western countries first. The catastrophe at Dunkirk, the goosesteps of the fascist soldiers at the Arc de Triomphe in Paris, the ruins of Coventry, the windows of London

staring like empty eye-sockets — that is what became of attempts by certain nearsighted politicians to direct the German aggression to the East. Those who make analogous efforts today and who nurture identical illusions would do well to remember this....

One American politician even hastened to perch upon the Great Wall of China to deliver anti-Soviet tirades there....

Washington is trying to use the "China card" in its global game, as indicated by its intrigues — or more precisely "mini-intrigues" — around China. But it forgets that its Chinese "friends" are playing their own game, dictated by their great-power interests. Their goal is to aggravate USSR-USA relations to the limit. Soviet-American confrontation — or better still, war — that is Peking's long-nurtured dream.

Pravda, "The Voice of Peace-loving Society," June 26:

...A British exhibition of military technology...has been taking place in the city of Aldershot for the past several weeks....The British exhibition...first held at Aldershot two years ago, showed that the British military industrial complex intended to operate right out in the open. It is indicative that this year among the honored guests at the exhibition was a Chinese military delegation, displaying keen interest in the most modern types of weapons. . . .

Trud (trade union daily) June 26, "In the Hand of the Enemies of Détente," by Tass observer E. Babenko:

...Britain is one of the many West European countries that Peking's emissaries are visiting in search of new military technology...

The Maoists' policy of rapidly strengthening its military potential fully corresponds to its aggressive, hegemonistic designs...

The western circles selling or encouraging the sale of weapons know this. They know it and they are continuing to arm, because it suits them fine that the main barbs of Peking's militaristic efforts are presently directed against the USSR and the other socialist states. In NATO capitals they nourish the idea that it will always be possible to "channel" the adventurism of Mao's heirs in an anti-Soviet direction beneficial to them. But where is the guarantee that the enemies of peace and détente who would like to warm their hands over a conflict between the USSR and the PRC, will not get burnt themselves?

5. The Opposition: Nobility Calls For Zero Growth

"His Imperial Highness" Otto von Habsburg presided over a remarkable meeting of his fellow European aristocrats in Paris June 29. The ostensible purpose of the session was to work out a "new right" strategy for next year's European Parliament elections. But judging from the unprecedented press coverage the aristocrats received and their urgent tone, their actual goal was much more short-range: to halt the "Grand Design" strategy

of West German Chancellor Helmut Schmidt and French President Giscard d'Estaing before it is pushed through the European Economic Community summit in Bremen and the July 16 OECD summit in Bonn.

What must be prevented, the assembly declared, is the creation of a "Europe of the Fatherlands" — a term coined by General DeGaulle to denote a system of interdependent humanist republics. In its place these aristocrats wish to establish a "Europe of the Regions," a collection of feudalized fiefdoms divided according to Basque, Breton, Corsican, Walloon, Flemish, Languedoc, Alsatian, and Bavarian "nationalities." Such a system would of course prohibit the development of nuclear energy, and the aristocrats made it clear that they are counting on environmentalists and terrorists to get the job done.

Otto von Habsburg, who led the meeting, was recently granted West German citizenship by the state of Bavaria, over the objections of federal government leaders. His new citizenship papers were handed over to him by Bavarian Interior Minister Seidl, well known for his legal defense of Nazi Rudolf Hess at the Nuremberg trials. Other participants at the Paris gathering included Henry VI de Bourbon, who has excellent connections to the Spanish terrorist *Guerilleros del Christo Rey*, and representatives from the Italian fascist MSI and Spanish fascist *Fuerza Nueva*. Opening mass was said by Archbishop Lefebvre of Geneva, who has become the darling of these circles through his refusal to follow the Vatican's progressive church reforms.

Unfortunately, Prince von Schwarzenberg was unable to attend. While under investigation last month for suspected involvement in the murder of former Italian Prime Minister Aldo Moro, he died in a mysterious automobile accident.

August Count Kageneck, writing in the Hamburg daily *Die Welt*, gave the meeting a rave review, and especially raised up the plight of South Tyrolean People's Party, which is accusing the Italian government of ruining the "ecological system of the Alps region."

In order to demonstrate that they are dead serious about their "Europe of the Regions" strategy, a wave of bombings hit France only days after the meeting's conclusion. Many were small bombs set off locally by Corsican and Breton terrorist groups, but one quite large explosive destroyed a gallery of the palace at Versailles. So far, two Breton terrorists have been arrested. Count Kageneck explained that the attack on Versailles was a protest against "fanatical Jacobins" such as President Giscard d'Estaing and the Gaullists.

Stopping Schmidt

Other aristocrats have been concentrating on halting Chancellor Schmidt's domestic nuclear policies:

* A meeting occurred last week between Otto Count Lambsdorff, Schmidt's out-of-favor Economics Minister; Andreas Count von Bernstorff, a large landowner in Lower Saxony; and Christoph Freiherr von dem Bussche, a lay head of the German Evangelical Church (EKD). The three noblemen agreed that neither Bernstorff nor the EKD itself would sell any land to the state government to construct the much needed nuclear

waste dump near the town of Gorleben (causing great rejoicing among the "greenies" known to operate out of the cellar of Count von Bernstorff's castle).

* The Hamburg weekly *Die Zeit*—whose editor is Countess Marion von Dönhoff—published a letter from Rainer von dem Bussche pleading for the inclusion in state and federal parliament of the environmentalist "citizens initiative" groups, in order to fight against the "autocracy and uncontrollability of the government."

* Friedrich Freiherr von Westphalen, Chairman of the Association of German Forest Owners, wrote in the newspaper *Rheinische Merkur* that West German conservatives must become more environmentally minded, and must follow the example of Erhard Eppler, a Social Democratic associate of Willy Brandt, in conducting a "reevaluation of values," such as industrial growth and nuclear energy.

* Otto von Habsburg himself has praised Willy Brandt for his opposition to Schmidt's nuclear policies. Brandt recently stated that the antinuclear groups "can do a lot of good," but it would be even better if the Social Democratic Party as a whole adopted their policies.

The Vatican and the Grand Design

The fact that last week's meeting in Paris was kicked off with a mass from Archbishop Lefebvre is a significant indicator of the aristocrats' attitude toward the ascendant humanist faction within the Vatican, at present a crucial international mover of the Grand

Design. At the Paris meeting, Lefebvre accused the Vatican of having been "infiltrated by Freemasons" and of being under the influence of the Devil. Otto von Habsburg agreed, stating that the Vatican "cannot represent Christianity because it is implicated in the Ostpolitik" (i.e., Italian development deals with the Soviet Union in coordination with the Schmidt-Brezhnev economic treaty signed in May).

Responding to these and other attacks, Pope Paul VI sternly warned Lefebvre that "the moment of truth has come": he must either recant or else he will be excommunicated. The West German left-liberal daily, *Frankfurter Rundschau*, however, has strongly advised the Pope instead to "negotiate" with such "dissident elements."

It is hardly coincidental, therefore, that Willy Brandt is including the Vatican in his tour of European capitals to begin this week. Brandt will be trying to pry European leaders away from the Grand Design in favor of the "common fund" and "commodity stabilization" hoaxes put forward by the World Bank's "Brandt Commission." Before departing, Brandt pleaded that he would stop criticizing Eastern European countries for their inadequate development aid to the Third World, if only they would join his commission.

The feudal aristocrats have indeed become so desperate that they have dragged out some big antihumanist philosophical artillery: Sir Karl Popper, the Vienna-born, London-based chief spokesman of the

Vatican Takes Aim At The British Monarchy

In a bold attempt to quarantine the British oligarchical forces who are set to demand full allegiance to their aims at the Bonn Summit, the Vatican has taken aim at the heart of the beast: the British monarchy itself. Representing a key strand of the international humanist alignment, the Vatican has issued a pointed attack on the "outlaw" nature of British policy which has historically attempted to subvert motion toward worldwide progress and development.

The Most Reverend Thomas Winning, Catholic Archbishop of Glasgow, Scotland — and the Vatican's representative in Britain — has issued almost daily polemics against Prince Charles, the heir apparent to the British throne, since Prince Charles's public denunciation of the Pope last weekend.

The ostensible issue which provoked Charles's peevish attack was the Pope's refusal to bless the marriage of Anglican Prince Michael, the Queen's cousin, to Baroness Marie-Christine von Reibnitz, a Catholic divorcée and a member of the Austrian aristocracy. The Pope's refusal to allow this oligarchical alliance to take place in a Catholic Church prompted an immediate outburst from the British heir, who told a Salvation Army gathering

that for the Pope to meddle in such epistemological matters was "worse than folly" and that Christianity should not bog itself down with "academical or theological concerns."

Immediately retaliating, Archbishop Winning declared himself "outraged" at Charles's slanders and challenged the prince to put his "own house in order." In a BBC interview on Sunday, July 2, the Archbishop sharpened his attack on the monarchy, calling for a repeal of the laws of succession which bars Catholics from holding the throne of England. In an age of equality, justice, and human rights, said Winning, "I feel that the law of succession is rather anachronistic." He was referring to a 1701 law that ensured that the British crown could only pass to descendants of the Protestant Houses of Orange and Hanover.

The Archbishop's barbs were explicitly directed at the Anglo-Dutch oligarchical networks which to this day still wield extensive political control in Europe, in opposition to the forces representing a higher morality of reason and humanism. It is on precisely this account that the Archbishop raised the question of Prince Charles's "woolly" brand of Christianity, which makes no distinction between good and evil, right and wrong — except as it suits the British crown.

Aristotelian school of logical positivists founded by Ludwig Wittgenstein.

Attacking the very heart of the Schmidt-Giscard-Brezhnev strategy of city-building based on Neoplatonic politics of reason, Popper wrote this week in *Die Welt* that the Greek philosopher Plato "had a conception of human life which I find repulsive and downright horrifying. . . . His weakness was . . . that he believed in the existence of a philosophical élite." Spinoza, who "taught how to tame the passions . . . through Reason," practiced an "untenable and dangerous form of rationalism," according to the ideological fascist Popper, who much prefers the Aristotelian world view of the British Royal Society's fraud, Isaac Newton.

6. Monetarists: Stop Grand Design At All Costs

'Grand Design Isn't Rational'

Following are excerpts from an article appearing in the newspaper of the Zürich gnomes, Neue Zürcher Zeitung, July 4, entitled "Is Bonn on a Separate Path?":

Brezhnev is crusading against American foreign policy. . . . We are now registering, however, an interesting variant: Bonn is being excluded from Brezhnev's blanket criticism of the West, and German-Soviet relations are given the highest marks and raised up as an important element of stability. . . . Once again, this brings up the questions which have been floating around ever since Brezhnev's visit to Bonn and its enthusiastic endorsement by Moscow. These questions concern a possible "turn" in German-Soviet relations. . . .

Prying the West German state away from its Western alliances indeed clearly remains the aim of Soviet policy, and in Bonn there are apparently some prominent leaders with dreams of a future socialist Germany who agree with these intentions. . . . Silent, perhaps even verbal agreement exists between Brezhnev and Schmidt in their criticism of those statements from American politicians which are denounced as a disruption of détente. . . .

A policy in Bonn which would allow itself to be led against America out of mistrust, would also have to be constantly aware that its complement—namely, mistrust of Germany, which exists not only in Washington and is not merely latent—exists as well. Some people may put some trust in Giscard, who has gone a good way in seconding Schmidt's criticism of American policy. But such a defensive Franco-German common front would rapidly come to an end once German-Soviet relations intensified.

And furthermore: Is it conceivable that Germany would completely alter its security arrangements, which

are essentially based on American nuclear power and its obligations, on the basis of a piece of paper, a nonaggression treaty for example, i.e., on the wolf's mere promise that he won't eat the lamb? This is in fact the highly reckless perspective for a "Finlandization." All the speculation one hears nowadays about political alternatives is not proceeding rationally. But neither these Grand Designs nor their propagandists are rational, especially in Germany.

Here, portions of Rowland Evans and Robert Novak's column, "Brezhnev Courting Bonn," of July 3:

The Soviet campaign to cast doubt on the dependability of the U.S. is in full bloom across Europe, particularly here in West Germany, which for 30 years has been the root of U.S. European strategy against Moscow.

The swell of this Soviet campaign is everywhere, sweetened with the apprehensions of America's NATO allies as to whether the Carter administration really knows what it wants and how to get it. . . .

Such Moscow-inspired atmospherics have clearly had an effect on Chancellor Schmidt, who is burdened with a virulent left wing. Without clear U.S. leadership for West Germany and other European states, Schmidt will hardly say anything nasty about Soviet adventures in Africa, Afghanistan, South Yemen or elsewhere.

The British Press Response

After weeks of insisting that British Prime Minister Callaghan's five-point program for inflationary "expansion" and energy consumption cuts would be the major point of discussion at the Bonn summit, the British press has bowed to reality, admitting that France and West Germany have prepared a completely different approach:

Financial Times, "Herr Schmidt Means It," July 6:

"Who would have thought even a year ago that Chancellor Helmut Schmidt, that apostle of economic convergence and derider of monetary conjuring tricks, would be leading the drive for a wider zone of currency stability in Europe?

Almost as striking, they say, is his style of "personal diplomacy" to get his view across. The future? A combined German-French control of the EEC Council of Ministers to push this policy through in Europe.

Here the striking thing is not the German perusal of these objectives (currency stabilization, enlargement of EEC membership to include Greece, Portugal and Spain, and export earnings stabilization for the less developed countries—ed.)—which is already well known. It is—again—the degree of close collaboration with the French whose six-month term as council president succeeds Germany's. The desire on both sides is to secure as smooth a transition as possible—so that the French can pick up more or less where the Germans left off and continue to head in the same direction. . . .

London Times, "*Franco-German plans for monetary cooperation aimed at avoiding UK veto*," July 6:

Franco-German proposals for greater monetary cooperation in Europe will be presented in an informal manner at the summit conference of EEC leaders in Bremen tomorrow and Friday to eliminate the risk of any member state—and in particular Britain—vetoing the scheme. (*France and Germany have a two-fold purpose, first to avoid putting*) Callaghan in a position where

he must decide either for or against greater monetary cooperation this week (and) to achieve progress so that their scheme can be fully explained to President Carter ahead of the Western Economic Summit. . . . If President Carter can be convinced that the scheme is not directed against the dollar and can be induced to approve of the Franco-German efforts when in Bonn, it is felt that Mr. Callaghan will have less cause to disapprove of the Giscard-Schmidt initiatives in the monetary sector. . . .

Brookings Scenario For Bonn Summit

Henry Owen is leading efforts to make Carter the fall guy for a world depression

Ten days before the opening of the Bonn economic summit, the U.S. government appears without a workable international economic policy. Indeed, a large-scale campaign is underway to send President Carter to Bonn with a portfolio designed to sabotage the Grand

FOREIGN POLICY

Design for global economic cooperation and development being put together by West Germany, France, and Japan, with important backing from the Soviet Union.

The engine of sabotage is most efficiently defined by reference to such cothinkers of the British and Austrian "Black Guelph" monarchies as the Washington D.C.-based think tank known as the Brookings Institution, whose former Director of Economic Affairs, Henry Owen, is formally coordinating Carter Administration policy planning for the summit from his post as Special Representative of the President for Economic Summits and International Affairs. According to a leading economist at Brookings, it is conscious policy in Brookings circles to prevent President Carter from reaching agreement with Europe and Japan on measures which could actually stabilize the dollar and expand world trade. Instead Owen and the Brookings circuit are peddling a "share-the-misery" approach in which European insistence on a responsible U.S. energy policy is portrayed as a "demand" for Energy Secretary James Schlesinger's totally discredited plans for a tax, tariff, or quota to limit U.S. oil imports. The Senate has repeatedly rejected this, seeing it, in the absence of an Administration commitment to increase energy production, as an "environmentalist" program for the deindustrialization of the U.S.

Under the Brookings game plan, however, Carter would commit himself to put the plan in effect over the head of Congress "in return" for commitments from the West Germans and Japanese to hyperinflate their economies through tax cuts and pick-and-shovel public works unemployment programs.

The utter impracticality of this scenario, given that Congress, West Germany, and Japan have consistently resisted this "trade-off" during the 18-month existence of the Carter Administration, is already being used by the press to attack Carter for his inability to bring it off, and to dismiss the summit as a "meaningless exercise."

Simultaneously, zero-growth proponents of the Brookings scenario are floating a welter of backup arguments acknowledging that the U.S. trade deficit and

consequent weakness of the dollar are attributable to U.S. failure to export rather than U.S. oil imports per se — but blaming U.S. economic woes on European and Japanese "protectionism." The July 5 New York Times fielded this line in a front page article which purported to "discover" that imports of machinery, manufactures, and transport goods from Europe and Japan are a bigger component of the U.S. deficit than oil imports; therefore Carter must strongarm the European Economic Community and Japan to cut back their own manufactured exports and reflate in order to dismantle state subsidy structures for industry, and purchase more U.S. goods. A companion article detailed an unpublished OECD report by a British economist purporting to show that increased European economic growth in the immediate years ahead would only contribute to increased unemployment, as "automation" and capital-intensive investment would not relieve European unemployment. "Structural reforms" oriented toward labor-intensive investment policy were the proposed solution.

Third World Strategy

Meanwhile, the Brookings crowd has been heavily promoting in Congress and the federal bureaucracy the autarchical, zero-growth approach to economic development detailed in a November 1977 Brookings study entitled Interim Report on U.S. Development Assistance Strategies and prepared by Lester Gordon of the Harvard Institute for International Development. The Interim Report recommends the incorporation of the existing Agency for International Development (AID) in a special "umbrella" development agency, bypassing the State Department and reporting directly to the President; this agency would be responsible for implementing a policy overwhelmingly oriented toward Maoist labor-intensive rural development schemes in the LDC's, and existing programs oriented to capital-intensive development would be eliminated. This direct U.S. "development assistance" would be given on an "only the neediest need apply" basis, with semi-industrialized Third World nations relegated to the mercies of the World Bank and International Monetary Fund.

In a statement to Congress, Interim Report author Gordon rationalized this commitment to perpetuating "coolie economies" for LDC populations: "The endowment of labor as compared to capital is more abundant so it really does not make much sense for these countries to adopt capital-intensive activity when they have so much cheap labor. Since a lot of our technology essentially is so

capital-intensive, so much of it is inappropriate for these countries...for example tractorization leads to higher priced products and unemployment."

In effect, Gordon recommends a policy of restricting advanced sector technology transfer to the LDC's in favor of "local personnel carrying out their own R and D" to develop "appropriate technologies." Had such methods governed the development of the U.S., Japan, Europe, and the Soviet Union, the bicycle and hoe would represent humanity's most "advanced technology."

Knowing that such a strategy is rightly regarded as a form of psychosis by the majority of Third World and advanced sector governments and industries, Brookings and its allies are consciously urging President Carter to aggressively assert a commitment to it at Bonn, not because it represents a "solution" to any economic problem, but because such a posture by Carter will sabotage the Grand Design, promote the collapse of the dollar, and bring on the world depression which the Washington Post, New York Times and other American "Fleet Street" outlets are now insisting is "inevitable" — all in the interest of perpetuating the Black Guelph oligarchy's political existence.

Where Blumenthal Gets His Line

This British strategy is the explicit policy of Treasury Secretary W. Michael Blumenthal, his underlings, Under Secretary Anthony Solomon, and Assistant Treasury Secretary C. Fred Bergsten. Blumenthal's recent statements include a speech at the National Press Club in Washington where he again emphasized the "necessity" for West Germany and Japan to reduce their balance of payments surpluses through reflation, coupled with a "warning" to more industrialized developing sector nations including Brazil, the Republic of Korea, and Mexico, that their government export programs must be gutted in the interests of "free trade." Undersecretary Solomon's credentials are identified by his role in instituting the "trigger-price mechanism" restricting U.S. steel imports, conceived as a step toward global cartelization through contraction of the steel industry in a world of permanently shrinking steel markets. Solomon is working directly with Owen on preparations for Bonn. Assistant Secretary Bergsten, author of *American Multinationals and American Interests*, soon to be published under the auspices of Brookings, has been a professed advocate of Schachtian commodities indexation bubbles since his previous tenure at Brookings, and has vigorously pushed heavier taxation of U.S.-based multinational corporations regardless of its impact on world trade.

Brookings "submarines" appear active in the State Department as well. Undersecretary of State for Economic Affairs Richard Cooper is working directly with Owen, feeding information on policy planning to other officials, including Deputy Assistant Secretary for Economic and Business Affairs, Robert Hormats who will probably accompany Owen to Bonn.

The Vance Faction

Despite Brookings' effective contamination of official U.S. policy, Secretary of State Cyrus Vance is known to be advising the President to "make a new

start" and above all "listen to what the Europeans are proposing" at Bonn. Vance and Special Trade Negotiator Robert Strauss are respected both in Washington and around the world as men whose ears are well attuned to political reality, and both have repeatedly called for expansion of world trade in the context of Third World economic development. United Nations Ambassador Andrew Young has consistently stressed economic development as an instrument for securing world peace. The Commerce Department, in particular the Inter-agency Task Force on Exports headed up by Assistant Secretary Frank Weil, together with the U.S. Export-Import Bank, have also promoted expanded trade, at times clashing openly with Blumenthal's men.

The limitations of these forces are illustrated by Strauss's announcement July 5 that the General Trade and Tariff (GATT) negotiations in Geneva would fail unless the Europeans and Japanese agreed to further open their markets to U.S. agricultural exports and accept "language to protect us from export subsidies," defined in the Blumenthal lexicon as "protectionism." Although Strauss is known to understand that the "share-the-misery" approach will not work, he believes he must get "bottom line concessions" from the Europeans and Japanese in order to sell any U.S. trade expansion program for development to Congress, which is already threatening up to \$2 billion in cuts from the Administration's World Bank and related foreign aid appropriations requests. If the Europeans and Japanese perceive Jimmy Carter will go along with their plans to organize a "new Bretton Woods" stabilization of the world economy at Bonn, the GATT negotiations could undoubtedly be resolved, as Strauss hopes, by early fall. If, however, it is the Blumenthal British-model battering ram which the U.S. wields at Bonn, the "Herbert Hooverizing" of Jimmy Carter will begin in earnest.

—Don Baier

LaRouche: Dollar Can Be Saved At Bonn Through Export Policy

U.S. Labor Party Chairman Lyndon H. LaRouche, Jr. issued the following statement from New York July 5:

The United States Administration is totally blocking out the reality of the Bonn summit. The issue at Bonn is whether or not the dollar will be saved through creating the economic basis of USA high-technology export expansion.

The primary goal for the USA is uncorking America's ability to export to the so-called Lesser Developed Countries. Second, the Jackson-Vanik congressional restrictions on East-West trade must be removed. It is imperative for the U.S. to avoid getting in the way of the Europeans and Japanese, who are trying to set up a new international institution for global economic expansion to bypass the International Monetary Fund. At present, in its own confused way, the United States is actually working to bring the dollar down. If the Carter Administration doesn't rapidly come out of the ether, it will get the blame for world depression.

Contrary to the lies peddled by the Brookings

Institution and certain government spokesmen, there is no significant congressional opposition to U.S. participation in a Grand Design development package focused on developing sector markets—provided that the IMF and World Bank are explicitly disowned as agents for this effort. On the other hand, selling IMF-World Bank appropriations to the American people as “charity” while using those institutions to enforce political destabilization and the Keynes-Schacht-Friedman fascist economic model on the Third World is obviously unworkable policy in the eyes of many Congressmen.

President Carter need only carry the following package to Bonn to ensure that U.S. national interest is adequately represented:

- 1) Contribute to the overall effort of the Europeans and Japanese by offering to dump Treasury Secretary Blumenthal and his “laissez-faire” dollar devaluation policy.
- 2) Expedite U.S. export licenses for the export of nuclear fuel, especially to developing sector nations.
- 3) Commit the USA to take the lid off nuclear and other high-technology exports to developing sector nations in particular.

Safire Peddles Brookings Line on Bonn

On July 6 New York Times “house Republican” William Safire, a creature whose lines are supplied by the London merchant banking community, Henry Kissinger, and the Israel Lobby, penned a vicious diatribe against West German Chancellor Helmut Schmidt and President Jimmy Carter. The point of Safire’s column was to portray Schmidt as a conniving swindler interested only in his own political welfare, and Carter as a credulous fool; both of them bound to the Brookings reflation and oil import curb scenario. Excerpts follow.

...Next week, amidst much chin-pulling and statistics-releasing, the assembled finance ministers will take three actions.

1. The Germans will extract from the Americans a pledge that the Carter Administration will really push for energy conservation, primarily by driving up the price of imported oil. The pledge, of course, will be meaningless, because Mr. Carter cannot induce the Congress to follow him into a false austerity — when the nation knows the way to solve its energy problem is not to depress demand but to encourage the increase of supply.

2. The Germans and Americans will extract from the British and French some concessions on tariffs, and will nudge the Japanese into using some of their trade surplus to help the less developed nations. With luck, free traders will gain a few points for GATT...

3. And then will come the great Concession: Chancellor Schmidt, on behalf of his industrious countrymen and

with mush gnashing of teeth, will “run the risk of inflating his economy.” He will promise to increase Germany’s rate of growth, thereby helping the United States trade deficit and doing his bit to avert a world recession. This will be greeted by much international cheering at Bonn’s “responsibility.”

In what form will this great sacrifice come? . . .

Well you see, what the German people are going to have to suffer is a tax cut.

Putting Words in the President’s Mouth

A leading economist at the Brookings Institution this week put forward what he hopes will be Carter Administration policy for the Bonn meeting.

Q: What will Carter do at the Bonn summit?

A: The President will say that our monetary policy has been restrictive, we have had high interest rates, that Strauss has been talking down inflation, that Congress has been disappointing but is now stirring on the energy question and now it is time for others to act.

Q: I understand that the Europeans are preparing a major program for the development of the Third World which they will present at the summit. What will the U.S. say to that?

A: They may have some guff about that but that really won’t come out. Anyway, can the U.S. enter into these discussions? Can we get such economic aid through Congress? The President has no credibility, he can’t discuss it.

Q. This development program doesn’t really involve government funds. OPEC would be involved, the private sector would be involved.

A: If it’s just a question of exports on the commercial level, then it’s a hoax because the banks are already happy to lend them. OPEC doesn’t have much surplus, it is being eaten by their imports. Next year they will have only \$10 billion in surplus so they cannot lend for such things.

Q: Will the proposal of Prime Minister Fukuda for collaborative efforts to develop fusion and advance fission power be discussed? And what will the U.S. say to this proposal?

A: Carter is in no position to discuss technology, nuclear technology. He’s not aware of the details of such things, and he shouldn’t be. We make too much of summits anyway. The value of the summit is that it gets the President to concentrate on economics, so this is the context to get him to focus on economics and everyone will bring up everything, oil, inflation, and vie for his attention.

Heavy on Congress, Light On The Constitution

The Supreme Court rules on Bakke, Price-Anderson and the rights of the snail darter

The Supreme Court, acting in three major cases decided at the end of the 1978 spring term, demonstrated an instinctive commitment to the constitutional principles required for an expanding economy — flawed significantly by rampant judicial conservatism

THE COURTS

reminiscent of the late anglophile Supreme Court Justice Felix Frankfurter. The three cases — **Duke Power v. Carolina Environmental Study Group** (a challenge to the Price Anderson Act), **Tennessee Valley Authority v. Hill** (invoking the Endangered Species Act to prevent completion of the Tellico Dam), and **Regents of the University of California v. Bakke** (a challenge to racial quota affirmative action programs) — presented questions pivoted on the natural law principles of the U.S. Constitution as a framework for a government committed to economic and scientific progress. However, to a greater or lesser extent in each decision, the Supreme Court sidestepped the crucial constitutional question, and adhered to the dictum of 19th century Supreme Court Justice Oliver Wendell Holmes — “the Constitution does not embody any particular economic theory.”

The Bakke Case

The Supreme Court's decision in the **Bakke** case best reflected the confusion which can beset nine men, lacking a firmly rooted understanding of natural law, seeking an answer for a question based on faulty premises. The **Bakke** case, orchestrated by the media to become a confrontation point between left and right, and to trigger race riot scenarios, represented an insoluble problem. How, with government constrained by austerity and zero growth policies, can the skills of the entire population be upgraded? The conservatives on the court, relying upon “free enterprise” principles of rugged individuality, chose to interpret congressional intent in the 1964 Civil Rights Act absolutely literally. “. . . the meaning of the Title VI ban on exclusion is crystal clear: Race cannot be the basis of excluding anyone from participation in a federally funded program.” As succinctly phrased during the Senate debate, under Title VI it is not “permissible to say yes to one person, but to say no to another person, only because of the color of his skin.” (The opinion of Justice Stevens, joined by Chief Justice Burger, and Justices Stewart and Rehnquist.) It is this “tough luck” approach which has fueled left countergang demonstrations against the **Bakke** ruling.

The liberals, relying upon the principle of carefully and deliberately sharing an ever-shrinking pie, held that racial quotas and other such techniques are perfectly appropriate. Ignoring the anguish of white workers

trying to educate their children, this faction of the court opined, “Our cases have always implied an ‘overriding statutory purpose’ could be found that would justify racial classifications . . . Davis’ articulated purpose of remedying the effects of past societal discrimination is, under our cases, sufficiently important to justify the use of race-conscious admissions programs where there is a sound basis for concluding that minority underrepresentation is substantial and chronic, and that the handicap of past discrimination is impeding access of minorities to medical school.”

Justice Powell, in a carefully constructed opinion designated as the opinion of the court, ruled that, although **Bakke** should be admitted to the University of California Medical School which applied hard and fast racial quotas, affirmative action criteria, among other considerations, could be a legitimate part of any admissions program. Powell wrote his decision with the clear intention of defusing the right-left confrontation which threatened to develop over the case. He made a number of careful distinctions, designed to stem the flood of equal protection cases, and reverse discrimination cases, while protecting affirmative action as a remedy for proven cases of past discrimination.

“The white ‘majority’ is itself composed of various minority groups, most of which can lay claim to a history of prior discrimination at the hands of the state and private individuals,” Powell wrote. “Not all of these groups can receive preferential treatment . . . for them the only ‘majority’ left would be a new minority of white Anglo-Saxon Protestants. If it is the individual who is entitled to judicial protection against classifications based upon his racial or ethnic background because such distinctions impinge upon personal rights, rather than the individual only because of his membership in a particular group, then constitutional standards may be applied consistently.” Powell took the court off the hook, leaving liberals and conservatives to argue among themselves as to who made off with the prize. As UN Ambassador Andrew Young pointed out, California's recently passed tax-cutting Proposition 13, which will lay waste to the state's educational and other social services, will have much greater impact than the **Bakke** decision.

Congress or Constitution?

The Tellico Dam case and the Price Anderson Act case presented a problem of a different sort to the justices. In these, the court was asked to rule on the legitimacy and intent of Congress and the legislation bearing directly upon projects vital for economic development. In the Tellico Dam case, the court ruled 6-3 to uphold a literal interpretation of congressional legislation (the Endangered Species Act) despite clear cut indications that Congress did not intend its legislation to bar completion of the Tellico project. As Chief Justice Burger wrote in his majority opinion, “It may seem curious to some that the survival of a relatively small

number of three-inch fish among all the countless millions of species extant would require the permanent halting of a virtually completed dam for which Congress has expended more than \$100 million. The paradox is not minimized by the fact that Congress continued to appropriate large sums of public money for the project, even after congressional appropriations committees were apprised of its apparent impact upon the survival of the snail darter. We conclude however, that the explicit provisions of the Endangered Species Act require precisely that result."

Indeed, it does appear curious. Although Chief Justice Burger may have delivered an object lesson Congress, he failed to note that the courts have the obligation to apply *the Constitution* to such legislation, and that the Constitution clearly embodies a commitment to the health and welfare of the *human* population as the paramount duty of Congress.

Justices Powell and Rehnquist, in two separate dissents, while not reaching the underlying constitutional question, objected to the Burger opinion's extreme nominalism, noting that a statute should not be construed so as to give an absurd result when any other reading is possible, and that the court may exercise its equity jurisdiction to reconcile apparently conflicting private claims and public interest. This argument was recognized as particularly dangerous by

environmentalists who knew, as a representative of the Sierra Club told Congress, that any qualification of the act "could be construed to be a declaration of congressional policy that other agency purposes are necessarily more important than protection of endangered species . . ." The Constitution establishes that beyond question, although the Supreme Court has left the issue in doubt.

Price-Anderson

In the Price-Anderson Act case, the Court was finally able to lean upon definitively stated congressional legislation to formulate its policy. Southern environmentalists had challenged the Price-Anderson Act of 1957 which provided a federal insurance umbrella and liability limitation in the case of nuclear power plant accidents. The environmentalists had stated that they were aware, as was the lower court judge who ruled in their favor, that overturning Price-Anderson would mean the end of the nuclear industry. The Supreme Court ruled unanimously that the act should stand, that it "bears a rational relationship to Congress' concern for stimulating the involvement of private enterprise in the production of electric energy through the use of atomic power."

— Felice Merritt

Eximbank Recharter Passed By Senate Subcommittee

Stevenson adds weak 'by-pass' of Jackson-Vanik amendment

The Senate Banking Committee's subcommittee on International Finance, headed by Adlai E. Stevenson of Illinois, has passed favorably on legislation to recharter the Export-Import Bank and to raise its credit facility from the present \$25 billion to the Administration's

TRADE

requested \$40 billion. The amendments attached to the bill, primarily by Senators Stevenson and Percy, reflect the nature and depth of the fight raging in Congress, and within the Administration and different executive departments, over whether to repeal the Jackson-Vanik amendment to the 1974 Trade Act.

The Jackson-Vanik amendment has curtailed Eximbank credits for trade with "communist" countries because of their so-called emigration restrictions. The fight against it is aimed at ending the restrictions on nuclear and nuclear-related technology transfers and in general all restrictions which have lessened the ability of the United States to participate in East-West trade arrangements.

The general consensus within the American business

community is that unless the Eximbank's operating guidelines are liberalized especially vis-à-vis trade with the East block, the U.S. will be shut out of expanding trade opportunities which the other Western industrial nations are pursuing at full throttle. A recent issue of Chase Manhattan Bank's *International Finance* newsletter reports that despite U.S. efforts to impose limitations on East bloc and Soviet credit lines by the OECD, several European nations and Japan have increased their credit lines. Italy recently replenished an exhausted credit line to the Soviet Union with \$900 million of additional credit, while France, Britain, and Japan are now extending credits at interest rates below the minimum established by the OECD Export Credits Group in April of this year.

But the U.S. Eximbank as constituted by the new charter, even with the expansion of credit, and Senator Stevenson's attempts to liberalize trade with the East Bloc, cannot take advantage of expanding trade opportunities. A major problem is that Stevenson's amendments set up eligibility requirements for trade financing, which could more severely brake an overall expansion of trade, depending on how Congress and the President choose to interpret or enforce his criteria. Secondly, the bill now contains an amendment by Senator Percy

which, if passed by the full Congress, will cripple U.S. nuclear or nuclear technology exports while favoring "solar" or other nonnuclear "renewable resources."

The Stevenson-Percy Amendments

Stevenson's "Country Eligibility" Amendment.

Stevenson has promoted this amendment as a means to bypass and supersede the Jackson-Vanik Amendment for all "communist" countries *except* the Soviet Union. Stevenson's amendment would institute a new procedure for credits: The President would submit a list of countries to Congress which he considered to be eligible for Eximbank credits and the list would include both Most Favored Nations and non-Most Favored Nations. The Congress would not be allowed to amend the list or alter it in any way and would have to approve or disapprove of the list as a whole, within 60 days from the date the list is proposed to Congress.

"The purpose of the amendment is to provide a flexible, but systematic basis for determining which countries ought to be eligible to receive Bank-supported exports in the light of a comprehensive set of criteria intended to insure that such eligibility is consistent with the national interest," a Stevenson report motivating the amendment said. "The amendment would constitute an alternative to determining eligibility in the Congress in an ad hoc fashion, country-by-country, issue-by-issue. . . . The amendment deletes from the Export-Import Bank Act provisions which require national interest determinations only for communist countries and require the Bank to review human rights considerations export-by-export as well as country-by-country . . . The amendment supersedes the emigration requirements of provisions of the Trade Act of 1974 concerning Bank support for exports to all non-market economies except the Union of Soviet Socialist Republics . . . The amendment does not affect in any way the applicability of the Trade Act of 1974 in determining the eligibility of non-market countries for Most-Favored-Nations treatment."

That is, Congress would no longer be able to decide, as it presently does under Jackson-Vanik, to extend or not extend credit on the basis of vague criteria of "human rights" or "emigration of minorities" in each country. Congress would have to vote on a list of countries which have been predetermined (based upon a statement to that effect submitted by the President on each country) to meet to a greater or lesser degree a set of criteria established by the Eximbank legislation.

Since even most MFN countries now eligible for credit could only meet these criteria to a limited degree, Stevenson presumably thinks that Congress would be forced to forego stringent application of these criteria and would have to weigh each country *relative* to other countries on the list and not, as he states, on a country-by-country basis or issue-by-issue basis.

The "Country Eligibility" requirements are clarified as follows: Sec. 4 (d) (2) specifies that no foreign country may be considered eligible for credit or credit guarantees through the Eximbank unless the president determines that inclusion of such country in the list is in the national interest.

Following this, Section 4 continues by delineating the

"criteria" by which a country is included on the list. The President must take into account:

1. The country's relationship to the United States and its relationship to countries friendly and hostile to the U.S.;
2. The country's internal stability and creditworthiness, and its policies and actions with respect to peaceful settlement of international and internal disputes;
3. Its policies toward nuclear proliferation and environmental protection;
4. Its policies on human rights, including the right to emigrate and such other factors as he (the President) deems appropriate.

The second part of Section 4 and other subsections exclude the Soviet Union's eligibility based on the above criteria alone and specify that "the emigration provisions of the Trade Act of 1974 as they apply to the USSR are unaffected by the amendment." These sections also permit the President to issue an Executive Order removing any country on the list once the list has been in effect and -or terminating the effectiveness of the list as a whole if "he determines such action to be in the national interest." However, such an Executive Order, together with a report setting for the reasons for the order, must be promptly transmitted to the House and Senate for review. The President can also add a country to the list on the same basis.

The "Catch 22" aspects of Stevenson's amendment are clear. An official at the Eximbank, for example, expressed deep dissatisfaction with this new procedure because although Congress may be induced by this method to allow extension of credits or credit guarantees to some "communist" countries now excluded because of the Jackson-Vanik amendment, Congress could equally well reject the entire list by objecting to a single country's inclusion on the list! "It could create more problems than it is supposed to solve," said this official. Congress' refusal to drop "human rights," "nuclear proliferation," "environmental protection" and other such provisions can easily lead to the same logjams produced by Jackson-Vanik—and certainly will hinder the Eximbank's ability to allow the U.S. to come in as an equal partner with other allies in the area of, especially, East-West trade, an objective which Stevenson's amendment is explicitly aimed to accomplish.

The Stevenson Amendment to exempt the Export-Import Bank from application of the National Environmental Protection Act of 1969. Committee action on this amendment, according to the Senate committee report on the bill, was prompted by litigation concerning the National Environmental Protection Act (NEPA) and the Eximbank and by "the premature issuance by the Council on Environmental Quality of draft regulations intended to require the Bank and other federal agencies to prepare so-called foreign environmental statements for actions which affect foreign states . . ." Stevenson states that the Council on Environmental Quality has no legal jurisdiction over the Eximbank in this area and that "the mere discussion of the draft regulations appears to have generated great uncertainty in the business community and may have adversely affected U.S.

exports." The amendment provides for Congress to take future action on this subject and admonishes that the question cannot "be settled through interagency bargaining by executive branch bureaucracies."

Percy Amendment on Energy-Related Exports. Senator Charles Percy attached this amendment which would intentionally wreck U.S. nuclear and nuclear-related exports through Eximbank. It is intended to "encourage the Bank to actively promote exports based upon solar and other non-nuclear renewable energy sources." It requires the Bank to name an officer responsible for (1) advising the Bank on ways to promote such exports; (2) disseminating information concerning such export opportunities and (3) acting as a liaison between the Bank and other federal agencies. The Bank would be required to report annually on its activities in support of such exports.

According to Eximbank officials, this amendment would effectively finish off U.S. nuclear exports. Each request for developing a nuclear facility in a foreign country or a request for credits to buy nuclear technology, the Bank would be required to "look at *all* the other alternatives first."

A final amendment would help make Eximbank more competitive with other foreign institutions of the same nature by, first, elevating export credit negotiations to the ministerial level and, secondly, authorizing the bank to provide credits, guarantees, etc. at "competitive rates." That is, this amendment would allow Eximbank officials to negotiate with other governments and their credit institutions regarding establishment of international guidelines on export credits and financing.

The subcommittee also adopted a few provisions which will somewhat limit congressional stalling on the extension of Exim credits. Under the new arrangement, Congress would be permitted only 35 calendar days to decide on a particular credit extension involving \$100 million or more. Present provisions make it mandatory that Congress has 25 continuous legislative days to make such

decisions. When recesses are involved, this provision can drag out the process of credit approvals for many months. The subcommittee also increased from \$60 million to \$100 million the amount which requires notification to and approval by the Congress.

Two amendments were voted down in the course of the subcommittee hearing. One sponsored by Senators Riegle (D-Mich), Proxmire (D-Wisc), Cranston (D-Cal) and Brooke (R-Mass) would have prohibited credits to South Africa. Another amendment sponsored by Senators Tower (R-Tex) and Lugar (R-Ind) requiring Eximbank to "emphasize agricultural exports" was also voted down, since such exports are covered by the Commodity Credit Corporation.

Perspective on Passage

The present status of the Eximbank rechartering legislation in Congress is as follows: In the House, the bill has already reached the floor once, certain amendments voted on, and is expected to be placed on the floor again soon, although no specific date has been set. An amendment to allow credits to the People's Republic of China as a special exemption from the 1974 Trade Act was roundly defeated on the floor. An amendment to prohibit credits to South Africa was also defeated.

Eximbank officials expect that certain other amendments will be brought up when the bill comes to the House floor the second time, including one by Congressman Clarence Long (D-Md) which would prohibit the Eximbank from extending any credits abroad for the development of industries which would "unfairly compete" with "suffering" U.S. industries such as steel. In the Senate, the legislation has been shuttled into the Public Works and Environmental Resources Committee which will approve or disapprove Stevenson's amendment to prohibit the application of NEPA regulations to the bank. After decision on this single amendment, the bill will be sent to the Senate floor — but the prediction is that this will not be until late July or early August.

—Maureen Manning

Europe Fights 'Dollar Collapse' Scenario

New monetary fund policy could stabilize U.S. currency

European, U.S. and Japanese financial forces moved onto the Tokyo and New York foreign exchange markets July 6 to buy dollars, pushing the dollar-yen rate to 202, and cutting off the precipitous decline of the dollar which had taken on a dangerous momentum starting late in June.

FOREIGN EXCHANGE

The shift of international forces into an effective "dollar support" operation is the direct outcome of a growing perception among key financial circles that the Franco-German program for a "European Monetary Fund," conceived by French President Giscard and West German Chancellor Schmidt, is indeed a credible policy to stabilize the U.S. dollar.

The Schmidt-Giscard EMF proposal is a key step toward implementation of an international Grand Design to finance East-West trade, and infrastructural exports to the Third World, and is supported by the key dollar-surplus holders, Saudi Arabia, and Japan.

The shift in dollar trading was signaled on July 5, when the Dow Jones financial wire reported that a French merchant bank in Tokyo was selling off yen-denominated bonds for dollars. On July 6, private purchases of dollars were heavy enough to stabilize the rate in Frankfurt at 2.05 deutschemarks, and effectively swing the dollar away from the dangerous 200 yen level on all markets, without any central bank intervention.

Commenting on these events, one New York commercial bank trader stated: "There is a shift in market sentiment" since last week, when it was widely assumed that the two key meetings this month where Western economic policy will be discussed — the July 6 European Economic Community meeting in Bremen, West Germany, and the July 16 Bonn Economic Summit — would be failures. "We are buying dollars," the source emphasized, "on the proposition that there will be good news out of Bremen and Bonn. . . that a French franc-deutschemark parity stabilization will help the dollar."

British Defeat

It is a matter of open discussion in Europe's major press that Great Britain is the chief opponent of the Franco-German currency stabilization proposal. If the huge surplus of dollars held by West Germany, Japan, and Saudi Arabia is channeled in the coming months into industrial development programs in the developing world, and into financing of East-West trade, then the entirety of London-held debt, including Britain's own

massive government debt, will be effectively depreciated as the remains of a politically and economically decayed sorespot in the world economy.

It was London's press, and the London-controlled press in the United States, which was responsible for kicking off the late June round of dollar instability. Not only did London's still-too-influential conduits assert that the Bonn and Bremen meetings would just be another round of meaningless "talk sessions," but went so far as to assert that the Franco-German European Monetary program was conceived as an "anti-dollar" front.

Directly hitting this rumor, West Germany's government press spokesman Armin Gruenwald released a statement early July 6 "strongly disclaiming that the French-German plan was in any form anti-American." Similarly, the Paris daily *Le Monde* emphasized in coverage of Giscard's program July 6: "the powerful means at the disposal" of a European Monetary Fund would include "European currencies, the dollar, and perhaps gold."

Britain Can't Smash Dollar Alone

In contrast to January-February 1978, London's banks and internationally connected financial networks do not at this point have the financial muscle to rig a collapse of the dollar with their own resources. At that time, London banks themselves went into massive short positions against the dollar to give "market credibility" to the public statements by their agent of influence W. Michael Blumenthal, U.S. Treasury Secretary, that the dollar would have to be depreciated to protect the U.S. balance of payments.

Since that time, British banks have been engulfed by the outbreak of a national debt crisis only paralleled by Britain's complete destitution after World War II. In recent weeks, British banks have been forced to digest more than \$2 billion in government "gilt-edged" paper — long-term securities which they have been unable to remarket to any international buyers on the secondary market.

Stuffed to the gills with government debt, the only hope left to London's chief spokesmen is that a decline in U.S. interest rates — a policy which London does not especially support, but which it cannot prevent if the dollar firms up on international markets — will permit the Exchequer to lower short-term borrowing rates for sterling. At this time, short-term rates in London are so high that funds borrowed to finance the long-term "gilt" papers are being invested at virtually no profit.

In an interview with the *Journal of Commerce* today, Harold Lever, member of the British Parliament and occasional economic advisor to the government,

admitted that high U.S. interest rates were creating an unbearable squeeze around the British national debt. Lever lamely added that the U.S. must not be allowed nevertheless to redress its balance of payments deficit too quickly — an ironic admission that if a sudden U.S. dollar recovery were to occur, accompanied by a real pickup in U.S. exports, British paper would topple into a depression.

Indeed, as a direct result of the dollar purchases in New York and Tokyo, a noticeable shift in dollar interest rates began both domestically and on the Euromarkets July 5 and 6. The Euromarket rates slipped downward as major U.S. and international banks began trading forward dollars at lower and lower discounts, with customers getting out of their short positions. Domestically, federal funds traded July 6 at below the 7.75 "official intervention point," a development interpreted by New York sources as a "change in policy" by the U.S. Federal Reserve.

It is of secondary significance that easing of interest rates around a stronger dollar may temporarily take the heat off British banks, who are presently marketing discounted purchases of "gilts" at a loss of 6-8 £ per hundred £ lot. London knows that if it can't trigger a major monetary crisis by July 16, there is little they can do to prevent Schmidt and Giscard from using the \$150 billion surplus held by foreign central banks as the foundation of a new monetary system.

Well-informed sources in Europe reveal that London's allies in Belgium and Holland have been unsuccessful thus far in threatening that the Low Countries will ally with Britain in a voting bloc against the Franco-German monetary fund at the July 6 Bremen meeting. These sources indicate that a very high level French official has just completed a visit to the Benelux nations to transmit the warning that the gentlemen in the Low Countries had better behave — or they may find themselves in the midst of a Belgian franc or Dutch guilder collapse.

Will America Retain Its Alliance With Japan?

Unless America responds positively to Japan's Grand Design offers, such as that of Mitsubishi, then this country is in danger of throwing away its greatest ally in Asia — with even more disastrous consequences than when it made a similar mistake in the 1930s.

INTERNATIONAL OUTLOOK

Two recent items in the Japanese press should have triggered a sense of alarm among American political and business leaders who know the real story of the 1930s. In a poll of 400 top Japanese businessmen, 300 saw Japan settling down to a 5-6 percent growth rate from its current 13-14 percent rate within 10 years. Simultaneously, the Ministry of International Trade and Industry (MITI) announced it was shifting its economic strategy from the 1970s emphasis on promoting "knowledge-intensive industry" (fusion power, computers, and so on) to a 1980s orientation of "insuring national economic security and promoting international harmony."

The danger is not that Japan would renounce its alliance with the U.S. and launch economic warfare. Japan would never do that. The danger is that "in the interests of international harmony," Japan would slow down its growth rate and lessen its catalytic role in the development of Asia. The future of the U.S. as an industrial power, and the balance of forces within the U.S. between industrial tendencies and pro-British monetarists, is largely determined by whether the world is in a growth or a stagnation dynamic. A Carter Administration riddled with low-growth advocates could

come to power only because of the stagnation the world experienced since Aug. 15, 1971. Progrowth forces in the U.S. retain strength in large part due to the fact that Japan and West Germany have continued to act as nuclei of world growth despite the problems in the U.S.

The failure of the U.S. to accept then-Premier Takeo Miki's economic development proposals at the fall 1975 Rambouillet summit set the stage for economic dislocation and increase in U.S.-Soviet tension in the succeeding years. This must not be repeated in 1978.

U.S. Treasury Secretary Blumenthal and friends are working furiously to sever America's partnership with Japan and West Germany. If world trade is stagnating, but a trade-dependant Japan continues its growth pattern, Japan will have a large trade surplus. Japanese leaders such as Economic Planning Agency head Kichi Miyazawa have proposed using the trade surplus to fund capital investment projects in the developing countries, a process that would nurture markets for U.S. manufactured products. Blumenthal, determined to slow down capital formation worldwide, has rejected this offer. Instead, he warns that unless Japan cuts its trade surplus there will be conflict with the U.S. Through rigged yen rises and protectionism here, Blumenthal himself creates the conflict of which he warns.

Japan will not consciously adopt a policy of low growth. It will continue to promote international cooperation ventures such as the Mitsubishi offer or Premier Fukuda's proposal this spring of U.S.-Soviet-Japan cooperation in developing nuclear fusion power. If, however, these offers are not taken up, then de facto low-growth will be implemented in the form of decisions by individual corporations to lower capital investment and even more drastically lower overseas investment. A

slowing of Japan's development will increase the global ability of London to implement a low-growth dictatorship of the IMF by weakening industrial forces in the U.S.

Played for a Sucker by the IISS

London has been implementing its scenario for U.S.-Japan tension since the Kissinger Administration, as revealed in the "Adelphi Papers" of London's Institute for International Strategic Studies. In 1972, Japan's perspective for growth was presented to an IISS meeting by Saburo Okita, chairman of Japan's leading high-growth think tank, the Japan Economic Research Center (JERC). Okita stated that in the 1970s, Japan would raise its real annual growth from 13-14 percent to 17-18 percent, that the U.S. and Japan together would comprise 50 percent of world GNP and 30-35 percent of world trade, and that Japan would run a \$16 billion annual trade surplus to be used to fund investment projects in the developing countries. IISS told Okita that they found this "intolerable and unacceptable." They warned that "the U.S." would never allow Japan to have a bigger GNP than itself, which Japan would have achieved by 1990 under Okita's projection.

Any attempt to fulfill this program, IISS warned, would create conflict with the U.S., including protectionism, currency turmoil, and a lessened U.S. defense commitment to Asia.

In warning of a U.S.-Japan conflict, the British were evoking the memories that haunt every Japanese leader today — the 1930s and World War II. Japan's leaders were in their 20s and 30s during those crucial years: their thinking is molded by that experience. These men are determined to avoid the error of that era, i.e., the attempt to expand economically without reaching a *modus vivendi* with the U.S.

It was impossible for a resource scarce Japan to industrialize without expanding its commercial role internationally. Just as now, the depression then threatened to cut exports and thus financing for vital imports. For many reasons, including the shortsightedness of many U.S. leaders, Japan failed to secure U.S. cooperation in securing peaceful access to and financing for raw materials. As a result, a pro-British faction in Japan (known as "strike-north") was able to successfully engineer such aggressions as the 1931 Manchukuo coup.

The British desired such aggressions to lay the basis for Japanese action against the USSR, as they planned when they backed Hitler. Non-British forces in Japan tolerated such actions because they secured access to raw materials and protected past investments. World War II was the eventual result — a war that could have been avoided. Prime Minister Fukuda recalls this experience in every major speech when he warns that it was the protectionist response to the depression which caused World War II.

The Pacific Basin

In the 1960s and 1970s, Japan's main proposal for U.S.-Japan partnership has been the concept of the Pacific Basin, a partnership for industrializing Latin America and East Asia, including a cooperative relationship with the USSR and China. Japan's leaders, particularly those

around MITI and Okita's JERC, realized that Japan's own further development required the industrialization of the Third World, simply to achieve sufficient division of labor and economies of scale.

MITI and JERC's view is that economies progress from labor-intensive to capital-intensive to "knowledge-intensive" stages, with the latter ushered in by computers and fusion power. For the advanced countries to reach the knowledge-intensive stage, it required the developing countries to reach the capital-intensive, industrialized stage. In addition to requiring U.S. economic and financial might for such a large-scale, multi-trillion dollar venture, Japan wanted to insure that its own efforts were not seen as setting up a new "coprosperity sphere" in conflict with the U.S.

In the late 1960s JERC, MITI and leading businessmen, such as Nippon Steel's Shigeo Nagano, initiated a series of conferences with businessmen from the U.S. and other Pacific countries to discuss the Pacific Basin proposal. Included were many men later prominent in the Nixon Administration, such as Export-Import Bank head Henry Kearns and Treasury Secretary David Kennedy.

An investment institution known as PICA (Private Investment Company for Asia) was set up to channel private funds. Upon becoming President, Nixon himself agreed to the concept, in line with his general perspective for economic development. It looked as if a joint government-private-level partnership would be launched. Had this proposal succeeded, the investment houses of London and their New York allies would have been swamped as the world entered an unprecedented economic boom.

This never happened. Instead, Nixon capitulated to the anti-capital-formation, anti-trade forces within his Administration. His Aug. 15, 1971 speech announced a turning away from the high-growth perspective. As a secondary feature, the same speech announced a 10 percent surcharge against Japanese exports to this country.

Despite later pro-growth moves by Nixon and his successors, IISS — through its allies like Kissinger and dupes like John Connally — has been able to a large extent to carry out the threat it made to Okita. To this day, the Pacific Basin has not gotten off the ground.

The Mitsubishi proposal is an attempt to revive that policy on a global basis. Kissinger was allowed to begin a policy of replacing the U.S.-Japan partnership with an anti-Soviet U.S.-China alliance, a policy continued by Brzezinski and Blumenthal. Kissinger was allowed such atrocities as his 1973 embargo on soybeans, a vital feed-grain, to Japan. Kissinger has repeatedly referred to this country's most important ally, after West Germany, as "a bunch of little Sony salesmen." Blumenthal has been allowed to bludgeon Japan with yen rises and protectionism.

Japan has continued to try to organize the U.S. In a March 1973 report, JERC noted that "relations apparently are entering a new round of flareup... There is a view that the U.S. should hold down the pace of its growth to reduce imports and thus improve its international payments positions. Criticism against Japan, is that Japan should also slow down its abnormally high growth which is causing friction in the world economy.

The right course, however, should be to adjust the international economic relations in such a way that the growth potential of each country might be made the best use of. It will be putting the cart before the horse that a nation adjust its domestic economy to suit international distortions." They proposed resolving U.S.-Japan bilateral frictions through joint international investment to raise world trade and growth. Yet, because of pessimism about securing U.S. cooperation, the (pre-oil crisis) 1973 report sealed down Japan's growth projection to 10 percent from Okita's earlier 18 percent "in the interests of U.S.-Japan harmony."

Japan is committed to progress, as exemplified in the proposals it is bringing to Bonn. Leading officials of the most forward-looking businesses in Japan have told this news service that their problem is organizing businessmen in Japan to understand that the U.S. can be put back

on the path of progress as well. This is why Japan is making such an effort at Bonn. Such proposals represent the essence of what makes modern Japan what it is.

American political and business leaders should reflect: they knowingly stood by, and in some cases, such as the Rockefellers, actually cooperated, while two Japanese Prime Ministers committed to a partnership for development with the U.S. were toppled: Kakuei Tanaka in 1974, a year after the oil crisis; Takeo Miki in 1976, a year after his Rambouillet proposals were ignored.

Will America allow Takeo Fukuda to be similarly toppled by British ally Masayoshi Ohira? The answer lies in whether or not the U.S. responds affirmatively to the Japanese and West German Grand Design proposals.

— Richard Katz

Why Food Costs Rise While Farmers Go Broke

A study of labor-intensive economics in action

In the last few years the term 'labor-intensive' has become a catchword in certain circles, signifying a brave new world of abundant jobs, "less is more" technologies, and low capital expenditure. Few business and labor leaders are likely to view either the environmentalist rendition of the formula (solar-heated pools, grow-your-own) or the World Bank's analogous but more austere Third World version (plows, 1,700 calories a day) as serious proposals for reviving the U.S. economy. Nevertheless, only slightly more moderate plans for low-skill jobs creation and cost-cutting (for example, the Humphrey-Hawkins bill) have won at least a measure of respectability from people who should know better.

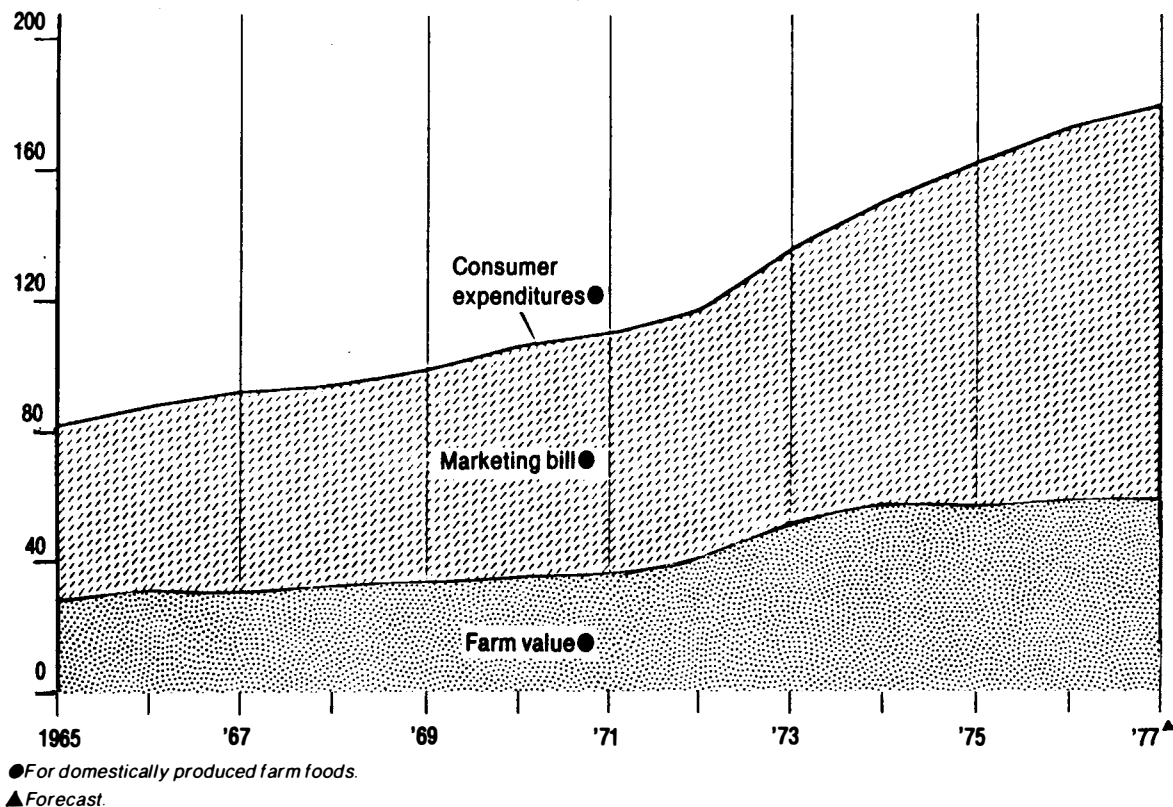
To evaluate the merits of the labor-intensive model versus the high-technology, high-skill, high-capital-

investment methods that built this country originally, one need only take a good, hard look at America's food industry.

As consumers are well aware, their expenditures for American farm foods, the largest single component of the household budget, have risen steadily and dramatically in the past four years. But the farm value of American food products — basically, what the farmer is paid — has remained relatively stagnant at 30-40 percent of total food expenditures. This discrepancy between farm producer receipts and consumer food expenditures (see Figure 1) represents the cost of processing, transportation, and distribution of food goods.

This "marketing bill" accounts for between 60 and 70 percent of aggregate consumer food expenditures, and

Figure 1: Farm Value, Marketing Bill, and Consumer Expenditures (\$ billions)



Source: *Developments in Marketing Spreads for Food Products in 1977*. U.S. Department of Agriculture. Agricultural Economic Report No. 398. March 1978.

the steady expansion of this oversized marketing-charge component of the nation's food bill presses on consumer pocketbooks and farm producer incomes alike.

The enormous food marketing bill is the price American society as a whole pays for the technological backwardness and inefficiency that plagues the country's largest single industry, food. Characteristically, the oft-scapegoated "middleman" is for the most part undergoing a continuous profits squeeze, as much a victim of this accumulated backwardness as the producer and consumer.

1. What Makes Up the Marketing Bill

As Figure 2 dramatically shows, the overwhelming cost factor in the nation's food marketing bill is labor. That plus transportation, real estate and related costs (rent, interest, and other speculative charges) and energy costs together represent the most significant combined quantitative-qualitative determinants of the marketing bill.

Labor. The fact that labor costs account for nearly 50 percent of the marketing bill cannot be taken to mean that the food industry is characterized by a uniquely high wage structure. The proportion of the marketing costs associated with direct and indirect manual labor is the strongest evidence of the industry's technological backwardness.

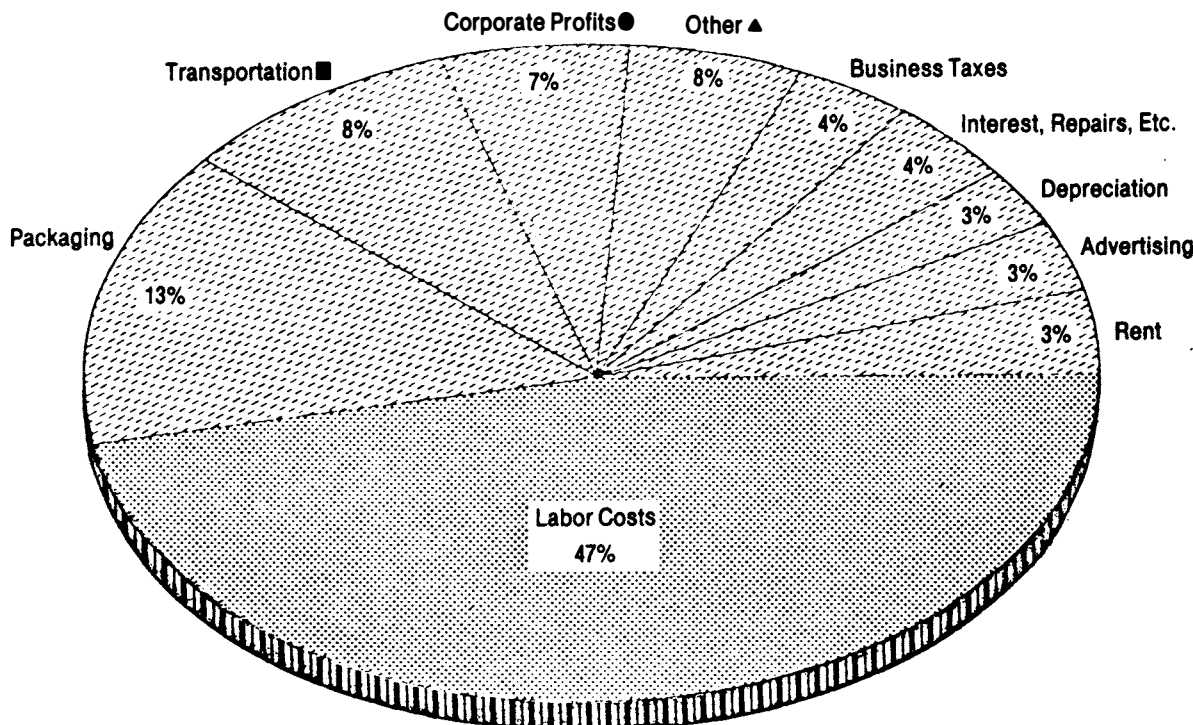
In fact, from 1970 to 1977 the hourly earning of food

industry employees rose 70 percent at an average annual rate of between 7 and 10 percent, from \$3.03 to \$5.17 per hour — a rate of increase which is conservative compared to the doubling of freight rates and the tripling of energy and utilities cost components of the marketing bill over the same period. The burden of labor costs must be attributed to the high and secularly rising absolute levels of low-skilled and unskilled employment in the industry.

The high labor content of the food sector is by no means a function of restaurant and other service help. It is prevalent throughout the food delivery chain; from processing and packaging through transportation, warehousing, and retailing, the cumulative manual labor charges culminate in retail prices that are three times the farm value of the food items in question (see Figure 3). The repetitive manual handling of produce from field to market, manual handling of containers in transit or warehouse, manual cutting up of livestock for retail cuts, manual shelving of products at markets, manual registering of prices of individual goods at the check-out counter, and manual bagging — these individual portions of inefficient "cheap labor" continue to vastly increase pass-along costs

In the key fresh-produce sector (fruits and vegetables), for instance, only 50 percent of the annual U.S. output of 55 billion pounds in 1970 was industrially prepackaged in final retail form. Fully 27 billion pounds of produce in 1970 was manually handled and rehandled at intermediate points along the delivery system, and

Figure 2: The Components of the Marketing Bill*



*Bill for marketing U.S. farm foods in 1976; shares for 1977 will closely approximate 1976 data.
 ● Before taxes. ■ Intercity rail and truck. ▲ Residual includes such costs as utilities, fuel, promotion, local for-hire transportation, and insurance.
 Source: *Developments in Marketing Spreads for Food Products in 1977*, U.S. Department of Agriculture, Agricultural Economic Report No. 398, March 1978.

manually weighed and wrapped yet again at the retail level—an astonishing waste of human labor power.

The lack of standardized cartons, pallets, unit containers, and so on for such produce and other goods compounds the need for wasteful manual handling and rehandling in the intermediate transportation and warehousing stages of the distribution system. Poor placement of packaging and processing facilities, at more or less great distances from farm producers, together with the lack of purposeful integration of the transportation system, adds to handling and rehandling charges.

The extraordinary amount of manual labor expended in unloading, shelving, marking, cashiering, and bagging, as well as 19th century clerk inventory-taking methods at the front end of the delivery system in the supermarket, compound the problem.

This high labor content, and the corollary absence of applied technological innovation, is characteristic of the American food industry and marketing structure.

The industry as a whole is overwhelmingly *labor-intensive*. And this fact constantly reasserts itself in low productivity, high per unit costs, and low profitability—all down the line.

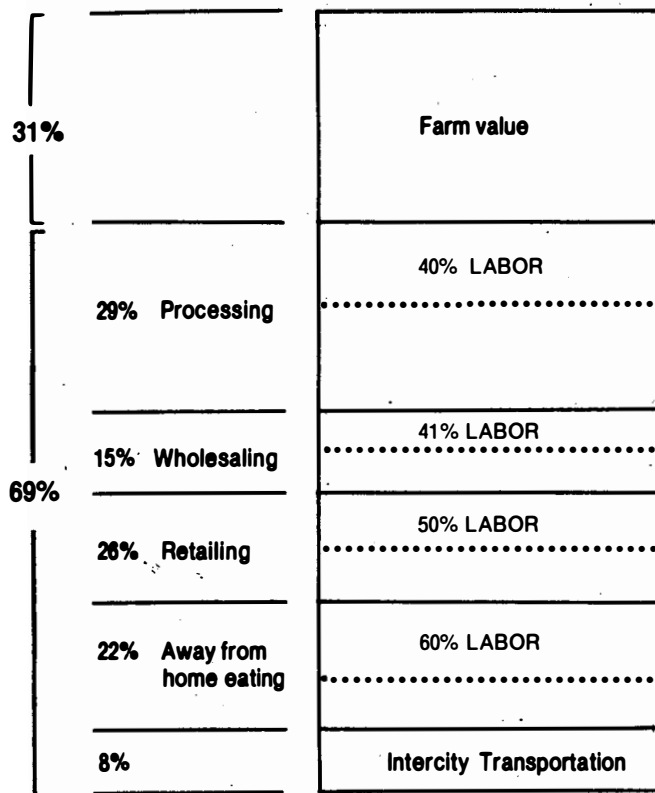
In this respect, the industry can be usefully contrasted to other sectors of the industrial economy, or the farm-production sector proper for that matter, whose characteristic *capital-intensive* nature is defined by a proportionally low or declining proportion of raw labor input in favor of technological and scientific applications and capital investments which sharply raise rates of productivity and lower per unit costs.

Transportation: Undoubtedly understated in official estimates of its absolute cost and its proportion of the total marketing bill, transportation ranks as the second most important quantitative-qualitative determinant of the food industry's high-cost inefficiency. Both the farm producer and consumer are directly and indirectly paying generously for the scandalous anarchy and disrepair of the nation's transportation system.

Freight rates constitute a great expense for particularly high-bulk, low-cost-per-volume items such as food. For example, the freight cost alone for shipping lettuce from California to Boston is as much as the cost of the lettuce itself delivered in California! The Bureau of Labor Statistics' index series of U.S. rail freight rates shows that those rates for all farm commodities have doubled since 1969. Spokesmen for the U.S. Agriculture Department estimate that truck rates have moved in the same fashion—an assumption that is open to question since, unlike rail, truck rates are unregulated and generally set on a "freelance," trip-by-trip basis. Furthermore, trucks are increasingly at an advantage as virtually the sole available carriers of the nation's fruit and vegetable produce. Today 90 percent of fruit and vegetable shipments are by truck; the number of rail cars suited for such shipments is rapidly declining, and the remaining few are outfitted specifically for frozen produce.

High transportation costs, inclusive of the substantial labor component, are a function of the overall lack of

Figure 3: The 1976 Food Bill



efficient integration of the national transportation system. Any given rail freight car, for instance, stands idle an astounding 90 percent of the time. The trucking industry supports a 40 percent empty backhaul rate. The limited use of unit trains, in part the result of a stubbornly empiricist reading of the Interstate Commerce Act, as well as the limited and spotty introduction of containerization, adds to the pressure on freight rates and to the total transportation bill in terms of intermediary labor and related costs associated with frequent transfer points and lengthy shipping times. Transportation costs are further bloated by such current practices as reliance on the pallet system — the pallets themselves can take up as much as one-quarter of the volume of a freight car or truck.

But the expensive inefficiency of the transportation system does more than simply boost freight rates for the shipper. It creates additional charges for spoilage and warehouse inventory maintenance on the account of the supermarket chain or retailer. The unreliability of the transportation system forces supermarket chains to maintain excess stock of goods to insure that they don't run out of items on the shelf. The necessity of carrying these inventories results not only in added interest and ground rent costs for the supermarkets which maintain huge warehouses, but also in increased spoilage costs due to uncertain duration of warehouse storage.

Initial probes into the feasibility of utilizing air cargo as an increasingly central method for transcontinental shipment of high-quality fruit and vegetable produce and other foodstuffs uniquely indicate the entropic tendency

Table 1: Estimated in-store margins, by major dep'ts, 1975*

	Meat	Produce	Dry grocery	Dairy**	Frozen foods	Total store	
<u>Percentage of Sales</u>							
Labor	11.97	15.59	7.32	6.93	12.51	9.20	* excludes warehousing and delivery costs and headquarters expense.
Direct	4.14	9.62	4.85	4.05	11.47	5.36	** Includes ice cream and other refrigerated items, such as bakery products, fruit juices, and dips.
Indirect	7.83	5.97	2.47	2.88	1.04	3.84	*** Includes additional categories not shown.
Rent	.76	1.81	1.44	.55	1.13	1.20	
Energy	1.02	3.29	.35	.98	3.22	.96	
Total margin***	21.00	31.30	14.60	15.84	19.54	17.64	Source: <i>Cost Components of Farm-Retail Price Spreads</i> . Agricultural Economic Report No. 391. Economic Research Service, U.S. Dept. of Agriculture. Nov., 1977. Wash., D.C.
Sales share (%)	21.50	7.48	53.43	11.68	5.91	100.00	

of the current food marketing structure. Studies conducted six or seven years ago, with the introduction of the 747 air carriers, found that air cargo transport could not be viably expanded domestically without changing the entire marketing system. In the case of lettuce, for instance, it was found that the commodity could be economically shipped by air provided that the outer leaves were removed to cut down on sheer bulk per unit — but when the neatly trimmed, extra-fresh heads were displayed in an East Coast supermarket consumers refused to buy the ordinary lettuce by its side.

Even such a relatively limited marketing revolution really depends on much more than changing the structure of agricultural marketing. In the first place, there is currently a dearth of air capacity to permit an expansion of air cargo food shipments domestically.

More important is the central issue of energy policy. Large-scale air cargo for food could succeed only on the basis of a national program for rapid development of nuclear energy. Fuel costs per pound of air freight are prohibitive and will become even more so if the Administration's energy program with its exorbitant premium on fossil fuels, ever becomes law.

Rent, Interest, and Associated "Ground Rent" Charges. Proportionally equal to the transportation costs share of the total marketing bill, in fact rent, interest, and related financial charges are understated. Insurance costs, for instance, are not included here. Building and equipment depreciation, interest rates on borrowed funds, and rent are the main components. The huge warehousing capacity, for the most part leased by supermarkets, is necessitated, as we have seen, by the unreliability of the transportation system. The related financing of excess inventories is a significant additional expense in its own right.

These costs are directly influenced by conditions, perverse or otherwise, in the general economy—e.g., money market rates and real estate trends. The recent environment of speculative bloat in the real estate markets, followed now with Federal Reserve Chairman Miller's high-interest-rate recession policy for the credit markets, promise that these charges will become an

even more significant speculative tax in the marketing bill.

With the exception of equipment depreciation, significant only in the manufacturing-processing end of the industry, these changes are essentially *speculative*, that is, charges on the productive process which do not function to create new wealth in expanded output in the economy as a whole, but rather siphon off funds to feed fictitious financial accumulations in real estate and other paper.

Energy. Costs of electricity, natural gas, and other energy sources are estimated to amount to 3-4 percent of the total marketing bill. Energy costs for the industry are nonetheless a decisive factor in the marketing bill for two reasons:

(1) They are among the most rapidly increasing cost components.

(2) As such, they act increasingly to prohibit even a piecemeal process of technological advance in the industry, which would have to be predicated on expanded energy inputs.

Approximately half of current energy costs in the industry are incurred in food processing. These energy costs rose 70 percent from 1972 to 1975, compared with a 50 percent increase in the value of industry shipments, and a 23 percent increase in labor costs. Retailing accounted for 25 percent of total food-marketing energy costs in 1976, and retailers' energy bills amounted to an average of 1 percent of retail food store sales.

Electricity represents the largest proportion of total energy costs for most food industries: from 75 percent for supermarkets to 33 percent for wholesalers. From 1976 to 1977 electricity rates increased 11 percent.

A nonnuclear energy policy, of which these rates are characteristic, will bankrupt the industry.

2. The Supermarket

Studies conducted in 1976 by the State University of New York's College of Agricultural and Life Science found that in-store retail operating expenses and profit together amounted to only 17.64 percent of the value of

total retail sales for more than 50 companies of varying sizes and locations, which together accounted for approximately one-sixth of U.S. retail food sales in 1975. Trade sources have corroborated the accuracy of this estimate for independent supermarkets as well.

In other words, nearly 80 percent of the final retail price of foodstuffs represents the cumulative costs of processing, packaging, transportation, and so forth, summed up in the wholesale cost to retail distributors of the products. Retail-level operating expenses and earnings proper make up the remaining 20 percent of final retail value.

Supermarket chains' and independent retailers' profits amount to a puny 1 percent of final sales value—or 1.5 cents on the dollar, before taxes!

A closer look at retail balance sheets for in-store operations reveals that the same basic factors that account for the high-cost inefficiency of the food industry delivery system as a whole are visited upon the retail sector with a vengeance. As the sole sector of the food industry that is *officially* described as *labor-intensive*, the retail sector has labor costs accounting for 60 percent of operating expenses. Significantly, what we have previously identified as speculative charges, dispersed among the insurance, rental, depreciation and amortization and interest categories of retail operating expenses, accounts for an additional 20 percent of the retail margin.

A still closer look at the breakdown of in-store margins among major product-line departments reveals more of the rationale for specific supermarket pricing and other practices (see Table 1). For instance, the standard fixed percentage mark-up of fresh-produce items at the retail level—no matter what the farm value or wholesale price of the item—reflects, among other things, the fact that while produce accounts for almost a third (31.30 percent) of in-store operating expenses, it constitutes a mere 7.48 percent of total sales. In other words, while its inventory, handling, and display are the most labor-demanding, the

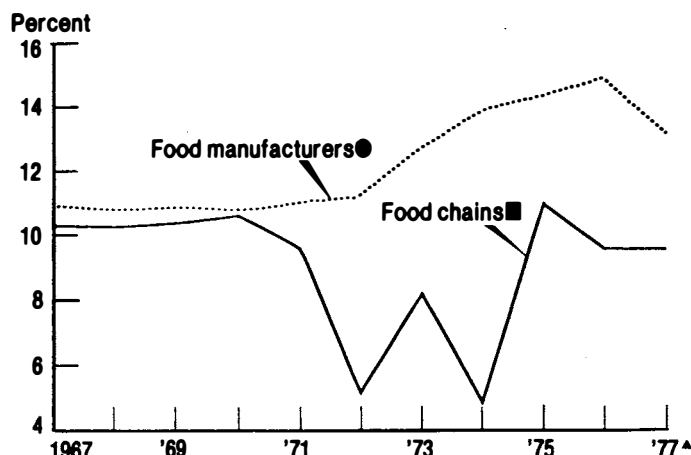
Table 2: Productivity in the food industry
(by output per unit of labor input, as a percent of 1967 levels)

Year	Food stores	Eating and drinking places	Food manufacturing	Nonfarm business sector
1958	75.4	91.3	—	76.8
1963	89.4	93.8	92.0	89.3
1968	105.1	101.9	103.1	103.2
1973	107.5	106.0	112.8	111.4
1974	104.6	102.8	113.8	108.1
1975	106.7	105.0	118.4	109.9
1976*	106.7	103.2	119.7	114.3

* Preliminary.

Source: *Developments in Marketing Spreads for Food Products in 1977*, U.S. Dept. of Agriculture, Agricultural Economic Report No. 398, March 1978.

Figure 4: Rate of Profit on Stockholders' Equity by Food Chains and Manufacturers



● FTC data representing all corporations based on a sample of firms.
■ 15 leading firms compiled from "Moody's Industrial Manual."
▲ Estimate based on 9-months data.

Source: *Developments in Marketing Spreads for Food Products in 1977*, U.S. Department of Agriculture, Agricultural Economic Report No. 398, March 1978.

most energy-demanding, and the most space-demanding of the major product lines, its volume of sales is relatively inelastic at a small percentage of total sales.

3. Profits and Productivity

It may seem surprising that indices of productivity in the food-marketing sector have, since 1958, generally kept pace with (albeit several steps behind) productivity advances in the nonfarm business sector (see Table 2). Far from reflecting favorably on the food-marketing system, this fact only emphasizes the poor state of business and industry generally following the benchmark 1958 recession, a condition otherwise reflected in abysmal rates of capital formation across the boards. Halting and belated introduction of such relatively primitive technologies as computerized cash registers, produce prepackaging, and the like are responsible for keeping the industry's productivity record within range of that of the depressed nonfarm sector. Within this framework, productivity levels are characteristically higher, although with tremendous variability by specialty field, in the more highly capital-intensive food-processing and manufacturing subsectors.

The exception proves the general rule. Over the past 10 years the dairy-processing industry has registered huge productivity gains as a result of a shift to large-scale plants and greater automation. Since 1967, hours of labor in the industry have dropped by 25 percent as output remained stable.

Profits are depressed by the millstone of low rates of productivity growth in the overwhelmingly *labor-intensive* food-marketing sector. Not surprisingly, rate of profit on stockholders' equity in the food industry generally hugs the lower rung within the range of acceptable corporate profit rates—a miserable compromise between the relatively more profitable

manufacturing subsector and the relatively less profitable food chain subsector (see Figure 4).

Significantly, profit rates of all food retailing firms with annual sales above \$100 million are well below the average for all retail trade corporations, with the latter's profit rates 1.5 times greater than that of the food chains. The recently well-publicized difficulties of giants like Bohack and A and P are to the point.

We are dealing with an industry whose high-labor (i.e., *low-technology*) content—that is, its technological industrial backwardness—locks it into a syndrome characterized by the maximization of costs and inefficiency, namely, the intensification of the high-labor content which is the source of the industry's problem to begin with. This syndrome stands in opposition to the necessary maximization of profits and productivity, and associated rates of growth of capital formation in expansion, modernization, and integration. Here again, the exception serves to prove the rule. In an industry environment defined by labor-intensive economics, technological innovation is characteristically degraded to the sort of parody represented by the proliferation of new ways to crinkle a french fry or cut a fish stick.

4. The Future of the Industry

There is little question that the American food industry is overdue for a technology-based productivity revolution comparable to that achieved in the farm sector proper with mechanization and fertilizers during the 19th and 20th centuries. The happy result will be to raise farm-producer receipts and reduce consumer food prices simultaneously and dramatically!

Here are some of the features—all within existing general levels of technology—that a modern food industry would include:

Processing and packaging. With processing and packaging plants located strategically with respect to the fields and other sources of raw farm commodity supplies, time and handling-rehandling and associated transportation costs would be slashed immediately. The overhaul of the processing and packaging phase itself would open the way for multiple gains in productivity down the rest of the chain. At this stage, food products would be prepackaged in final retail form, including computerized Universal Price Code marking, and assembled in uniform, standardized cartons, pallets or pallet-equivalents, or unit containers for minimal rehandling through to the consumer.

Transportation system. An overhaul of the American transportation system is required, emphasizing carrying-capacity upgrading and expansion together with effective model integration and standardization, to allow increased automation and computerization of operating procedures in loading, unloading, and tracking-monitoring. This overhaul is not only

imperative for the farm-food industry—the future health and vitality of the entire economy depend on it.

An immediately feasible improvement, cited by MIT Professor Gordon Bloom in a 1972 study of the problems and potentials of productivity in the food industry, is the introduction of unit trains from California to the East Coast. Bloom noted that 90 percent of California's 1.7 billion pounds annual average shipment of canned goods originates in the Stockton-Oakland-San Jose area. From an assembling point there, unit trains could travel to the New York-Philadelphia and Chicago-Milwaukee areas (which account for 33 percent and 15 percent of California's shipments respectively) in an approximate shipping time of 77 hours . . . for a one-shot reduction of from 8 to 18 days in current shipping times, and the complete elimination of intermediary labor, handling, and associated costs.

This would in turn significantly reduce spoilage costs, and eliminate the substantial warehouse inventory costs currently associated with unreliable delivery dates.

Warehousing. As has been demonstrated in some instances already, warehousing at present functions in a virtually medieval state, with trucks often waiting hours, or days, bills handled with pen and paper, and pallets of all sizes preventing systematic automation. This can be completely automated through process computers and automated cranes.

At this stage of the delivery system there are two alternatives. Optimally, the retail outlet-supermarket itself would be replaced by such fully automated warehouses which themselves subsume the retailing operations. At the warehouse bulk shipments from grower-processor-manufacturer would be automatically broken down for computerized selection and retrieval to fill market basket orders phoned in by quantity and catalogue by the consumers.

Retailing. Short of such a thoroughgoing transformation, the costly drudge labor associated with current retail operations can be significantly reduced by adoption of the Universal Price Code to effect automated cashiering. Use of the Code effectively provides for instant monitoring of shelf supplies, since the optical code on each item that passes the cashier station registers as an item sold, and the store computer can readily be programmed to fill out reshelve orders, reorders from suppliers, and so on.

In sum, the point is progress, progress through successive applications of scientific and technological innovations. This is the way to transform a backward, inefficient labor-intensive industry into the *capital-intensive* model of a food industry-delivery system that is the extension of America's spectacular historical achievements in scientific agriculture proper.

—Susan Cohen

New Profile For U.S. Oil Multinationals

LaRouche proposes a "nuplex" alternative for petrodollars

Evidence of the massive scope of petroleum reserves of Mexico prompts me to propose that U.S. (and other) multinational oil firms modernize their corporate policy profile. Specifically, the old petroleum-marketing cartel approach — and its offshoots — must be phased out, in favor of using the marketing of petroleum as a means for generating the cash flows required to recapitalize these firms as leading elements of an integrated approach to the production of "nuplexes."

Mexico apparently rivals Saudi Arabia in extent of available reserves. The obstacle to proving and developing those resources has been twofold. Mexico proceeded with a shortage of qualified technicians (a shortage it has significantly corrected) and under arrangements between Pemex, its state-owned oil company, and multinationals which in effect limited development of Mexican reserves according to multinational marketing strategies. This has been complicated — in multinationals' perceptions — by the fact that new Pemex developments will fall under control of the national sector rather than multinational marketing controls.

Mexico is also one of the world's major holders of uranium reserves. These uranium reserves combined with Mexico's petroleum reserves to create an extraordinary opportunity to the advantage of both Mexico and its trading partners.

We are approaching the end of the petroleum age. Although the magnitude of proven reserves is limited chiefly by the effort to discover and prove new, massive reserves, petroleum will have a diminishing *relative* importance during the closing decade of this century and the first decade of the next. So, from a corporate standpoint, major petroleum multinationals must shift, on balance, into appropriate new fields of *primary* activity during the quarter-century ahead.

The new field of energy production which will take over dominance during the remainder of this century is nuclear energy. We are now passing out of the prebreeder-only phase of nuclear fission-energy generation, and must emphasize breeder programs into the 1990s. During the 1980s, fusion energy will begin to come on line in a pilot form (at least). By the end of the 1990s, a shifting composition of ordinary nuclear-fission, fission breeder, fission-fusion, and fusion energy will be the principal source of new energy supplies into the world's electrical grid-systems, and "waste heat" from nuclear production will be a major source of energy for industrial-process applications, desalination and related uses in the vicinity of nuclear-energy sites.

The most efficient approach to the use of nuclear

energy in the developing sector generally is the creation of "nuplexes."

A "nuplex" is a new agro-industrial city built around paired nuclear-energy plants, each in the half-gigawatt to one-and-a-half gigawatt range (by present standards). To economize on distribution costs, and to exploit the "waste heat" produced, industrial consumers of output will huddle around the plants, creating a new sort of "clean" industrial (and employment) center. With the growing importance of the "clean water" problem, and with the opportunity to replicate California's Imperial Valley in many parts of the world, desalination and other water-purification exploiting waste heat will make nuplexes key in meeting agricultural and population clean water requirements.

A nuplex also has other natural features. Nuplexes can be established during a four-to-six year construction period, during which period many engineering and other skills are employed on the site. In a developing nation (especially), construction phases are a blend of employed foreign specialists and indigenous employees. The construction period is a period of education and other training of a segment of the indigenous labor force. On-the-job training is not adequate. On-the-site training, including schools for technicians, workers and their families, cultural programs, and so forth are indispensable.

So, to build an agro-industrial nuplex means to build an entire new city, to build structures and facilities to last as quality structures for a coming period of 50 to 100 years, and to build the core and basis of expansion of such a city over a four to six year period of initial construction phases.

These nuplexes serve not only as self-contained concentrations of high technology, but as the hub of radiation of high-technology services to agricultural and other developments over areas of wide radius surrounding. A network of such nuplexes throughout continents such as Africa, transforms the Sahara and Sahel into a vast new habitable and fruitful region, and establishes a continental grid-system of centers of high technology through which to transform the entire continent.

In the main, we have the proven technology to launch such projects. Looking for the moment solely at U.S. capabilities, our electrical-utility industry, the major corporations which supply the utility industry, the oil multinationals, and firms specializing in large-scale construction have the capability to create an integrated

package, mobilizing their vendors as part of the package.

Looking more broadly, our Japanese allies are masters of the integrated approach, and should be our partners throughout the Pacific and Indian Ocean regions most emphatically. French, West German, and Italian high-technology and construction industries have similar capabilities, especially when their capacities are integrated with U.S. potentials. The Soviet Union's Siber-

London Promises Multis a 'New and Hazardous Era'

A new study has been released by the British Royal Institute of International Affairs which effectively advises the oil multinationals to give up long-term investment planning and concentrate on economic warfare against Third World national oil companies.

The report, titled "Oil Companies in the International System" and prepared by Louis Turner, RIIA economist, argues that a "new and hazardous era" has dawned for the major multinational oil companies. Forces of economic and political nationalism, charges Turner, are challenging the multinationals and their very survival.

Turner's report cites the emerging role of Pemex of Mexico, Petromin of Saudi Arabia, and the National Iranian Oil Company, among others in the developing sector, as examples of national oil companies that increasingly limit the expansion of the multinationals. The key to the continued survival of the multinationals, he argues, is their ability to restrict the tendency for these national oil companies to move into the so-called downstream operations — refining and marketing distribution — where the private oil companies are concentrated.

The Royal Institute perspective clearly calls for maintaining cartelized control over developing sector oil and energy development, emphasizing the ability of the multinationals to "outperform" the state monopolies, such as Pemex or Pertamina, through their ability to "manage" large amounts of capital and "adapt" in an integrated world economy — a euphemism for manipulating international money markets, counting more on their "commercial acumen than on the political clout of their parent governments."

Turner's conclusion in all this is that, nonetheless, some oil companies will "fail to adjust" fast enough and will disappear as separate entities, a clue to the fact that these same Royal Institute circles are planning to push along a process of triage against selected "competitors." Notably, British Petroleum, Britain's state-run oil multinational, controlled by the Bank of England and Royal Dutch Shell, is also directly linked to the same circles as the Royal Institute.

ian development and related efforts have produced breakthroughs which make them the world's best for certain specific phases of a cooperative division-of-labor in nuplex creation in the developing sector.

Key petroleum multinationals have already developed their pilot capabilities for such diversification. The policy problem is that of upgrading qualitatively this aspect of their diversification. Corporate long-haul policy must be governed by the nuplex perspective, and orderly marketing of petroleum and related matters viewed as the economic lever for recapitalizing those corporations in the direction determined by long-haul policies. Petroleum and uranium serve as the universally-needed primary commodities whose depletion pays for and otherwise aids the transformation of capital structures and marketing into agreement with the world of the turn of the century.

It is in the most vital interests of the United States that such a transformation, as part of an integrated approach, be encouraged and nurtured. In general, we must now build in such a way that the next 50 to 100 years of our nation's life is secured on all fronts. If we now build the world's hegemonic motion of development on a sound basis, a basis adequate to the coming century, we shall have created the foundation and means through which our posterity may then efficiently meet the new challenge of the further centuries yet to come.

Any competent economist, or corporate executive perceptive of this side of the matter, will insist that existing U.S. fiscal and credit policies are not competently defined for the kinds of programs indicated. I not only concede that to be the fact, but I have already outlined the changes in fiscal and credit policies needed to correct the present errors. In the meantime, we can initiate such corporate policy shifts off-shore, with nations such as France and Japan key to this effort. The benefits to the U.S. internal economy of such off-shore-centered efforts will persuade the majority of the U.S. electorate of the need to make the required changes in fiscal and credit policies.

In the case of Mexico, it makes no proper difference to petroleum multinationals whether they are developing Mexican petroleum and uranium reserves, or whether they are cooperating with Mexican-controlled entities. Mexico will be developing and exporting petroleum and uranium to secure high-technology capital for internal development. The petroleum multinational's concern is to provide a significant chunk of the high-technology capital Mexico purchases through petroleum and uranium sales, and to cooperate with Mexico in maintaining the orderly-marketing conditions that process requires.

Our key, economic-strategic reference points for this policy are centered in Iran and Saudi Arabia among present OPEC nations and developing Mexican reserves. The proposal made by Japanese Premier Fukuda, for fusion-energy development cooperation with the U.S., provides the point of tactical reference for mobilizing the needed shift in emphasis of policy at this time.

— Lyndon H. LaRouche, Jr.

The Soviet Enigma Mastered Enigmatically

The strategic issues at stake at Bonn, surveyed by the Labor Party's LaRouche

The immediate object of this memorandum is to clarify a crucial aspect of the forthcoming "Bonn Summit" for the U.S. State Department and other relevant governmental agencies and "think tanks." However, it is neither necessary nor desirable that this be advanced as a confidential memorandum. The general public should look over the shoulders of key governmental officials.

The forthcoming "Bonn Summit" may or may not adopt specific resolutions of importance, but the confrontations of conflicting policies within the meeting and its broader context will be far more important than even most governmental officials appear to suspect presently.

At this moment, U.S. and other nations' policies center on a package of policy issues which include the following highlights.

1. *The ill-conceived demand that Japan and the Federal Republic of Germany "reflate."* Despite the efforts of the White House to support London's policy of "bashing the Japanese," this "reflation" policy is doomed to fail. The "Bonn Summit" should bring the "reflation" nonsense to an end, if nothing else.

2. *Policy toward the International Monetary Fund and World Bank.* This is a more complex problem, as I shall outline.

3. *OECD policy toward the developing sector.* Despite shifts away from homogeneously neo-Schachtian "zero-growth" outlooks by the Trilateral Commission, Japanese delegates' walk-out from the recent Trilateral meeting reflects the political as well as economic-financial unsoundness of Trilateral policies.

4. *The implications of the Schmidt-Brezhnev accords of May 1978.*

5. *The London-Kissinger-Brzezinski "China card" lunacy.* The complicating consideration here is that although continental Europe generally regards Kissinger's and Brzezinski's "China card" game as lunatic, key French circles which regard Kissinger and Brzezinski as lunatics on this point have a different approach to China, which ignorant observers might tend to confuse with the London-Kissinger-Brzezinski "China card" game.

For reasons I shall underline in due course here, the whole array of packages depends upon differing perceptions of the character of the Soviet Union for various purposes as adversary and as a prospective economic cooperation partner in Third World development. Therefore, solving the essential features of the Soviet enigma is indispensable for formulating a durable policy on any of the issues currently before the nations participating in the "Bonn Summit."

The IMF Issue

Except for wild-eyed Keynesians and their neo-Schachtian siblings, no leading policy makers believe that the International Monetary Fund and World Bank — the relics of the shattered Bretton Woods system — can be continued without plunging the world into a deeper, longer, and more deadly general depression than that of the 1930s. All of us who share that perception know that a

... The government of France knows that the IMF and World Bank must be dumped ...

new international banking system must be established, to replace the IMF and World Bank, somewhat as the United Nations replaced the defunct and useless League of Nations. The political problem which now delays dumping the IMF and World Bank is lack of sufficiently broad agreement on the timing of moves to this purpose.

For example, the government of France knows that the IMF and World Bank must be dumped, but has continued to act to support temporarily continuation of the IMF as an institution — although it is violently opposed to the policies of Witteveen and U.S. Treasury Secretary Blumenthal.

The possibility of compromising, of postponing the liquidation of the IMF and World Bank, is vanishing. If the current IMF, World Bank, and "Brandt Commission" policies are not nullified in short order, the kinds of "fiscal austerity" these agencies are imposing on various nations — with aid of the Basel Bank of International Settlements — means a spiraling collapse of world trade, a collapse of the U.S. dollar, and of the Japanese, West German, and other industrialized nations' economies. Moreover, since the IMF and related proposals, such as those imposed upon Jamaica and demanded of Zaire, wipe out the principle of sovereignty of nations, nations which tolerate present IMF, World Bank, and "Brandt Commission" policies will be regarded as most-hated adversaries by popularly based political forces throughout the developing (and other) nations.

Many of us perceive — and by no means only leaders of the U.S. Labor Party — that continuation of IMF, World Bank, and "Brandt Commission" policies means World War III sooner than most might imagine. Once nations

plunge into certain kinds of processes of confrontation, as was the case in the onset of two preceding world wars of this century, the processes of confrontation determine the course of events beyond the will of nations to alter that course significantly in general shape or tempo.

Consequently, the background issue of the IMF and World Bank policies will be the axis around which confrontations during and around the "Bonn Summit" are essentially determined.

New International Banking

In France, Italy, West Germany, Japan, and other nations there is a growing determination to get the world out of the present depression through *indispensable* dirigist methods and policies of control of the flow of international credit. This centers around creating new international banking markets which sop up idle offshore liquidity as investment funds for financing both long-term, capital-intensive investments and short-term, hard-commodity international trade credit. These funds will be employed to increase East-West trade and for East-West cooperation in massive, accelerating "technology transfer" into the developing nations.

Were I President of the United States, there would be no difficulty in accomplishing that. First, I would act to aid our Western European continental allies and Japan in pooling excess dollar liquidity for Third World development projects, including vetoing all support for the IMF, World Bank, and allied institutions and policies. The result of this action would be a growth in industrial employment and exports within the USA. This recovery from the internal depression in the U.S., although modest at first, would enable the President of the United States to mobilize a juggernaut of industry, labor, farmers, and others for expanding the roles of the Export-Import Bank and other institutions of credit in funding further expansion of U.S. high-technology exports.

The most difficult aspect of a successful policy, for which an executive of my knowledge and executive qualities is required, is a series of "slick actions" to simultaneously halt inflation and bring down basic interest rates on long-term credit for industrial, agricultural, and infrastructural improvements. We cannot stop inflation and the present unemployment spiral unless we begin to push interest rates back toward the 1-2 percent prime interest rate level. This requires a nest of coordinated, well-timed actions by the government and the private commercial and savings banks, in cooperation with our allies.

As I have indicated before, this action would have the following objectives and effects. The commercial and savings banks must be enabled to convert their nonperforming and marginal holdings in real estate and in debts of developing nations into high-grade, low-interest, long-term holdings discountable either with the Federal Reserve System or suitable federal agencies. A similar action is required for troubled cities like New York City, which would be successful on condition that such cities were rebuilt through directed expansion of their industrial and related tax bases, and related measures.

People who are inadequately informed or who do not

think clearly would inform you that this measure is unfeasible. What such persons either do not know or overlook is that the present engine of inflation is rising interest rates. Interest rates, rising in response to inflationary risk, push inflation to higher levels, requiring higher interest rates to compensate for risk, pushing interest rates higher, and so forth. The process is more elaborate, but we have described the ultimate connection fairly. This occurs chiefly because of the combined inflationary effects of high borrowing costs as such, and because of the gutting of industry and agriculture by borrowing costs beyond those productive facilities' ability to borrow at current profit margins.

No citizen who is informed of the fact that the current high interest rates of his savings are lower than the rate of inflationary shrinking of the value of his savings would object to a basic savings income in the order of 2 to 3 percent, if he understood that that meant a net growth in the purchasing power of the savings, whereas high interest rates mean that there must be a net shrinkage of the purchasing power of combined savings plus interest earnings. Admittedly, those who are able to save are better off than those without the means to do so, but this is comparable to the advantage of a man who rides a turtle to overtake a rabbit, over the man who simply stands still.

What will convince the general electorate of the soundness of this policy is the news that the ABC Whatsit and XYZ Widget manufacturing firms in the locality in which he or she lives have just hired back laid-off employees on the basis of a five- or ten-year export project, and that more are to be hired within the next several months. Reproduce that sort of good news from New England to Texas to Los Angeles to Seattle and throughout the Midwest, from Buffalo and Pittsburgh to "Quad Cities" and "Twin Cities," and the electorate will quickly rally to a White House policy of the sort I indicate as strongly as they rallied to FDR during the 1930s.

There is nothing unworkable in the approach, but it requires knowledgeable and consistent national leadership to get through to the result required.

There are other problems, with which I know how to deal quite nicely, but what I have indicated here and in earlier published locations indicates the basic features of the point. I know how to dry out high-interest, speculative markets, how to provide all sane men and women adequate incentives to run their savings eagerly into safe, low-interest investments, and how to make "hard" forms of equity capital the most attractive investment of all.

This is precisely what leading forces in Japan wish to accomplish on a national and international scale. This is also what the shrewdest leading forces in continental Europe wish to accomplish.

When U.S. leading bankers, industrialists, trade union leaders, and farmers complain to me and my associates that the White House is apparently incapable of understanding and acting upon such needed measures, I insist that they exaggerate the difficulty involved. If President Carter will not make an immediate, general correction in both his domestic and foreign policy postures to the needed effect, he is susceptible of being encouraged to make some steps in that direction in both sides of the

problem. We must, at worst, adopt an approach which selects first steps whose early benefits will enlarge a constituency for such policies, making broader shifts possible.

In particular, it is urgent that the USA support Schmidt, Fukuda, and others at Bonn to the purpose of enabling those among our allies committed to economic development alternatives to the IMF to get the process needed into motion. The effects of increased U.S. high-technology exports for the U.S. internal economy's trends will expand the domestic constituency for further steps in the same direction.

Schmidt-Brezhnev Accords

Potentially, the May 1978 accords adopted by Chancellor Helmut Schmidt and President Leonid Brezhnev are the most important diplomatic triumph of the 20th century.

Since the work of Gottfried Leibniz and Benjamin Franklin, the basic policy of the forces behind the American Revolution and the adoption of our constitutional republic has been a "Grand Design" for cooperation among the USA, France, Germany, and Russia in a world-hegemonic humanist order, dedicated to scientific and technological progress, dedicated to the improvements in the condition of man which can be accomplished only in a climate of commitment to scientific and techno-

There is no duplicity in Brezhnev's perception of "peaceful coexistence" through "Rapallo"-like agreements. . .

logical progress. From the Abraham Lincoln Administration, our nation's alliance with Czar Alexander II and the forces behind the Meiji Revolution in Japan, Japan has been an extension of that long-term Grand Design perspective, despite those conflicts between Japan and the U.S. which British influences developed beginning with the Russo-Japanese War.

The establishment of an entente based on the principles of the Grand Design does not immediately change the world such that all the conditions we might properly desire are immediately brought into being. Rather, the establishment of such an entente gives the dominant forces of the world a concerted commitment to bring the world order desired by our nation's founders into being. *Apart from the immediate benefits all participating nations would secure from such cooperation, the deeper and more important object is to secure the future for our posterity.*

The crucial feature of the Schmidt-Brezhnev accords is not increased economic cooperation between West Germany and the Soviet Union, or any comparable details. The details of the accords are good things, but not astonishingly important by themselves. The crucial feature is the firm commitment of President Leonid Brezhnev to the policy of the Grand Design as a new

basis for comprehensive agreements with the United States and its allies.

Sometimes the Schmidt-Brezhnev accords are compared with the "Rapallo" agreement. This comparison is natural — especially in Europe — and is useful within limits. The unfortunate feature of such comparisons is a prevailing ignorance of V.I. Lenin's role in the "Rapallo" agreements, and the sabotage of Lenin's efforts on the Soviet side by forces associated with Bukharin and Trotsky. Among even leading circles in the U.S. (as among leading strata in Western Europe), the longstanding myth of a fundamental conflict between a homogeneous capitalist and a homogeneous socialist order obscures the crucial differentiations within both the capitalist and communist states. There is no duplicity in Leonid Brezhnev's perception of "peaceful coexistence" through "Rapallo"-like agreements between capitalist and socialist states. However, just as Bukharin and Trotsky (among others) opposed Lenin's policies during the early 1920s, so there are powerful factional forces within the Warsaw Pact and Peking which hatefully oppose "peaceful coexistence" of such types today.

Although President Brezhnev did replicate Lenin's Rapallo policy in adopting the Schmidt-Brezhnev accords, through the crucial role of Chancellor Schmidt and his collaborators, the Schmidt-Brezhnev accords include key formulations which are more advanced than anything ever adopted earlier in relations between capitalist and socialist states. Brezhnev has confirmed this by repeated public statements and by deeds of the Soviet state in offers to the United States since early May 1978. This outlook is not only currently supported by Cuba's President Fidel Castro in practice, but governs the public offer made recently by Carlos Rodriguez in his interview with ABC-TV's Barbara Walters, and Fidel Castro's compassionate public handling of President Jimmy Carter's role in the Africa issue.

There has been a qualitative shift of improvement in Soviet policy, a shift made possible largely by the work of Chancellor Schmidt and his combined formal and informal collaborators in this effort.

That accomplishment is Chancellor Schmidt's "big ace" in the "Bonn Summit" and related negotiations at this juncture. This point is understood with increasing efficiency by leading circles in France, is understood by Italy's Andreotti, by the Vatican, and by Japan.

The keystone of world political processes today is that the Soviet leadership grouped around President Leonid Brezhnev is prepared to enter immediately into a comprehensive Grand Design agreement with the United States and its allies, covering economic and political matters not only along East-West lines, but also North-South lines. Although the Soviets will not presently "link" already institutionalized channels of military negotiations to economic and political discussions, the recent Soviet MBFR offer of "rough parity" agreements illustrates that military agreements will tend to converge upon successful economic and political agreements.

What stands in the way of such agreements now is the policies of the IMF and World Bank. If the IMF "fiscal austerity" policies and their attendant subversions of

sovereignty of states are the policy of the U.S. government, there is no possible basis for peaceful relationships *between the Third World* and the United States, and this inevitably bloody conflict between the U.S. and Third World populations generally means that the USA is on the track toward early general thermonuclear war with the Soviet Union. Even apart from that, unlike Peking's current rulers, the Soviet leadership can not tolerate, politically or morally, neo-Schachtian forms of economic genocide against populations of the developing sector, and must be sympathetic to the appeals of Third World populations to be rescued from such economic genocidal policies.

Although Kissinger, Brzezinski, Schlesinger, and Turner are the visible symbols of general thermonuclear war, it is Treasury Secretary Blumenthal, Federal Reserve Chairman G. William Miller, and Senator Ted Kennedy who represent the economic and monetary policies which commit the U.S. to a thermonuclear confrontation and general war.

Before turning to the Soviet enigma itself, let us summarize the "China card" issue.

The Shadow of China over Bonn

Apart from known quantities such as Bavaria's Franz-Josef Strauss and Otto von Hapsburg, the only significant forces which are ostensibly sympathetic to China on the continent of Europe are certain elements of the governmental majority in France. There is some ignorant effort to view the French and Kissinger-Brzezinski policies as

China has been ruled by the most degrading large-scale culture in human history down almost to the present day.

convergent. The French are not so stupid. Leading French circles have contempt for Kissinger, Brzezinski, et al. as fools who do not understand China or Peking's present leadership. They know that China could not fight a war with the Soviet Union for a long time to come — perhaps never. They know that the Peking leaders know this, and are lying about China's strategic outlook solely for the purpose of luring Washington into an Atlantic-centered thermonuclear war of mutual destruction with the Soviet Union — which has been China's policy since the Korean War.

French circles whose policies are ignorantly mistaken for Mrs. Margaret Thatcher and Henry Kissinger's define their proposed relations with Peking on knowledge of the way in which Peking is currently duping London, Kissinger, Brzezinski, et al. I estimate current such French policies to be flawed, but without the sheer stupidity and lunacy of Kissinger's or Brzezinski's delusions.

Since the building of the "Great Wall" and the great book-burning more than two centuries ago, China has been ruled by the most degrading large-scale culture in human history down almost to present day. This hideous

Chinese traditional culture is embedded within the leadership of the Communist Party of China, as expressed luridly by the obscenities of the "Great Cultural

The American Nazi Party was created by British intelligence networks operating under the cover of the "Zionist Lobby."

Revolution." As I have indicated in previously published locations, there is also a positive, protechnology current in China, a current which reflects the combined influence of European and Japanese culture, a current once typified by Sun Yat-sen. All sane policy toward China focuses upon nurturing the industrially centered urban culture of China, as the long-haul perspective for transforming the character of China's leadership and culture. Hence, the only sane policy is a firm but loving containment of China centered around a commitment to aid China's peaceful progress in urban-centered scientific and technological progress. Certain circles in France have one approach to that problem; my associates and I have another.

Otherwise, leading circles in continental Europe and Japan view London, Kissinger, and Brzezinski's "China card" policy as genocidal lunacy, as ensuring the destruction of industrialized civilization to the purpose of serving Peking's Great Han drive for world supremacy. Japan does not embrace the notion of a Peking-guided destabilization in Korea or a Peking-guided fresh bloodbath in the Indochina region. Continental Europe does not relish "Manchurian candidates" such as the Tory witch Mrs. Thatcher or Kissinger, Brzezinski, Schlesinger, Rostow, Senator Jackson, Senator Kennedy, et al. arranging an Atlantic-centered thermonuclear war in service of Peking's Great Han racialist ambitions.

Apart from persons such as Mr. Callaghan, and the late British Foreign Secretary Mr. Crosland, the Tory-led oligarchist forces of the United Kingdom and the "Manchurian candidates" of the United States are committed to the "China option" and to current IMF, World Bank, and "Brandt Commission" policies. These policies are all of one piece, and many European leaders and others have an increasingly accurate and pained perception that this is the case.

If President Jimmy Carter wishes to be credible with key world leaders, he would be well advised to leave Brzezinski and Blumenthal behind when he travels to Bonn.

The Soviet Enigma

Skokie, Illinois was recently projected to be the battlefield for a bloody triggering of nationwide terrorism in the United States, through the prearranged street theater, a murderous confrontation between American Nazis and assailants led by the Jewish Defense League (JDL). The dirty irony of the showdown is that the American Nazi Party was created and long sustained by

British intelligence networks operating under the cover of the "Zionist Lobby." George Lincoln Rockwell accepted a Zionist circles' proposal that they would fund him generously on condition that he adopt the swastika as his emblem and circulate swastika-labeled, anti-Jewish propaganda in heavily Jewish communities, such as those in Florida. Maoists and other elements deploying themselves for various bloody street theater in the vicinity of Chicago are all funded in part through elements associated with the "Zionist Lobby."

This being the case, what is the fight about? This being the case, and elements of British intelligence otherwise controlling both the anti-Eisenhower John Birch Society and the "radical" networks of the Institute for Policy Studies, who is Jack Anderson, really, and what means the supposed division between "right" and "left" in politics?

In large part, as with the case of the Nazis and the JDL, the "extreme" versions of "left" and "right" — in both the capitalist and socialist nations — have a common mother in the fecund circles of now-deceased Queen Victoria, and ought not to be regarded as an honest element of the political process. Nonetheless, credulous persons aplenty confuse honest conservatives with the "extreme right" and regard trade unionism as converging upon the "extreme left."

The same sanitizing reflections must be applied to understanding the Soviet Union.

All modern politics among industrialized and various other nations today is essentially divided not between "right" and "left," but between the humanist followers of Gottfried Wilhelm Leibniz and the oligarchical factions which follow David Hume, Adam Smith, Jeremy Bentham and Jean-Jacques Rousseau. It is the same within the Soviet Union.

Despite the Trotskyist myth which places Trotsky close to Lenin politically, Trotsky was awed and influenced by Lenin beginning 1917, but his career originated in a British intelligence-influenced faction centered in such locations as Odessa, which produced Alexander Helphand Parvus, Trotsky's one-time patron.

Abstracting from the specific individuals to look directly at the currents which the individuals imperfectly reflected, the early Soviet republic was dominated by three currents within the Communist Party leadership. One was the alternately outright proanarchist British network agents such as Bukharin; a second was the anarchosyndicalist-tainted circles of Trotsky, the "orthodox Marxist-Leninist intellectuals; and the third was the precariously situated key current associated with Lenin.

Bukharin, despite his color of forced adaptation to industrialization at the turn of the 1930s, was the anti-industrialist, almost zero-growth current, historically a product of Viennese Anglo-Dutch intelligence networks (Royal Dutch Shell) intersecting Parvus' operations. Trotsky was the exponent of "permanent revolution," a doctrine he developed under the guidance of his one-time patron, Parvus. Lenin represented "Two Tactics," the outgrowth of Leibniz' influence within Russian politics.

Lenin's policy was that the scientific and technological progress of society must be secured through policies of

urban-centered development by whatever means were suited to that objective. His role was to develop the political labor movement as a force to ensure the success of that effort under either of the two kinds of alternatives in sight. Either the political labor movement must act to ensure a capitalist fostering of scientific and technological progress, or the labor movement must act to secure the same objectives by socialist means.

Lenin applied that policy to both Russian domestic circumstances and also to Soviet foreign policy. Hence, Lenin was in that degree the author of the "Rapallo" doctrine, which he correctly perceived to be in the vital interests of European industrial-capitalism, and which German and other industrialist capitalists recognized correctly as the only solution to the hideous heritage of the Versailles world depression.

The current typified by Lenin does not aim at world socialist revolution in the way in which Trotskyists view this. Lenin himself was committed to the view that the alienation intrinsic to capitalist forms of private ownership of the principal means of production and distribution must be superseded. However, what was primary for him for practice was his "Two Tactics" policy, that scientific and technological progress must be secured for all nations by whichever course available in practice best served that objective.

Soviet scientific and technological progress has massively strengthened the social-political basis for Lenin's foreign policy outlook within the Soviet Union. This is expressed at this time by the policies President Brezhnev adopted in the Schmidt-Brezhnev accords. However, "Bukharinist" and "Trotskyist" elements do persist in the Soviet Communist Party. If we accept the basis for comprehensive Grand Design negotiations offered by Brezhnev and Havana, the United States finally secures the peace from World War II and avoids World War III. If we reject Brezhnev's proposals, we bring into power in the USSR a different layer, a layer which will be committed in effect to winning a general thermonuclear war.

The Soviet leadership has a reciprocal sort of problem. If Brezhnev, Kirilenko, et al. fail to find sufficient negotiating partners for Grand Design agreements in the United States — if the "Manchurian candidates" such as Kissinger, Brzezinski, Turner, Shanghai's Blumenthal, Schlesinger, and Senator Ted Kennedy prevail in the United States, then the posture of the USA will tend to become irreversibly committed to war.

We must now act to weaken the power and influence of the heirs of Jeremy Bentham and Adam Smith on both sides of the East-West alignments — at all costs. If we lack the resolution to rid ourselves of such forces in our own government, if we foolishly compromise with such forces, and if we do not act quickly enough to institutionalize Grand Design commitments in Soviet policy, then we are all going to die not too far from now, and will soon enter into an essentially irreversible track in which the progress of general developments runs out of the control of leading forces on either side.

—Lyndon H. LaRouche, Jr.

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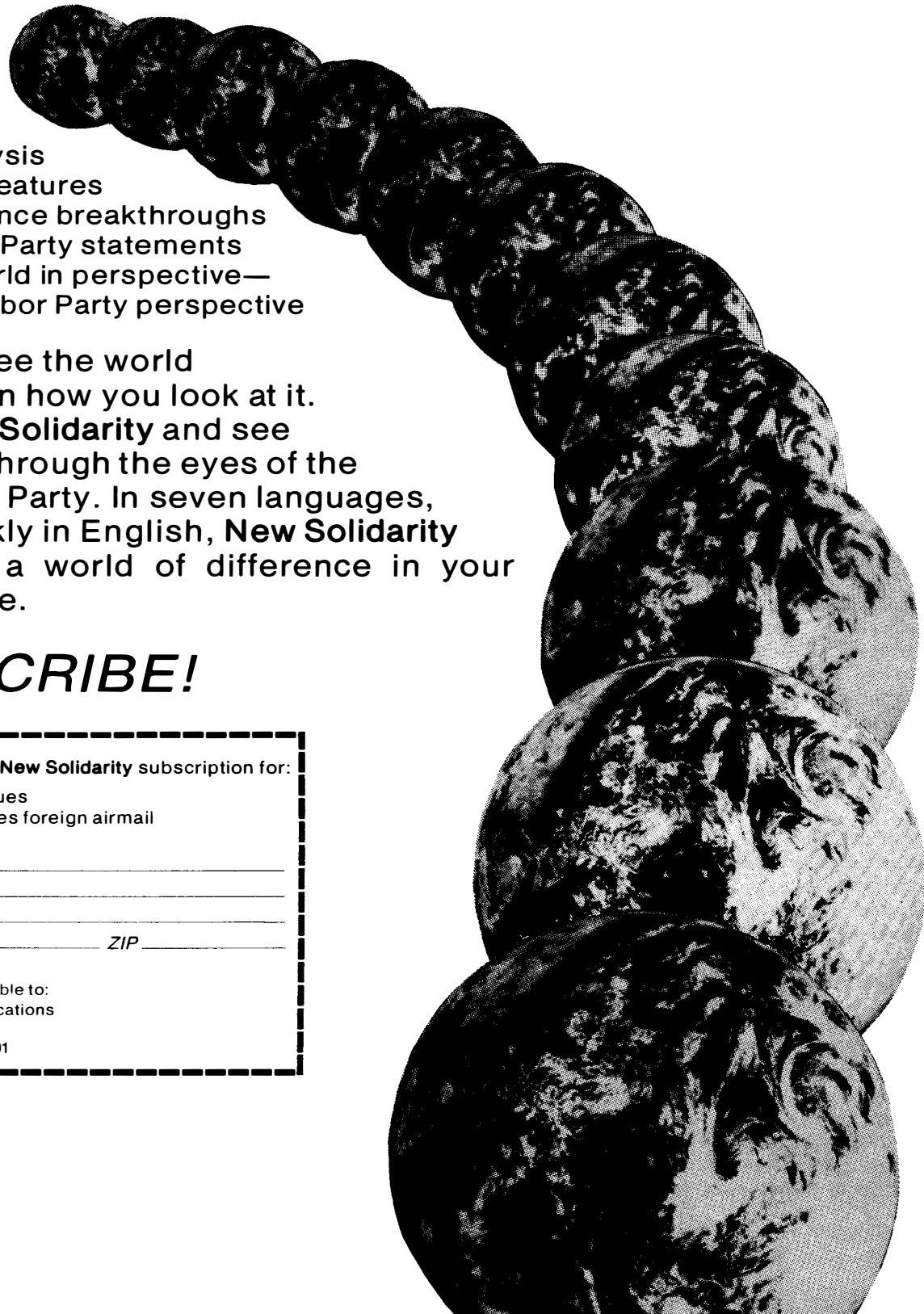
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The 'Modern Minds' Of India Today

An exclusive report on the politics of science and development

This in-depth account of the political process in India was written by Daniel Sneider, head of the Executive Intelligence Review's Asia desk, following his return from a visit to India. His analysis is the result of discussions with Indian leaders, including an exclusive interview with former Prime Minister Indira Gandhi (published in full in EIR Vol. V, No. 20).

On a hot morning recently in the Indian capital of New Delhi, a leading member of the Indian parliament spoke about the situation in his country and the state of its leadership: "Morarji Desai, Charan Singh—these men do not have modern minds."

This was the sharp assessment of Khrishna Kant, referring to the Prime Minister and Home Minister of the Janata party government. Kant, a long-time parliamentarian, is himself a member of the Janata, the ruling coalition of five parties. Despite his white hair and long political experience, he is known as one of the Young Turks, a group of members of the Congress Party who left that Party in opposition to then Prime Minister Indira Gandhi's declaration of a state of emergency in 1975.

Kant's special province in Indian politics is science. He was in the forefront of the push for Indian scientific advancement for many years, and he served as a charter member of the parliament's science committee and head of its newly formed committee on atomic energy. Kant spoke emotionally about the "zeal for science" displayed by the late Indian leader and prime minister, Jawaharlal Nehru. He bemoaned the gradual loss of that zeal, characterizing Indira Gandhi's commitment to science as strong, but "instinctual," lacking her father's deep intellectual ties to science.

Kant used his parliamentary vantage point to drive home that idea. During Nehru's day, the Prime Minister always attended the meetings and seminars of the science committee, he said. Indira Gandhi's attendance was far less consistent. Today, when the "zeal" is totally absent, Kant said he had trouble rounding up enough members of parliament to form the committee on atomic energy.

Kant's views were echoed from another standpoint by Dr. Nag Chaudhuri, the vice chancellor of Jawaharlal Nehru University and an eminent Indian nuclear physicist who has played a large role in the development of that nation's huge nuclear research and energy program. The soft-spoken scientist was evidently frustrated by the present lack of direction for Indian scientific development. At one point he contrasted the frontal role of science during the Nehru era with the

present situation: "The scientists and politicians no longer have a common ground; they sit across the table from each other but they don't communicate."

Dr. Chaudhuri strongly believes that India must give priority to nuclear energy development if the nation is to have a future. He has no quarrel with India's existing commitment to nuclear energy, the greatest in the developing sector and the source of much trouble between India and the United States. Chaudhuri's only complaint is that India's nuclear program does not go far enough. "Fusion and fast breeders," says the Indian physicist, "are where we have to make an effort now." The problem as he explained it is money, the failure of even the ardent advocates of nuclear energy to look into the future, beyond the technologies already in their possession.

Science and Politics in India

The views of these men on the importance of science in India today are not intended to be representative of the prevailing opinion in New Delhi circles. Nonetheless, their views are absolutely correct.

The issue of India's commitment to scientific and technological development of industry and agriculture is the most important dividing line in Indian politics today.

Nehru on the "Modern Mind"

"The modern mind, that is to say the better type of the modern mind, is practical and pragmatic, ethical and social, altruistic and humanitarian. . . . A few seers and geniuses, looking into the future, may have a completer vision of humanity and the universe; they are of the vital stuff out of which all real advance comes. The vast majority of people do not even catch up to the present day values, though they may talk about them in the jargon of the day, and they live imprisoned in the past.

"We have therefore to function in line with the highest ideals of the age we live in, though we may add to them or seek to mold them in accordance with our national genius. Those ideals may be classed under two heads: humanism and the scientific spirit. . . . There is a growing synthesis between humanism and the scientific spirit, resulting in a kind of scientific humanism. . . . The earnest scientist of today is the prototype of the philosopher and the man of religion of earlier ages."

—Jawaharlal Nehru, *The Discovery of India*, 1945
(written while in a British prison camp in India)

The lines are not drawn so much along partisan divisions as across them. In the various parties there are those in the political leadership who locate themselves as part of the legacy of Nehru's belief in the necessity of Indian modernization and industrialization and those who look to some idealized Gandhian image of a rural India, based on its villages and wedded to the land.

The current Desai government is the first in post-independence India to publicly question the Nehru tradition and policies. Home Minister Charan Singh, whose political base in the BLD party lies among the rural landed elite of northern India, has identified Nehru as his enemy and has attacked his opponents within the Janata party on the basis of their support for "heavy industry."

Prime Minister Desai, who served as a minister for Nehru when he was a leader of Nehru's Congress Party, is reluctant to express himself in these terms, and, on occasion has even deliberately praised Nehru. But Desai lacks any commitment in depth to Nehruite scientific industrialization that would serve as an effective bulwark against the current assaults on that tradition.

At times the debate in India takes on an almost Talmudic quality. The advocates of an antiindustry policy and of rural backwardness wrap themselves in the mantle of Mahatma Gandhi, India's famous independence leader, whom they represent as the "true" Indian leader. Even Khrishna Kant punctuates his remarks about what India must do with frequent references to Gandhi, pulling down from his bookshelves volumes from which he finds a quote from the Mahatma to prove his point. However, for Kant, Gandhi is not against industry and science, but a nationalist revolutionary advocate of social justice, whose rightful successor is Nehru.

Rural Backlash

What remains when the surface is removed from this debate is very clear. The present Janata regime does not represent the actual core of the Indian nation—although parts of it do—but rather a retrograde development, and expression of cynical backlash against the errant path taken by Indira Gandhi and the Congress Party in the period of her state of emergency rule.

If the regime continues along its current path, including the dangerous trend toward dismantling of key government institutions like the Planning Commission, it will only usher in further chaos and instability. Ultimately, such chaos could be resolved only by the disintegration of the Indian state itself or by the imposition of a military-fascist rule that would make the Emergency period pale in comparison. There is considerable evidence, and it is a popular opinion in Indian circles, that this is no mere scenario but the actual intent of certain forces within and outside of India.

The policy of rural emphasis, as contained in the government's new draft five year plan, is the main expression of this danger. Certain Indian officials were quick to point out that the actual figures on the proportion of budgetary expenditures going into agriculture compared to industry represent a shift of no more than about 5 percent. Yet, when pressed these

officials admitted that the atmosphere created by the government's propagandist emphasis on rural life, a direct implementation of the World Bank prescription for the developing sector, is already acting to discourage any new investment, both public and private, in industrial production. Officials of the Indian Investment Center, a semiofficial body to encourage foreign investment and to seek opportunities for Indian trade and contacts abroad, were hard pressed to dispute this point in discussions held in their New Delhi offices.

Although few would admit as much, it is obvious that the emphasis now so glibly expressed in many Indian circles on "employment creation" in rural areas, "appropriate technology," and so on is a declaration of surrender to the World Bank and the bank's enforcement of the British antitechnology policies that date back to the colonial period. In following the World Bank along this path, certain Indians are expressing their fundamental loss of faith in the ability of science and industry to transform a rural nation into an urban industrial one. For some this is honest confusion and frustration over the slow pace of this process in this nation of some 650 million; others merely continue a long history of service stretching back to the days of the British Raj, which based its rule on the perpetuation of Indian rural backwardness, a land-tax system, and the creation of a local elite through which they could rule.

"Indian Renaissance" and the American Role

The restoration of a scientific outlook among broad layers of the Indian leadership and population requires what Krishna Kant called "an Indian renaissance." India is fortunate to have a modern reference for such a scientific renaissance in its freedom struggle against British imperialism and in the efforts of Nehru, a great intellectual and humanist, to lay the foundations for a modern state.

The political ingredients for a renaissance are found among all the parties, but principally among the ranks of the Congress Party, the traditional party of the Indian national movement. The Congress is now split into several factions. One is led by Indira Gandhi, who is staging a strong political comeback and who is undeniably the most dynamic political leader in India today. Another is the regular Congress Party, headed by the veteran leader Swaran Singh, and itself divided by those who look upon Mrs. Gandhi as a threat and those who favor reemergence of the party. A third faction consists of those Congress members within the Janata coalition who broke with Mrs. Gandhi over her Emergency rule but who have few differences with their Congress colleagues on basic issues of Indian economic development.

Of the latter group the current Defense Minister, Jagjivan Ram, is best known. Ram is an old leader from the independence period who still commands considerable respect and following and who is the main rival of Charan Singh and of the communalist Hindu chauvinist — and fascist — elements of the Janata. (These are the Jan Sangh party and the militant RSS organization.)

Among all of these Congressites are common political

aims, although quality of leadership is severely lacking and it will take work to overcome the significant resentment against Mrs. Gandhi. To these elements one must add the principal parties of the left — the Communist Party of India and the Communist Party Marxist (an early 1960s Eurocommunist splitoff) — which now rule in the state governments of West Bengal and Kerala (a CPI-Congress coalition), and have strong influence elsewhere.

The shape of the political situation in India will be increasingly determined by the intersection of two connected processes: on the one hand, the breaking apart of the Janata coalition, and on the other, the re-coalescence of the Congress Party and its ties to the left. The pace of these processes is neither assured nor predictable, but the fact that both are occurring is the baseline of political life. The extent to which the Indian political leadership makes the real issues—science and industry versus the World Bank's rural zero-growth squalor—open for all to see is the question that intelligent observers will watch closely.

The Fanatic Reaction

The march of the prodevelopment faction in forcing Congress Party unity as rapidly as possible will be matched by the deliberate efforts of the fanatic Jan Sangh-RSS grouping to take over the shell of the Janata apparatus and government. The RSS is constantly feeding off the factional tension in the Janta toward this goal, cynically encouraging Charan Singh's battles against the Ram tendency (including Janata Party president Chandrashekar), while looking eventually to Singh's and Desai's political demise. The RSS pursues its Chinese-style manipulation with greater determination than many will admit. And as the RSS moves, an ugly tide of regional tensions, communal violence, and caste antagonisms rises in its wake.

Americans in policy-making circles, business, and elsewhere can ill afford to view these events lightly. The victory of the prodevelopment forces in India is essential to the future of the entire developing sector, of which India is so large a part and so important in its traditional leadership role. The success of industrial development in India is the key to American involvement in that development, specifically because it will provide markets for our technology and capital goods.

Today, American business has a bad image in India, even among those who look favorably upon foreign investment. Americans are viewed as quick-buck artists, consumed by a fear of nationalization. This fear is what the Indians say motivates the American desire for investments that bring in quick profits with little long-term involvement in the economic growth of India. In fact, in conversations with high government officials concerned with these questions, the only countries to come in for praise were West Germany and, of course, the Soviet Union. Specifically noted was the greater willingness of German firms actually to transfer technology on a large scale, without piddling concerns.

It is useful for Americans to place themselves alongside the Indians fighting today for the legacy of Jawaharlal Nehru and to recall the American role in aiding the Indian freedom struggle against the British

during the World War II period. Many Indians vividly recall the open sympathies displayed by American GIs stationed in India for their cause—in strong contrast to the behavior of the British soldiers—and in particular they recall Nehru's warm feelings for President Eisenhower.

One veteran of the Indian struggle for independence, who is also a longtime communist, recalled a wartime incident when he was the leader of the Congress underground at his college in India, a college with an American president. One day the British police launched a raid on the campus. A phone call from the president to a nearby U.S. airbase quickly brought several truckloads of armed American GIs who kicked the British, complaining bitterly of "interference," off the campus.

The same spirit must animate the American approach to India today.

Nehru on the U.S., the Soviets, and England

"The United States and the Soviet Union seem destined to play a vital part in the future. They differ from each other almost as much as any two advanced countries can differ, and even their faults lie in opposite directions. All the evils of a purely political democracy are evident in the USA; the evils of a lack of political democracy are present in the USSR. And yet they have as much in common—a dynamic outlook and vast resources, a social fluidity, an absence of a medieval background, a faith in science and its applications, and widespread education and opportunities for the people. . . . Thus in both countries the essential basis for a progressive, democratic society is present, for no such society can be based on the rule of a small intellectual elite over an ignorant and apathetic people. Nor can such an elite long continue to dominate over an educationally and culturally advanced people. . . .

"Yet another common characteristic of both Americans and Russians is that they do not carry that heavy burden of the past which has oppressed Asia and Europe, and conditioned to a great extent their activities and conflicts. They cannot, of course, escape, as none of us can, the terrible burden of this generation. But they have a clearer past, so far as other people are concerned, and are less encumbered for their journey into the future.

"As a result of this they can approach other peoples without that background of mutual distrust which always accompanies the contacts of well-established imperialist nations with others. . . . Most of the European nations are full of mutual hatreds and past conflicts and injustices. The imperialist powers have inevitably added to this the intense dislike for them of the people they have ruled over. Because of England's long record of imperialist rule, her burden is the greatest. . . .

"Another era of imperialism, or an age of international cooperation, or world commonwealth: which is it going to be in the future?"

— Jawaharlal Nehru, *The Discovery of India*

The Truth About Afghanistan

On April 29, tanks rolled down the main street of Kabul, capital of the world's poorest nation, Afghanistan, and ousted the government of President Mohammad Daud from power. This was the end of the centuries-long rule of the Afghan royal family, and the new government, backed by young military officers, proclaimed the coming of a revolution bringing land reform and economic development to a nation that has yet to enter the 20th century.

For weeks newspapers published in London labeled this coup d'etat the Soviet Union's most strategic power play yet in a regional gameplan embracing the Near, Middle, and Far East. Drew Middleton of the *New York Times* reported in his column, "The Great Game is over and the Russians have won it." The "Great Game" refers to Rudyard Kipling's account of the contest of espionage and diplomatic intrigue in Kabul between Czarist Russia and the British Empire.

Why the brouhaha over Afghanistan?

Knowledgeable analysts of the region suggested that the small regional shift threw a monkey wrench into a process of realignment beginning in the Persian Gulf and extending into the Indian subcontinent. Shi'ite intelligence networks, Chinese, certain forces in the SAVAK of Iran, and certain Anglo-American circles had organized, for months, "anti-Soviet" outbursts as regional flashpoints to put the United States and the Soviet Union on a course of confrontation. The Afghan coup aborted that process.

What Happened in Afghanistan

In 1973, Mohammad Daud, the Afghan leader just deposed and killed, came to power as a cousin and brother-in-law of the deposed king when a group of young left-oriented officers ousted King Mohammad Zahir Shah. Among the officers was Abdul Qadir, the current regime's defense minister.

The promise extended by Daud and the coup-makers had been concrete: major land reforms and modernization policies for Afghanistan's largely tribal and nomadic population, including relocation to industrial centers. Rich in natural resources, Afghanistan is abominably poor in skilled or even literate labor.

Daud failed in these urgent tasks. He chose instead to court the Muslim Brotherhood reactionaries (Ikhwanul Musalmeen) and even Maoist tendencies in the country. Acute shortages of essential goods and foodstuffs were answered by repression of demonstrators and demotions of the forces that brought him to power. Progressively from 1973, Daud became a captive of British Colonial forces of various nationalities, and maintained Afghanistan as a backward shepherding state, a mere way station for international intrigue.

Throughout Daud's repression, two factions of the Afghan Democratic Party maintained an organizing presence across the country. In retaliation, the respected

communist trade unionist, Amir Hyder Khyber, was assassinated in March 1978 by SAVAK-linked networks, and the men who last April became the country's new President and Vice-President were arrested and had been condemned to die, along with Kabul's small handful of intellectuals.

But at Hyder's funeral, the bell tolled for the royal family.

Who is Tarakki?

Noor Mohammad Tarakki, the new leader of Afghanistan, is neither a "subversive" nor a "Soviet puppet" as various Western press have portrayed him.

Tarakki was educated by the most "secular" of "tribal" leaders, Abdul Ghaffar Khan, also known as the "Frontier Mahatma Gandhi." Cognizant of Afghanistan's strategic geographic location — neighboring Iran, China, the Soviet Union, and Pakistan — Tarakki has repeatedly stated that he is a friend of both the Soviet Union and the U.S. and in no circumstance party to tribalist subversion of neighbors. The 40 or more trade accords his new government has signed with socialist nations are an expression of his goals. Afghanistan will accept aid from *all* quarters that offer. So far, only the Soviet Union has come forth.

What Next for Pakistan?

Kabul's steady pursuit of national goals has left neighboring Pakistan in a most delicate situation. Prior to the April 29 coup in Afghanistan, the Pakistani military junta had pressured a terrified jury to deliver a death sentence against former Pakistani Prime Minister Zulfikar Ali Bhutto, the nation's ousted but still most popular leader. After April 29, the Chinese-backed Pakistani leader, General Ziaul Haque, is not so sure what the result of hanging Bhutto will be.

Pakistan's dilemma was summarized in a guest editorial in the *New York Times* by British Tory Hugh Trevor-Roper. Trevor-Roper, who had repeatedly criticized Bhutto when the latter was in power, turned around and delivered a most devastating denunciation of the current "Frankenstein" regime in Pakistan:

"Murdering politicians is a game at which two can play, and a revolution in Afghanistan has not only shown how usurping military rulers may be removed, it also directly threatens Pakistan. By reviving the ambitions of a greater Afghanistan," Trevor-Roper warned, "The Communist regime in Kabul can recreate the same threat of disintegration . . . And this time the threat may be backed by a great power, Communist Russia.

"In that case he (General Haque — ed.) must apprehend the fate of General Mohammad Daud in Kabul. Sooner or later," Trevor-Roper laments, "he and his purblind regime will perish in the ruin of their state and another western ally will go the way of Angola, Mozambique, Ethiopia and Afghanistan."

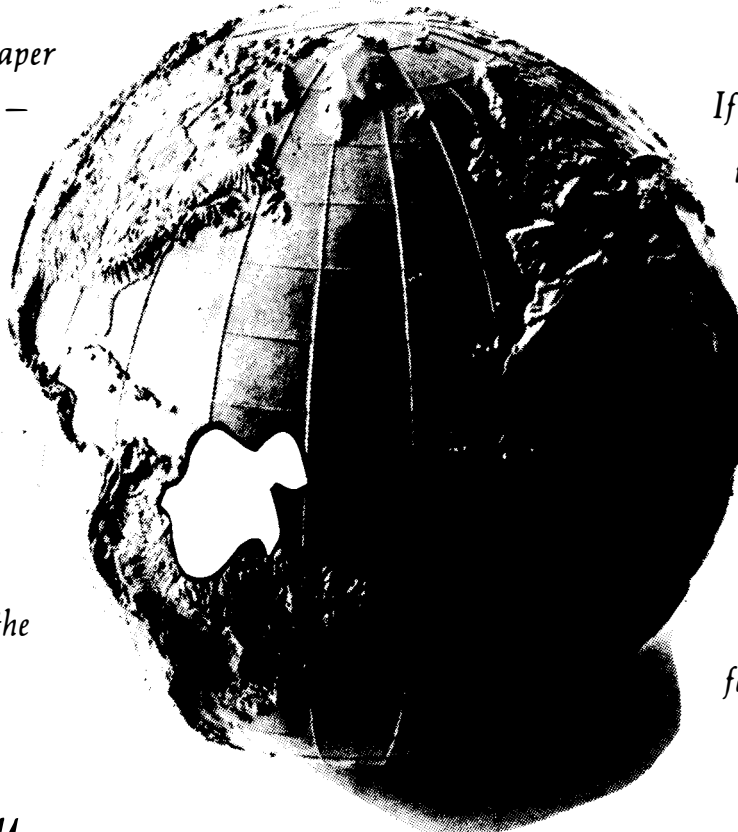
— Leela Narayan

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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 CALLING ON THE CARTER ADMINISTRATION TO DENUNCIATE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE SUPPLY OF ONE SHIPMENT OF ENRICHED URANIUM TO INDIA. THE JOURNAL STATES: "SO WHILE THERE ARE AT LEAST SOME ARGUMENTS FOR ENDING NUCLEAR COOPERATION COLDLY AND BLUNTLY AS THE CANADIANS DID AFTER THE INDIAN EXPLOSION, THE JOURNAL CONCLUDES 'IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER THINKS A LETTER WILL KEEP HIS POLICY INTACT DESPITE THE HEAVY WATER SKIPPER. BUT ON THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERWEAR THE OPEN MIKE. PERHAPS THE CANDIDATE CARTER WHO PROMISED NEVER TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE."

WHAT IS REALLY GOING ON?

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

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINERS AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT THE CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT THE FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT DOWN A DAY, HOWEVER A SECOND COLD FRONT EXPECT TO HAVE THE WEEKEND. THE ONGOING WINTER WORKERS' STRIKE IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING TV COAL DELIVERIES TO RESIDENTIAL USERS

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

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