

EIR

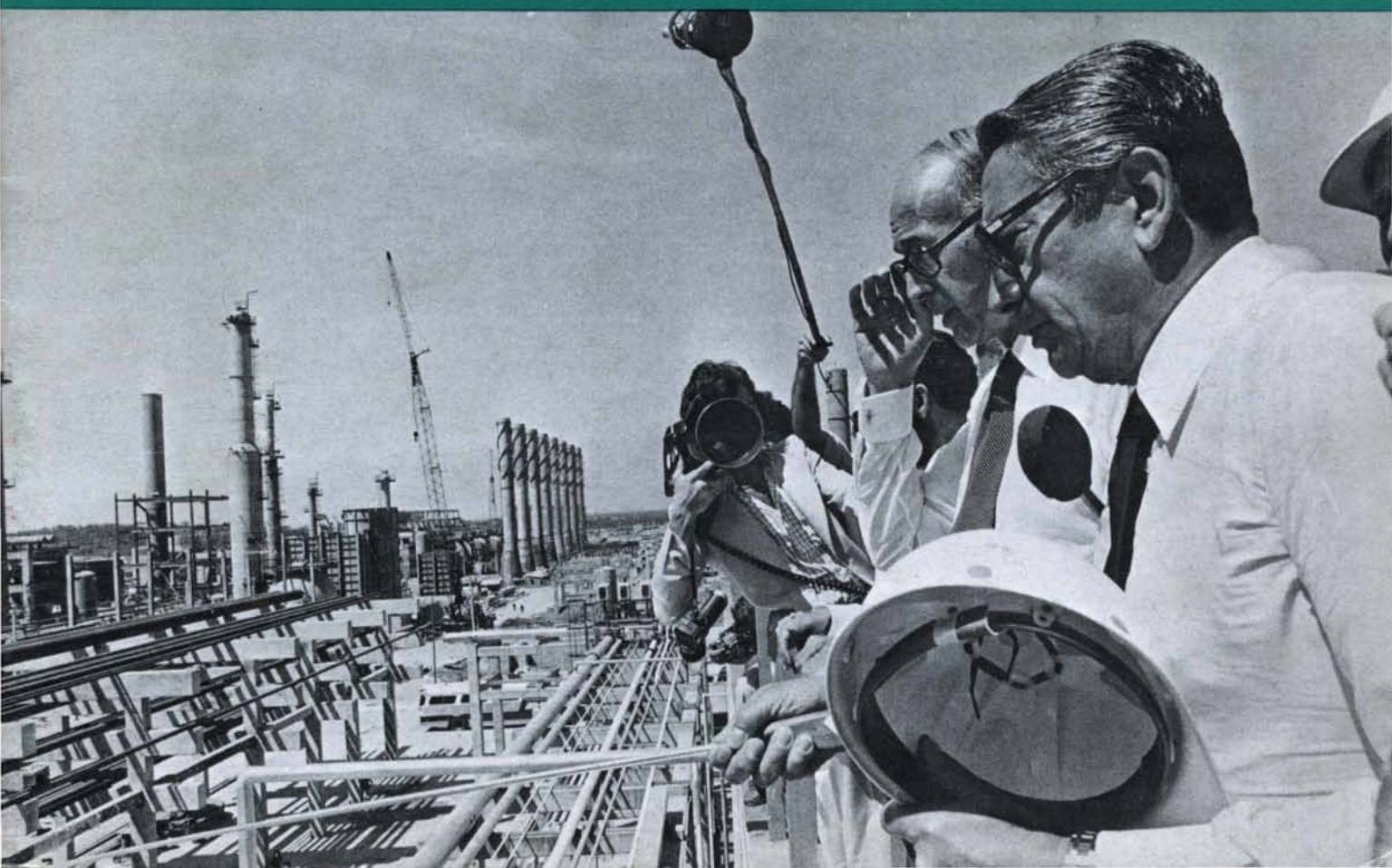
Executive Intelligence Review

August 19, 1980

\$10.00

Mexican agriculture: only American methods will work
Carter's Libyan friends ordered Bologna massacre
LaRouche's Democratic strategy to beat Reagan

**Europe's foreign policy alternative:
Global industrialization by the year 2000**



[THIS PAGE IS INTENTIONALLY BLANK]

Editor-in-chief: *Criton Zoakos*
Associate Editor: *Robyn Quijano*
Managing Editors: *Susan Johnson*
Art Directors: *Deborah Asch,*
Martha Zoller
Circulation Manager: *Lana Wolfe*
Contributing Editors:
Lyndon H. LaRouche, Jr.,
Christopher White, Costas Kalimtgis,
Uwe Parpart, Nancy Spannaus

INTELLIGENCE DIRECTORS:
Africa: *Douglas DeGroot*
Agriculture: *Susan B. Cohen, Bob*
Ruschman
Asia: *Daniel Sneider*
Counterintelligence: *Jeffrey Steinberg*
Economics: *David Goldman*
Energy: *William Engdahl*
Europe: *Vivian Zoakos*
Latin America: *Dennis Small*
Law: *Felice Merritt*
Middle East: *Robert Dreyfuss*
Military Strategy: *Susan Welsh*
Science and Technology:
Marsha Freeman
Soviet Sector: *Rachel Douglas*
United States: *Konstantin George*
United Nations: *Nancy Coker*

INTERNATIONAL BUREAUS:
Bogota: *Carlos Cota Meza*
Bonn: *George Gregory,*
Thierry LeMarc
Chicago: *Mitchell Hirsch*
Copenhagen: *Vincent Robson*
Houston: *Tim Richardson*
Mexico City: *Josefina Menendez*
Milan: *Muriel Mirak*
New Delhi: *Paul Zykojsky*
Paris: *Katherine Kanter*
Sophie Tanapura
Rome: *Claudio Celani*
Stockholm: *Clifford Gaddy*
Washington D.C.: *Laura Chasen*
Susan Kokinda
Wiesbaden: (*European Economics*)
Mark Tritzsch and Laurent Murawiec

Executive Intelligence Review is published by
New Solidarity International Press Service
304 W. 58th Street, New York, N. Y. 10019.
In Europe: *Campaigner Publications,*
Deutschl. GmbH. + Co. Vertriebs KG
Postfach 1966, D. 6200 Wiesbaden

Copyright © 1980 *New Solidarity*
International Press Service
All rights reserved. Reproduction in
whole or in part without permission
strictly prohibited.

Subscription by mail for the U.S.:
3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10
ISSN 0 146- 9614

EIR

From the Editor

America needs a new foreign policy. The unraveling of Billygate and the explosive connections between the Carter administration and Khomeini-run terrorists have finally hit the daily press. This underlines a point made by Democratic presidential hopeful Lyndon LaRouche in a half-hour address nationally televised and excerpted in this issue. There is something rotten in the foreign policy of both the Carter administration and the Reagan campaign.

This week our special report, "The European foreign policy alternative: Global industrialization by the year 2000," spells out the direction U.S. foreign policy must take.

We detail the commitment of French President Giscard and West German Chancellor Schmidt to a war-avoidance policy based on cooling out the Middle East, stabilizing the Soviets' external flanks, and industrializing the underdeveloped sector.

We highlight in particular the French commitment to providing nuclear power development to Iraq, and the Iraqi program for irrigating deserts and creating a development boom in the Arab world.

In this issue we also bring you a survey, "Mexican agriculture: only American methods will work." It provides an exclusive overview of the problems of Mexican agriculture with a program that can break the bottlenecks and ensure that Mexico enters the 21st century as an industrialized nation.

Our thanks to the Fusion Energy Foundation and the Mexican Association for Fusion Energy for elaborating this survey.



DIR Contents

Departments

- 39 From New Delhi**
Chinese offers fall on deaf ears
- 50 Dateline Mexico**
The Chicontepec story
- 51 Middle East Report**
Khomeini exports reign of terror
- 60 Energy Insider**
'Gasohol is dangerous folly'
- 61 Facts Behind Terror**
Violence planned for convention
- 62 Congressional Calendar**
- 64 Editorial**
The cleanup is on

Economics

- 4 Business Briefs**
- 6 U.S. 'food weapon' spreads African starvation**
The State Department is manipulating food relief in the drought-stricken northeast. The drought didn't hit once-prosperous Zaire, but U.S. backing for IMF policies did.
- 8 Trucking dereg crashes ahead**
On top of Volcker's crunch against consumer durables transport, the ICC is hastening labor strife and decapitalization.
- 10 How U.S. synfuels got off the ground**
- 12 Domestic credit**
Consumption cuts throttle recovery
- 13 Foreign Exchange**
The hype goes sour
- 14 Banking**
Draining funds from housing
- 15 Agriculture**
What kind of emergency reserve?
- 16 Gold**
Reagan's remonetization policy
- 17 Trade Review**

Special Report



French President Giscard with PEMEX president Jorge Díaz Serrano in March 1979 at Vera Cruz. Photo: Richard Melloul/Syigma

18 Global industrialization by the year 2000: Europe's foreign policy alternative

The goals of Western Europe, led by France and Germany, and what they are up against.

20 A paradigm: France and Iraq

Nuclear power supplied with French assistance will start a "Fertile Crescent" boom for the Arab world.

24 Europe and the Middle East

Challenging Camp David, France and West Germany seek a real settlement as they stabilize Lebanon and aid anti-Khomeini forces.

26 The OPEC petrodollars and Europe

28 Europe, Latin America, Asia . . .

29 . . . and the Soviets.

International

32 International Intelligence

34 Carter's Libyan friends escalate terror wave

The Bologna massacre marks a new stage for 'right' and 'left' terrorists, both trained, we document, by Qaddafi.

37 Peking and Bangkok obstruct regional settlement

40 Mexican agriculture: only American methods will work

Part II of our series, 'The Mexican challenge: Managing the boom,' is a survey by the Mexican Association for Fusion Energy and the Fusion Energy Foundation.

An ambitious new program

How peasants can become a superproductive minority feeding the nation.

Controversy over the SAM

An evaluation of the present government agrarian plan.

47 Aquarians meet

First-hand report on the Toronto World Futures conference.

National

52 National News

54 Open convention: the fixers' dilemma

Closed, open but controlled, or wide open? The factors weighed by Democratic decisionmakers, and the possible consequences.

56 LaRouche's Democratic strategy to beat Reagan

Excerpts from one of this month's nationwide television addresses by the presidential contender who over the past year created "the LaRouche wing of the party."

The photographs of modern agriculture and oil fields in Iraq on pages 21-22 are courtesy of the Iraqi Mission to the United Nations, as is the Al-Bakr port photograph on page 23. The U.S. Department of Agriculture photograph on page 40 shows capital-intensive wheat farming in Great Falls, Montana.

Business Briefs

Commodities

Food surplus mapped for famine relief

EIR economists reported Aug. 7 that sufficient international surpluses of crucial food commodities exist, centered in the U.S., for immediate shipment to the 10 million Africans threatened by starvation. *EIR* also calculated the full parity prices at which governments should buy the commodities.

U.S. surplus wheat amounts to 26.3 metric tons, with 9.6 and 9.4 million metric tons of surplus wheat in Western Europe and Canada respectively. The parity price is \$6.51 per bushel.

U.S. surplus corn amounts to 32 million metric tons, at a parity price of \$4.51 per bushel.

India's rice surplus is 7.5 million metric tons; Japan's is 5.9 million. Thailand and the United States each have 1 million metric ton stockpiles, in addition. The parity price is \$18.60 per hundredweight.

U.S. stockpiles of nonfat dry milk total 271,000 metric tons; the European Community has 257,000 metric tons; Japan and New Zealand have 70,000 and 48,000 respectively. The parity price is estimated at \$170 per hundredweight.

Comecon

Soviets negotiate trade boost for Poland

Talks between Soviet President Leonid Brezhnev and Polish chief Edward Giererek concluded Aug. 1 with a pledge to increase bilateral trade by at least 30 percent over the next five years. The agreement, which revises upward previous trade plans, was prompted by labor unrest in Poland last month in the wake of meat price rises. It reflects Moscow's concern to shore up the economic basis for stability in Poland.

According to the Brezhnev-Giererek communiqué, the trade increase will be

concentrated in shipbuilding, electronics, and aviation. Joint projects for energy development are also on the drawing board; it is possible that the Soviet Union has urged Poland to upgrade its nuclear power targets.

On August 19 and 20, Giererek will meet with Chancellor Helmut Schmidt, whose government has extended \$500 million in credit guarantees for new industrial import loans to Poland, despite the latter's 70 percent debt-to-export ratio. Poland has yet to obtain a large Eurodollar credit it is seeking from an international banking consortium.

Farm equipment

Unprecedented first-half sales collapse

Commerce Department officials report that U.S. retail sale of tractors during the first six months of 1980 plunged by 24.8 percent compared to 1979. Tractor sales account for about half of total farm equipment sales. Otherwise, bale sales dropped 31 percent and combine sales 31.5 percent during the same period.

In April, tractor sales were down 57.5 percent—the largest monthly decline ever recorded, Emmett Barker, president of the Farm and Industrial Equipment Institute, reports. Manufacturers and dealers who have been through declining markets before are gasping. One Minnesota dealer who was recently forced to auction 400 pieces of used equipment at about a 50 percent loss told the *Wall Street Journal*, "There's never been anything this fast and severe. Usually sales just taper off."

Farm equipment manufacturers have already slashed payrolls, laying off thousands and extending summer vacations for thousands more. Allis-Chalmers recently announced that it was closing its Milwaukee tractor plant and foundry, idling 850 workers for two months. John Deere, the domestic industry leader, has laid off 2,000 employees and is extending summer plant closing by several weeks.

Equipment dealers have increasingly attempted to finance their own sales, and have come up with an array of incentives from waiving interest rates for a year to large rebates, and even giving out scrip to cover subsequent servicing and parts.

Public policy

Mexican government hits Friedmanites

Mexican Finance Minister David Ibarra Muñoz delivered a blistering attack on Friedmanite monetarist measures at the Sixth World Conference of Economists this week in Mexico City.

Addressing hundreds of economists from both the West and the Soviet bloc, Ibarra issued a call to "rebuild the international monetary system within the context of a new world economic order."

"Certain industrialized countries which implement domestic monetary remedies . . . seem to ignore international forces affecting their economies. . . . It is even more pathetic in the developing sector where attempts are being made to impose such measures through military coups—a kind of Manchestrian liberalism not even found in Albion [England]."

Agriculture

U.S. farm prices back to 1979 level

On July 31 the Department of Agriculture announced that U.S. farm prices rose 5.2 percent from mid-June to mid-July. The price rise is the largest monthly increase since August 1974, when farm prices jumped 7.6 percent. It reflects the early effects of the drought that has wiped out certain areas and seriously threatened overall yields.

Coming several days after President Carter's move to raise the support loan price levels, the announcement touched

off a round of what can only be described as demagoguery on food prices and the President's "reckless" payoff to farmers. Chase Econometrics chief Lawrence Chimerine predicts that food price rises will lead a rise in the consumer price index that will preclude any real recovery in personal incomes in the next year.

The June-July farm price rise is not the motor of soaring food prices. On the contrary, it finally brought the overall farm price index back up to its level of one year ago. Led by soybeans, corn, hogs, cattle and broiler chickens, the price rise follows a 1.3 percent rise in June, a .9 percent rise in May, and a 4.5 percent drop in April.

Generally unreported in this connection is the fact that farm production costs are now 11 percent above last year's level.

International credit

Arabs withhold World Bank funds

A high-ranking World Bank official stated Aug. 6 that the "entire strategy of Arab petrodollar recycling" through the World Bank may now be in jeopardy as a result of a sudden move on the part of Saudi Arabia and Kuwait to hold back funds from World Bank loans.

Last week the two Arab oil producers suddenly announced that they would freeze \$500 million slated for participation. The reason for the move, according to Arab sources, is to force the World Bank to allow the Palestine Liberation Organization observer status at the October World Bank meeting. Behind the maneuver, the petrodollar-rich Arab countries are forcing the U.S. to take a stand on the PLO, since the U.S. is the largest contributor to the World Bank and will have the ultimate say in whether the PLO could gain observer status.

The World Bank official stated that there have been "heated" discussions between Bank governors and the Carter administration over the issue, "but we have reached a dead end . . . the admini-

stration will now allow the PLO to attend the meeting and the Arabs say they will withhold more funds if their demand is not met."

Persian Gulf press services report that already consultations are underway to bring the United Arab Emirates into the boycott of the World Bank. Saudi Arabia and Kuwait hold roughly 16 percent of the total \$270 billion World Bank debt.

Energy

State Department predicts Saudi oil cutoff

"The Saudi Arabian government will fall within nine months or less," Susan Kaufman Purcell, the top specialist for Latin American affairs in the State Department's Policy Planning Division under Anthony Lake, told a conference of U.S. and Mexican strategists in Guanajuato, Mexico, July 31.

Purcell, who joined the State Department in January 1980 after serving as a New York Council on Foreign Relations fellow, told the audience of Latin American and U.S. think tankers that new U.S. efforts would be made to improve relations with Mexico so as to make up for the expected shortfall in oil flows from the Persian Gulf. Purcell was addressing a conference sponsored by the Centro de Investigaciones en Docencia Económica (CIDE).

Purcell's statement has been labeled a scandal by sources close to the Saudi government in Washington, and could trigger a new crisis in U.S.-Saudi relations.

Leading sources in Saudi Arabia, prior to the Purcell incident, suspected State Department complicity in the overthrow of the Shah of Iran, and have been wary that the Carter administration has the same fate in mind for the Saudis.

One Saudi journalist told *EIR* on Aug. 5 that State Department-linked intelligence sources in Washington are circulating the line that "the Saudi government may well have to go."

Briefly

● **A. ROBERT ABOUD's** emergence as Oxy Pete's new President raises questions for some Senate investigators. Oxy Chairman Armand Hammer is close to Charter Oil, the company slated for benefits from Billy Carter's Libya trip; Abboud is the banker who bankrolled Carter crony Bert Lance to begin with.

● **SEVERAL COCA-COLA** executives are planning to leave the company in a wave of confusion over Coke founder Woodruff's return to behind-the-scenes power. Woodruff apparently superseded Chairman J. Paul Austin, in one of the strangest management shake-ups of the last several years.

● **MINOS ZOMBANAKIS**, a close friend of Saudi Finance Minister Sheikh Abalkhail, was a key intermediary in the May agreement between the Saudi Arabian Monetary Agency and Japan for direct Saudi purchase of Japanese treasury securities, the Arab-published magazine *8 Days* reported. Zombanakis heads First Boston Europe.

● **PROF. RICHARD PIPES** of Harvard, a Reagan backer, is having a tough time putting together a Scientists and Engineers for Reagan group. Even some scientific hawks worry that Reagan's commitment to military production "in width" would take everything out of basic scientific research.

● **THE BUREAU OF LAND** Management recently denied permission to a Western oil company seeking to drill for oil on government-leased land, stating that "At this time, available data suggest the noise from around-the-clock drilling operations tends to suppress sage grouse strutting activities." After the Bureau completes its research, which will not begin until 1984, "the data may show that variances of this type may be granted."

U.S. 'food weapon' spreads African starvation

by Alice Roth

EIR has consistently argued that the major cause of the decline in America's influence abroad is the Carter administration's policy commitment to Malthusianism. Last week, *EIR* noted that Secretary of State Muskie had called for a reduction in world population growth by three billion persons.

Overriding any doubt that this is a serious consideration, we continue our coverage of conditions in Africa, where famine has become endemic not only through drought, but through the administration of mass starvation.

One of the continent's most compelling cases of depopulation is Zaire, once a major country with some industry, much mining, and a large population. The starvation in this part of the Congo is the direct and immediate result of International Monetary Fund stringency imposed on that country, not any natural causes.

Reviewing the evidence, there should be no difficulty in understanding why the world views America as a second-rate, declining power. It is not merely that America is permitting the depopulation of areas of the world it once viewed as export markets. The majority of the rest of the world's nations have agreed that world security and economic development are interdependent (see Special Report), and consider economic development issues to be of paramount strategic importance. This has not sunk into the heads of American leaders.

State Department's food weapon

At least ten million persons are currently starving in northeastern Africa, where millions have been displaced

due to drought and war. *EIR* has confirmed that the State Department is nevertheless channeling the bulk of U.S. food relief to Somalia, which provides the United States with a strategically located military base.

According to a State Department source, the administration has decided to provide no additional food aid this year to Somalia's neighbor, Ethiopia, because it is "skeptical" about Ethiopian estimates of the number of persons affected by the drought. The Ethiopian government estimates—and the United Nations Disaster Relief Organization (UNDRO) confirms—that five million Ethiopians are in serious danger of starvation, nearly one-sixth of the country's population. Many of them presently receive only 300 grams of food a day, 100 grams short of the international standard for "famine rations"—the amount of food considered necessary to keep a starving person alive until more substantial supplies arrive. Ethiopia's nationalist government, at war with Somalia since 1978, has "tilted" toward the U.S.S.R.

The U.S. "Food for Peace" (PL-480) program, administered by the State Department's Agency for International Development, has shipped only 52,700 tons of grain to Ethiopia during the fiscal year ending this September and will not allocate more. 200,000 tons have been shipped or are in the process of being booked for Somalia, which has a smaller population of four million but currently must sustain as many as 2.5 million refugees from Ethiopia's Ogaden region. According to UNDRO estimates, Ethiopia requires 151,000 tons of foodgrains and 27,000 tons of supple-

mentary food between now and the end of the year to avert catastrophe. Even this amount is based on the assumption that, due to transportation problems, only 70 percent of the five million Ethiopians can be reached.

By focusing U.S. and U.N. efforts on Somalia, the State Department has aggravated the refugee problem in the area, encouraging thousands of nomads in drought-stricken Ogaden to cross the border into Somalia during the last few months.

Even the food aid provided to Somalia has proven inadequate, however. According to the U.N. High Commission for Refugees, only the 800,000 refugees housed in Somalian camps are receiving rations, and it is not even known how or whether the other 1 to 1.7 million refugees have managed to survive.

In northern Uganda, the U.N. agencies have announced that they have been forced to suspend feeding operations for 560,000 Ugandans due to attacks on relief workers by armed bandits. The bandits are mostly marauding soldiers left over from the forces of deposed Ugandan dictator Idi Amin. Amin's army was and perhaps still is funded by Libya, the fanatical "fundamentalist Islamic" regime with whom the Carter administration has pursued an alliance. At last report, the Karamojan population of northern Uganda was reported to be dying at the rate of 400 to 500 persons a day. Although 4,000 tons of food a month are required to keep these people alive, only 100 tons were getting through, and even this supply may now stop due to the cessation of U.N. operations.

Although Zaire has been little affected by the drought presently scorching most of eastern Africa, its population is being exterminated. In December 1979, under IMF direction, the government of Zaire announced that all citizens must turn in their holdings of the old Zairean currency in exchange for a new one. Especially in rural areas, many Zaireans were unable to exchange their money within the allotted time, and were left with piles of worthless paper. This was followed by a series of devaluations which raised the cost of imported wheat and increased the price of bread by 60 percent. As a result the population can no longer afford to purchase food, and in the relatively prosperous city of Kinshasha, it is reported that bread consumption has dropped by 25 percent.

Urban food shortages are developing because there is no way to transport food from the countryside. Zaire's road system is in utter disrepair. Food cannot be flown into the cities because of fuel shortages. (Fuel sells for \$10 to \$12 a gallon.) Waterways cannot be used because there are no spare parts for boats. These shortages are the consequence of IMF orders to reduce imports so that all available foreign exchange can be used to finance debt service.

According to a dispatch from the U.S. embassy in Zaire, the sharp decline in purchasing power "may well have wiped out the middle class" in Zaire, whose diet is now hard to distinguish from that of the rest of the population. The typical intake for an employed urban worker's family in Zaire is said to consist of a breakfast of bread in the morning (sometimes with butter and tea or coffee) and nothing more till the evening, when *fufu*, a paste made from manioc flour, and manioc leaves, is prepared. The unemployed consume far less.

Under the PL-480 program, the State Department has allocated 36,000 tons of wheat and 10,000 tons of wheat flour for Zaire in fiscal year 1980. This is worse than a token gesture.

The *New York Times*, meanwhile, in an Aug. 4 editorial called for the establishment of an "emergency grain reserve" that would further enhance the State Department's food weapon clout. In response to farm pressures, the Agriculture Department bought some four million tons of wheat earlier this year to help relieve the overhang created by the administration's embargo of the Soviet Union. The Senate last week, with Carter administration support, passed a bill transferring the four million tons to a reserve that can be tapped "only in times of general shortage, and then only to meet extraordinary needs in poor countries." The *Times* called on the House to quickly approve the measure, never mentioning the fact that ten million Africans are starving right now. Much of this grain may end up being used in labor-intensive "food for work" projects, where the recipients are paid in food as if they were feudal serfs. A large portion of PL-480 food aid is already being channeled into such projects run by the U.N.'s World Food Program, the World Bank, and private "charitable" agencies like CARE.

Lester Brown on 'carrying capacity'

The State Department has developed a convenient rationale for its role in the depopulation of Africa, in the form of the just-released "Global 2000" Report. "Global 2000," the product of a three-year study carried out under a directive from President Jimmy Carter, was jointly supervised by the State Department and the Council on Environmental Quality. The study has been hailed by Club of Rome President Aurelio Peccei as a

“comprehensive” and “far-sighted” response to the Club of Rome-sponsored “Limits to Growth” report, published by MIT’s Jay Forrester and Dennis Meadows in 1972.

Like “Limits to Growth,” the “Global 2000 Report” starts out from Malthusian premises to project a grim future in which human growth can no longer be sustained by the world’s diminishing “finite resources.” The study predicts “regional water shortages,” widespread deforestation, a 20 percent increase in land area covered by deserts, and sharp increases in real prices of food, energy, and non-fuel minerals occurring within the next 20 years.

One of the key buzzwords promoted by “Global 2000” is that of “carrying capacity,” the notion that the earth has only a fixed amount of available water, arable land and other resources, beyond which any population growth is excessive. The study states that “the populations in sub-Saharan Africa and in the Himalayan hills of Asia” have already “exceeded the carrying capacity of the immediate area, triggering an erosion of the land’s capacity to support life.” The conclusion to be drawn: populations in these areas must necessarily die.

According to Worldwatch Institute’s Lester Brown, an adviser to “Global 2000,” the “carrying capacity” notion must also be applied to eastern Africa, where ten million persons are presently threatened with starvation. “The desertification problem is growing,” Brown stated in a recent interview. “The entire East African plateau appears to be slowly deteriorating under pressures of population and deforestation. The same thing is happening in northeastern Brazil for the same reasons.”

“There’s a need for much more education on carrying capacity issues,” Brown continued. “I’ve been at so many international conferences where Africans said, ‘We’ve got lots of space.’ But it’s not just space, it’s the availability of water and arable land. What I’ve proposed informally within the U.S. government is to sponsor Global 2000 studies country by country. AID [the Agency for International Development] would work with the governments and help them to understand the relationship between population policy and carrying capacity. This is not a natural thing for many of these governments to understand.”

Brown’s colleague at Worldwatch, Erik Eckholm, has just joined the State Department’s Policy Planning staff. In an interview, Eckholm pooh-poohed estimates by the London *Economist* and other sources that ten million lives are at risk in northeastern Africa: “They always say that. During the Sahelian famine, there was talk of six million at risk. But afterwards studies were done which showed that the death rates increased by only tens of thousands over normal. . . . There’s enough aid going into these areas. People are adaptable, they go into the cities and manage to survive.”

Transportation

Trucking dereg crashes ahead

by Richard Freeman

A month and a half after the deregulation of U.S. trucking, the industry is in the steepest decline since the 1930s. If certain plans now sponsored by the Interstate Commerce Commission are implemented, American trucking companies will undergo a shakeout that will conclusively wreck the domestic transportation system.

Trucking is highly dependent on the consumer goods-producing sector. The Federal Reserve’s interest-rate crunch last October and imposition of credit controls this March have devastated the U.S. consumer sector. Hardest hit is auto production, the leading item transported by truck. Consumer electronics, building materials, home furnishing and so forth have also suffered. American Trucking Association figures show that from May 1979 to May 1980 (the latest month available), trucking traffic has plummeted 25.2 percent nationwide. The decline was 10 percent for New England, 13 percent for the Pacific region, 29.1 percent in the Northwest and a whopping 36.7 percent in the Midwest.

The ICC moves in for the kill

Companies that have already folded include the nation’s 17th largest motor carrier, Wilson Company, which went into bankruptcy court with \$22.4 million in defaulted loans when its Dallas-based Strickland Transportation Co. failed. Others are the Thomas Inman Company of Tulsa, Oklahoma, and the giant Johnson Motor of North Carolina, which employed 2400. Another major carrier, McLean Trucking, will probably report a heavy loss for 1980, its first red figures in 34 years.

Even the industry giants, such as Consolidated Freightways, the number two company, are merely making money on reduced freight traffic by charging higher rates.



In this depressed atmosphere, the Interstate Commerce Commission under chairman Darius Gaskins is implementing the full deregulation of the trucking industry. Only a few firms are certain to survive. The safety, low costs and efficiency of U.S. trucking will not. Soon the United States will have a dangerous junk heap of a trucking industry like Great Britain's which can scarcely be called an industry at all.

Gaskins is a protégé of Alfred Kahn, the man who deregulated and has done much to destroy the airline industry, when both were at the Civil Aeronautics Board. Gaskins also served under U.S. Energy Secretary Charles Duncan. Duncan is a past director of the Southern Railway. Railroads, which already have the bulk of the nation's producer goods transport locked up, are in line to benefit if the trucking industry collapses. Many rail companies are now buying trucking companies to be there to pick up the pieces when the trucking industry is shaken out. But the U.S. internal transportation industry will never be the same without an efficient trucking industry and trucking collapse will just further intensify the destruction of the U.S. economy.

Gaskins' game plan is the following: destroy the rate bureaus that set collective trucking rates and replace them with a system that charges "differential" prices for different standards of service. At the same time, the ICC is already wiping out the collateral of trucking companies in the form of operating authority certificates—the licenses that restrict access to the market to qualified carriers.

Abolishing the profit structure

The trucking industry, like the farm sector, works on a system of parity. A trucking firm needs to cover its

costs plus requirements for expansion and improvement of fleets and terminal systems, and some fair level of profit. The ICC policy will remove that profit and irreparably damage the capitalization of the industry. The Carter administration, Senator Ted Kennedy, and Republican candidate Reagan are nevertheless all advocates of deregulation.

The first assault against the trucking rate bureaus began earlier this year when the ICC denied the large Rocky Mountain Bureau a rate increase from Jan. 1 through June 30. The ICC's objective, according to one motor carrier executive, was twofold. "First, they wanted to get the trucking companies to support the deregulation bill," he told *EIR* Aug. 4. "The ICC's message was, 'If you don't support dereg, this is how we're going to treat you in the future.' Second," he added, "the ICC offered rate increases to companies that would break from the Rocky Mountain Rate Bureau and file for independent action to get rate increases."

The attempt to break the Rocky Mountain Rate Bureau was the precedent for "X-Party, NC-128," the proposed rule change introduced this year by ICC General Counsel Ed Schack under Gaskins' instruction. Open hearings on this rule change were held July 29. The proposed new rule would give trucking firms 90 percent of the rate increase they requested, thus under current circumstances nearly precluding profits.

This would also set up trucking companies for a fight with the Teamsters, because the carriers need a certain rate of rate increase to meet the 9 percent wage increase for this year negotiated with the union.

The three-tier system and "free entry"

What ICC chairman Gaskins is proposing is the Canadian model. There a trucking company typically operates three companies under different names. If a shipper wants good shipping service, he must pay accordingly. If he wants only fair service, he will pay less, get poor service. Delivery time is five to six days, if he pays an even smaller sum. Gaskins lauds this "free market philosophy." It is in fact a formula for mass trucking bankruptcy and poor service.

Moreover, the certificate of operating authority which some truckers paid millions of dollars to get is now worthless. The certificate was obtained by either: 1) having a route before the ICC was created; 2) applying for the route; or 3) buying the route from another company. The certificate could be used as collateral to get bank loans for new trucks, or as a sign of stability to pay off creditors in case of bankruptcy. Now with "open entry," certificates are granted gratis, and the old certificates and millions of dollars are worthless.

How U.S. synfuels got off the ground

What follows is an interview with Michael Hudson.

Dr. Hudson worked for the Hudson Institute from 1973 to 1976. He has also worked as a balance of payments economist for Chase Manhattan Bank, the senior economist for Continental Oil Company, and as a technical consultant to various agencies of the Canadian government.

EIR: Dr. Hudson, I understand that while you were at the Hudson Institute in 1973-76 you wrote a number of studies on coal liquefaction.

Hudson: Yes, this was part of a contract on Project Independence, which the Nixon administration had designed to increase U.S. energy self-sufficiency by using coal as the “fuel of the future.” Because most growth in U.S. oil consumption was for automotive uses, coal had to be turned into liquefied forms for use in cars.

EIR: How serious was the Nixon administration about Project Independence, and specifically about coal liquefaction?

Hudson: My first impression was that the whole project was a bluff. It would set up a coal-derived synthetic liquids [“synfuel”] industry like the synthetic rubber industry in World War II, and thus cut imports, increase the world oil oversupply and force oil prices back down.

The reason why I didn’t think the government was serious was because we—Basil Candella, Frank Armbruster, Herman Kahn and myself—were explicitly told *not* to look at certain issues, in particular the water issue. We were told to concentrate only on the technology, and on possible gimmicks for financing a huge \$80-100 billion industry. We’re talking about huge refining plants, producing 50,000 barrels per day, that cost a billion dollars each, take up a square mile, and use enormous quantities of water.

The problem is that America’s main undeveloped coal resources are located in the Northwest—Wyoming, Montana, North and South Dakota. These are also arid regions, whose land are used largely for grazing. Water

rights are at a premium, and are currently being bought up at high prices. This means that water used for coal liquefaction has to be diverted from agriculture.

Not only will this entail a write-off of these lands as prime meat producing areas, but without adequate water the topsoil may be eroded and just blow away, as in the Dust Bowl. Food output, especially meat output will decline after killing off herds that can no longer be grazed on waterless lands. Meat and food prices will rise accordingly.

EIR: Isn’t the coal liquefaction plan essentially the same technology that the Nazis used during World War II?

Hudson: As a matter of fact, the Hudson Institute report had an appendix pointing this out, and quoting Albert Speer’s memoirs to the effect that German synfuel production increased from 2 million metric tons in 1939 to 7.1 million in 1944.

The report also pointed out that coal liquefaction is still a first-generation technology, that is, no technological progress has been made since before World War II. This is essentially the technology that South Africa is using to produce its synthetic fuel oil.

EIR: Won’t the plants be profitable? If not, where is the money to come from?

Hudson: The government’s original plan was to have electric power utilities put up the money, along with the oil companies and other large energy-industry firms. But this was impossible, since utilities can’t even raise the funds for their own plant expansion in the face of the past decade’s stock market conditions.

Therefore, the government has decided to subsidize coal liquefaction in various ways and then “turn it over” to the private sector. For instance, I am told it already has provided zero-interest capital to coal-liquefaction plants in the West Virginia area. Now this means that plants may make a profit in terms of their own narrow corporate balance-sheet figures. But if they are financed with zero-interest capital, on which the government has to borrow and pay interest itself, then obviously this is an “external” cost that should be rightly factored into the equation. For such capital is not able to earn a return doing something else. If a billion-dollar plant is built with zero-cost capital, and interest rates for long-term industrial bonds are 12 percent, then this is the equivalent of a \$120,000,000 subsidy per annum. Try converting that into the per-gallon price, and see how cheap synfuels are. It’s \$6.86 per barrel right there!

For instance, on p. 101 of the report I point out that the interest rates being used to estimate capital costs per barrel are much below the 15, 20 or 25 percent return generally used in corporate discounted cash flow (DCF) tables. “If the synfuel project attempts to provide as high

a rate of return and as rapid a payout as would be demanded by most corporations, its progress may be impeded by the much heavier debt-service charges which alone could increase the break-even price for the project's energy output by roughly \$4 per barrel." That was in 1976. Today it's nearly \$7 per barrel. I add that "the premium to be paid at a 15-20 percent discounted cash-flow rate would be so high that substantial political opposition to the program could well occur," just as it did in Canada regarding the Athabasca tar sands project.

EIR: What is the per-barrel cost?

Hudson: This all depends on how the capital inputs are "costed." We came up with anywhere from \$8 to \$50 per barrel, depending on variations in the interest rate, the "mix" between debt and equity, the amortization schedule and depreciation rate, the tax treatment, and original book-cost—not to mention the "opportunity" cost of depriving Northwest agriculture of water, and the social cost of building brand-new towns in the region.

Incidentally, the book cost might even be *negative* on the balance sheet, even if the plant costs \$1 billion. This would occur if the government finances construction of the plant (presumably on some cost-plus contract) and puts it up for auction. If nobody bids \$100 million, if nobody bids even \$1, then the price may be lowered, so that the government actually has to pay a private-sector consortium to buy the plant. Suppose it turns over the plant, plus \$100 million to some private sector group. Under these conditions they may be able to make a profit, using the \$100 million to generate enough earnings (say, \$12 million a year) to subsidize the price and be able to seal their coal-liquids under "market" or "free-enterprise" conditions. But the public sector will have used up a lot of financial capital, and driven up interest rates to "crowd out" really worthwhile investment.

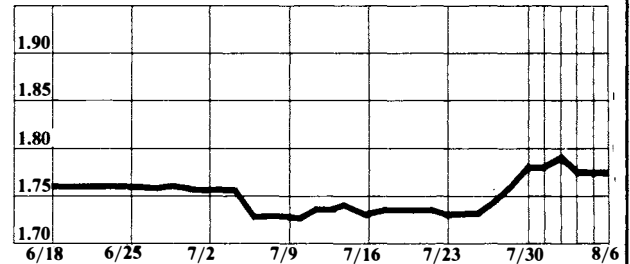
EIR: Getting back to Project Independence, what was the private sector's response to it?

Hudson: Negative. Let me give you an idea about how much we're talking about: the envisioned \$10 billion a year equals the *total* growth in U.S. government debt in years such as 1973 and 1974. We're talking about a program that is going to exhaust the nation's credit markets as much as all the rest of big government itself! In my Hudson Institute report I pointed out that it is equal to about two-thirds of recent net annual state and municipal borrowing. It surpasses the annual average total farm borrowing, and also total annual commercial mortgage lending. If long-term funds are diverted to coal liquefaction, then the program is not ultimately one of economic independence, it is going to make America economically dependent on nations using their resources for higher-technology investment.

Trade Review

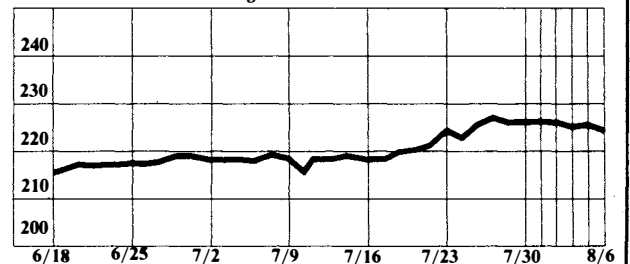
The dollar in deutschemarks

New York late afternoon fixing



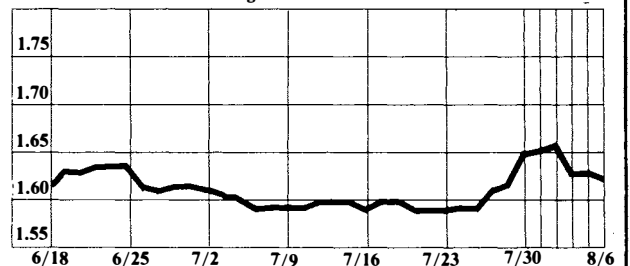
The dollar in yen

New York late afternoon fixing



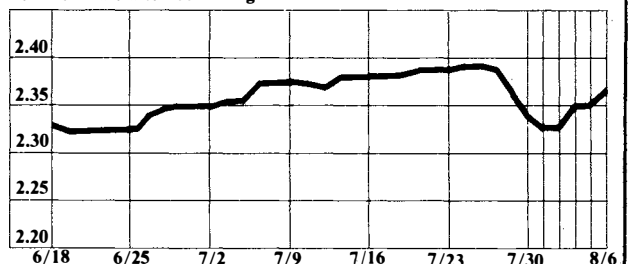
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Consumption cuts throttle recovery

Volcker's policies have slashed incomes—and productivity. His defenders call for more of the same.

The sharp drop in individual consumption since the initiation of the credit squeeze pulled on the U.S. economy in October 1979 by Federal Reserve chairman Paul Volcker precludes any U.S. recovery based on reducing consumption, contrary to lower Manhattan's consensus.

The drop in consumption over the past nine months is far steeper than any economic commentator would like to admit, and takes far more out of the economy's purchasing power than it can afford to sustain. According to the June *Survey of Current Business* published by the U.S. Commerce Department, the drop in inflation-adjusted wages and salary disbursements was truly stupendous. Rarely has it dropped this far so quickly.

Between November 1979—one month after Volcker announced his interest rate policy—and May 1980, the wage and salary bill for the entire economy rose from \$1.271 billion to \$1.306 billion, an annualized rate of 4.7 percent. The rise in wage disbursements for goods-producing workers from \$446.5 billion to \$453.7 billion was 2.8 percent. However, during this period, the rate of inflation, as measured by the Consumer Price Index, was clocked at 15 percent. This means that the living standard of wage and salary earners in general fell by 10.3 percent, and the living standard of goods-producing workers fell even more steeply at a 12.2 per-

cent rate. The increase in unemployment benefits offset this income decline, but only marginally, as the total net increase in all types of transfer payments during the second quarter was only \$5.5 billion, a relative drop in the bucket.

Moreover, the nominal wage bill of income earners rose, and pushed them into higher tax brackets, gouging an additional 1 to 2 percent from paychecks. For goods-producing workers this brings the drop in living standards for the period to between 13.2 to 14.2 percent. Consumer installment credit turned negative by April; consumers could not offset their wage loss through increased borrowings.

There is no reason to believe that the consumption picture improved in June or July. Wage earners have experienced a 13.2 to 14.2 percent cutback in nine months.

It can hardly be expected that continued reduction in consumer goods production and the overall consumption level of the U.S. population until at least late 1981—another 18 months of cuts—will generate a recovery. Yet this perspective is now proposed by the Carter administration, the Reagan campaign, and the Federal Reserve.

The shapers of a consumption-cut based recovery have what they imagine to be a production-led recovery in mind. One advocate privately mentions the Soviet example, where consumption was kept low

to feed the growth of producer goods! This analogy is totally grotesque applied to the U.S., the world's richest, most industrialized nation. In any case, the Soviets have always invested heavily in such intangibles as education, while Carter, Volcker and Reagan plan to slash or freeze education budget expenditures. Second, as indicated in the Aug. 11 issue of *Business Week* in its cover story, "The New Defense Posture: Missiles, Missiles, Missiles," it is thought by some U.S. consumption-cut strategists that investment in basic U.S. industries such as steel can be bypassed. This is wishful thinking the Soviets would never engage in.

The basic truth of the matter is that attempting to build up the U.S. investment fund by 18 months or longer of further consumption cuts is economic lunacy, especially when other options exist to generate new investment funds. Indeed, the U.S. recovery of a fundamental sort is only as good as its basic commitment to the technological upgrading of the workforce and its standard of living.

Perhaps the most characteristic expression of the consumption-cut perspective came in the Aug. 4 newsletter of Manufacturer's Hanover Bank, which stated that though U.S. productivity plummeted by 3.2 percent in the second quarter, and has been half the rate of other industrial countries over the last decade, the U.S. can boast that its unit labor costs have increased at a lower rate than other countries, and that has given the U.S. international competitiveness. The notion that the falling wage rate directly contributes to the falling productivity never crossed the writer's mind.

The hype goes sour

A turning point has arrived: new oil revenues' flow into other currencies will actually hurt the dollar.

The dollar's strange behavior on the foreign exchange markets during the week of Aug. 4 made fools of a large number of commercial bank economists, led by Morgan Guaranty's Rimmer de Vries, who had predicted that the previous week's runup of the dollar on the foreign exchange markets heralded a new era of dollar stability.

On Friday, Aug. 1, the dollar closed above 1.79 to the West German mark, or a respectable 2.5 percent higher than two weeks previously. By Aug. 6, the dollar had fallen back to DM 1.76. This occurred despite the announcement by Mr. de Vries and many other respected voices that the dollar was showing its real strength.

A more thorough appraisal shows that although some short-term bank deposits changed currency as American interest rates rose, virtually no long-term investment moved into the dollar. During the last several weeks' runup in American stocks, European investors sat on their hands, largely due to fear of foreign-exchange risk in switching funds into dollars. In the bellwether Eurobond market, the dollar sector remained on strike with very few new issues appearing in July or announced for early August. However, the German mark sector of the Eurodollar market has remained very strong indeed.

What is especially interesting in the souring of the dollar hype is a political sidecurrent that ran

through the European markets the morning of Aug. 4. According to a story circulated by continental foreign exchange traders, the dollar was supposed to have risen because President Carter's troubles would guarantee the election of Ronald Reagan and ensure conservative management of the U.S. economy.

From an economic standpoint, that is a silly notion, and no major investors in Europe believe that Reagan will have any more success in managing the American economy than Carter, judging from his advisers' current policies.

What is worrisome for the dollar is the shift in the structure of the international market, through the diversification of the investment pattern of Arab countries. Previously, *EIR* has tended to downplay the possibility that large-scale Arab currency "diversification" would badly impact the dollar. However, if Mr. Carter is returned as his party's nominee at next week's Democratic Convention, there is no reason to suspect that diversification of Arab investment into state-to-state deals (see Special Report) will *not* hurt the dollar. The Carter administration is pushing toward a political break with most of the rest of the world. The extreme degree of the deterioration of relations with Europe and the Mideast will impact the dollar before the year is out.

Any stabilization of the net of agreements now being woven between Europe and the Gulf coun-

tries will tend to lower the dollar's value. In all fairness, the relative increase of the oil price during 1979 has had a great deal to do with the stability of the dollar, such as it has been, during the past year, for the simple reason that higher oil prices create demand for dollars to pay for oil, which is priced in dollars in international trade. Even a stabilization of the oil price—and the market is quite soft for both crude and refined products—for any period of time would produce substantial pressure on the dollar.

The other traditional source of strength for the dollar, the instability of weaker European currencies, may not come to the dollar's aid. Under the existing European Monetary System framework, the Bundesbank will sell deutschemarks to buy the currencies of those weaker EMS members. That tends to depress the mark against the dollar, for obvious reasons. However the doubling of the size of the pool of European Currency Units on which EMS members can draw gives the weaker EMS members virtually inexhaustible resources for currency support. This should make the entire system less subject to devaluations and more stable. The volume of ECUs available to individual members for foreign-exchange support is based on the members' original gold contributions, valued at a formula linked to the market price of gold. Since the market price of gold has doubled or more since the founding of the EMS, support resources have increased markedly. Indeed, the success of the 1979-1980 EMS "Phase One" is a major reason for the relative stability of the European economies compared to nonmember Britain and the United States.

Draining funds from housing

The latest deregulation move sets up sweeteners that turn S&Ls toward commercial banking and away from home loans.

The second blow of the one-two punch against the financial mainstay of the nation's housing industry has been delivered in the form of incentives designed to pull savings bank loans away from the home mortgage market. The Federal Home Loan Bank Board announced last week that it was granting federally chartered savings and loan banks (S&Ls) considerably augmented lending powers including permission for consumer loans, land speculation, nonresidential mortgages, second mortgages, commercial paper and corporate bond purchases, and the right to conduct interstate banking. The first slam against housing was Federal Reserve Board Chairman Paul Volcker's elimination of the S&L interest rate differential, effected by the Deregulatory Committee on May 28.

The Home Loan Board also proposed regulations that would lengthen mortgages from 30 to 40 years, take the ceilings off mortgages and home improvement loans and reduce down payments from 20 to 10 percent.

The United States League of Savings Associations, the largest of the S&L industry associations, issued a short press release commending the Home Loan Bank Board for stretching mortgage payments and reducing the down payment, but remained silent on the increased lending authority being proposed. The much smaller but

influential National Savings and Loan League, however was "very enthusiastic" about the entire package, which it considered a natural outcome of House Banking Committee chairman Henry Reuss's Depository Institutions Deregulation and Monetary Control Act of 1980, which they also strongly backed.

The Board's action is said to have originated with National Savings and Loan League vice-president Richard S. Lawton, who last year convinced the Virginia legislature to pass similar lending powers for office and commercial properties and unimproved land.

S&Ls were previously limited to mortgage, home improvement and educational lending.

The most surprising of the Board's moves is the one allowing interstate lending. Although this does not violate the McFadden Act, which prohibits interstate commercial banking, as the S&Ls take on commercial paper, corporate bonds, trusts, or credit cards, S&Ls would become less and less distinguishable from commercial banks. On June 6 the Board promulgated rules facilitating conversion from state to federal chartering of the S&Ls.

The proposal to halve down payment requirements ironically adds another cost to the housing market: mortgage insurance. To bear the increased risk of mortgaging younger families with both adults employed, S&Ls often turn

to mortgage insurance from such operations as Max Karl's Mortgage Guarantee Insurance Corporation (MGIC). Jay Janis, head of the Home Loan Bank Board, was formerly a top MGIC official. By reducing down payment requirements, mortgage insurance puts the mortgage transaction into the realm of speculative paper.

The need for mortgage insurance further increases when variable or renegotiable mortgage instruments are used, since if rates continue to rise, so could a family's mortgage debt. The National Savings and Loan League is now trying to end restraints on variable-rate mortgages. Meanwhile, the full impact of Volcker's Deregulatory Committee abolition of the S&L interest differential will be felt this week as the commercial banks get to bid for money market certificates at the same rates as S&Ls. While the U.S. League of Savings Associations expects this to transfer \$17 billion from the S&Ls to money center commercial banks in the next six months, the S&Ls have other institutions on their minds. "Yes, I'm worried about the money market mutuals but I'm really much more concerned about the Merrill Lynch's," commented the chairman of a large Western S&L. "I can see their office from my window. I know they are siphoning off my accounts, and their banking is unregulated."

The total shortfall in available funds for housing each year is estimated by University of California professor Ken Rosen at \$42 billion each year—about 25 percent of the entire home mortgage money requirements annually. The Volcker policy of "no housing in the '80's" is being tightly implemented.

What kind of emergency reserve?

A special grain stockpile could be a precedent for parity, but the Carter administration will make it a "food weapon."

Early this spring the Carter administration began to parlay the leverage it had won against farm producers through the grain embargo. It established a new government grain reserve. Last week the project was advanced with Senate passage of S.2639, a bill which provides for a 4.5 million ton reserve the President can use as "backup" for the Food for Peace (PL-480) food aid program. A similar bill is pending in the House.

Partisans of a squeeze-the-farmer policy at home and Henry Kissinger's "food weapon" policy abroad are rooting for prompt House action. As the *New York Times* editorialized this week, the "political opportunity" is at hand to defeat what has been consistent farm opposition to both the use of food as a diplomatic weapon and to the idea of the government controlling a significant stockpile of grain overhanging the market.

In the aftermath of the embargo, which had the effect of smashing grain prices, the administration announced that by setting up a government reserve for emergencies farm prices could be boosted 15 to 20 percent. The administration ordered legislation for such a reserve, and House Agriculture Committee chairman Foley and other Carter deputies set to work. Foley told congressmen and farmers that the reserve was a good deal for producers since the conditions for releas-

ing grain from the emergency reserve would be tighter than release conditions—when the market price reaches more than 150 percent of the support price—under the crop loan programs administered by the Commodity Credit Corporation.

But the force of the argument lay almost exclusively in the fact that the administration already controlled the grain. The program neatly provides for four million tons of grain to "backstop" PL-480 and another 300,000 tons for a "special reserve" in case Food for Peace supplies are already programmed when an emergency arises. This adds up almost exactly to the 4.2 million tons of wheat the Administration has declined so far to tender from among the contracts it picked up after declaring the embargo.

The fraud and hypocrisy of this swindle against the American grain farmers has characterized U.S. food aid policy from the outset.

Rhetoric aside, Food for Peace was a dumping program whose net effect was to exacerbate the problems the program was ostensibly designed to solve. The government's ability to take amounts of "surplus" grain at bargain base-ment prices set by the support loan levels left farm producers to paper over their losses with an accumulation of loans that now threatens to pull down the whole farm economy. At the same time, dumping the

cheap grain into underdeveloped countries created a dependence that prevented basic agricultural development in countries already beset with difficulties.

Furthermore, the law allowed the U.S. unilateral intervention in recipient countries, such as the provisions that a portion of the transferred commodities be used in the World Food Program's food-for-work operation, and the so-called local currency programs where local currency payments for the commodities were banked in U.S. accounts in the country. Under the latter, the United States gained virtual control over the money supply of an entire country like Pakistan.

Recent amendments to the law specify that no less than 5 percent of the program commodities must be used to enforce population control. The so-called Food for Development aspect of the program makes aid contingent on the fostering of random, small plot, "self-help" agricultural and other cottage industry undertakings.

Congress should look at the record before renewing a bad program—especially at a time when the famine in Africa demands immediate, effective action. All that is required for a proper famine relief program is emergency reserves of the basic food items—wheat, rice and dry milk—established *at parity prices*. Such a program should be run by the Agriculture Department, free of the meddlesome PL-480 and Agency for International Development apparatus, and without strings other than the assurance of effective followthrough to get the commodities directly to the hungry individuals. A country with a serious commitment to agriculture would do it that way.

Reagan's remonetization policy

The GOP platform's plank hinting at a return to a gold standard sounds like the 1871 Specie Resumption Act—a prescription for disaster.

In a July 28 editorial entitled "The Standard Bearers," the *Wall Street Journal* offered its tentative endorsement of a little-publicized Republican Party platform plank that calls for a return to the gold standard without mentioning the word "gold," but with phrases such as "dependable monetary standard."

The gold plank was written by Michigan Congressman David Stockman, of the Kemp-Laffer wing of the Reagan campaign, the product of a compromise with Reagan adviser Milton Friedman, who played an important role in delinking the dollar from gold during the early 1970s. The *Journal* interprets the move as entirely coherent with Mr. Friedman's advocacy of a contractionary monetary policy.

According to the *Journal*, the Federal Reserve would buy and sell gold at a specified dollar price and, if upward pressure materialized against this target price, the Fed would reduce the supply of dollars.

A very similar type of gold standard was instituted in the U.S. during the 1870s under the Specie Resumption Act, recently cited by *Fortune* magazine as having achieved a "smooth and triumphant" return to gold. The actual story of the Specie Resumption Act was presented by my fellow columnist, historian Richard Freeman, in the Aug. 1 issue of the newspaper *New Solidarity*. The following are excerpts from Freeman's article.

* * *

"The Specie Resumption Act was a direct attack on the Lincoln banking reforms. Lincoln had given America a national currency to build its industry. He had made credit cheap and plentiful to feed the emerging railroad, steel, iron, nascent machine tool, clothing and shoe manufacture, agricultural implements, chemical and other infant industries that were starting to make America great.

"During the war, \$450 million worth of greenback dollars had been created. . . . to feed, house and arm the Union Army and build the industrial infrastructure that would lead the Union to victory.

"The Specie Resumption Act provided that the U.S. maintain strict convertibility between greenbacks and other U.S. notes and . . . gold. This meant that a reserve of gold had to be set aside, in some multiple, for each greenback in existence. The creation of new greenbacks was to be strictly limited. Reinforcing the contractionary intent of the measures, the Grant administration actually retired greenbacks and thus took needed currency out of circulation in the name of 'halting inflation.'

"Under the gold system of the Specie Resumption Act, only credit and currency restriction and industrial contraction were envisaged. Since the British controlled the world gold standard and the

world's supply of gold in the 19th century, any country forced onto that standard was put under Britain's control.

"Developing industrial nations which ran trade deficits, such as the United States, had to settle their imbalances in gold. If they didn't have it, they could only obtain it by going hat in hand to a British bank. Britain used this to impose austerity programs on countries and force contraction of currencies or equally devastating devaluations.

"By joining the British-run gold standard, America joined the British credit system. Each new collapse in the British credit system meant a new American collapse. In large measure, this accounts for the frequent U.S. recessions, depressions, and panics of the 19th and 20th centuries.

"By collapsing U.S. internal sources of credit, the Specie Resumption Act allowed the British-Hapsburg-run New York and Boston money centers to gobble up the assets of smaller banks and concentrate credit into their own hands. By the late 1800s, New York banks had 53 percent of the nation's currency and credit."

In 1980, thousands of regional banks and savings institutions are faced with the near prospect of either bankruptcy or takeover as Volcker's tight money policies and recent regulatory "reforms" hasten the advent of nationwide banking, in which six or seven of the largest banks will own all the rest. A similar reorganization is occurring elsewhere, as the recession pushes many consumer-based industries, to the brink. Could there be a parallel between the Specie Resumption Act and what may occur under a Reagan administration?

Trade Review

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
multi-bn. to be negotiated in 1981	U.S.S.R. from Japan	Japan's five largest steel companies have agreed "in principle" to Soviet request for 5 mn. tons of steel pipe and 1.8 mn. tons of steel plate. This is first time Japanese have given Soviets long-term steel supply guarantees.	Japan Ex-im yen credits expected for pipes; private yen financing for plate.	Was blocked by U.S. "Afghan" sanctions.
1.5 bn.	Japan and China	Japan is seeking 10 mn. tons per year of coking and steaming coal from China by 1985. China presently lacks transport ability to provide Japan with more than 1.6 mn. tons this year. Tokyo's Overseas Economic Cooperation is offering loans of up to \$1.5 bn. for Japanese to improve Chinese coal railroads and ports.	3 percent on yen credits; very long terms	
70 m	Panama from Japan	Various projects in Colon province.	0.5% over LIBOR; 6 years grace; 15 year term	signed
35 mn.	Spain from Japan	Nissan will produce 250,000 light commercial vehicles and 20,000 jeeps per year with new Spanish investments.		
UPDATE				
3.2 bn.	Iran from Japan	Mitsui announced it would resume building petrochemical complex at Bandar Khomeini.		Construction stopped last year.
900 mn.	Brazil from U.S.	Alcoa will go ahead with bauxite refining plant and aluminum smelter in Maranhão state of northern Brazil.	Being worked out	
180-200 mn.	Iraq from U.S.	2 Boeing 747s and 3 Boeing 727s and spare parts.		State Dept. has recommended granting delayed export license.
166 mn.	Chile from Austria	Premier Bruno Kreisky announced approval of delayed Chilean order for 100 light tanks and 300 machine guns to General Pinochet's government. Order is to Steyr Daimler Puch.		Followed British ending arms embargo.
CANDELLED DEALS				
	U.S. from Japan	Nissan is believed to be shelving plans to build Datsun small commercial vehicle assembly plant in U.S., largely because of opposition from U.S. producers.		Datsun will continue importing from Japan.

Global industrialization by the year 2000

Europe's foreign policy alternative

by Vivian Zoakos

The emerging European superpower led by France and West Germany is pitting itself—sometimes cautiously, but with a fair amount of consistency—against the zero-growth policies espoused by both the Carter administration and the Reagan brains trust. Europe's activities on behalf of a comprehensive Middle East settlement in opposition to the provocative Camp David accords have received a certain amount of angry coverage in the American press. But the economic component of the European diplomatic endeavors in the area has been carefully screened from the public.

Yet the Third World economic policy of France and West Germany is the cornerstone of their foreign policy. A paradigm for this is the Iraqi industrial and agricultural development program which, with French aid, will transform Iraq over the next two decades into the breadbasket for the entire Persian Gulf region.

The contravening American policy is a direct version of the Club of Rome "Limits to Growth" doctrine. This was most dramatically demonstrated by the just-released three-year "Global 2000 Report" commissioned by President Carter, conducted under State Department supervision and warmly endorsed by Secretary of State Edmund Muskie. The report concludes that "regional water shortages," a "20 percent increase in land area covered by deserts," and sharp increases in food and energy prices are the inescapable features of the coming two decades on a resource-finite earth. Therefore no alternative exists to mass population control and zero economic growth programming—a polite way of describing genocide.

French cooperation with Iraq's ambitious agroindustrial development program should be seen as the case study for what Europe wants to accomplish in the Middle East and, more broadly, Latin America and the Indian subcontinent. As detailed in the following report, France is providing Iraq with nuclear energy technology, including an expanded nuclear research center, that will function as the future basis for irrigating the deserts, bringing heavy industry to the country, and overall giving the lie to the State Department's predictions.



What France is accomplishing with Iraq, it looks forward to carrying forward in Latin America. Following his tour of various Latin American countries last week, French State Secretary Olivier Stirn indicated that Europe looks to Mexico and Brazil as two stabilizing forces on the continent that might shape a regional alliance capable of cooperating with Europe. *Le Figaro*, commenting on Stirn's declaration and the latest statements of President López Portillo, notes that France is eager to support the Mexican president's policy of using Mexican oil revenues as an instrument both for developing Mexico and for stabilizing the rest of the continent through development projects.

The economic philosophy behind the Franco-German approach was elaborated afresh by Chancellor Helmut Schmidt in an Aug. 7 interview with the *Kölner Stadtanzeiger*.

"Our country has changed very much since Ludwig Erhard's time in office . . . the first factor in this was the resolution of our own foreign policy, by our policy of nonaggression, negotiations and treaties with the states of Eastern Europe.

"This Ostpolitik has—although this was not its main aim—provided us with a much greater degree of freedom of action, and freedom in foreign policy. The second factor is the economic and monetary policy success of the Federal Republic of Germany. The BRD has the largest currency reserves in the whole world, and the second-largest gold reserves . . .

"This increase in our political weight is surely not only convenient for us. It is a service not only to Europe

as a whole but also a service to the whole world, since under joint German-French leadership the European Monetary System was created, which is functioning quite well and has a balancing, dampening effect on the currency disturbances of the whole world."

Schmidt pointed out to his monetarist-minded domestic critics that West Germany's state indebtedness rate is about 30 percent, compared to 50 percent for the United States, 60 percent for the United Kingdom, and 62 percent for the German Reich in 1914.

Furthermore, the bigger a modern industrial economy becomes, the greater the need for credits, Schmidt insisted. There is no basis for populist objection to debts, so long as production is also rising, he said.

Asked about conflicts with the U.S., Schmidt replied: "I wouldn't say conflict, I would rather say difference of interests . . . to the extent that we have increased our political weight, we are less constrained to approve everything which the United States considers right. . . . Our position today is different from the one we were in 15 years ago, or 20 or 25 years ago. Then, we were just a dependent client, whereas today we are an important partner of the United States in many respects."

Europe cannot be unconditionally dependent on the U.S. for its defense, Schmidt said. "Nothing is unconditional in this world . . . One cannot say 'I would unconditionally repeat any mistake my friend or partner makes'—that is wrong."

Schmidt stressed that it was the diplomatic intervention by French President Giscard and himself which eased the dangerous deadlock in U.S.-Soviet communi-

cations since Afghanistan. But the situation remains dangerous, he said, and the world economy is still unstable.

For pursuing their global peace diplomacy and industrial policy, France and Germany have come under extraordinary siege from the Carter administration and its allies.

The Israelis, who are pursuing a policy of willful provocation exemplified by the annexation of Jerusalem, have gone to the extreme of calling West Germany Nazi for "interfering" in Middle East politics. Similarly the Begin government is daily attacking France for its nuclear deal with the Iraqis. As President Giscard pointed out, the Iraqis, unlike the Israelis, have signed the nuclear nonproliferation treaty. It therefore appears that Israel's actual concern is to stop Arab industrial development, and not to prevent Iraq from testing a nuclear bomb.

U.S. strategic doctrine— against Europe

From the U.S. side, President Carter has just made it official that he is willing to sacrifice Europe in case of conflict with the Soviets. The announcement was made this week that Carter has made limited nuclear warfare the official military doctrine of the United States. With the acceptance of a theatre nuclear doctrine, Washington affirms that wherever the U.S. cannot mount sufficient conventional strength—in Europe as well as the Persian Gulf—it may deploy tactical nuclear weapons.

At the same time, talk of invoking the Mansfield Amendment is once again making the rounds of the various policymaking think tanks. A spokesman for the U.S. Middle East Institute who is also attached to the Ditchley Foundation noted a few days ago that if Europe continues to behave "too independently," the United States might withdraw American troops currently stationed on European soil.

There is no doubt that such threats inject caution into the Allies, particularly the more vulnerable West Germans. But there is also an important aspect of diminishing returns to this type of American blackmail. With the Soviet Union offering disarmament and highly lucrative trade, and the Arabs offering petrodollars as well as trade in exchange for assistance in securing peace in the Middle East, Europe is increasingly forced to jump one way or the other. As long as the U.S. offers nothing but Malthusian policies, it becomes increasingly clear that Washington is merely speeding up the point at which it will lose all allegiance from its most important allies. While America contracts its own industrial base, France and West Germany can organize an industrial boom that would leave the United States isolated in its economic collapse.

A paradigm: France and Iraq

by Judith Weyer

Last month the Iraqi government issued a statement through its official Iraqi News Agency explaining the motivation behind the French-Iraqi cooperation to build nuclear power generating capacity in Iraq: "Iraq intends to utilize nuclear energy notably to fertilize its western desert . . . the transformation of this region will have important climatic and agricultural repercussions and will serve as a model for analogous experiences in other parts of the Arab world, which have the largest deserts in the world."

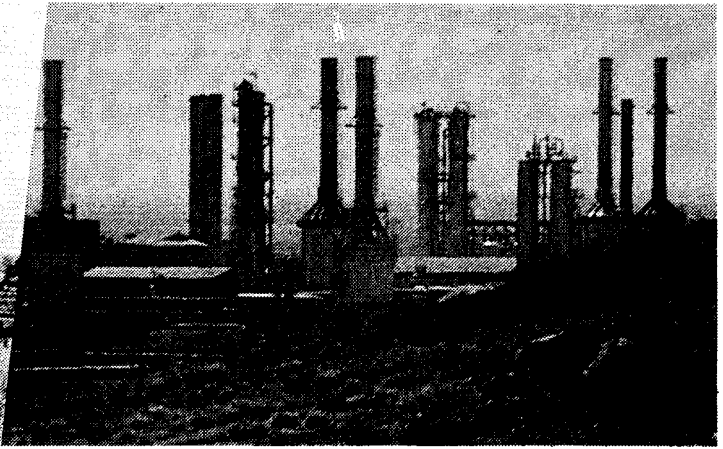
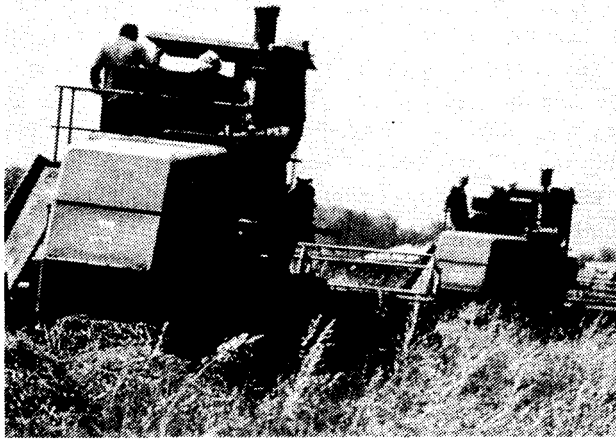
For both Paris and Baghdad, the sale of the nuclear plant to Iraq is the paradigm of growing Euro-Arab economic cooperation, in which the supply of the most advanced forms of technology to underwrite economic development is at stake.

Since July 1979, when French Premier Raymond Barre held talks with Iraqi President Saddam Hussein, the two countries have been working together not only to expedite bilateral trade relations, but to resolve the broader issues of economic growth for the developing sector as a means of providing global stability.

It is because of the far-reaching economic and political implications of the French-Iraqi nuclear agreement that Israel has used assassination and terror, threatening to escalate to a fifth Arab-Israeli war, to block the realization of Iraq's development goals.

In numerous statements since becoming president last year, Hussein has repeatedly stressed that the only long-term means by which the Arab world can confront Israel is by rapidly developing itself into a global economic force. He has stressed that Israel is fully committed to using its military strength, including its nuclear capacity, to undermine that endeavor.

In 1978, days before the French-built training reactor was to be delivered to Iraq, a terrorist bombing destroyed the reactor and the plant in which it was built. It was widely circulated in France at that time that the action had been taken by Israeli intelligence. A few months later, during a visit to Paris, a nuclear physicist working



for the Iraqi government was assassinated. The Iraqis have asserted that these incidents have set back the Iraqi nuclear development program by a period of at least two years.

The Israeli government of Menachem Begin, however, has initiated a sensationalist campaign claiming that Iraq will have the capability to build a nuclear bomb within six months. Yuval Ne'eman, who was responsible for creating Israel's nuclear arsenal, is now calling for Israel to increase its own nuclear arsenal to combat "the Iraqi threat." An official of the Begin government last month declared that if Israel did not succeed by diplomatic means in halting the French-Iraqi nuclear deal, "it will use other means." Iraq has repeatedly warned that Israel has the capability and the will to launch air attacks on Iraq as a last resort to destroy Iraq's development potential.

The French Foreign Ministry issued a statement on July 29 answering Israel's accusations that France is supplying Iraq with the bomb. The statement affirmed that "Iraq, like any other country, has the right to the peaceful uses of nuclear energy and does not see any reason for this right to be refused. . . . Iraq adheres to the Nonproliferation Treaty, and has accepted the International Atomic Energy Agency monitoring of all its nuclear activities." Unlike Iraq, Israel has not formally submitted to the nonproliferation guidelines. French press reports have stressed that the nuclear deal will vastly expand Iraq's cadre of engineers and physicists.

French Foreign Trade Minister Jean-François Deniau completed two days of intensive economic talks with the Baghdad government this week. Upon his departure from Iraq he praised the "excellence of economic relations between the two countries," and criticized the "excessive agitation" which has hit the world press over the nuclear agreement.

Since 1978, French trade with Iraq has climbed from just under \$1 billion a year to an anticipated \$2.5 billion this year. This is not only representative of the close

relations between Iraq and France but the tremendous increase in the development budget in Iraq.

Creating the Arab economic superpower

At an Arab League ministerial meeting in Amman, Jordan, last month, the Baghdad government presented an economic policy proposal for the entire Arab world designed to create an Arab economic superpower by the turn of the century.

Iraq called on the Arab nations to create a \$20 billion development fund to promote the economic development of those Arab nations lacking in the immense petrodollar wealth of the Arab oil producing states. The Arab League passed the proposal—a major victory for Iraq and its Arab allies, who have been endeavoring since the early 1960s to create the institutional financial and technical capability to unify Arab development.

In coordination with Saudi Arabia and Kuwait, Iraq is engaged in an intense diplomatic effort to win the Arab world over to a policy of aggressive economic progress. In the last six months Iraq has dramatically escalated its development momentum and in so doing is setting the pace for the rest of the region.

According to a U.S. Commerce Department official, "More than any other country in the Arab world, Iraq has all the ingredients for winning the race to be a developed country by the year 2000. It has the labor force, it has the money and the determination to buy the best of everything."

Renewing the Fertile Crescent

The government of Baghdad has embarked on an irrigation and land reclamation project which is expected to have 3.5 million hectares of land ready for cultivation by the year 1985. The plan, which involves costly drainage, land leveling and canal building, according to a consultant working for Iraq, "will last for hundreds of years and is a good long-term investment."

The Iraqis foresee the use of nuclear power in desalination as central to their massive agrobusiness plan. It has been termed the "Fertile Crescent" plan by European interests who are aiding the Iraqis in this scheme.

If the projects proceed at the pace which the next two decades of development project, Iraq is confident that it will not only be self-sufficient, but will be able to feed the entire Persian Gulf region.

The major focus of Iraq's agricultural development is in the arid Tigris and Euphrates valleys. According to the French official trade journal MOCI, each irrigation project the Iraqis intend to complete will irrigate no less than 15,000 hectares. Included in this plan will be the creation of a number of dams which will provide a major source of hydroelectric power.

For the 1980 budget alone the Baghdad government has increased the budget for irrigation and land projects by 30 percent to over \$700 million. At present Iraq is putting emphasis on completing projects already under construction. During the next five-year plan beginning next year Baghdad will initiate projects of an unprecedented size.

Most noteworthy of these is the giant \$1 billion plan for the Mosul area which will include a multi-purpose hydroelectric project including a 12,800 cubic meter capacity dam, a hydroelectric station which will produce 975 megawatts of electricity and will irrigate 230,000 hectares of land. Three dams are presently under construction, the Mosul dam, the Bokme dam, and the Hamrem dam. The Bokme dam is on the Greater Zab River, a tributary of the Tigris north of Baghdad. Upon completion, the dam will produce 1,000 to 1,200 megawatts of electricity. By 1984 Baghdad hopes to have completed the Haditha dam on the Euphrates River near the Syrian border.

A number of Iraq's neighbors are following a similar development course with respect to the crucial element of water development for the region. In Saudi Arabia's 1980-85 development plan it is anticipated that \$4 billion will be spent on water development, particularly within the area of desalination, and \$2.3 billion on agricultural development. Like the Iraqis, Saudi Arabia is also looking to the use of nuclear energy as the most efficient means of powering desalination plants.

Earlier this year a high-level meeting between the

The background of the nuclear program

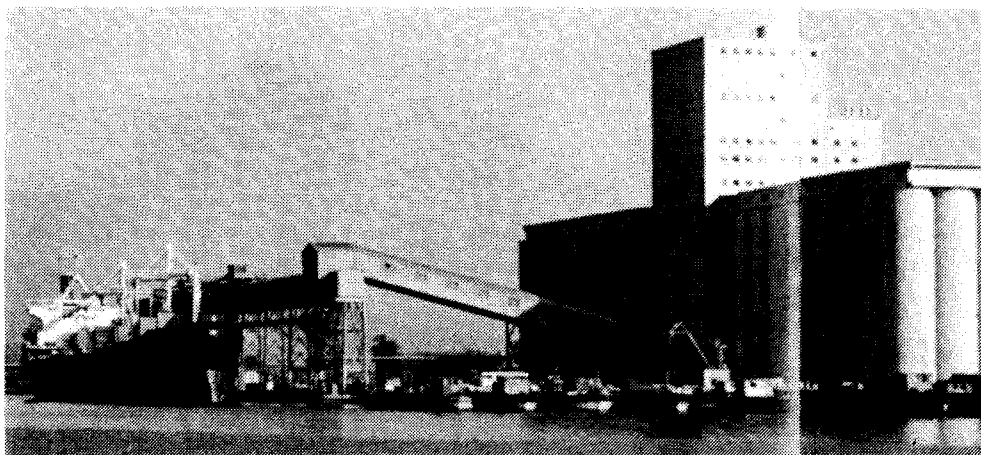
The following is excerpted from a summary of the history of Iraq's nuclear program which appeared in Le Monde on July 31.

Iraq first manifested its interest in nuclear energy in 1956 when the Iraqi Atomic Energy Commission was created. But it took 12 years for its activities to become noteworthy. In 1968, an institute for nuclear research was established in Tuvait, near Baghdad, with the aid of the Soviet Union. This institute was equipped with a two-megawatt research reactor supplied by the Soviets and baptized Manega. . . .

Toward the mid-1970s, the Iraqi leadership began to manifest its intention to extend their activity in the nuclear domain: Iraq became interested for the first time in power-generating reactors and contracts were established with the French Atomic Energy Commission. Baghdad sought to acquire at this point a 50-megawatt unenriched uranium reactor but negotiations didn't succeed. According to available information, it seems that Iraq today is on the verge of gaining a reactor of 600 MW of electric power. An internation-

al bid was issued in the end of 1977, to which several contractors responded, including an Italian firm (Italy did the feasibility study for the project) and Framatome of France, which prepares a pressurized water reactor adapted from the Electricité de France program's 900 MW reactors. The definitive choice between this line of reactors and the unenriched and heavy water—which all the experts agree is the most "sensible" from the point of view of nuclear proliferation risks—does not seem yet to have been made.

In April 1975 an accord for cooperation in the sphere of peaceful utilization of nuclear energy was signed between Iraq and the Soviet Union. Seven months later, on Nov. 18, 1975, a nuclear cooperation accord was signed between Iraq and France, completed Sept. 11, 1976 by an exchange of letters between the two governments. Iraq then signed a contract worth 1.45 billion francs with terms by which France will deliver a "turnkey" center of nuclear research. This center, which should be operational by 1981-82, is equipped with the 70 MW Osirik reactor, derived from the "Osiris" reactor from Saclay and by a small 800 kilowatt reactor, "Isis"; these two reactors are respectively called by the Iraqis Tamuz-1 and Tamuz-2. When they are fully operational, the research center will be able to harbor approximately 600 engineers and technicians in training.



The deepwater port of Al-Bakr, in Basra, Iraq.

governments of Jordan and Iraq took place that resulted in a series of agreements aimed at extending Iraqi water from the Tigris and the Euphrates to Jordan for its industrial and agricultural needs. The Jordan Valley Authority recently circulated a report warning that without new sources of water, Jordan will face a serious water shortage in the near future. Jordan envisions drawing hundreds of millions of cubic metres of water from Iraq's Euphrates River.

In addition, Kuwait, Iraq's southern neighbor, recently announced that it would open a nuclear research center. Iraq and Kuwait have initiated a number of cooperative agreements aimed at closer coordination of their respective development plans. These agreements include water sharing, building a joint railway, and integrated communications systems.

Since the 1976 Muscat meeting of the Arabian peninsula nations, Iraq has been the most outspoken advocate of closer integration and coordination in regional development, particularly with respect to agriculture and heavy industry.

Following the Islamic Revolution in Iran, Iraq has taken a turn away from its traditional leftist ideology toward a more pragmatic foreign policy which has produced a new alliance with Saudi Arabia and Kuwait, particularly on matters of regional security. The question now is whether the combined development plans of the nations of the Mideast which will account for hundreds of billions of dollars can be more efficiently coordinated.

For the year 1980 alone Iraq will spend 60 percent more for development than in 1979, and that \$18 billion development bill for 1980 is expected to be dwarfed by expenditures for 1981. MOCI reports that this year Iraq will expedite major heavy industrial projects, the most important of which is the Bassorak steel plant which when completed, will yield 1.2 million tons of steel a year. A number of cement-producing factories are also slated for completion this year. Canal building and

other irrigation construction work were set back last year due to lack of cement.

MOCI reports that Baghdad has tripled the budget for investment in heavy industry to about \$3.5 billion for 1980.

Resolving the feud with Syria

A serious impediment to Iraq's development drive has been the longstanding ideological dispute with Syria. One of the manifestations of that dispute has been uncertainties as to the availability of water from the Euphrates River flowing from Syria into Iraq. Syria has withheld water by the construction of a dam inside Syria's borders which has limited the amount of water passing into Iraq. The *Middle East Economic Digest* reports that Syria's efforts to utilize the Euphrates waters for large-scale irrigation have met with problems, given the chemical composition of Syria's land.

Moreover, Iraq needs transit access to Syrian ports to relieve the bottlenecks which have jammed up Iraq's tiny port facilities on the Persian Gulf. During a brief effort on the part of the governments of Baghdad and Damascus to overcome their differences in 1978, a wide array of economic cooperation agreements were being worked out; had they come to fruition, they would have made the Syrian-Iraqi alliance the most economically powerful unit in the Middle East.

Last month Saudi Crown Prince Fahd announced that he would undertake a series of visits to Damascus and Baghdad to mend fences between Syria and Iraq. At the same time, United Arab Emirates press revealed that leaders of the Palestine Liberation Organization are also considering a mediation effort. If such efforts find success, the lofty design envisioned by Baghdad to create a pan-Arab economic superpower and make the deserts of the Mideast bloom will have been given the greatest political boost, one which Israel and its international allies see as a deadly threat.

Europe and the Middle East

by Robert Dreyfuss

Western Europe, led by France and West Germany, has decided to mount an open challenge to the diplomacy of the United States in the Middle East. Specifically, the European Community (EC) intends to replace the dead Camp David accords with a workable approach to achieve a comprehensive peace settlement in the region before the end of 1980.

According to diplomatic sources, the fall session of the United Nations General Assembly will be the scene of an open rift between America and its European allies over policy toward the Middle East.

Although the precise timetable of the current West European initiative is not known, the formal suspension of the Egyptian-Israeli autonomy talks on Aug. 3 by President Sadat of Egypt has made it much more likely that Europe will mount its effort against the Camp David framework even before the U.S. elections. In fact, there is strong evidence to indicate that President Anwar Sadat himself is considering abandoning his bilateral talks with Israel in favor of a return to an international approach.

In the face of calculated Israeli provocations to Egypt on the issue of Jerusalem, Sadat has shown signs of coordinating his diplomacy with France:

- On July 26, Egyptian Minister of State Hassan arrived in Paris for discussions with French ministry of foreign affairs officials on subjects relating to peace in the Middle East;
- On Aug. 1, Cairo's Minister of State for Foreign Affairs Butros-Ghali visited French Foreign Minister Jean François-Poncet in Paris;
- On Aug. 4, the day he suspended the talks with Israel, President Sadat held a telephone conversation with French President Giscard and then sent Egyptian Vice-President Hosni Mubarak from Cairo to Paris on an "emergency" visit.

According to European sources, the French have also sounded out other Arab countries on whether or not they would be prepared to welcome Egypt back into the Arab fold should Egypt again announce its willingness to seek a comprehensive settlement. So far, it is reported, a number of Arab states have agreed to smooth the return of Egypt to the Arab League, including Saudi Arabia,

and King Hassan II of Morocco has reportedly sent a letter to Sadat offering to sponsor his reentry into Arab world affairs provided that Sadat adopts a strong position on Israel's illegal annexation of Jerusalem.

Sadat himself is under enormous pressure from the United States not to abandon the Camp David framework. Official statements from the U.S. State Department have acknowledged such pressure, such as spokesman John Trattner's remark, "we have made it clear to Egypt that we want the talks to continue," delivered at the Aug. 4 briefing in Washington the day after Sadat suspended the talks. For that reason—combined with the fact that Sadat is very reluctant to admit the failure of his own efforts, and fears that his rejection of Camp David will simply ensure the election of Ronald Reagan—there is much room for the belief that the Egyptian president will eventually resume the useless talks with Israel.

However, current European diplomacy, while hopeful about quickly winning Egypt's support, is chiefly aimed at creating the climate by October for the start of a real international peace effort centered around the United Nations.

EC strategy

From the European side, the driving force behind the EC strategy is the powerful Paris-Bonn axis. With the British sitting on the sidelines and even throwing a few monkey wrenches here and there, the French and West Germans have already begun their diplomatic steamroller. That effort has won the full support of Saudi Arabia, Iraq, Jordan, and the moderate currents in Syria and the PLO. In essence, the strategy is based on close European-Arab financial and economic collaboration in a series of oil-for-technology arrangements to facilitate a sweeping Arab industrialization effort.

Right now, the Europeans are also concentrating on a program of stabilizing Lebanon and preventing that state from becoming a flashpoint for a new Middle East war.

In addition, according to intelligence sources, the Europeans have quietly agreed on a program to support the anti-Khomeini Iranian opposition in order to re-

place the regime of the Muslim Brotherhood in Iran with a stable regime. Not only will this help to stabilize the Persian Gulf and oil prices, but it will stem the flow of money and arms from Iran into terrorist groups throughout the Middle East and Europe.

A glance at the diplomatic flurry of the past two weeks alone shows the speed with which the Europeans are implementing their policy. On July 26, Spanish Foreign Minister Oreja, on a visit to Vienna, announced that Spain would soon formally propose an initiative at the United Nations for a comprehensive Middle East peace. He said that Spain, loosely allied to Paris and Bonn, would propose a new U.N. Security Council resolution to include the "rights of the Palestinians." Such a formula, it was made clear, is not meant merely as a piece of paper but a diplomatic convenience to achieve a U.S.-Soviet accord on the Middle East.

Immediately following the Oreja proposal, the Europeans shocked the United States by abstaining on a U.N. General Assembly resolution that called upon Israel to withdraw from all occupied lands and to recognize the rights of the Palestinians—or face U.N. sanctions and possible expulsion. For the first time, the General Assembly set a deadline, Nov. 15, for Israel's agreement to the resolution. Only the United States, Canada, Australia, and a few Latin American dictatorships voted against the resolution.

Then, beginning on July 29, King Hussein of Jordan began a 10-day visit to Paris, Bonn and Vienna. Though Hussein's trip was largely private, in several interviews he made it clear that his trip was intended to win Western Europe's agreement on a diplomatic effort at the United Nations. Camp David was dead, Hussein told *U.S. News and World Report*, and an entire new strategy must replace it.

Only a few days before Hussein's arrival in Bonn, the Secretary General of the Arab League, Chedli Klibi of Tunis, paid an important visit to Bonn. There, in talks with Chancellor Schmidt and Foreign Minister Genscher, Klibi worked out an agreement to convene a meeting of all European and Arab foreign ministers in the fall of this year to consummate joint efforts.

Finally, on July 31, EC special envoy Gaston Thorn arrived in Tunisia on the first leg of his extended fact-finding tour of the Middle East. In early August, Thorn spent several days in Israel, and then traveled to Beirut where he held a meeting with Yasser Arafat on Aug. 4. The Thorn mission, mandated at the June summit meeting in Venice, will produce a report that will serve as a guideline for action in the General Assembly session that begins in September.

Meanwhile, in a series of sharp statements, the Europeans have reiterated their intention to continue



Can France and West Germany pull Egypt into their plans?

with the Middle East diplomatic offensive, despite threats and blackmail from the Menachem Begin government in Israel. The Israelis, particularly Begin and Foreign Minister Yitzhak Shamir—formerly chief of the Mossad European Division—have attacked Europe for allegedly submitting to "Arab oil blackmail." Both Begin and Shamir in the past few weeks have delivered speeches in which they undiplomatically reminded the Europeans that Israel holds them responsible for the Nazi persecution of Jews and the World War II Holocaust.

Lebanon and the PLO

The first step to stabilize the Middle East, in the opinion of both the Europeans and the Arabs, is to set up a stable government in Lebanon that can put the lid on the simmering civil war in that country, since its explosion would provide Israel with a pretext to move against the Palestinians, Syria and Iraq. At their Venice meeting in June, the EC issued a special resolution on Lebanon; since then, there have been reports of French and Vatican diplomacy in Lebanon aimed at bringing about a reconciliation.

In late June, the PLO suddenly announced that it was removing all its troops and bases in southern Lebanon and in the port of Sidon, bringing them into central Lebanon and the Palestinians camps there. The PLO move, made unilaterally, was a concession of the first rank designed to bring about a reconciliation.

Then, a few weeks later, the PLO announced a similar move concerning all of its other offices in West Beirut and other Lebanese locations, withdrawing all armed men and organizers to the camps.

In the last week of July, the leftist Lebanese National Movement—an ally of the PLO—announced that all constituent parties of the bloc had mutually agreed to close all their offices except for a single central headquarters and to prohibit “armed manifestations” by their militias. Members of the LNM who violate this order will be turned over to the Lebanese authorities, the official communiqué stated. The National Movement also declared that its actions had been fully coordinated with the PLO.

While this was going on, a similar reorganization took place on the Christian Maronite side. In a blitzkrieg action, the Falangist militia wiped out the power of the forces around Camille Chamoun and his Tigers Militia. Chamoun had been the number one opponent of a deal with Syria—which has 30,000 troops in Lebanon. His elimination means that the Falangists are now free to make an agreement with Syria.

Within days after the crushing of Chamoun, Lebanese Prime Minister Selim al-Hoss resigned his position to clear the way for President Elias Sarkis to appoint Takieddine Solh, a political moderate, to try to organize a stable government. Since his appointment, Solh has been involved in round-the-clock consultations to assemble the core of a national unity government. Although uninformed press speculation has indicated that Solh’s chances of succeeding are very slim, there is reason to believe that a preliminary accord was reached in Lebanon before Hoss’s resignation, and that Solh’s task is to consolidate a prearranged agreement.

Both the Syrians and the U.S.S.R. were deeply involved in the bargaining over Lebanon, along with the French. An especially crucial role is being played by Soviet Ambassador Alexander Soldatov. In a Beirut press conference, Soldatov said last week that the Soviet Union will support the establishment of a Lebanese force to assume control over the areas in southern Lebanon where the Israeli-backed militia of Major Saad Haddad has set up a virtually independent state. His stated support for the Lebanese army is an unusual Soviet move. Soldatov has also held meetings in the past three weeks with every important Lebanese political figure, including three separate talks with Bashir Gemayel, commander of the Falangist forces. His father Pierre Gemayel, patriarch of the Falangists, revealed last week that “contacts with Moscow still exist” and said that the Soviet Union is a “state that we cannot but respect.” Gemayel and other Lebanese leaders will reportedly visit Moscow as part of the reconciliation.

Europe and OPEC

by David Goldman

Nothing has further distracted attention from the substance of an issue than this year’s discussion of “petrodollar recycling,” the supposed question of how the OPEC countries’ \$120 billion of revenues in excess of import requirements will be cycled back to needy recipients. The big mystery of Arab finances is not so much a black box as it is an empty one. There is no mystery to the distribution of Arab finances: they are being quietly shifted into state-to-state deals oriented toward industrial growth, mainly with the Europeans and Japanese.

Of course, adding up the equity purchases, investments in European and Japanese state securities, and other state-to-agreements thus far only yields a sum of about \$20 billion, or a mere one-third of the estimated surplus for the first six months of this year. Commercial bank economists obsessed with the numbers are concerned about the “missing petrodollars,” and the Bank of England’s *Bulletin*, the authoritative source for the location of Eurocurrency deposits, noted \$25 billion in Arab funds that did not show up in its columns for the second half of 1979. According to bankers, a similar sum for the first half of this year is not accounted for, yielding a total of \$50 billion of “missing petrodollars.”

However, conversations with European and Arab bankers indicate that the major portion of Arab funds have left the Eurocurrency market. What is much more interesting is that they are not banked through the usual channels. At one time the absolute majority of all Saudi deposits were held through three large American banks, Morgan, Chase, and Citibank. Bankers who wonder why the flood of surplus OPEC dollars never found their way to London this year ignore the impressive growth record of Arab-owned consortium institutions, and the new channels they have cut out for the OPEC surplus.

The best way to describe the state of affairs is in terms of the Eurodollar “interbank market.” The net volume of Eurodollars is estimated by Chase Manhattan Bank at \$800 billion; additional to these are \$400 billion in loans between Euromarket banks. That special feature of the Eurodollar market, the extent to which its participants take in each others’ wash, puts a special burden on its participants; if part goes, all goes, as nearly happened when the Herstatt Bank closed its doors in July 1974,

petrodollars

creating a panic in all offshore banking.

However, to the extent that the Arab consortium banks strike up a much more limited set of relations with European and Arab institutions, i.e. a second "inter-bank" market, their independence and deposit safety is vastly enhanced. The \$50 billion of "missing" petrodollars have been deposited first through Arab-owned banking institutions, and then in interbank deposits with European and Japanese commercial banks or central monetary institutions. That implies a much more aggressive European and Japanese lending position on the Eurodollar markets for the fourth quarter of this year—something that American bankers have resigned themselves to.

"This is as it should be," Morgan Guaranty economist Rimmer de Vries said of the shift of petrodollars to European and Arab institutions. "There is no way that the American commercial banks are going to absorb the volume of deposits they have in the past."

However, last week the Saudis and Kuwaitis threw in a new twist that has provoked some serious upset among international bankers and at the World Bank and IMF. In coordination, the Saudi and Kuwaiti monetary authorities stalled World Bank bond placements worth \$472 million, in order to bring pressure on the World Bank and IMF to allow Palestine Liberation Organization observers at their Annual Meeting at the end of September.

The financial issue itself is not of major importance, World Bank officials say, but the political implications are devastating. For the first time since the early 1970s, immediately following the first big oil price rise, the World Bank stood to acquire a really large sum of petrodollars. Now, over what seems a trivial issue, the World Bank and IMF are heading into a confrontation with the Arabs. The World Bank's executive directors have already met and decided that it would be impossible to let the PLO in—under the strong influence of a Carter administration that carries a veto at the World Bank, and will make no concession to the PLO in the midst of an election year.

In effect, the World Bank is now demanding of the Saudis and Kuwaitis that they "honor their commit-

ments," that is, back down, and this threatens to wreck an entire range of future funding prospects. "The entire range of recycling plans is in jeopardy," said one senior official. "Now most of the funds will go into state-to-state deals."

Won't Europe view this split between the Gulf countries and the Bretton Woods institutions ambiguously, considering that they stand to gain the most? an IMF official was asked. "Europe has virtually recognized the PLO. I don't think their attitude is ambiguous in the least," the official replied sarcastically.

In fact, the PLO issue cannot be explained by a sudden flash of patriotism on the part of the Gulf monarchies. The issue is much broader. Saudi Arabia's King Khaled visited Bonn at the end of June of this year and agreed with Chancellor Helmut Schmidt that both countries' security depended on certain economic criteria. The program Khaled agreed to, according to *EIR's* briefings from Bonn officials, included substantial equity investments by the Saudis in West German capital goods industries. Concentrating on nuclear power and high-technology coal, auto, machine tools, and petrochemicals, Saudi investments will ultimately burgeon into a five percent limited partnership in the West German economy.

The objective is not merely to give the Saudis a stake in the companies which will help build Saudi Arabia's own future, but to help capitalize West German industry for a general export drive to the developing countries. Swiss National Bank President Fritz Leutwiler, once one of the most committed monetarists, is now promoting Swiss industry throughout the Arab world, in hope of arranging a similar deal. "Industrial investment is not his first choice," said one Swiss observer, "but he sees which way the trend has gone." Commented a World Bank official sadly, "Leutwiler really shouldn't be doing this."

In contrast, the World Bank and International Monetary Fund are very bad at development economics. In fact, the IMF has had to advertise its new interest in "supply-side economics," which presumably means that the IMF should not shut down borrower-countries economies all at once. In a few cases, the IMF and World Bank have gone out of their way to be nice to borrowers. Western European bankers say flatly that they are interested in letting the IMF and World Bank provide emergency funds for countries that they have no current plans for. But the idea of letting the IMF absorb the majority of the world's lendable resources is fairly repellent to Europeans, Japanese and Arabs.

World Bank officials are suspicious that the Arabs set them up over the PLO issue, knowing what the outcome would be in advance. They are probably right.

Europe, Latin America, Asia ...

by Garance Phau

In their initiatives to stabilize the southern hemisphere through economic development, France and West Germany have concentrated on those nations already primed for industrial takeoff, especially Mexico, Brazil, and India.

French President Valéry Giscard d'Estaing was the first Western head of state to visit Indira Gandhi upon her reelection this spring. Europe is working closely with the Gandhi government to circumscribe the Afghanistan problem.

Western Europe's Latin American policy presently centers on Mexico, whose foreign policy outlook parallels Giscard's. As Mexican President López Portillo summarized it during his trip to Bonn and Paris last May, there exists a principled agreement on the need to bring high technology to the developing sector and to introduce international monetary and credit policies appropriate to that effort.

Brazil, with longstanding trade and investment ties to the Federal Republic, has become the second Franco-German partner, one that could challenge Washington's conception of the continent as its own privileged territory. Last week's statement by French State Secretary for Latin American Affairs Olivier Stirn characterizes the French thrust in the area.

Back from a tour of Latin America, Stirn emphatically announced that France is abandoning "piecemeal" policies toward the continent and instead has endeavored to implement a "constructive and well thought out" policy for the region as a whole, with Brazil and Mexico, "two great countries with whom we have ongoing exchanges."

López Portillo's trip to Brazil provided an opportunity for the French daily *Le Figaro*, often a government spokesman on such matters, to hail Mexico for "imposing herself on the international scene." "Portillo's tour confirms Mexico's will to move away from a passive and dependent foreign policy role vis-à-vis the U.S., and to act on behalf of the new world economic order," said *Figaro* on Aug. 1.

The West Germans have longstanding ties to Brazil, to which they began in the early 1970s to supply nuclear

power plants, despite Washington's objections. At the end of May, Brazilian Foreign Minister Saraiva Guerrero visited Bonn, where Schmidt and Foreign Minister Genscher proposed that Brazil "play a more active role in international affairs," according to the Brazilian daily *O Estado*. At a press conference, Genscher stated that because of its level of economic development, Brazil should exercise increased weight not only in Latin American affairs but also in efforts to "stabilize Africa."

As of this spring, the French were edging toward a new relationship with Brazil, involving a still unresolved proposal to buy 35 Brazilian planes in exchange for civilian and military aerospace technology.

India's potential

On the diplomatic level, India, like France and West Germany, has worked toward a negotiated settlement

Third World agenda

January 25-29: Giscard d'Estaing in India.

May 17-21: Mexican President López Portillo in Paris, then in Bonn.

May 24: Olivier Stirn, French foreign affairs secretary and Latin American specialist, in Cuba.

May 28: France proposes to buy 35 Brazilian planes.

May 29: Brazilian Foreign Affairs Minister Guerido in Bonn; meets Chancellor Schmidt.

June 3: Argentine Finance Minister de Hoz in Bonn and Paris; meets Schmidt, negotiates nuclear agreements with France.

of the Afghanistan problem. In general, since Giscard's visit to Mrs. Gandhi this February, the French have helped India extend its political and economic weight in South Asia. In May, France enlarged its original economic cooperation deal and offered to assist India's energy resource development program in a big way. The proposal included development of India's large coal deposits; a mammoth aluminum project; large-scale nuclear development plans enlarging current joint nuclear work; and assistance in oil exploration, development, and research.

This was discussed during the Paris trip by the Secretary to the Foreign Affairs Ministry, Mr. Name Bhandari, who met with top officials from the French energy and economics ministries as well as with French Foreign Minister Jean François-Poncet. This fall a French economic and technical delegation will follow up with a visit to India.

Two weeks ago, British newspapers leaked the news that the Dassault firm is offering India the latest in French military technology: the Mirage 2000, which the French army itself will not receive before 1985. The Mirage deal, if consummated, would supersede an agreement made by the Janata government to buy inferior Franco-British planes. The Mirages could be manufactured in India, providing advanced training to Indian personnel. Meanwhile, on July 12 it was announced that West Germany will construct two submarines for New Delhi at a cost of \$100 million.

June 18: Head of Pakistan diplomacy Aga Shahi in Paris, following visit to Bonn; meets French Foreign Minister François-Poncet.

June 26: South Korean Vice Premier Kim Woun Gie in Paris; meets Premier Barre. negotiates for two 900 megawatt nuclear plants.

June 28: Argentine Foreign Minister Pastor in Paris.

July 10: French High Commissioner for Nuclear Energy Teillac in Indonesia to promote nuclear cooperation.

July 12: Indian government announces it is buying two submarines from West Germany for \$100 million.

July: France announces proposal to sell Mirage 2000 planes to India.

...and the Soviets

by Susan Welsh

The Soviet invasion of Afghanistan in January marked a turning point for Franco-German policy toward the Warsaw Pact—not because it proved the inherent expansionism of the Russians. As French Ambassador Raymond Offroy and others have emphasized, it demonstrated that the U.S.S.R. would not passively tolerate insurgencies on its borders and an increasingly open U.S.-Chinese military alliance, combined with NATO's December decision to station intermediate-range missiles in Western Europe, three minutes from Soviet territory.

Europe has therefore moved to stabilize other potential hot spots around the U.S.S.R.'s perimeter—including Poland—and to renegotiate the Euromissile question.

By the time the Madrid Conference on Security and Cooperation in Europe (CSCE) convenes Nov. 11, European heads of state hope to have in place and ready for signing, a series of military and economic agreements. The plan is to create a "safety net" for European East-West relations, regardless of who wins the United States presidential elections in November.

French President Giscard places great stress on the Madrid conference, where he will present proposals for a Europeanwide disarmament conference. France does not want a "purely ritualistic meeting in which everyone presents their own views," Giscard stated at a reception in Paris for Rumanian President Nicolae Ceaucescu on July 25.

Renegotiation openings

Soviet President Leonid Brezhnev backed the French call for a disarmament conference in an interview with *Pravda* July 30. Brezhnev appealed to Western nations to help "lessen the military threat . . . to Europe and consequently to the world." Brezhnev and Giscard discussed the possibility of a disarmament conference during their talks in Warsaw last spring.

The key "military détente" issue which must be resolved, however, in the view of both Eastern and Western Europe, is the deployment of "Euromissiles"—medium-range nuclear missiles—by the U.S. and the Soviet Union. European NATO members last Decem-

ber accepted a U.S. plan to deploy nearly 600 new missiles in Western Europe if the Soviets refuse to reduce their own preponderant nuclear arsenal targeted on Western Europe.

Moscow views the NATO decision as an intolerable threat, comparable to a deployment of missiles on Cuba capable of reaching the U.S. mainland. The new NATO missiles would, for the first time, be in reach of Soviet territory.

Brezhnev and West German Chancellor Helmut Schmidt discussed ways to open U.S.-Soviet negotiations on this issue when they met in Moscow last month.

There are now hints from West Germany that the NATO decision could be opened for review. The defense policy spokesman of Schmidt's Social Democratic Par-

ty, Erwin Horn, said July 30 that American Secretary of Defense Harold Brown had withheld crucial information from the European allies in order to push through the December 1979 decision. The Brookings Institution had issued a study on the Soviet medium-range SS-20 missiles—the weapon which the NATO missiles were intended to counter—saying that the SS-20 did not constitute a major upgrading of Soviet forces in Europe, but was in fact a one-for-one replacement of the outmoded SS-4 and SS-5 missiles, as Soviet President Brezhnev claimed in a speech last fall. Horn charged on the floor of the parliament that Brown conducted the negotiations “in bad faith,” and that therefore a general review of the NATO resolution was in order.

The contingencies

The West German press now predicts a stalemate in NATO over the issue. Belgium refuses to begin debate on the Euromissiles until the fall, the *Frankfurter Allgemeine Zeitung* reported Aug. 4, and this in turn may give Italy and the Netherlands second thoughts about accepting the missiles on their territory. If these countries decide against the U.S. weapons, then West Germany would not accept them either—Chancellor Schmidt insisted from the outset that the Federal Republic would not be the only continental European nation to deploy the missiles.

These thorny questions of “military détente” are mainly significant in the context of the East-West European efforts to create political stability through economic development, both in Europe and in the developing sector.

Most significant in this respect will be Chancellor Schmidt's visits to Poland and East Germany later this month. The Chancellor has frequently stressed the need to maintain stability in Central Europe, and his government's willingness to extend aid and credits for that purpose. In view of the recent economic difficulties and destabilization of Poland, this commitment takes on particular significance.

Giscard, who will go to Poland in September, has also accepted an invitation to visit Hungary before the end of the year. French Foreign Minister Jean François-Poncet was just in Budapest laying the groundwork for the president's upcoming trip, with a particular stress on raising the level of economic cooperation between France and Hungary. François-Poncet met with Hungarian President Janos Kadar, who had just returned from meetings with Brezhnev in the Soviet Union. Kadar told François-Poncet that the Soviet Union has no schemes for seizing Persian Gulf oil fields, and does not aim at controlling the Gulf or threatening Western interests there.

East bloc agenda

June 30-July 1: West German Chancellor Schmidt in Moscow.

July 1: French Defense Minister Yvon Bourges in Poland.

July 23-26: Rumanian President Nicolae Ceausescu in France.

Aug. 1: Soviet trade delegation in Paris, headed by Deputy Foreign Trade Minister Ossipov to discuss French purchase of natural gas.

Aug. 1: French Foreign Minister François-Poncet in Hungary. President Giscard expected to make official visit there by end of year to negotiate economic agreements.

Aug. 19-20: Polish leader Gierek to go to West Germany to meet West German Chancellor Schmidt, and also possibly GDR leader Honecker.

Aug. 27-31: Chancellor Schmidt's trip to the German Democratic Republic.

Sept.: French President Giscard's official trip to Poland (tentative—no date set).

EIR EXECUTIVE INTELLIGENCE REVIEW

Multi-Client Special Reports

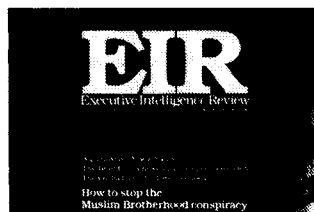
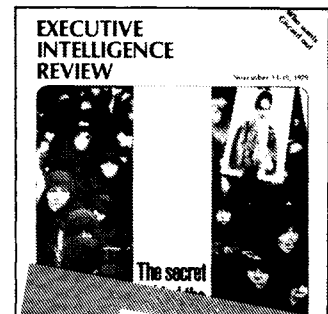
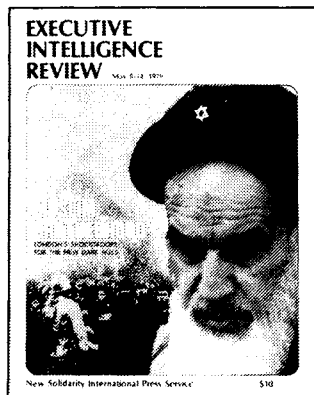


In 1978, in a confidential memorandum to the Shah of Iran, **Executive Intelligence Review** presented the exact nature of the Anglo-American intelligence network behind Ayatollah Khomeini and the Muslim Brotherhood, and their plans to topple the Shah. If the Shah had listened to **EIR**, Khomeini would be in exile and Iran would be producing six million barrels of oil per day.

In 1979 and 1980, EIR presented security reports to police departments, the FBI, and private agencies on the terrorist capabilities of the Khomeini regime and the Muslim Brotherhood in the United States. If information provided by EIR had been acted upon, Khomeini opponent Ali Akhbar Tabatabai, murdered in Maryland July 22, would be alive today.

EIR is now making available a collection of its exclusive stories on Iran and the Muslim Brotherhood, including:

- **A chronological report** on the formation and operations of the Muslim Brotherhood—a project of British intelligence and the Egyptian monarchy;
- **The role of the BBC**, 'human rights' organizations, and the National Security Council in Khomeini's rise;
- **Full biographical reports** on Abolhassan Bani-Sadr, Ibrahim Yazdi, and Sadegh Ghotbzadeh, the Anglo-American intelligence group that brought Khomeini to power;
- **The story** of U.S. Air Force General Robert Huyser's mission to Iran in January 1979, which prevented the Shah's army from rising against Khomeini;
- **Britain's "Bernard Lewis Plan"** for balkanizing the Middle East, and Zbigniew Brzezinski's "Islamic card" for regional confrontation with the U.S.S.R.;
- **How Brzezinski and Cyrus Vance** deliberately organized the seizure of U.S. hostages to provide a pretext for U.S. militarization of the Persian Gulf and the Indian Ocean, and for U.S. energy constraints.



This \$50 Special Report may be obtained through Peter Ennis at EIR.
Call (212) 247-8820 for further information.

We sell intelligence.

International Intelligence

Muslim Brotherhood behind Antwerp bombing

The July 27 bombing of the Antwerp, Belgium branch of the Orthodox Jewish Agudat Israel religious association—an unprecedented attack—was probably the work of “a group born in the wake of the Islamic movement in the Middle East,” the Paris daily *Le Figaro* reported July 29. Citing Western European police sources, *Figaro* described the responsible group as a splinter faction of “young Arab terrorists depending on none of the large Palestinian organizations.”

Another Paris newspaper, *Le Matin*, described the presumed attackers as “Palestinian mercenaries” without any PLO allegiance.

Nevertheless, Israeli foreign minister Yitzak Shamir told the Knesset July 31 that the Antwerp bombing was “a murderous PLO attack” countenanced by the same Europeans who had refused to support Israel’s settlements policy in the United Nations. Israeli Prime Minister Menachem Begin has sought to use the incident as proof that Israel can never negotiate with the PLO.

European observers have speculated that the Antwerp bombing may have been a “Reichstag fire” incident concocted by Israel’s Mossad intelligence agency to discredit the PLO. The Mossad is known to control certain elements of the Muslim Brotherhood.

EIR analysis cited by Shah’s wife

Empress Farah Diba Pahlavi of Iran, in a recent interview with the West German women’s magazine *Bunte*, declared that the truth about Iran and her husband, the late Shah of Iran, could be found only in articles written for *Executive Intelligence Review* by Middle East editor Robert Dreyfuss. The interview was given on May 31, 1980 in Cairo to José-Luis de Villalonga. An excerpt:

“She draws out of a green file a series

of hectogram papers marked in red pencil. ‘To understand what has gone on in Iran, one must read what Robert Dreyfuss wrote Nov. 13, 1979, in *Executive Intelligence Review*. He reveals that the whole chaos in Iran was unleashed in order to provoke a shortage of oil on the world market. . . . The oil companies have profited from the revolution in Iran as never before. And the U.S.A. has planned a common market with England, Canada, Mexico, and Venezuela against France, Germany, and Japan.

“My skepticism does not irritate her. She says: ‘They planned a revolution that drove out the Shah; the U.S.A. wanted to confront the European bloc. . . .’”

Japan approves new nuclear power plants

Last month Japan’s Nuclear Safety Commission gave the go-ahead for construction of four new nuclear power plants with a total capacity of 3.6 million kilowatts per year. These are the first plants approved since 1979. The new government of Premier Zenko Suzuki is “manifesting an extremely positive stand on construction of nuclear power plants,” according to the Aug. 5 issue of Japan’s business daily, *Nihon Keizai Shimbun*. The administration of Suzuki’s predecessor, Masayoshi Ohira, had ordered a moratorium on nuclear plant construction following the Three Mile Island incident.

The Power Reactor and Nuclear Fuel Development Corp., a government body, announced that a pilot plant for enriching uranium should be complete by the autumn of 1981. By 1985 Japan industry plans to have a 30 million KW enriching capacity. At present, Japan is entirely dependent for enriched uranium upon the U.S. Department of Energy and France’s Eurodif. At various points in the last few years, the Carter administration has threatened cutoff of enriched uranium supply to Japan for going ahead with certain nuclear ventures such as the reprocessing plant at Tokai-mura.

Reagan’s CFR policy for Latin America

Five of Ronald Reagan’s advisers have prepared “A New Inter-American Policy for the 80s,” premised on the idea that the United States must fight the decisive battles of World War III against the U.S.S.R. in Latin America. The report is edited by New York Council on Foreign Relations member Lewis Tambs.

The report begins by stating: “War, not peace, is the norm in international affairs. . . . Containment of the Soviet Union is not enough. . . . The Soviet Union . . . is strangling the Western industrialized nations by interdicting their oil and ore supplies and is encircling the People’s Republic of China.”

In the name of a “Fortress America” concept, the Reagan advisers, who call themselves the Committee of Santa Fe, foresee war not only against the U.S.S.R. but against Western Europe, which they assert will soon be under Soviet control. As a component of military buildup they call for “a strategy of technology transfer similar to that which is currently in effect with Israel.” The report does not elaborate whether this entails providing Latin American governments with the atomic bomb technology Israel obtained through American channels.

Schmidt and Honecker to extend economic ties

Indications are emerging of economic deals in the works for the historic first state meeting between West Germany’s Helmut Schmidt and East Germany’s Erich Honecker this month. The London *Financial Times* reports that the visit may set off a new boom of economic exchange.

Relations between the two have already improved considerably. In the first half of 1980, West German exports to East Germany rose 22 percent, and imports 39 percent. This included delivery

Briefly

of a million tons of crude oil and hard coal from the Federal Republic to East Germany, which in turn delivers 2 million tons of petrochemicals to West Berlin.

On the agenda now are deals for a lignite-fueled power station in East Germany to supply West Berlin with electricity, plus electrification of East German railroads. Including politically supersensitive West Berlin in past and future deals is significant. The West German steel giant Krupp is opting for construction of a 1.6 billion deutschemark steel mill, and the Hoechst firm is negotiating a multi-million deutschemark contract to build petrochemical complexes in the DDR.

Iraqi president welcomed in Riyadh

Iraq's President Saddam Hussein caught the Middle East diplomatic corps by surprise this week by making the first state visit by an Iraqi head of state to Saudi Arabia since 1958. Arriving in Riyadh Aug. 5, Hussein began discussions with the Saudi leadership on subjects including the upcoming United Nations General Assembly fall session in New York; Arab states' response to the Israeli parliament's vote to annex Jerusalem; and an Arab summit in Amman, Jordan, that will occur later this year.

The two countries will also discuss what French press reports described Aug. 6 as their "common goal" of containing the threat posed by Iran's Ayatollah Khomeini, whose representatives have persistently called for Hussein's overthrow and for the "radicalization" of the oil-producing Gulf region.

The Hussein-Saudi meetings will also presumably provide a forum for working out the nuts and bolts of Iraqi-motivated plans for the economic development of the Middle East. Iraq was a motivating force behind the recent Arab League policy papers outlining ambitious industrialization and modernization plans for the Arab world through the year 2000.

Bush sets new mission to Peking

The Reagan-Bush Campaign Committee announced this week that Republican vice-presidential candidate George Bush will travel to China later this month for talks with Chinese leaders. The announcement confirmed that, despite campaign commitments to restore ties with Taiwan, the Reagan campaign intends to maintain the strategic ties with Communist China opened up by Henry Kissinger and expanded by the Carter administration. Bush will be accompanied on his trip by Reagan's chief foreign policy advisor, former Kissinger aide Richard Allen.

Reagan spokesmen have been hard-pressed to explain the purpose and goals of the Bush trip. One foreign policy expert close to the Reagan campaign commented: "I can understand them picking Bush to make this trip, since he used to be ambassador to Peking. But why the campaign felt it necessary for anyone to visit China at this time is beyond me. Why not visit Europe, or Taiwan, for that matter?"

London Times: 'relief would be cruel'

In its lead editorial Aug. 7, the *Times* of London left little doubt that the current African famine is the result of deliberate policy. "So bad has been the drought, so great the destruction of cattle and grazing areas, and so violent the social upheaval, that experts think much of the Sahel region and East Africa has become permanently 'desertified' and so no longer capable of sustaining human life. In these stark terms the frightful loss of life is understandable. The terrible question arises whether relief does more than prolong the agony. . . . For millions there is no future, nowhere to be transplanted." The editors are aware, on the other hand, that technology exists to reverse desertification.

● **JIMMY CARTER** refused to comment during his Aug. 4 televised press conference when syndicated Washington columnist Sarah McClendon confronted him with charges that his administration is collaborating with Iran to give pro-Khomeini terrorists free rein in the United States. McClendon referenced "a New York intelligence service" as the source of the charge, and named Bahram Nahidian as Carter's Iranian liaison. The exchange was deleted from the *New York Times's* full-page transcript of excerpts from the press conference.

● **MUAMMAR QADDAFI** may soon be deposed in a Soviet-backed coup, *Le Matin de Paris* reported Aug. 4. The Soviets find Qaddafi too "erratic" for their tastes, *Le Matin* notes. Speculations about the Soviet move come in the context of mounting anti-Qaddafi opposition internally and among Libyan exiles abroad, to which Qaddafi has responded by increasing repression, including the arrest of the brother-in-law of Libyan Premier Jalloud.

● **KUWAIT'S GOVERNMENT** has purged 28 leading security officers for failing to stem a developing pattern of unrest in that country. The purge followed the bombing of the office of the Kuwaiti newspaper Al-Rai al-Amn, the appearance of incendiary leaflets inciting foreign workers to take protest actions against the government, and the discovery of sizable arms caches in the homes of anti-government dissidents.

● **MEXICAN PRESIDENT** José López Portillo told the press Aug. 3 before his departure from Havana that "nuclear energy is the only energy source that can massively replace the power now provided by oil," given "the great quantity of energy we need."

Carter's Libyan friends escalate terror wave

by Nora Hamerman

The bombing of the railway station in Bologna, Italy last Saturday that claimed nearly 80 lives and ranks as the worst terrorist incident of postwar Europe has been linked to the Libyan friends of the Carter family.

The Libyan government of Col. Muammar Qaddafi, revealed in the "Billygate" scandal to have gained entrance to White House circles through President Carter's brother, is the major funder and trainer of the neofascist group that claimed responsibility for the Bologna mass murder. According to the Italian press, Qaddafi is training "left" as well as "right" profiled terrorists for one objective, "the destabilization of the Mediterranean area."

Bologna is only the bloodiest so far of several signals over the past few days that the Libyan-backed killers are expanding their scale of operations from politically targeted individual victims to random mass killings all over Europe. The infamous Baader-Meinhof gang has resurfaced in West Germany, with a letter to the federal government threatening to use "new forms of warfare." In Spain the Basque terrorist band, ETA, has stolen 8,000 kilograms of explosives and threatens to use them in "hitherto unknown forms of combat" unless the Spanish government releases "all political prisoners."

Carter coverup

The wave of Libyan-backed terror in Europe further implicates Jimmy Carter as an accomplice to the murder operations of the Muslim Brotherhood, the international cult that installed the Ayatollah Khomeini in Iran and controls Libya's Qaddafi regime. On the same day—Aug. 2—that some 90 pounds of explosives went

off in the Bologna railway station crowded with vacationers, the Carter administration made a deal with the Khomeini government not to prosecute some nearly 200 Muslim Brotherhood terrorists arrested last week in Washington for assault and violence. All but one is now roaming free on New York streets to spread the "fury of Islam."

The incredible Carter coverup for Muslim Brotherhood terrorists stems from the administration's view, often reiterated by Zbigniew Brzezinski, that "Islamic fundamentalism" can be used as a strategic bulwark against the Soviet Union. More and more openly over recent months, the "Islamic fundamentalist" weapon has been wielded by the White House to try to destroy Western Europe's efforts to stabilize the Middle East by forging economic development accords with all the nations involved, including the moderate Arab states and the U.S.S.R.

'New forms of combat'

France, the leader of the independent European Middle East strategy, has been under continuous assault by Muslim Brotherhood hit squads over the past month. Killers from Khomeini struck Syrian leader Bitar and attempted to assassinate former Iranian Prime Minister Bakhtiar in Paris in late July. But the French government merely reiterated its commitment to the Mideast peace policy, centered on cooperation with Iraq.

In retaliation, Carter's Libyan friends have escalated their terrorism to a scale indicated by events of recent days in Spain, France, West Germany and Italy.

In West Germany, the head of the Federal Criminal



Anti terrorist demonstration Italy

Photo: Wide World

Office gave his first press conference in three years to announce that the Red Army Fraction (Baader-Meinhof gang) was rapidly recruiting from among antinuclear and antidraft youth and had assembled the means for large-scale operations like the political kidnappings of earlier years. A letter from the band announcing an escalated "armed struggle" was received by the government, he said.

In Spain, ETA terrorists released a communiqué July 28 threatening to use "heretofore unknown methods of combat." The governor of Bilbao, a city of half a million inhabitants, drew up plans for evacuating the city after learning the terrorists stole 8,000 kilos of explosives from an armory near Santander.

On July 22, a bus in Madrid was bombed, killing a lieutenant of the Civil Guard and seriously injuring 34; massive deaths were avoided only because some of the dynamite failed to ignite. A bombing in Rioja, 30 kilometers to the north, claimed the life of a policeman the same day.

Corriere della Sera, the Milan newspaper, reports that there are now "200 trained assassins in Paris, available for deployment.

Qaddafi's tracks

Corriere also makes clear that every one of these terrorist operations, whether from the "left or "right," has a Libyan (Muslim Brotherhood) pedigree.

On Aug. 2 *Corriere* published an interview with three leaders of the National Democratic Movement of Libya, an opposition group operating both inside Libya and in Western Europe. One of the three said, "There

are Italians in the military training camps in Libya. Red Brigaders and Black Brigaders, side by side, undergo brainwashing, learn to handle arms and to kill. Qaddafi does not differentiate between the extreme left and the extreme right. These youths will serve to reach one of his objectives; the destabilization of the Mediterranean area."

"There is not a single terrorist group in the world that Qaddafi doesn't have his paws in," the Libyan source declared.

Behind the Bologna bombing

The Bologna bombing was claimed by three known terrorist outfits, including the Red Brigades and another leftist gang, the Oct. 22 group. But police are crediting the NAR (Armed Revolutionary Nuclei), a right-wing band with well documented Libyan ties.

The explosion occurred at 10:25 on Saturday, Aug. 2, when the railway station was crowded with vacationers trying to leave the city on the first day of August holidays. An entire wing was reduced to rubble by the blast and a three-foot hole was torn in the floor of the second-class waiting room. After 24 hours of excavation and rescue operations, the casualty count was 189 injured and at least 76 dead.

There were two phone calls ostensibly from the NAR, one claiming and the other denying responsibility for the massacre. The group is the military arm of the neofascist Ordine Nuovo (New Order), which replaced the earlier Ordine Nero (Black Order) outlawed in the late 1960s under Italy's constitutional prohibition against the reconstitution of the Fascist Party.

Two hours before the bomb went off, several members of Ordine Nuovo received stiff sentences for a 1974 bombing of the "Italicus" train between Bologna and Florence that slaughtered 12 people. Primary among the defendants was Mario Tuti, the organizer of the Italicus bombing. The NAR caller claiming responsibility for the Aug. 2 Bologna attack ended his announcement with the slogan, "Honor to Mario Tuti."

Mass bombings were a favorite tactic of the neofascist, or "Black" terrorists of the 1969-75 period, in contrast to the "Red" or left-wing terrorists' preference for individual political targets. Until last Saturday the action that had claimed the highest toll in lives was the Milan Piazza Fontana massacre of 1969, in which 19 people died and many more were maimed. Ordine Nuovo members are currently serving time for that crime.

Libyan money

The rightist networks around Ordine Nuovo, the NAR and the "legal" neofascists, the MSI (Italian Social Movement), have ready access to Libyan money. When Mario Tuti fled Italy after the Italicus bombing, he sent a memo to the press, boasting that he was

funded by the Libyans. He told the press that “our inspiration and our teachers are Mao, Hitler, Qaddafi, and Mussolini.”

Ordine Nero member Claudio Mutti was the president of the Italy-Libya Association, which the Roman judge D’Ambrosio charged was a cover operation for terrorist activity. According to the book *International Terrorism* by Andrea Jarach, the Libyans and Ordine Nuovo first made contact in Munich in 1972. The Libyan Embassy solidified contacts with Italian right-terror organizations and even agreed to finance the “Nazi-Maoist” newspaper *Lotta di Popolo*.

Another leading Ordine Nuovo light was Franco Freda, now serving a life sentence for the Piazza Fontana bombing. Freda was known for his belief in the need for a tactical alliance between left and right terrorists to overthrow the state. Evidently, the Carter family’s Libyan friends agree.

The “Black” terrorists of Ordine Nuovo have found friends in London as well as in Tripoli.

When drug-runner and nightclub owner Pierluigi Torri fled Italy in the early 1970s to escape prosecution on organized crime charges in Italy, he found refuge in London’s banking community. He was quickly able to begin a money laundering operation for his former business associates, by founding a series of banks whose principal clients were Ordine Nuovo and its members.

The co-founder and political leader of Ordine Nuovo, Graziani is now living in London, also having fled Italy, in his case to avoid prosecution for neofascist activities. Despite pleas from Italian authorities, the British government has refused to extradite him.

The same is true for Sandro Saccucci, a parliamentarian from the ultrarightist MSI charged with murder of a political opponent in Italy. He is walking around at large in London.

European press revelations

The following report appeared in the Milan daily Corriere della Sera on Aug. 2.

There are Italians in the military training camps in Libya. Red Brigaders and Black Brigaders, side by side, undergo brainwashing, learn to handle arms and to kill. Qaddafi does not differentiate between the extreme left and the extreme right. These youths will serve to reach one of his objectives: the destabilization of the Mediterranean area.

The anti-Qaddafi opposition has decided to break the silence imposed for so many years through terror; and they are telling what they know about the “Libyan planet” with desperate courage, with no holding back.

There are three influential persons in the resistance in exile; they live with violent death around the corner; they have seen nine of their countrymen assassinated recently in Europe by killers hired by the Tripoli regime; and they know that their names have been written for some time in the “hit lists” approved by Qaddafi and turned over to the so-called revolutionary committees of physical liquidation.

... “Now prudence serves for little: the battle is open and we have come to a crucial phase. We are convinced that Libya is on the eve of important events, and that is why we have decided to turn to public opinion.” ... The exiles justify their optimism with the enormous chaos now existing in Libya, the discontent diffused in every social stratum, the ferocious repression both inside and outside the country; all symptoms, they maintain, that feels itself weak and isolated.

... “We are ashamed,” they say, “of what Libya has become: a terrorist state, a zone of tension, the base of plots against the security and stability of the region. Eleven years of a despotic regime have transformed our country into an arms depot and a place where terrorists and mercenaries from the whole world are concentrated. At Cufra, Qadames, Sinauen and many other camps, the commandos are trained who tomorrow will strike from the shadows in peaceful countries. . . . The Italian youths are in good company, seeing that there isn’t a terrorist group in the whole world that Qaddafi doesn’t have his paws in. Some of the youths that land in Libya ingeniously believe that they are preparing for the revolution, but on the other hand, many are attracted by the money, which is never lacking there.”

From Der Spiegel, July 28:

“Unfortunately,” a high-ranking official of the Federal Interior Ministry said hesitantly, “that is a real hot potato.”

The Bonn minister was reluctant to run off at the mouth any further: the security authorities are secretly more concerned than ever before that Federal Chancellor Helmut Schmidt could become the victim of an assassination attempt in an election year. Experts see concrete evidence that the terrorists are preparing an attempt on the life of the government leader.

The threat to Schmidt has been intense all along and especially since the surprise raid at Mogadishu [when a West German commando squad freed an airplane hijacked by terrorists—ed.]—but it has become more acute in recent weeks. According to a leading official in the Cologne Federal Office of Constitutional Protection (BfV) last Tuesday, there is a “very real danger in the near future. Although it sounds macabre to say so, this is the last chance these people have.”

Peking and Bangkok obstruct regional settlement

by Daniel Sneider

United Nations Secretary General Kurt Waldheim, trying his hand at mediating a solution to the dangerous tensions in Southeast Asia, came up against a stone wall. After two days of talks in Hanoi with top Vietnamese leaders, including Premier Pham Van Dong and party chief Le Duan, Waldheim was obviously pleased with Vietnamese efforts to overcome the conflicts, particularly along the Thailand-Kampuchean border. Said the U.N. head in Bangkok later: "I think they really want to solve the problem."

But when Waldheim flew on to Bangkok for the other end of his shuttle diplomacy, he clearly ran into a stone wall. He brought "clarifications" from Hanoi of their four-point peace proposal, which calls for the creation of a demilitarized zone along the Thai-Kampuchean border and negotiations to solve the food relief and refugee problems. The DMZ would have U.N. supervision.

The Thai government, however, made it clear to Waldheim that it is unwilling even to consider such a line of negotiations—Premier Prem stated it in his banquet speech where he simply called for withdrawal of Vietnamese forces from Kampuchea as the precondition for any further talks. That, plus the absolute refusal of Bangkok to talk to the authorities in Phnom Penh for fear of lending them legitimacy, makes it impossible to move forward on any talks.

The hard-line attitude of the Thai regime clearly upset Secretary General Waldheim, who had apparently expected a greater willingness to find compromise. The Thais for their part were exasperated with his "partiality" toward the Vietnamese, as they put it.

Waldheim should not, however, have been surprised at the Thai response, because it is consistent with their policy over the past period and with the growing signs of close coordination between Thailand and China. Two weeks ago the Thai Foreign Minister Siddhi Savetsila was in Peking. There he not only met with Chinese leaders but also joined them in talks with former Kampuchean Prince Norodom Sihanouk (just arrived from North Korea), and Son Sann, the self-styled leader of the

Khmer People's National Liberation Front (KPNLF), a Thai-based anti-Vietnamese Khmer group.

The meetings reflect the dominant shared concern of Thai and Chinese policy toward Kampuchea—to maintain and perhaps reinstall the deposed Pol Pot regime, the so-called Khmer Rouge. The immediate purpose of the talks in Peking was both to coordinate Thai-Chinese strategy and to try to pressure Sihanouk and Son Sann to join in a united front with the Khmer Rouge, restoring its sagging credibility.

The Chinese and their Thai surrogates are faced with a twofold challenge. The offensive by Vietnam and the Heng Samrin government in Phnom Penh has effectively disrupted a planned rainy-season offensive on the part of the Khmer Rouge, threatening the survival of Peking's Pol Pot forces. More dangerous for Peking, the Heng Samrin government is proving increasingly effective in beginning to solve the food problem inside the country and provide effective administration; and it is gaining international acceptance as the legitimate government of Kampuchea, as was signaled by India's recent recognition of that government. Peking fears that when the United Nations General Assembly meets in September, a move to oust the Pol Pot regime from the seat they still hold in the U.N. as the representative of Kampuchea may be successful, thus depriving the People's Republic of the legal fiction on which its operations are based.

China threatens war against Vietnam

The move to pressure Sihanouk and other non-Khmer Rouge leaders into a new Khmer front is not only aimed at countering the collapsing credibility of that fiction. On the military front, it is also an attempt to revive the operations mounted from the Thai border regions into Kampuchea. Peking clearly hopes to draw the Vietnamese into some kind of confrontation along the border in the hope of triggering a fresh large-scale military battle, not least on the Vietnam-China front, to try to discredit and destabilize the Indochinese countries' efforts to reach a regional settlement.

The danger of a Chinese invasion of Vietnam in the near future was openly proclaimed by the Peking leadership itself. In an interview with the German daily *Die Welt* on July 25, Chinese Deputy Foreign Minister Zhang Wenjin declared that they would "not rule out" the possibility of a Chinese attack on Vietnam in the event of "violations" by Vietnamese forces on the Thai border. Zhang told *Die Welt* that the decision "depends on three points: First, the intensity of the use of force by the Vietnamese; second, on the desires of the Thai government; and third, on our resources and available means." Virtually caricaturing the patient Chinese mandarin, Zhang explained that: "We do not cry out loudly, nor do we raise a hue and cry over what we will do before we act. Sometimes our voice is very low, but people should take serious note of it."

Zhang concluded this threat with a reference to China's war with India, a war he claimed was "provoked" by Indian border provocations. "When our patience was exhausted," the Chinese spokesman declared, "we acted, and the Indians suffered a fatal blow."

It is clear that the plans of Peking and Bangkok clearly include their ally the United States. Carter administration backing was already signaled when Carter and Chinese Premier Hua Guofeng met in Tokyo last month. It took concrete form with the arrival in Thai harbors this week of a U.S. naval flotilla of 12 warships, headed by the nuclear-powered cruiser Truxton. The ships will be there for a 45-day "visit." Recently the U.S. Pacific Air Force commander traveled to Bangkok for a review of the Kampuchean situation and an inspection of former U.S. military bases in Thailand, reportedly to prepare their possible reactivation for U.S. use.

In his interview with *Die Welt*, Zhang Wenjin encouraged a direct American military involvement in the Chinese aims for the region. In a clear reference to increased U.S. military aid to Thailand, Zhang politely stated that "it is only understandable that many countries had to ask the United States for limited assistance, even military assistance. We understand and appreciate that." Zhang also responded to a question about U.S. arms supplies to China with the statement that "at the moment, the United States is not supplying us with any lethal weapons though we hope this will change."

Zhang also addressed himself to the European audience, praising the U.S. for avoiding "the inclination toward isolation" while attacking Europe for having "adopted a pliant stance toward the Soviet Union." This stance Zhang described as "enabling the Soviets to concentrate their strength on expansion and aggression in Asia."

At the moment the focus of attention is on Thailand

and on the Thai frontier with Kampuchea. The Thai regime, particularly since the removal this spring of the government of General Kriangsak and its replacement with General Prem, has taken an increasingly provocative stance on the delicate border situation. While the previous government had cooperated with the Chinese to a large extent, facilitating transit of Chinese arms and supplies to the Khmer Rouge troops, the new regime has been drawn even more tightly into an embrace with the Peking rulers.

Thai efforts on behalf of Peking had been partly obscured behind the screen of the refugee problem and the food relief efforts mounted by international agencies in the border areas. Recently, however, due to the belated refusal of the international agencies to allow the relief supplies to be diverted to the armed bands along the border, the actual role of the Thai regime has become much clearer.

According to sources in the relief agencies who recently returned from a visit to Thailand and an inspection of the border areas, the Thai regime has been carefully controlling the refugee and relief operations to achieve two objectives. The first is to supply and maintain the anti-Vietnamese and anti-Heng Samrin bands. This involves provision of supplies and also direct Thai military intervention into the myriad bandit groups in an attempt to eliminate some and force others to unify their operations.

The second aim was described by a relief official as the creation of a "human buffer" of almost 200,000 Kampuchean refugees along the border. With total cynicism, the Thais have used the availability of food along the border both to lure Kampuchean peasants there for good and to maintain a string of "camps" that straddle the border itself, particularly in the relatively flat plains area between the mountain ranges which separate Thailand and Kampuchea in the northwest and southwest. These camps buffer the border and provide protection for military bands and recruitment grounds for them.

This helps explain the uproar raised by the Thai regime when the relief agencies announced last month that they were halting their border supply efforts in Khmer Rouge-controlled zones because they could not guarantee that the food was not going to combatants, in violation of their charter. The Thai regime responded to the announcement with outright blackmail, threatening to shut down all their operations in Thailand, particularly the established U.N.-run camps that are deeper inside Thai territory. This Thai stance, according to the relief sources, was backed by the U.S. embassy in Bangkok, which controls the U.S. contribution to the relief effort. A tentative agreement has been reached which leaves much of the dispute still unresolved.

Chinese offers fall on deaf ears

Peking is willing to give up some of the land it captured in 1962, while retaining strategic territory.

Peking's efforts to woo India have failed to make a dent in the profound distrust and caution with which China is viewed in New Delhi. While Western press accounts have made much ado about the possibility of a Sino-Indian rapprochement, the mood in Delhi is decidedly less optimistic.

The Chinese gambit came in the form of a series of proposals to settle the outstanding border dispute which has been the leading issue of Sino-Indian contention since the early 1960s and the 1962 Sino-Indian War.

With the Chinese still holding a significant chunk of strategic territory in Kashmir and the northeast border region, the Indian government has consistently called for a settlement of this problem before any serious normalization of relations can take place.

Former Ambassador to China K.R. Narayanan summed up the feeling in Delhi in response to the Chinese "offers" at a recent public meeting here. The Chinese are experts at the "East Asian specialty of making very nice looking packages," he said. But when the package is undone, "there may be something there but not what you expected."

The intensification of high-level contacts between the United States, China and Britain has been carefully watched here, including the Carter-Hua meeting in Tokyo and the visit of the British naval chief to

Peking for talks with Chinese military leaders. Also noted was the itinerary of the British admiral after his Peking visit—stops in Bangladesh and Pakistan.

The Chinese influence in Bangladesh and Pakistan is one major factor in Indian calculations on their policy toward Peking. The feeling in some circles is that the Chinese are carefully trying to "draw a net" around India.

These observations are given substance by the widely known role of China and Bangladesh in aiding tribal separatist movements in India's sensitive northeast region. One interpretation of this approach was given by Narayanan, who wondered whether China, like some other big powers, is viewing the Indian subcontinent as a "divisible" entity.

Within this context, the facts surrounding China's border offer have raised some skepticism here. It was only one or two days prior to the June arrival in Peking of Indian Foreign Secretary Eric Gonsalves for a preliminary round of talks that Chinese Vice Premier Deng Hsiaoping presented what was portrayed as a "new" major offer to resolve the outstanding border dispute in an interview here with a journalist known to be pro-Peking.

Deng's offer consisted of the following: China would accept the line of control in the eastern section—the MacMahon line drawn up in 1914 across from Nepal to

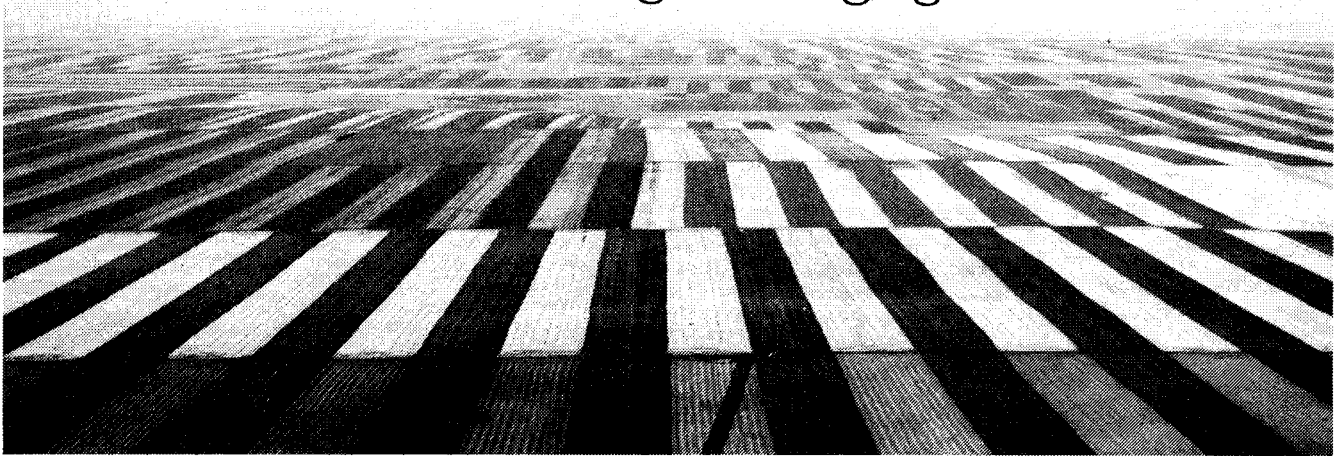
Burma—in exchange for India's acceptance of China's control over 40,000 square kilometers taken in the western sector during the 1962 India-China war. On the surface it would seem that China's willingness to give up its claim over 900,000 square kilometers on the eastern front would be an acceptable compromise solution—except for the fact that China's claims on the eastern front are entirely spurious.

As it has done with most of its neighbors, China simply redrew its maps to include a good chunk of Indian territory. Now, after it used that as a pretext for armed aggression against India in 1962 and takeover of territory in the western sector, it is willing to redraw its maps in exchange for keeping the 40,000 square kilometers of strategic territory in Aksai Chin (bordering Tibet and Sinkiang).

Less than two months after this first "offer" by Deng, the Chinese have released—through the same obscure journalist—a second interview, given two days earlier than Deng's, with Wang Ping-man, chairman of the Chinese Association for Friendship with Other Peoples. In it Wang tries to argue that an "historic document," recently discovered by an unnamed Indian scholar, disproves India's stand that the Simla Agreement of 1914 confirms the MacMahon line as the traditional Sino-Indian boundary in the east. The latest news in this story indicates that Peking knows this gambit will fail: the Chinese have announced the postponement of a scheduled visit this year by Foreign Minister Huang Hua, a visit that was to be the first by a top Chinese official since before the 1962 war.

Part II

The Mexican challenge: managing the boom



Mexican agriculture: only American methods will work

This survey was prepared by Cecelia Soto-Estévez and Patricio Estévez of the Mexican Association for Fusion Energy, Calvin Larson of the U.S. Fusion Energy Foundation, and Elsa Ennis.

During the first week in August the Mexican press was filled with official statements and counterstatements about a suspicious series of train accidents that involved freight cars transporting imported grains from the United States. The nervousness of the government reflected concern not only about these particular events, but more deeply, about the known fact that Mexican agriculture is in one of its gravest crisis and threatens to dramatically slow down that country's ambitious industrial strategy. This is also the reason why: high government officials, including the agriculture minister, several weeks ago suggested that a possible U.S. role in aggravating the present programs through hurricane control, be investigated. In fact, the second consecutive year of severe drought has broken the back of Mexico's long troubled agricultural sector.

During 1979 there was five times less rain than the average. The results were catastrophic. Agricultural production fell by 7 percent, after an increase of 4 percent the preceding year. Basic grain production decreased by 20 percent.

As a result, Mexico has found itself in a bind of grave strategic as well as economic dimensions. If it answers these shortfalls with increased imports year after year, it will divert the oil revenues it needs for industry. Mexico's

leaders refer to this as the danger of "eating the oil." They highlight the potential danger to national security if a foreign supplier—which as of now is just one country, the United States—should use the threat of food cutoff as a weapon against the country.

On the other hand, not importing to cover the shortfall could immediately trigger real food shortages and widespread social disturbances.

While Mexico moves to implement a vast new program focusing on the agricultural problem known as the Mexican Food System (SAM), it has no real choice but to import to cover immediate needs.

This year Mexico will import 9.5 million tons of basic grain, the bulk of it for desperately needed animal feed as domestic stocks are depleted for human consumption. This is 40 percent more than in 1979 and 150 percent more than in 1978. Moreover, this massive increase in imports adds tremendous pressure to one of Mexico's most important bottlenecks, transportation. Last June a spokesman for the Mexican Commerce Ministry reported that American cities near the Mexican border were flooded with "more than 1,000 leased boxcars containing basic grains that cannot move due to the lack of locomotives." The transportation effort alone is going to cost a quarter of a billion dollars.

The PNDI and the PGD

Last year's collapse of agriculture forced a dramatic shift of priorities upon the Mexican government. A comparison of the March 1979 National Industrial

Development Plan (PNDI) with the April 1980 National Global Plan (PGD) (see diagram), shows that the agricultural sector will be allocated nearly double its original share of the oil revenues at the expense of the industrial sector, which will receive only half its slated share. This happens at a moment when the far-reaching plans for superports, capital goods and steel development are awaiting major appropriations in order to move forward.

It is common knowledge among informed circles that the PNDI elaborates López Portillo's own long-treasured strategy to reorient Mexican economic development through an aggressive program of basic industrialization. In fact, the PNDI, though one of several sectoral plans, was the first one adopted and was conceived as the anchor for the rest of the package, going into the Global Plan.

In the chapter dedicated to agriculture, the PNDI warns that if this sector does not achieve a minimum 3 percent annual growth (barely keeping pace with population growth) then by 1982, 21 percent of oil revenues would have to be diverted to food imports and 54 percent by 1990.

But there was no need to wait for 1982. According to the central bank figures, 21 percent of oil revenues, \$800 million, went to pay food imports during 1979. Basic grain imports for 1980 will skyrocket to \$1.8 billion, accounting for only 15 percent of oil revenues because higher oil prices and higher exports will up revenues from 4 to \$12 billion.

Returning to the comparative bar diagram of the two programs: Pemex, the national oil company, receives the same percentage indicated by the PNDI a year and a half ago. Besides agriculture, the sector that receives a substantial increase in its share of the oil revenues is the social sector (education, housing and health), which increases its share from 12 to 16.3 percent. This fact reflects the heavy immediate price that the Mexican government is paying to bridge a gap of "rising expectations," which is being actively exacerbated by political opponents, particularly Jesuit-led left groupings. The PNDI argued strenuously that only a high capital-formation rate could guarantee continued prosperity; therefore the much-needed increases in social programs would have to wait until 1983.

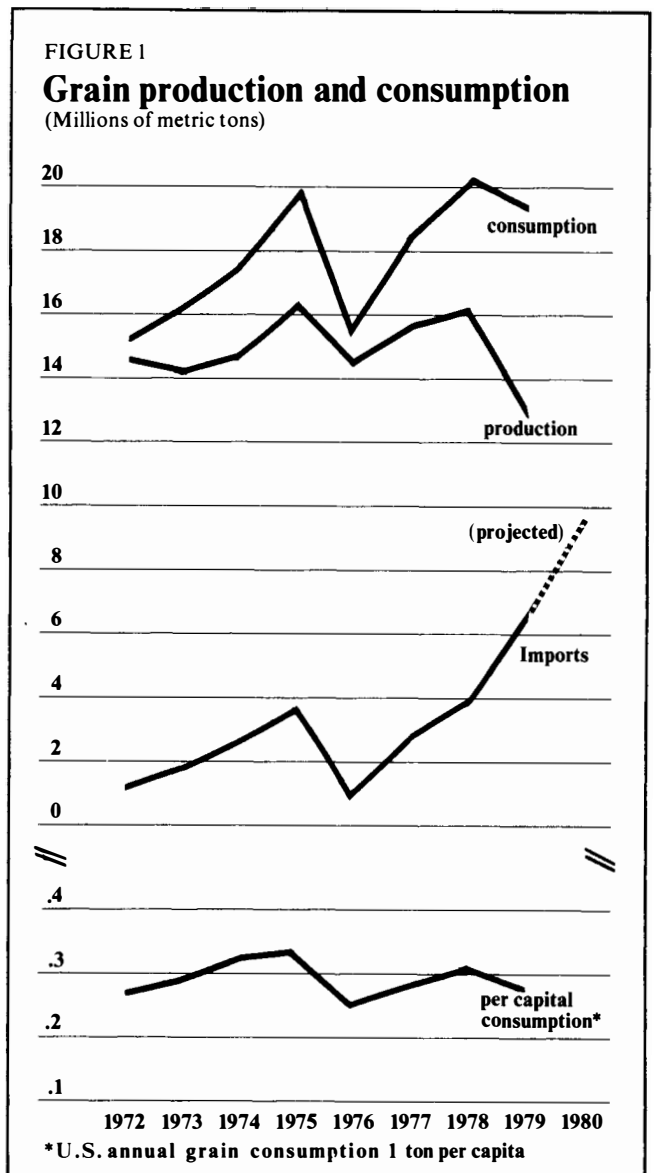
Historical data

It is undoubtedly true that more money had to be allocated for agriculture. But as we demonstrate below, the SAM avoids the fundamental issue of major new water projects and places disproportionate emphasis on low-efficiency marginal peasant farming. With luck it can only guarantee a small and temporary increase in agricultural production—at the cost of fully half the oil revenues otherwise tagged for industry.

Solving the Mexican agriculture debacle is indeed a

great challenge. Since 1965 there has been a persistent stagnation in the volume produced, as shown in Figure 1. During the 1965-76 period, production grew by a meager 0.86 percent annually. Even with rising food imports, per capita consumption first remained flat and then fell as a result of the inability to keep pace with a population growing at 3.5 percent per year, one of the highest rates in the world.

The last year of President Echeverria's term, 1976, a year marked by capital flight and external destabilization efforts, was also a year of agricultural collapse. Production of basic grains fell by 8 percent resulting in an overall negative growth of 4 percent. Significant gains in 1977 and 1978 have now been offset by the 1979-1980 drought. Hardest hit have been corn and beans, the main ingredients of the Mexican popular diet. The growing deficit in basic grains consumption has resulted in a dramatic lowering of caloric consumption.



tion. Among the poorest strata of peasants and Indians it has fallen from the already low 1,900 calories per day to the bare survival level of 1,600.

Correlatively, the figure for average hectareage cropped has stagnated at 14.5 million hectares since 1965. A growing disproportion between the price support structure and the price of agricultural inputs has resulted in a reduction of the areas devoted to basic grain crops, in favor of cash crops cultivated in the capital-intensive northwest agricultural zone. While prices of fertilizers and agrochemical products have moved sharply higher since 1965, support prices were frozen until 1972 and still represent a problem.

Private credit has concentrated on the cash crops exported to the United States. It is argued that the resulting \$1.8 billion in revenue maintains an agriculture trade balance, but with the increasing imports, most of these profits return to U.S. banks as deposits or are diverted from new investment in basic grains. It is clear, therefore, that such exports do not constitute an answer to the problem.

An ambitious new program

The competitiveness of agricultural production demands mechanization and hence the expulsion of rural labor from the countryside. Remember that in the United States the agricultural labor force is scarcely 4 percent of the total and it is the most efficient agriculture in the world. That is the direction that any agriculture must go, if it is to be worthy of the name.

—José López Portillo to members of the American press corps June 27, 1980.

The Fusion Energy Foundation and its cothinker organization, the Mexican Association for Fusion Energy (Asociación Mexicana de Energía de Fusión—AMEF), have jointly developed an agricultural program for Mexico based on capital-intensive American agricultural methods recommended explicitly by Mexican President López Portillo.

The program is the result of a broader joint research project led by FEF director of research, Dr. Uwe Parpart, to apply the LaRouche-Riemann econometric model to elaborate an overall development program for Mexico. The agricultural program, of which we present here a condensed version, was developed by agricultural engineer Calvin Larson, and Patricio and Cecilia Estévez, director of agricultural research and executive director of the AMEF respectively.

* * *

Mexican agriculture can match the productivity of present U.S. agriculture by the year 2000, and surpass it by the year 2020 if, as recommended by President López Portillo, that country follows a program based on the methods which made the U.S. farmer the most productive food producer in the world. As the U.S. case shows, increased productivity in industry requires concurrent increases in the quality of food consumption, clothing, housing and general cultural education of the workforce.

Only a highly productive agricultural base can provide this industrial requirement, while at the same time freeing large numbers of workers from the drudgery of menial subsistence agriculture to gain higher levels of employment in the advancing industrial base.

The key to the economic effectiveness of capital-

FIGURE 2

Allocation of oil revenues, 1980-82

PNDI	PGN
PEMEX 35%	PEMEX 32%
Agric. 9.5%	Agri. 17%
Industry 20.5%	Industry 10.5%
Transp. 12.3%	Transp. 13.6%
Social 12%	Social 16.3%
State and local 10.2%	State and local 10.2%

Sources: The PNDI (National Industrial Development Plan) was issued in February 1979, and calculated oil revenues at \$37 billion for the three year period. The PGD (Global Development Plan) was issued in March 1980, and calculated oil revenues at \$42 billion.

Note: The "PEMEX" allocation includes investment in oil and petrochemical projects. The industry category includes all other industrial outlays.

intensive U.S. agriculture is the thermodynamics of energy throughput; that is, the net surplus energy generated that is available for reinvestment. The comparison of the three modes of agricultural production that coexist in Mexico is useful as a measure of the relative thermal efficiency of each mode.

First, there is the modern agricultural sector, with capital-intensive methods and irrigated land. Second, there is the relatively efficient rainfed sector. Third, there is the subsistence agricultural sector of Indians and backward peasants.

“Traditional agriculture,” that is, subsistence agriculture, represents a monstrous waste of energy, literally consuming the flesh and blood of 13 million peasants to produce a mere 1,600 calories per day diet for only six months of the year. The low energy throughput that characterizes the subsistence level, results in less *efficient* energy use, consuming more energy per ton produced than the other two systems (see Figure 3).

A thermodynamic study also shows that virtually every increase in energy throughput for the two relatively advanced agricultural sectors with irrigation, agrochemical products, fertilizers or mechanization results in a nonlinear increase in the energy-use efficiency, thus yielding more agricultural products per unit of energy input. This is better seen in comparing the total energy input per unit volume of corn production for Mexico in 1978. Although the average corn yield on Mexico's irrigated land is some 340 percent greater than on subsistence land, these higher yields represent only about 40 percent of the average corn yield in the entire United States for the same period.

Three-stage program

The FEF-AMEF study proposes that the development of scientific agriculture in Mexico occur in three stages. The first stage, from 1981 to 1985, will consist of the rapid application of scientific methods on the existing fertile cropland, concentrating on quickly increasing national production of food crops including wheat, beans and corn.

The second stage, from 1985 to 2000, will consist of consolidating the use of technology-intensive methods on all farms, while initiating the intensive use of corn, sorghum and soybeans as livestock feed, and *modestly increasing* the land under cultivation through irrigation.

The third stage, from 2000 to 2020, will consist of *rapidly expanding* the amount of irrigated land along the arid coastlines, using the river systems of the northeast and northwest. (For more details on the FEF-AMEF water resources plan, see box and map.)

A key role in the overall program will be played by specially “selected areas”—relatively small areas where the most advanced agricultural methods will be applied. Instead of spreading a few basic agricultural techniques

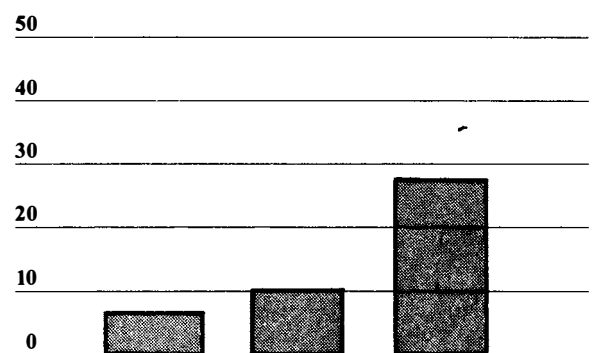
throughout a peasant population that would tend to resist their application, the “selected area” method will overcome this resistance to modern methods by demonstrating their success. The idea is to steadily decrease the total area cultivated by labor-intensive methods, substituting larger, more efficient mechanized units—including livestock-breeding ranches where soil and climate prohibit rainfed crops.

During the period between 1981 and 2005, a large percentage of the population which are currently migrant workers or subsistence farmers, could be quickly assimilated into agriculture-related industries, such as fertilizer production, construction or other rapidly expanding productive industries demanded by the overall Mexican development plan.

Simultaneously, the total area under cultivation will increase by 45 percent by the year 2020 (see Figure 4). By that year, crop yields in Mexico will, under fully capitalized conditions, exceed present average U.S. yields. Mexico's present average corn yield would be considered a crop failure in the U.S. However, yields from wheat hybrids specifically developed in Mexico are twice that of the U.S. average, but require an extremely high rate of fertilizer and pesticide use to sustain such yields. Given this fact, farm mechanization is a priority, both for improving total production in the near term and for retraining large numbers of field

FIGURE 3

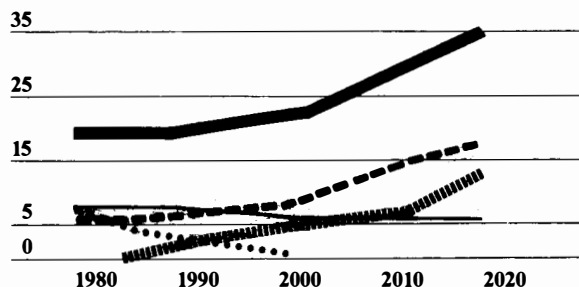
Millions of BTU's per ton of corn produced



The above chart shows energy efficiency for the three modes of Mexican agriculture. The smaller bar corresponds to capital intensive agriculture, which consumes less energy per ton produced. The largest bar corresponds to so-called “traditional” agriculture, which consumes three times more energy per ton produced than modern agriculture. The middle bar corresponds to efficient rainfed.

FIGURE 4
Increase in land area under cultivation

(Millions of hectares)

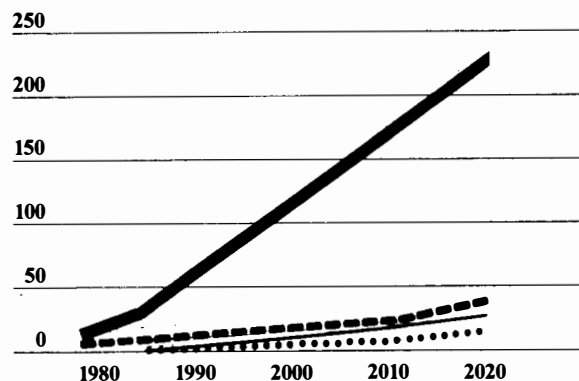


Key
 Total cultivated area **————**
 Irrigated area **- - - -**
 Partially irrigated area **|||||**
 Rainfed (efficient) **————**
 Rainfed (subsistence) **.....**



FIGURE 5
Production of basic grains

(Millions of metric tons)



Key
 Corn and sorghum **————**
 Wheat and rice **- - - -**
 Soybean **|||||**
 Beans **.....**

workers for more productive jobs. The objective is to reproduce the present U.S. level of machine-intensity on all basic cropland by 1990.

The total installed machine horsepower per unit of harvested area in Mexico is presently about 0.7 Hp/Ha, compared to about 2.67 Hp/Ha in the United States. Mexico presently has a production capacity of some 13,400 tractors per year, manufactured by both Mexican companies and subsidiaries of U.S.-based firms. At present, it operates about 130,000 tractors, representing some 0.43 Hp/Ha of the 12.9 million hectares of combined efficient rainfed and irrigated cropland. By 1990, it will require some 540,000 tractors, 180,000 harvesters, 360,000 farm trucks, and 900,000 tillage machines—approximately a four-fold increase in 10 years.

Similarly, the total machine power-density per unit of harvested area will be increased to 2.65 Hp/Ha by 1990 and continue to increase to about 3.15 Hp/Ha by 2020.

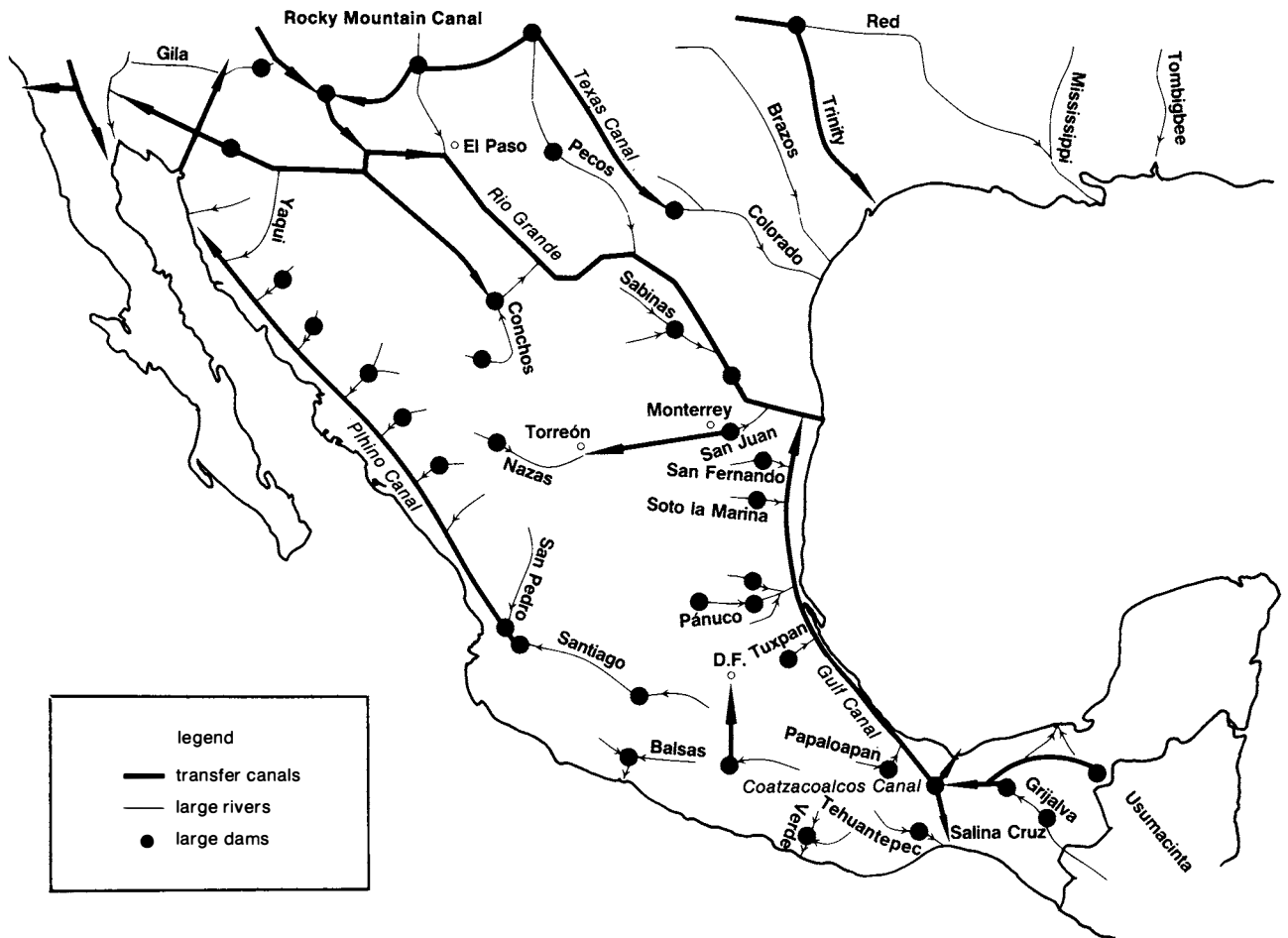
Mexico is well-endowed with the raw materials and energy resources for rapidly producing the necessary fertilizers and pesticides to rapidly build highly fertile soils in both existing and new cultivated areas. Total annual fertilizer use is expected to grow from 1.6 million metric tons in 1981 to 3.2 in 1985, to 3.6 in 1990, 6.8 in 2000 and 12.6 in 2020. The U.S. presently uses about 20 million metric tons per year.

The Mexican government fertilizer program announced last month requires the state company, Fertilizantes Mexicanos (FERTIMEX), to meet the national demand and maintain a healthy export level. Crop and livestock production in Mexico, as projected by this program, will dramatically increase (see Figure 5). The majority of feed crops produced (corn, sorghum, and soybeans) will be successively reinvested in increasingly more intensive livestock production.

The total meat, dairy and cereal requirements of the projected population of Mexico are shown using current U.S. per capita consumption as a reference for the average dietary requirements of a growing industrial nation. On this basis, cereal production under the FEF-AMEF program exceeds population requirements by 1985, dairy production meets requirements by 1990, and meat production exceeds requirements before the year 2000.

This agricultural program will result in a net surplus for export of cereal grains and meat products within the first 10 to 20 years of implementation. But Mexico must concentrate on improving the breeding stock and growing conditions of cattle, hogs, and poultry, requiring the phased liquidation of inferior animals and replacement with carefully selected imported breeding stock of superior animals.

New National Hydraulic Plan 1980-2020



The water resources for Mexico, as developed by the Fusion Energy Foundation and the AMEF, will increase the irrigated land of Mexico five-fold and nearly double total cropland by the year 2020. The plan utilizes the existing official National Water Resources Plan published by the government in 1976 as a basis, and augments this plan with two major modifications that link the water supplies of the continent into a single unified grid.

This grid is established by transferring water from the south coastal areas of Mexico, where 80 percent of the nation's surface runoff is concentrated, to the north coastal areas of the country that have extremely dry but potentially fertile soils. The connecting link in the grid is established by delivering water from Alaska and Canada through the

United States by way of the Rocky Mountain canal of the North American Water and Power Alliance. These water supplies will be distributed through canals and natural river systems, using gravity flow from the North, and pump-lift methods from the coastal canals, to reach productive inland areas of successively higher elevations by constructing a series of "water-staircase" dams. These elevated waterways will provide major networks of navigable streams, by which inland agricultural and industrial development will transport the bulk commodities of production input and output.

Most of the water will be collected in major reservoirs in the prolific rivers of the southeastern rainforest and transferred north by a major coastal canal that intersects similarly developed reservoir systems on the major rivers.

Source: Fusion Energy Foundation

Controversy over the SAM

It is impossible to modernize the world's diet according to the U.S. model 'because that would imply an oil and electrical energy consumption so large that the earth's resources wouldn't be sufficient. We must revert to peasant food modes to solve our food problems. . . . In the future only 2 percent of the world population will make use of the U.S. model.

—Cassio Luiselli, presidential agriculture adviser, to the daily *Uno Mas Uno*, July 24, 1980

This attack by the Mexican president's main agricultural adviser, Cassio Luiselli, on López Portillo's stated commitment to an "American System" farming model, is probably the most explicit encapsulation of the intense, and often publicly aired, factional struggle in the Mexican government over agricultural policy. The struggle has been fought mainly around the government's recently announced Mexican Food System (known by its Spanish acronym SAM) elaborated by a group of advisers under the direction of Luiselli.

Luiselli, an agronomist tied to World Bank agriculture projects in Mexico, together with official followers of that institution's Malthusian policies, clearly got the upper hand in determining the basic methodology of the program. The SAM's goals are achieving self-sufficiency in such Mexican basic foods as corn and beans by 1982, and in rice, wheat, soya, sorghum, sesame seed and safflower by the year 1985. Although these goals are commendable, the World Bank's "appropriate technologies" approach adopted by the authors makes their achievement questionable. But even if these goals were achieved, the application of the program guarantees food shortages on a long-term basis.

The flaws in the SAM

The program provides for an increase of public investment in the agriculture sector of 22 percent in the period 1980-82 and 25 percent in 1982. The problem is that following the World Bank recommendations, the SAM proposes to allocate those investments in one of the least productive Mexican modes of agriculture,

subsistence agriculture in rainfed areas (whose inefficient energy throughput is overwhelmingly proved in the FEF-AMEF Mexican Agriculture Program). From this standpoint, the authors of the SAM totally overlooked the fact that competent agriculture planning for Mexico starts with a waterway project to bring water from the humid south to the better soils of the dry north coastal areas. What the SAM proposes is to disperse small investments here and there among millions of impoverished peasants throughout the whole country. In this way, the Mexican officials hope to defuse the potential social explosion of a hungry peasantry.

Taking advantage of this very real problem of Mexico, a product of long years of poor crop performances, Luiselli's "World Bank faction" managed to make the development of "appropriate technologies" an explicit goal of the SAM: "to orient and promote a technological development more appropriate to the production practices [giving] special attention to the rainfed areas, . . ."

The SAM's second major flaw is the lack of emphasis on the production of sorghum and other products for feed. This deemphasis is also a demand of World Bank officials, who recommend the production of only those crops that can alleviate hunger on a short-term basis. Enriched feed, which in turn will become vital animal protein in the form of milk, meat or eggs, is seen as not "appropriate" to the impoverished peasant diet. The long-term consequences of this decision will be disastrous for the development of a qualified industrial labor force.

The role of dirigism

Despite the World Bank input, the SAM is giving the Mexican government for the first time in history the opportunity to take control over agriculture policy decisions, from production to distribution. The program emphasizes key dirigist measures such as government-guaranteed prices for basic agricultural products and measures against land and commercial speculation.

This move could not be postponed given the pernicious role intermediaries and food speculators have traditionally played in the Mexican economy. That the government is determined to finally solve this problem was clearly seen in a meeting called this week by the president where all the state governors, cabinet members and directors of relevant state sector companies discussed coordination of the SAM implementation.

Besides giving preeminence to the government's dirigist role in the agriculture sector, the SAM sets some goals that can only strengthen the hand of a group of officials represented by the president himself and the director of *Petroleos Mexicanos*, Jorge Díaz Serrano, who have publicly argued in favor of a capital-intensive mode of production.

Aquarians meet

Mark Burdman reports on the Toronto futurist conference

On July 20-24, the World Futures Society and the Canadian Association for Futures Studies sponsored the largest futurist assembly to date. The Toronto conference drew 6000 participants from 45 countries, and featured hundreds of discussion seminars, films, and special events. EIR correspondent Mark Burdman covered the conference from its introductory keynote to its final plenary. Further installments of this report will describe conference discussions on the "post-industrial information society" forecast for the United States and on the space program.

"We must have respect for primitive cultures."

"We must find the ways of transformation to deal with the phenomenon of systems breakdown going on around us." "Respect life: animals, vegetables, and fishes, especially whales."

Another guru's tract? A new California cult manifesto? A scene from the movie *Hair*?

None of the above. All these statements were made at the recent Toronto First Global Conference on the Future, funded and sponsored by some of Canada's most prestigious corporations and government agencies. The five-day Toronto conference was an object lesson in how some of the leading elites of the Western world have degenerated morally, philosophically, and politically.

For five days, I witnessed top energy policy planners, corporate strategists, and social theorists evangelize for the set of values usually associated with the "Aquarian Age" elements of the counterculture. The first salvo in the Toronto conference's "Aquarian Age" barrage was fired by Stanford Research Institute futurist Willis Harman. Harman is the man whose social-psychological "Changing Images of Man" experiments in the early 1970s initiated what has today come to be known as the "Aquarian Conspiracy."

On July 20, Harman delivered the conference keynote, in a speech entitled, "To Think Globally and Act Locally, Perceive Newly" (the official conference title theme was "Through the '80s: Thinking Globally, Acting Locally"). During the speech, Harman declared: ". . . It is the materialist view of industrial society that is out of step, with its concept of humankind controlling and exploiting an insentient world.

"Thus, there would seem to be two possible perceptions of reality around which a global order might eventually be constructed. One is the materialist world view implicit in the institutions of modern industrial nations (capitalist, socialist and communist). The other is closer to the perception of the North American Indian and may be emergent as an ecological perspective in some of the contemporary social movements around themes like consumer society, development alternatives, appropriate technology, holistic health, alternative lifestyles, and so on. The second seems rather impractical and visionary to most of what we call "decision makers" in modern society. It does seem to have the virtue of being the more compatible with a vast diversity of cultures in the Third World. . . .

"The choices of self-seeking individuals in a world of increasingly resource-consuming, environmentally damaging, and powerful technology are not guaranteed to sum to desirable social choices. Is there no alternative to increasingly heavyhanded centralized regulation? . . . The only other way would seem to be through *conscious identification* of the individual with the whole. Perhaps we see the beginning of this development in the grassroots emergence of an ecological ethic. . . ."

Harman then praised the views of drug cultist Aldous Huxley as providing a "set of premises" for "a global order . . . in which the great juggernaut of the world

The conference sponsors

Toronto Futures Conference sponsors included prestigious individuals and corporate interests. According to the official Conference Final Program, the Board of Directors of the World Future Society, the main sponsoring group of the conference, includes Orville Freeman, head of the New York-based Business International; Sol M. Linowitz, a director of Xerox and a senior partner of the Coudert Brothers law firm; and Michael Michaelis, a director of the Cambridge, Massachusetts-based Arthur D. Little Corporation.

Among the corporate and government sponsors: Alcan Canada Products, Ltd.; Bell Canada; Canadian Imperial Bank of Commerce; Control Data Corporation; IBM Canada, Ltd.; Imperial Oil, Ltd.; Petro Canada; Royal Bank of Canada; Shell Canada, Ltd.; Sun Oil Company of Canada, Ltd.; Trizec Corporation, Ltd.; Air Canada; Ontario Ministry of Industry and Tourism; Sun Life Assurance Company of Canada; Xerox of Canada, Ltd.; Rothman's of Pall Mall Canada, Ltd.; Molson Companies, Ltd.

Maurice Strong's 'basic truths'

One of the most interesting case studies in the degeneracy of the Canadian elites is that of Maurice Strong.

Strong is one of the top energy entrepreneurs in Canada, having founded the multinational Petrocan company. He is a former United Nations undersecretary, and was a motivator of the first U.N. Conference on the Environment in Stockholm and of the U.N. Habitat Conference in Vancouver in the early 1960s.

At the Toronto Conference, Strong gave the closing keynote, a rambling summation of the five days' events that included several striking observations. Two of the most noteworthy were:

"Indigenous cultures like the hunter-gatherer are being threatened. One of the great heritages we have is being wiped out. I don't just embrace primitive cultures, but they represent basic truths that we have to inculcate in our futures planning."

"What is happening in Canada is not unique: decentralization *and* regionalization and globalism all combined, with an inevitable decline in the central role of the nation-state in the system of governance. The nation-state will unsuccessfully resist this trend."

Strong is involved in sponsoring a number of kook activities. He is a director of the Aspen Institute for Humanistic Studies, and, according to an informed source, is seeking to transform the area in Colorado where Aspen is located into a "network of mystical retreats that will serve as a model for the rest of the world."

Strong is also on the board of directors of the Lindisfarne Association, a feudal institution that supports the development of a new "planetary culture" based on the construction of handicraft villages interlinked through worldwide communications grids.

Other Lindisfarne directors include Mary Catherine Bateson, daughter of recently deceased drug cultist Gregory Bateson, and Richard Falk. Both were active in bringing Ayatollah Khomeini to power in Iran. William Irwin Thompson, Lindisfarne's founder, has written a book extolling the "dance of death of industrial civilization"; and Amory Lovins, head of the British branch of Friends of the Earth, who has recently issued a comprehensive report against nuclear power which received substantial excerpted coverage in the most recent edition of the New York Council on Foreign Relations' quarterly *Foreign Affairs*.

industrial economy will not ride roughshod over the less materially focused cultures."

On the last day of the conference, Canadian Association for Futures Studies President Frank Feather announced that Harman, along with Indian futurist Rashmi Mayur of the Bombay Environmental Planning Institute and "alternative futures" spokesman Hazel Henderson, had most "personified" the conference as a whole. This was quite true.

Mayur had told the Toronto *Sunday Sun* as the conference began that "Nicaragua and El Salvador are only ripples of the storm to come." If solutions cannot be found, the Third World will rise up and enter the citadels of western affluence." To the final plenary session of the conference, Mayur proclaimed, "We are building our house on sand if we base our future on technology. . . . The American Indians are the ones who are the basic inspiration for the future."

In her presentations, conference heroine Hazel Henderson elaborated on this theme. "Our job is not to steer spaceship earth, as the crisis managers do," she declared during the morning July 21 plenary. "Let us respond to the emerging awareness of ourselves as a conscious part of the earth, to the mysterious self-organizing Earth Mother."

'Father of Futurism'

While Harman, Henderson, and Mayur personified the five-day Toronto event, it was French futurist Bertrand de Jouvenel who was its godfather.

On the first night of the conference, de Jouvenel was the co-recipient, along with Canada's media fetishist Marshall McLuhan, of an official award for his services to the field of "futurism." De Jouvenel served as a personal disciple of H.G. Wells, the British theorist whose entire work was devoted to the proposition that science should remain the preserve of a special priesthood ruling over a bestialized and ignorant mass. The seminal work in modern futurism, de Jouvenel's *Art of Conjecture*, was consciously modeled after Wells's theory that control over the human mind largely depended on controlling each individual's sense of what the future could hold in store. Wells also developed the notion of an "open conspiracy" or "world brain" composed of elites around the world. In 1960, de Jouvenel, with Ford Foundation money, founded the first modern "futurist" institution, the Futuribles. This group was the motivating force, along with the Sussex, England-based Tavistock Institute, in launching a simultaneous series of Year 2000 projects in the mid-1960s. Out of these Year 2000 projects, a whole range of futurist groups was spun off, including the World Futures Society and the Canadian Association of Futures Studies.

Hazel Henderson declares holy war

EIR interviewed Hazel Henderson, "alternative futures" theorist who delivered two keynote addresses during the five-day Toronto First Global Conference on the Future conference.

Q: Two comments of yours over the past few days have interested me. First, I heard you made some comments pertinent to the so-called reindustrialization debate in the United States. Second, in your first speech at the conference, you declared that the 1980s would require that we undergo a "trial by entropy." Can you explain your views on these two points?

A: Well, on the first, I was saying that "reindustrialization" is really an empty phrase. . . . What *kind* of industry do we need. . . . By "trial by entropy" I am saying that at the moment, our existing plant and equipment are all capital-intensive and material-intensive. To . . . change things around, we simply must go back and retrofit all this stuff. What we can't retrofit, we have to write off. . . . Our productive processes cannot be energy-efficient under the new conditions we are facing, when the only game in town is conservation.

It's never a matter of no-growth vs. growth, simply put. No one suggests that *only* small-scale technology will be used. But what I *am* saying is that we need a new type of energy fitted to the local community. We can't have a national energy plan. . . . It can't fit the needs of various regions. In Florida, for example, solar should go all the way. In Massachusetts, we should retrofit small dams with hydroelectric turbines, wind power, insulating power, renewable resources, and so on. . . . Mass transit has to be maintained. We'll still be producing steel, and we'll need telephones. It's a question of sorting out what has to be written off. . . .

Q: I read an article of yours; you began with a citation from a book called "The Promise of the Coming Dark Ages," by the Greek author Stavrianos. You seemed to regard what he was saying favorably.

A: That was the chapter citation of the last chapter in my book, "Creating Alternative Futures." . . . There is some hope that while all the world is crashing down about their ears, people don't necessarily have to panic, even

though the statisticians haven't yet bothered to conceptualize the existence of a growing local economy: the restoration of downtown houses, the network of food co-ops, and so on. This is what I call a "counter-economy." . . . that is already in existence. And this counter-economy makes us reflect on what happened when the Roman Empire collapsed.

Metaphorically speaking, you see, the last Dark Age wasn't a Dark Age at all. Today, the electric utilities presidents run around saying it's a Dark Age, but it's only a Dark Age for *them*. Similarly, the last Dark Age was only a Dark Age for the Roman elites. These types are like the captain on the Titanic.

. . . It depends on where you are whether we're moving into the Dark Age or the Solar Age. The Solar Age which I foresee right around the corner will be a total configuration: sun powering the whole planet, with biomass, wind power, conversion of wastes, gasohol, and so on.

Q: What if you were to be convinced that fusion power could achieve commercial feasibility, and that it would indeed provide unlimited energy for us all? What position would you then take?

A: There's too much blind faith in far-out technological fixed. We need to bridge the energy trough, not to wait for energy to be ready for commercial use at some time in the future.

I lived in Princeton for seven years, and I've been in holy wars with the fusion people. I know the tokamak fusion rathole, with its lack of payoff. They have this whole thing about the Lawson criterion: that a certain temperature has to be achieved. Mr. Gottlieb would proudly tell me he got a magnetic bottle up to get fusion for 30 seconds. To get 30 seconds of a reaction, he used enough electricity for the whole city of Trenton for 24 hours. Then . . . Lawson came back and said, oops, I made a mistake by an order of magnitude. And then each fusion technique involves a holy war, with the clumsy tokamak of Gottlieb squeezing out others.

I am just much more conservative. I hope someday we'll repeal the laws of thermodynamics, but in the meantime I want to make sure the American population gets through the energy-trough. Fusion is whistling in the dark.

Q: I notice you're really being featured at this conference. What do you make of that?

A: Compared with the big futures conference in 1975, which was simplistic and technocratic, tinker-toy, this one has a lot of riches. . . . I must tell you, I'm amazed and gratified. I came here all prepared for a battle, and it never occurred to me in my wildest dreams that the thing has so much swung around.

The Chicontepec story

PEMEX has stunned the anti-development crowd with a program of combined agro and oil projects.

Since the dramatic announcement of the Chicontepec oil find in the fall of 1978, everyone has been waiting for the plans to develop it. The potential size of the find—which was not so much a new field as an old one reevaluated with modern techniques of computer analysis—was put at a gigantic 100 billion barrels.

Now the full plans are out. PEMEX director Jorge Díaz Serrano announced July 23 that “Plan Chicontepec” will soon be launched as the first integrated agricultural and industrial project of the country.

As has been known, the oil side will call for sinking some 16,000 individual small wells, each producing some 50 to 100 barrels per day.

The completion time for this part of the work is set at 13 years. Its giant capital goods requirements are being programmed into concurrent development of Mexico's capital goods industry.

On the agricultural side of the 3,300 square mile zone, which lies at the borders of the state of Veracruz, Hidalgo and Tamaulipas along the Gulf Coast, 37 multi-purpose dams are planned to supply the area's electricity, drinking water, and irrigation for the largest single area in the country, a 210,000 hectare tract.

The cost for this giant water control effort is pegged at \$900 million. Some 60,000 rural jobs will be created.

Alongside this, yearly investments of half a billion dollars will go into agro-industries (two new sugar mills are planned), construction, and other industrial areas. The transport grid will include a Tampico-Pachuca superhighway and a new Tampico-Mexico City rail trunk line, both bisecting the zones as well as rebuilding the coastal rail system.

The Chicontepec plan provides hinterland backup in turn for the planned expansion of Tampico-Altamira on the coast. Tampico is one of the four giant industrial-port complexes seen as the cornerstones of the national development effort as a whole.

The program steals the thunder from the vociferous no-development lobby in the country. By building a major agricultural development project from the start, PEMEX makes it much harder for Mexico's environmentalists to scream that the peasants are being displaced and abused. With major input from Jesuit think tanks, the promoters of backwardness had raised the issue of encroachments on subsistence peasant agriculture in a well-publicized effort to stop the previous PEMEX expansion effort in Chiapas and Tabasco states.

As Díaz Serrano declared, the plan should become “an example of what intersectoral coordination and planning can and must do.”

The fight is not over. Cries of outrage from the *enfant terrible* of

Mexico's prototerrorist environmentalist sects, Heberto Castillo, were immediately to be heard: the Chicontepec region “must put itself on a war footing to stop this absurd integrated PEMEX plan which, if carried, out, will ruin the region for many years.”

The thinking behind the Chicontepec announcement, from President López Portillo's side, seems to be to bring the most dynamic sector of the economy to bear directly on the least dynamic—agriculture—as a showcase element of the larger Mexican food system program (see our International Report).

But it has been widely noted that Díaz Serrano alone announced the program, without the presence of agriculture ministry officials.

The suggestion that Díaz Serrano may be putting one more feather in his cap in preparation for a presidential bid next year quickly appeared in the press. One newspaper revived the rumor that the vehicle for such ambitions may be the creation of a separate cabinet post for energy, to be filled by Díaz Serrano. Powerful as the PEMEX post is, it is not formally a cabinet post, and Mexico's presidents traditionally come only from that restricted pool.

It's also known that the powerful oilworkers union is willing to become involved in peasant organizing. Its leadership has spoken numerous times of directly sponsoring peasant affiliates, and there are suggestions that when the time comes for the aging Fidel Velásquez to retire as head of the Mexican Workers Confederation (CTM), the oilworkers may possibly make the bid to assume leadership of the confederation as a whole.

Khomeini exports reign of terror

Hit squads, funding, and orders are in place for assassinations and insurgencies abroad.

The extensive publicity given to the back-and-forth between the Carter administration and the Khomeini regime over the American hostages and the arrested Iranian students in the U.S. has shielded from the public view a much uglier reality now unfolding in Iran. The leaders of Iran's government are concretizing advanced plans for the "export" of Iran's "Islamic Revolution," and are not hiding their intent to murder heads of state and prominent citizens in the United States, France, and throughout the Arab world to accomplish that purpose.

On July 21, Jallaledin Farsi, candidate for the premiership of the Islamic Republican Party (IRP), informed the Teheran newspaper *Keyhan* that he had given marching orders to a group of fanatics called the "Guardians of Islam" to kill leading opposition figures such as Shahpour Bakhtiar, who is in exile in France. "They asked me, and I signified that I approved of their action," Farsi told *Keyhan*. "I know some of them, and their leaders too, and I told them: 'Kill them whenever you find them, whether in France, Germany or America.'"

The Guardians of Islam, Farsi stated, "are a group that believe in a sort of Islamic internationalism in action, and they aspire to be the guardians of Islam the world over. Some of them come from Teheran, while some of their supporters are from other Middle East countries.

... They have no doubt decided to destroy the enemies of the Islamic revolution wherever they are."

This is hardly a street-corner ayatollah babbling; Farsi's Islamic Republican Party holds 75 percent of the seats in Iran's Parliament, and he may be chosen as Iran's premier in the next few weeks.

A leading Iran-watcher in the Anglo-American intelligence community forecasts that Farsi's appointment will be accompanied by the formation of a "cabinet of wall-to-wall hardliners controlled by IRP head Ayatollah Beheshti" and by the political demotion of "Western-trained intellectuals like President Bani-Sadr." Once this happens, he commented, "there's no question they'll export the revolution into the Gulf. They'll step up their intervention into Afghanistan more vigorous. They'll step up their intervention into Iraq, into Lebanon. By the end of this summer, you'll see more action like this. Some of it will be guerrilla infiltration into other countries, especially Iraq; they've already tried to assassinate Iraqi President Saddam Hussein three times."

A foretaste came in an Aug. 5 speech at a Teheran mass meeting by IRP Parliament member Fakhredin Hijari. Whipping the crowd into a frenzy about the plight of the detained Iranian students in the U.S., Hijari warned that Iran will soon "strike at the oil fields by blocking the Straits of Hormuz"

through which much of the world's oil flows daily. This "revolutionary action," Hijari declared, "will entirely destroy the U.S. economy."

The IRP ayatollahs are setting the "export-the-revolution" psychosis in motion by creating a mood of unprecedented anti-American rage. "There is more anti-Americanism in Iran than ever before," a U.S. Jesuit-linked source sympathetic to Khomeini commented after returning from Teheran Aug. 3 . . . They even gave me a hard time, and that's never happened."

Four other factors are abetting the ayatollahs' policy. Beheshti and Ayatollah Khalkhali (a former mental patient) are receiving extensive material aid from Libya's Colonel Qaddafi, sources report. Qaddafi's plan for worldwide "Peoples' revolutions" neatly complements the ayatollah's schemes.

Second, Israel's annexation of Jerusalem has provided a new pretext for organizing mob psychosis. "Israel has given Iran quite a card to play," an Iranian exile source noted ruefully.

Third, Iran's hit-team capacity is under the coordination of the highly efficient General Fardoust, a former director of Savak secret service. Fardoust, Iranian sources report, was in the U.S. last week to arrange arms purchases and to mobilize hit squads.

Finally, Iran's internal situation is evolving so fast that external "diversions" have become the only way to keep the population organized. A July 31 account in Switzerland's *Journal de Genève* daily report that Iran's mobs are exhorted each day on the state radio: "Destroy. Destroy again. You will never destroy too much."

National News

Khomeini supporters clinch State Department deal

Prof. Norman Forer, head of the U.S.-Iran Committee for Reconciliation and associate of Mark Lane's, said in an interview made available to *EIR* that the Carter administration acted to release detained Iranian demonstrators after a series of meetings between his associates and the State Department. At his University of Kansas base, Forer trained many of the "students" now holding the hostages in Iran, and led a delegation there to "learn from the Iranian model" this year.

At a Washington press conference Aug. 7, Americans Ramsey Clark and Thomas Ricks admitted having contacts with Nahidian and his cothinkers, and denounced the press for revealing information about Iranian support of terrorism in the United States. Ricks, who just returned from Iran three days ago, said that he had met with Ayatollah Beheshti in Iran, and both Ricks and Clark admitted having contacts with the Department of State.

Anderson wants to take Democrats with him

Independent presidential candidate John Anderson has made it clear that if Jimmy Carter is the nominee of the Democratic Party, he expects to move a large chunk of the party into his camp. "It appears to us that Carter has the nomination locked up," said David Garth, Anderson's campaign strategist, last week. "If that is indeed the case, we want to make the love fest that's going to occur at the end of the convention as difficult as possible. More Democrats than you can imagine have said to us in the past days, 'If it goes to Carter, we're coming with you.'"

Anderson has met with Senator Edward Kennedy twice in the past 10 days, and said on Aug. 4 that if the Massachu-

setts senator is not the nominee of the Democratic Party, he will ask Kennedy to join his ticket as Vice-President. "That would substantiate the unity theme of my campaign," Anderson said.

After the two met Aug. 1, Kennedy told the press that "there are so many areas where there has been substantial agreement" between Anderson and himself. Anderson has also been meeting steadily with leading Democrats—Shirley Chisholm of New York, former Congresswoman Barbara Jordan, Governor Lamm of Colorado—and leaders of the Liberal Party in New York.

Polls released late last week and early this week by Gallup and ABC-Harris show that if the election were held now, Anderson would come in second to Ronald Reagan, with Jimmy Carter trailing in third place.

Tactical nuclear war made official policy

This week the Carter administration announced that the policy of limited nuclear war developed by Henry Kissinger, James Schlesinger and Reagan adviser Fred Iklé is official U.S. strategy. *New York Times* reporter Richard Burt, apparently writing as a conduit for national security chief Zbigniew Brzezinski, reported Aug. 6 that the President last week approved Presidential Directive 59, which states that the best way to prevent a major conflict with Moscow is to secure the capability of waging a prolonged but limited nuclear war. PD 59 calls for re-targeting U.S. missiles to hit Soviet military centers rather than population centers, and, in a bizarre wrinkle on the counterforce doctrine, to hit Soviet political leaders, in the belief that if the Kremlin leadership can be killed the Soviets will crumble.

PD 59 is based on a 1978 study by former Pentagon official Leon Sloss, who now heads the Washington office of the Stanford Research Institute, a think tank that pioneered in "postindustrial" doctrines. The Western European members of NATO are known to abhor the

doctrine, declaring that it would guarantee that their territory would become a thermonuclear battleground.

In explaining the policy, administration officials claimed that the U.S.S.R. is already committed to a limited nuclear war doctrine, despite repeated Soviet explicit rejections of such a strategy.

Steelworkers call for open convention

At the annual convention of the United Steelworkers in Los Angeles this week, over 500 delegates signed a petition initiated by Citizens for LaRouche calling for "an open Democratic convention to select a candidate other than Jimmy Carter or Sen. Edward Kennedy who is committed to rebuilding the U.S. steel industry and who can beat Ronald Reagan in November." Among the signators is former USWA president I. W. Abel.

The union's executive board had voted 26-0 last week to recommend that the convention endorse Jimmy Carter. With more than 70,000 steelworkers laid off due to Carter's policies, the rubber stamp was not automatic. USWA president Lloyd McBride, who initiated the endorsement, admitted that the union is "not very enthusiastic" about what he described as "a depression" in the U.S. economy, but hinted that Carter will come up with a steel rescue program. McBride did not comment on the prospects of Carter becoming a lame duck President incapable of carrying through on any deal. Instead, he and AFL-CIO president Lane Kirkland insistently warned the delegates of the dangers of Ronald Reagan.

U.S.-Iran links under new scrutiny

The White House, State Department and Justice Department illegally intervened in the law-enforcement process to secure the release of most of the 192 Iranian nationals arrested last week at a Wash-

ington, D.C. demonstration. According to Mark Lane, an attorney for the Iranians, the administration action came in response to threats from the Khomeini government that previous agreements with the White House on the release of the U.S. hostages in Iran would be broken off.

U.S. immigration officers charged Aug. 6 that "higher-ups" had ordered them not to verify the names and legal status of many of the Iranians released from detention in upstate New York.

In a front-page article Aug. 7, the *Washington Post* reported that huge funds are being conduited into American channels from Khomeini to support the activities of the Muslim Student Association and Bahram Nahidian in Washington. The money, the *Post* reports, is "sent here from Iraq through diplomatic pouches, international couriers, and foreign banks, and also raised through the sales of hashish and heroin." The article quotes Nahidian as saying "I am not an agent of Imam Khomeini," and it goes on to discuss the role of the Islamic Guerrilla Army in supporting terrorism here. The story follows *EIR's* exposé last week on Khomeini's U.S. networks.

Hulan Jack commends LaRouche alternative

Former Manhattan borough president and 40-year Democratic Party leader Hulan E. Jack released a statement Aug. 4 which reads in part:

"I am greatly impressed by the posture projected by Lyndon H. LaRouche in his campaign for the high office of President of the United States. I choose to compliment him on his persistent determination to ferret out the facts which have plunged America into a catastrophic economic debacle, notwithstanding our overwhelming technological and scientific development. . . . LaRouche's emphasis on building a positive relationship with the world community through industrialization and export, rather than through a simplistic attempt to wield military might, has been a re-

freshing alternative. . . . If the United States is to regain the greatness that was and should remain our national heritage, there will have to be at the highest level of government an uncompromising individual, Lyndon LaRouche, who will fearlessly promote full and equal opportunity for all of our citizens without regard to minority labels, and whose focus will be to build a great and productive America second to none. . . . Industry, labor, business and the sciences and government must form a consortium to guide this nation to its greatest destiny. . . . For all these things, I admire Lyndon LaRouche's efforts.

Congressmen vote with their feet against Carter

The Democratic leadership of Congress, for the most part, appears to think that the safest place to be during the Democratic National Convention is as far away from New York City as possible. Aside from House Speaker Thomas 'Tip' O'Neill who'll be the convention chairman and House Majority Leader Jim Wright of Texas and a few odd Senators and Congressmen, the majority of Democrats in the Congress will not attend their party's convention.

Staying away will be such notables as Sen. William Proxmire of Wisconsin, the House Banking Committee chairman; Sen. Frank Church of Idaho, chairman of the Foreign Relations Committee; and Indiana Sen. Birch Bayh, who is heading the panel investigating Billy Carter's Libya dealings. The House stayaways are equally impressive: Rep. Clement Zablocki of Wisconsin, the Foreign Relations Committee chairman; Rep. Melvin Price of Illinois, who heads the Armed Services Committee, and Rep. Al Ullman of Oregon, chairman of the Ways and Means Committee.

Aides to the stayaway congressmen and senators generally proffered the line that "the Congressman [or Senator] feels his time could be more fruitfully spent in the home district [or state]." But in the past, most members of Congress have attended their party's convention.

Briefly

● **JOE DEVANY**, an uncommitted delegate from Texas, issued an appeal this week for all delegates to support Minority Report #5. This report will come before the National Democratic Convention on Aug. 11. Adoption of the minority report would enable delegates to vote their nomination choice. Joe Devany said he has checked with the Jackson, Kennedy, and LaRouche headquarters, and they are in agreement with him. Devany is a former chairman of the Dallas County Democratic Party and a State Committeeman on the Texas State Democratic Executive Committee.

● **ELLIOT ABRAMS**, one of Sen. Daniel Moynihan's top policy advisers, spent several hours at Reagan headquarters in Washington, D.C. this week "arranging various political deals with the Reagan campaign," a source at the Coalition for a Democratic Majority reported Aug. 6.

● **RICHARD HOLBROOKE**, Assistant Secretary of State for East Asia, has yet to make public the full contents of his visit last month to Peking. However, the Chinese press reports that the International Biogas Conference took place in China while Holbrooke was there.

● **RICHARD ALLEN** "won't make it to the White House even if Reagan does," in the words of one Republican Party power broker. A scandal regarding the foreign policy adviser will soon hit. It may relate to Lockheed Aircraft's foreign handouts.

● **BILLY CARTER** and Jimmy Carter's relations with Libya go back to Jimmy's days as Governor of Georgia, according to investigative journalists there. During that time, word has it, the Libyans invested heavily in cotton and textiles, and some of this money found its way into the Carters' hands.

Open convention: the fixers' dilemma

by Konstantin George

Until this week, with the growing momentum of the "Billygate" scandal, the chances for an open convention and dumping Jimmy Carter were very high. The opportunity to seal Carter's doom as a candidate came Aug. 4 when Carter appeared to face the press corps on Billygate.

The opposite occurred. The national media let Carter off the proverbial hook—at least for the time being. It appears that the Eastern Establishment "fixers" have pulled back on Billygate, and on the question of whether to open up the Democratic Convention.

Underlying the indecision on whether to dump Carter and open the convention is the dilemma confronting the fixers in either case. Opening the convention carries the risk of sending it into an uncontrolled mode. Handing Carter the nomination, however, would mean a conscious decision to destroy the Democratic Party as an institution tied to constituency machines of organized labor, farmers, and minorities—in short, to scrap of the Democratic Party as a political vehicle.

Party power brokers have between now and Monday evening, Aug. 11, to make up their minds. On Monday night at 6:30 p.m. begins the crucial debate and vote on convention rules, which will determine whether the 3,000-plus Democratic delegates will be bound to vote for the candidate they were elected to represent. If Carter wins that vote, the party undeniably faces disaster this fall.

One of the key mediating points between the American Establishment's leading families and national Dem-

ocratic Party operatives is the cluster of fixers or power brokers grouped in several key Washington, D.C./New York City-based firms, whose senior partners are informally known within party politics as the "club."

The thinking of one of its senior members, who has close ties with the leaders of the Open Convention Committee on Capitol Hill and who is himself playing a very active role around the convention, illustrates the dilemma:

"Carter will be nominated, but there will be all sorts of problems. It will be messy . . . Billygate has reached a plateau—it won't get really worse now and will in fact get better for Carter, at least temporarily . . . My choice for 'third' candidates are Mondale or Muskie . . . but the open convention movement has peaked, and it peaked before it had enough support to win. Labor is not really in it and the candidates [specifically Jackson and Muskie] are not there."

The same insider also said openly that Carter—as his preconvention ace in the hole—might well stage a crisis over Iran to shore up his nomination: "I have heard there could be a blowup over Iran before or during the convention," he said. "Things are approaching a crisis level. If there is a crisis it will help Carter in the short term. People always rally around the President over the short haul."

The problem for this level of fixer, and the families who deploy them, is what they perceive as the danger of not knowing or controlling the outcome of the convention. To this crowd, there are only two acceptable convention outcomes: a Carter renomination, or, failing

that, a controlled and prearranged "third candidate" arrangement in which their designated man would acquire the nomination in no more than three or four ballots. Thus, the options of closing the convention, and negotiations for a controlled open convention, are proceeding simultaneously.

The operational capability exists to win the rules vote, unbind the delegates, and dump Carter on the first ballot. Every Democratic pro in the business knows that, given the word from a small number of key power brokers around Henry Jackson, the AFL-CIO, and state party barons, several hundred delegates at minimum would bolt from Carter, depriving him of the nomination. Every pro similarly knows that Kennedy's chances under such circumstances are zero.

Several independent surveys of the Carter delegates confirm that among them are more than the number required for a successful "Stop Carter" effort exists, and that such a situation would now develop with or without a Billygate. The recent release of national polls showing Carter with a mere 21 percent of the vote corroborates the readings of Democratic Party regulars concerning the scope of destruction a Carter renomination would entail. Disgust with Carter's policies, fears that his renomination will wreck the party, the administration's Abscam-Brilab witchhunt of Democratic elected officials and labor leaders, all help explain Carter's weakness.

The question at this juncture is whether the levers in place to dump Carter will be pulled. The biggest question marks center around Jackson and the AFL-CIO. If Jackson enters the race, or two or three key unions from the AFL-CIO which have endorsed Carter, broke from his campaign, enough momentum would be generated to finish off his renomination.

There will be between 400 and 500 AFL-CIO labor delegates at the convention, not counting the National Education Association (NEA) members, many of whom prefer Jackson to Carter. But so far, neither Jackson nor the AFL-CIO leadership has given the word.

One pro-Jackson national labor official summed it up: "We're big supporters of Jackson. We'd jump behind him now. But he's just sitting back. He won't come forward. I'm pessimistic about the chances for an open convention at this point, but if certain things happen—and we'll know fairly soon—things could change drastically."

Another national labor official and Jackson supporter declared: "Jackson won't run, and the AFL, Kirkland, is holding for Carter. That's the problem. If either moved, the other would have to move, and then we'd have Carter beat."

The mood of anti-Carter rebellion is strong in key state delegations. An increasing number of Democratic figures have broken with Carter and called for the convention to be open. In the last two days, Illinois Senator

Adlai Stevenson II echoed Senate Majority Leader Robert Byrd's call for a rules vote that will not bind the delegates. In neighboring Wisconsin, Democratic State Chairman Joseph Checota has now done likewise. Four of Wisconsin's six Democratic congressmen and one of its senators have all called for an open convention.

While the outcome of the Aug. 11 convention rules vote is unpredictable, as of now all observers expect the vote to be close. The Carter camp concedes the point in private. High Carter campaign officials admit off the record that their own estimates show that a minimum of 100 delegates are on the verge of breaking with Carter.

The Kennedy and Jackson wings of the party this week began a high publicity series of anti-Carter preconvention maneuverings, a sure sign that no one really knows what will develop in the next several critical days.

The key initial maneuverings, widely covered on national television, included Senator Kennedy's meetings with Henry Jackson, and late in the day, with Senate Majority Leader Robert Byrd.

Jackson used the occasion of the meeting to move a step closer toward a possible candidacy, blasting Carter's nomination as a disaster before a national television audience. "Senator Kennedy would run a stronger race against Ronald Reagan than President Carter," Jackson said. Kennedy in turn declared that Jackson was his main choice for Vice President should he be nominated.

These statements were issued with the knowledge that all party officials watching understand that to say "Kennedy would run a stronger race" is an indirect form of stating that a Carter nomination would lead to a GOP landslide, and that Kennedy has no chance to be nominated.

These maneuverings are clear preconvention positioning of the Jackson forces to move behind Scoop should the convention open. Majority Leader Byrd's office announced that Kennedy had informed Byrd that he, too, is on Ted's Vice Presidential candidate list.

Belatedly, on the eve of the convention, a Draft Jackson Committee has come off the drawing boards. The committee's formation reflects the fact that a Jackson candidacy must be in place, if the convention opens—otherwise, from the standpoint of the national fixers, an uncontrolled convention is all but assured.

The reason for that is straightforward. With the exception of Lyndon LaRouche, who has gained credibility in many party circles and consistencies as the catalyst and leader of the dump Carter and rebuild-the-party movement, there are no "third" candidates. Should the convention open, there is only one credible opponent to LaRouche: Scoop Jackson.

Events can and will change drastically by the hour between now and the convention rules floor fight early next week. For the fixers, however, until the final decisions are made, the dilemma remains.

Address to the nation

LaRouche's Democratic strategy to beat Reagan

On Friday night, Aug. 1, Democratic presidential candidate Lyndon H. LaRouche appeared on CBS-TV for the first of four television addresses to American citizens that were broadcast before the Aug. 11 Democratic Party National Convention in New York City. We present an edited transcript of Mr. LaRouche's 30 minute address here.

The United States is presently approaching a Democratic Convention, and at the same time is sliding toward a depression which will be worse than that of the 1930s if we don't stop it now. The Republican Convention has concluded. Ronald Reagan who is personally a decent, humane person, has nonetheless taken on advisers whose foreign policy, is, without exaggeration, dangerous lunacy. Apart from some fine words in the Reagan platform, the Reagan campaign is dedicated to continuing this slide toward the worst depression in our history.

In that situation, we are approaching the Democratic Party Convention. At this point I would say the chances are about 90 to 95 percent that neither Mr. Carter nor Mr. Kennedy will receive the Democratic Party nomination. It's not entirely excluded. Mr. Carter's administration is playing games with the hostages again in an attempt to secure the nomination despite the impact of Billygate.

The problem is that if Mr. Carter or Mr. Kennedy were to get the nomination, the Democratic Party would lose disastrously. It would probably lose control of the House of Representatives. It might lose control of the Senate. In about 30 states where the Democratic Party is very strong, it could possibly lose control of the legislature, the leadership in those states as well.

What's involved is much more than a potential disaster for the Democratic Party should either Mr. Carter, or, more improbably, Mr. Kennedy secure the nomina-

tion. The problem is that with Mr. Reagan's inadequacy in terms of his foreign policy, which is a disaster, and his domestic program, which so far is a disaster, the country will be faced with no choices, no options, but to plunge ahead into a depression, and to plunge ahead possibly into a thermonuclear war or a great strategic humiliation of the United States which might occur as a result of Mr. Reagan's acceptance of the China policy of Mr. Henry Kissinger.

Therefore, the United States, the American people, require a competent Democratic candidate who is an alternative to Mr. Reagan, who has policies and capabilities of getting this country both out of this foreign policy mess and out of this slide into a totally unnecessary new depression.

Those are the two things I want to talk to you about. I am speaking to you as individual citizens; I am also speaking to you as a way of making certain proposal commitments to various influential persons who are still trying to make up their minds about what to do about the Democratic Party Convention.

China card lunacy

The China policy is absolute lunacy. Under no conditions would Communist China represent a military asset for the United States. Communist China has an army of about 4 million people, no logistical capability for deploying those forces against the forces of the Soviet Union. Should, as some have proposed, the United States and its ally Israel continue to supply nuclear and missile technology to Communist China, and should Communist China attempt to put those augmented capabilities into place, it is assured that the Soviet Union will act preemptively to destroy those capabilities before they become a factor in the strategic situation.

Or, if China were to launch a new, large-scale military operation into Southeast Asia which is beyond

the capabilities of the Vietnamese to control, the Soviet Union, under those circumstances, would attack China, not necessarily invade it, but it might invade Sinkiang province, it might deindustrialize Manchuria and destroy China's missile capabilities.

In this circumstance, the United States, which is grossly inferior to the Soviet Union in all areas of military capability except thermonuclear deterrent, would have the option either of sitting back and watching the Soviet Union destroy China as a military power, and doing nothing about it, or going to a thermonuclear war—either a transpacific thermonuclear war, or, if NATO were involved, it might be a global thermonuclear war.

Therefore China is no advantage to us; it has no military potential. Before it could develop military potential, the Soviets would destroy that potential. In the meantime its only significance is to get us into a war—a strategic humiliation or a thermonuclear war.

Mr. Carter's policy—in addition to his China policy, which is essentially no different from that which Mr. Kissinger imposed upon Mr. Reagan—also includes what Mr. Brzezinski and Mr. Carter sometimes refer to as a commitment to Islamic fundamentalism. Islamic fundamentalism is a code-word for a fanatical, evil, immoral cult which is far worse than Nazism, called the Muslim Brotherhood.

This cult has recently performed assassinations inside the United States, as well as in Western Europe. This particular cult controls the Khomeini regime. It is the Khomeini regime's hard core, and it is in control of Libyan policy at this time, as well as elements of the PLO and other forces. It is tied in directly to international terrorism, among other things.

The Carter administration's mishandling of the Iran situation, before the hostages and since the hostage situation developed, flows from a stated commitment by the Carter administration to seek alliance with the Muslim Brotherhood, i.e. Islamic fundamentalism. That is exactly what the unfortunate Billy Carter got himself in the middle of, in connection with the events on which Billygate bears.

The danger is that if this destabilization continues in the Middle East, and on the southern borders of the Soviet Union, that again gets us into a military confrontation with the Soviet Union in the immediate future, for which we have no military capability in the ordinary sense of tactical nuclear, and similar tactical capabilities. We would be forced to rely on our thermonuclear deterrent.

So Mr. Carter's policy commits us to a confrontation with the Soviet Union in the immediate period ahead, confrontation for which we have no ordinary

military capability, and for which we might either have to accept a gross strategic humiliation which might change the course of events to our disadvantage, or the alternative of thermonuclear war.

A policy of stability

This has got to stop. This is my view; it is the view of a great number of concerned citizens in the United States, in the political and military areas as well as the intelligence area. It's the concern of a great number of leading people of Western Europe.

We must abandon the China policy, as the late Lord Mountbatten of Britain proposed. We must go to a policy of stability on the southern borders of the Soviet Union. We must follow the course of action which is being taken by Chancellor Schmidt of West Germany and President Giscard of France, to negotiate stability in the Third World including the southern borders of the Soviet Union, based on a set of agreements covering economic relations, governing political relations, and subsuming new arms agreements within political and economic agreements. The policies adopted by Reagan at present are lunacy; they must be stopped. Mr. Reagan—as I say, I'm not attacking him personally—is a decent, humane individual. But he doesn't understand this problem and his advisers are vastly misguided.

Mr. Carter has the same policy; Mr. Kennedy is deeply attached to the China policy, and therefore he's not acceptable. We must have a candidate and a policy which commits us to an alliance with France and West Germany on this question of creating stability on the southern flank (of the Soviet Union), a secure agreement to that effect; wiping out once and for all this Muslim Brotherhood horror; and negotiating, of course, stability also in the Third World.

The second thing we must do is to stop the depression. Depression is totally unnecessary.

There are two aspects to stopping this depression. The first aspect, which I've mentioned before on a number of occasions, is that we must reach monetary agreement with our Western European allies. This means using the gold reserves of the United States—which are the largest of any nation in the world—in coordination with our allies in Western Europe and Saudi Arabia, in particular, to establish a new international rediscount facility which will issue gold-based bonds to buy up the surplus dollars in the world and then use those surplus dollars for hard commodity loans to open up and expand world trade, through high-technology projects, into what is called the developing sector. That will work, and that will stop monetary inflation cold. That is an absolute precondition for stopping the ongoing depression in the United States.

We must do a number of things domestically, as well. First of all, the United States must organize domestic credit to be loaned by the federal government through the private banking sector to promote a number of things which must be done. These things will, of course, create more employment immediately, but they are also things which are urgent; and I'll come to those in a minute.

A sound tax policy

We must also revise our tax policy. Mr. Reagan has been talking about tax reduction. His tax reduction proposal, that of Arthur Laffer, Jude Wanniski and Congressman Jack Kemp—the Kemp-Roth proposal—is unsound. But the idea of a tax reduction at this time is a perfectly sound proposal, and I don't care how many times Mr. Arthur Burns and Mr. Paul Volcker denounce it and say it's irresponsible—they don't know what they're talking about.

A tax cut is the thing we must have at this time. But we must not have the broad tax cut that Mr. Kemp has proposed, in the Kemp-Roth bill. We must have a different kind of selective tax cut.

We must cut taxes in two areas. Number one, we must reduce taxes on individual households. The way to do that is to increase the per dependent allowance to \$2,500 per dependent now, and bring that up to \$5,000 per dependent over the next two fiscal years following; which would mean that two fiscal years hence after the first reduction, a family of four earning an income of \$20,000 would have no federal income tax liability. This would not only increase the spending power of our families—which must be done now—but would also mean that states and localities would have new sources of tax revenue with which to begin to meet state and local level school and related kinds of service requirements.

We must get the federal government out of that area. The problem at present is that the federal government is taking so much out of the incomes of our people through federal income taxation and social security taxation combined, that states and localities do not have the tax base to meet their own needs. And what we end up with is nonsense in which the states and localities now have to go begging to the federal bureaucracy to get some funds—which are always given on conditions by the federal bureaucracy—to maintain services which they ought to maintain locally.

Tax incentives for productive investment

Another thing which we must do in tax reduction is that we must reduce taxes on productive investment, job-creating productive investment. We must increase

amortization; we must increase depletion allowance—particularly in areas like oil. We've got to go back to petroleum depletion allowances. That will get us a lot more oil, a lot cheaper, and we need that.

We must also have investment tax credit for certain things which are in the national interest. Where private investors are willing to expend their profits to do things the federal government would otherwise have to do, we should give private firms investment tax credits for doing those types of things. We should not decrease taxes on other areas of income, but rather we should eliminate a great number of tax loopholes.

The object is to create more savings in our economy, to build up our savings banks and the commercial savings deposit accounts, so that our banks have more deposits to loan. We must have tax incentives which cause those deposits, those savings, to go into productive job-creating investment, rather than into quick-buck inflationary speculation, which is the present pattern. That is, we must reverse the flow of profit—which has previously been going into quick-buck operations, away from job-creating productive investments—back into basic industrial and high-technology and agricultural job-creating productive investments. That's the basic thing we've got to do.

Low cost credit

The federal government must organize credit at low interest rates on medium and long-term loans to [move toward] a new monetary system of the type which the Europeans are proposing, then the United States will have potential increased exports of about \$100 billion a year from that source, which is about as much as we could possibly produce for export with our shrunken capacity at present.

But there are other things that have to go with that. We must rebuild our ports. We must build modern port facilities to enable us to handle the import and export trade; we don't have that. We must link up our port facilities, which would be a point of intersection of air freight, of trucking, of rail freight. We must build up our rail system, going right back to roadbed and track, and build a modern rail system which is efficient. We must also build up our inland waterway system. Water is the cheapest way for handling bulk freight, and we must improve that. We must rebuild our steel industry entirely, and that's going to require a massive amount of credit, to replace our broken-down, obsolete steel industry with a modern competitive steel industry. We have reorganization to do in our auto industry on the same basis. So, with a few basic areas of government promotion of low-cost credit through local banks to promote large-scale projects which meet urgent national

needs, it would provide adequate security for the loans made. We can absorb our adult unemployed population, and thus get the economy moving again.

Unemployment and the budget deficit

The benefit of that is this: for each 1 percent of our labor force which becomes unemployed, the federal budget moves toward the deficit side by \$20 to \$25 billion. That is the reason that Mr. Carter's so-called budget balancing is actually moving us toward a \$200 billion budget deficit. His efforts to balance the budget are creating the largest budget deficit in our nation's history as a result of unemployment.

It works the other way. If we increase our employment, for each 1 percent of the labor force we put back to work, we put between \$20 and \$25 billion on the asset side of the federal budget. This \$20 to \$25 billion can be shared between government expenditures for balancing the budget, and tax reduction. That is where the people who criticize Mr. Reagan for his tax reduction are absurd. If tax reduction programs, or tax incentive programs, cause the economic base of the economy to expand, thus increasing tax revenues, you can have a tax cut and budget balancing at the same time; no problem in that. Our big problem is not putting back to work the 4 or 5, or maybe 6 or 8 percent—by the time November rolls around—of the adult workforce that has been put out of work by Carter's depression. That we can do fairly easily, simply by doing the kinds of things I've indicated.

Create jobs for youth

Our problem is that in the area of youth, from 16 to 25, we have a very complicated problem of youth unemployment. Not only do we lack the job opportunities for these youth, but because of the collapse of our educational system, because of the drug problem, and because of demoralization which has crept in among these frustrated youth, they are not qualified, or at least a great number of them are not qualified for jobs. Our nation is going down the tube unless we ensure that the coming generation is qualified to work. Therefore we must have federal programs which assure us that we are creating jobs for youth; we must also have remedial education and other programs which aid these youth in fitting themselves to the increased job opportunities. That's where the key to our future lies, in that direction.

What we must do is this. As I have indicated, it's 90 to 95 percent certain at this point that Mr. Carter will not be the nominee of the Democratic Party; that Mr. Kennedy will not be, even though Mr. Kennedy does of course have some strong support among parts of the Democratic Party.

That brings us down to a candidate such as myself. I am the only active third candidate presently for the nomination at the Convention; and then you have options such as Senator Henry Jackson, who might be pushed forward by some people as the dark horse, and who, in those circumstances, might appear to have a much better chance for the nomination than I do.

A President who speaks to the people

We must have a Democratic Party candidate who represents the policies I've indicated, and who approaches the task of government in this time of grave crisis in the same way that President Franklin Delano Roosevelt conceived the presidency. The way the President of the United States should lead the United States is by the method of the fireside chat—in modern form.

The President of the United States must speak directly to the people, must outline in detail the problems we face, must outline the solutions to those problems proposed. And as the people, or a majority of them, agree with the President's analysis of the problem, and his proposals, under those circumstances the Congress will work with the President, the people will support the President, to make the kinds of profound turnabouts in policy which must be made at this time if this nation is going to survive.

We need a presidency which functions like that of Franklin Delano Roosevelt. We've had a succession of weak, inadequate presidents. I believe that Mr. Nixon was a very weak President. Weak, not because they lack arrogance—Mr. Carter certainly has arrogance—but weak because they are weak mentally, weak in their intellectual powers to understand our national and world problems; unable to get out to the American people in give-and-take and explain what the problems are, to explain what the solutions are, again and again and again, until the majority of citizens understand what has to be done. And when the majority of citizens understood what has to be done, the President must then say, we want this program. The Congress in that case will support the President, and when the President says to the executive branch, "I want this thing started within 90 days," the executive branch will know it had better get that thing done within 90 days.

That's the kind of President we must have. I represent that kind of a President. A lot of people don't like me, because I do. But that's what we need. I ask you, and I ask particularly those of you who have influence in this matter, to see to it that the Democratic Party has a candidate who represents this point of view and these policies for the coming period. Under that condition, our nation can survive.

Thank you.

'Gasohol is dangerous folly'

Like other biomass options, it degrades high-level fuel. Put the moonshine in the farmer, not the tank.

Mr. Engdahl is visiting his native state of Texas this week. He requested that we reprint a section of the new 30-page pamphlet, "Keeping Food on America's Table," published by Citizens for LaRouche. This column comes from the pamphlet's transcript of Contributing Editor Lyndon LaRouche's June 14 discussion in Chicago with 50 national and regional U.S. farm leaders representing every important sector of American agribusiness.

Q: Where do you stand on the production of fuel alcohol?

A: The oil swindle has created the problem. If the farmer wants to convert some waste he has into alcohol on his back lot to beat the oil companies, that's all right. But when you start growing food to convert it to fuel alcohol you have started down the path of disaster.

The crazy Carter administration has deliberately helped force this program to convert grain into automobile fuel. Consider the amount of fuel which would be required, the number of BTUs, to fuel America's cars and trucks. Think of how many acres of product you would have to have to produce fuel alcohol enough to make a dent in this requirement. Compare that with a hungry world. The pressure is on the farmer to go with the grain alcohol scheme because the farmer can't sell his product. He's hoping for another market allocation to make a little more money. But when you look at it from the standpoint

of science and engineering, it is a swindle.

The farmer can see salvaging waste to get something which otherwise would be of no value and substituting that for buying diesel oil or gasoline as an economical proposition. But when you extend that and say let's produce synthetic alcohol for the whole population, that's bad. All you have to do is look at the energy throughput figures on this. Remember, how many acres are you going to destroy?

Solar energy presents the same problem. The value of solar energy contained in food is that it is energy organized in a form useful for animal and human consumption. That is the specific value of that form of energy. When you convert that form of energy into inorganic energy you have degraded it and you have made a crucial loss.

Q: I don't agree. When you convert grain into fuel, there is a byproduct that can be fed to livestock.

A: That's exactly what I'm talking about. When you put the moonshine in the farmer it works out fine.

Imagine the amount of energy coming onto an acre of land, and take the conversion of sunlight into biomass. The conversion of sunlight actually hitting the surface into biomass is at best 2 to 10 percent, and the optimal conversion environment is a saltwater marsh. The best above that is a forest, then a field comes next. So you have less than 2 percent of a very tiny energy

flux density of sunlight hitting the earth. The energy flux density of the sunlight hitting the earth in the first place is about one five thousandth of burning coal or gasoline. Of that, the calories you're taking out of the starches in the corn to make alcohol, are only part of the energy, but all of that energy comes from a very restricted source. Therefore, what you are doing whenever you use biomass as a source of energy, is engaging in the most inefficient imaginable kind of inorganic energy cycle for an economy.

The crucial example of why it would be lunatic to go to gasohol or why it would be lunatic to go with any biomass program, why it would be lunatic to tolerate a solar energy program is given to us already in the case of Brazil. Everybody in North American agriculture, particularly in the Northwestern states, has been facing this error. More than 100,000 square miles of Brazilian rainforest were cut down, under pressure from the World Bank and the United States. They told the Brazilians not to burn coal to make steel, not to burn gasoline.

The effect of deforesting 100,000 square miles of land, particularly rain forests, was to change the world's weather.

If we go ahead with a gasohol program in the United States, not only will we be wasting money, we will drive the economy back toward the Stone Age, we will destroy the American weather system, and we will turn this continent into a desert. So at that kind of a price—and since we don't need any of this gasohol in the first place—why do something that insane and inefficient?

Violence planned for convention

The networks include anti-nukes, race riot provocateurs, Maoists, and veterans of Chicago 1968.

The Democratic National Convention in New York City is targeted for a series of mass demonstrations modeled on the 1968 Democratic Convention in Chicago. Like the Chicago demonstrations, which resulted in widespread violence and rioting, the New York operation is being organized on several levels.

The first level of the operation is a "counter-convention" which functions as an umbrella to draw large numbers of people. The counter-convention was planned at a semi-secret meeting held in Youngstown, Ohio on March 15-16 attended by 80 individuals, representing virtually every significant ethnic, "new left," environmentalist, and human rights grouping in the country, including many organizers of the 1968 Chicago riots.

Interviewed at the time of the Youngstown meeting, terrorist lawyer William Kunstler, an organizer of the meeting, explained the overall strategy: "While you can't really have a fundamental impact on policy . . . you can prevent them [authorities] from doing things they might otherwise have done . . . through fear. You have to make them scared of you, and the only way is to have mass uncontrollable violence in the streets."

The second level of the operation is organized around the "Coalition for Direct Action at the Democratic Convention" (CDADC) made up of members of the Yippie organization, which played a central role in the 1968 Convention

riots; the Coalition for Direct Action at Seabrook which has called for sabotage of nuclear power stations and has carried out two assaults on the Seabrook, New Hampshire nuclear power plant construction site; and the Rainbow Coalition, a collection of pro-drug Yippie collaborators.

The July-August issue of the Yippie newspaper, *Overthrow*, outlines the CDADC plans: "At the end of the big straight left rally Sunday, direct actionists of all persuasions will march uptown to Central Park, there to occupy Central Park and proclaim Sheep's Meadow Free State."

A source recently reported to *Investigative Leads* that the Yippie group claims "the word is out" that if "the police get violent against demonstrators, there will be riots in the streets." The Yippies are preparing a Direct Action Handbook for demonstrators "with 500 additional corporate and ruling class targets which can be hit while police are occupied at the Garden."

The third level of the operation is the activation of the terrorist and race riot apparatus around the convention. An April 1980 FBI raid on an FALN Puerto Rican terrorist safehouse in Jersey City, New Jersey uncovered a detailed floor plan and map of the electrical system of Madison Square Garden where the Democratic convention is being held. While many members of the FALN have been arrested, the entire support apparatus remains in-

tact, and interfaces with various Hispanic groups involved in the "counter-convention" operation.

Similarly, a black race riot infrastructure is being deployed to the Democratic Convention to protest for "economic justice." National Black United Front (NBUF) leaders Rev. Herbert Daughtry and Stokely Carmichael were both participants in the March Youngstown planning meeting. Other NBUF leaders, including Alfred "Skip" Robertson of Mississippi, intend to bring large contingents to hold demonstrations at the Convention. The New York Justice Department Community Relations Service director, Fletcher Graves, who is one of the controllers of NBUF, described the possibility as follows: "New York City minorities are the most sophisticated; the situation is perfect for chaos."

Also operating in the third level are the Maoist Revolutionary Communist Party and Communist Worker's Party (CWP). Currently, the CWP youth group, the Revolutionary Youth League, is organizing New York ghetto youth to come to the convention and "crash the Garden party." Jerry Tung, the general secretary of the CWP, has been orienting the organization toward black riot organizing, and a contingent of the CWP participated in the founding conference of NBUF. In a recent speech Tung discussed the revolutionary potential of running riots, "like Miami," noting that the CWP was in contact with a "hard-core" group directly involved in the May rioting in Miami, Florida.

This column is reprinted from Investigative Leads.

Subcommittee investigating Billy Carter meets

The special Senate subcommittee investigating the facts related to Billy Carter's ties to Libya met twice before the Senate recessed for the Democratic Party Convention. The largely background hearings were with lower-level government officials.

Testifying Aug. 4, Undersecretary of State for Political Affairs David Newsome revealed that the White House decision to use Billy Carter and his Libyan contacts as mediators with the Khomeini regime did not have State Department approval, which Newsome said did not know about the decision.

On Aug. 6 the subcommittee heard from Justice Department and GAO officials, including Associate Deputy Attorney General Robert Keuch, who testified about widespread resistance to and evasion of the foreign agents registration laws.

The subcommittee will resume hearings after the recess, when it will have the assistance of a special counsel, James Neal, a former Watergate special prosecutor who helped investigate the late Teamster leader James Hoffa.

Tsongas fusion bill draws scientists' criticisms

Hearings in the Energy Research and Development Subcommittee of the Senate Energy Committee on Sen. Paul Tsongas' (D-Mass.) fusion legislation Aug. 5 turned into a roundtable discussion between subcommittee staff and fusion laboratory directors during which the scientists aired serious concerns

about the legislation. Because of the heavy schedule of floor votes, no senators could be present to take formal testimony from the laboratory directors; instead, the scientists engaged in a detailed dialogue with staff members who wrote the bill.

The Tsongas legislation contains no additional funding for fiscal 1981 for the fusion program, and seeks only to establish the political mandate for the program this year.

Three major criticisms were raised around the bill. First, the Tsongas legislation, unlike Rep. Mike McCormack's (D-Wash.) fusion bill, sets the year 2005 as the target date for a commercial fusion reactor, while McCormack's bill posits the year 2000 as an outside date and gears its program to achieving commercialization by 1995. The scientists stressed that the only thing obstructing fusion development is funding, and the 2005 date might mean an actual delay in the achievement of the goals.

Second, the laboratory directors argued that the fusion budget could easily absorb a twofold increase in funding over the next five years without any waste. The Tsongas bill mandates that the fusion budget be doubled over a period of 10 years.

Finally, the lab directors expressed deep concern over the establishment of an elaborate system of advisory committees attached to individual laboratories. The fusion research directors felt that the legislation gives those committees more than an advisory role, could make the committee decisions binding, and could overrule the decisions of laboratory directors.

Dr. Melvin Gottlieb, director of

the Princeton Plasma Physics Laboratory fusion program, where groundbreaking results in U.S. fusion research have been achieved, stated, "We have an advisory committee now and it has played a very useful role, but we still make the decisions as to whether to take the advice or not take it."

Others participating in the informal hearings were the directors of the fusion programs at Lawrence Livermore, MIT, Oak Ridge, and General Atomic, and Dr. Ed Kintner, director of the Office of Fusion Energy at the Department of Energy. On the first day of the hearings, July 28, Tsongas startled the participants by saying that he had introduced his bill as an alternative to the Clinch River breeder reactor. Most Senators, especially Republicans, will refuse to support the legislation if it is termed a replacement for the breeder, as Tsongas knows, and there has been speculation that he introduced his bill to sabotage McCormack's effort.

Appropriations Ctte. sets budget allocations

Sen. Warren Magnuson (D-Wash.), chairman of the Senate Appropriations Committee, Senate Budget Committee chairman Ernest Hollings (D-S.C.) and Sen. Milton Young (R-N.D.) met Aug. 4 and agreed on a plan to allocate \$420 billion of the 1981 budget among the 13 subcommittees of the Appropriations Committee for markup. The Senators have been circulating their proposal among the committee members and a number of them have requested a meeting of the whole committee after the recess for the Democratic Party

Convention, in order to discuss the proposals for dividing up the 1981 budget.

Senator Magnuson is reported to have originally wanted to transfer \$4 billion from defense spending to domestic spending. However, Senator Hollings disagreed and after consultations an agreement was apparently reached to return \$3.7 billion to the defense subcommittee allocation, bringing it to a total of \$146.8 billion.

In the process, other allocations were cut, including \$400 million from the agriculture subcommittee. Sen. Eagleton (D-Mo.), chairman of the subcommittee, warned against the cuts in agriculture, pointing out that the proposed \$19.3 billion would be \$233 million less than the House proposed. He added that 45 Senators had called for increasing the agriculture total by \$473 million.

Automakers win delay in safety requirements

A House-Senate conference committee agreed on July 31 on a bill that would postpone the mandatory inclusion of either airbags or automatic seatbelts in automobiles until 1983. If approved now by both the House and Senate, five of the major auto manufacturers will have to include such restraints in their small cars by 1983, and in their medium and large cars by 1984. The affected automakers are Ford, General Motors, Toyota, Datsun and Volkswagen.

Existing law requires that all auto manufacturers include these restraints in large cars by 1982, in medium cars by 1983 and small cars by 1984. Under the new bill, smaller

companies including Chrysler and American Motors would still have to meet that deadline. The compromise bill that just passed the conference committee would reverse the priorities for the large manufacturers, directing them to put the systems in smaller vehicles first. The new bill formally delays action by the auto companies for one more year.

Because auto companies are expected to use the automatic seat belts rather than air bags to fulfill the safety requirements, the compromise requires that airbags be offered as an option on at least one model line by 1983. This would apply only to the larger manufacturers.

Neither the manufacturers nor the environmentalists are happy with the compromise bill. Donald E. Petersen of Ford Motor Company called it "discriminatory." Clarence Ditlow of the Center for Auto Safety complained, "This gives the auto makers one more year of delay." Sources at Ford Motor Company said that the company is also unhappy with the bill because "it mandates a design standard." Current safety requirements allow automakers to choose how to implement the standards. "There could be all kinds of ramifications," they said.

Attacks on Tenn-Tom waterway escalate

Following the late July Senate subcommittee hearings that tried to build a case for terminating the Tennessee-Tombigbee waterway project, Sen. William Proxmire (D-Wisc.), a long-time opponent of the project, has requested a GAO study

to determine how much the government "would save" by immediately killing the project.

In a letter to GAO administrator Elmer Staats, Proxmire raised questions about the waterway's economic benefits, the propriety of a low government interest rate in funding the project, and on the accuracy of projection for coal use of the waterway. He requested that Staats provide answers for the debate on the fiscal 1981 appropriations hearings which will probably take place in September.

A spokesman for Proxmire praised the hearings held on July 25 by the water resources subcommittee of the Environmental and Public Works Committee, chaired by Sen. Patrick Moynihan (D-N.Y.), another Tenn-Tom opponent, which raised questions similar to those outlined in Proxmire's letter. Moynihan just recently became chairman of the water resources subcommittee. In addition, some of the witnesses actually suggested that the Army Corps of Engineers has been dishonest in its projections of benefits created by the waterway, and that they had deceived Congress.

Rep. Tom Bevell (D-Ala.) has refuted these charges against the Army Corps of Engineers in detailed arguments on the House floor during an earlier debate on the Tenn-Tom fiscal 1980 appropriations. Attempts then to kill the project failed.

Capitol Hill observers noted that the one staff member on the subcommittee with a professional civil engineering background, and practical experience in the area of waterways development left the subcommittee.

The cleanup is on

Although Jimmy Carter and his backers in the media pretended that he “told all” and came clean on Billygate, it has become increasingly clear to the public at large that the real story goes far beyond the President’s press conference.

Most reporters at the conference had the word—go soft on Jimmy, the open convention is off—and cooled down the questioning accordingly.

But Sarah McClendon, a well-known senior Washington correspondent, took up the questioning put forward by this journal. She asked the President if his administration had not been covering up for a Khomeini secret intelligence agent, Bahram Nahidian, based in Washington D.C. Nahidian has since been exposed by the major news media as connected to Islamic assassins in the United States.

EIR and its counterintelligence newsletter *Investigative Leads* have extensively documented the activities of Nahidian’s Islamic Guerrilla Army and the Muslim Brotherhood cult that spawned them. We have exposed the Civiletti Justice Department’s role in protecting and covering for terrorists.

Now local police and INS officials who understand the facts behind the terrorist activation are refusing to keep silent. Officials told to release Islamic students after a violent demonstration have leaked the real story—that they were not allowed to follow through on normal investigative procedures. Not only did the Justice Department stop the arrest of Nahidian after he was implicated in the assassination of anti-Khomeini Iranian Ali Ta-

batabai last week, but Civiletti intervened to set loose part of the network of terrorists set to carry out the assassinations on Khomeini’s hit list.

Yet what is at stake in the unraveling of Billygate is more than the dirty record of one Trilateral puppet. The survival of the nation is now openly pitted against the survival of a policy establishment, cutting across party lines, which has controlled the nation since NASA was scrapped in 1967 and is implicated in dirty operations that run drugs, guns and terrorism as a key part of foreign policy. It is here, around the figure of Robert Vesco, that Billygate and the Qadaffi connection implicate a cross-party clique that has been carrying out treasonous activities for years.

William Casey, a key figure in the Reagan campaign, was a Vesco partner. He is only one entry on the long list of political figures being called to account.

For the first time there is broad exposure of the establishment that has wrecked this nation by stifling industrial development and playing the China card, the Islamic fundamentalist card and the terrorist card against our own European allies and our own population. The forces in the intelligence community and the new power brokers that opened up the Billygate story intend to see it through. There is now too much knowledge in the public domain for a coverup. Neither the Democratic National Convention nor the November election will see the end of this fight. Many public figures have a lot of explaining to do. And too many people know it to let them off the hook.