EIR
Executive Intelligence Review

September 9, 1980 $10.00

The Polish crisis and the future of détente
$20 billion fusion bill voted up
Menachem Begin's drive toward Sarajevo

Drought and famine in Africa: Who is responsible?

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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*

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

Our cover photograph this week shows, not timeless, inevitable misery, but a very specific situation demanding action: Uganda's women and children are starving in refugee camps while food relief is used by international agencies to supply exterminating armies in the region. The same situation prevails in most of East Africa, which has been chosen as a cutting edge for the policy of deliberate population reduction in the Third World vaunted by the World Bank and the Carter State Department.

Under the direction of EIR Contributing Editor Christopher White, a team of specialists including Mary Brannan, Renée Sigerson, Mark Burdman and Susan B. Cohen has assembled the evidence on East Africa and on the World Bank's plans for the underdeveloped sector as a whole.

Our international coverage turns to Poland, where the same agencies and Carter administration policies have secured a destabilization that could disrupt the only political barrier to World War III: ongoing cooperation efforts between the Warsaw Pact and the governments of France and West Germany. The Middle East and Caribbean hot spots are surveyed which, U.S. Editor Konstantin George explains, could be met by a U.S. nuclear first strike under the PD 59 "limited war" doctrine.

In Economics, David Goldman outlines the financial prospects for those Third World countries who, unlike East Africa, have been able to borrow in the private markets, and sees signs of a debt crisis before 1981. The U.S. domestic market is heading for a squeeze, as banks and businesses rush for funds. And in West Germany, a tight-money regime is beginning to create balance-sheet problems.

Robyn Quijano

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Special Report


A camp in the northeastern Karamoja province of Uganda where in May 1980, 100,000 had already died. Photo: William Campbell/Sygma

International

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Business Briefs

Labor

Synfuel projects hire non-union workers

The construction of the first oil shale development plants in Colorado is now using between 400 and 500 employees of non-union labor. While the two initial oil shale projects are not receiving federal money, and therefore are not accordingly covered by the Davis-Bacon law which specifies that union labor and wage rates be used, the companies involved are getting government contracts elsewhere on their synfuels projects.

The oil shale projects are being constructed in the northwest part of Colorado called the Rangeley area. The first project is called Rio Blanco, a consortium of Standard Oil of Indiana, Gulf Oil and Tenneco. The second project is being run by Occidental Petroleum. According to one Colorado building trades union official, 400 to 500 pipefitters, welders, electricians, etc. are being hired on a strictly non-union basis. This union official said the building trades in the state of Colorado see this as an attempt to set a precedent for the entire government-funded synfuel program.

Regulatory reform

Dereg 'fundamental,' says President

President Carter's new "revitalization" program is short on detail, except for the new deregulation plan for the economy being implemented. In his Aug. 28 policy speech, the President cited deregulation of trucking, airlines, rail, banking, and communications as "the most fundamental restructuring of the relationship between industry and government since the New Deal."

The restructuring of the economy through deregulation has been dramatic, in some ways that the President was not anxious to emphasize. Airline deregulation left the major carriers with shattered profits, pared-down routes, cut corners on maintenance, and a combination of mergers and liquidations promised for the next year. Trucking deregulation has already claimed a half-dozen major common carriers, and will disrupt service to rural areas protected by the now-abandoned route authorization system. Rail deregulation is bitterly contested by utilities, who have to pay drastic hikes in carrying charges for coal. And banking deregulation under this year's "Omnibus Banking Act," sponsored by House Banking Committee chairman Henry Reuss, has cleared the way for national banking and a drastic thinning of the ranks of both smaller commercial banks and thrift institutions.

Currency markets

Middle East buyers move into yen, Swiss francs

Foreign exchange traders in one of New York's top commercial banks were greeted at 9 a.m. Aug. 27 with wire reports on their desks saying that Middle East investors were dumping dollars and going into metals through the Swiss franc. A few hours later, Barclays London called its New York office and reported: "The Arabs are selling the dollar against everything." Another British bank told its New York office that the Mideast sell orders against dollars reached $400 million on European markets that day.

Mideast oil producers apparently began selling dollars in heavy volume on Aug. 25, but even many traders failed to take note since most of these funds went straight into Japanese yen. It is widely assumed that the yen purchases were occurring in connection with a tour of the Mideast by a top-level Japanese business community delegation. The Japanese are determined to increase sales of yen securities to Mideast investors to finance large borrowing requirements this year. Another factor which helped to encourage Mideast dollar sales was the announcement by the Swiss Central Bank late on Aug. 26 that it was lifting all remaining currency controls against foreign deposits in Swiss banks.

One foreign bank trader in New York insisted that Saudi Arabia had no part in the day's dollar selling spree. Private Mideast investors, and some central banks, "but only from the small countries, not Saudi Arabia," had sold $400 million that day, he stated.

Fiscal policy

Carter's program: 'No tax cut'

Treasury Secretary G. William Miller told *EIR* at a briefing on President Carter's emergency economic program that the plan "is not intended as a tax reduction either for individuals or corporations." Tax cuts might come in the future, Miller said, but "the day is not yet here" when the federal government will cut taxes.

The first-year cost of the Carter plan will add an additional $6 billion to the administration's current $30 billion budget deficit estimate for fiscal 1981—and this builds in extremely optimistic assumptions about the behavior of the nation's economy. Also unexplained is precisely how the administration intends to "offset" the $17 billion rise in Social Security deductions scheduled for Jan. 1, 1980. Council of Economic Advisers Chairman Charles Schultze tried to avoid being pinned down on precisely how much of the increase would be offset.

International trade

Deficit to prolong Bundesbank rate hike

West Germany ran a trade deficit in July for the first time in decades, according to reliable sources at the Bundesbank. The sources add that this year's current account deficit could be much greater than the DM 25 billion previously estimated by the government.

West Germany's worsening current account position appears to rule out a reduction in the Bundesbank's discount rate in the near future. On Aug. 27, Helmut Geiger, head of the West German Savings Association, stated that a 7.5-8.0 percent floor under domestic interest rates must be maintained to prevent a 1974-style collapse of the deutschemark. Most industry sources are nevertheless confident that the West German recession will be "mild," resting their hopes on a continued expansion of exports, especially to OPEC nations, and of domestic capital investment.

Gütehoffnungshütte, Europe's largest mechanical engineering firm, announced last week that group sales increased by 12 percent in the financial year which ended in June. Domestic sales rose by 13.2 percent and foreign sales by 10.6 percent. GHH, however, noted in a letter to shareholders that the pace of new orders slowed considerably in the last few months.

Transportation

Coal shipping will hinder energy program

U.S. Department of Energy officials cite major technical problems in every one of the Carter administration's proposed methods of turning coal into gas or oil equivalents, and ridicule the President's target of 500,000 barrels of oil per day equivalent synfuels production by 1985. Nevertheless, synthetic fuels remain a linchpin of the Carter energy plan.

More imminent is the prospect of increased coal production to substitute for domestic oil output, which Treasury Secretary G. William Miller called "one of the most exciting things" the United States had ever done. Carter has created a Coal Exports Task Force, and will bring in the Army Corps of Engineers to discuss port problems. But the huge investments required to make such a program work have not even been calculated by the administration, let alone attempted by two of the nation's most moribund industries, rail and coal mining (see article, page 14). The entire plan looks only slightly more realistic than the synfuels extravaganza.

However, the administration is thinking in terms of gigantic concentrations of financial resources: the Economic Revitalization Board, to be co-chaired by DuPont executive Irving Shapiro and AFL-CIO chief Lane Kirkland, will discuss means of tapping the nation's pension funds for such investments—a precedent from 1930s Germany and Italy.

Petrodollar flows

German press warns of OPEC money weapon

An Aug. 27 editorial in West Germany's *Frankfurter Allgemeine Zeitung* rebukes oil-producing countries for refusing to hand their funds over to the International Monetary Fund and World Bank. *FAZ* adds that "the world expects further warning shots from the Mideast. . . . According to estimates, the oil countries have about $160 to $180 billion in bank accounts in Western banks. This year another $100 billion will flow in, and the end to this is not yet forseeable," *FAZ* wrote. "The deposits from the petrodollar surplus . . . are for the most part lent on one-day, at the most on six-month maturities."

"The Eurobanks, however, lend these funds long-term, up to 12 years. With this emerges an additional danger for the West. Banks who have fallen into dependency on a small group of big Mideast creditors are vulnerable to pressure. The closely meshing ties between the banks do, indeed, work as a security net. But what happens if individual banks are put on an Arab 'black list' and deposits are suddenly withdrawn?" asks *FAZ*.

However, there is probably less danger of Arab pullouts from banks than Western intervention into the Arab world on the pretext of a "petrodollar threat."

Briefly

● **DAVID ROCKEFELLER** and Walter Wriston are warning prominent U.S. Senators that major defaults on Third World loans are impending.

● **STU EIZENSTAT,** the President's domestic affairs adviser, says farmers have no problem. "Prices are going up because of the drought," he told *EIR*, "which will make up for their decrease in income due to the drought." Pressed on inconsistencies in this formulation, the adviser shouted, "I don't have to answer questions on farm policy!"

● **THE WORLD BANK'S** new energy plan presents the danger that "excessive concentration on energy matters could cause the World Bank to overlook more pertinent economic development matters in the developing sector," wrote the *Frankfurter Allgemeine Zeitung* Aug. 27.

● **GERMANY'S** Development Ministry warns in a new report that a "cheap food" policy for developing countries creates a vicious circle by preventing independent peasants from breaking even on food production.

● **U.S. TREASURY** officials are offering Saudi Arabia a major expansion in IMF voting power in hope of obtaining more petrodollars for the International Monetary Fund. But Treasury staff are pessimistic about the Saudi response.

● **ISRAEL'S** Federation of Chambers of Commerce revealed that business activity slumped 35 percent during the 12 months through July. Domestic and export orders fell by 42 percent, inventories by 48 percent and total employment by 16 percent. The Federation expects this trend to continue for the rest of the year. Increasing unemployment has led to one of the largest exoduses of Jewish families in modern times . . . out of Israel.

A new stage in Carter's 'controlled disintegration'

by David Goldman

In background discussions over the past week, New York-based investment and commercial bankers, and Washington officials responsible for international monetary matters, stated that a banking consensus had been reached:

1) That Persian Gulf oil production had to be cut back to ensure a stable and rising oil price—contrary to Saudi Arabian efforts to lower the world price of oil, reported last week in *EIR*;

2) That the Saudi regime itself would undergo a destabilization similar to the Iran pattern, either through an actual internal destabilization or through a "preemptive" American occupation;

3) That developing-sector debtor nations would be cut out of the reduced flows of international capital and energy resources, with a major international financial crisis as the result.

Within a period bounded by October and January, senior officials of several of the top institutions in New York predicted, the industrial world would enter a new phase of "controlled disintegration," to use the phrase coined by British economist Fred Hirsch in one of a series of documents entitled *Agenda 1980s*, published last year by the New York Council on Foreign Relations.*

Battling against cheaper oil

Secretary of State Edmund Muskie officially launched the destabilization of Saudi Arabia in a bitter attack against the oil-producing countries Aug. 25 at the United Nations, before a Special Session of the U.N. General Assembly in New York.

"The hidden agenda item at the U.N.," a member of the American delegation told *EIR*, "is energy. The point of Muskie's speech is to convince the developing countries who don't produce oil that they should line up with the industrial countries against OPEC." In reality, breaking the erstwhile support the OPEC countries have had from the developing countries' Group of 77 would isolate the Saudis and clear the way for destabilization of the Saudi regime by Iranian, Libyan, and other "radical" elements within the Arab world—on the pattern of the overthrow of the Shah.

Although Muskie challenged the oil producers to stabilize oil prices, the U.S. administration and most leading U.S. commercial banks are in fact trying to prevent the Saudis from bringing down the price of oil.

By continuing high production levels despite the dropoff in oil demand this year, the Saudis have brought the spot market price of oil to less than $30 per barrel. If the trend continues, the elaborate structure of energy autarky investments sponsored by the Carter administration and the large oil companies will crumble—since it depends on continuously rising oil prices. The beneficiaries of the Saudi action would be Western Europe, which is committed to a cheap-energy posture based on nuclear power.

We reported last week that a number of institutions, including the World Bank and the Chase Manhattan Bank in the private sector, had programmed into their internal operations and forecasts a drastic cutback in oil supplies, from 17 million barrels per day to only 9 million barrels per day from the four major Persian

Gulf producers, notably from Saudi Arabia.

The implications of such a reduction in supplies are devastating, but they have been fully appreciated by the institutions who propose to implement such a reduction. What the "consensus scenario" in New York and Washington promises is the final realization of the "energy shock" proposed for the industrial countries in March 1979, at a meeting held at former New York Governor Averell Harriman's Arden House estate.

In response to the question, "What are the risks of an interruption in Persian Gulf oil supply?" an internationally known economist at a top New York commercial bank had this to say:

> Let's turn that around. The risk is that there will be no interruption of oil supplies. The spot market oil price has fallen [to less than $30 per barrel—dg] to less than the contract price, demand is weak, and this is happening without evidence of a quick agreement among OPEC members to cut production. The Saudis are in the middle of this.
>
> There has to be a reduction in oil supplies to avoid a convulsion in, or a breakdown of, the OPEC cartel. Now, there are some in this bank who would prefer a drop in oil prices. There are as many vested interests in this bank as there are customers. However, any deviation in the basic trend in oil prices would upset those concerned with world money markets.

The banker continued:

> To sustain the contract price of oil demands substantial production cutbacks. The game is really over the Saudis' long-run price aim. For the next two years, they have dominance over world financial markets.
>
> If they want to continue an uptrend in the real price of oil, they will have to jack up their price and eliminate the two-tiered price system [which has prevailed for the past year–DG] and make sure the other OPEC members [who have higher prices than the Saudis–DG]do not. The ability of the other OPEC members to do anything with the price of oil is nil. Therefore, it is a political question for Saudi Arabia.

"What should be done?" the banker was asked.

> The corollary is that we should move into Saudi Arabia fairly early—do what we used to call in the old nuclear warplanning days a "preemptive strike." It's better to go in now before the trouble gets out of hand.

At a private briefing for senior staff of the leading New York investment bank Goldman Sachs, former Secretary of State Henry Kissinger predicted that Ronald Reagan will, if elected, launch an invasion of the Persian Gulf within two months of taking office.

The ostensible purpose of the invasion, Kissinger said, would be to retrieve American hostages in Iran. "Carter should have done this within two weeks after the hostages were taken," Kissinger told the bank, which retains him as a foreign affairs adviser. "The Soviets respect American conservative governments more than liberal governments which they have to psychoanalyze."

The same predictions are not merely current, but integrated into policy planning, and oil and financial projections, at Citibank, Chase Manhattan, Morgan Guaranty Trust, and other New York banks, and at the World Bank in Washington.

The repercussions of a shutoff of oil supplies would be devastating for the world financial situation, bankers add. A senior partner at one of New York's leading investment banks says: "This is a time to be liquid and short. There is a fundamental tension in the Mideast situation. The international banks are stretched to the limits. Major problems are hitting the LDCs [less developed countries]. Any interruption of oil supplies would create a major problem for some of the big LDCs, and lead to an international financial crisis, due to the overextendedness of Eurodollar loans."

Very suddenly, some who have been warning of the collapse of developing-sector credit in the past have raised their voices shrilly again. Sen. Jacob Javits, who campaigned in 1978 for major backstopping for the $300 billion of developing-sector debt through the international institutions, is telling Senate colleagues that he may have been premature in predicting the worst for Third World debt, but he was not wrong. Javits drives home his point by citing recent private discussions with Chase Manhattan Bank chairman David Rockefeller and Citibank chairman Walter Wriston, who reportedly told him that the refinancing of the Third World "can't hold."

In an editorial Aug. 25, the London *Financial Times* proposed one scenario for the breakdown of Third World debt payments:

> The gloomy forecasts for the 1980s produced by the World Bank last week underline the importance of recycling the capital surpluses of OPEC countries and of ensuring adequate flows of funds to the developing world. . . . For these countries to service their bank debts over $250 billion, it is crucial for them to be able to sell in the markets of the North. . . . But the danger remains that, preoccupied with internal problems, Western countries will increase protectionism or react like Britain in

cutting aid or like the U.S. Congress in long resisting fresh appropriations for international development agencies.

The point for the developing sector, however, is that a crisis is programmedinto the next six months—given trends in the world financial system—whether or not the intervention of adverse events such as an oil shutoff or protectionist trade barriers starts a crisis.

The only reason that countries such as Brazil, the Philippines, and others did not run into an impossible payments bind during mid-1980 is that dollar interest rates fell by half between April and June, from almost 20 percent at the peak to under 10 percent. That is the difference between $50 billion and $25 billion in annual interest charges on Third World bank debt.

However, the rise in interest rates—continuing through the next several months—will create insufferable conditions by the year's end (see Banking).

There are, indeed, major indications that Euromarket institutions are girding for a liquidity crunch and a crisis.

During the past month, banking sources say, commercial banks have suddenly increased their issue volume of certificates of deposit, short-term money market paper that banks use to raise funds. To a great extent, the issue volume of such paper is responsible for the rise in the interest rate on CDs by more than two percent during the past two weeks.

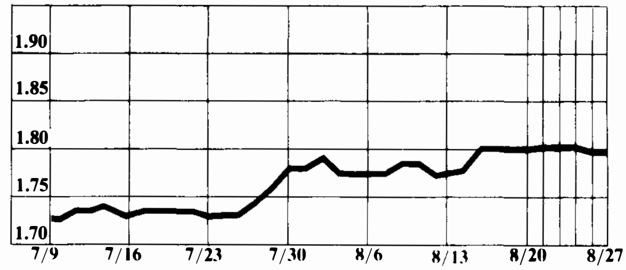
"There has been some pickup in lending," a commercial bank economist explained, "but the banks are rushing to the money markets for the same reason that corporations are rushing to the credit markets—they are afraid that it will be much more expensive to get not very long from now. It may well be that the rush to get liquidity is related to the international strategic situation."

On the international markets, gold has been the beneficiary of the unstable Polish and Mideast situations, and is likely to continue to be. At *EIR*'s deadline on Aug. 27, it stood at about $635 in all the leading markets. West German bankers, who believe the dollar's underlying value is less than the current market price of DM 1.80, worry that both gold and the dollar will rise together for the moment—because an interruption of Mideast oil supplies would devastate the Western European economies.

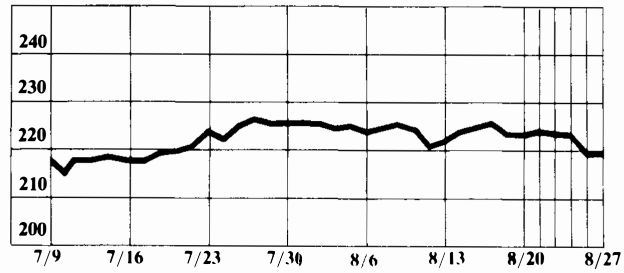
*"A degree of *controlled disintegration* in the world economy is a legitimate objective for the 1980s and may be the most realistic one for a moderate international economic order. A central normative problem for the international economic order in the years ahead is how to ensure that the disintegration indeed occurs in a controlled way and does not rather spiral into damaging restrictionism," wrote Fred Hirsch, Michael W. Doyle, and current State Department official Edward L. Morse in *Alternatives to Monetary Disorder*, published by McGraw-Hill in 1979. The "controlled disintegration" vantage point was endorsed by Federal Reserve Chairman Paul Volcker in a series of speeches starting with a commencement address at Warwick University in January 1979.

Currency Rates

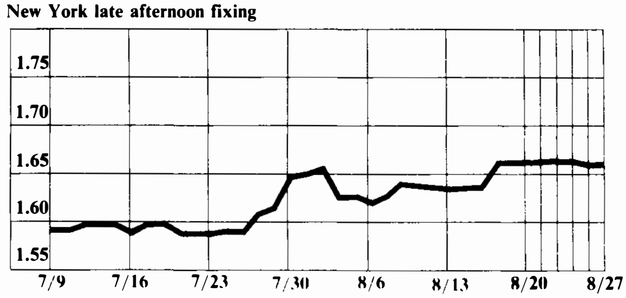
The dollar in deutschemarks
New York late afternoon fixing



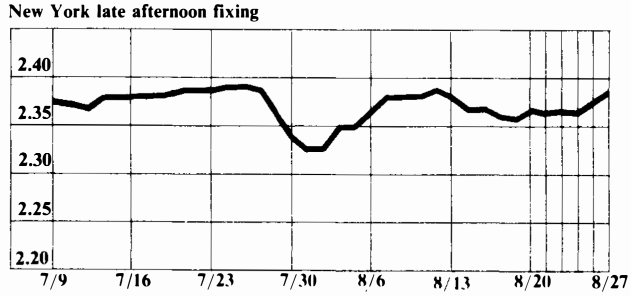
The dollar in yen
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



Banking by Leif Johnson

Liquidity pressures by year's end

U.S. bankers are preparing for the worst, and pumping up a fourth-quarter bubble.

This week's move to an 11½ percent prime rate took interest rate analysts in New York by surprise. The largely unexpected element in the picture was a sharp and rapid increase in banks' cost of funds, measured by the rate on six-month Certificates of Deposit (CDs), which rose from about 9.8 percent less than two weeks ago to 11¼ percent on Monday, Aug. 25.

Banks are scrambling to get hold of liquidity, both for hedging purposes and for fear of serious trouble ahead. Comprehensive figures are not available, but bank money market analysts report a rise in the outstanding issue volume of CDs during August far in excess of the increase in commercial and industrial loans outstanding. Banks expect the interest rate rise to continue, and are loading up on funds rather than pay more for funds later.

However, there is a deeper motivation for the rush to lock up funds now. Last winter, banks undertook similar funding operations mainly due to uncertainty about the domestic and international credit outlook.

Whatever the cost to balance-sheet bottom lines, banks have no choice but to lock up all the liquidity possible in periods when a general liquidity shortage is a real prospect. This anticipatory borrowing caused a sharp run-up in interest rates last winter. Although the rise will be considerably slower than during the frenetic first quarter of 1980, the same phenomena are at work.

Closely related domestic and international factors are working together to produce the sharp rise in rates—what *EIR* warned would be an "interest rate disaster" two weeks ago, before the run-up began in earnest.

First, bankers recognize that balance-sheet pressures on corporations are contributing to an explosive growth of credit demand on the bond markets. Manufacturers Hanover Trust wrote Aug. 25: "The volume of corporate bonds publicly offered during the four months ending Aug. 31 is expected to total $23 billion—almost equal to the new issue volume in the entire year 1979! Triple-A yields stood at 11.69 percent on Aug. 19, almost 58 basis points above month-earlier levels. Double-A corporates also posted substantial yield gains, rising 63 basis points during the four weeks ending Aug. 19 to 12.12 percent."

By the end of this year, commercial and investment banking liquidity analysts predict, the bond markets will be unable to handle the huge issue volume, and the banks will have to field the demand for credit. Toward the end of the fourth quarter, we expect that credit demand generated by the depression itself, including the $100 billion per annum rate of federal borrowing, will push up inflation, monetary aggregates, and interest rates simultaneously.

Some commercial bank analysts of a monetarist persuasion counter that both households and corporations usually respond to balance-sheet pressures by reducing short-term borrowing and cutting back on economic activity. However, Britain has reached the point where additional borrowing by the corporate sector is involuntary. A detailed examination of corporate balance sheets by Salomon Bros. reviewed in *EIR* last week suggests that the same will be true for the United States within a few months.

Banks themselves are avoiding the trap many of them fell into during the first quarter, i.e., mismatching short-term liabilities to long-term, fixed-interest assets. This is the bad combination that brought down First Pennsylvania and nearly floored First Chicago, along with many other banks that achieved less notoriety. Over the second quarter, banks restricted their fixed-interest investment to paper of less than five years' maturity, according to Federal Reserve statistics, remaining much more liquid than they had during the earlier period.

What worries the banks most is the international picture. The only reason that the developing sector escaped bankruptcy proceedings on about $250 billion in commercial bank debt during the first half of 1980 was the halving of interest rates between April and June. The current rise in interest rates has taken the financial system to within a couple of percentage points of a danger zone. Each percentage point rise of interest rates costs the developing countries an additional $2.5 billion in interest charges.

Domestic Credit by Richard Freeman

Tax cut prospects slow and small

Don't count on major business tax relief soon, especially if you're in a 'shakeout' sector.

In his presentation the afternoon of Aug. 28 on plans to revitalize the economy, President Carter is expected to call for a $25 billion tax cut, including compensation for the higher social security tax which will take effect Jan. 1, 1981.

Carter's tax package, part of a larger "economic package," is seen as an answer to the proposal of Republican Party presidential hopeful Ronald Reagan, who is generally believed to favor a $30 billion reduction in taxes. This week the Senate Finance Committee reported out a proposed $11 billion business tax reduction, which would start reducing taxes for business starting with the new year. It is reported to be larger and more immediate than the so-called Republican version of the "10-5-3."

The tax reduction simply to offset the effect of higher taxes that go into effect the first quarter of 1981 and thereafter is a sound idea. On Jan. 1, the Social Security payroll tax will rise from its present 6.13 percent to 6.65 percent while the taxable wage base will go up from $25,900 to $29,700, accounting for a tax increase of $20 billion. There will be a $20 billion increase of taxes on oil companies from the windfall profits tax and another increase of $15 to $20 billion as incomes rise due to inflation and individuals' move into higher tax brackets. This adds up to a $55-$60 billion increase in taxes that will be a drag on the economy.

Tax relief of the proper sort would make sense, but there are two reasons why it is unlikely to occur until at least the middle of 1981 and why the amount of tax reduction may be held down.

One congressional source reports that the House, and its Ways and Means Committee is going to assert its power to originate all tax legislation and demand that tax proposals start from ground level zero. The House will then demand a lengthy review process of all proposed tax legislation that will go on for months. By the time the House comes up with an agreed-upon tax change, it will have to be reconciled with the Senate version.

The second reason behind tax cut delays explains the causes of the long procedural tie-up expected in the House. This was most succinctly summed up by the Joint Economic Committee of Congress in a report released to the press Aug. 25. The JEC stated that the U.S. shouldn't go for a quick stimulation of the economy, but concentrate on longer term questions that will lead to eventual growth in productivity in the economy. This means delay and minimal tax cuts.

The rationale behind the JEC proposal is that the U.S. recovery should be slow, and only partial. It is the same thinking governing the monetarist monetary policy of Federal Reserve Board chairman Paul Volcker. By this thinking, the recession will continue through the end of 1980 and deep into 1981. The fact that auto sales were down 34 percent in the first 20 days of August, when they should have turned the corner upward in late July according to most analysts, exemplifies the depth of recession some key industries are still in. To insure the depressed state of these industries—including the savings and loan institutions, the auto, rubber, airline, trucking and steel industries, as well as residential housing—there must be no tax relief for a while, or at least none of any significant size. These industries will then have to undergo a further shakeout. Whatever tax relief does come will not benefit these industries, but only those cited frequently in magazines such as *Business Week* with great fanfare—computers, telecommunications, military, and synthetic fuels. In other words, once the economy has been restructured or significantly remolded, then tax relief will come.

Those industries that have been put through the wringer will not see much of this money—some of the companies will not even be around. This means that even those tax cuts that are enacted retroactively, say back to Jan. 1, 1980, may not be of much help to these sectors.

With Arthur Burns, Douglas Dillon and other heavyweights lining up behind "not stimulating the economy" and a 1981 snail's-pace recovery, don't bet on major tax cuts. Our expectations are confirmed by the corporatist shape of President Carter's new "revitalization" plan, which makes no commitment to the ailing basic industrial core of steel, construction, or auto, but plans to pour funds into synfuels and "bust OPEC" coal development.

International Credit by Laurent Murawiec

West Germany's dilemma

The Bundesbank's tight-money policies and the constraints on export markets are flashing red lights.

West German industrial and banking spokesmen have been dismissing the importance of the appearance of recessionary trends in their economy in recent public statements. Their argument is that investment and orders in the heavy equipment sector remain strong, even if indicators in the overall economy are sliding down.

If the West German economy existed in isolation, their protests that there is no need for concern would be well founded. However, the real situation is quite different. The West German economy is supporting the rest of Western Europe; in the first quarter of 1980, it did so successfully; in the second quarter, the rest of Europe began to pull the West German economy down.

In June, the volume of new foreign orders for West German capital goods plunged by 15.5 percent. Industrial production declined 2.4 percent in May from April's level and another 1.0 percent in June. This occurred as industrial production in Italy fell at a 9 percent annual rate in the second quarter. In France, industrial production was flat in April-June, and officials have forecast a significant decline for the second half of the year.

Leading West German industrial spokesmen insist they can weather these storms. A spokesman for the DIHT (Chamber of Commerce) pointed to continuing high levels of investment and the longer-term trends in foreign sales, when asked whether the economy was threatened with an official recession. In fact, the country's exports to the oil-producers in OPEC rose 10.7 percent in the first half of this year.

There is also widespread confidence that the deutschemark will remain strong despite the emergence of a massive DM25 billion current account deficit this year.

The magnitude of the current account deficit is particularly shocking when one considers that in 1978, the West Germans racked up a DM17.5 billion surplus and were constantly goaded by Washington for not acting as the world's "locomotive."

The deterioration in the current account was caused primarily by the 140 percent runups in the cost of imported oil in 1979. Thus, while the value of West German exports expanded by 15.3 percent during the first half of this year compared to the same period in 1979, imports rose even faster, by 24.5 percent. The country's trade surplus shrunk to DM4.5 billion in the first half, compared to 14.9 billion in 1979.

The Bundesbank (central bank) is insisting on maintaining tight credit restrictions to offset the current account deficit. Banking and industrial leaders have been pressing for a reduction in the discount rate—now at a record 7.5 percent—for weeks.

But Bundesbank officials, who are overly influenced by the monetarist theories of Friedman and von Hayek, argued that high rates are necessary to attract foreign capital.

The declining profitability of West Germany's leading banks, in large part due to the Bundesbank's measures, could also reduce their capacity to finance continued growth. In a recent report, the Bundesbank revealed that the combined after-tax profits of the big six banks fell 13.4 percent in 1979. The Bundesbank blamed this earnings drop on the banks' inability to adjust their loan rates rapidly enough to cover the increase in their own cost of funds. This continued to be a problem in the first half of 1980, with both Dresdner Bank and Commerzbank reporting declining profits, and Deutsche Bank doing somewhat better. Commerzbank told its stockholders to expect a dividend cut.

This is not meant to imply that the banks are in trouble; by comparison with the leading New York commercial banks, they are the Rock of Gibraltar. Last week, rumors circulated in the foreign exchange markets that the Bundesbank would ease the banks' liquidity problems by lowering the minimum reserve requirements.

Recent earnings reports by German corporations show some problem cases. BASF, the chemicals giant, reported a second-quarter profit decline caused by lower sales in domestic and European markets and an ability to pass on the full costs of higher oil and raw materials prices. Group pre-tax profits fell 5.5 percent, but the parent company's profits were down 20 percent. AEG, the giant electrical firm, expects a DM110-200 million loss in 1980, after even worse losses last year, due to declining sales of consumer durables.

Gold by Alice Roth

Pitfalls in diamond investment

Some guidelines on liquidity, quality and term for the smaller investor.

Investing in gem diamonds—once almost solely the province of wealthy old European families—has in the last two years become a fad among American investors seeking the ultimate inflation-hedge. As with gold and silver, the diamond craze died down somewhat this spring when the Federal Reserve jacked up interest rates, making it difficult for investors to finance such ventures.

Between February 1979 and February 1980, prices of investment-quality diamonds doubled and in some cases tripled. But between March and early May, as the Fed's measures took effect, gemstone prices declined on average by 25 to 30 percent.

Beginning in April, De Beers, the cartel which has controlled the world diamond market for the last 50 years, intervened in its traditional fashion to stabilize the market. De Beers began to reduce both the amount and the quality of rough stones offered at its London "sights." Since De Beers' Central Selling Organization (CSO) markets 80 percent of the world's diamond output, the 250 or so cutters and dealers who are permitted to attend either accept De Beers' offer or depart empty-handed.

After De Beers began to slash new supplies, the market firmed up, rising about 5 percent from May to late August. At last week's "sight," the CSO changed its tactics somewhat, increasing supplies but still holding back the higher-quality stones.

Market experts expect that investment diamonds will show strong gains between now and the end of the year. Jack Backer, who heads a New York-based diamond brokerage firm, expects a 20 percent increase in the price of polished stones. This may be reinforced by an increase in De Beers' wholesale prices, which he expects to occur in November. Hertzy Hasenfeld, one of New York's leading diamond cutters, is somewhat less optimistic. He expects a 5 to 10 percent jump between now and Christmas, but "nothing spectacular."

In my view, the diamond market should be approached with caution. There are indications of a new credit crunch ahead, as the Fed is moving to raise rates at the same time that corporations are more illiquid than at any time in postwar history and the U.S. Treasury is financing a $60 billion deficit.

This negative factor must be weighted against the prospects of a Middle East or Indochina explosion by mid-October. Even more than gold, diamonds are a highly portable, internationally recognized store of value which the wealthy traditionally turn to when political chaos or war endangers their fortunes. The much-feared destabilization of Saudi Arabia would unquestionably send diamonds, gold and silver through the proverbial roof.

However, diamonds are probably not a good investment for the average American investor. Diamonds are not as liquid as gold and the investor who wishes to realize his profits cannot always count on being able to resell his diamonds quickly and expeditiously. Markups of 10 to 40 percent exist between the cutter's price and that of the diamond dealer from whom the investor purchases the stones.

In many cases, the investor will have to sell at the cutter's price and forego a larger portion of his potential profit. Few dealers offer buy-back guarantees. Bernard Cirlin, publisher of the widely-respected *Precious Stones Newsletter,* recommends that the investor be prepared to hold onto his diamonds for at last three years before taking profits.

This is decidedly not a market for persons who wish to trade—go in and out quickly—or for those who may be forced to sell under pressure.

For those who can wait, however, diamonds promise handsome profits, largely due to the formidable strength of the De Beers monopoly. De Beers' strategy has been to achieve a steady increase in the dollar price of diamonds in real terms and, since 1949, it has never had to roll back wholesale diamond prices.

In sum, to invest successfully in diamonds, one should be prepared to tie up large sums for years at a time and already have considerable exposure in more secure inflation hedges, such as gold.

In a subsequent column, I will elaborate some tips for those who do want to venture into this tricky branch of the international commodities markets.

Trade Review

Cost	Principals	Project/Nature of Deal	Financing	Comment
NEW DEALS				
$715 mn.	Poland/ West Germany	West Germany is financing equipment for bringing into production new coal deposits in Poland. Coal deliveries to Germany will increase in 1985 from current 2.5 mn. tons per year to 3.3 mn. tons per year. Germany is also financing copper and vanadium expansion in Poland.	DM 400 mn. credit with state guarantees for coal mining equipment. DM 800 mn. loan for debt service.	Deal signed except for equipment orders.
$15 mn.	Argentina/Brazil	Argentina will lend Brazil 240 tons of uranium concentrate during 1981-82 for enrichment elsewhere and use in a nuclear power station Westinghouse is now completing. Brazil will repay loan in 1983-84 when its uranium facilities are on line. Part of comprehensive nuclear understanding including sales of components and information exchange signed during Argentine president's visit to Brazil.	"Interest" of 6% per year payable in uranium.	Deal signed.
$28 mn.	U.S. from Europe	Six European banks are lending Public Service Co. of New Hampshire $28 mn. to help finance completion of Seabrook nuclear plant.		
	Tunisia from France	The LaFarge group will build a 100,000 tons per year cement plant for Société Tunisienne de Ciment Blanc on turnkey basis.		Contract signed.
$7.5 mn.	China from U.S.	China has bought 400 pieces of farm equipment from International Harvester for a state farm in Heilongjiang Province.		China's largest farm machinery order from the West.
UPDATE				
$47-59 mn. entry fee	France/U.K.	France is seeking British participation in its Superphenix commercial fast breeder reactor program. If Britain accepts proposal, it would design its own FBR along the pattern developed by France in association with Italy and West Germany.		
	Iran from India	Iran now says it wants Indian companies to take over projects from which Western companies have been expelled, including 60,000 tons per year steel plant France was to build. Khomeini has failed to pay $450 mn. owed India and is refusing iron ore from Iranian project built by India. Iran now seeking mainly equipment for decentralized small manufacturing units.		Talks under way.

Adding up the U.S. railroad boom

Stephen Parsons analyzes actual capacity to handle coal shipping, and the coal export push.

Faced with a recession-induced 20 to 30 percent drop in automobile, steel and related industrial merchandise freight, a number of major railroad lines are pinning their financial hopes on the resurgence of demand for coal both domestically and abroad. They are counting on coal to hold their own—at the expense of the trucking industry and non-coal oriented railroads. And in some cases they are dreaming of potentially lucrative mergers with these crippled lines.

But the railroads' euphoria over the coal boom is at best dubious. Although the railroads correctly project a sharp increase in European and Japanese demand for U.S. coal over the next several years, there is simply no way for American coal ports—already operating at more than full capacity—to handle anything like this volume.

Moreover, neither the railroads nor the coal companies seem to be facing the staggering capital investment requirements for new port facilities. They are relying on local and federal authorities to finance port development, despite the clear inability of public agencies to raise the requisite funds in the strapped capital markets.

In addition, the drastic drop in mining productivity over the last decade, coupled with inadequate maintenance, modernization, and capital investments by both the coal companies and railroads, threatens to drive the price of U.S. coal into the stratosphere. Coal companies in particular are relying almost totally on their idle capacity to produce more coal, with precious little funds slated for modernization. When you throw in the added expense of EPA delays and pollution controls, the boom looks like a blip.

The shift to coal

While trucking revenue ton-miles have plunged 22 percent this year—in no small measure abetted by the specter of deregulation—railroad ton-miles have essentially kept pace with last year's levels, and revenue is not substantially off. Although increased grain haulage is an important secondary factor, revenue-originated freight in coal has jumped from around 400 million net tons in the early 1970s to 473.7 million net tons last year, due to the enormous petroleum price increases since the 1973 Mideast war. As of 1979, coal tonnage comprised 32.3 percent of the railroads' originated tonnage, from a level of 26.9 percent in 1970—and the 1980 figures for coal tonnage are certain to approach 40 percent.

Concomitantly, coal revenue has more than doubled between 1970 and 1978, from $1.4 billion to $2.971 billion. While this represents an increase from 12 to only 13.5 percent as a percentage of total revenue, this year should see it become more like 20 percent. The percentage could go higher, as the merchandise freight component declines even more and as the accelerating shift to coal, caused by the recent oil price hikes, becomes reflected in more current figures.

To dramatize this shift, for example, Burlington Northern expects that its originated coal tonnage will increase 20 percent, from its number one position of 80.2 million tons last year to over 100 million tons in 1980. This represents more than a 500 percent increase in BN's coal haulage since 1970, and over 30 percent of its revenues. The Norfolk & Western road expects coal to account for about 60 percent of its originated freight tonnage this year, compared to 40 percent or so before the recession, with coal revenues rising to comprise over 50 percent of its income.

To meet this increased demand, major coal-carrying lines have, since 1973, stepped up their capital investment programs, particularly in coal hopper orders. Burlington Northern has received 1,000 new cars and 400 locomotives in the last two years, and has slated $1.6 billion over the next five years for facilities and equipment, in large part due to the coal surge. Family Lines has ordered 2,300 hoppers and 57 locomotives, with another $100 million slated for equipment and road expenditures. Even the insolvent Conrail system has received 1,550 hoppers and invested $18.4 million in track improvements on coal routes.

In part because of the steady buildup since 1973, the railroads in general have plenty of capacity to meet coal demand in the near future. They are facing, however, some important bottlenecks that could crimp revenues. In the short term, the Environmental Protection Agency's stringent regulations on coal-fired generating plants, plus the increasing turmoil and rising costs of obtaining funds in the capital markets, have retarded completion and activation of these units.

The declining productivity of coal production—which has gone from 16 tons per man-day in 1969 to between 8 and 9 million tons per man-day now—have driven mining costs through the roof and contributed to labor unrest and lost production. Between the production cost of coal and the rail charges, the average price per ton has risen to above $30, and in some cases above $50. There is still relatively little capital investment in coal mining which could lower costs; coal companies are relying on their 20 percent or so idle capacity to meet demand.

Nevertheless, about 200 coal-fired generating plants are scheduled to begin electricity production during the next eight years pushing utility demands up by 60 percent in 1980 to over 850 million tons a year.

Right now, the ever-rising price of coal is still cost-effective vis-à-vis oil. But in a deteriorating U.S. economy, coal companies will be further deterred from making the necessary investments in mining equipment. And as in the recent oil price hikes, it won't be long before the cost outstrips demand.

The coal export boom

In the last year, however, overseas export of steam coal has begun to take off, and both coal companies and the railroads have visions of huge earnings from this untapped market. While export levels are still quite modest, the acceleration appears to be phenomenal.

In 1977, U.S. steam coal exports (steam coal is used for electricity generation, as opposed to metallurgical coal, which is primarily for steel making and industrial processes) totaled only 11.8 million tons (one-sixth of total U.S. coal exports). A mere 1.2 million tons were shipped overseas, with 10.6 million tons going to Canada. But last year, overseas exports doubled to 2.5 million tons; this year, steam coal shipments should rise to between 10 and 15 million tons, and could well surpass our Canadian market.

The sudden increase in U.S. steam coal exports is due to several factors. First is the combination of the recent OPEC price hikes intersecting the coming-on-line of new coal-fired electricity generators in both Europe and Japan.

Second is the fact that the U.S. market is perceived in some circles as a more reliable supplier than the other leading suppliers, South Africa, Australia and Poland. South African mining has been severely disrupted by racial turmoil, while protracted labor conflicts in Australia curtailed coal shipments earlier this year.

Poland's coal exports have so far not been increased, amid rumors that increased output will remain within the East Bloc nations because of energy shortfalls there.

Finally, it is not to be excluded that Europe and Japan are moving fast to secure added coal supplies in the face of growing unrest in the Middle East that could interrupt OPEC oil flow.

The huge increase in U.S. steam coal exports can be seen in the monthly shipping figures. In the last four months of 1978, only 77,000 tons of steam coal were exported abroad; in 1979, 1.43 million tons were shipped. During the first five months of 1979, 554,000 tons were shipped, while in 1980, 3.624 million tons went overseas.

Demand and the bottlenecks

Michael Lloyd of Woolcott Research Associates estimates that European demand for coal could increase 400 percent over the next 10 to 15 years by 100 million tons from its current level of 25 million, with Japan taking another 30 to 40 million over its present 5 million tons. The question is whether that will come in large part from the United States or from other nations like Australia, Poland and South Africa. The National Coal Association is revising its export projections now, as this year's exports for all types of coal will almost certainly break 80 million tons. By 1990 the U.S. could be exporting between 130 to 150 million tons.

There is one problem.

U.S. ports are now working at capacity to get the coal out. Waiting time for colliers at Hampton Roads, Virginia—the nation's largest coal port—varies from a minimum of two weeks up to a month, at a cost of $15,000 per day on average. At maximum, the East Coast ports might be able to load 15 million tons of steam coal this year.

Capital investment plans for the major coal ports are woefully inadequate. While a federal Interagency Task Force on coal exports is debating where to put federal funds to dredge deeper sea channels, a few companies and railroads are taking what are essentially band-aid measures to facilitate flows at levels only at or slightly above present capacity. Island Creek Coal Sales Co., for example, has said it would build a 7 million ton per year facility in Baltimore by 1982 at a cost of $20 million. A.T. Massey Coal Co. will buy an inactive Chessie ore pier in Hampton Roads to convert it to export 9 million tons a year. At this rate, the steam coal export boom will, like Lock and Dam 26 on the Mississippi, find itself stalled in a traffic jam, with the price of its product zooming out of sight with British-style inefficiency. ■

Famine in Africa: who's responsible?

by Christopher White

Addressing the United Nations Special Session on the Third Development Decade in New York on Aug. 25, U.S. Secretary of State Edmund S. Muskie lauded his country's effort to aid the population of the African continent now beset by the combined consequences of famine, drought, and war. Ten million Africans, it is calculated, are threatened with death in the weeks immediately ahead, 70 million over the next few months.

Muskie's praise of such U.S. efforts must have sat sourly on the stomachs of many of the delegations who heard his speech, which otherwise passed notice as a diatribe against the OPEC nations, and a restatement of what has become one of Muskie's favorite policy pronouncements. The Secretary of State is of the opinion that the gravest problem facing the world is the growth of the human population. Muskie has recently argued elsewhere that the 6 billion projected inhabitants of the globe anticipated for the year 2000 are twice as many as can be comfortably accommodated. Muskie wants the world's population growth rate eliminated.

It is in that light that one may turn to look more coldly at Muskie's self-congratulatory pronouncements about U.S. aid to Africa, in order to get at what is really going on and what are the underlying causes.

Muskie claimed, probably correctly, that in shipping Africans 290,000 tons of grain this year the U.S. is in advance of all other donors. The figure compares unfavorably with the existing surplus of approximately 26 million tons of grain, and the approximately 18 million tons that *EIR* economists have calculated would be required to minimally maintain the lives of the millions threatened over the next weeks and months. If Muskie's figures are set against existing surplus stocks and such minimal estimates of requirements, it is obvious that the Secretary of State, whose Malthusian outlook is otherwise public knowledge, is lying when he talks about U.S. aid programs.

If we look further into the situation, we find that the U.S. has allocated 720,000 tons of grain for East African relief operations during the present fiscal year. Of this amount, approximately one-third has been allocated to Somalia alone. The close correspondence between that figure, and the figure

U.S. supplied Somali guerrillas fighting to seize land from Ethiopia

cited in Muskie's speech, would indicate that Somalia has been the only recipient of such U.S. aid.

In Somalia the situation is as follows. The decision to make that country the primary recipient of aid programs, a decision enforced at the beginning of this year, attracted an influx of 2½ million refugees into that semi-arid country of nearly 3 million nomads. African nations warned that such would be the result. Aid supplies have not gotten into the refugee camps. Instead, the refugee population, primarily from the Ogaden area of Ethiopia, has been sorted out into able-bodied and non-able-bodied males, women and children.

Able-bodied males have been fed—as they have been recruited and trained as part of a three division invasion force against neighboring Ethiopia. This has been documented in the August issue of the magazine *Africa* and has been covered repeatedly in the French weekly *Nouvel Observateur*, as well as in the leading daily newspaper *Le Figaro*.

The refugee camps in Somalia are directed by an international association headed by the International Rescue Committee of Washington, D.C. and by the Swiss-based and staffed International Committee of the Red Cross.

Associated with the activities of these committees are Muskie's administration associate Zbigniew Brzezinski and Reagan campaign chairman William J. Casey, as well as political influentials such as New York Senator Jacob Javits and Felix Rohatyn of Lazard Frères, to whom we will return shortly.

Africa provides a case study for the activities of these two institutions. No matter where they operate around the world, be it in the camps on the borders of Thailand and Cambodia, in Afghanistan and Pakistan, in Central America, or even in Florida, the committees are involved in using aid programs among refugees, along with the U.S. food that goes into such programs, to build up and equip rag-tag armies modeled on the Wallenstein horde which ravaged central Europe during the 17th century.

As in the case of Somalia, such activities are generally justified by reference to some mystical kinds of geopolitics. For the warped minds that produce such arguments, the Soviet Union's ally of four years ago and less, Somalia, is now the U.S.'s loyal ally against the U.S.'s own old ally of less than four years ago, Ethiopia. This kind of argument does not wash.

The Brzezinski/Casey committee is also organizing the refugee camps within Ethiopia itself. It is simultaneously organizing material support for the longstanding rebels against the Ethiopian government in Eritrea. It is further organizing an insurrection against the government of Gaafar Numeiry in the Sudan, including refugees from Ethiopian and southern Sudanese tribes like the Dinka. Numeiry is presently one of the few remaining U.S. allies in Africa.

Such forces thus assembled are deployed as they have been in the Karamajong province of Uganda to butcher both the human and animal population in that region of cattle-raising nomads. A force of approximately 12,000 is now being unleashed against the population of southern Sudan, and in support of Milton Obote's efforts to secure the presidency of Uganda. Obote is the favorite candidate of Washington, London, Peking, Tel Aviv and Tripoli, in what are euphemistically called Uganda's upcoming elections.

The deployments of the hordes assembled in such a way by the Brzezinski-affiliated Rescue Committee are the corollary of Secretary of State Muskie's insistence that the world population be reduced.

The continent of Africa is not dying. It is being deliberately murdered.

It is at this point that we may reintroduce Jacob Javits and Felix Rohatyn. These New York figures are not merely members of the Executive Board of the International Rescue Committee. They are also, since 1973, among the most outspoken advocates within the United States of global policies of energy austerity and labor-intensive economics, policies developed primarily in London and New York and forced on countries of the Third World, including most emphatically the continent of Africa, in the name of solving the world economic crisis.

As the drafters of those policies knew back in the early 1970s, a few short years of intensification of such measures would ensure genocide on a scale unparalleled in human history. Africa has been systematically starved of credit, capital goods, manpower training, and development. Africa has been allowed, at most, "appropriate technology."

In the process, across vast areas of the world's largest and potentially richest continents, organized social and political life has been driven backwards into conditions of barbarism and chaos. The basis for human existence itself has been destroyed as human labor power has been eroded through continuing drought, famine, and war, and as land itself has been transformed into desert and semi-arid scrub incapable, with existing technologies on the continent, of sustaining the activities of any kind of agriculture, or any kind of life except that of the marauding bands of Uganda, Chad, and Zaire.

Africa is not alone in this. But in Africa alone, barring the outbreak of thermonuclear war, we stand before a situation in which the continent as a whole is on the verge of the holocaust. Africa will be the first victim of the standing policies of the circles behind the World Bank and its allies to die, if measures are not taken to reverse the situation.

Such are the realities behind Muskie's sanctimonious claims that the United States has done more for the continent of Africa than anyone else. Much more has to be changed than simply reversing present aid programs by supplying American agricultural surpluses to the continent. We must break the constraints imposed on both advanced and so-called developing sectors to create the basis for real development. Or Africa will not be butchered alone.

Africa's peril: scope and solutions

by Mary Brannan

Four hundred to 500 people are dying every day in the Karamoja district of northern Uganda. In East Africa, out of a total population of about 95 million, 10 million people are immediately threatened with starvation. Five million of these are in Ethiopia, totaling one-sixth of the Ethiopian population. Twenty African countries are on the emergency list of the United Nations Food and Agriculture Organization. Throughout Africa, more than 60 million are affected by drought; several million have now become refugees. Locusts are at work in Nigeria and Cameroon, and are breeding unchecked in Chad.

Let there be no mistake about the real causes, and thus the responsibilities, for the destruction of the people and the territory of Africa. The development of science and technology means that today war, famine and pestilence are no longer acts of God or nature, no longer Malthusian constraints. They can only be the results of deliberate policies.

The causes of the economic crises in Africa have been obscured by a series of myths.

Myth I. The drought is a natural disaster. In the developed nations, yearly weather fluctuations—even a succession of dry periods—may give rise to difficulties, but do not lead to mass starvation. Why? Because the economy can sustain and expand production of an overall surplus based on the development and implementation of new technologies. This has enabled the industrialized countries, above all the United States, to reduce their agricultural workforce from between 60 and 80 percent of all laborers more than a century ago to between 4 and 10 percent today. Rapid and efficient transportation, processing, and storage enables food to be stockpiled and rapidly moved as needed. The quality and quantity of nutrition has increased to supply growing populations.

Water can be piped from long distances or desalinated, fertilizers and trace elements supplied, new seed and animal varieties bred, pesticides and herbicides developed. Greenhouses and hydroponics can provide 24-hour, 365-day growing opportunities; food can even be produced in Antarctica, at a price.

The technology is available to meet Africa's needs. The question is whether the political will exists to meet Africa's needs.

Myth II. Africa's wars are inevitable. Africa is not an emerging continent now undergoing a necessary stage of tribal and national conflicts. It is true that colonial degradation and its legacy of artificial boundaries have created potential conflicts. These can only be overcome, however, through concrete economic programs to bring together nations, political forces, and tribal groupings around common goals.

Yet British and American policymaking institutions have made forecasts instead of economic development proposals. They foresee nothing but conflict. At a recent Aspen Institute conference on the political development of Africa in the light of growing East-West tension, civil wars and regional conflicts were the only topics on the agenda. One African representative announced during the conference: "If this is your perspective for Africa, our countries will turn to the East, and work with the Soviets."

The New York Council on Foreign Relations, which staffs and advises both Republican and Democratic administrations, laid out in its "Africa in the 1980s" study an eventful scenario:

> As quarreling breaks out everywhere, economies stagnate and authoritarian regimes multiply, since they are best suited to defending scarce and slowly expanding resources from external attack, putting the lid on internal demand and maintaining a constant state of military readiness. Paradoxically, the general postwar exhaustion and unproductiveness that have produced this situation prevent the limited hostilities from becoming widespread conflicts; there is simply not enough tinder to make brushfires a forest fire. As the 1980s draw to an end, the external world decides that Africa is not worth the conquest, and a tacit hands-off agreement is reached, leaving the continent a ghetto to fight its own battles.

The study declines to take up the question of resource development and how new resources are defined. Even with today's levels of technology, the continent's mineral and biological wealth has scarcely been tapped—penalizing the advanced industrialized sector as well as Africa itself.

Myth III. Plagues are 'an act of God.' Control and eradication programs have been successfully carried out in the past against locusts and other infestations. Only wars, social chaos, and lack of investment in such programs of eradication have prevented their application in Africa.

Food and financial policy

The causes of the African emergency are the lack of economic, social and technological development. This lack of development represents an open and deliberate policy. It is not only continuing, but worsening. Africans' ability to feed themselves has deteriorated, and the deterioration has accelerated.

The direction of World Bank policy in Africa

Country	Life expectancy (1978)	Infant mortality*	Child (age 1-4) death rate per 1,000 (1978)	External debt (millions of $) (1978)	Gross int'l reserves (millions of $) (1978)	Population in millions (1980, projected)	% of labor force in agriculture (1978)	% of labor force in industry (1978)
Mali	42	210	32	539	11	7	88	6
Chad	43	n.a.	30	156	14	5	86	6
Upper Volta	42	263	32	191	39	6	83	12
Niger	42	212	32	194	131	5	91	3
Mauritania	42	n.a.	32	574	82	2	85	5
Senegal	42	93	32	587	23	6	77	8
Uganda	53	160	17	252	n.a.	13	83	6
Sudan	46	n.a.	31	2,076	29	18	79	9
Kenya	53	126	14	953	369	16	79	8
Somalia	43	n.a.	31	496	131	4	82	7
Ethiopia	39	n.a.	37	551	218	33	81	7

* (deaths of infants, under 1 year, per 1,000—1960)
Source: *World Development Report*, World Bank, August 1980

Per capita food production in Africa has been declining by 1.5 percent per year during the last decade. At the end of the second United Nations Development Decade in 1979, an African citizen had on average 10 percent less food available to him than in 1970, and even that was barely adequate for maintaining health. Food shortages and malnutrition will become pandemic if the situation continues.

A look at Africa's overall economic situation explains the current emergency. For the 1960-75 period, nine African countries had annual economic growth rates of 5.8 to 6.9 percent; 22 countries had 1.3 to 1.4 percent growth rates; and 14 countries were stagnating. In 15 countries, the rate of growth of GNP was less than the annual rate of population growth.

Although the physical output of primary commodities increased, income earned from this output decreased or at best stagnated. The oil price increases first initiated by the Henry Kissinger-engineered 1973 Mideast war were perpetuated by the Carter administration's policy of weakening the dollar and forcing OPEC to recoup its losses through price hikes. This energy-cost situation has meant the end of hope for many African countries (see Table 1). In the interim the continent of Africa has been forced through a further devolution.

The IMF method

In Sudan, which has the potential to be the breadbasket of the Arab world, 80 percent of foreign exchange earnings are expended on oil payments and 35 percent on debt service. More than 100 percent of Sudan's foreign exchange is spoken for before one item of capital goods, medicine and so forth is imported.

Ghana, which formerly spent up to one-fifth of its export earnings on oil imports, now spends nine-tenths. Hospitals are closed for lack of basic supplies. Milk has not been seen for more than six months. For lack of foreign exchange, fertilizer consumption has been kept at a low average of 10 kilograms per hectare, compared with a European level of 140 kilograms per hectare; and the volume of imported tractors actually declined during the first half of the 1970s, placing a lid on food production.

Throughout Africa, shortages of maintenance parts have meant that many tractors and other equipment can no longer be used. Warfare and instability have brought private investment to a halt.

Under these circumstances, private bank lending has also ceased, leaving countries with no alternative creditors but the International Monetary Fund and World Bank. The conditional requirements imposed on loans from these institutions spell the death of entire nations.

The cases of Tanzania, Zambia and Zaire are characteristic. Currency devaluations, domestic credit clamps, reduced government subsidies and service expenditures, and wage austerity are the basic tenets.

In Tanzania, as in many developing countries, the government is the main importer. Devaluation increases import costs which in turn must be passed on to purchasers, generating social unrest. Although a country's export goods become cheaper on the world market after devaluation, exports generally consist of agricultural goods for which prices and market demand are already low. Rising import costs and often outright import restrictions prevent the country in question from developing any other means of export earnings.

Rising import costs and import restrictions prevent existing technologies from being used. In Zambia, it would appear that even bicycles are no longer considered "appropriate technology"; more than half the country's bicycles do not function for lack of spare parts.

It is no wonder that the IMF and World Bank are detested and dreaded in Africa. They would rather commit genocide than create and expand a productive economy. They, and those industrial-sector policymakers who have allowed them free rein in Africa, are responsible for the fact that Africa cannot now feed itself.

Another global institution which has shaped the African catastrophe is the United Nations Food and Agriculture Organization. A Malthusian outlook guides many aspects of its work. FAO representatives have said they will consider the industrialization of African countries only when the countries "run out of land." In other words, bringing Africa into the 20th and 21st centuries is neither possible nor desirable for the FAO. Africa must rely on the same technologies, or lack of technologies, that have shown themselves incapable of feeding today's population, let alone the next decades'.

There can in fact be no modern rural or agricultural development without concomitant industrial development. How will fertilizers, tractors, pesticides, irrigation equipment and so forth be provided? They cannot be imported under present African balance of payments conditions. So-called appropriate technologies—improved digging sticks, oxen- or pedal-driven mills, and the like are incapable of providing the energy levels required for increased productivity. Yet one of the IMF conditionalities for Zambia was to place more emphasis on this kind of "rural development" at the expense of "industrialization."

Condemned to death

Africans themselves well understand that their continent is being deliberately condemned to death. Prof. Adebayo Adedji, Executive Secretary of the U.N. Economic Commission for Africa, said recently:

> After 20 years of independence, the African economy today is not only underdeveloped but also deteriorating fast. . . . Almost all the global projections of the world economy for the year 2000 foresee nothing but bleak prospects for Africa. Indeed, paradoxical as it may sound, if these projections are to be believed, the 1960s and the 1970s may by the 1980s appear to have been a golden age.

Organization of African Unity Secretary General Edem Kodju has stated: "According to very reliable estimates, only nine or ten of our states will be able to survive in the years to come. . . . Africa is dying."

The "international institutions"—the IMF/World Bank, the Club of Rome, the Brandt Commission on Development—claim the cause of poverty and devastation is the "population monster." Robert McNamara replied last October to the late Yugoslav President Tito's statement that the main problem in the world is in the sphere of North-South economic relations: "The main problem in the world is overpopulation. Either birth rates will decline or mortality rates will increase," the latter through war "in a thermonuclear age." As a leading executive member of the American Association of the Club of Rome noted: "We have to resign ourselves to the fact that there will be 6 billion people in the world by the year 2000. There is no way to avoid that—barring major catastrophes and wars."

At Nuremberg, genocide was a crime against humanity, and people were sentenced to hanging for it. Now thinly veiled euphemisms such as "catastrophes" are used to erode human rationality and morality, and to gain acceptance for the "reduction of the world population as necessary."

Relief needs and relief supplies

The United Nations and other present or potential food aid sources have acted in consonance with this perspective. In July 1980 the Director General of the FAO estimated that approximately 84 million tons of cereals needed to be imported to stave off starvation and malnourishment on a global level. As he noted, many of the affected countries are not in a position to import the necessary quantities because of shortage of foreign exchange earnings. He commented that the plight of some nations was "without solution." He thus called upon the United Nations to be generous. Food aid at present amounts to nearly the equivalent of 9 million tons of cereals. The U.N. emergency food reserve scheme has not yet managed to reach its annual target of half a million tons of cereals.

Present world cereal stocks amount to about 60 days worth of food, i.e., about 17 percent of world consumption. But that leaves no room for complacency, as the FAO reckons that if cereal stocks fall below about 45 days' worth (i.e., 13 percent of global consumption), the global food chain will begin to break down. Mills will experience grain shortages and gaps will appear on the shelves.

For the immediate emergency in Africa, U.S. Department of Agriculture officials estimate that 1.6 million metric tons of grain imported over the next 12 months would enable normal dietary requirements of eight east African countries to be met. They estimated that half of this required amount could be purchased by the countries themselves, and only 0.8 million metric tons, which the United States has left over in its grain reserves from last year's bumper harvest, would have to be supplied as relief. This is an inadequate estimate; so is the calculation of normal "dietary requirements." There was even a disagreement over the actual needs of Ethiopia despite U.N. confirmation of the figures.

Proposal for action

EIR contributing editor Lyndon LaRouche has called for the immediate upgrading of estimated requirements to 18 million metric tons of grain, rice and dried milk, to provide an adequate dietary allowance and cover other African needs. He proposes that the full amount be purchased by the U.S. Commodity Credit Corporation from American farmers at parity prices. The grain must be shipped along with personnel and vehicles required for its distribution, so that those relief agencies who have sabotaged emergency aid in the past will be unable to divert quick supply to starving populations.

LaRouche also specified that long-term programs must be immediately established to provide the capital for investment in the infrastructure, agricultural and industrial technology, education and health and energy resources required to develop Africa's productive potential.

After a freeze on debt owed to the IMF-World Bank, a rescheduling of government-to-government debt can be negotiated, based on the understanding that new investment will vastly expand Africa's revenue base.

Given that political commitment, the Fusion Energy Foundation has estimated that over the next decade $1 trillion can be profitably spent in Africa, concentrated in developing "nuplexes"—industrial and agricultural centers based on energy-dense power sources, mainly nuclear, to achieve economies of scale and to overcome the population diffusion and low skill levels that will hinder Africa's growth even after nutritional and other consumption needs are met.

The World Bank energy proposal

by Renée Sigerson

On Aug. 22, World Bank Vice President Ernest Stern called a press conference in Washington, D.C., to announce that the World Bank was about to launch a ten-year investment program for new energy projects in the Third World.

The press conference reported the issuance of the World Bank's first global energy study, "Energy in the Developing Countries." The study has attracted international attention because it calls for $500-600 billion in energy-related investments in developing countries over the next decade. As we will document below, this figure was designed to stir up support for the World Bank as a clearinghouse for developing country energy investments, not to meet actual energy requirements. The energy report marks the first time that the World Bank has developed a decade-long public policy perspective for the world economy.

The World Bank acts as the supranational successor to the pre-World War II British Colonial Office. In coordination with the International Monetary Fund's balance-of-payments lending, the World Bank dispenses "project" loans and grants to developing countries. Not surprisingly, considering who the World Bank represents, their perspective for the 1980s agrees entirely with the policy recommendations made in the New York Council on Foreign Relations "Project 1980s" 20-volume compendium. In those reports, the CFR defines two policies of global austerity for the coming decade: *controlled disintegration* and *delinkage*.

These policies assert that since the advanced sector is irreparably ensnared in depression, its basic industries should be dismantled in a "controlled" way by austerity-minded governments. The developing countries, in turn, will remain cut off from advanced-sector capital exports, or economically "decoupled." The contents of the World Bank's $500 billion global investment plan parallel the CFR's blueprint.

The energy report is a supplement to the report called "World Development 1980," also issued by the World Bank this month.

The first half of the 1980s, the study asserts, are just like the 1974-75 period, when the world was compelled "to adjust" to high oil prices. The study states that "the world faces the need to adjust—to payments imbalances and expensive energy—on a scale comparable to 1974-75. . . . This adjustment will be spread over several years; while it lasts, the world economy and most developing countries are likely to grow more slowly than in the 1970s."

In 1973-74 the oil hoax threw the world economy into dislocation. Capital goods exports from the U.S. plummeted, setting the basis for the economic weakness which has plagued the United States since. In turn, whole sections of the Third World were broken off from international trade. Outside of mining and extractable energy investments, the majority of the Third World was driven into labor-intensive rural "survival" projects.

Working closely with the U.S. Treasury Department, the United Nations, and the multinational oil companies, the World Bank is committed to wiping out the one source of revenues which, properly deployed, could set up high-technology investment in the Third World—namely the OPEC surplus.

Currently, because the World Bank and IMF are involved in tricky negotiations to see if they can get up to $20 billion in loans from OPEC, these two agencies have been silent as to what they expect to happen with the OPEC surplus. Among reams of statistical projections in the World Bank's two latest studies, it is impossible to find a single statement of what the World Bank expects the size of the surplus over the coming decade to be.

On the other hand, it is clear that the report's underlying premise is that these funds will disappear. It is likely that in figuring how they will disappear, the World Bank is operating on the basis of the two scenarios on this subject developed by Chase Manhattan Bank.

Chase's 1980s projections assume that the OPEC surplus will either dwindle through 1985 due to gradual reduction of OPEC's share of world oil sales, or, in the event of some "political catastrophe" affecting Saudi Arabia, will plunge dramatically.

In the World Bank's new reports, it predicts that the OPEC component of world oil output will dwindle substantially over the coming two decades (Figure 1). It simultaneously insists that the nuclear component of world energy consumption will remain negligible until well into the next century.

The World Bank energy gameplan is to replace OPEC with smaller-scale oil production projects in the rest of the Third World. It is doing this in behalf of the multinational oil companies, who, it turns out, are employing the World Bank to try to seize control over untapped Third World oil reserves.

Whether or not the World Bank and the international oil cartel can succeed in building a Third World bloc against OPEC is being tested this week at the United Nations, where representatives from all over the world are attending the General Assembly conference on the "Third Development Decade." The release of the World Bank's energy study was timed to coincide with the opening of this meeting, the first U.N. conference ever where global energy problems are being debated.

Prior to 1977, the World Bank had no program for energy investments. In July of that year, in an effort to halt a growing push in numerous Third World countries for nuclear power development, the World Bank's executive directors approved a trial lending program for energy projects. These projects focused solely on oil exploration, solar energy, and low-output "biomass."

In January 1978, the United Nations directorship officially endorsed the principle that the World Bank should take a leading role in Third World "alternative energy" development. Meanwhile, the World Bank had established close working contacts with the oil multinationals around the "geological" problems of Third World oil exploration. Slowly and without much publicity, they began to push the World Bank as the "energy fund" of the future.

This is the same period in which the oil multinationals and their political allies in London and Washington elaborated the policy of busting OPEC through the destabilization of Iran.

Their problem was that so long as OPEC remained intact as a politically independent body, the danger existed that the $80 to $100 billion average annual OPEC surplus could be deployed to finance high-technology development, typified by nuclear and hydroelectric power, all over the Third World. In January 1979, the threat of such a development increased with the formal creation in Western Europe of the European Monetary System (EMS), the "seed crystal" for a new monetary system. Together the EMS and OPEC forces currently have the potential to deploy $200 billion per year in credit generation for Third World development.

The go-ahead for breaking OPEC and the EMS through political destabilization of the Persian Gulf was delivered by London, Washington, and the multinationals at a secret meeting held in March 1979 at Arden House, the estate of former New York governor Averell Harriman. It was the Arden House meeting which set the policy for the Iranian revolution and the ensuing oil price rises, with their devastating effect on the world economy. As *EIR* documented at the time, the 1979 oil price hoax was triggered on the London-controlled spot market, not by the Persian Gulf producers.

The continuous effort to preclude any OPEC-EMS linkup explains the World Bank's publicizing of a $500 billion energy program. *EIR* has documented to its satisfaction that the $500 billion is a fraud; therefore, its only importance must be as a *political* fraud aimed at discrediting the $200 billion development fund potential in the OPEC-EMS linkup.

Figure 1

Composition of world commercial primary energy supply, 1970-2020

(percent)

Energy source	1970	1980	1990	2000	2020
Petroleum	47.6	45.8	38	30	17
(OPEC)	(23.0)	(20.4)	(16)	(12)	(6)
Coal	32.3	30.0	31	31	32
Nuclear	0.1	1.0	2	7	16
Hydro	2.0	2.7	4	5	5
Gas and other .	18.0	20.5	25	27	30
Total	100.0	100.0	100	100	100

Source: UN, *World Energy Supplies 1973-78*, Series J, no. 22; World Bank projections.

A decade of low growth

The basic premise of the World Bank program is that the persistent current account deficits in the industrialized nations make impossible the implementation of development programs financed by the advanced sector. The World Bank predicts the current depressed output levels in the industrialized countries to continue as an overall secular trend, throughout the decade. That is the active policy of those behind the World Bank.

On Aug. 19, *El Nacional*, a Mexican daily which voices government opinion, lashed into the World Bank for pushing programs of low growth. *El Nacional* stated: "It is not very promising, shall we say, that the predictions of the World Bank respecting development . . . are so low. The first five years of the decade will be mediocre . . . judged by the figures provided by the World Bank. Latin America can aspire, in the best of all cases, to an economic growth of 2.6 percent, and in a less favorable hypothesis, to 2 percent. . . . The rest is nothing other than a set of palliatives, some of them cunning and risky . . . [which] relinquish the aspirations to open up the floodgates to foreign investment, and reduce birth rates. These are colonial remedies, at a time when we are aspiring to build our own future—which would not be impossible if rationality would finally intervene in these matters."

Figure 2

The World Bank's energy plan

Total production of commercial energy resources by non-OPEC developing countries	1980	1985 (projected)	% change*
Oil	5.75	8.40	7.9
Non-oil	6.02	9.27	9.0
Total	11.77	17.67	8.5

Breakdown of non-oil energy consumption and production by non-OPEC developing countries*	1975 Production	1975 Consumption	1985 (projected) Production	1985 (projected) Consumption
Coal	2.17	2.30	3.74	3.75
Gas	0.85	0.71	2.53	1.92
Hydro, nuclear and geothermal	1.20	1.21	3.00	3.00
Total non-oil	4.23	4.22	9.27	8.67

* (million barrels per day, oil equivalent)
Source: "A program to accelerate petroleum production in the developing countries," World Bank, January 1979

The Non-OPEC developing countries which the World Bank is reporting will become "leading" oil producers are: Mexico, Angola, Bahrain, Bolivia, Congo, Egypt. Malaysia, Syria, Oman, Trinidad-Tobago, Tunisia, Zaire, Barbados, Brazil, Chile, Colombia, Ghana, Guatemala, India, Morocco, Pakistan, the Philippines, and Thailand. More important than this highly questionable list, however, is the World Bank's insistence on blocking nuclear production in the Third World, as shown in the category "Hydro, Nuclear and Geothermal" above.

In analyzing the oil projections, it is also important to keep in mind that Mexico already produces 2.3 million barrels per day of oil, namely, a great percentage of what the World Bank expects the Third World as a whole could be producing under its gameplan. This demonstrates that the World Bank plan is a "no-growth" program.

The "set of palliatives" to which *El Nacional* refers are the $500 billion fraud and the perspective of oil development replacing nuclear development.

Oil, not nuclear

After the July 1977 approval by the World Bank's directors of a program for energy investments, the bank commissioned the research division of France's Institute of Petroleum to study geological conditions and energy policies in 70 developing countries. The Institute concluded that there are 24 developing countries which have resources for potential output of 1 million barrels per day of oil. Reportedly, 14 of these have no domestic oil production capability at this time.

The World Bank asserts that not only are these 24 countries potentially "energy self-sufficient" but that by 1990, they could be generating a financial surplus on export of oil of $25 billion.

It is the World Bank's claim that it would cost about $60 billion per annum to realize this potential, as well as the potential of about 47 other developing countries to get production going on more marginal resources. Thus, the World Bank states that somewhere between $400 and $600 billion are needed for the next decade to make the Third World "energy self-sufficient."

This sounds very ambitious, but the details of the policy behind this $500 billion program are pernicious. Based on detailed discussion with Washington officials, it emerges that at least half of these funds are projected by the World Bank to come from the multinational oil companies. The World Bank does not expect the Seven Sisters to be benevolent; the $500 billion or so is the cost it has tallied for the multinational oil companies to seize control over Third World petroleum resources.

The $500 billion or so has been formulated under a category developed in the new energy report which compiles "principal requirements in commercial energy investment." In 1977, when the World Bank first became involved in energy, this category equalled $12.6 billion invested in developing countries worldwide. It includes the investment expenditures of private corporations which run energy projects, including power generating stations, in the Third World. It does not separate out simple investment in existing equipment from qualitative new investment.

In 1980, this figure totalled $18.5 billion; in 1981, it is expected to be $34 billion. Thus, even if the World Bank succeeded in allocating a projected $40-60 billion average over the next decade (which is where the $500 billion figure comes in), that will only represent a net increase of $6-26 billion per year.

The "mediocrity," as *El Nacional* put it, of this program is dramatically illustrated by the case of Pakistan. In December 1970, Zulfikar Ali Bhutto became prime minister of Pakistan. Bhutto, as documented in the suppressed "Pakistan Papers" (available from *EIR*) was committed to bringing his country out of a veritable dark ages from years of internecine conflict and backwardness.

The keystones of Bhutto's policies were his commitment to breaking Pakistan out of a blind alliance with Washington, through developing sound relations with Saudi Arabia, the Soviet Union, and eventually India. The domestic complement to this was his passionate commitment to nuclear power development as the most rapid way of providing energy for development.

In July 1977, Bhutto was toppled by a Muslim Brotherhood coup, and two years later, after being framed up for murder, executed. As the "Pakistan

Papers" document, Bhutto was given this treatment under orders from then U.S. Secretary of State Henry Kissinger who wanted to "make a terrible example" of him to the entire Third World for his commitment to nuclear technologies.

In 1978, the World Bank then allocated funds for oil exploration in Pakistan. The funds were put at the disposal of Gulf Oil, which carried out exploration.

It is the stated policy of the World Bank, according to Washington sources, to "take advantage" of the oil companies' expertise in oil development. When oil was found, British Petroleum joined the exploration group. Washington sources have made clear that the basis on which the oil companies agreed to "come in" on the Pakistan test case was that their operations would not be nationalized.

Pakistan is not an isolated case. In the early 1970s, the World Bank and Exxon put the clampdown on oil development in Colombia and Peru because both governments refused to participate in "strategic reserve" policies controlled out of Washington. Since then, Colombia has developed a cozy relationship with the World Bank around the use of its growing marijuana crop to finance its external debt. Next to Pakistan, Colombia is the other country currently being publicized by the World Bank as heading for "oil self-sufficiency."

Whether the London-Washington axis will succeed in cracking OPEC-Third World ties as rapidly as they would like is highly questionable. On Aug. 25, West Germany's leading daily *Frankfurter Allgemeine Zeitung*, which fully supports the World Bank, hysterically denounced the U.N. General Assembly session and its Third World participants for refusing to criticize OPEC in conference preparatory documents. "Even after the oil shock, the poorest countries present themselves as standing in solidarity with the rich oil countries," the journal rants.

Even if the World Bank does not succeed in fracturing Third World-OPEC ties this fall, the effects of its proposed program cannot be underestimated. If the Third World is forced to continue with the World Bank's "energy self-sufficiency" policy, half of the developing sector's population will be condemned to starvation and genocide, the process currently under way in sub-Saharan Africa.

There are only 30 countries cited by the World Bank as having the potential for oil-based self-sufficiency. The rest are to be condemned to low technology energies such as biomass, which currently account for 50 percent of all energy consumption in the poorest countries, and 85 percent in those countries' rural areas. In the demographic section of its World Development study, the World Bank is frank about its policy for these poorest countries: widespread population control, lowering of birth rates, and "family planning."

Libya underwrites the marauders

by Mark Burdman

In large part, mass murder in northeast Africa is the direct result of the ambitions of Billy Carter's friend, Libya's Muammar Qaddafi.

Qaddafi has ripped northern Africa with bloody tribal and regional wars and "people's revolutions" from Morocco in northwestern Africa to Uganda in the central part of the continent.

According to French press reports, emergency food relief for starving tribesmen in northeastern Uganda has been prevented from reaching its destination by marauding bands of mercenaries. The mercenaries were formerly soldiers in the regime of deposed president Idi Amin.

Amin, who is to Africa what Kampuchea's Pol Pot is to Southeast Asia, was heavily bankrolled in the last months of his hated regime by Qaddafi. To this day, Amin's thugs receive financial support from Libya.

One authoritative Arab press account describes how Libyan soldiers were "revolted by the horrendous carnage" they saw on Ugandan soil. This did not deter Qaddafi from pouring money into Amin.

According to informed Washington sources, one of the secret accords of the Egypt-Israel-U.S. Camp David treaty provides for Qaddafi to be given license to destabilize several African regimes, with the included strategic emphasis of undermining European influence on the continent. Qaddafi has aimed his incendiary actions toward that part of Africa where French influence is greatest. French President Valéry Giscard d'Estaing has been seeking to consolidate a Euro-Arab-African bloc to develop the continent.

According to a recent account in France's *Le Figaro* newspaper, Qaddafi has recently created and funded an "Islamic legion" of 5,000 mercenaries drawn from four African countries, all in the drought-ridden Sahel. With this legion Qaddafi hopes to incite separatist revolts, split off Chad, Niger, Mali, Senegal, and Mauritania.

Qaddafi's actions have already led to a breakoff of diplomatic relations between Senegal and Libya. Senegal's president Leopold Senghor himself has long been a puppet in the hands of those who have sought to decrease Africa's population. His Club of Dakar is affiliated to the genocide think tank, the Club of Rome, and his concept of *négritude* has been used against the modernization of the continent.

The Libya-Senegal split promises to create a bloody "black versus Muslim" feud throughout western Africa.

Like the Ayatollah Khomeini, Qaddafi's goal is the dissolution of the nation-state as the institution for the mobilization of a people for progress. "Republics," said Qaddafi in a speech earlier this year, "are a creation of the Western bourgeois system, are merely a transition stage to *Jamahiriyah* [Arabic for "peopledom"]. The dawn of the age of the masses has begun. Libya, in cohesion with Iran, represents a new world Islamic movement."

In September 1978, all of Libya was put under the governance of a network of "people's committees," composed of students and illiterate peasants. The committees were the working experimental model for the "komitehs" that were later to sprout up in Iran. In Libya, national institutions and agencies were taken out of the hands of the country's thin layer of trained personnel and put under the direction of the mob. It is this policy for programmed chaos that Qaddafi now seeks to export to all of Black Africa through his "Islamic legion" mercenaries.

The historical roots of Qaddafi's Africa policy lie in his membership in the secretive Senussi Brotherhood mystical cult, a special operations branch of the international Muslim Brotherhood organization.

The Senussi Brotherhood was founded in the early 19th century by Mohammed bin Ali al-Senussi, an ascetic who believed in a mystical idea of "Islamic unity." Al-Senussi spread a network of monasteries across north and east Africa and into Arabia.

By the late 19th century, the Senussi Order, which claimed 3 million adherents across all of North Africa, was organized as a bitterly anti-French movement. By World War I links had been established between British intelligence and Senussi leaders. One Senussi leader was a scion of the Azzam family, one of the top families in British intelligence's Muslim Brotherhood today.

In ensuing years, the Senussi Brotherhood operated as a tool alternately of the British and of Mussolini's fascist assets in Africa.

With Qaddafi's rise to power, Libya's Senussi network and enormous financial power was placed in the hands of the Italian-centered "black nobility." This nobility also controls and helps fund the Club of Rome.

One example of this relationship involved Libya's top private banker, the mysterious Abdullah Saudi. Through his directorship of the Libyan Arab Foreign Bank, Saudi has set up banks in many African countries.

Saudi is also the vice-president of the "scientific committee" of the recently formed Piu Manzu International Research Center in Rimini, Switzerland. Other directors of this committee include Aurelio Peccei, the head of the Club of Rome, and Jan Tinbergen, the Dutch author of the 1976 Club of Rome "Reshaping the International Order" (RIO) report.

Will U.S. farmers be able to help?

by Susan B. Cohen

Today the United States has a multimillion-ton farm surplus that could halt mass starvation in Africa. Yet, as things presently stand, under Carter administration policy the surpluses will not be used to rescue Africa from genocide. And if the administration has its way, the world's mightiest food industry may shortly be incapable of feeding America's own populaton.

American agriculture is up against the most serious crisis since the 1930s Depression. As many as 50 percent of American farm producers may go out of business during the 1980 harvest unless emergency action is taken. Producers have been forced to operate at below cost of production, papering over this impossible proposition with growing layers of debt. Now, as the result of inflated production and credit costs, combined with extensive drought damage under Carter, the turning point has arrived.

Parity—the policy of government and intergovernmental commitments to enforcing orderly marketing at price levels that reflect cost of production plus a gross profit for producer income and investment—is the key to the solution for both U.S. and Third World agriculture.

Contrary to prevailing mythology, parity is not a subsidy or a handout to agriculture: it is the only sure way to guarantee stable supplies of food at stable prices. The "cheap food" policy of the Carter administration and its predecessors has had the opposite effect, leading to potentially disastrous instability in both production and prices.

In the Carter administration's hands food is used as a weapon against both American farmers and the developing sector. The PL-480 Food for Peace program is the clearest case in point.

Providing an outlet for dumping food surpluses abroad, the program is essential to holding down farm prices. At the same time, by flooding target countries with cheap commodities at far below cost of production, agricultural development at that end has been stifled. Farm producers in the Third World must be guaranteed income levels appropriate to investment at the highest level of technology.

The question of agricultural modernization is the crux of current food aid programs. Everything else is sheer hypocrisy, as was highlighted in the report produced recently by President Carter's so-called Commission on World Hunger after two years of deliberation. Embedded in a mass of verbiage is the contention that relief efforts are obstructed by recipient governments who are "using hunger and famine as a weapon of armed conflict or political repression." This from a government that is openly using food supplies to Somalia, for instance, to recruit, arm and train guerillas to run invasions into Ethiopia!

The way the "food weapon" works in the United States is straightforward. Since the World War II parity pricing policy was struck down after bitter fighting in the early 1950s, overall farm prices have been held below the cost of production. A steady bleeding of farm equity has been the result. Producers patched over the difference between pinched income flows and escalating operating costs and capital costs by piling up mortgages and loans. Since 1950, average indebtedness per farm has jumped from $2,200 to $52,100, not on the basis of increased income and creation of new equity values, but primarily on the basis of speculative inflation of land values.

Over the years, the growing debt burden has combined with constricted cash flow to restrict capital investment and investment in land improvement. The post-1973 crunch has helped force producers to farm as extensively as possible under every circumstance in an effort to compensate in volume what they are systematically losing in per bushel price. Soil erosion problems have consequently begun to multiply. And in the critical Plains States, producers are being forced to give up irrigation as the lifetime of existing wells runs out. Unable to afford the investment, they revert to so-called dryland farming. In this way the basic "plant and equipment" of the agriculture industry is being exhausted, and American food production capability seriously weakened.

President Carter's anti-inflation program, under which Federal Reserve Chairman Paul Volcker jacked up the cost of credit to 20 percent, intersected this situation like a cleaver. This spring producers hocked their last scrap of equity to get operating loans at anywhere from 15 to 20 percent just to get crops into the ground. Then the drought hit.

By mid-July farm prices, which jumped 5.2 percent on drought-related concerns from mid-June, had finally recouped to the average level of a year ago, before the Carter export embargo against the U.S.S.R. pulled the bottom out of the grains market. But production costs were still 12 percent above last year's level. Net farm income could fall to little more than $18 billion from the $33 billion earned in 1979—a 40 percent drop. That would be the steepest single-year plunge in farm earnings since the 55 percent collapse in net farm income in the devastating year of 1921.

A 15 percent reduction in the corn crop this year has been projected by the USDA, based on conditions as of Aug. 1. As a one-time proposition, this will not result in a supply shortage. But the drought's impact reaches much further. The crop reductions, which are probably conservative as presently estimated, will push up prices at a fast clip.

The point is that there are many, many producers who have nothing to sell at any price—therefore, offering these producers another credit line is less than worthless. And with interest rates showing every sign of heading back up again, those who are not bankrupted outright by the harvest will be on the line.

The Carter record

The Carter administration has proved itself, as a quick review of the record shows, an enemy of progress and development in general and of a vital and profitable agricultural industry in particular.

- One of the first things Carter did upon entering the White House was to issue a hit list of 18 water development projects in various stages of design and even construction which he intended to shut down. Fully 12 of these projects, many of them absolutely critical to further economic development in the West, have been killed.
- More recently, Carter's Agriculture Secretary Bergland has appointed a self-proclaimed opponent of irrigation as his emergency drought aid coordinator! Upon assuming his post, at the height of the drought, Roger Sandman told the press: "We've become awfully irrigation-crazy in recent years. Water is not an unlimited resource."
- Interior Department chief Andrus is busy currently trying to lock up federal lands to prevent their development—for anything but President Carter's synfuels boondoggle.
- The foreign side of Carter's "cheap food" policy is exemplified in the January grain embargo maneuver that shut the door on 25 million tons of grain exports to the Soviet Union, a good business proposition that would have boosted farm prices respectably. In fact, there is every reason to believe that the administration was acutely mindful of the embargo's effect in pushing down grain prices when the decision to go with it was made. If the Afghanistan situation had not been invoked as a "national security" pretext for the operation, Carter would have been legally bound to enforce 90 percent of parity in the affected markets. ■

International Intelligence

French minister calls for Third World task force

Speaking at the United Nations Special Session on Economic Development, French Foreign Affairs Minister Jean François-Poncet officially called for the creation of "an emergency transportation task force under the aegis of the U.N." and announced that "France is ready to contribute to it."

François-Poncet motivated his call by referring to the need to cope "with extreme and sudden crisis, with tragedy that breaks out abruptly as in Uganda, where famine is reaching calamitous proportions." He emphasized France's helicopter airlifts which have succeeded in transporting aid into the regions.

The French minister stressed that "hunger and malnutrition are rampant in many areas. There will be no development unless these scourges are eradicated... The main point is to increase agricultural production through long-term widescale action designed to put existing or developing technologies at the disposal of the countries themselves. . . . Industrialization and the development of agricultural production are both necessary to ensure that development enjoys the solid basis it requires."

Brazilian tank sales to China rumored

The Brazilian daily *O Estado* reported Aug. 10: "During the last few weeks, our arms industry has been concluding an agreement with Washington authorities on the export of armored cars in a transaction which will soon be signed with the People's Republic of China."

In July, Brazil's ambassador to London, Roberto Campos, sought to build a Brazil-China alliance during a secretive visit to Peking. Brazil has the world's largest production plant of wheeled light tanks. However, during the last few years, the Brazilian Foreign Ministry has vetoed arms deals with countries such as Somalia, South Africa, and Rhodesia, on the grounds that their use of such equipment in offensive activities would damage Brazil's posture in the Third World. Aid to China's military buildup is a matter for similar controversy in Brazilian policy circles.

Washington may well be seeking to use Brazil—which has broken off military supply agreements with the United States—as a surrogate supplier to beef up Chinese capacities. If so, the deal is being kept secret; it is emphatically denied by the relevant State Department desk officers.

Indian communal riots elicit investigation

The Indian government announced this week that a judicial inquiry will be conducted into the origins of the widespread communal rioting and violence in the northern part of the country.

For now, the prime minister has asked the press to restrain itself from inflamatory coverage, and many questions are being asked in government and political circles about the "hidden hands" behind the violence which left scores dead and tensions all around. On Aug. 20, the correspondent of the *Times of India* reported from the worst-affected city of Moradabad that there is grave "concern" among officials "over the inflow of petrodollars . . . for the construction of two Islamic universities near that city." Islamic analysts have been quick to note that two organizations have come up in investigations on the riots—the Jamaati Islami, the Muslim Brotherhood's subcontinental operation, and the little-known Muslim secret society, the Tablighi Jamaat. The latter has generally involved itself in "cultural and educational activities."

That a conspiracy is suspected is evident from information released by law-enforcement agencies. A senior police superintendent in the northern state of Uttar Pradesh stated that the interrogation of a Pakistani national yielded information that implicates Pakistan. The District Magistrate of Allahabad, another of the afflicted cities, has stated that "some mastermind was behind an organized and planned conspiracy to create trouble in the city."

Jewish Defense League announces Italian plans

The Jewish Defense League has sent a letter to the newspaper *La Repubblica* announcing the founding of the organization on Italian soil and spelling out a full activation of terrorism to be conducted out of the new Italian base.

The letter, a formal statement from the JDL leadership, says that it intends to: (1) furnish supplies and financing to agents of the Gush Emunim and related groups; (2) carry out terrorist activities against anyone who is opposed to the policies of Israeli Prime Minister Menachem Begin or Zionism in general; (3) pressure all areas of opinion whether public or private who are favorable to the Palestinians; and (4) carry out violent reprisals against Arabs presently in Italy.

Soviets blast NATO expansion

The Soviet daily *Pravda* Aug. 27 attacked NATO and the United States for trying to lay exclusive claim to the Mediterranean area as if it were a NATO preserve. If NATO tries to escalate pressure on Spain and Greece to join NATO, said Pravda, that would seriously escalate tension in the Mediterranean. The Mediterranean is also a Soviet sphere of interests, and a domination of the region by NATO cannot be tolerated, especially when viewed from a standpoint knowledgeable of the new U.S. "limited nuclear war" doctrine, the paper added.

This unusual warning comes in the context of strong attacks on the Carter administration's PD 59 military doctrine. The doctrine of "surgical" strikes and limited nuclear war amounts to "political terrorism on a nuclear basis," wrote the daily *Izvestia* Aug. 23. Soviet Lt. Gen. Nikolai Chervov said in an interview published in the Czechoslovak daily *Rude Pravo* Aug. 20 that "Washington is now oriented toward the strategic goal of delivering the first strike. . . The United States, which is escalating political intimidation by gambling on a 'destructive' strike, reduces the nuclear threshold and increases the risk of a new, nuclear war which—in Washington's view—could have a limited character and last 'several weeks or even months.' In essence the United States is knowingly pushing the world into the abyss of nuclear war."

Shah was murdered, Mexican doctor charges

Victor Manuel Santander, the Mexican physician to the late Shah of Iran, has alleged that the Shah did not die of cancer but was assassinated. The charges were made public in the Aug. 27 issue of the widely read Mexican daily *Ovaciones*.

According to Santander, the Shah was deliberately "saturated" with an overdose of deadly anticancer drugs that destroyed his white blood cells and caused massive infection. "The Egyptian doctors [treating the Shah] in collaboration with two French semi-specialists ignored the instructions of the most prestigious American doctors and decided on their own initiative to increase the dosage of the anticancer drugs," the Shah's Mexican doctor revealed.

Santander also asserted that during his stay in Mexico, the Shah was "snatched up" and removed from the country by Richard Nixon, David Rockefeller, and Henry Kissinger.

Immediately following the Shah's death on July 27, Dr. Michael DeBakey, the head of the American team of physicians treating the Shah, issued a statement that corroborates Santander's later, more extensive charges. DeBakey said that the Shah's death resulted not from cancer directly but form the chemotherapy that he was receiving.

Europeans, Arabs draw the line on Israel

A recent refusal by West Germany, France, Italy, and Great Britain to send their military attachés to observe Israeli military maneuvers on the Golan Heights has become "a new focus of tension between Israel and the European Community [EC]," according to the *Jerusalem Post*. The European attachés refused to attend in protest of Israel's recent decision to annex East Jerusalem and its proposed legislation to annex the Golan Heights.

At a meeting in Israel last week with the attachés, Israeli military intelligence chief Yehoshua Saguy reportedly hinted that he might not invite the Europeans to Israeli maneuvers in the future, even if they take place within the 1967 borders. If the Israelis proceed in this fashion, a European diplomat warned, then the EC "might consider 'retaliatory' action against the Israeli military attachés posted to their capitals." At the same time, the French have announced that they intend to beef up the French contingent of the Unifil peacekeeping troops stationed in Lebanon.

Meanwhile, the EC's Middle East envoy, Gaston Thorn of Luxembourg, has put out feelers to visit Israel again, three weeks after his first visit with Prime Minister Begin to put the squeeze on the Israelis. Thorn has been spending time in Saudi Arabia and Egypt, and now wants to spend four days in Israel to meet with government officials and Palestinian leaders from the West Bank and Gaza. Begin has not yet responded, a sign of Israel's anger over Thorn's meeting three weeks ago with PLO chief Yasser Arafat in Beirut.

The Saudis are also playing it tough with Israel. Foreign Minister Prince Saud has urged the countries of the West to put pressure on Israel. "Short of war . . . only pressure from the West can bring about a solution," the prince told reporters after meeting with British Foreign Secretary Lord Carrington in Saudi Arabia.

Briefly

- **KING HUSSEIN** of Jordan plans a trip to the Vatican for meetings with Pope John Paul II. Sources in Amman report that the king is intent on forming a joint Christian-Muslim front against Israel's decision to make Jerusalem its permanent capital.

- **ABDULLAH FRANGIEH,** the PLO spokesman in West Germany, charged Aug. 21 that a substantial number of the 30,000 to 40,000 Palestinian émigrés in West Germany have been recruited into "dealing heroin and hashish." He said that the émigrés are manipulated by American and Israeli intelligence services.

- **HAN NIANLONG,** Peking's vice minister of foreign affairs, said last week that the danger of a Vietnamese attack on Thailand is less than the danger of a Vietnamese peace offensive in Southeast Asia, referring to a possible United Nations General Assembly ouster of Cambodia's Pol Pot representatives from the U.N. U.S. State Department Politico/Military Bureau Director Reginald Bartholemew recently told the Japanese in Tokyo that a new Thai-Vietnamese military conflict, on a restricted scale, is possible.

- **SYRIA** has established full diplomatic relations with Ethiopia, a key Soviet ally in northeast Africa, following the Ethiopian foreign minister's visit to Damascus this week. Relations had previously been cool because of Syrian support for the Eritrean Liberation Front against the central government in Addis Ababa.

- **FRENCH PRESIDENT** Giscard, in a statement this week, emphasized historic Franco-Polish friendship and his "personal ties" with Edward Gierek, and pledged French nonintervention. Chancellor Schmidt fully endorsed Giscard's statement. Former Italian Premier Andreotti stated that democracy will not spread through rebellions.

Polish crisis threatens détente in Europe

by Rachel Douglas

When Polish leader Edward Gierek announced on Aug. 24 sweeping leadership changes and went half way to meet Baltic seacoast strike leaders' demands for "free trade unions," he came close to and may have passed the limit on the ground he can concede. Gierek faces "demands that strike at the very foundations of . . . the nation and state"; the ruling party's daily paper reminds that Polish politics are "governed by [Poland's] alliances"; the Soviet news agency TASS warns of attempts "by imperialist circles to interfere in a major and unpardonable way" in Poland—the composite picture is of a crisis that becomes more explosive each day it continues.

In the British and American media, the line went out in the first days of the strikes, that the U.S.S.R. would not intervene, that the unrest in Poland was a golden opportunity to promote "democracy" in Eastern Europe without the penalty of a Soviet military response. This is incompetent strategic thinking, and every bit as dangerous as the "limited nuclear war" doctrine the Carter administration has just announced. Both of these policies miscalculate Soviet thinking.

First of all, Moscow *would* intervene militarily in Poland if Poland were thrown into chaos by nationwide strikes and disturbances that got out of the control of Gierek and the other Polish leaders.

But more important, Moscow does not react to Poland in isolation. The strategists in the Kremlin look at Poland, Iran, the Chinese army poised to invade Vietnam, the Israeli escalations against Syria, Jimmy Carter's Presidential Directive 59 nuclear war strategy—all at once. The provocations around Poland, both the destabilization inside and the international campaign outside, are sending the Soviets into heightened readiness for world war.

Already, an important meeting in what is currently the most critical process for avoiding war—the dialogue between Eastern and continental Western Europe—has been postponed because of the crisis in Poland. According to reports published in France, the Carter administration pressured West German Chancellor Schmidt to cancel his visit to East Germany for talks with President Erich Honecker. Its postponement was announced Aug. 22, until "a time more favorable to progress in German relations," in the words of Schmidt's spokesman.

The Europeans are worried. The Schmidt-Honecker meeting and the August trip of Gierek to West Germany to meet Schmidt (also canceled) were to have opened a crucial phase of discussions among continental European leaders, talks which some observers were predicting would be vital not only for détente, but also for solving the most crucial problem facing countries in both halves of Europe: the lack of adequate cheap energy supplies.

Many Europeans have voiced hopes that Gierek would be able to bring the situation in Poland under control, both for the sake of restoring these jeopardized opportunities for trade and dialogue and because they feel that without Gierek, Poland could not avoid a slide into chaos. As one prominent West German businessman—a conservative with close ties to the United States—put it: "Gierek's a Communist, and I know this may sound strange . . . but I think we should support Gierek in this situation. When you look at the alternative—this KOR group—you'd have to be crazy not to support Gierek."

The nature of the KOR, the British-linked dissident group that pushed the Polish strikes onto "political" ground, is detailed in this report.

The question of 'human rights'

The United States government's first official pronouncement on the Polish situation was to back the "human rights" of KOR leaders arrested for fanning the strikes. According to columnists Evans and Novak, the administration has already set the wheels in motion to make "human rights" and Poland the central topics at this fall's Madrid Conference on European Security and Cooperation (CSCE). Secretary of State Muskie and Carter's emissary to Madrid, Max Kampelman, they reported, have each held meetings with "Jewish, East European, and other ethnic groups" to prepare a tough line for the Madrid meeting.

Some American and international trade union officials are moving on the same track as the Carter administration towards confronting the U.S.S.R. on "human rights" issues. In the current international crisis, carrying this campaign directly into a Warsaw Pact member country—not with propaganda but by personal contact, as they have done—constitutes a dangerous provocation of the Soviet Union.

In May, the International Labor Organization (ILO) sent a delegation to Poland from its Geneva headquarters, led by an official whose specialty is "human rights." He made contact in Poland with the KOR group, which had launched the call for "free trade unions," now the main demand on the Gdansk strikers' list which the authorities have said they cannot meet.

Instead, Gierek has offered to conduct open elections in the regular trade unions. On Aug. 27, the International Federation of Metalworkers, headed by United Auto Workers official Herman Rehban, called on the ILO to go to Poland and supervise these elections. On the same day, a delegate of the French union confederation CFDT visited the strike hall in Gdansk and handed over a token sum of 11,000 French francs to the strike committee.

The demand for "free trade unions" and support for it from abroad have nothing to do with the freedom, human rights, or prosperity of the Gdansk shipyard workers or any other Poles. It is a ploy by these international organizations *and their networks in Poland* to keep the strikes going. The result to date is a tax of millions of dollars a day on Polish state coffers because ships cannot dock to unload goods, which means an economic recovery and the improvement of consumer goods supplies (it was a meat price rise that triggered the strike) in Poland will be even more difficult to bring about than they were before. In addition, the threshold of Soviet intervention, which would render the "human rights" point moot, is lowered.

Moscow would prefer that Gierek solve the crisis as "an internal affair" of Poland, as TASS put it, and speedily endorsed the leadership shakeup that was announced after a six-hour Central Committee meeting of the ruling Polish United Workers Party (PUWP) Aug. 24. The shifts announced, however, are ones that will cause greater instability in Poland, maintaining the danger of a crisis explosion either immediately or some months later.

Gierek's personal authority was weakened, as his own closest allies and protégés, including Premier Edward Babiuch, lost office. Planning chief Tadeusz Wrzaszczyk, who as minister of machinery had helped carry out Gierek's rapid industrialization program of the early 1970s, was removed from the PUWP Politburo and his government job. Of seven other Politburo and government officials ousted, three are definitely known as Gierek associates.

The incoming leaders are identified with economic liberalization plans, reforms which would *not* cure the Polish economy, but rather adapt it to the requirements of certain hard currency creditors. As we elaborate in the accompanying report, British and American banks have exerted leverage to make Poland conform to the economic trends of the most debt-strapped Third World nations. This road leads straight to austerity, impoverishment, and more political instability.

The new government

The new appointees are the most amenable to effecting these shifts. Measures under consideration, judging from publicizing by this faction of the Hungarian "New Economic Model," are the alignment of domestic prices with world market prices, the decentralization of some economic decision making coupled to an incentive program favoring exports that earn foreign exchange, and concentration on export-oriented light industry at the expense of big industry and energy projects.

Mieczyslaw Rakowski, promoted to the post of PUWP Central Committee Secretary, has written in favor of these policies. Marian Krzak, the former chairman of Bank Handlowy who is now finance minister, is identified with them.

The biggest concession by Gierek was the readmission to the Politburo and the Central Committee secretaryship for the economy of Stefan Olszowski, whom he and Babiuch ousted just six months ago. Olszowski favors economic liberalization. Gierek referred in his speech to the reinstatement of "comrades who had already warned of shortcomings—warnings which we did not heed." Gierek's own allies became the scapegoats.

Poland's future: industrial growth or imposed backwardness?

by Luba George and Clifford Gaddy

The most frequent explanation in popular and business publications for labor unrest in Poland reads like reports on the riots in Iran that brought the Ayatollah Khomeini to power. "At the root of [Polish leader] Gierek's problems," wrote the *Christian Science Monitor* Aug. 22, "has been Poland's rush to rapid industrialization."

This is not true. Gierek's 1970-1975 centralized industrial investment program vaulted Poland to a new level of economic strength and higher living standards. The severity of the country's problems today is closely related to the *slowing down* of industrialization since 1976. But European businessmen believe that, thanks to what Gierek accomplished a decade ago, Poland is still an excellent prospective market.

In an Aug. 13 newspaper interview, West German Chancellor Helmut Schmidt made the point that Poland's economic crisis of the past half-decade was "not a special case." Rather, it stemmed from the 1973 oil crisis and the collapse of international trade, which constricted Poland's export markets and thus ensured that Gierek's policy of borrowing hard currency with which to import industrial plants would result in a payments deficit.

According to Hans Friderichs, chairman of the Dresdner Bank (which participated in a large West German credit to Poland this month), the Polish economy is in better shape than is usually thought. Poland has always paid its debt, he said, and should be able to increase its hard currency earnings from the export of coal in the near future.

Especially since 1973's oil crisis, the enormous export potential of Polish coal has been a recognized fact, particularly to the extent it could be processed into needed liquid or gas forms. But although Poland invested a large amount of funds into its coal industry, an earlier desire to diversify away from coal—plus the more recent general shortage of capital—has resulted in an under utilization of its real coal wealth.

Nevertheless, the potential for Polish coal exists. The upgrading of Polish heavy industry which took place during the 1970s means that there are now better preconditions than ever before for applying new, advanced technologies to the coal mining sector.

Both the Soviet Union and West Germany have developed advanced technologies for coal gasification and liquefaction. Both are extremely interested in putting it to work, and for the Soviets and Poles there is the added consideration of the need to fill the energy gap in Eastern Europe between U.S.S.R. oil deliveries, now being frozen at 1980 levels, and a large nuclear power capacity not yet on line.

The 1.2 billion deutschemark West German loan to Poland finalized in August included a 400 million deutschemark segment earmarked for investment in the Polish coal industry. West German Economics Minister Lambsdorf stated in a recent interview that one of the most promising areas for Soviet-West German economic cooperation in the future would be nuclear energy and electricity generation.

This European attitude has been an important mitigating factor for the Polish economy. French and West German loans for financing expanded production and shipment of Polish industrial goods continued through the second half of the 1970s, even as British and American banks imposed a credit squeeze and loaded their loans with conditionalities.

Economic Warfare

The decline in Poland's economic growth rate to a 2.6 percent gain in industrial output in 1979 must be considered in light of:

1) a six-year period of rapidly rising costs for essential imports from the West, with no corresponding easing of Western credit terms;

2) a four-year virtual freeze on long term industrial development loans from the West, especially from British and American lenders;

3) an active Anglo-American policy of imposing International Monetary Fund-style conditionalities and a credit squeeze on Poland. To secure loans for refinancing and new investment, Poland has accepted harsher interest terms. With this year's $350 million loan from a Bank of America-led British and American consortium, Poland for the first time agreed to submit "comprehensive and confidential information" on its economy, including the amount and structure of the national debt, which used to be a state secret;

4) insistence by some Western lenders that the Poles guarantee national economic policy decisions favoring the hard currency export-oriented sectors, as a condition for acquiring credit. The development projects of the early 1970s and the growth rate that corresponded to them have begun to wind down as a result of these stiffening debt terms.

Economic pressure on Poland has been centrally coordinated for several years. In 1977, Poland's Western creditors met under the auspices of the Bank for International Settlements in Basel, Switzerland. At this little-noticed meeting, it was decided to establish a special "information exchange system" whose purpose was to manipulate Western banks' lending operations in targeted Eastern European countries such as Poland.

The City of London banks and their allies in Canada and the United States reorganized their credit policies toward Poland. Interest rates were set according to the rates paid by the "poorest risk" Third World countries, like Egypt. Poland was unable to get loans for debt consolidation.

The result of this constriction from outside is evident in the memorandum submitted by Poland's Bank Handlowy for the Bank of America loan. The bank disclosed that the Polish hard currency debt stood at $19.4 billion at the end of 1979. During 1980, the Poles are paying $7.2 billion to service the debt—70 cents of every export-earned dollar goes to debt payments. This debt-export ratio is as bad as that of Third World nations.

Domestic restructuring

While giving in to these British and American financial pressures, the Polish leadership launched a domestic shift they called "the economic maneuver." It called for shifting resources and investment away from heavy industry, into production for export and for consumer goods.

The economic maneuver turned back the clock to the period of Wladyslaw Gomulka's regime (1956-1970). Therefore it is instructive to recall the Gomulka economic policy debacles, which ended in political upheaval and Gomulka's overthrow in 1970, in the heat of strikes and riots in Gdansk and Szczecin.

Gomulka lowered growth targets for the capital goods and steel sectors, deliberately avoided a policy of mechanizing agriculture, and emphasized light industry and a coal-based economy.

Gomulka was a committed proponent of the "'Bukharinite" school of economics in Eastern Europe, named for Nikolai Bukharin, the Soviet Communist Party official who until his arrest and execution in 1936 was closely linked to the intelligence networks of Royal Dutch Shell and London banking interests. Bukharin was a student of Milton Friedman's teacher Friedrich von Hayek; his 1920s purge cleared the way for Soviet industrial growth.

As Bukharin for Russia, Gomulka since the 1940s advocated a decentralized, predominantly agrarian economy for Poland. His legacy remains. Forty percent of Poland's working population lives on farms, most of them small plots of land. Poland has one of the least productive farm sectors in Europe. When natural disasters hit, such as this year's six-times normal rainfall, Polish farms are not technologically equipped to cope.

The Gierek recovery

Gierek's import and capitalization policy took Poland from the shambles Gomulka left, to the status of the tenth largest industrial power in the world. One-third of Polish industrial capacity has been constructed since 1971. Between 1971 and 1976, 60 percent of Poland's industrial machinery was replaced, and 1.8 million new jobs were created.

The Gierek regime devoted a high level of funding to research and development to improve Polish industry technologically, resulting in the world's most highly mechanized and modern coal production methods in Silesia and the mechanized Lublin coal basin mines.

Related to the coal industry was the development of Poland's electrical power generation capacity and the giant modern metallurgy complex in Katowice.

By 1973, Poland had the highest rate of growth of R&D funding in the world. The government proclaimed that year the "Year of Polish Science," and vowed "to accelerate the rate of technological revolution."

It was in the early 1970s also that a team of scientists under the late Dr. Sylvester Kaliski used a laser pulse experiment to reach the first stage of production of a unique thermonuclear fusion microreactor, internationally recognized as groundbreaking.

Under the debt-enforced "economic maneuver," the remaining Bukharinite opponents of "too-rapid" industrialization in Poland asserted themselves. A scheme of decentralized "cost effective accounting" went into effect, particularly for enterprises in the export sectors. The investment rate for the capital goods industry took a back seat to those industries and organizations which could produce for a quick export dollar.

Compounding these blunders, Poland reversed its energy policy in 1979. While continuing to back the extraction of exportable coal, the regime scaled down its nuclear power electricity generation target from 20 percent 1990 to a mere 8 percent. This decision came from the "low-growth" faction in the leadership, and Gierek acceded because the debt squeeze has so reduced his maneuvering room.

In 1980, Poland has achieved a 29.8 percent growth of exports to the hard-currency sector, resulting in a positive trade balance. The newest cost has been a reduction in state subsidies of consumer prices, including the meat prices whose rise touched off this summer's strikes.

The Polish KOR dissidents: Made in Great Britain

by Rachel Douglas

Until his detention by Polish authorities on Aug. 20, the chief source of information to Western journalists on the strikes in Poland had been Jacek Kuron, leader of the "Committee for Workers' Defense" (KOR). Kuron was presiding over a rumors-and-news room in his Warsaw apartment, while his KOR associates in the Baltic coast city of Gdansk stayed with striking shipyard workers—agitating and apparently writing those of the strikers' demands with "political" content. With his arrest, the U.S. State Department broke its silence on the Polish crisis to champion Jacek Kuron's "human rights."

What are the beliefs and career of Jacek Kuron?

Kuron's fame began in 1964, when he co-authored an open letter to Polish Communist Party members on the need for revolution in Poland against the party regime, published by Trotskyite groups under the title "A Revolutionary Socialist Manifesto."

Framed in appeals for more worker say in running the Polish economy, Kuron's central thesis was that the policy of high growth rates for heavy industry should be avoided and, where it existed, should be abolished. We quote Kuron's 1964 argument for a "consumerist" policy:

> Production . . . cannot be an end in itself. It is always production for consumption; because it is conscious activity motivated by human need, and consumption of the goods reproduces the need. The private, subjective aim of the ruling class . . . may contradict the social aim of production. This occurs in the capitalist system as well as in the bureaucratic one in accordance with the inherent tendency of all ruling classes to promote the growth of production while restricting distribution, and hence consumption, according to class lines. . . .
>
> The contradiction between the class goal of production and the needs of consumption in the [bureaucratic] system emerges in the planning stage. . . . Typically, the plans set the rate of investment as high as possible and consequently the share of consumption in the national income as low as possible. Much more rapid growth is projected in Sector A (means of production) therefore than in Sector B (consumer goods). The disproportion increases as the plan is implemented. . . . The state planners typically try to save the situation at the expense of the consumers. . . . The bureaucracy considers consumption a necessary evil.

In fact, as any competent economist knows, the best policy in the East or the West is one which optimizes the high-technology development of heavy industry, the only basis for maintaining a rise in consumption levels.

No wonder West Europeans, who are aware of Kuron's thinking, would prefer the Gierek regime.

KOR's origin

The KOR was founded by Kuron and his associates in 1976, for the immediate purpose of gaining mileage from the arrest of several dozen people for tearing up train tracks and destroying buildings during disorders that followed a food price rise that summer. Almost all the potential defendants of the KOR (Committee for Workers' Defense) were released within a few months, but the institution remained in existence. Kuron's branch is the Committee for Social Self-Defense.

In the wake of the 1976 riots, the KOR began to seek recruits among workers, especially in cities which were crucial in earlier Polish crises. A 1979 "Charter of Workers' Rights," prepared in part by KOR members, bore 14 signatures from Gdansk, the scene of rioting in 1970 which brought down the regime. Gdansk is the keystone of the current strikes, more than any other city. One signature was that of Lech Walesa, now the head of the "Inter-factory Strike Committee" that is keeping the Gdansk walkout alive.

KOR member Alexander Smolar appeared at an Aug. 26 press conference in Paris side by side with Edmund Baluka, who had been a strike leader in Szczecin during the December 1970 riots and is now president of the "Permanent Liaison Committee of Free Trade Unions in Eastern Europe." Smolar traced the growth of the "free trade union" demands to the KOR's first efforts four years ago.

The KOR is the latest vehicle for an old Polish grouping, which was shaped and is directed from Great Britain.

Leszek Kolakowski. One of Jacek Kuron's mentors and his defender in the 1960s, Kolakowski is a resident fellow of All Souls' College, Oxford University. He was an activist during the turmoil that put into power Wladyslaw Gomulka, whose term at the top (1956-1970) saw lasting damage done to the Polish economy. In 1968, Kolakowski helped lead a New Left student movement in Polish universities—at the same time that his Western counterparts were wreaking havoc in France and elsewhere—and was expelled from Poland.

In Great Britain, Kolakowski contributed to the *Index on Censorship*, published by the Fund for Free Expression. Among the fund's backers is Evelyn de Rothschild, whose London *Economist* has forecast a development of events in Poland strikingly similar to Kolakowski's.

Adam Michnik. A protégé of Kolakowski from his student days in the 1960s, Michnik became the whiz kid of Polish intellectual dissent. His public correspondence and contacts with leftists and liberal writers in France and West Germany created a KOR liaison with West European academic circles whose other causes include mobilizing defense of Baader-Meinhof terrorists.

Edward Lipinski. At the age of 88, Lipinski joined Kuron's KOR in 1976. His own Open Letter to party chief Gierek, espousing essentially the same line as KOR, was published in April 1976 by the émigré Polish Socialist Party, of which Lipinski was a member in Poland before the war, in its London-based paper, *Robotnik*. Later that year, Lipinski toured the United States to raise funds for the KOR.

The KOR is small, and many Polish workers eye it with suspicion. But its role goes beyond the attempt to stir up support on the shop floor. The KOR aims to create elbow room for an entrenched British-policy faction in Poland, a more serious capability for promoting low-growth economics and political instability.

In a London *Sunday Times* guest column printed Aug. 17, Kolakowski argued not so much for the accession to power of his KOR, but for reform initiated "from above." The London *Economist*, in July, prescribed the same, in an anticipatory editorial calling on the Poles to liberalize and "burrow away the ground" beneath the ruling party structure without going so far as to elicit Soviet intervention.

Currently, the KOR is boosting a movement called DiP (the letters stand for "Experience and the Future"). The DiP's reports, according to Western students of Poland with whom DiP participants have been in contact, grew out of a 1976 commission on the economy headed by none other than Stefan Olszowski, the party official who has now returned to a powerful post in the Politburo. The report that began with Olszowski's study commission was eventually published clandestinely.

This year, DiP coordinators in Warsaw solicited opinions on reform options for Poland, which they published in a June 1980 document called "How To Get Out of It." They claimed 51 party members contributed to the survey.

The DiP's program outline echoes the KOR, although its recommendations are cast in vaguer language. The first of its principles on shaping the economy, according to published reports, is "a shift away from central control of the economy and toward autonomy of regional and smaller units." Decentralization is a watchword for downgrading heavy industry.

There is a public lobby for similar policies, which is backed by some of the people who have now assumed top leadership positions after the Aug. 24 shakeup in Warsaw. It includes Mieczyslaw Rakowski, the editor of the weekly paper *Polityka,* who has just been promoted to the post of Central Committee Secretary of the ruling Polish United Workers Party. From time to time, including during this summer's crisis, Rakowski sends advance copies of his *Polityka* articles on reform to London newspapers for prior publication.

Members of this faction in Poland fraternize with the British political and academic circles shaping their policy. One avenue is the Anglo-Polish Round Table, which meets every 18 months. At its November 1979 session, at least one PUWP Central Committee member was present, among other party members.

The chairman of the Round Table on the Polish side is sociologist Jan Szczepanski, whose prestige in Poland is one of the most remarkable cases ever of a nation treating an enemy as a hero. Jan Szczepanski is a member of the board of the London Tavistock Institute's periodical *Human Relations.* Tavistock is the laboratory for advanced British intelligence methods of social control and psychological warfare. Szczepanski is the head of the Polish Academy of Social Sciences.

The coordinators of the DiP project announced that there were members of Catholic organizations among their questionnaire respondents. While the Church has its own interests in Poland, different from those of the dissidents, there is one Catholic order which is intimately involved with the British destabilization efforts: the Jesuits.

The Anglo-Polish Round Table meeting was not the only event in November 1979 relevant to today's crisis. Washington-based Jesuit Michael Novak, who specializes in profiling ethnic groups, paid Poland a visit that month. Novak reportedly says that his contacts were anticipating the kind of unrest that would occur.

Add to this prescience the report from labor sources that Jesuits control much of the Church-sponsored travel between Poland and the Vatican, and the fingerprints of that evil order on Poland begin to be discerned.

Begin's drive toward war... and an Israeli garrison state

by Mark Burdman

Since the July 31 approval by an overwhelming majority of Israel's Knesset of the "basic law" defining Jerusalem as Israel's "complete and united" capital, apprehension has grown throughout the international community that the regime of Prime Minister Menachem Begin is defiantly leading Israel toward war.

This apprehension grew when acting Defense Minister Begin launched Israel on a series of massive "preventive raids" against Palestinian encampments in Lebanon Aug. 19, and when aides of Begin began to speak openly of a wider regional conflict possibly involving Syria, Iraq, and the Arab Gulf states.

Leading world financial centers and governments began to envision an imminent conflagration in the Middle East, leading to a new oil cutoff, a bottomless financial crisis, and a new world war.

What has confirmed the worst fears of professional Middle East observers, however, is neither Israel's Jerusalem vote nor its Lebanon adventures, taken singly or in combination. To these observers, what is most dismaying is the evidence that the Israeli state itself has been transformed by the Begin regime into an odd mimicry of the fascist states of the 1930s: a state irresistibly committed to foreign expansionism, without the moral or social moorings to view strategic situations with any sense of reality apart from ideological fanaticism.

Begin himself, these observers fear, has become strategically insane.

Perversion of justice

Perhaps the best barometer of how the transformation inside Israel has taken shape is the emergent orientation of the state justice apparatus.

Earlier this summer, Zionist leader Nahum Goldmann, in an article in West Germany's weekly, *Die Zeit,* identified the Israeli justice apparatus as one of the few rational institutions in the country. This is no longer the case. The judicial system is beginning to go through the same process undergone by the German courts in the early phases of the Hitler regime.

This factor may well explain the sudden departure of Justice Minister Shmuel Tamir from his post earlier this month.

In the early Hitler period, the courts in Germany began to issue arbitrary decrees against the Nazis' political enemies and to let Nazi members and collaborators go scot free. On Aug. 19 of this year, the Israeli Supreme Court, by a 2-1 vote, denied the petition for re-entry into Israel of two Palestinian Arab mayors and one religious judge who had been deported without due process of law. A day earlier, a top military court had given a sentence of only 19 months to two Israeli soldiers who had been found guilty of stealing army stocks of TNT, grenades, and ammunition. The defendants had admitted during their trial that they had planned to use these weapons to commit terrorist actions against Islamic mosques and West Bank Arab institutions. Formally, the crime was so serious that legal experts in Jerusalem had expected a sentence of 20 to 30 years.

The strategic message of these back-to-back cases was clear: terrorism against the Arabs of the West Bank will be sanctioned by the authorities, while Arab protest of Israeli policies will be summarily suppressed.

This flowed from two hardly noticed but remarkable laws that were passed in the same pre-adjournment Knesset session that voted up the Jerusalem annexation bill. One of these laws, the Citizenship Law, gives the Interior Minister the right to revoke an individual citizenship for an act involving "a violation of allegiance to the State of Israel," a definition so broad that virtually any criticism of state policy could come under its rubric. The second law, the Prevention of Terrorism Ordinance, according to the July 31 *Jerusalem Post,* forbids "the performance of any act in a public place which demonstrates identification with or sympathy for a terrorist organization, such as flying a flag, displaying a symbol, uttering an anthem or slogan."

A week after the passage of these laws came revelations by *Washington Star* correspondent David Halevy: Begin had so obstructed an investigation into Zionist-fundamentalist responsibility for West Bank anti-Arab terrorism that he had forced the resignation of the head of Israel's Shin Beth internal security service, Avraham Achtuv. Begin's response to the Halevy story was to mobilize his loyal Herut Party machine to condemn Halevy as Israel's "Tokyo Rose" and to liken the *Star* article to the medieval "blood libel" accusations that Jews were drinking the blood of Christian babies.

But by Aug. 24, the *Jerusalem Post* was constrained to condemn Begin's attitude toward West Bank anti-terrorist investigations as verging on "condoning vigilante actions by Gush Emunim and other radical groups of their ilk." Anti-Begin sources in Israel fear that this is a serious understatement of the case. These sources estimate that the deterioration of the justice process presages a move by Begin to organize the large-scale deportation of Arabs out of the West Bank, possibly under conditions of a new war. "What has been done vis-à-vis the West Bank Arabs over the past few weeks is only the beginning," an Israeli source commented. "Begin and his people would love a pretext to deport them all and annex the whole area."

The 'Kosher Nostra' factor

This juridical transformation coincides with the ascendancy of the Israeli mafia, or, as the Israeli press calls it, the "Kosher Nostra." This Kosher Nostra is one vital arm of the international crime-and-assassination octopus known as Permindex, the agency controlled by leading elements of the European "black nobility" that was behind the assassination of John F. Kennedy and many attempts against Charles de Gaulle.

The national ascendancy of the Kosher Nostra/Permindex mob is creating a situation in which Israel is less than ever a state able to act on the basis of rational self-interest but is compelled to be an "enforcer" for powerful international oligarchic families.

The interplay between political terrorism and crime is best exemplified in the recent Meir Kahane affair.

Immediately before the Halevy story broke, Begin had arranged for one of the charges against the currently detained Jewish Defense League leader to be dropped. During the same week of Aug. 4, Kahane wrote an article appearing in the New York *Jewish Press* insisting that Jewish mobster and dope-pusher Meyer Lansky be granted an entry visa into Israel! The *Jewish Press* has as its attorney Roy Cohn, the New York mobster-lawyer who formed the original Lionel Corporation holding company that bankrolled Permindex in the late 1950s.

Kahane's message on Lansky somehow found its way to the top level of the Israeli justice apparatus. On Aug. 5, Lansky obtained a show-cause order from the High Court of Justice in Israel demanding that the Interior Ministry give reasons for not allowing him into the country—despite the fact that crime-investigation subcommittees in the Knesset have been warning that Lansky's entry into Israel would lead to a consolidation of crime operations to a new and unmanageable level.

Even without Lansky, the crime problem is rapidly becoming unmanageable. Hashish imports into Israel have nearly doubled over the past two years, and the Israeli population has been rocked by an unprecedented wave of drug trade-related underworld slayings. In respect to both problems, Israeli police officials have asserted that "the acute personnel shortage" in the police ministry has rendered law enforcement impossible. What they have neglected to point out is that this is part of a conscious national policy to open the door for criminal operations, since the Israeli political establishment is extensively intertwined with the crime kingpins, a reality that is documented in the recently released book, *The Israeli Connection,* by French journalist Jacques Derogy.

In one of his chapters, Derogy shows how crime operations interface land-annexation strategy. In many cases land-purchase transactions carried out by the Jewish National Fund on the West Bank are carried out through the mediation of Israeli mafia elements, who threaten and swindle West Bank Arabs into relinquishing land titles.

Similar phenomena are reportedly occurring both in Lebanon and in Egypt.

According to a highly informed Lebanese source, "Israel has recently come into possession of extensive real estate titles in southern Lebanon, to the point that annexation would hardly have to be announced. This has been done through financial deals between Israeli groups and the same Lebanese Sursok family that sold the original land titles to the Zionists in the late 19th century which expedited the creation of the state of Israel in the first place. In this present episode, Israeli criminals have won control over the hashish cultivation and transport contract in southern Lebanon, and this has been a crucial factor in consolidating Israeli control in the southern Lebanese region."

In Egypt, the Israeli Mossad is in part operating through the Kosher Nostra to consolidate ties with the old Egyptian families who are linked to the Sursoks and other top scions of the Mediterranean "black nobility." According to the same source, this Israeli mafia-Egyptian tie "works through real estate, drugs, and other channels. It is giving the Mossad an important capability for operations inside Egypt. In the long-term view of Begin and his friends, this capability may some day translate into new spheres of influence for their 'Greater Israel' design."

Whether or not similar operations are going on in the Golan Heights region, which Israel is seeking to annex with a new Jerusalem "basic law"-type arrangement, is at this point unknown.

Scenarios for war and new alliances

Several factional tendencies are arising in Israel, not all agreed on the limits to which Israel should go in this current period. We present below two reflections of the thinking of Israeli military and intelligence circles that have appeared recently in the European press.

The first appeared in France's Le Matin *Aug. 20. Correspondent Shalom Cohen claims that Israel's real aim in Lebanon is to seek a pretext for knocking out the Iraqi nuclear program.In the eventuality of a new war that Israel could provoke between Syrians and Lebanese Christians, Israel could intervene, provoking Iraq to intervene, providing Israel pretext to strike against nuclear installations inside Iraq—the goal of provoking war to begin with. Excerpts follow:*

. . ."In reality," explains a diplomat, "the great preoccupation of Israel is not, for the years to come, the forces of the Palestinians in South Lebanon. It is Iraq which is in the process of becoming a nuclear power."

"We will respond, I can assure you," it was affirmed recently in respect to Iraqi nuclear development by the Minister of Transport Chaim Landau, old comrade-in-arms of Menachem Begin in the underground; a phrase which could be understood to mean that Israel is seeking a direct confrontation with Iraq. But the two countries don't have a common frontier. Israeli and Iraqi soldiers have only confronted each other during the Israeli-Arab wars of 1948, 1967, and 1973, when Iraq had run to the aid of the countries which separate it from Israel: Syria and Jordan.

To have a *casus belli*, it would therefore be necessary for Iraq to be pushed, once again, to intervene in an Israeli-Arab conflict. The place already chosen to ignite the flame which could start a war is Lebanon, where the Syrian army finds itself continually bogged down.

Should Israel intervene in the combat between the Syrian army and the Lebanese Christian forces, and the whole "eastern front" go up in flames, provoking Iraqi armored divisions to enter into action, Israel could then counter attack; not only against the Iraqi expeditionary corps, but against the site of the nuclear installations, in the interior of Iraq itself. Israel would not have to concern itself overmuch with the reactions of the Americans while the electoral campaign is in progress. . . .

An alternative viewpoint of emergent Israeli strategy was laid out by West Germany's Frankfurter Rundschau, *in an Aug. 14 piece based on the investigative reporting of West German author Erich Follath. The* Rundschau *claims that a "new strategy of the Israeli secret services" has emerged, propelled by younger officers in the Mossad foreign intelligence service who "don't have the ideological blinkers of the old ones." What follows is the six theses that this Mossad grouping reportedly worked out on June 29 of this year as the basis for a comprehensive new strategy document for the Mossad:*

. . . Conclusion and thesis I: We must finally . . . accept Egypt as a friendly state. We must strengthen cooperation [by Egypt] with the Israeli secret services on all levels. . . .

Conclusion and thesis II: The PLO has not and will not change. It should remain as the central target of the Mossad. The subversion of the PLO by Mossad agents must be strengthened; the PLO must be discredited with the strong Islamic states. . . .

Conclusion and thesis III: We must consider not Iraq, but Syria, as Israel's most dangerous enemy. The Mossad must strengthen its secret intelligence work in Damascus, to be prepared for an eventual attack. We should consider whether an alternative to Assad can be built up whom we could eventually support with troops. The Mossad should also consider, with the assistance of friendly services, support for the independence movements of the Kurds and the Arabs in Khomeini's Iran, and ensure so much unrest in the border areas between Iraq and Iran that the Iraqis are tied down there. . . .

Conclusion and thesis IV: We must succeed in talks with Peking and intensify our contacts with Morocco, Saudi Arabia, and Oman—the only way to get out of international isolation.

Conclusion and thesis V: No unnecessary provocation of the Americans, and intensifying of contacts with the French and the Germans, are desirable. . . .

Conclusion and thesis VI: In this special situation after the events on the West Bank, the internal spy organization must also be used against Jewish citizens—otherwise Israel discredits itself internationally.

THE REGION

Balkanization plan gains momentum

by Mark Burdman

Current destabilizations in the Middle East and Indian subcontinent reflect the next phase of a British intelligence plan drafted after the 1973 Arab-Israeli war. Known as the Bernard Lewis Plan, it involves the proliferation throughout these regions of tribal, sectarian, and ethnic wars. It was this plan that in large part guided the destabilization of Lebanon ordered by Henry Kissinger in 1975-76. The plan was then a crucial factor in the overthrow of the Shah of Iran in 1978-79.

The next phase of the Bernard Lewis Plan involves the further breakup of Iran into feuding principalities and the instigation of tribal war in Arab-Islamic states, particularly Syria. The aim is to create the preconditions for oil shutdowns in the Persian and Arabian Gulf regions, and to expedite the intervention of Anglo-American (and possibly Israeli) troops.

A dossier on Lewis

Lewis, the chief architect of this destabilization program, is a British subject, trained in the "Lawrence of Arabia" school of British Orientalism. Resident at Princeton University throughout the period following the October 1973 Mideast war, he has used this base of operations to filter his tribal warfare blueprints into U.S. policymaking circles.

Lewis has trained nearly an entire generation of British and American Middle East specialists in the art of balkanizing the region into feuding tribes, sects, and clans. He has briefed congressional committees, intelligence meetings at Jesuit-run Georgetown University, and other forums in the methods of re-feudalizing the Middle East. At these sessions, Lewis has repeatedly stressed that "using the terms 'left' and 'right' in the Middle East is akin to using cricket terms to describe baseball. Left versus right is meaningless in an area defined by tribes and tribal warfare." His ideas are so inimical to the existing nation-states of the region that Lewis has also told confidants: "Please don't publish what I've said or I'll never be able to visit several countries in the Middle East again."

Lewis has also sponsored and participated in projects for the comprehensive redrawing of the map of the Middle East. At least one such redrawing project was held secretly at Princeton during 1978; during this meeting, according to an Arab source, a plan was elaborated for reintroducing various Ottoman Empire administrative divisions into the current Middle East configuration.

More recently, Lewis was a special consultant to a project at Georgetown University's Center for Strategic and International Studies on the theme of "Political Islam." (The overall coordinator for this project was Robert Neumann, a Middle East adviser to the Reagan campaign, which helps to explain why so many Reagan advisers are convinced the Middle East is hopelessly unstable as a source of oil supplies.)

Following this project, Lewis's Georgetown friend, Gulf expert Alvin Cottrell, told a Washington inquirer that "the big problem the region faces is fragmentation. Iran is fragmenting. . . . The younger Pakistani tribes are beginning to fight for separatism. And, not surprisingly, there is a hard time ahead facing Riyadh."

More Lebanons

Several articles have suddenly appeared in the international press which indicate cumulatively that the Middle East-Indian subcontinent region is entering an intense new implementation phase of the Lewis scheme.

On Aug. 14, the *New York Times* ran an op-ed feature entitled "Mideast Pariahs," by Yosef Gotlieb, director of the World Jewish Congress's "Project for the Study of Middle Eastern Nationalities." Echoing Lewis, Gotlieb asserted that "the numerous ethnic, linguistic and religious differences in the Middle East have been consistently ignored in discussions and policy concerning the region." Itemizing cases of minorities-in-turmoil, Gotlieb declared: "Superficial changes and postponement of solutions have provided a dangerous lull in these ethnic conflicts. Their eruption into the kind of conflagration that embroiled Lebanon during the civil war remains probable and perhaps inevitable so long as the status quo remains."

On the same day, West Germany's *Frankfurter Rundschau* reported on a new plan by Israel's Mossad intelligence agency to "support the independence movements of the Kurds and the Arabs in Khomeini's Iran and throw so much unrest into the border areas between Iraq and Iran that the Iraqis are tied down there."

France's daily, *Le Matin,* simultaneously published a well-documented five part series on the rise of the traffic in drugs throughout the region spanning Afghanistan-Pakistan to Turkey, the so-called "Golden Crescent" region. *Matin* author Roger Colombani quotes a leading Turkish antidrug specialist: "Our intelligence is precise. In these countries, opium circulates almost freely. Opponents of the regimes utilize its market value to procure arms. From Pakistan to the Turkish frontiers, from tribe to tribe, chains have been formed. By secret routes they transport the drug to the traffickers and receive rifles and machine guns."

Lewis has sponsored projects for the comprehensive redrawing of the map of the Middle East, one held secretly at Princeton during 1978. During this meeting, according to an Arab source, a plan was elaborated for reintroducing various Ottoman Empire administrative divisions into the current Middle East configuration.

One of Colombani's sources implicates the Baluchi tribe of southwest Pakistan (where separatist sentiment is reportedly growing) and parts of the Qashqai tribe in southwest Iran as two key groups involved in the arms-for-drugs operations. He specifies how Gotlieb's Kurdish unrest is being funded: "Kurds, even if they are not accustomed to trafficking, can very well sell opium or put import duties on its passage in order to procure arms."

Syrian focus

The scenario for Syria under the Lewis plan is for Muslim Brotherhood "Sunni Muslim" antagonism toward the ruling Alawite minority to reach such a peak that a new "independent Alawite state" must be created. The emergence of such a state would catalyze an "independent Maronite state" run by Jesuit-trained Bashir Gemayel in Lebanon and possibly an "autonomous Druze buffer region" created by Israel along the Syrian border. This latter variant has been advocated by, among others, Lewis protégé Harold Luks, a congressional aide to Connecticut's Sen. Abraham Ribicoff.

The outlines of the scenario were revived in the Aug. 23 *Baltimore Sun* by correspondent Douglas Watson, reporting from Amman, Jordan: ". . . while President Assad is likely to hold on a while longer, there has been so much carnage [in Syria] that eventually he will be forced out. One suggested outcome is that the Alawites will form their own autonomous fiefdom in their native mountains of northern Syria, causing a breakup of the country such as has occurred in neighboring Lebanon."

A leader of the pro-Beshir Gemayel wing of the Lebanese Falangist Party in Washington recently told *EIR* that he and his associates have been working on a "feasibility study for an independent Alawite state in the northern state." The creation of such a state, the source indicated, would depend largely on Hafez Assad's corrupt brother, Rifaat. Rifaat has a strong "Alawite nationalist" profile, and may be tempted to make such a move as conditions in Syria worsen.

This is made more likely by the apparent commitment of Lebanon's ancient oligarchic families, such as the Sursoks, to use their wealth and intelligence capabilities to further the Lewis plan. An informed Arab source told *EIR* Aug. 26 that the Sursoks have "completely acquiesced in Israel's takeover of southern Lebanon and have arranged for Israel to be given real estate titles to much of southern Lebanese land in return for Israeli funding of Maronite church operations. This means Israel will soon de facto annex that area and in the process set off reactions throughout the region favoring renewed communalist conflicts." The Sursoks are also active in Egypt, which has witnessed a recent heatup of communalist activity within the Egyptian Coptic Church. One branch of the Sursok family and allied Egyptian clans actively fund these Coptic elements, who in turn are heavily penetrated by the Mossad. With Mossad backup, the group has been vocal enough in its "Coptic autonomy" demands to provoke a reaction from Egyptian fundamentalist Muslims.

One sign of rising communalist tension was reported Aug. 25 by French sources in Cairo: an assassination attempt against the leader of the Coptic Church, Pope Chenouda III, who had been chided by Egyptian President Anwar Sadat for stirring communalist sentiment in Egypt through his insistence on "Coptic rights." The near-murder of Chenouda is expected to trigger further unrest among the Copts and an escalated Muslim fundamentalist reaction.

IRAN

A falling out of thieves invites intervention

by Nancy Coker


Wide World photos

Ayatollah Beheshti

With Ayatollah Khomeini either dead or near death, an eruption of factional violence among the various warring ruffians comprising the clergy-dominated Islamic Republican Party could rapidly lead to the murder of the American hostages and spark a U.S. military invasion that could escalate into a full-blown confrontation in the strategic and oil-rich Persian Gulf.

Until now, Khomeini has been a sort of perverse unifying symbol among this following—a motley and corrupt band of cutthroat mullahs and their hangers-on. With Khomeini out of the picture and the population being acclimated to his demise, the various factions are preparing to fight it out—a brawl in which the hostages may become expendable political pawns.

The only coherent forces having the potential to take on the mullahs inside Iran are organized around the Soviet-connected Tudeh Party. The Soviets have no intention of sitting by as Iran continues to disintegrate further, exporting Islamic radicalism throughout the region and into the Soviet Union itself.

Under these circumstances the large community of Iranian émigrés located in the United States and Europe are preparing to make their move to establish some form of order against the corrupt and squabbling mullahs who are incapable of exercising power.

According to intelligence sources, the disintegration of Iran could well become the Gulf flashpoint between the United States and the Soviet Union, especially since Israel's Mossad intelligence service is actively fomenting such a confrontation. Last week, the Mossad-linked Voice of Lebanon, a private radio station controlled by the Israeli-linked branch of the Lebanese Falange Party, reported that five American hostages had been killed in Teheran. The report could have provoked a U.S. military intervention into Iran, as it coincided with the Pentagon's announcement that 1,800 Marines had been dispatched from the Indian Ocean to the Sea of Oman area near Iran.

Whatever the various scenarios and deals that are being cooked up for Iran, one thing has become evident in recent weeks: The *EIR* and its exposés have thrown a monkey wrench into the operational feasibility of virtually all of the scenarios and deals. The *EIR* "has taken over the entire Iranian exile community in this country and abroad," University of Pittsburgh Professor Richard Cottam recently lamented to a colleague. As such, the *EIR* has now become a "wild card" in the Iran situation, crimping the plans of the Anglo-American gamemasters while at the same time affording the republican forces within the exile community and their sponsors a certain margin for their own operations to restore order and sanity to Iran. According to Cottam, who is one of the key figures instrumental in bringing Khomeini to power, the *EIR* has "changed the rules of the game."

"For example," Cottam recently pointed out, "it was the *EIR* that made British intelligence and its role in the Iranian revolution an issue. Every Iranian that I talk to is now convinced of Britain's dirty operations in Iran."

Last week, Iranian officials closed down the Anglican bishopric in Isfahan for carrying out espionage and terror in Iran. It was also revealed that the United States had financed the Anglican outpost to the tune of \$500 million, and that the Anglicans were working through the Bahai sect. The Anglicans and the Bahais' activities are known widely in Iran through circulation of *EIR*.

Iranian intelligence sources report that Ayatollah

INTERVIEW

Richard Cottam on his thwarted Iranian plans

A colleague of University of Pittsburgh Professor Richard Cottam has informed the EIR *of Cottam's latest activities: "deprogramming" Iranian exiles into "accepting Khomeini and the Iranian revolution as a fact of life." Cottam is particularly concerned about the role of the* EIR *in breaking open the "controlled environment" that he and others have been trying to impose on the Iranian exile community—an environment of despair and helplessness.*

Cottam, a former State Department official who spent years building the opposition to the Shah in Iran, was the personal contact man and controller of Ibrahim Yazdi and Yazdi's understudy, Sadegh Ghotbzadeh. Excerpts from the following conversation with Cottam have been made available to the EIR.

Q: Have you seen the recent charges by Empress Farah accusing Brzezinski of being behind the Shah's overthrow in the interests of playing the Islamic card against the Soviets?
Cottam: No, I haven't seen those yet. Her charges sound to me like LaRouche.

Q: The presidential candidate?
Cottam: Yes. It's bizarre, but LaRouche's craziness has taken over the entire Iranian exile community in this country and abroad. LaRouche puts out this magazine, the *Executive Intelligence Review*, that comes out once a week. And the exiles read it like nothing they've ever read before. It's their Bible. As soon as it's off the press, they buy it up. Everyone reads it. And they believe all of it!

I've been trying to get it across to them that the elaborate conspiracy theories of the *EIR* are not true. But

LETTERS

EIR's Iran coverage draws responses

Dear Editor:

Recent copies of the New Solidarity Press Service have tied my name to some Iranian terrorist groups in the United States and a link supposedly between the two governments!!! A ridiculous fiction and a well-deserved scenario for the TV serials.

I cannot imagine how an instrument of the mass media could act in such an irresponsible manner, accusing people and creating damage to them in every aspect without the slightest investigation from the proper sources of both nations.

During my time in office, I severely dealt with corrupt elements. Talking to your office, it seemed the story is made out of information given by some of those elements currently living in the U.S. Unfortunately at this time the only option left is to prosecute it through legal channels.

There never was, at any time before and after revolution, any sympathy, not to mention connection, between me and any element of the present ruling group in Iran.

Throughout my life I have been an advocate of principled and moral character and I intend to stay that way.

Admiral Kamal Habibolahi
Ex-Chief, Imperial Iranian Navy

The Editor replies:

The best course of action for all parties concerned would be for Admiral Habibolahi to come forward and give a frank and full account of the events in Iran in which he was a participant in the early months of 1979. The Admiral at that time had affixed his signature to an infamous document in which the Iranian General Staff proclaimed its neutrality in the contest between the then duly constituted Iranian State and Ayatollah Khomeini.

That declaration of neutrality was instrumental in bringing Khomeini to power and the Admiral cannot evade personal responsibility. Whether he and others of his colleagues were coerced into signing that declaration is not known. The Admiral will be performing a vital public service and assisting in restoring his military honor if he explains publicly the circumstances under which he was made to sign a document that was illegal from the standpoint of both military and civilian law prevailing at the time in Iran. If he was coerced by General Huyser or General Gharabaghi into dignifying that illegal action, both the Iranian the problem is that they don't listen to me, because they see me as part of the conspiracy, as part of the Muslim Brotherhood. The reason for this is that the *EIR* targeted me once in one of its articles.

What the Iranians here don't realize is that, contrary to what the *EIR* says, Kissinger, Rockefeller, Brzezinski are their best friends, not their enemies. In going after the British, or the National Security Council, they are going after the wrong targets!

Q: What are you focusing on these days vis-à-vis Iran?
Cottam: Since I've become so much of a target, I've had to lay low. I'm now doing theoretical work on conspiracy theories—where they come from, who picks them up, why they get picked up, how to get rid of them. What I am trying to figure out is how to preempt these conspiracy theories from taking root. If people are aware of their tendency to succumb to conspiracy theories, they become sensitized to them and resist them. It becomes a self-denying process, and the conspiracy theory is rejected.

Q: Have you had any luck with the Iranian exiles with this approach?
Cottam: Unfortunately, not too much. Most of them won't meet with me any more because of the charges put against me. This is because of the *EIR* again. What the *EIR* has written, and the influence it has in the exile community, cuts access for me. And access to Iranians is very important for my work.

However, I have spent some time with some individuals in the exile community. I play around with them using the theory I'm developing. I show them that the U.S. did not put Khomeini into power, that the British were not behind the revolution. I tell them that maybe, in the past, the British were influential in Iran, but not any more. Eventually, they get convinced, and it depresses them. Because once they stop believing that the U.S. is behind what happened in Iran, they feel that the situation is hopeless, that there is no way out, and they give up. They realize that the U.S. has no leverage in the situation. They realize that the U.S. is helpless in the face of the Iranian revolution, and so are they.

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nation and the world are entitled to know.

Unless the Admiral's position vis-à-vis this specific historical circumstance is clarified, it will be virtually impossible for the *Executive Intelligence Review* to reevaluate the nature of the Admiral's links with the terrorist networks run by the rugmerchant Bahram Nahidian and Mr. Nahidian's controllers, the banker Cyrus Hashemi and Captain Setudeh. Captain Setudeh, after all, was a Habibolahi appointee as the public record shows.

Should the good admiral assist us in clarifying these matters, this publication shall be more than pleased to publish the truth, especially if the truth does honor and justice to Admiral Habibolahi.

Criton M. Zoakos
Editor-in-Chief

Aug. 26, 1980

Dear Sir or Madam:

As counsel for First Gulf Bank & Trust Limited for Dr. Cyrus Hashemi and for Mr. Reza Hashemi, we are herewith demanding a formal retraction of each and every reference to or naming of our clients published at any time by New Solidarity International Press Service, the U.S. Labor Party and or any affiliated or related organizations incuding but not limited to *Executive Intelligence Review, Investigative Leads, New Solidarity Special Report* and any other named and unnamed pamphlets, papers or publication.

References purporting to link our client with propaganda, terrorist activities, drug activities, protest or financial support thereof, or any related activities are wholly false, untrue and defamatory and have caused our clients severe damage, including damage which is as yet uncalculated.

We demand that this retraction be published in the next regular issue of each publication in which our clients' names have appeared and that such retraction appear in as conspicuous and public a manner as that in which the defamatory statements were published.

O. Jackson Cook

The Editor replies:

Please be advised that before this publication printed any account of your clients' reported activities on behalf of terrorist networks in the United States—accounts based on numerous responsible reports—it visited Mr. Hashemi's offices in New York City for the purpose of verifying or refuting the reports at hand. Mr. Hashemi refused to meet personally with our representative and he instead delegated the interview to a gentleman claiming to be Mr. Hashemi's attorney at the time.

Given the opportunity to review our charges against Mr. Hashemi, that attorney refused to either confirm or deny those charges. We are therefore justified in claiming that the burden of disproving our charges falls upon you.

Criton M. Zoakos
Editor-in-Chief

Khalkhali, who has recently surfaced on the side of Iranian President Abolhassan Bani-Sadr, is drawing from old *EIR* exposés of former Foreign Minister Ibrahim Yazdi as the source material for his charges that Yazdi is a creation of British and American intelligence. Yazdi has been the ringleader of efforts inside Iran to persecute Iran's Jewish minority and was personally responsible for the ouster of Jewish leader Esragh Farmandpur from the parliament.

Tensions run high

The likelihood of a U.S. military move to exploit the Iran crisis as an international hotspot is being heightened by the recent—and deliberate—flareup of tensions between Washington and Teheran.

Last week, the Iranian militants holding the American hostages provoked a heated exchange with the U.S. State Department by issuing a public statement that "all hostages and the attackers will be sent to hell if the United States attempts the slightest military action." The militants declared that they are on "full alert" and have decided to transfer some of the hostages to new secret locations "in order to thwart any possible plot." The militants announced that they are bracing for a raid to occur some time prior to the Nov. 4 presidential election in the United States—the one-year anniversary of the embassy takeover in Iran.

The State Department responded that the United States will hold Teheran responsible for any harm to the hostages. The statement was worded to imply that Washington will use force.

Last week, President Bani-Sadr announced blackout drills in three of Iran's western provinces in light of "the faint possibility of an incursion into Iranian airspace."

Reports persist that a deal to avert a military intervention may be in the works. Foreign Minister Sadegh Ghotbzadeh—Richard Cottam's personal protégé—has begun to send out signals that the faction in Iran around himself and Bani-Sadr may be interested in working out some sort of arrangement on the hostage situation, an indication that a comparatively realistic faction inside the Anglo-American intelligence establishment wants to put the lid on the crisis. The deal is contingent on Ghotbzadeh's commitment to maintaining Iran in an "anti-Soviet" mode. On cue, Ghotbzadeh blasted Iran's communist Tudeh Party and the Soviet Union for being responsible for the turmoil in Iran.

Khomeini: on his way out

Whether dead or alive—rumors from Teheran have it that he is very much dead—it is clear that Khomeini will not be a factor in Iran much longer. In a statement he purportedly made last week, Khomeini said as much. "The nation exists in my absence and the people know what they must do," Khomeini said. Earlier, Ayatollah Montazeri, the expected successor to Khomeini, had announced that Khomeini was too sick to receive visitors and too sick to speak, an announcement interpreted by Iranians to mean that Khomeini had died.

In this situation, anarchic upsurges can explode from Iran's tribes and minorities, all of whom have been rushing to make contacts with the intelligence agencies of Israel, Britain, the U.S., and others to build up their assets for a civil war.

Alluding to this "Frankenstein" aspect of the Iran crisis, former Prime Minister Shahpour Bakhtiar, in an interview with London's *Now!* magazine, stated that he sees "a real danger that the fanatics now in power could just blow up the oil wells." Other intelligence sources report that the chaos could spill over into the Gulf countries of Kuwait and Bahrain, igniting radical student unrest now simmering there.

Beheshti: a Carter administration agent

Inside Iran, attempts to put together some kind of government have failed repeatedly because of intense feuding within the Islamic Republican Party and between IRP and the anti-IRP opposition congregated around Bani-Sadr. Prime Minister Mohammad Ali Rajai, the puppet of the IRP, and Bani-Sadr, the IRP's adversary, have been at loggerheads over the formation of a cabinet. No immediate end to the impasse is in sight.

In the eyes of the State Department and the National Security Council, the formation of a cabinet was viewed as the beginning of a new era of stability in Iran and the instrument for working out a deal over the hostages. In expectation of such a cabinet, the State Department has been stepping up direct and indirect contacts with Ayatollah Beheshti, the real power broker in the IRP. According to unconfirmed rumors circulating in Washington, Beheshti surfaced in Washington last week for consultation with Carter administration officials.

In addition, a source close to Bani-Sadr in Europe has turned over scandalous material to the *EIR* revealing that Beheshti is being secretly played as "the American card" by the Carter administration. "Beheshti is being covertly pushed by the United States as the best to work with," the source reported. The source revealed Beheshti's work in Europe with SAVAK, the Shah's secret police apparatus. "Along with Ibrahim Yazdi, Beheshti has terrorized and killed his opponents in Iran who have the goods on his seedy past," the source stated to *EIR*. Rumors are surfacing that Bani-Sadr's allies will soon unveil Beheshti's ties to Israel's Mossad.

Ghotbzadeh is likewise zeroing in on the IRP fanatics in a tacit alliance with Bani-Sadr. "Those who, seeking to wipe out all traces of approval of the Shah's regime, declare that science and specialization must take second place behind the Islamic religion are simply trying to impose their domination using the Koran as a cover." ■

Mexico on 'enemies list' in U.S. regional showdown drive

by Tim Rush

Americans have become so inured to continuing declines in U.S.-Mexico relations that further deterioration is met almost with a shrug of the shoulders.

Yet current U.S. policy toward Mexico is on the threshold of a qualitative change, a change toward *strategic* confrontation which promises to make the days of James Schlesinger's sabotage of U.S.-Mexico relations over the natural gas issue look like a period of exemplary neighborliness by comparison.

In the past week:

- Mexico's Interior Minister, Enrique Olivares Santana, called in U.S. Ambassador Julian Nava for a special audience to convey Mexico's extreme displeasure with recent U.S. policy pronouncements;
- Several political parties called for Nava's ouster from the country. The semi-official daily *El Nacional* concluded a scathing editorial by suggesting that Nava "would be better off keeping his mouth closed" since "his diplomatic talents are not noticeable."
- A top-ranking military figure urged that the military begin serious preparations for defense of the oil fields from foreign aggression.

The heart of this rapidly maturing crisis is Washington's decision to gun for immediate confrontation with the Soviet Union over Cuba. This is the regional corollary of the PD 59 limited nuclear war doctrine, and it involves a chain of options leading from use of Rapid Deployment Forces up to "tactical nuclear weapons."

To carry off such a confrontation, the U.S. must isolate Cuba from its hemispheric neighbors. Just as such isolation seemed to be gaining force around the incidents leading to the exodus of Cuban refugees last spring, however, Mexican President López Portillo announced that he would visit Cuba during the summer. And when he arrived at the beginning of August, he made the strongest-ever pledge of Mexican support for Cuban sovereignty and independence. This continued Mexico's traditional policy of friendship, which in the early 1960s led it to be the only country in the hemisphere to maintain trade ties with the island during the U.S.-led embargo.

Enraged Washington policymakers have responded with a series of public and private demands that Mexico line up behind Washington confrontation tactics or be viewed as a direct adversary of the same class as Cuba.

The place where Washington hopes to force the issue is Central America, specifically El Salvador. Washington has told Mexico that it must declare one way or the other—with the left opposition in the country or with the Washington-backed junta.

The Carter strategy is identical to the policy of Reagan's advisers, who appear to differ only in asserting that they should have the privilege of carrying it out themselves rather than the "bumblers" in Carter's camp.

Three elements

The immediate issues in recent tensions were summed up by a top State Department official: "There seem to be three strands in there and they're all woven together—the *Heraldo* coverage of LaRouche, the *Excelsior* document, and in between, Nava's statements."

To most Americans, the official's statement will come as a complete mystery. In a clampdown on information reminiscent of a wartime blackout, the major U.S. media covered none of these stories or Mexico's angry response. (See accompanying chronology.)

But the three incidents converge to sketch a devastating map of the strategic conflict already brewing.

Starting Aug. 11, a major Mexican newspaper, *El Heraldo*, began sustained coverage of charges made by *EIR*'s founder and contributing editor, former Democratic presidential candidate Lyndon H. LaRouche, that Brzezinski's policy is to "Iranize" Mexico in order to sabotage its industrialization efforts and ultimately seize control of its oil resources. In a clumsy effort to deflect the impact, the American embassy violated U.S. law and sent the newspaper involved unsolicited and libelous materials concerning LaRouche.

Four days later, upon returning to Mexico from the Democratic National Convention, U.S. Ambassador to Mexico Julian Nava called a press conference to demand that Mexico "clarify" its policy of friendship toward Cuba. This set off a furor in Mexican official and press circles. A week later, Nava compounded the provocation by telling a Lions Club meeting that Mexico is "a battleground of the world's great powers."

Then, on Aug. 25, the daily newspaper *Excelsior* published a banner front-page story reporting the existence of a National Security Council (NSC) memorandum on U.S.-Mexico relations. According to *Excelsior*, the memorandum states that if Mexico does not accede to U.S. hemispheric policy, Mexico will be treated as an "irresponsible power" acting contrary to U.S. national security interests. "Mexico's distancing itself from formerly common positions with the U.S. has been most evident in its international policy with regard to the Caribbean and Central America," *Excelsior* cited the memorandum as asserting.

Despite official denials from the State Department and NSC that such a document exists, the sections quoted by *Excelsior* cohere too closely with visible U.S. policy to allow Washington's disclaimers much weight.

The NSC memorandum as excerpted by *Excelsior* recommends that "the concern and general confusion in certain policy circles in the U.S. regarding the apparent official policy of the Mexican government toward U.S.-Cuban bilateral relations be communicated to President López Portillo," together with a request for an "opportune clarification of Mexico's position." The document reportedly further notes Mexico's "fear that the crisis in that region [Caribbean and Central America] could turn it into a battleground of the major ideological forces in the world."

The language is precisely that of Nava, a nervous greenhorn ambassador apparently following script down to the letter.

A month before, NSC Mexico staffer Timothy Deal had told a meeting of the U.S.-Mexico Chamber of Commerce in Washington that the signals from Mexico concerning its Central America policy "were not clear." Referring to Nicaragua, Washington wanted to know if official Mexican policy was to back further Sandinista-style uprisings, or join U.S.-backed center-right forces, he stated.

In an interview with *EIR* this week, Deal confirmed that "the most important thing is what Mexico will do in Central America. We are watching carefully. We do see the situation differently from them."

'Intervene in a drastic way'

The Reagan policy advisers' version of the same doctrine was spelled out in, among other locations, the Summer 1980 issue of *Washington Quarterly*, the magazine of the Georgetown Center for Strategic and International Studies (CSIS). James Theberge and Roger Fontaine, both past directors of the CSIS Latin America division, are two of the principal Reagan policymakers on Latin America. Fontaine left the Center only two weeks ago.

A lead article in the Center's quarterly, authored by private consultant and reputed former CIA stringer Daniel James, charges that Mexico's policy toward the U.S. has shifted 180 degrees under López Portillo. Mexico is "aggressively moving to extend its influence into the Caribbean and Central America." Mexican involvement on the side of leftist forces could provide decisive impetus to a "revolutionary hurricane" offering "an irresistible temptation to the Soviets and their Cuban satellite." In such a case, to maintain the Caribbean as an "American Mediterranean," the United States would have no alternative but to "intervene in a drastic form."

Carter and Reagan strategists alike are well aware that "hard-line" U.S. postures only help local insurgents to speed up possible Mexican radicalization along these lines. The inference is clear that, as in Iran, the State Department is willing to deliberately foment anti-American movements if the ensuing internal breakdown appears strategically advantageous.

Mexican response

Statements by senior Mexican officials reflect an acute awareness that U.S. policy under either a Carter or Reagan indeed lead toward such a "drastic intervention." Rear Admiral Fourzan Márquez, speaking alongside López Portillo Aug. 23 in a statement widely assumed to have been personally cleared by the President, declared that Mexico's historical commitment to a foreign policy of strict nonintervention was no longer sufficient to guarantee Mexican security. He called for stronger military preparedness to meet any "internal or external acts carred out against our interests," and added the striking suggestion that the armed forces advise in the planning of future industrial complexes so as to guarantee that national security requirements be fully taken into account.

Some officials are even known to be discussing resurrection of the "Calles Doctrine." This was the mid-1920s directive of then-President Plutarco Elias Calles, during a period of intense hostility between Mexico and the U.S. government over oil development, that Mexico's oil fields were to be torched if the U.S. made moves to physically invade or support local insurrections.

Since its first weeks in 1977, the policy of the Carter administration and its NSC has been to keep Mexico as economically backward and politically unstable as possible, in order to minimize its international influence and maximize potential U.S. control of Mexico's Saudi-sized oil fields. Now, if Washington persists in its drive for a superpower confrontation over the Caribbean, amidst the broader dangers is the certainty that bilateral U.S.-Mexico relations will disintegrate.

have equally powerful reasons for maintaining and encouraging these relations.

Ambassador Nava's new diplomacy

In statements Aug. 15 and 21, U.S. Ambassador to Mexico Julian Nava called Mexico a "battleground between the superpowers," and called on the Mexicans to "clarify" their relations with Cuba. It subsequently turned out to be the case that Nava had been ordered to provoke tensions between the U.S. and Mexico by the U.S. National Security Council. Meanwhile, Mexicans were amazed at what they heard. Nava told an Aug. 15 press conference:

There are various sectors of the U.S. public which are confused and fail to understand the intimate friendship between Mexico and Cuba. . . . I must confess that I myself don't completely understand it, because Mexico is basically democratic while Cuba is not. . . . It could be necessary for the U.S. to redefine its aid policy in the context of Mexico's foreign policy towards Cuba.

On Aug. 21, Nava told the Mexico City Lions Club:

The Mexican revolution was the first popular social revolution of the century. . . . I beg you not to forget your liberal history. . . . You owe nothing to the Russian, Chinese, Cuban or any other revolution; rather this country, which today is a battleground between the world superpowers, has an experience which can serve many other countries.

The Mexicans responded to Nava's statements with uniform outrage:

Ruling PRI party: We are a free country which maintains relations with whomever we wish.

El Heraldo, Aug. 17 editorial: There are many in Mexico who . . . have long had their doubts concerning the U.S. but who have not been able to call a press conference to demand of the Carter administration, for example, an explanation of the close, cordial and intimate relations that Nava's (eminently democratic) country maintains with (eminently communist) China. We do not understand this either; but his government, like ours, must have equally powerful reasons for maintaining and encouraging these relations.

El Nacional, Aug. 23 editorial: Mr. Nava is a great academic, but not much of an ambassador. . . . In his spontaneous oration, Nava made the brilliant discovery that the Mexican revolution owes nothing to either the Russian, Chinese or Cuban revolutions—a rather obvious truism given that our revolution occurred many years before the Russian, Chinese and Cuban revolutions.

Nevertheless, what was most surprising in Dr. Nava's speech was his charge that Mexico is the battleground between the major powers . . . perhaps through cloak-and-dagger espionage concerning which Nava—as representative of the most powerful country in the world—must render account. . . .

It is necessary to forcefully and absolutely reject the notion that any fight of the sort Mr. Nava implies be conducted on our territory. If there is one thing we know, it is how to defend our sovereignty and our ideological independence.

Mr. Nava is a good man . . . despite the fact that his diplomatic talents are not noticeable and would probably be better demonstrated by keeping his mouth shut. . . .

Joaquin Gamboa Pascoe, President, Mexican Senate: I think that Mexico's position on matters of international policy is well defined: We do not accept advice, nor suggestions, nor intervention. . . . [Our policy] is based on full sovereignty, self-determination and non-intervention. . . . Whoever thinks that they can alter these principles is mistaken.

El Heraldo, Aug. 24 editorial: The Senator [Gamboa Pascoe] has made statements that are not uncalled for. It is always good for everyone, Mexican and foreigner alike, to remember that Mexico is an independent nation, jealous of its sovereignty, and its government will not tolerate interference, no matter where it comes from.

Mexican Democratic Party: We are all grown-up enough now to be able to shape our own destiny.

Socialist Workers Party: The least that this gentleman can do is return to his country to finish his studies in diplomacy—that is, if he ever began them.

Popular Social Party (PPS): [Nava] doesn't have the slightest idea of what diplomatic relations between two countries should be, especially between Mexico and the U.S., who share a border of thousands of kilometers. . . . He has no business expressing his views, and that is why the PPS reiterates that he should leave the country, although it seems that he wants to be pushed out.

The Lyndon LaRouche-El Heraldo file

Over the past two weeks, charges by former U.S. presidential candidate Lyndon H. LaRouche that National Security Adviser Zbigniew Brzezinski was responsible for fomenting the "Iranization" of Mexico have reverberated throughout the Mexican political scene.

In the following chronology, the continuing coverage of the LaRouche charges in one of the leading Mexican dailies, El Heraldo, *is seen in counterpoint to efforts by the U.S. embassy to hush up the story.*

Heraldo, *a right-wing paper, has been known for its pro-U.S. outlook. Observers see its coverage of the LaRouche charges as part of a larger story than the newspaper's declared preference for Reagan. These observers believe a nationalist grouping, possibly tied to a faction of the military, may be using this channel to relay an important danger signal to Washington that U.S. policy is on the brink of disaster far greater than generally believed. But there is no sign Washington is listening.*

Aug. 11: As the U.S. Democratic presidential convention gets underway, *El Heraldo* runs a New York-datelined article by correspondent Leopoldo Mendivil under the 8-column, banner headline, "Brzezinski Tries to Destabilize Mexico: LaRouche." The key charges:

"The National Security Council, directed by Zbigniew Brzezinski, has attempted to carry out a policy of destabilizing Mexico to achieve the 'Iranization' of this country, which could lead at some point to a military occupation, especially of Mexico's oil-producing areas. This 'Paddock Plan,' as the project is called, is based on the premises of the Trilateral Commission, and is designed to achieve a rapid decrease in the Mexican population by the end of the century and to guarantee the U.S.'s energy supplies. All of this is occuring in the midst of what the [Carter] administration and other liars claim is an imminent reduction in oil resources, said Lyndon LaRouche. LaRouche is one of the possible winners of the Democratic presidential nomination, should that party's national convention decide today to free its delegates. . . .

"LaRouche, who has formed a widespread international political intelligence network, and who is linked to the proposal for the creation of the European Monetary Fund, has attacked the Carter administration with weapons and arguments that even the Republicans have not used—among them LaRouche's statements that document the links that exist between a number of members of the White House staff and the mafia and the big drug runners.

"LaRouche is the only candidate who, in his political platform, has referred at length and in depth to relations between Mexico and the United States."

Mendivil then quotes extensively from the section on Mexico in LaRouche's 1980 Draft Democratic Party Platform, *The Next 50-Year Economic Boom*, especially the section in which LaRouche denounces Brzezinski's Presidential Review Memorandum-41 (PRM 41), the document that proposes "a policy of forcing Mexico into perpetual underdevelopment and poverty of its people...."

Aug. 12: *El Heraldo's* lead editorial demands investigation of LaRouche's charges—and reveals something the U.S. embassy is very unhappy to see in print:

". . . The United States embassy in our country yesterday sent this newspaper documentation with which it seeks to discredit the statements by LaRouche . . . .

"Independent of LaRouche's identity, the charges have been made and they merit a clarification from the White House. LaRouche denounced the existence of a Memorandum 41, which has already been much talked about in our country.

"In that memorandum, prepared by Brzezinski's group, a political strategy is proposed which would constrain Mexico to perpetual underdevelopment and the poverty of its people. The objective is to 'Iranize' our country such that, in the long run, a military intervention could be justified.

"LaRouche also presents some of the points of the 'Paddock Plan,' a project for the genocidal reduction of the Mexican population by the end of the century . . . .

"These charges, come from where they may, seem to us extremely serious. In effect . . . there is a plan to keep us in underdevelopment in order to take advantage of our energy resources. . . ."

Aug. 12: A spokesman for the LaRouche campaign apprised of the contents of the *Heraldo* editorial, charges the U.S. embassy with "deliberately disseminating false and libelous reports to the Mexican press regarding the campaign and background of Mr. LaRouche." He adds that "The Carter administration is illegally using the American diplomatic mission to conduct 'dirty tricks' against LaRouche to further his own partisan electoral campaign."

In response to LaRouche campaign inquiries, a top official of the U.S. embassy confirms that the embassy has indeed disseminated an unsolicited packet of press clippings on Mr. LaRouche. The official states "I am aware that we sent information" to *El Heraldo*, and that "we may have sent it without their requesting it."

Aug. 13: Spokesmen for a large number of Mexico's political parties comment on the LaRouche charges. The spokesman for the ruling PRI party states he awaits further information before judgment. All the opposition parties agree the accusations have merit, except the Mexican Communist Party, which comes to Brzezinski's defense. PCM leader Pablo Gómez, interviewed in *Excelsior*, declares that "I don't think the U.S. government, whether it is Reagan or Carter, wants to destabilize Mexico. It is in their interests for Mexico to be stable."

Aug. 14: The Mexico desk of the U.S. State Department calls LaRouche headquarters in New York requesting full materials on LaRouche's background and his statements on U.S.-Mexico relations.

Aug. 15: Asked at a Mexico City press conference about the LaRouche charges of "Iranization," U.S. Ambassador Nava states that he knows of LaRouche, but that he is a "minor contender" in the U.S. elections and that his statements "have no importance."

Aug. 21: Returning to the theme, *Heraldo* writer Mendivil reviews the embassy efforts to discredit LaRouche and notes that he had done some homework before filing the original story:

"Among other things [LaRouche] has done, he participated in a movement to set up what could become a kind of European Monetary Fund, against the International Monetary Fund, which would serve principally to promote the development of the underdeveloped countries, not as Good Samaritans, but from the perspective that if the great industrialized countries want to continue being that in the medium- and long-term, they must assure that they have buyers of their products. And a bunch of starving, miserable, impoverished, penniless and over-indebted countries obviously couldn't be that.

"LaRouche, in fact, was presidential candidate for the U.S. Labor Party in the 1976 elections and then applied for membership in the Democratic Party. And the Democratic Party accepted him.

". . . This reporter is sure the U.S. embassy in Mexico will manage to understand this. And, let's hope LaRouche says other things which have to be brought to the light of day."

Aug. 23: *El Heraldo* runs an op-ed by Luís Felipe Bravo Mena titled, "Nothing New, But . . . Pay Attention to the LaRouche Charges." Representing an anti-LaRouche faction, Bravo nevertheless makes clear that the charges must be followed up:

"In order to judge the truth of LaRouche's charges, it is necessary to warn that LaRouche is the world leader of an extremely strange international movement which operates in the United States, Germany, Canada and Mexico . . . .

"We consider that LaRouche's charges could be colored by some exaggeration and a certain distortion, but should not go unnoticed or be dismissed by the Mexican authorities. There must be some truth on them in light of the fact that government birth control policies—which push pills and abortion—have been imposed on us by high financial policy circles in the U.S. It is also known that our oil wealth has whetted the appetite of the worst North American political tendencies.

". . . Curiously, those involved in provoking problems are the official trade unions and the Mexican Communist Party. It wouldn't be too strange if it turned out that . . . the professional agitators of the Communist Party were the 'long arm' of Brzezinski for putting the PRM 41 into practice."

Aug. 25: At the State Department noon briefing, deputy spokesman David Passage is asked if the State Department has yet reprimanded the officials at the U.S. embassy in Mexico who supplied *El Heraldo* the defamatory accounts on LaRouche. Passage states he has no information on the matter and will initiate inquiries, but adds, "I would like to point out that . . . one of the functions of our embassies overseas is to provide information to foreigners. Typically, to avoid the U.S. government's preparing material, we take available material that we can send."

Aug. 25: Mendivil, continuing the *Heraldo* series, notes that the U.S. embassy had hurried to discredit "the accuser and not the accusation" in relation to the LaRouche charges. Now, Ambassador Nava's own statements tip the balance, says Mendivil:

"In his presentation to the Lion's Club [Aug. 21—see accompanying story] Nava said, 'Mexico today is the battleground of the major powers.' And if the country which he represents is one of the greatest of these major powers, then there is no need to search further. The ambassador has confirmed the charges of his fellow American LaRouche."

Central America's strategic triggers

by Gretchen Small

If Mexico has suddenly been declared a "battlefield" between the Soviets and the "West," Central America is already considered a full-scale war theater.

One recent press commentary on Central America in fact called that area a "curtain-raiser" for a new world war. "There are growing parallels between the current conflicts in Central America and the Spanish Civil War of the mid-1930s," asserted an article appearing in the Sept. 1 issue of *Business Week*. "Just as the Axis powers and the Soviets tried out weaponry and propaganda in Spain," the article continued, "today various international powers are experimenting with the latest in infiltration, propaganda, and guerrilla warfare in microcosm in the isthmus."

"Well-meaning Western diplomats" are as oblivious now to the activities of communists in Central America as they were to the "long arm of Stalin 40 years ago in Spain," author Sol Saunders added.

In London's *Daily Telegraph* Aug. 24, Robert Conquest, a frequent *Telegraph* commentator, argued that the old ideas of "national independence and sovereignty" must be put aside today just as they were "in the last war," citing the occupation of Iceland and the overthrow of the Rashid Ali regime in Iraq as exemplary. "One can envisage extreme circumstances in which the interests of our country, of the West . . . might strongly suggest direct intervention without adequate political preparation," as in the case of a Soviet or Cuba-allied takeover.

Conquest counseled, perhaps a joint military force, "with British participation, might be established by treaty" among various states in the Caribbean.

On Aug. 9, a potential new front was opened. Belize, formerly British Honduras, has been slated for independence for decades. But on Aug. 9, British Foreign Secretary Lord Carrington announced in Mexico City that Belize would be independent by early next year—if all goes as planned.

Independence for Belize had always been snagged before because of Guatemala's historic claims that Belize is a part of Guatemala. No discussion of the issue has taken place since the last round of negotiations collapsed in fall 1978. British troops have remained in Belize to prevent Guatemala's threat to militarily take over. Belize and Guatemala together make up the southern border of Mexico, and any Guatemalan military incursion into Belize would immediately involve Mexico in the conflict. Mexico has maintained its own historical counterclaims on part of Belize as a check on Guatemalan pretensions.

Guatemala has traditionally claimed that the entirety of Belize was a part of its territory, a claim even included in the country's constitution. In recent years, however, the Guatemalan military and its political allies began charging that Belize would serve as a training ground for Cuban-sponsored guerrillas from across the region. *El Imparcial,* a leading Guatemalan daily, went so far as to recently editorialize that the July visit to Cuba of Mexican President López Portillo represented an intervention into Guatemala's "internal affairs," because both Mexico and Cuba support Belize's right to independence.

According to some sources, the Guatemalan government has come close to agreeing to a settlement of the issue: taking a strip of "swampy land" and a corridor to the Caribbean coast, as a replacement for all of Belize—particularly if Britain throws in economic aid as a sweetener. But it is not at all clear the Belizean government would agree to turn over even a small piece of territory, and even less clear that sections of the Guatemalan military would go along with *any* partial concessions. ■

'Incoherent policy'

Former U.S. ambassador to Mexico Patrick Lucey, now the running mate of independent presidential candidate John Anderson, has started to tell stories about his 1977-79 stint in Mexico—what it was like being an ambassador during an administration that is universally acclaimed to have achieved the worst possible relations with its southern neighbor Mexico in a mere four years. In the editorial pages of the *Washington Post* on Aug. 26, columnist Mary McGrory provided the following insight into what Lucey has since told his friends about that period:

"His tenure in Mexico was an education in the incoherence of the Carter presidency. His cables and recommendations were ignored. The reports of the CIA station chief had greater weight. The White House sent hare-brained initiatives and super-envoys to work behind his back."

"He felt that the U.S. could have worked out a highly satisfactory deal on urgently needed Mexican oil through careful and conventional diplomatic aporoaches, instead of the systematic insults of then-secretary of energy, James R. Schlesinger."

Brawl between the economics chiefs

The Industry Minister and Finance Minister have fought openly over the pace of steel development.

Rumor mills have been working overtime in Mexico City this week, in preparation for the Sept. 1 State of the Union speech by President José López Portillo. This will be the last such speech before the Mexican president chooses his successor; so jockeying for position now is of paramount importance for those who have their sights set on Los Pinos, the Mexican White House, for 1982.

One recent report had Labor Minister Pedro Ojeda Paullada moving to the Interior Ministry—Mexico's strongest cabinet post—from which he would be an odds-on favorite to be named as the PRI party's next presidential candidate. There is also talk in this capital that López Portillo will shortly announce the formation of two new ministries—one of supplies, which would absorb the crucial federal food distribution monopoly, Conasupo, and one of energy, which would finally give cabinet status to Mexico's all-important oil industry, and to its powerful architect, PEMEX head Jorge Díaz Serrano. The likelihood that an Energy Ministry will be formed shortly was virtually guaranteed with the statement by Industry Minister José Andrés de Oteyza—who now technically oversees PEMEX—that such a move was "a possibility."

Even more significant, in terms of shaping the *economic policy* of the next administration, was a recent meeting of the Mexican economic cabinet with President López Portillo. Reliable Finance Ministry sources told *EIR* that Industry Minister de Oteyza presented to the meeting an ambitious program for the massive expansion of steel production. De Oteyza called for a 10-year program that would invest an average of $2 billion per year in steel—for a total of *$20 billion* between now and 1990.

De Oteyza proposed that the financing requirements be met from three sources: the Mexican government, foreign financial institutions, and domestic borrowing, primarily through the issuance of $500 million a year in "Steel Bonds."

Our sources inform us that Finance Minister David Ibarra jumped to his feet to contradict his colleague. Ibarra argued that such a massive financial operation was uncalled for, especially the steel bond part, and suggested instead that de Oteyza submit a more modest proposed budget to the Finance Ministry "for approval."

President López Portillo is reported to have hit the ceiling at this point in the discussion, angrily reminding the entire cabinet that he had requested of them a comprehensive agreed-on steel development proposal over nine months earlier. He announced that he looked favorably on de Oteyza's plan and went on to give Ibarra and de Oteyza a one-month deadline, by which time they will have to agree on a steel proposal which they will jointly present to the president.

Seasoned observers of the political scene here concur that one—or possibly both—of the disputing ministers may be forced to resign. López Portillo, they note, has always governed by consensus, and since it is unlikely that Ibarra and de Oteyza can come to see eye-to-eye on steel and general economic policy, then heads will have to roll.

De Oteyza has no presidential ambitions of his own, since his father's Spanish origins constitutionally prohibit him from ever becoming president. Ibarra is also not considered to be presidential material. But many well-informed political insiders view Ibarra as little more than a stalking horse for his factional ally who does have real presidential potential—Planning and Budget Minister Miguel de la Madrid. De la Madrid is known to be quietly building up an impressive base of support in the private sector, in banking circles, and among the international financial community. His support for Chicago School monetarism has helped him in this regard.

"But anyone putting his money on de la Madrid and the Ibarra go-slow economic policy," our Finance Ministry source advised us, "should prepare himself for some surprises." He reminded us of Ibarra's recent speech to the World Economics Congress, where he endorsed the World Bank's low-technology approach. "Recall," he concluded, "that a recent editorial in the semi-official daily *El Nacional* roasted the World Bank for adopting 'colonial remedies.' As you know, signals like that are not to be treated lightly at this point in the presidential succession fight."

National News

Army chiefs accuse defense secretary

U.S. Army Secretary Alexander and Chief-of-Staff General Meyer have issued an eight-page document to Defense Secretary Harold Brown accusing Brown's staff of making such drastic cuts and changes in planned Army programs that the U.S. Army would lack the modernization and combat-readiness to sustain itself in any protracted conflict. Brown's staff proposals for the 1982 budget, according to the document, would result in "the wrong Army prepared for the wrong war in the wrong decade."

In their highly unusual statement, the Army chiefs warn that the budget proposal, to be reviewed by the President by Sept. 15, cuts the budget $1.4 billion below the level Brown himself proposed this February. They cite such decisions as the scrapping of a new nuclear warhead for the Pershing II missile, the slowdown of the Patriot air defense system, and a 40 percent cutback in purchases of Blackhawk utility helicopters as evidence that Brown refuses to modernize the U.S. Army.

The document warns against proposed reductions in war reserve stock levels from 30 days to 15, and in support backup forces for each Army division in Europe by 4,000 men. Threats to reduce lightly equipped battalions suitable for Rapid Deployment Force action are also protested.

California official points to Israeli mafia

For the first time, a section on the Israeli mafia's activities in Los Angeles is included in the California state attorney general's annual report to the state legislature. The report's release by Attorney General George Deukmejian has received front-page coverage throughout California, and follows an expose of Israeli crime figures' activity in the area by *EIR*'s biweekly *Investigative Leads* service.

The report documents the existence of a network run by Joseph Zacharia, an Egyptian-born Israeli, in Los Angeles. The network has, according to the report, run bankruptcy fraud, arson, extortion, and murder operations. Sixty firms in the Los Angeles area are complicit in laundering funds for narcotics smuggling from Colombia, Brazil, the Bahamas, and Mexico. Zacharia currently faces charges for the murder of a couple believed to be his rivals within an Israeli cocaine ring.

According to Los Angeles sources, Zacharia and his networks have been under investigation by local police and state authorities for the past five years, but pressure from the Israeli consulate, local Zionist organizations, and the *Los Angeles Times* had hushed up the evidence. The Attorney General's report and recent *Los Angeles Times* publicity at this point is regarded by *IL* as a possible attempt to confine the investigation to Zacharia without implicating his controllers in Israeli intelligence.

Crane, McDonald oppose fusion energy bill

Prominent among the handful of congressmen who voted against Mike McCormack's fusion energy bill this week were leading conservative spokesmen Larry McDonald and Phil Crane. The conservative opposition took a number of observers by surprise since both Crane and McDonald had made names for themselves by deploring the decline of U.S. military capabilities vis-à-vis the Soviets, and it is well known that the broad scale Soviet R&D effort in controlled fusion is hastening the development of charged particle beam weaponry.

A Crane spokesman said that the Congressman had opposed the bill "because there is no provision in the Constitution for government-supported scientific research." McDonald's spokesman echoed Crane's argument about the unconstitutionality of scientific research "except for defense purposes." "In any case," he said, "the research could be handled much better if it was left to private enterprise." Asked if he thought the U.S. would have gotten a man on the moon in 10 years if there had been no government program, McDonald's aide replied, "We would have, if there had been a demand. In any case, if it hadn't been for government regulations holding down the price of oil, we would have been able to develop a lot more oil and stretch it out a lot longer, and then we wouldn't be in such a rush to develop fusion power at such a catastrophic rate."

Carter implicated in energy scandal

Washington sources have told *EIR* that the Carter White House is involved in a violation of law involving the forced retirement of energy official Lincoln Moses. Moses, according to our sources, completed a study of three energy scenarios to the year 2000. Scenario I projected the economy under conditions of the Carter no-growth energy policy and its related creation of the controversial Department of Energy. Scenario II projected the energy economy presuming the DOE and Carter programs had not been implemented. Finally, Scenario III, dubbed the "Reagan Scenario," projected the impact of a policy of full-tilt energy development.

When the first study was completed, it revealed that Scenario III was overwhelmingly the most desirable for the economy. The White House was reportedly furious and ordered the third scenario destroyed. Moses, head of the Energy Information Administration, left to return to Stanford University.

However, a specific Congressional mandate had created an independent energy information agency in the first place to serve a non-partisan role, "in but not of" the DOE. The mandate was impelled by an earlier scandal, the so-called

Mopps Affair. In 1977, then-energy secretary Schlesinger suppressed two studies which were embarrassing to his "no-energy" prognoses. The studies showed that the U.S. has abundant natural gas resources for centuries. To prevent such political use of the agency, Congress forbade any study undertaken by EIA to be suppressed. Carter's White House has apparently violated this stricture. This could be a rewarding subject of Congressional inquiry.

Printing all the news that fits. . .

Jack Anderson's five-part column series of Aug. 17-21 charging that President Carter plans to boost his poll ratings with an October invasion of Iran "to bring back the American hostages" was published by almost all the 970 newspapers which carry his United Feature Syndicate column. The exceptions were the New York *Daily News*, Long Island *Newsday*, and the *Washington Post*—the only papers in the New York and Washington areas that carry the column. The blackout in the two metropolitan regions was coordinated by the *Washington Post*, which claimed it could not "verify the information." *Newsday* editorial page editor Sylvan Fox admitted to *EIR* that Secretary of State Muskie himself had verified the existence of such plans in a meeting with *Newsday* editors just prior to the appearance of the Anderson columns. Tony Marro, *Newsday's* Washington editor, claimed: "A lot of people have heard of plans [for an invasin of Iran] . . . my problem [with the Anderson columns] was not whether there is a plan, but the fact that he said it is impracticable, dangerous, and politically motivated. . . ."

Washington Post national desk editor Brian Barger also admitted that the plan exists and that Anderson "had actually seen a document," but objected to the "main theme of the columns—that it was planned for political purposes."

As Anderson's researcher Dale Van Atta commented to *EIR*, "If the same proof had been required for the *Washington Post*'s Watergate story, no paper would have run it. United Feature Syndicate editor David Hendin reports a heavy positive response to the columns and says "further columns on the invasion plans will soon appear with more information and documentation than is now forthcoming."

Democratic advisory committee formed

The formation of a National Democratic Policy Committee was announced in New York Aug. 28 in a press released issued by Warren Hamerman, who will serve as the committee's chairman. Former candidate for the Democratic presidential nomination Lyndon H. LaRouche, Jr. will join the committee and chair its advisory group of scientific, agricultural and industrial leaders.

The committee's objective is to save the seats of as many important pro-growth Democratic elected officials as possible in the national November elections. The committee will select "worst-case Republican congressional and state office candidates to be defeated," according to Hamerman, "particularly those Republican candidates most committed to Henry Kissinger's foreign policies and Milton Friedman's depression policies."

The new National Democratic Policy Committee will also provide intelligence and policy analysis to Democratic campaigns across the country. Advisory committee chairman LaRouche is an internationally known economist whose 1975 International Development Bank proposal became the guiding conception for the European Monetary System established in 1978 by France and West Germany.

The committee will soon apply for national and local television time, announced executive secretary Kenneth Dalto, for advertisements in support of candidates and policy orientation.

Briefly

● **CARTER/MONDALE** campaign officials reportedly became quite upset when GOP nominee Ronald Reagan began attacking President Carter as being directly responsible for the depression. Privately, they conceed that it is Reagan's most effective tactic. "I hope we can sidetrack him onto something else," said a top White House aide.

● **FOREIGN AND DEFENSE** policy advisers to Ronald Reagan have decided that there is every reason to believe that Jimmy Carter may launch some kind of military adventure in October in a bid to secure the White House. Defense adviser Bill Van Cleave and others were responsible for inserting such a warning in Reagan's recent speech to the American Legion.

● **HENRY KISSINGER** said in a briefing last week for top-level executives of the New York investment bank, Goldman Sachs, that if elected, President Ronald Reagan would mount a full-scale military invasion of Iran within two months of taking office. Kissinger told his audience that "Carter should have invaded Iran no later than two weeks after the hostages were seized." Kissinger also argued that the Soviet Union would prefer to see a conservative President rather than Carter because the Soviets prefer dealing with "hard realists" rather than an administration that is "psychoanalytically oriented."

● **B'NAI B'RITH'S** Anti-Defamation League will give its annual First Amendment Award to Hugh Hefner, chairman and chief executive officer of Playboy Enterprises, Inc. According to the B'nai B'rith *Messenger* weekly, Hefner is getting this award "in recognition of his efforts to preserve the philosophy embedded in the First Amendment of the absolute right to freedom of speech and press."

Carter ready to activate 'first strike' over hot spots

by Konstantin George

The formal announcement by Defense Secretary Harold Brown of Presidential Directive 59 (PD 59) has formally established a brink-of-war situation between the United States and the Soviet Union, that may arise from any one of three "hotspot" theater military situations: a Sino-Soviet war triggered by Chinese invasion of Indochina and/or the Indian subcontinent; the Persian Gulf focused on Iran; and Israeli threats to Lebanon and Syria.

Brown's Aug. 19 announcement, delivered as a speech at the Naval War College in Newport, Rhode Island, constitutes the most crude and provocative diplomatic signal that could possibly have been sent to the Soviet leadership at such a conjuncture. Brown deliberately phrased every word for Soviet ears and to generate maximum terror in Europe:

"One purpose of my exposition . . . is to make clear to the Soviets the nature of our countervailing strategy. . . .

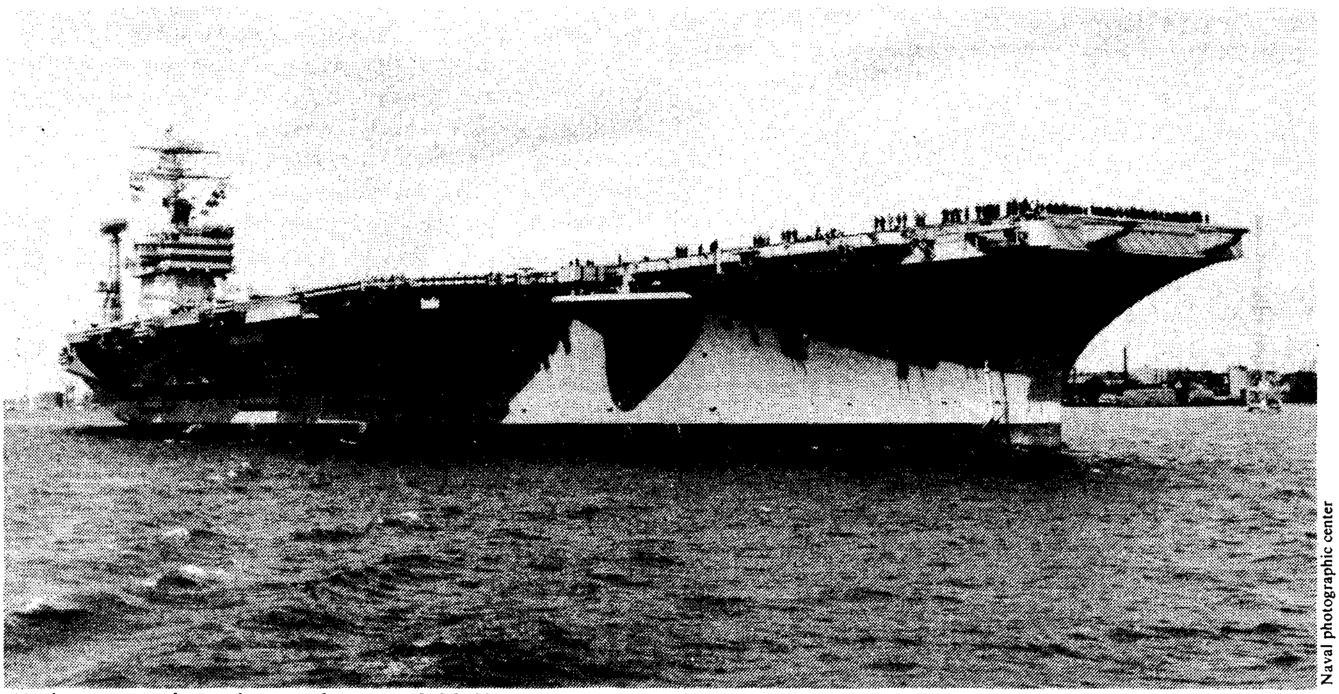
"Deterrence remains, as it has been historically, our fundamental strategic objective, but deterrence must restrain a far wider range of threats than just attacks on U.S. cities. . . . Our strategic forces also must deter nuclear attacks on smaller sets of targets in the U.S., or on U.S. military forces and be a wall against nuclear coercion or military attack on our friends and allies. And strategic forces, in conjunction with theater nuclear forces, must contribute to deterrence of conventional aggression as well."

These passages require no translation for the Soviet command, nor for policy planners in Western Europe. Brown would be read in Moscow—correctly—as follows. The term "friends and allies" defines the parties on whose behalf the U.S. would respond against the Soviet Union with "strategic forces in conjunction with theater nuclear forces," the latter referring to the various theater nuclear arsenals maintained by the U.S. with the Sixth Fleet in the Mediterranean and U.S. ground and air forces stationed in continental Europe, Japan and Korea, with the two carrier task forces comprising the Indian Ocean fleet, the Seventh Fleet in the Pacific, etc. "Friends and allies" specifically designates Israel and China. This is in stark contrast to the term "allies," which instead would clearly connote a reference to overt treaty commitments pertaining to NATO and Japan-Korea.

The "conventional aggression" which Brown defines as a precondition for a U.S. *first use* of nuclear weapons against either Soviet territory or armed Soviet formations may be a Soviet conventional move either against China or into the Middle East theater, in response to any one of a number of provocations.

There are two problems with Carter and Brown's PD 59 "doctrine." The first is the obvious one that its employment in any hypothetical theater situation against the Soviet Union will occasion an all-out Soviet nuclear strike against the United States, and the termination of the nation's existence. Secondly, and directly to the point, the situation entailing early use of Brown's lunatic "limited nuclear war" doctrine, given the regional war-promoting policies of Red China and Israel, is not a hypothetical situation at all.

The military pressures in all three hotspots are building up simultaneously toward an explosion point



Nuclear powered attack aircraft carrier USS Nimitz

during late September to early October.

In Indochina, a full-scale war against Vietnam is expected by October, with the end of the monsoon season. Reports from Peking and Bangkok (confirmed by the Vietnamese) indicate that Peking is mobilizing on or near the Vietnamese and Laotian frontiers more troops than before the 1979 invasion. In tandem with Peking, the Thais are concentrating all their efforts on placing their country on a war footing. The joint objective of the Peking and Thai regimes is to compel the Carter administration to "honor" its military commitments to Thailand, in case of regional war.

The Persian Gulf situation has also been primed for an early outbreak of fighting, via a U.S. invasion into southern Iran. A three-echelon U.S. military deployment has been underway, to enact such a move.

Echelon 1 is the 1,800 U.S. Marines deployed in Oman, directly across the oil lifeline Straits of Hormuz from Iran. Echelon 2 is the 20,000-odd U.S. combat and support troops stationed in Europe and earmarked for instant deployment into the Indian Ocean theater. Echelon 3 is the tactical nuclear weapons capability maintained by the two carrier task forces in the Indian Ocean.

The Israeli command is operating to effect a terminal crisis in the Assad regime of Syria within the next weeks. Should the Israelis "succeed" in their operations against Syria, the Soviets could be forced into a serious countermove, which could bring the world straight to the threshold of a global strategic crisis.

There are other Anglo-American-Israeli operations that can provide the context for early brinksmanship in the Mideast such as a destabilization of Saudi Arabia.

Any disruption of the Gulf oil is a direct attack on the political stability of Western Europe—above all France and West Germany—and therefore an assault on the Paris-Bonn-Moscow war-avoidance axis.

Destroy that war-avoidance axis, and total strategic isolation of a militarily superior Soviet Union is the result. That means war, either immediately (especially if Brown and Carter-Brzezinski try out their "limited strategic nuclear exchanges," to quote from the language of PD 59, on the Soviet armed forces) or, in the not-too-distant future.

Let's assume Carter, Brown, Brzezinski, and the GOP idiots like Fred Iklé, Kissinger, and James Schlesinger, to name a few, who all had their hands in drafting a PD 59 plank verbatim into the Reagan-Bush platform at the July GOP convention, all "succeed" in isolating the Soviet Union. If in the course of the devolving confrontations in Indochina, the Persian Gulf, and the Middle East, the Soviet leadership does not make the decision to go to war, it will be turned into a state dedicated to the single proposition of exerting all its resources and capacities to fighting and winning a general thermonuclear war sometime in the early 1980s.

If PD 59 and the policy buffoons behind it are allowed to control U.S. policy at the beginning of this decade, we run the risk of losing the nuclear war that this doctrinal policy will draw us into, and of allowing the Soviets to rule what's left of the world—before the decade is out.

Documentation

Reagan's advisers all hold this view'

One of the individuals who played a key role in developing the limited nuclear war doctrine embodied in PD 59 is Seymour Weiss. A member of the Nixon administration and former ambassador to the Bahamas, Mr. Weiss heads up Abington Corp., an international consulting firm, and serves as a strategic policy adviser to presidential candidate Ronald Reagan. The following interview with Mr. Weiss was made available to EIR.

Q: I understand you were involved in developing the doctrine embodied in PD 59?
A: In the early 1970s, Mel Laird, who was Secretary of Defense, set up a group of people at the Pentagon. One of the senior members approached me about working on it "without being in a position to discuss it with your State Department associates." I said I'd do it if the Secretary of State said okay. The Defense people felt State would kill it before it was even thought through, because the Arms Control and Disarmament Agency ACDA orientation of State favors MAD, it implies you don't need new weapons system.

Eventually this became an NSC study transmitted to the White House. There the NSC issued NSC 242, which with minor adjustments gave the blessing to our policy. This all took place about 1972-73. The NSC 242 was also called the Schlesinger Doctrine and was carried over into the Carter administration. When Carter came in, he and Brown had reservations on it—they were prevailed upon to sit still and take a look at it. I convinced them that my deputy on the other study, Leon Schloss, should do it. He is now vice-president at Stanford Research Institute. . . . He completed the study in December. . . .

Q: What is the difference between PD 59 and NSC 242?
A: Targeting the political leadership. . . . If you can say that we will target these leaders so you can't stay in power, this might be a deterrent. . . . Once in a war, the probability that nuclear weapons will be used is greater than if we are at peace, so it is better to have deterrents. Those of us who believe in this strategy believe it's the only way to deter the Soviets. Who knows who's right?

Q: What do you think about the Soviet response?
A: Their response so far shows that we are on track. . . . The Soviets object to this because they recognize that it is a more effective means to deter them than just the city-busting policy, and they believe our technology is good enough to do it. They want more freedom for their own actions than this gives them.

Suppose we get into a crisis with the Soviet Union, let's say in the Persian Gulf or Europe, and a conventional war starts. Let's say with their preponderance in strength they overwhelm Europe. We have a commitment to use nuclear weapons. The Soviets say we will not do it as then we will hit Moscow.

Q: But I thought the Soviets said they reject this concept, limiting such warfare.
A: This concept is fostered by Americans who don't understand it.

The Soviets never discussed the strategic concept of hitting cities. All the planning bears it out. This was foisted on the American public while the Soviets really say that if the U.S. was going to do something other than cities they would do it.

Q: Would the Reagan administration accept this concept?
A: I'm an adviser to Reagan. I don't know the extent he has focused on it. All the military advisers to Reagan, like me, hold to this view so it would be continued and further developed under a Reagan administration. The difference for Carter and for Reagan is the implementation. If we don't buy the weapons to carry it out it will be limited in terms of the degree we do it. Reagan is more effective in doing it. Carter has not been. But there is not a fundamental difference in philosophy. This administration has changed its tune.

The Reagan people, such as Bill Van Cleave and myself in particular, have argued for this. Secretary Brown and others in the Carter administration belatedly accepted it.

Some people speculated that [PD 59] was announced now to cut the ground from Reagan. . . .

Q: What about the role of the Secretaries of State, such as Kissinger and Muskie, in the development of PD 59?
A: Kissinger was intimately involved. I personally participated in briefings with him on this. Kissinger's office drew up the directive NSC 242.

In this administration I am told that State was aware of my study under Schloss and showed lukewarm interest in it. They did not take an initiative with it. State is generally negative on this and Defense didn't break any backs over this. I believe they were fully informed. My guess is that Vance got briefing papers on it. Muskie had it mentioned to him by Harold Brown.

'Doctrine means possible nuclear strike in Mideast'

One of the many voices raised in opposition to PD 59 is that of U.S. Admiral Gene LaRoque. LaRoque, who heads the Washington, D.C.-based Center for Defense Information, is a well-known advocate of arms control and an opponent of limited nuclear war. He spoke to EIR *last week:*

Q: What is your assessment of the Carter administration's PD 59?

A: It's not new in the sense that our military targeting has changed. Secretary Brown was correct in that sense. . . . We have 10,000 nuclear weapons and there are only 20 Soviet cities with populations over 100,000 so it wouldn't be possible for the U.S. to be targeting just Soviet cities. Clearly, we have been targeting Soviet military installations. The significant change is that the U.S. is announcing that it accepts and is willing to fight a limited nuclear war. This shift has tremendous significance for Europe. It suggests to them that we are willing to see Bonn destroyed in a limited nuclear war. . . . The Japanese are also very much concerned. . . .

The policy doesn't change anything to our advantage with the Kremlin. What it will do, however, is undermine our ability to project a leadership image to our allies.

Q: Do you think it will strengthen European objections to the deployment of Pershing IIs?

A: Definitely. . . . It is waking up the people of Europe to the U.S. intent to fight a limited nuclear war.

Q: As military doctrine, what are your objections?

A: For one, there is no way to keep a limited nuclear war limited. We certainly haven't laid down any rules with the Soviets that would do so. . . . Before, our thrust was one of deterrence. But now we are saying we can fight and win a limited nuclear war, which lowers the threshold of war.

Q: Do you think PD 59 implies that the U.S. would contemplate using nuclear weapons outside NATO, for example, as part of a rapid deployment force move into the Persian Gulf?

A: It would certainly have to be assumed that the doctrine tells subordinate military commanders to be prepared to use the nuclear weapons aboard our aircraft carriers in the Arabian Sea. . . . Clearly, Carter is trying to put some teeth into the Carter Doctrine.

Every country has two policies: declared and real. Sometimes the two are the same, but not always. There are many situations in which your real policy is better left unstated. For example, I think that announcing you are going to make a certain city your capital, when it is de facto, is unnecessarily provocative. It flies in the face of the old Rooseveltian dictum: Speak softly, but carry a big stick.

Q: Do you think that the Carter administration is actually intending to fight a limited nuclear war, or are they trying to use PD 59 as a psychological weapon?

A: It's very dangerous to play psychological warfare with nuclear weapons. If you play brinksmanship too much, the other people may think you're serious and fire first.

Q: Would getting rid of Brzezinski have any effect on the Carter administration's commitment to PD 59?

A: Getting Brzezinski out would make not a bit of difference. It's hardly worth the time and effort to mount a campaign to do so. The problem is institutional. . . . In 1947, we instituted the NSC. We invented Brzezinski's post. We now have four different people speaking out on foreign policy. Before 1947, primary in foreign policy was with the Secretary of State. We have to get rid of the national security adviser as a policymaker, the man who always has the President's ear, and get him back to the staff person he was originally intended to be.

Q: Well then, what can be done to prevent the implications of PD 59?

A: Not that much. The mood of the country doesn't want a change. Its mood is jingoistic, bellicose. The tougher the stand of the leaders, the more the people like it. However, we are planning an educational campaign to deal with this. We had our first planning meeting today. Herb Scoville, Earl Ravenal and others attended, and a visiting English scholar who now works for the U.S. government. We're having a conference in Holland this spring, "Nuclear War in Europe." We want to examine how that war could occur, what it would do, and how it could be prevented. We will invite high government and military officials to participate. The Dutch government has expressed interest. . . . We could get Soviet participation, but we don't want it at this time. The conference is an attempt to say how bad nuclear war is; to examine clinically how it could start, what can be done about it.

Q: What do you think of the contention that an E-beam weapon, capable of taking out launched ICBMs before they hit their targets, makes nuclear war winnable for the side that possesses this technology?

A: The E-beam technology just isn't here and I doubt it would be successful if it were. We have no way of knowing what happens to an E-beam weapon after it hits an ICBM. The Pentagon has issued several statements refuting Gen. Keegan's contention that the Soviets are near to deploying such a weapon.

FEMA to run U.S. war crisis

by Lonnie Wolfe

Spokesmen for the Federal Emergency Management Agency, Washington's crisis management operation, described to *EIR* this week how the agency and National Security Adviser Zbigniew Brzezinski will assume emergency powers to govern the United States in a war crisis.

FEMA is a little publicized agency that has been given broad powers by presidential order. It has been involved in crisis management planning since its formation in 1979. FEMA merged the functions of the Federal Preparedness Agency, the Defense Civil Preparedness Agency, the Federal Disaster Assistance Administration, the Federal Insurance Administration, and the U.S. Fire Administration. It has handled such crises as the Three Mile Island nuclear incident, forest fires in the Far West, population relocation from the Mt. St. Helens volcano area, and the New York City transit workers strike.

"We are set up to handle any conceivable crisis," said a FEMA spokesman. "But our real responsibility is for implementing the domestic component of our national strategic doctrine."

FEMA derives its powers from a series of presidential directives and the Defense Production Act of 1950, which deals with the management of the economy in a national emergency. On Sept. 28, 1978 President Carter signed PD 41, a comprehensive policy statement on national civil defense goals which calls for the U.S. to develop a capacity to relocate the population in time of "international crisis." Several months ago, Carter issued PD 57, which is a classified "war mobilization" plan giving FEMA and the National Security Adviser broad prerogatives in carrying out such a mobilization.

When the President signed PD 59, which promulgates a limited nuclear war doctrine, he also signed a companion directive, PD 58, to deal with the continuity of government in a war crisis and provides for relocation of government and military command personnel.

A FEMA spokesman outlined the following scenario, stating that planning has been upgraded since the signing of PD 58 and 59.

In the first phase of the scenario the President, acting on recommendations of the National Security Adviser, declares a state of emergency. This is justified by any international crisis which carries with it the risk of war, and invokes the Defense Production Act of 1950 and Presidential Directives 41, 57 and 58, that give FEMA, in consultation with the National Security Adviser, control over U.S. production. FEMA already has control over U.S. strategic stockpiles and their industrial allocation. According to FEMA, "We control what is produced and how it is distributed."

The second phase of the scenario is activated as the crisis approaches a showdown. The President, on advice from the National Security Adviser, would recommend to various state governors that certain "high risk" population centers be evacuated, to make them less vulnerable to nuclear attack. FEMA sources say that while such planning is classified, their "internal scenarios" have for some time dealt with population relocation from possible targets of a Soviet counterforce strike.

A FEMA spokesman stressed that an evacuation would enter into the crisis bargaining with an adversary and show that the United States is "unwilling to back down or be blackmailed." Further, the spokesman said, this would "give our diplomats and president the upper hand in any confrontation by enabling the U.S. to go all the way to the edge of war. This is the kind of bargaining that the future may hold in store, I'm afraid."

In this way, the FEMA civil defense location—to be carried out after the agency and National Security Adviser are in virtual control of the country—is a critical component of the overall limited nuclear war doctrine enunciated in PD 59. "The key word is survivability," said a FEMA spokesman. "By survivability, we mean that our country will survive a nuclear war, maybe not an all out nuclear war, but certainly a limited one. The key to survivability is advance planning. . . . We have been given what amounts to a blank check to work these things out. Without us there is no reality to PD 59."

The FEMA spokesman refused to rule out the possibility of the United States conducting a counterforce nuclear strike after FEMA had evacuated U.S. population centers. "That depends on the crisis and the judgment of the National Security Adviser and the President," he stated.

The last phase of the scenario occurs right before the actual outbreak of war and involves the relocation to as yet undisclosed sites, the U.S. military command and key members of the government. This decision is made by the National Security Adviser and the President, carried out under plans so secret that the President would not even be informed of their details in advance of the crisis. The list of which government officials will be relocated is also to be kept secret to avoid "squabbles."

The FEMA spokesman reported that all such civil defense options will be in place by the fall. The command system has already undergone major test exercises and is "ready to function."

FEMA said such plans also have applications for "domestic social contingencies involving disasters, both man-made and natural," even though FEMA's primary function is "international crisis management."

Documentation

FEMA officials outline limited nuclear war plans

In April 1980, a team of EIR *investigators uncovered FEMA's secret planning for a nuclear war crisis. A reevaluation of the information obtained at that time reveals that what FEMA and the National Security Council were planning was to implement the limited war-fighting doctrine now enunciated in Presidential Directive 59. We reprint below relevant excerpts from interviews published exclusively in the April 22 issue of the* EIR *that exposed FEMA's plans for a crisis management dictatorship over the U.S.*

The following comes from an interview with General Frank Camm, FEMA's director of the Office of Plans and Preparedness.

Q: I understand you did a "resources exercise" recently with NATO?

A: Yes, it was of course highly classified but I can tell you this. There was a simulated nuclear exchange between the U.S. and the Soviet Union. We simulated a crisis in which a large group of people from 34 different government agencies and departments moved to another location to deal as government with the new situation. This included DOE, DOI, DOD, DOJ, every department of the government. We coordinated here at FEMA the entire relocation and restructuring because that is our job—coordination at all levels, Federal, state, and local. This occurred during just two weeks. We are still evaluating the results.

Then we had to look at what was left of the country. For example if Cincinnati was hit, wiped out, we had to be able to calculate from the level of blast and radiation envelope how much of the economy was lost—how many machine tools we had left, how much energy resources, how much transport infrastructure, how much of our national microwave communications grid had been wiped out in that area. Certain areas became off limits altogether because of radiation levels. We then had to reorganize the entire national transport and communications grid. . . .

Then regarding the economic rehabilitation of industry we took off the shelf the plans we have to establish in such a situation a new Cabinet-level officer of Defense Resources to organize all resources throughout the economy—that's what we mean by a resource exercise. We reorganized and allocated on a priority basis all financial resources, manpower resources, transportation resources, communications resources. The nucleus for this would be the present Office of Resources of Planning and Preparedness. . . .

Q: How was this handled internationally?

A: Oh, the DOD handled the entire international end, with the alliance (NATO).

Q: What was so highly classified?

A: Oh, what was classified was the solutions to all this. It was a very far out situation. We had a number of dramatic solutions proposed. Their nature is highly classified. Especially classified is just what targets were hit and how much we lost and how much had to be rebuilt where, and exactly how. . . .

Q: What about the energy crisis resulting from a Mideast war?

A: Yes, our next priority is planning for an energy shortage. We don't care if the Persian Gulf shuts down or if every oil field in the U.S. shuts down. We're going to show the DOE how to run a rationing program. They don't have the staff, as I said before, on the field level to coordinate such a thing with local officials. We have the expertise. We have already worked out the plans for an oil blockade in case of general war. . . .

What follows is excerpted from an interview with John Nosita, General Director of Program Analysis and Evaluations of FEMA and "number 2" man in the agency. The "Federal Master Mobilization Plan" referred to by Mr. Nosita is compatible with Presidential Directive 59.

Q: What will be the peacetime application of FEMA's recent nuclear war simulation?

A: Oh, that simulation was only a part of the Federal Master Mobilization Plan—we are continuing a series of such simulations so that we have full emergency legislation on the shelf and ready to go for use in any emergency. The Federal Master Mobilization Plan is being developed over time by a joint task force of the National Security Council (NSC) and FEMA called the "Mobilization Planning and Programming Study" which was set up personally by Zbigniew Brzezinski. When the Master Mobilization Plan is finalized, it goes straight to Brzezinski—that will mean FEMA is fully ready to take over in the event of emergency.

Q: Does that mean that the Plan is applicable to any emergency?

A: Certainly, the plan is totally comprehensive, it contains provisions for mobilization of all resources, industrial resources, financial resources, energy resources. It would be applied to an oil embargo. It has the broadest applications. . . . ■

Debate surfaces over China card

Peter Ennis's assessment of the GOP upsurge against Carter's Peking alliance.

A major debate over the Carter administration's China policy has broken out, spurred in part by the controversy surrounding Republican presidential candidate Ronald Reagan's statements concerning China and Taiwan. At the core of the debate is the increasingly obvious fact that the administration has concluded a military alliance with the Communist leaders in Peking—an alliance many Democrats and Republicans fear will lead to American involvement in a Chinese-backed conflict with the Soviet Union.

On the one side of this debate stands the Carter administration, shoulder to shoulder with its friends in Peking. Evidence clearly indicates that Peking now actively favors the reelection of President Carter for reasons that have mostly to do with the character of military technology arrangements and defense alliances now either consummated or under further negotiations between the two countries. The Chinese appear to prefer the kind of "American card" they now have with the Carter administration to an unknown relationship with a Reagan administration, despite the overall commitment of the Reagan-Bush campaign to maintaining the basic U.S.-Chinese relationship.

On the other side stands a broad array of American policy circles who are unified in their opposition to the Carter China policy and view the Reagan campaign as a vehicle for their views. In the recent period, a handful of cautious conservative Asian and Soviet specialists have succeeded in getting Ronald Reagan to make an issue of Taiwan, with their real underlying concern Washington-Peking relations. Opposition to the China card was also voiced this week at hearings on U.S.-China relations held in Washington by the House International Relations Subcommittee on Asia and the Pacific.

The danger at this time is that the debate will drag out too long, or prove ineffective, while the threat of a U.S.-Soviet conflict increases. Analysts are particularly concerned about the situation in Indochina, where China threatens to invade Vietnam at the close of the current rainy season. Should China invade Vietnam, the Soviet Union will almost certainly become involved, and the Peking leaders will drag the United States into a conflict with Moscow sooner than most of Carter's opponents realize.

Carter spokesmen reveal alliance

This week, the lines of the debate were drawn in the public view.

Top Carter officials launched a new round of attacks on Reagan for his China policy statements, providing alarming new evidence of the Washington-Peking alliance. The latest attacks follow Reagan's Aug. 25 press conference, in which he criticized the administration for being "hypocritical" toward Taiwan, and for making concessions to the Communist Chinese "not in our national interest."

Vice-President Walter Mondale touched off the new attacks when he told reporters in New York that Reagan was disrupting American-Chinese ties, which could have "disastrous consequences" for the national security of the United States. "This will only benefit one country," Mondale said, "the Soviet Union."

U.S. Ambassador to China Leonard Woodcock emphasized this same theme Aug. 26 when he told reporters in Peking that Reagan was endangering the "delicate" Chinese-American relations, which in turn could "gravely weaken" the United States. He made the statement just before going to the Chinese Foreign Ministry, where he had been imperiously summoned for consultations.

The Mondale and Woodcock statements are the most far-reaching comments thus far by Carter officials on the strategic and military nature of current American ties with Peking. By saying China is crucial to American national security, the Carter administration has admitted that China has been integrated into U.S. global defense plans, and is a cornerstone of U.S. deployments in Asia. Implicit in this alliance is a commitment to back up China in the event Peking becomes embroiled in a military conflict—which is where the threat of a U.S.-Soviet nuclear conflict arises. Militarily, China is so weak and backward that the United States gains nothing from this alliance. But Carter has given Peking a free hand to pursue its goal of dominating all of Southeast Asia, including Soviet-allied Vietnam.

Election issue

In his Aug. 25 California press conference, called to "clarify" his China policy, Reagan kept the issue on the front pages by denouncing "the petty practices" of the Carter administration in its handling of Taiwan. He said that he does not "see eye to eye" with the Peking leaders on Taiwan, and that he fundamentally disagreed with the decision of the Carter administration to sever all governmental ties between Washington and the island. This was a concession that both the Nixon and Ford administrations refused to make to Peking, Reagan said, yet Carter agreed to this Chinese demand. Nevertheless, Reagan said, this is a decision of the past, which he as President could not change.

However, he said, American ties to Taiwan are now governed by the Taiwan Relations Act, passed by the Congress in 1977. This provides for the stationing of American officials temporarily on "leave" from the State Department on Taiwan, based at an institute financed by the Congress. As President, Reagan said he would adhere to the provisions of this bill. "I would not pretend, as Carter does, that the relationship we now have with Taiwan, enacted by our Congress, is not official," Reagan said. The bottom line, he said, is to end the "inappropriate and demeaning" fashion in which "our Chinese friends on Taiwan" are now treated by Carter.

Coming on the heels of Republican vice-presidential candidate George Bush's trip to China last week, during which the Chinese continually blasted Reagan, the Monday press conference is sure to have further angered the Peking leaders. For Peking, the Taiwan issue is racial—they want to dominate Taiwan along with the rest of Southeast Asia, and claim the island as part of Chinese territory. The issue is also symbolic for Peking: Will the Reagan campaign kowtow to the demands of the Communist leaders, ensuring them that the "American card" is there to be played to manipulate Washington against the Soviet Union?

An unreliable ally

Discussions over the last few days with Reagan's Asia specialists have underlined the concern that exists over the Carter alliance with Peking. To be sure, most advisers in the Reagan camp would like to "play the China card." In fact, at the Monday press conference Reagan himself said that China and the United States and Japan have "common interests" against the Soviet Union's "military buildup" in Asia. However, these advisers say, this "common interest" should not extend into an alliance with Peking.

An example cited by one adviser was Indochina. Should a war break out there, and the Soviet Union intervene on the side of Vietnam, the United States should "absolutely not" back up the Chinese, according to this adviser. "And if we haven't told them this yet," he said, "we should tell them now." The Carter decision to sell arms to China, and the upcoming trips to Peking by some of the Pentagon's top officials, inluding Undersecretary of Defense Robert Komer and Undersecretary William Perry in the next few weeks, are cited by the Reagan team as "very questionable decisions."

Importantly, however, the Reagan advisers uniformly deny the Carter administration has formed an alliance with Peking, choosing to ignore all the evidence. It is the danger that an alliance will be formed in the future that worries them, they say. China is not a reliable ally, they say, and therefore no alliance should be formed.

The danger at this time is that the debate will drag out too long.... China threatens to invade Vietnam at the close of the current rainy season. Should China invade Vietnam, the Soviet Union will almost certainly become involved, and the Peking leaders will drag the United States into a conflict with Moscow sooner than most of Carter's opponents realize.

This same theme was emphasized in testimony Aug. 26 before the House Foreign Affairs Subcommittee on Asia, which is sponsoring hearings on U.S.-China relations. Four witnesses testified against the China card, including two former ambassadors to the Soviet Union. Ambassadors Malcolm Toon, who retired last year, and Raymond Garthoff, joined in attacking Carter for moving away from the "even-handed" dealings with China and the Soviet Union, and strongly questioned the supply of military goods by the U.S. to Peking.

Another witness, Banning Garrett of the University of California's Institute of International Studies urged the subcommittee to investigate the plan, begun under Henry Kissinger, to establish "a far-reaching military relationship with China in an incremental, step-by-step manner." ■

Congressional Calendar by Barbara Dreyfuss and Susan Kokinda

Controversy continues over DIDC

The Depository Institutions Deregulation Committee established earlier this year by the Depository Institutions Deregulation Act continues to come under strong attack from Congressmen and Senators over its impact on thrift institutions and the housing industry.

In the Senate Robert Morgan (D-N.C.) has introduced S. 2927 which would more clearly define the steps which the DIDC can take. More radical legislation, H.R. 7891, has been introduced by Rep. Frank Annunzio (D-Ill.) to abolish the DIDC entirely.

In a letter to colleagues on Aug. 1 Morgan explained, "The Depository Institutions Deregulation Act provided for the gradual elimination of all percent differentials paid by banks and Savings and Loans. Most of us assumed that the directives of the law for a gradual phase-out in order to allow Savings and Loans to become skilled in the use of new tools provided them by the Act would be carried out. Instead the Deregulation Committee has acted to phase out the differential totally in some areas while leaving it intact in others."

Morgan, Annunzio, representatives of Savings and Loans and the housing industry have charged that the arbitrary and abrupt actions have severely hurt Savings and and damaged the home-building industry, which depends on mortgage money from S&Ls. The Senate held Aug. 5 hearings on Morgan's bill, which has nine cosponsors. The House held full committee oversight hearings Aug. 25, when it heard from Federal Reserve chairman Paul Volcker.

Congressmen oppose new nuclear war doctrine

Twenty-seven congressmen belonging to Members of Congress for Peace Through Law have signed a letter sent on Aug. 27 to President Carter, demanding that the President halt implementation of Presidential Directive 59 until Congress conducts a full debate on this new nuclear war strategy. PD 59 reshapes U.S. military activity around a policy of "limited nuclear war."

In their letter the bipartisan group of congressmen told the President, "We request a full accounting of PD 59 at the earliest possible time and ask that its effective date be deferred until Congress, the State Department, and the Arms Control and Disarmament Agency have had ample opportunity to consider and debate its implications. . . . Many serious questions and uncertainties arise as a consequence of this shift in strategic policy. We are deeply distressed that this policy seems based on the assumption that nuclear war is limitable. As we understand the doctrine, its purpose is to allow for nuclear options short of a total strike, thereby enhancing our credibility in the use of nuclear war. We believe however that since it is extremely unlikely that nuclear war can be limited, this policy has precisely the opposite effect than intended; it creates the illusion of flexible response when in reality any decision to use nuclear weapons will have the same cataclysmic consequences as a total nuclear strike."

Senate majority wins first battle in strip mining fight

Senate Majority Leader Robert Byrd (D-W. Va.) won his effort in the Senate to weaken the laws governing strip mining, but House opponents of his effort hope to triumph over the Senate leader when the issue comes before them.

The Senate passed by a vote of 54 to 31 on Friday, Aug. 22, an amendment that frees the states from following in detail the federal guidelines for reclamation of abandoned strip mines. The amendment does require the states to comply with the standards set out in the 1977 Surface Mining Control and Reclamation Act, but provides flexibility on how they do this.

Byrd attached his amendment to a completely unrelated bill from the House Merchant Marine Committee. The bill has to be approved by the House. It could go straight to the House floor, where it would need a unanimous consent to be accepted as is. The bill could also be sent to a House-Senate conference committee to work out the Byrd amendment, or it could just die without further House action.

The Senate approved a similar amendment last year, but when it went to the House it was referred to the Interior Committee, where Congressman Udall (D-Ariz.), an opponent of the measure, effectively killed it. Although his committee will not be involved this year, Udall hopes to help kill the measure. "We have talked to the Speaker and he will cooperate with us," declared Udall.

Fusion passage called historic moment

In what physicist Hans Bethe proclaimed an "historic moment" the House overwhelmingly voted up a sweeping mandate to the President to develop a science and technology program that will ensure a commercial fusion reactor by the year 2000.

By a vote of 365 to 7, the House passed the Fusion Energy Research, Development and Demonstration Act of 1980 on Aug. 25. The bill calls on the administration to develop a plan for demonstrating the engineering feasibility of fusion by 1987 and a commercial demonstration plant by the year 2000.

It authorizes $20 billion to achieve this goal, although for the 1981 fiscal year adequate funding has not been appropriated.

The bill is now being considered by the Senate, where Massachusetts Democrat Paul Tsongas has introduced companion legislation. The Tsongas bill however calls for the commercial facility to be readied by 2005.

In backing the bill, House Speaker Jim Wright (D-Tex.) declared, "It is a great day in the history of the human race when we make yet another commitment to express our faith in the future and in man's capacity intelligently to pursue those infinite secrets of the universe which God has seen fit to reveal to us at this moment in man's history, when the growing population of a hungry world may be eating our way through the old resources of power such as oil and coal and, without new sources, might face famine. By this action we express our belief as well that perhaps in His infinite wisdom the Almighty may have divined in our increasing awareness a capacity to apply the laws of moral social behavior which are corollary to the physical laws of the universe in such a way as to make the atom finally man's servant and not his destroyer."

Asked for comment on the passage of the bill, Assistant Secretary of Energy Edward Freeman told *EIR*, "In general, I think the bill is coming out roughly where we were tending toward. The major thrust is that magnetic fusion is ready to move from the research stage to the engineering development phase. Everyone is in agreement with this. It is the overall view that the fusion program is ready to move in a major way."

Subcommittee resumes Teamster investigation

The Permanent Subcommittee on Investigations of the Senate Judiciary Committee, chaired by Senator Sam Nunn (D-Ga.), launched two days of hearings Aug. 25 into the Department of Labor's handling of the case involving the International Brotherhood of Teamsters Central States Pension Fund. Ostensibly centered on the release of a Government Accounting Office report commissioned by Nunn in 1978, which charged that the Labor Department and the IRS failed to adequately investigate the Central States Fund, the hearings clearly focused on the activities of the union, rather than the government agencies.

The most dramatic moment in the hearings came when Teamster Vice President and Pension Fund trustee Roy Williams took the Fifth Amendment when called to testify.

scored that the intent of the subcommittee was to focus on the union.

A source close to the investigation reported: "The subcommittee had to get Scoop Jackson (former subcommittee chairman) and his people out of the way. They were roadblocking any serious investigation. Now Nunn's staff is fully in place and in control."

Editorial

Fusion bill renews national purpose

The most important energy legislation of the decade has just passed the U.S. House of Representatives. H.R. 6308, the McCormack bill enacting a $20 billion, 20-year national commitment to develop and commercialize thermonuclear fusion power by the year 2000, is exactly the type of program the U.S. economy requires to reverse the "post-industrial society" rot that has accelerated since the NASA space program was deemphasized.

If approved by the Senate and signed by the President, the bill will mark the first time since the NASA program to land a man on the moon that the United States will have embarked on a long-range science and technology program to ensure that the tools will be available to advance industrial development in the U.S. and export it abroad.

Rep. Mike McCormack, the bill's chief sponsor, has emphasized the unique character of fusion as an energy source. "Once we develop fusion," McCormack said, "we will be in a position to produce enough energy for all time, for all mankind. This is not hyperbole, but fact."

With that kind of mastery over nature at our command, the United States will at last have the means to fulfill the essence of the American Dream of putting freedom and prosperity within reach for the whole world within 20 years. The murderous, neo-Malthusian "era of limits" now planned for humanity by men of narrow vision—carrying with it the ever-present threat of nuclear holocaust—will quickly recede.

But the benefits of fusion are not "somewhere in the far-off future," available only to our posterity; we can start receiving them right here and now. The McCormack bill will mean a significant boost to the U.S. economy because it does more than set target dates and anticipate funding levels for U.S. energy research and development; it also sets a standard for maintaining U.S. leadership in science by supporting university science education programs, and for maintaining a broad-scale science and engineering effort in every promising field of American magnetic fusion research.

Many Americans remember what the Project Apollo moonshot program did for American state-of-the-art technology, and have some idea of how important government-funded scientific and technological development was in creating an explosion of "improved productivity" benefits to the U.S. economy long before a man actually landed on the moon.

Before the Department of Energy fusion office is given the task of redoing its program plan to enable the country to meet the accelerated targets of the McCormack fusion bill, equivalent legislation must be passed by the Senate and signed by the President. Senator Tsongas (D-Mass.) introduced a fusion bill on July 2, S. 2926, which calls for accelerating the current DOE fusion timetable but has funding and advisory drawbacks.

The Tsongas bill, which underwent review and comment by the fusion scientific community in hearings Aug. 5, must be altered before it is put before the entire Senate for a vote. If there are substantial changes which bring the bill more in line with the House legislation, a time-consuming House-Senate conference negotiation could be avoided and the law brought to President Carter for his signature in late fall.

House sources have been concerned that the White House might look upon this $20 billion 20-year commitment as antithetical to the administration's budget-cutting program, no matter how much cheap energy fusion would make available in the future. We believe that American business, industry and consumers ought to send the Senate and the President a forthright message that passage of the McCormack bill is the nation's top energy and economic priority—worth far more to the United States than the administration's own ill-conceived, expensive synfuels boondoggle and the corporatist restructuring of the U.S. economy which the administration apparently feels will be necessary in order to implement it.