

EXECUTIVE INTELLIGENCE REVIEW

Exclusive report:
The crisis in India

July 31-Aug. 6, 1979

British hands on the White House



- Who really arranged the cabinet shuffle
- Haig men placed to pick up pieces
- LaRouche's 'American System' presidential campaign

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EXECUTIVE INTELLIGENCE REVIEW



British hands on the White House

The Carter cabinet firings were a hoax designed to pave the transition to Alexander Haig's installation in the White House, and this week's U.S. REPORT brings you the full, exclusive story: who really engineered the "firings"; the realignment of the Democratic Party; and who are the men being slotted into the Carter administration to smooth the transition. Included in this week's cover story: the British gameplan for dumping the hapless Carter, as outlined in the official publication of Chatham House, and the program for reducing the post-Carter U.S. to the level of a second-rate world power, spelled out by U.S. State Department officials in the Ditchley Foundation journal. And, the faithful reflection of the British scenario in the British and U.S. press. Also: a report on the major obstacle to the British plan: the Lyndon LaRouche presidential campaign.

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EIR interviews Indira Gandhi

This week's blockbuster ASIA report brings you an in-depth, on-the-scenes report on the political and economic situation in India, featuring an exclusive interview with former Prime Minister Indira Gandhi, who will play a key role in the outcome of the present government crisis. Additional reports compiled by correspondents Paul Zykofsky and Leela Narayan, who have recently visited India, explain why, as Executive Intelligence Review had predicted, the Janata government collapsed, and what are the viable, and not-so-viable, options remaining to India's leaders. Plus, a look at the Indian economy, the world's tenth largest industrial economy, and the threat to it posed by the Janata program.

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Redefining the SALT debate

Senate hearings on the SALT II treaty have so far offered American citizens a rigged debate controlled by the New York Council on Foreign Relations and featuring two British SALT options: a global technological disarmament policy advocated by Cyrus Vance, and the confrontationist arms-race alternative proposed by Paul Nitze and the Alexander Haig crowd. This week's MILITARY STRATEGY report by EIR special correspondent Robert Cohen analyzes why either option will lead to a strategic-military disaster for the United States.

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Paul Volcker: an anglophile thug

This week's ECONOMICS report features a profile of Jimmy Carter's nominee to head the Federal Reserve System. Cutting through the astonishing public relations stories that portray Paul Volcker as a tight-fisted conservative committed to defending the dollar, our story exposes Volcker's apprenticeship at the Fabian London School of Economics and his key role as a Nixon Treasury official in the Aug. 15, 1971 dollar debacle. Plus: looks at European moves toward a gold-backed monetary system, and why London will have a hard time stopping them, two scenarios for rescuing the dollar, the story behind William Proxmire's introduction of legislation to halt foreign bank takeovers, and more on the shifts at ITT and IBM.

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Arabs attack London, Bernard Lewis

An important policy shift is underway in Arab circles, as leading Arab press and diplomatic circles are waking up to London's manipulation of the Arab world through the Bernard Lewis Plan. This week's SPECIAL REPORT analyzes aspects of the Arab moves, including emerging new foreign policy orientations toward Europe and Mexico. Included in our package: an exposé of Lewis and the Bilderberg society in a leading Arab paper, and an interview with the perturbed Lewis in response. Plus: a report on Arab opposition to the Aspen Institute, and *8 Days*, a British counteroperation.

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<p>EXECUTIVE INTELLIGENCE REVIEW November 26, December 4, 1978</p> <p>The oil giant next door</p> <p>New Solidarity International Press Service \$10</p>	<p>Don't miss another opportunity — subscribe to the EIR now!</p>	<p>EXECUTIVE INTELLIGENCE REVIEW December 12, 18, 1978</p> <p>The new monetary system — it's official!</p> <p>New Solidarity International Press Service \$10</p>
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EXECUTIVE INTELLIGENCE REVIEW

The U.S. can get in on the boom which the new European Monetary System will create. But where are the opportunities and how do you get in on them?

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Nicaragua: crimes of the IMF

Within days of winning power in Nicaragua, the new Reconstruction Government has launched a cleanup against the International Monetary Fund's Nicaraguan drug empire, while simultaneously appealing to advanced industrial countries—especially Western Europe—to finance the rebuilding of that wartorn country.

Nicaragua's initiatives offer a perfect opportunity for the continental European architects of the European Monetary System to carry their conception into its second, decisive phase: challenging the supremacy of London's IMF and World Bank by funding real economic development in the Third World.

What the Reconstruction Government is asking for is \$3 billion in economic aid. Their special envoy to Europe, Eduardo Kuhl, issued a statement calling on each European nation to finance and help construct a city in Nicaragua, cities which will then be named "Germany," "Sweden," and so forth.

The government has also called upon the international community to examine for itself the evidence now coming to light of ex-dictator Somoza's crime enclave, citing especially the discovery of 40 carefully cultivated acres of marijuana of the estate of one of Somoza's closest relatives. Gambling, prostitution and drug-running have now been outlawed.

Reconstruction government officials have announced that they have documented evidence of how World Bank and IMF monies financed Somoza's campaign of genocide against the population—a campaign that left 40,000 dead and tens of

thousands of children permanently blinded. An eighth of the population—300,000 people—are injured, mutilated or deformed. More are homeless.

In light of the evidence, junta member Moises Hassan declared that the government will not honor the debts contracted for Somoza's genocide, including the \$34 million in Special Drawing Rights granted the IMF—with U.S. support—in May. World Bank monies paid for the costs of mercenaries fighting for Somoza, a cost of over \$2000 a day, not including "bounties" from \$5,000 to \$10,000 paid out for special bombing missions and the assassinations of opposition leaders.

Somoza also took out of the country every penny of foreign cur-

rency reserves. During his last days in power he slaughtered the beef cattle herd and shipped it out of the country on his private shipping lines.

Will Nicaragua become "another Cuba" as numerous U.S. press and political figures have worried aloud? Not if the United States gears its policy toward the rebuilding of a nation as the new leaders have asked.

It would be small amends for the U.S. government's decades-long role in installing and propping up a regime whose only *raison d'être* was to serve organized crime—"Dope, Inc." And, it would create a situation in Nicaragua in which the interests of both the U.S. and Nicaraguan populations would finally be served.

—Nora Hamerman

The Week in Brief

Former Attorney General Edward Levi is in big trouble ... and the Carter administration and Ted Kennedy machine are in it with him. The reason: Levi's protégés from his stint in the Justice Department under President Ford were caught July 23 red-handed in a massive "dirty tricks" operation against the third-party candidate of Lyndon LaRouche.

The operation involves the New York Times and a mysterious Special Investigative Unit of the Justice Department which has a 45-lawyer staff, about to be expanded to 63, purportedly deployed in the task of "catching Nazi war criminals" but actually cooking up a slander campaign against the U.S. Labor Party

and LaRouche. A full report on this "superwatergate" story will appear in EIR next week.

Back home in Chicago, Mayor Jane Byrne nominated Levi to head a police board charged with appointing the officials of an antidrug effort hastily assembled to distract from the work of the Illinois Anti-Drug Coalition. Spokesmen for the coalition held a press conference denouncing the choice of Levi, and documenting his connections to "Dope, Inc.'s" drug and terrorism networks.

The charges appeared in the Chicago Tribune. Levi withdrew his name on July 22.

* * *

Another triumph was chalked up to the antidrug movement on July 22 with the success of the Illinois Anti-Drug Coalition's First Annual Awards Dinner, attended by 350 persons in Chicago. Among the speakers were Chicago Police Department representative Gene Hunt, Michigan Anti-Drug Coalition Vice-Chairman Salahuddin Muhammad, Philadelphia Medical Examiner Edward Christian, and Farid Muhammad, Director of the Institute for Bilalian Affairs, who delivered greetings and support to the coalition from Wallace Deen Muhammad, President of the World Community of Al-Islam in the West. U.S. Labor Party chairman Lyndon LaRouche also addressed the event.

* * *

India has a new government—but it is viewed as a temporary formation and elections are expected very soon, perhaps by the end of the year. India's President Reddy has asked former Finance Minister Charan Singh to form a cabinet exactly eleven days after the fall of the Desai government.

Singh produced his 280-names coalition list based on the critical support of 72 Members of Parliament associated with former Prime Minister Indira Gandhi, whose exclusive interview is featured in our ASIA report.

Reddy has ordered Singh to call Parliament to order during the third week of August and face a no-confidence motion. Singh, a former member of the Janata Party, represents wealthy farmers in the northern region, but his government coalition is made up of socialists and former and present Congress Party members of many shades. The big loser is the Hindu revivalist Jan Sangh grouping in the Janata, which stuck by Desai.

A preview of the totally new political alignments expected to emerge may be seen when Singh announces his cabinet July 28.

* * *

More of the same remedy that got the Third World into its present disastrous condition—International Monetary Fund “conditionalities”—is the prescription for Africa that will be offered up at the British Commonwealth Conference taking place the first week in August in Lusaka, Zambia. The policy was spelled out in a confidential background paper prepared by the Commonwealth Secretariat in London and leaked July 24 in the Financial Times.

The paper pushes for what it calls “a serious search for international economic policies which would attack the urgent problems of world poverty and of recession simultaneously.” Private capital markets can no longer solve the economic crunch hitting the non-oil producing developing countries; therefore the role of official agencies, particularly the IMF, is especially important in this context.”

Also on the Commonwealth Conference agenda is the question of the Muzorewa government in Rhodesia, which the British want to recognize. Australian Prime Minister Frazer has sent a letter to the African heads of state concerned with the question urging that the Muzorewa government be accepted as a “step forward.” At the recent Organization of African Unity meeting in Liberia, the Muzorewa delegation was turned away and the OAU endorsed the Patriotic Front as the sole legitimate representative of Zimbabwe.

* * *

Under the headline “Capital Formation is an economic imperative,” a

French magazine's July 16-31 issue reported favorably on Lyndon LaRouche's Riemannian economic model first presented in *Executive Intelligence Review*. The coverage, which we quote below, came in “Tendances et Conjonctures,” a Gaullist-edited subscription-only bimonthly, and highlighted the magazine's report on a recent Fusion Energy Foundation conference in Paris.

“In the period of rapid economic evolution we have entered, in which ‘navigational aid’ becomes of crucial importance, the perfecting of forecasting techniques has become a particularly precious tool. The new cybernetic tool recently discussed at the headquarters of the French Engineers and Scientists, on the occasion of a meeting on the development of Africa, is reported to be qualitatively and numerically superior to the present input-output econometric models.

“The new ‘Riemannian model,’ conceived by Uwe Parpart and Steven Bardwell with a team of economists, computer analysts and physicists, and based on a conception developed by Lyndon LaRouche (‘The Theory of the European Monetary Fund’) assumes the essential task of simulating the real impact of technological progress on the economy. The introduction of discontinuities in this model corresponds to the shock waves studied by Riemann, permitting the conceptualization of an effective computerized forecasting model.”

“It will remain to be hoped that the new Riemannian model will accomplish miracles in the hands of contemporary decision makers. It is true, by the way, that common sense, in order to triumph, often needs shockwaves,” comments Tendances et Conjonctures.

* * *

Salvage rights for the dollar?

If U.S. businessmen sit back and passively allow Mr. Paul Volcker to proceed with his stated intention to "disintegrate" the American economy, they will learn the hard way that, as maritime law is extremely ungenerous toward the salvagee, so the same criteria will apply to the dollar if the European Monetary System exercises salvage rights over the U.S. currency. Smart money has already bet on at least a dollar stabilization, if not a dollar recovery—no matter what the new Chairman of the Federal Reserve chooses to do about interest rates and monetary aggregates. However, there are two distinct political tracks under which the dollar could be stabilized. The first is that the Europeans will step in if need be and absorb the excess dollars on the market. That the West German central bank is prepared to do so, despite a great deal of puffery to the contrary, is not even a secret now to the American financial press or to senior American financial managers. The second is that Paul Volcker will pull a classical "British" austerity program, possibly with the public assistance of the International Monetary Fund's Managing Director, Jacques de Larosière. There are numerous versions of this scenario in circulation, the most prominent of which was published on July 24 in the Lombard column of the London *Financial Times* (see Domestic Credit).

The point on which concentration should be directed is the former scenario. All the discussions in the financial press of the conditions under which the Bundesbank will choose to intervene in support of the dollar ignore the real motivations involved. Where do the dollars go? By and large, not back to the United States in the form of investment. The German, French, and other continental European banks are employing the surplus of dollars to maintain their exports through generous foreign lending. In American banking circles, this is known as "loan dumping."

The European lending operation is of far greater significance than mere "unfair competition" against their American and British competitors. Senators Heinz (R-Pa.) and Javits (R-N.Y.) believe—correctly—that it represents a "strategic threat," in the words of a senior aide to Sen. Heinz (see Banking). To put it simply, the European lending program is currently holding together a broad array of trade agreements between Western

Europe, the Arab world, the Soviet bloc, and the developing countries. The centerpiece of the latter is the joint European-Soviet nuclear export program, featured in the *Executive Intelligence Review* last week.

In the words of both American and British defenders of the Anglo-American world order, the European domination of the world financial markets is already a clear and present danger to such institutions as the International Monetary Fund, if not NATO itself. And the preferred Anglo-American alternative, the substitution of the International Monetary Fund's Special Drawing Right for the dollar in either reserve or private transactions, is dead as a squashed bug. Ditto for Eurodollar market credit controls to put a damper on European lending.

The current situation is the least of the Anglo-Americans' worries. If the dollar continues to deteriorate, the mere combination of intervention and lending now in force will give way to a formal, institutionalized form of European domination of the international markets. The proposal of the Dresdner Bank's Hans-Joachim Schreiber (see Gold) for a link between the price of oil and the price of gold follows our earlier analysis of European intentions.

What Volcker et al. have going for them is the simple fact that the West Germans "do not like to put themselves up front," in the words of an American corporate chairman just back from Europe. Even though an American depression would have deleterious consequences for their own economies, they will swallow hard and go along with a money crunch policy in the United States, and proceed slowly on the construction of the monetary institutions that must ultimately replace Bretton Woods' decaying institutions.

There is a third option: a U.S. rebuilding program based on no recession, and high-technology capital formation—essentially a U.S. leadership role in the European operation. This may seem distant given the situation in Washington, but given the mood of the American population, it should by no means be ruled out, as the response to the Lyndon LaRouche presidential candidacy (see U.S. REPORT) indicates.

—David Goldman

GOLD

Dresdner moots new global gold standard

The specter of a new international gold standard is haunting the Anglo-American financial community. In his press statement as President Carter's nominee for chairman of the Federal Reserve, Paul Volcker placed himself on record as "opposed to a return to the gold standard." Volcker did not bother to mention who was advocating such a standard, but events of the last week leave little doubt that the same West German and French banking and industrial circles who initiated the European Monetary System (EMS) are also backing an expanded monetary role for gold. And, as a top

official at Consolidated Goldfields, the British-based mining finance house, pointed out in a July 25 interview with this columnist, the future development of the EMS and gold's role in it are primarily "defense," or military-strategic, questions.

Gold-oil link?

Although European banking officials have said little publicly concerning the nature of the proposed gold standard, a few hints were dropped in an article by Dresdner Bank managing director Hans-Joachim Schreiber published in the latest issue of the West German weekly *Wirtschaftswoche*. Schreiber commented that the gold price has tended to reflect "a 15-fold multiple of the dollar price of a barrel of oil" and that this would

imply a new range for gold in the coming period of between \$330 to \$350 an ounce.

Ironically, although Schreiber depicts gold price developments as if they were being determined by blind "market forces," Dresdner Bank itself has been largely calling the shots in the international gold market for the last six months through its gold purchases.

There are other important implications of Schreiber's remarks. The Europeans and the oil-producing countries may decide to negotiate an agreement in which oil will be formally indexed to the price of gold. The Europeans could then pay for their oil imports in gold revalued at the full \$350 market price or (more likely in practice) by issuing their own gold-indexed IOUs. Both imply an officially pegged gold price.

The one big question mark is: What will happen to the U.S. economy and the U.S. dollar under such a scenario? There is little doubt that

DOMESTIC CREDIT

Who is triggering a U.S. downturn?

One perception making the rounds on Wall Street last week was that Europe and Japan had forced the latest hike in U.S. interest rates by raising their domestic rates. "I think that the thinking of Emminger and other central bankers was in part, 'Let's force these guys into a recession,'" George Harbin of Dean Witter Reynolds commented in an interview.

The same argument was put

more subtly by the London *Observer* on July 22. The *Observer* that the succession of interest rate hikes in Europe, touched off by the West German central bank in mid-July, brought renewed pressure on the U.S. dollar and forced the Fed to raise its discount rate a half a percentage point to a record 10 percent on July 20. The *Observer* concluded that "the international situation leaves the Federal Reserve with little choice but to hold firm," even though a restrictive monetary policy will aggravate the U.S. Recession.

While Emminger, the outgoing

West German central bank chief, may indeed have been thinking along such lines, West German industry hardly wants the U.S. economy to tilt into a recession—on consideration of the impact on West German exports of autos and other goods alone.

Moreover, as *Business Week* pointed out in its July 30 issue, Bundesbank monetary policy has not been as stringent as it has been portrayed to be. German financial sources say that the central bank's decision to lift the Lombard rate to 6 percent on July 12 was taken in lieu of a much more drastic step under consideration: the imposition of strict limits on what the banks can borrow to meet Germany's rising domestic loan demand. German sources also note that the Bundesbank is quietly replacing its earlier 6

the Europeans would prefer to maintain the dollar's role as an international reserve alongside gold (as opposed to using the D-mark or the European Currency Unit). However, should the U.S. government continue to pursue incompetent, hyperinflationary energy policies, no force on earth can prevent a dollar collapse. Every upward jerk in the gold price against the dollar would then result in a corresponding increase in the cost of imported oil to the U.S.

The U.S. economy would be pulverized, but Western Europe, assuming a relative stability of its currencies against gold, would appear stable. This would be no real solution for Europe, however, since the disintegration of the world's largest and most advanced industrial economy would deal a devastating blow to world trade. Dresdner's scenario "works" only to the extent that the U.S. economy is rebuilt through a program of low-cost nuclear energy development and expanding nuclear

technology exports to the Third World.

British worried

Like de Gaulle's 1960's campaign to revalue gold, Dresdner's gold market activities have deeply worried London's elite, who perceive rightly that a new international gold standard would blow sterling and the purely speculative London financial markets clean out of the water. Christopher Glynn, of Consolidated Goldfields, told *Executive Intelligence Review*, "I haven't seen his (Schreiber's—A.R.) comments, but I would guess that what he means is a new official price for gold. I don't think that the financial state of the world is so serious as to warrant this."

Glynn said he thought (or hoped?) the gold price was "close to its top." He cited a recent slackening of demand for gold purposes of jewelry fabrication in response to the high prices and an emerging reces-

sion in the U.S. which, he believes, could force a severe downward break in the gold price similar to that which occurred in 1975.

The source of Glynn's bearishness towards gold became clear in a discussion of why Britain is reluctant to join the EMS. Whether Britain joins or not is primarily a "defense question," Glynn stated, because "if we joined, we would become Europeans. We would be committed to a common defense system with Europe rather than working with the U.S. in NATO." Asked whether this means Europe is going "Gaullist," he deferred the question.

—Alice Roth

percent target for money supply growth in 1979 with a 9 percent target.

The actual impetus for tighter monetary policy in the U.S. is coming from London, and is part of a scenario for strengthening the dollar through domestic austerity, and beefing up NATO and the International Monetary Fund over against an emerging European-Arab security and economic bloc with growing trade ties to the Comecon.

On July 25 the *Financial Times* of London's Lombard column laid out a grisly imagined sequence of events in which the U.S. follows the route Britain took after the 1976 sterling crisis, and invites in the IMF: "Perhaps President Carter should now go and plead with the IMF for a loan. M. Jacques de Larosière could then appear on television and instruct

President Carter to double the price of oil over three years, to invest in public transport and to force Detroit to produce small cars. International investors would be so enraptured to see Mr. Carter and the American people publicly chastised that they would pour their money into America and the dollar would become mightier than ever."

The choice of Paul A. Volcker to head up the U.S. Federal Reserve Board is very much a part of the Anglo-American ploy to bolster the U.S. dollar—on the basis of high interest rates, high energy prices, and other measures designed to reduce consumer purchasing power in the U.S. Volcker, who is vividly remembered by Europe and Japan as the Treasury official who conspired with Secretary John Connally to put the 1971-73 dollar devaluation over on

them, has in recent months been plugging for tighter U.S. monetary policy at the Federal Open Market Committee. In remarks to the press following his nomination July 25, Volcker expressed his commitment to a "strong dollar" policy.

As the current instability of the British "miracle" attests, however, the tight money-austerity route is hardly a viable one for attracting long-term investment money into the U.S. or any economy.

—Lydia Schulman

WORLD TRADE

Economic warfare bills move through Congress

There has been a major gear-up of U.S. trade war capacity following President Carter's ten-day "retreat" to Camp David. :

- The administration has just submitted a bill for centralizing U.S. trade functions in a new Trade and Commerce Department, the most significant features of which are (1) the beefing up of the new department's capacity to take action through antidumping and countervailing duty provision against countries exporting to the U.S.; (2) the strengthening of geopolitician

Robert Strauss's Special Trade Negotiator's office.

- The Senate approved on July 21 a new exports control law, which significantly enhances the Administration's capacity to wage economic warfare. Under an amendment successfully added by Sen. Henry Jackson, the Defense Department would have the primary responsibility for identifying which U.S. exports are to be classified as "strategic" and hence not exportable to East Bloc or other so-called enemy countries. Under another provision of the Senate approved bill, Alaskan oil cannot be exported if U.S. supplies would be reduced or if U.S. prices were to be raised—except to Israel.

- Both the Senate and the House

have approved the full terms of the General Agreement on Trade and Tariffs (GATT) pact, signed last spring. The approval slid through with a minimum of debate and an unprecedented blackout of the full terms of the tariff and provisions.

Wall Street reporter Arlen Large asked July 25, in a feature titled "Why Congress Jumped Aboard the Trade Bill," "Where have all the protectionists gone?" and accurately suggested that the "lawyerish machinery of federal trade-rule enforcement" in "the low-profile bureaucracy" will increasingly be mobilized on behalf of protectionism.

Special Trade Negotiator Strauss has been claiming that the pact will benefit the U.S., while much of the press has said—along with the Congressional Budget Office—that the GATT's effect on the U.S. will be neutral. The bill will actually enhance America's present export difficulties. It is an attack on develop-

BANKING

Behind Proxmire's takeover bill

The banking world is in a state of mild shock following Senate Banking Committee Chairman William Proxmire's introduction July 18 of S. 1539, the Foreign Bank Takeover Act of 1979, which would legislate a complete moratorium on all foreign bank takeovers of U.S. banks until April 1, 1981—and would allow no "grandfather" exemptions of takeovers currently pending.

"I was shocked—Proxy is the last person we'd have thought would do this, considering his free-market proclivities," said a source at Salomon

Brothers, the investment bank for New York's Marine Midland, which is trying hard to be taken over by Britain's Hongkong & Shanghai Bank.

Hardnosed Washingtonians, however, are speculating that Proxmire is *not* motivated by some sudden patriotic reluctance to allow his good friends at HongShang, Barclays, Midland, and the rest of the British banks to snap up billions in U.S. banking assets. Proxmire's strategic aim probably has more to do with a leak by Senator John Heinz's office this week. According to his office, Heinz, who has a similar resolution pending, seeks not so much to stop takeovers as to "get control" over the billions in Arab petrodollars

which are at the center of world monetary power.

57 varieties

Proxmire's bill, which is now being reviewed by the full Senate, is based on the weaker Senate resolution 92 introduced by Heinz on June 26, which called for only a six month moratorium on takeovers and would have grandfathered (permitted) any takeovers already pending as of June 1.

Heinz's motives were indicated in his press release that day, which at great length pinned all America's woes on the "close to \$200 billion in petrodollars which have flowed into the tills of Arab shieks. I fear that we will have a flood of takeovers," he said, "fed by the swelling tide of petrodollars that will threaten to engulf and overwhelm us. The American banking system is on the auction block."

Asked whether Arab inflows were the real problem, considering

ing-country dirigism and national sovereignty, best compared with the British Parliament's unsuccessful effort to enforce underdevelopment on the American colonies over two hundred years ago, thereby provoking the American Revolution. By prohibiting the subsidies and import controls required for less developed countries to launch and expand export industries, GATT will destroy these nations' ability to buy American industrial and farm products and drive them politically toward the East bloc—which Washington will then use as a pretext for further regional destabilizations.

• The recent shakeups in the U.S. executive branch will strengthen these economic warfare tendencies. Federal Reserve appointee Paul Volcker and Treasury Secretary John "Two-Gun" Connally forced the world to swallow U.S. dollar devaluations and protectionism in the early 1970s—promising the U.S.

business community that this "get nasty" approach with the Europeans and Japanese would boost exports and the dollar. The results of those policies are only too manifest less than a decade later.

The GATT pact, U.S. export control law, and Commerce Department reorganization will vastly strengthen the capabilities of the Volcker-Strauss-Vance economic warriors; the claim that GATT will forestall a new outbreak of protectionism is a hoax, unmitigated by the fact that Chinese imports will be welcomed into the U.S.

This has been understood in a limited way even by those groups testifying before the Senate on the new GATT pact. A witness for the National Foreign Trade Council warned that the bill "may have the potential to exclude imports even more than existing law," while a spokesman for the American Importers Association testifying before

the same body noted that the proposed rules are "a nightmare of technicalities and procedural mazes which amount to a new nontariff barrier to trade."

Although the Administration's proposed new Department of Trade and Commerce was immediately criticized as a slapdash production designed to counter Senate threats to sit on the new GATT bill unless the Administration submitted a Commerce reorganization bill, Sen. Ribicoff's Governmental Affairs Committee, which has jurisdiction, may accept the bill with amendments of its own provision, the *Journal of Commerce* reports. If Congress does nothing whatever, the reorganization will take effect automatically in 60 days.

—Richard Schulman

that (as the *Washington Post* reported July 24) Arab investors have under \$200 million in the U.S., compared to some \$8 billion in British and \$9 billion in Dutch investments here, a source in Heinz's office laughed. "Of course we don't begrudge them, especially the British, the takeovers. We just want to make sure that we control the policy under which foreign investment is made here. Specifically, we want those petrodollars rechanneled with us making the decisions."

Asked how this could be accomplished, Heinz's aide said, "How about threatening to invade the Persian Gulf? That kind of talk is good for the Arabs; reminding rich, weak countries with no armies that they are vulnerable is a useful technique, especially when they are being avaricious. That's how Japan began Pearl Harbor—when it was cut off from oil. Trouble is we have a weak-kneed President; the current U.S. regime might not contemplate war, but at

least we can tell them quietly that a future regime might." Such as, presumably, that of Alexander Haig.

Whither the petrodollars?

In fact, what Heinz, Proxmire, and New York Senator Jacob Javits, who Heinz's office says are collaborating closely, have in mind is to collaborate with the City of London banks and British government to get the petrodollars away from the Franco-German European Monetary System (EMS) banks who want to invest the dollars in advanced nuclear and industrial development of Europe and the developing sector. Once that is done, Heinz et al. will propose the dollars be sunk into some 19th or 18th century "soft" technology Carter-U.S. energy plan, which otherwise could never be financed.

Heinz's people say they have "no specific plans yet" or a concrete U.S. agency which could channel the petrodollars, "but the Saudis have talked about us de-

veloping our own energy sources, and now they'll have to shell out."

For this we have to "get tough with the Europeans—they're the real problem," Heinz's office continued. "We agree with Javits that we have to revamp the whole Bretton Woods monetary system. The Germans and French won't go along—they've been taking petrodollar deposits and dumping loans to the LDCs, and the Carter administration is soft on them. They've refused to go along with the Fed on reserve requirements to control the Euromarket. We should be a lot nastier with them—like having trade wars."

Asked, however, what leverage the U.S. could possibly have over the politically much stronger EMS nations, Heinz's aid admitted, "If I knew how to do that without breaking down our economic relations with them, I wouldn't have been stuck in the Senate Banking Committee."

—Kathy Burdman

The NATO push in electronics

The ITT executive reshuffle and IBM's dramatic marketing shift, which we covered last week, can be definitely linked to a London-sponsored NATO attempt to bring Europe and Japan under NATO's political umbrella. The carrot offered is the prospect of allowing NATO suppliers to freely bid on U.S. Department of Defense contracts. The stick is the intensified competition created in civilian electronics fields by IBM's marketing aboutface, and by the U.S. breaching of Japan's computer and electronics tariff walls.

ITT's 'military-industrial' push

The key shifts in ITT have been in the scientific posts. The most important staff shakeup below the already reported canning of ITT's European and North American presidents was the installation of Charles Maria Herzfeld as top R&D man. Herzfeld has been closely associated with new ITT president Rand V. Araskog, a linchpin in Robert McNamara's reorganization of the Department of Defense under President Kennedy. From his position at DOD's Advanced Research Project Agency in 1961-65, Herzfeld went to ITT's defense/space group.

Herzfeld sits on the Air Force Scientific Advisory Board, the British-controlled high-technology think-tank guided by Gen. George Keegan, and is a fellow of the Hudson Institute, known for its total nuclear war scenarios. He also belongs to the London Institute for Strategic Studies, said to be the operational "war room" for electronics strategy.

The current ITT mobilization

was announced June 29 by company chairman Harold Geneen at the ITT annual senior executives' barbecue in Brussels. At the same time, outgoing NATO chieftain Alexander Haig gave a briefing in Brussels to the Israeli intelligence branch of NATO at an affair called to celebrate the opening of a new Anti-Defamation League office in Paris.

The drive for NATO standardization and enlarged Defense Department procurement from NATO suppliers was prominently discussed at the Armed Forces Communications and Electronics Association convention in Washington last month. The leading pieces of bait being proffered are the \$100 million electronics package for the MX missile and the DOD's Tri-Tac Digital Nonsecure Voice Terminal, which will be opened to Siemens, Telefunken, Dutch Philips, Marconi Elliot of England, and Canadian Marconi.

According to Harold Miller, president of ITT defense communications, "Many developmental programs are now coming to fruition with substantial production coming over the next couple of years." Another participant said, "There are more bids than we have the resources to go after."

At the same time the Japanese are being invited to coordinate with NATO, Senator Henry Jackson is trying to make sure that Japan, as well as France, West Germany, and Italy, does not turn to Soviet markets instead. Jackson is seeking an amendment to the Export Administration Act that would impose validated license controls on exports to other nations—controls designed to prevent the re-export of such critical goods and technologies to nations threatening the national security of

the U.S." While aimed against foreign manufacturers who use American components, it would also enable ITT to justify ordering its foreign subsidiaries to embargo goods to the Soviet bloc.

Double squeeze on Japan

Meanwhile the recently released GATT tariffs indicate that the Japanese gave up all protection for their growing electronics industry but allowed the European Community to maintain its grotesque 17 percent tariff on semiconductors, sponsored by Britain. Japan allowed its computer tariffs to drop from 13.5 percent to 4.9 percent (the U.S. level), while related products were chopped from 18-25 percent to 6 percent.

While Japan was opening its domestic market to U.S. penetration, it was losing its marketing operations in the U.S. As we reported last week, Fujitsu's joint venture with Amdahl, the heavy computer manufacturer, and Hitachi's capitalization of Intel to provide a sales outlet in the U.S., are being wrecked by IBM's sudden strategy of selling a lot of new-model machines. Amdahl's stock collapsed from 75c4 ten months ago to 23 5/8 on Friday, June 22, and sent the company searching to expand its \$100 million credit line. Amdahl sales depended on IBM's holdbacks of computer production.

Intel, which markets Hitachi computers and peripherals, hit high second-quarter losses from its computer leasing operations and accepted a four-man panel headed by First Boston investment bank to "advise" Intel president Peter Redfield. Hitachi's several-hundred-million investment in Intel will thus be controlled by First Boston.

—Leif Johnson

Paul Volcker is a thug

Behind the Fed nominee's prodollar pose

Within hours of President Carter's nomination of New York Federal Reserve chief Paul Volcker to replace G. William Miller as head of the Federal Reserve System, a soaring U.S. stock market had registered the gullibility of American businessmen. The international response, however, appears to be informed by longer memories about the man the *New York Times's* Clyde Farnsworth has anointed "one of the most skilled monetary tacticians of the age."

While Mr. Volcker's more recent distinctions feature his repeated public assertions that G. William Miller has been too "lax" on the credit reigns, it is without doubt his earlier educational and financial-government career that is the basis for the skeptical international assessment of President Carter's "conservative" choice. European and Japanese leaders—and in particular former Finance Ministers Giscard and Schmidt—gained an intimate knowledge of "Volcker policy" in eyeballing sessions that featured then-Treasury Secretary John Connally during the August 1971 dollar crisis, when the British and their domestic stooges conspired to force the dollar off gold and drive American world economic leadership to its nadir in a rampage against Europe and Japan. Contrary to the *Wall Street Journal* editors' attempts July 26 to underline his "fairly small role" in the 1971 disaster, it was in fact Undersecretary for Monetary Affairs Paul Volcker who prepared the script and did the coaching for the acknowledged "quick study" Connally.

A summary review of this and other highlights of Volcker's career will show that, beneath the cultivated pose of a shrewd, soft-spoken New York financier—a "conservative"—the hulking Mr. Volcker, perpetually sucking on a thick, dark cigar, carries the proven credentials of an overgrown thug for the dirtiest and most immoderate of British political and financial policies and methods.

Education: in the Royal Fabian tradition

Educated at Princeton and Harvard, Paul Volcker's training was critically augmented in 1961 with a year at the London School of Economics, the British Fabian bastion, where he studied the United Kingdom's post-war monetary policy which centered around containing the dollar and U.S. trade and investment. In 1962, Volcker was funneled into the Kennedy Treasury Department, where he worked under the general tutelage

of Undersecretary for Monetary Affairs Robert Roosa during the latter's conversion to SDRs as a replacement for the dollar. In 1963 Volcker was promoted to Deputy Undersecretary to Treasury Secretary C. Douglas Dillon. With Lyndon Johnson's election in 1964, Volcker left the Treasury and in 1965 returned to Chase Manhattan Bank, where in 1957 he had been a "financial economist," this time as "Vice President for Forward Planning."

Interestingly, it is 1967, midway in Volcker's second Chase tenure, that a policy manifesto entitled "Gold and the Dollar" appeared in the year-end *Foreign Affairs* magazine under the joint byline of two otherwise unremarkable Chase Manhattan officials. Billed as the ultimate defense of the gold-exchange standard, this policy statement in every significant detail prefigured the actions taken under Volcker's guidance on August 15, 1971 and afterwards to destroy the gold-exchange standard—to break the link between the dollar and gold, and move toward what the manifesto refers to as a "new source of international liquidity." This is standard parlance for the British plan, pushed since at least the early 1960s, to replace the dollar-gold exchange standard with a reversion to John Maynard Keynes's scheme for a "world central bank" greased with "paper gold" Special Drawing Rights, rejected at Bretton Woods thirty-odd years ago.

Volcker gets his chance

With the Nixon victory in 1968, Paul Volcker was plucked from Chase Manhattan and installed as Under Secretary for Monetary Affairs in the Nixon Treasury Department. From at least the time that Nixon began tying the noose around his political neck—marked by the appointment of John Connally to take over Treasury to deal with a deepening domestic and international economic crisis whose dimensions and implications Nixon never succeeded in comprehending—Paul Volcker had immediate control of American foreign economic policy.

Both Connally and Peter Peterson, ferried into the Nixon White House in January 1971 as the Assistant for International Economic Affairs, were tutored by Volcker. It was Volcker who directed staff work in the Treasury Department from at least the beginning of the year to fashion and organize support for a dramatic new "get tough" policy for the dollar, and it was

Volcker who directed the select group to move into high gear as early as July to hammer out the exact steps ultimately announced on August 15: (1) shut the gold window; (2) throw up an import surcharge; (3) demand revaluations and other political and trade concessions from Europe and Japan as the price of relief from the disastrous effects of steps (1) and (2); and (4) begin the "long process" of negotiating "international monetary reform" based on, in Volcker's own words, an "orderly dwindling of the role of gold."

Critical assistance

Mr. Volcker was not left to implement his plans single-handedly. In fact, on two crucial occasions, he received absolutely critical assistance. First, on Aug. 6, 1971, Henry Reuss's international financial subcommittee of the Joint Economic Committee, under ranking Republican member Jacob Javits, leaked a report calling for the U.S. to float the dollar off of gold. An unprecedented dollar-dumping binge was predictably triggered. The situation was desperate, but not yet hopeless. Despite attempts to hype up alleged massive French demands for U.S. gold, a credible pretext for shutting the gold window was still lacking.

Then, on or about the morning of Friday the 13th—a little touch of black humor which afforded the London *Economist* editors a rich snicker—Britain cabled the U.S. Treasury and demanded \$3 billion worth of gold. It was this astonishing action which by all accounts forced the Camp David decision to junk the dollar-gold link.

Transcripts of the emergency August 15 meeting show that here Connally premiered his soon-to-become-infamous bully routine, this time for the benefit of a caged and credulous Nixon. It was also the occasion for Paul Volcker to debut his quiet, "conservative," I-must-reluctantly-agree routine. Volcker argued not only that the gold window must be shut, and hard bargaining with Europe and Japan commence on that basis immediately, but that to preempt speculation in gold the U.S. should sell some gold and in other ways "demonstrate that gold is not that important."

Mutt and Jeff

By the time Americans had heard Nixon's extraordinary August 15 address, Paul Volcker was on his way to Europe, stopping first to chat with British Finance Minister Lord Barber, and continuing on to the continent to commence the extortion proceedings. With Connally routinely obliging the press with headlined demands and threats at successive meetings and press conferences, Mr. Volcker proceeded to gain credibility as the accommodating antidote to the avowed maniac Connally—a hoax which ought to be loudly exposed once and for all.

The climactic moment at one of the late 1971 Group of 10 meetings in Europe—widely cited as indicative of Mr. Volcker's winsome playfulness—reveals the crux of the Mutt and Jeff act that Connally and Volcker perfected against Europe and Japan. Volcker provocatively challenged European and Japanese persistent resistance to revaluation, suggesting "hypothetically" a U.S. devaluation of, say, 10 to 15 percent. Connally, chairing the meeting, reportedly picked up the idea, proposing a formal discussion beginning with a 10 percent U.S. devaluation. The predictable silence descended, and exasperated finance ministers were left to cable desperately back to their governments for further instructions. (As chronicler Robert Solomon noted, Volcker would have preferred to start the discussion at 15 percent—Connally was quick, but not that bright.)

U.S. relations with Europe and Japan have never recovered.

The "Volcker plan"

But fracturing ties with America's allies was not an end in itself—the policy content in this madness was elaborated increasingly as the hostile stalemate between a severely compromised Europe and Japan and the Anglo-Americans gave way to the post-Smithsonian agreement sideshow of "international monetary reform" negotiations during 1972 and 1973.

The centerpiece American proposal for the Group of 20 deliberations which began in the fall of 1972 was known as "the Volcker plan." As Robert Solomon pointed out, the "Volcker plan" bore "a striking resemblance to the Keynes plan of 1943." Volcker would simply substitute the IMF for Keynes's "clearing union" and the SDR for Keynes's "bancor." Solomon further notes that Mr. Volcker was proffering a plan on behalf of the United States in 1972 which the United States had rejected outright in 1943.

That epitomizes the ironies surrounding the career of the "conservative" Mr. Volcker. By mid-September of 1971, the *New York Times* was forced to comment on the apparent anomalies of America's foreign economic policy and its sponsors. "Mr. Volcker is an extremely loyal servant of the President," the Times intoned, and one of the most vociferous spokesmen against the "concept of flexibility of currencies." In February 1969, after taking office, he said that wider fluctuations had been discussed in academia—and they could stay there. In June 1971, testifying before the Joint Economic Committee, he sharply opposed Reuss's proposal to cut the gold link and float the dollar. "And yet," sighed the *Times*, "according to reliable reports circulating here, Mr. Volcker was the principal architect of the President's new economic structure."

—Susan Cohen

Volcker's endorsement of controlled disintegration

In the Nov. 9, 1978 Fred Hirsch Memorial Lecture at Warwick University in England, Paul Volcker outlined the necessity of having the International Monetary Fund "manage" a world economy in which the dollar would be phased out. New York Council on Foreign Relations economist Fred Hirsch wrote the Council's Project 1980 economic sections before his recent death.

Volcker's speech, excerpted below, was published in the January 1979 issue of the London monthly The Banker.

...I was tempted to take as my text today one of Fred Hirsch's last dicta: "A controlled disintegration in the world economy is a legitimate object for the 1980s. ...". The phrase captures what seems to me the prevailing attitudes and practices of most governments in this decade, as they struggle with two central issues that bedevil so much of our negotiations and our actions, not just with respect to money, but over the full range of international economics. ...

...The United States no longer stands astride the world as a kind of economic colossus as it did in the 1940s, nor, quite obviously, is its currency any longer unchallenged. Now, other centers of strength and power have arisen in the industrialized world, and they will need to share in the leadership. Developing countries have a new economic importance and political consciousness of their own.

...Let us be aware of the difficulty of controlling disintegration, once fairly started. ...

I do not suggest that we stand on a knife's edge, forced to choose between integration and autarchy. But I would much rather take as my rallying cry, as a focus for necessary negotiations, as an ideal from which to measure progress, the challenge of "managing integration" rather than disintegration...

...The happy days of Bretton Woods, often viewed today with nostalgia, were a special case, workable because of a particular economic and political setting.

It was symptomatic that hardly were the last books on the "dollar shortage" published than new authors set to work on the "dollar crisis." Triffin, as early as 1959, only a year after the restoration of European currency convertibility, produced the classic description of the ultimate fallacy of operating a system on the basis of increasing use of a convertible reserve currency. The "Triffin dilemma" inspired a long collective effort to reinforce the system by creation of a new international reserve asset....

The system held together for a decade and more after the first signs of weakness, despite the resistance to more fundamental adjustment measures....

But in the end, the inherent contradictions in the system were too great. With the benefit of hindsight, it would seem that an erosion of the United States competitive position was implicit in the postwar arrangements. First Europe and later—with even greater momentum—Japan brought its industrial capacity and efficiency close to United States standards. It took some 20 years, but eventually the United States payments position was irreparably undermined....

Finally, in August, 1971, the United States did move decisively to promote the adjustments that seemed necessary...

...Mr. Connally's manner may have grated some foreign (and a few domestic) ears, but it was no mean feat to manage a devaluation of the proud dollar in a way that did not turn American opinion and policy inward....

...We have had plain enough warning of the fact that international money, any more than domestic, will not manage itself. It will deliver neither the promised autonomy nor integration if we fail to deal with some of those issues that were unresolved in earlier efforts at more structured reform....

As Fred Hirsch emphasized some years ago, the transition toward a European system could pose difficult problems. I hope we will all be alert to dealing with the complications that the transitional period could present for international cooperation on a wider scale, to protecting the legitimate role of the IMF, and to the implications of decisions within Europe for the monetary system as a whole....

All of this raises questions of governance—if the system is to be managed, who will do it and how. The obvious institutional focus is the IMF, and it plainly has a full plate of work ahead. I have long felt that, if that work was to proceed with full effectiveness, the effort of the international bureaucracy—however able—and it is very able—needs to be reinforced by more active regular participation by politically responsible officials of member governments. That is, of course, the rationale of the council authorized by the new articles. To a degree, the function has been performed on an interim basis by the advisory council. But it would seem to me useful, more than symbolically, for that body to assume now full legitimacy by transforming itself formally into the council, and renewing the sense of commitment to develop its surveillance function [along with] more or less continuous consultation among the "trilateral" countries: Japan, Europe, and the United States. And the consultation must extend to the highest level. The recent practice of "economic summitry" points that way.

British hands on the White House

The American people are being fed a new hoax. Press headlines to the contrary, Jimmy Carter has *not* just fired half his cabinet. Every bizarre action reported taken by the Carter Administration since Camp David has been the product of a conspiracy. This is a conspiracy to end democracy in the United States and put the nation under the fascist dictatorship of Gen. Alexander Haig.

It may also mean World War III in the near term ahead.

It is not accidental that among the new faces in

Jimmy Carter' cabinet, energy and transportation appointees Duncan and Claytor come straight out of the Pentagon. During the past week's Washington circus, French radio reported that the Pentagon has warned all Arab governments of imminent "piracy" in the Persian Gulf. More specifically, the warnings emanated, as cited in the wire services, from the Office of Naval Intelligence (ONI), Claytor's—currently Secretary of the Navy—own bailiwick. Spokesmen for the Kuwaiti government have taken this for a signal that the U.S. Central Intelligence Agency (run by the British intelli-

The Haig transition team

Cyrus Vance's overhaul of Jimmy Carter's cabinet has not handed power to a "Georgia mafia" but has installed a grouping of men associated with the Republican front man for the Alexander Haig presidential campaign, John Connally. The new appointees, not accidentally featuring two who come directly from the Pentagon, are all products of the branch-machine of the New York Council on Foreign Relations and Zionist lobby in the south, the machine that runs Connally. This "Haig transition team" includes:

Charles W. Duncan. Named head of the Department of Energy in the stead of James Schlesinger, who has departed for the Haig campaign itself, Duncan is trained in the prerequisites for martial-law administration of energy supplies. Duncan

comes from an old patrician southern family (Confederacy-rooted) and has served at the Rand Corporation as a lieutenant of Coca-Cola brewer J. Paul Austin, Rand chairman. USAF intelligence, for which Rand "thinks," is the most British and Israeli-penetrated of any U.S. agency, a distinction flowing from the role of Austin's Rand as a creation of London's International Institute for Strategic Studies.

Until his appointment at Energy, Duncan has been the number two man at the Pentagon, where he led the DOD "policy review" directed at blackmailing Saudi Arabia into allowing U.S. bases in the Persian Gulf. He has generally directed U.S. plans to "protect" Gulf oilfields, which translate as contingency planning of future oil flow disruptions.

Duncan was recommended for

his Pentagon post by Robert Strauss of the Connally Texas-Zionist machine. Strauss, both Carter trade negotiator and Mideast troubleshooter, dispatched Duncan to the Mideast in a recent effort to push the Egypt-Israel "Camp David" accord from the status of a treaty to a full-fledged "Middle East Treaty Organization" military alliance.

William Graham Claytor. Claytor is to head Transportation for 30 days and then will replace Duncan as the number two man at the Pentagon. He is currently Secretary of the Navy, and will use his 30 days at Transportation to plan the militarization of transportation for a Haig administration. Of an old Confederate patrician family, Claytor is chairman of the Southern Railway Corporation and of umpteen smaller

gence-ONI group under the direction of Rhodes Scholar Admiral Stansfield Turner) will unleash terrorists to block the Strait of Hormuz, through which three-quarters of the world's oil supply is shipped.

The inflammatory Persian Gulf caper is part of the same cynical plot as the Washington "massacre"—brought to you by the same people who engineered the oil hoax. In a telephone interview which we excerpt below, one of Haig's top presidential campaign advisors revealed that a series of shattering U.S. foreign policy humiliations will be deliberately manipulated to increase international chaos.

As a result, Carter will be "out by October," Haig's advisor predicted, following a string of disasters including a Weimar-style dollar collapse.

Behind the clown show

Here are the facts behind the clown show in Washington:

1. Carter has not *fired* anyone. James Schlesinger, Michael Blumenthal, Brock Adams, Griffin Bell, and Joseph Califano left the government of their own accord.

2. The mass resignations were stage-managed by Secretary of State Cyrus Vance at the Tuesday, July 17

cabinet meeting. The next day, as the resignations exploded into the press, Vance was in private meetings with the congressional leadership—meetings which were followed by tirades against Carter from nearly every Capitol Hill figure, the so-called Democratic and Republican congressional leaderships associated with the New York Council on Foreign Relations, which was originally established as the U.S. branch of Britain's Royal Institute of International Affairs. It should be noted that Haig was an early protégé of both Califano and Vance, and is described by an intimate as being "very close to Vance in particular."

3. The resignation script was drafted before and during Jimmy Carter's recent Camp David retreat in a series of meetings held by members of the New York Council on Foreign Relations and the Anti-Defamation League of B'nai B'rith. The most important of these meetings took place at the end of June in Brussels, NATO headquarters, with Gen. Haig (the outgoing Supreme Commander of NATO) present. Also attending were ADL members including Amos Perlmutter.

4. At these meetings, the notorious Eizenstat memorandum was put together. This memorandum calls for the de facto abrogation of constitutional democracy in the United States. It outlines a plan for government by

railways from the Potomac to Florida. Southern Railway is the premier corporate entity of the old British Morgan-McCloy banking interests for the south.

Claytor was a political protégé of Zionist Louis Brandeis and the Brandeis circle that also groomed John Connally. He went from the University of Virginia to Harvard law school, where he edited the *Harvard Law Review*, and launched an intelligence career by becoming law clerk to Brandeis on the Supreme Court, and then partner at the Cavington and Burling law firm in Washington. The firm's chief partner was William Bundy, Council on Foreign Relations director.

John Macey. Macey has been appointed head of the Federal Emergency Management Agency, an unconstitutional body designed to play a key "transition" role in the creation and management of artificial crises—e.g., terrorist outbreaks, etc.—that could propel Haig into the

White House; FEMA is then to direct the militarization of government that would follow. From 1961-69, Macey was special assistant to both Presidents John Kennedy and Lyndon Johnson for review and recommendation on White House appointments. He recommended most of the gentlemen who orchestrated and ran the 1960s race riots as "Operation Garden Plot," under "domestic troubleshooter" Cyrus Vance. That Macey job, the fact that he was chairman of the Public Broadcasting Corporation, a "clone" of the British Broadcasting Corporation, and now, his move to FEMA, sufficiently denote what his function will be in connection with a militarized U.S. government.

Benjamin Civiletti. Replacing Griffin Bell as U.S. Attorney General, Civiletti is an employee of the major Baltimore Zionist families; he played a major role in the old Kennedy Justice Department cabal that organized the "Get Hoffa" and other operations.

Civiletti has announced that his first priority at Justice will be to "clear up" the "Peanutgate" scandal involving Carter loans to a Georgia bank—which coincides with information from a Haig aide that the current President is to be "out of office by October."

Hedley Donovan. Donovan, who was in the news most recently for his glowing praise of Ted Kennedy when introducing the senator to a Council on Foreign Relations gathering, is the director of the CFR. There was no excuse to get him into the government, so a new post, Special Advisor to the President on everything, was created for him to occupy. Donovan is director of Time-Life, Inc., whose Clare Booth Luce is a "Dame" of the British Order of the Knights of St. John of Jerusalem. Donovan himself was an Oxford Rhodes Scholar, and has been one of the most important British Crown representatives in the United States ever since.

emergency decree, the implementation of energy programs that were pioneered by Adolf Hitler, and a provocation for a new war in the Middle East.

'Out by October'

The crowd at the Council on Foreign Relations knows that their lunatic puppet Jimmy Carter cannot implement these policies. Therefore, they are moving against him *now* to set up Alexander Haig with dictatorial powers.

The retiring cabinet members are scheduled to re-deploy into the Kennedy and Haig campaigns, which have been prerigged to win the Democratic and Republican nominations next year. The gameplan is to put Haig against Kennedy in a race that Haig is prerigged to win—especially since Carter's early demise and the emergence of the Chappaquidick candidate in his stead are certain to split the Democratic Party.

In keeping with his CFR assignment, Califano, upon leaving the administration, all but announced his readiness to work for a Kennedy candidacy; Schlesinger, a member of the GOP, typifies the wing of resignees who will join the Haig effort.

The myth of the two party system is now as dead as the proverbial doornail. The Council has already moved to split the Democratic Party top down. Two operations in rapid sequence made the fragmentation decision final. The first was the thorough and public discrediting of the Carter administration and the simultaneous propelling forward of the Kennedy option. The second, keynoted by Sen. Henry Jackson's nationally televised remarks on the demise of Carter, was the CFR-Zionist lobby's maneuver to effect, through the split, a cross-over into the Haig column of the Coalition for a Democratic Majority (Jackson, Moynihan), and others) "wing" of the party.

As Jackson stated: "The only question now is whether Carter will drop out or be taken out. . . . It's assured now that Kennedy will run, he will win the primaries, and go on to secure the nomination. . . ." He then added that 1980 will be a total disaster for the Democratic Party: "For the first time since 1954, the Democratic Party could lose control of the Congress . . . jobs held by Democrats at all levels will be lost." Jackson, despite repeated questioning from reporters to the effect of "given that Kennedy will get it, won't you support him?" refused to answer. The split has occurred.

As a result, the situation within each and every regional, state, and local machine component of what once was the Democratic Party—the nuts-and-bolts-vote-delivering organizations—is out of the control of the Democratic Party leadership. The message has now

gone out to every precinct that the Democratic Party has no chance to win the presidency in November 1980.

The patronage, porkbarrel, and "electoral victory coattails phenomenon," the "delivery glue" that holds the machine structures together, are gone forever. Political deals that "work" can only be made now outside of the Democratic Party, and so the scramble is on.

As this cross-party "machine-with-machine" deal process accelerates, the Republicans will join the Democratic Party in fragmentation. This process, the lawful result of the American republic's gravest crisis in its history, has opened the door to the presidential campaign of Lyndon H. LaRouche, Jr. to pose an American alternative and to win the 1980 elections.

The reshuffle hoax will only aggravate the crisis. The new appointees named add up to a tightly knit team to implement the next phase of what the CFR has termed the "controlled disintegration" of U.S. politics and the economy. Paul Volcker's entry as Federal Reserve Chairman and the self-appointed champion of "the controlled disintegration of the world economy during the 1980s," as Volcker himself put it, accurately captures the point of the reshuffle.

As the evidence presented elsewhere in this package documents, the overall configuration of the "reshuffle" inside and outside the administration looks as follows:

1) The "retooled" administration consists of an "inside" Haig stalking horse machine, centered around the southern Democratic wing of the Coalition for a Democratic Majority, together with the Mondaleites. Vance functions as the overall internal coordinator of the administration, working with a core group of Vice President Mondale, Zbigniew Brzezinski, and David Aaron from the National Security Council, and Defense Secretary Harold Brown.

2) The White House and the Department of Justice have been also "retooled" as per the requirements of dumping Carter by October. Behind the myth of the "Georgia Mafia" lies the reality of the White House under the control of newly appointed "Special Advisor to the President" Hedley Donovan, a director of the Council on Foreign Relations and one of the activists of that institution. One ought to recall that it was only a short two months ago that Donovan brought to the podium and introduced before the Council's membership Senator Ted Kennedy, who then spoke from a CFR-prepared draft on foreign policy. Donovan's inside operation will be periodically assisted by Clark Clifford "shuttling" in to the White House.

The so-called Georgia Mafia is not running the administration. Besides Donovan, the real strongmen in the White House are associated with the Republican

front man for Haig, John Connally. This gang includes Robert Strauss; W. Graham Claytor, transportation secretary in the reorganized cabinet; Charles W. Duncan, the designated energy secretary; and John Macey, head of the Federal Emergency Management Agency. These Haig insiders will play the same role for Carter that Haig himself played in the Nixon White House—during Watergate! With both leaderships of the Republican and Democratic parties in agreement with the CFR's Haig plan, the presidential campaign of the U.S. Labor Party's Lyndon LaRouche has become the unique channel through which Americans can stop this plot against the nation.

Background to the plot

The late June Brussels discussions between Haig and the Anti-Defamation League centered on the "problem of Arab petrodollars." Shortly after these extraordinary private talks came the Eizenstat memo urging "bold, decisive action to save the Carter presidency," and an all-out war against the Organization of Petroleum Exporting Countries. The memo dovetailed the deliberations of Haig and the ADL (whose Atlanta branch Eizenstat represents) and set the tone for the "reshuffle."

Then came the Camp David period. Clark Clifford, the Council on Foreign Relations hatchetman who ordered Lyndon B. Johnson to go on television in early 1968 and withdraw from renomination, told Carter that "cabinet changes are necessary," according to a *Detroit News* leak. After Carter's July 15 TV address, in which no changes were announced, Clifford's protégé Cyrus Vance implemented the CFR policy by having the entire cabinet resign for the first time in U.S. history.

Within hours of the mass resignations on July 17, the first phase was on of the dollar collapse for which the London financial press has rooted over the past months. That same Tuesday, Federal Reserve Chairman G. William Miller declared to a House Banking Committee hearing: "We are going to have a longer and deeper recession than anyone expects." Miller demanded that credit remain tightened drastically through 1980, and called for immediate "decontrol of U.S. domestic oil (prices) to \$25 a barrel. . . . which I recognize will be seriously inflationary."

The author of this depression prescription is now U.S. Treasury Secretary. His replacement at the Fed is the Bank of England's favorite, Paul Volcker (see ECONOMICS).

War with OPEC

Let us now backtrack to the OPEC-busting "marching

orders" of the Eizenstat memo. Charles Duncan, the next Department of Energy head, is an interchangeable part with the departing James R. Schlesinger. Like Schlesinger, Duncan has been at the center of anti-OPEC operations in the administration from his number two perch at Defense.

Duncan led the DOD "policy review" that attempted to blackmail Saudi Arabia into granting U.S. military bases in the Persian Gulf, and has directed U.S. plans to "protect the security of the Persian Gulf oil fields." This is translated as contingency plans for future oil flow disruptions, along the lines of the "piracy" warnings.

After 30 days, Duncan's Pentagon portfolio will be picked up by William Claytor, currently Secretary of the Navy, who will "temporarily" occupy the Secretary of Transportation post" in the meantime. Despite their "southern" cover, both Duncan and Claytor in fact stem from patrician families that work hand-in-glove with the Eastern Establishment's CFR and Zionist lobby. Claytor, for example, was groomed politically by American Jewish Committee founder Louis Brandeis.

These replacements cohere with the pattern that began when John Macey was appointed some weeks back to direct the Federal Emergency Management Agency, an unconstitutional "crisis management" body set up to administer government by decree. Macey, the former chairman of the British Broadcasting Corporation's offspring, the Public Broadcasting Service, is a "Texan" of the Strauss-Connally-CFR variety.

The conspiracy is sealed with the takeover of the Justice Department by Benjamin Civiletti, whose record includes advocacy of drug decriminalization and ending prosecutions for drug trafficking while such legislation is pending.

Civiletti outlined his "priorities" at Justice on July 20. They include: asending a new charter for the FBI to Congress this month; a "pledge" that Justice will "play a decisive role" in formulating, with Edward Kennedy, the Senator's "uniform justice code"; and strict government enforcement of all mandatory conservation measures—in short, austerity by police rule.

In case there are lingering doubts about who benefits from these Carter appointments, it should be added that the number one item on Civiletti's priorities list dovetails with the Haig "Carter out by October," scenario. The new Attorney General promised an early wrap-up of the investigations into the Carter family warehouse loans to Carter's 1976 presidential campaign.

—Konstantin George

As Britain predicted...

Some three to six months ago, the leading policy-makers of the British oligarchy wrote the scenarios predicting what is now happening in the U.S. capital. Here are two samples.

The RIIA assesses Carter's presidency

The following is the British monarchy's assessment of the first two years of the Carter presidency as it appeared in the February 1979 edition of The World Today, a Chatham House publication of the Royal Institute of International Affairs. Titled "Carter's dilemmas: presidential power and its limits," the article appears to balance Carter's faults against his good points. The scales, however, are weighted. Their conclusion is that Carter is a weak, indecisive and incompetent President—a sentiment now being echoed by the U.S. and British press, among others.

Until recently, the presidency of Jimmy Carter gave the appearance of a President without power. Elected with great hopes and even greater expectations of his own, Carter initially looked incapable of carrying through his political programme. ... The ominous phrase "one-term President" began to be heard....

Then came Camp David. The unexpected success of Carter's summit mediation between Israel and Egypt almost overnight invested him with the aura of a powerful President....

The power of the President ... is "the power to persuade."... He must, if he is to be effective in office, persuade his constitutional competitors for power, day by day, of the necessity and appropriateness of his policies....

The task of the President in this process is made considerably more difficult if developments outside his control confront him with the dilemmas from which he cannot escape without losing his powers of persuasion. This is precisely what happened to President Carter

The President

The first dilemma facing the President was to have been elected on a promise of a clean sweep in Washington, yet to have to depend on the existing Washington set-up to bring about a new regime. Only a strong President

could have overcome the resulting difficulties....

The problems went deeper than the President's life-style and the latitude enjoyed by his staff. Soon Carter's working style was at issue. Here, too, he faced a genuine dilemma. ... Carter could not, nor did he want to, install a similar regime (the "imperial presidency" of his predecessors—ed.). Openness and individual responsibility were to be hallmarks of his administration.

As a consequence, there was at first no central coordination of staff work in the White House which appeared inefficient and incompetent....

Now Carter was facing the dilemma of once again having to coordinate, in the interest of efficiency, the work of his administration in the White House, but thereby risking charges of acting like an imperial president.

... The American voters in 1976 did not want politics as usual, but rather a new politics, both in substance and in procedure. Carter could ill afford to act like a traditional politician. The few times he tried it, albeit rather clumsily, he was mercilessly ridiculed and his dilemma ruthlessly exploited. ... Such incidences contributed to the image of a weak, indecisive and indeed bamboozled President. ...

Public opinion

The final word about the success or failure of this administration will be the American public's, and not only in the primary elections of 1980....

The main complaint of the American public about Carter was that he was not tough enough, with regard to both domestic problems and foreign adversaries....

Toughness is now being demanded above all in regard to pressing economic problems. ... It had always been a characteristic—and confusing—element of Carter's basic political appeal that he is a liberal in terms of social problems, but a conservative in regard to economic ones....

The overriding issue in the near future will be whether Carter will succeed in providing more for less. Should this prove to be impossible ... he may yet encounter his biggest dilemma....

In the course of the past two years, Carter has tenaciously extracted himself from many of his major dilemmas, some of which he had helped create. One of his biggest problems was that of timing. ... But now Carter finally can look ahead to some plain sailing....

Ditchley: 'U.S. power on the wane'

In December 1978, the Ditchley Foundation held a Conference on Europe and the West, taking stock of the role Europe must play in the face of "the relative decline of the U.S.," as the conference report puts it. The conference and its report, published in the spring 1979 issue of the Ditchley Journal, are no mere academic exercises. The foundation, on the British side, counts among its members the leading policy-makers of the oligarchy and thus, their deliberations portend strategies and policies implemented in the not-too-distant future.

U.S. Ditchley, according to its constitutional statement, was established to pursue the strategic policy goals of British Ditchley. On the membership roster is Secretary of State Cyrus Vance, Rita Hauser, a member of the New York Council on Foreign Relations and a close advisor of presidential candidate John Connally, Paul Volker, recently nominated to head the Federal Reserve, and George Franklin of the Trilateral Commission, which is the institutional core of the Carter administration.

The following excerpts are from the conference report, titled "Europe and the West: Institutions and Organizations," by Robert Jackson.

The conference was perhaps most useful in clarifying ideas about institutionalization in Community and international (especially transatlantic) relations. To put the question in its most general terms: given that the world, the West and the Community in particular are facing new problems of unprecedented scope in the management of international relations, how much positive institution-building is required to secure the required degree of management?...

The fundamental concept here is that of *management*, the contention being that the issues arising in international affairs may increasingly be regarded as management problems....

Broadly, there seem to be three main management models on offer: *hegemony, cooperation, or institutionalization*.

Under the *hegemony model*, a single state possesses the strength to project its influence over other territories, so that a zone of management is established within which the decisions of that state govern a wider system. In the past century the various colonial empires are examples of the hegemony model. So are Hitler's "New Order" in Europe, the present Soviet system, and, after

a fashion, the recent postwar American leadership of the "Free World."...

The *cooperation model* consists of a free partnership between distinct sovereign states ... coming together to manage the transnational dimension of their affairs....

The *institutionalization model* ... is characterized by obligation....

The debates at the conference thus added up, it seems to me, to an exploration of the new phenomena which are appearing in international space, and which are beginning to call into question our established orthodoxies.

Most fundamental, there has been the relative decline of the U.S.—the hegemonic power around which the Western system was organized in the postwar era. Although American military preponderance within the West remains intact, the balance of economic power has shifted and, more fundamentally, the American will to lead has slackened. The West was until recently like a single solar system: now it is a constellation with at least three suns—the United States, Germany and Japan (with France rising fast and continuing to exercise a moral ascendancy over Germany). The Western system can no longer be managed by an extension of American decisions: it has to be managed—at least in the economic and financial sphere—on the basis of a more or less equal partnership.

... Outside of government, in the financial and commercial marketplace, the logic of rationalization, concentration and the deployment of capital and technology has driven across established boundaries and brought into being new forms of transnational organization....

The new power centers are, moreover, not confined to the Western world. The growth of the dependence of the industrialized countries upon the oil producers has brought new problems of transnational management....

Similarly, the rise of Soviet power has introduced new problems of transnational management....

These new phenomena—the relative decline of the U.S.; the ascendancy of the transnational market place and its private institutions; the growth of new power centers in the developing world; and the rise of Soviet power—have introduced a host of novel and complex phenomena into the international order. ... The question is: will these redoubled efforts at international management on the old basis prove adequate? Or will we find, as the task and problems continue to mount, that the "cooperation model" is no longer up to the job, and that some new system ... is required?

...So the press disposes

Now that the U.S. government crisis is in full swing, the press, predominantly British and "American," have wasted no time to move in for the kill. We provide some examples.

The British press comments

The British press responded to the events around the White House with a spate of attacks on the Carter administration. The following is a representative sampling.

London Economist, editorial, July 14: It is a clammy hand on the tiller in Washington, and the world senses it. So does the American electorate....

Of the man who rhetorically used to ask "Why not the best?" Americans are now asking "Why not even the second, third or fourth best?"... Muddle and uncertainty have marked not just the handling of energy matters, they have marked the Carter administration as a whole... They are not the same as indecision, of which the President is often unjustly accused. In fact, Mr. Carter takes decisions and for the most part sticks to them. But he does not understand how one affects another just as he does not seem to understand the context in which he takes them. A sense of history is badly lacking in his administration... And this lack contributes to the general incoherence that characterizes the Carter presidency.

London Economist, editorial, "Night of the Long Penknives," July 21: If Tuesday turns out to have truly been a night of the long knives in which the bulk of the team is dispatched, the voters may ask "Why not before?" and "Why not the captain too?" This was, in the end, the verdict on Mr. Harold Macmillan after he got rid of a third of his cabinet and reshuffled half his junior ministers in July 1962.

The signs are that Jimmy Carter, nuclear scientist, is now going to revert to Jimmy Carter, peanut farmer.

...In truth, (Washington) is not so much an island as an orchestra without either a score or a conductor. The score should be provided by the President and his advisors in the White House... If heads are to roll, it is those in the White House that should roll first.

The London Observer, editorial, "A Weak America," July 22: Recent events in Washington and Camp David have been much more than a crisis in the internal affairs

of the United States. They are the starting point of a whole chain of crises which must end by touching us all.

...There are three major areas in which the crisis in the White House could impinge dangerously upon the whole rest of the world.

The first and most serious is that of the Atlantic Alliance. Already some NATO members are voicing doubts about the long-term validity of the American nuclear guarantee. At present concealed beneath quite legitimate demands for direct involvement in negotiations with Russia on the next SALT agreement (SALT III), these doubts are likely to be translated—if the decline of the American presidency continues—into moves to establish a European independent "deterrent."

The second area is much wider and concerns America's global relations with the Russians... Once the Senate decides one way or another on SALT, the Soviet Union may then continue to extend its own power and influence at the expense of the West... A weakened presidency is certain to encourage and accelerate the process. ...

The third area of danger is the world economy, threatened by the joint crises of the dollar and of energy costs. The collapse of the dollar, which still serves for 80 percent of the world's trading reserves, would be the quickest road to national protectionism and the stagnation of international trade with serious political effects on stability in the Third World.

The Sunday Telegraph, OpEd, "The Great Washington Upheaval," July 22: Hamilton Jordan, ...who last week became the second most powerful figure in Jimmy Carter's battered administration after the President himself, has taken to wearing a dark blue suit and a necktie instead of slopping around in grubby khakis, open-necked.

... "Ham" has suddenly adopted the soapily smooth air of a successful door-to-door Bible peddler who has just graduated to the whip-cracking role of area sales manager....

It is indeed an awesome thought that such a scruffy, disorganized and simply uncouth provincial can have been saddled with so much responsibility....

Yet, other than that he works too hard at playing the hick with straw in his hair... Jordan is a pleasant enough fellow, friendly and no more boozily boorish in the gentle way of so many middle-class southerners afflicted with mild inferiority complexes.

To give him a job with the kind of authority a man

like General Alexander Haig, the just-retired NATO commander, exercised in the White House is, to put it bluntly, quite inexplicable. And it will be very surprising if cabinet members of any calibre put up with it for long—or agree to stay under such terms.”

Daily Telegraph, July 23: Just as it was in former President Nixon's White House prior to the “Watergate” scandal, the indispensable criterion for service in the Carter administration in the future will be loyalty to both the President himself and his policies.

...Carter's absences since mid-June in Vienna to sign SALT II ... then in Tokyo for the economic summit and finally at Camp David, followed by last week's sackings, has demonstrated rather clearly that the nation's business somehow gets done no worse without him.

The U.S. press takes aim at Carter

The U.S. press didn't miss its cue: coverage of the Carter cabinet shuffle pins the blame for the government crisis on Carter's “instability.” The following is a selection.

The Baltimore Sun, editorial, “Hurricane Jimmy,” July 22: It will take a while to assess the damage and pick up the pieces from the storm that swept through the federal government in the past week, leaving the cabinet in splinters and the White House a symbol of instability...

Chances that Mr. Carter could galvanize Congress into decisive action on energy dwindled as lawmakers observed the carnage in the Cabinet...

...The President in his speech last Sunday night lamented a growing disrespect for government as a result of Watergate, Vietnam, the declining dollar and oil vulnerability. We now lament that he has contributed to this disrespect by theatrical and irresponsible actions taken with scant regard for their consequences.

Washington Star, OpEd by Richard Reeves, July 22: I traveled with him and I liked him. He...effectively manipulated the symbols of God and family and the land to give the impression of a campaign that was just a little bit above politics...

...We picked Carter.

We were wrong. Carter did not know what he was doing and did not understand the emotions he had tapped...

Last Sunday night...he spoke to 60 million...asking us to “join hands in America.” I thought it was a lousy speech—self-righteous, self-deluding and insecure...Then Carter decided to precipitate a different crisis by asking his cabinet and staff to resign...Bizarre...

The reasons didn't matter. What did matter was that it was obvious that Carter himself didn't seem to know why he did it...

...Carter seemed desperate. Probably he isn't. He's just trying to figure out another act to give the impression that he is in control—if this craziness doesn't work, he'll try something else.

Baltimore Sun, OpEd by George F. Will, July 22: Having advertised his readiness for “tough decisions,” and having said he would “make absolutely certain that nothing stands in the way” of energy goals...The gap between his rhetoric and the implications of his policies is becoming eerie...

However, Mr. Carter may understand one thing perfectly. Thinking coherently is not the most politically important thing a president can do these days. Rather, the most important thing is to be seen trying to “relate” to “average Americans.”

...For the candidate who campaigned in 1976 on the slogan, “Why Not the Best?” the best reelection strategy is to count on the electorate's radically lowered expectations, for which he is partly responsible.

The Washington Post, OpEd by Haynes Johnson, July 22: The government's not about to crumble, despite the shock waves that swept through Washington last week, and the current political spasm will pass. But once again Jimmy Carter's presidency has been shaken by new impressions of instability...

...To an extraordinary degree all of government has been affected by the shakeup/evaluation process now under way...

...Every one of the new officials undoubtedly will feel compelled to bring in his own top aides. That means...that for a time everything in the departments will stop.

New York Times, OpEd by William Safire, July 23: Late one night last week, the President of the United States unexpectedly ran across the lawn of the White House, climbed on the black wrought iron fence, listened to and later spoke to a group of demonstrators...protesting Hanoi's expulsion of the boat people.

...Consider the variety of questions...that must have gone through Mr. Carter's mind as he looked through the White House gate late that night:

Isn't there anybody who wants to run the Transportation Department? Will calling Califano a liar make it look like I'm shooting the wounded? Do I have to hold on-the-record press conferences any more? Should I worry that the Georgia bank's Carter loan ledger was destroyed, or worry that it was not destroyed? What do I say in next week's affidavit? When can I unclench my fists? Is this wrought iron fence electrified?...

Haig men gloat: Carter's through

Nominally in the camps of Republican presidential nominee candidates George Bush and Ronald Reagan, two of Alexander Haig's men, Scott Thompson and retired General Graham, are now gloating at the prospects ahead for President Carter ... and their future under a Haig presidency.

Who's to gain from White House crisis

Professor Scott Thompson, from the Political Science Department of the Fletcher School of Diplomacy at Tufts University, evaluated the Republican presidential contenders who will most likely gain in prestige from the antics of the Carter administration in a recent interview. A British Rhodes scholar and a member of London's International Institute of Strategic Studies, Thompson knows of what he speaks. New York Times columnist William Safire recently mentioned him as a likely member of a "hard-line" (read: Haig) Administration's cabinet as National Security advisor.

Q: *Everybody seems to be looking to some kind of alternative to the present administration. Do you think we've approached a crisis that is deeper than Watergate?...*

A: We have because we've got no basis for getting rid of Carter and we are stuck with him for another year and a half. Don't you notice a sort of similarity with Watergate in a funny sort of way ... the twirling, the shuffling of the deck and all the tricks to take attention away from the real problems? ... Carter can't go out admitting failure ... I supported him early in 1975. ...

Q: *I understand you're not supporting him now...*

A: No, I'm not supporting him anymore. I think this enormously enhances Connally's image because Connally can campaign on the "Look, I'm a son of a bitch" platform—You wanted a nice guy and look what you got.

Q: *Who will benefit from this fiasco?*

A: Any guy that comes across as decisive. I think from that point of view it hurts Reagan, because I don't think Reagan has an image one way or the other of being decisive. He's beloved by many second-echelon Republicans. I think that Connally has the image of being a tough person, getting tough on the Europeans, getting tough on the White House, the Smithsonian, I think that's the kind of image he sustained.

Q: *There's one name that is not even a candidate that is floating around. He made a speech in New York a couple of months ago, Al Haig...*

A: That's one I am fairly close to. I don't think he'd benefit so much from the present crisis. The country isn't going to turn to a military leader unless it's a directly military problem. ... Only if the Soviets decide to play their cards. ...

Q: *You're actually talking about a crisis more radical in many ways than the events that took place during Watergate.*

A: Vastly more significant, because this affects the very ability of the United States to have a system that can get over a Watergate. People seem to think our institutions will go on forever. ...

Q: *Do you think that Carter can be made to step aside?*

A: You asked a very interesting question and people are only just beginning to talk about it, once it became obvious that he bombed again with his energy speech. ... I think now it's going to become a big national question. Ask yourself this: Since 1960, we assassinated the first president, we hounded the next one, we threatened to impeach the next one, we humiliated the next one and now we're going to drive him out. ... We're sort of becoming a banana republic. That's the problem which Carter has exacerbated. What we needed was stability and competence after a long period of insecurity that goes all the way back to the assassination. ...

Q: *People say the president is insane. I never even heard that with Nixon.*

A: Yes. A friend of mine who works in the White House said that Carter no longer listens—not even on strategic issues. ... I think we're now in the advanced Woodrow Wilson stage. ...

Q: *Do you think he's on the verge of psychological collapse?*

A: He could very well be. ... And then we have the perfect Mrs. Wilson also to play the same role. You've already got some of the symptoms without the collapse, the closing of the mind, the narrowing of the channels, the closing of the door. ... How do you prove incompetence? The country is going to hell and everything, but how are you going to split the Democrats on this? They're still showing in their polls that they support him. ...

Q: *How about a particular incident along the lines you were talking about before?*

A: That might happen, and Haig would be the chief beneficiary if it did, because he would be catapulted forward, even if it were a Wilkie-type situation with people just demanding Haig, and poor Al would be wringing his hands and it would be a difficult decision for him to decide to run the country (giggles) again. (laughing uproariously)

It only lacks a specific action to put together a coalition. Do you remember in the Nixon thing that Clark Clifford made a proposal (for a government of national unity—ed.). There's a mechanism in the constitution to solve the problem. No one had any difficult time in figuring out whom he had in mind for solving the problem, but this would be the time when it would be more appropriate. Let's say in the wake of a defeat of the SALT treaty, after the energy thing has been compounded further and the Soviets have made some threatening noises, and then it would become clear we would have to face up to some responsibilities to the nation and start at square one and Carter isn't up to it....

'Haig's the man to run the country'

General Daniel Graham (retired) sees the disintegration of the Carter administration and the split-up occurring in the Democratic Party from the standpoint of the SALT debate. He is a leading antagonist and predicts that the chaos in Washington will not help the treaty's chances for ratification. What follows is an interview with General Graham, who is the former head of the Defense Intelligence Agency and now with the American Security Council in Washington, D.C.

Q: Could you comment on the ramifications of the current disintegration of the Carter Administration?

Graham: Well I see it mostly in terms of its effects on SALT. You're aware that Paul [Nitze] and I are leading the fight to defeat SALT? My estimation is that what's going on within the administration now will not help Carter's case for SALT at all. With everybody wondering about his competency, how will he be able to sell a treaty that people already have strong reservations about? The situation is bound to work in favor of our position. I'd say that we now have a 50/50 chance—better than that, actually—of forcing changes in the treaty. I'm absolutely certain that the treaty won't go through the Senate unscathed. The real question is how substantively it will be amended.

Q: What happens if it is amended?

Graham: Any amendment would put it back into negotiations. The Soviets will insist upon it. Rejection of SALT II by the Senate would work to our advantage and increase the possibility of getting a better treaty for us. The Soviets would understand, if the Senate does

this, that we aren't about to be pushed around, and that if they want another arms control agreement, they're going to have to be prepared to make some real concessions.

Q: If SALT is defeated, what effect would that have on Carter?

Graham: It's clear that it has become critical for this Administration to get this treaty through in its present form. Any further failure on the part of the Administration, any further debacle in foreign affairs, would be the final nail in Carter's coffin. One of the reasons for the rather risky things the administration is doing to get the treaty passed ... is their desperation to get the treaty through. One thing you newsmen can expect is that the administration will start releasing high-grade intelligence material. ... I think the extent of these efforts indicates that the administration knows it won't weather a SALT defeat....

Q: I understand that Al Haig is taking an active part in the treaty debates.

Graham: Oh yes. Al is helping us do a film against SALT. ...

Q: His name is being mooted as a possible presidential contender. How does this strike you?

Graham: Of all the men running, Haig is, by far, the most capable of running the country. But that doesn't mean he'll be able to get elected. If Connally becomes the GOP nominee, on the other hand, you'll have him and Kennedy running the "Battle of the Scandals." That's why I'm sticking with Reagan for the time being.

Q: About Haig's chances—Prof. Scott Thompson at Tufts thinks that under crisis conditions, Haig's military background could become his key to the Oval Office. What do you think?

Graham: Well, Scott—I know him, by the way—could have a point. I'll always remember what Herman Kahn once said: If the U.S. loses Vietnam, then the nation will be electing a military man within the next two elections. Kahn has an uncanny ability to foresee the future. What Scott's saying could well come true. If this situation in Nicaragua really hits the American people—after all, Castro and the Soviets now have their eyes on three other South American countries, after their takeover in Nicaragua—then it could really shock people out of their stupor. If the gas shortage develops again, and what with our feckless president, this could all propel a guy like Haig very fast into the White House; I just don't think that will all happen between now and November. There's no question that the kind of crises exist which demand someone like Haig to take over, but they aren't dramatically evident enough yet to the general public. But, I wouldn't rule out Scott's scenario.

The LaRouche campaign: an American

The United States is without leadership and without even the prospect of leadership, except for Lyndon H. LaRouche. Because both the Democrats and Republican national leaderships concur on no-energy policies, because they agree with the Council on Foreign Relations plan which has placed an "Alexander Haig transition team" in the White House, LaRouche's campaign for president in 1980 has a wide-open field in front of it. It is the only channel through which the American people can express views contrary to those of the CFR, and that fact alone makes the U.S. Labor Party chairman the front-runner.

LaRouche has the program and he also has the strategy, which he is making well known through his current campaign tour.

The program

Stepping off a helicopter in Atlanta, Ga. July 19, LaRouche told the assembled press corps: "The two-party system is finished; 1980 will be the end of it. I am here to begin building a multiparty organization—an organization for which we will require at least \$20-40 million seed money to get it started."

LaRouche has defined the leading issues that will put him in the White House: nuclear energy development, crushing drug-running, and gearing-up the U.S. and European economies to industrialize Third World nations.

His spokesmen point to Nicaragua: a nation that has accused the International Monetary Fund of funding the drug-running and genocide by ousted dictator Anastasio Somoza, and whose new government asked for \$3 billion in aid from the advanced sector to rebuild the nation.

LaRouche backs Nicaragua's request as an example of alternatives to the IMF and, in a recent press release, declared: "My presidential campaign in the United States is dedicated to a policy of rapid economic and scientific progress in Latin America and to the complete liberation of Latin American economies from the grip of the IMF ... Under my presidency, the U.S. will return to the full policy principles of the Abraham Lincoln-Benito Juarez era. The present dormant economic and scientific might of the U.S.A. must be reawakened ... Latin America and right now embattled Nicaragua need the fastest possible rates of industrial, technological, and scientific development. The U.S.A., under my presidency, will be committed to meet these needs to the fullest extent."

In Georgia, LaRouche declared on television that his strategy is "based on my knowledge of the American System." "Nuclear energy," he continued, "is the center of this. As I have repeatedly emphasized in public statements over the past 10 days, now is the time for America to go nuclear. Immediately we must complete and open the 126 or so nuclear plants in this country which are waiting either to be put into operation or to be completed; and that is only a beginning.

"I am going to define the real issues that this country must answer to—and this is going to destabilize the beauty contestants paraded by the other parties."

LaRouche, who returned last week from Europe with his wife, Helga Zepp LaRouche, who leads the European Labor Party in West Germany, was in Georgia to launch his national campaign tour.

He went next to Chicago to address the First Annual Awards Dinner of the Illinois Anti-Drug Coalition, where his speech brought standing ovations from nearly 400 persons. He attacked the British monarchy, the Canadian-American Zionist agencies, the Kennedy-Javits "decriminalization" lobby and the Council on Foreign Relations as an organized conspiracy to drug American youth. He also attacked Edward Levi, the former Attorney General, for emasculating law enforcement efforts against both terrorist and dope-running activity. He named the Bronfman family as a financial interest that must be wiped out to stop drugs. "You can't beat the enemy if you don't name names."

The strategy

From Chicago, LaRouche goes to Detroit and then to other Midwest cities where he is concentrating his effort. That reflects the campaign strategy he outlined in meetings in Georgia and the Midwest.

A block of three states in the Midwest—Michigan, Illinois and Indiana—will be a "pilot project" to show that he can secure the support of political professionals and voters needed to win. From there, the campaign will concentrate on the Far West, then the South, and finally, the Northeast.

LaRouche stresses the "hyphenated Americans"—Irish-Americans, Italians, Blacks and Hispanics—as the key to his campaign at this stage. In most cases, their immigrant parents and grandparents came to America imbued with a commitment to progress and nation-building. Because the Council on Foreign Relations' Haig strategy involves fragmenting the Democratic and Republican parties, and requires both parties' leaders

alternative

to campaign for austerity and against the U.S. Constitution in favor of large doses of British System parliamentarianism, the "hyphenated Americans" comprising the state and local level machines have nothing left for them in those parties.

The LaRouche campaign is the alternative. A "town meeting" tactic his campaign organization, Citizens for LaRouche, has launched will involve from 50 to 200 people at a time in intense public question-and-answer sessions. By this process, as LaRouche put it, he will impart not only programs, but "reason itself" to the American people by demonstrating the actual under-pressure decision-making process of "not mere constituents, but citizens of a republic." The "town meetings" across the country will be taped and shown elsewhere to multiply their effect.

In Chicago, LaRouche posed the example that Chicago issues are world issues. LaRouche noted that this city is at the center of a 500-mile-radius industrial region that could be the control point for not only the nation, but the world's economy. The city could be the launching point of a new world monetary system. For that reason, leading "Chicago issues" like the Daley memorial expressway are of international importance. The expressway begun by Daley—now blocked by the new Mayor Byrne—would connect the sprawling southwest to the urban center.

The support

LaRouche campaign endorsers, including Teamster leader Roland McMaster, International Masons President William Banks, Daughters of the American Revolution leader Mary Canaugh and other civic, business and labor leaders, represent a cross-section of America, and the kind of depth of constituency to which no other candidate can point.

"At the moment," assessed a recent campaign statement, "the majority of the electorate is rightly disgusted with the efforts of President Carter and Congress to lead the nation into what the electorate rightly views as taking worse medicine than the disease. This nation needs leadership, but leadership for policies that are workable, for policies which will restore the United States to its relative position as the world's leading industrial power."

LaRouche is enlisting not only support, but also active aid from labor, business and scientific communities. For his "NASA-style crash program" around nuclear energy, he has commissioned a presidential

Who supports LaRouche

The following are some of the prominent persons in the U.S.A. and abroad who have endorsed Lyndon H. LaRouche for President of the United States.

Rolland McMaster, general organizer, International Brotherhood of Teamsters.

Michael Lady, president, Local 1744, AFL-CIO, St. Louis.

Roscoe Hower, former chairman, Democratic Party, Natroma County, Wyoming.

Frank B. Hewes, treasurer, Adirondack Steel Casting Company.

Mary Cavanaugh, former regent, Maryland Chapter, Daughters of the American Revolution.

Dr. William V. Banks, supreme president, International Masons; president, WGPR-TV, Detroit.

John Klos, vice-president, local 82, Oil, Chemical and Atomic Workers Union, Baltimore.

Dr. Adriano Valeri, vice-president, director, Italy-OPEC Chamber of Commerce, Milan, Italy.

Fausto Charris Romero, president, National Agrarian Federation, Bogota, Colombia.

Dr. Adriano Tremblay, professor of demography, École des Hautes Études Sociales de Paris, Paris, France.

Alf Mathew, Canadian National Education director, International Union of Elevator Constructors.

Ben Bissett, president, Social Credit Party, British Columbia, Canada.

Carlo dalla Valle, former parliamentary candidate, Social Credit Party, Vancouver, B.C., Canada.

Gerald Baillage, former parliamentary candidate, Social Credit Party, Quebec, Canada.

J.A. Levesque, former parliamentary candidate, Social Credit Party, Quebec, Canada.

taskforce composed of scientific and industrial experts to produce detailed legislative proposals to enable the energy program to succeed.

His theme continues to be: "There is no need for an energy crisis, no need for a depression, no need for the American citizen to suffer austerity."

—Vin Berg

Congressional Calendar

Carter energy program fading fast on the Hill

The knives are out on Capitol Hill and President Carter's energy package is rapidly losing any chance it had of congressional backing. Carter's demand that he be given power to ration gasoline received a major setback July 25 when the House voted 232 to 187 to have a double veto on any gasoline rationing plan proposed by the President. This would give either house of Congress the ability to defeat the plan either when Carter proposes a plan or for 30 days before Carter intends to implement it.

The House leadership, faced with this setback, immediately withdrew the legislation from the floor of the House late Wednesday night and now hopes to turn the legislators around on this one part of Carter's energy package that they had expected to pass before Congress recesses. Carter insisted at his press conference after the vote that he wanted the power to impose rationing swiftly and without congressional hindrance when he declares an emergency.

As we reported last week, Sen. Russell Long, the powerful chairman of the Senate Finance Committee, will probably gut the most dramatic aspect of Carter's program—the \$88 billion Energy Security Fund. The fund is to receive its revenue from the windfall profits tax which is currently in Long's committee. Long and a large number of his fellow committee members have made quite clear that if any windfall profits tax will be passed, its revenues should go in

large part to providing incentives for the exploration of conventional oil and gas resources rather than the ersatz synthetic fuel fantasy that Carter is pursuing. Long and his cohorts also intend to modify the tax and remove it from the production of new and Alaskan oil which will substantially cut down on the revenues for the fund.

Reflecting the realization that their program is dying, the administration invited Long and the entire committee to the White House on July 24 for a special pleading session. There is no indication that committee views were changed and Long is still reporting that there is little chance that his committee will finish mark-up of the legislation, whatever it looks like, by the August recess.

Furthermore, members of the political and financial community which had previously supported a crash program for synthetic fuels are now reversing positions. On July 23, former Federal Energy Agency administrator and now partner of Lazard Freres, Frank Zarb, lambasted the synthetic fuels proposal as did other witnesses before the Senate Energy Committee. Former Lazard associate, Felix Rohatyn, had been one of the prime boosters of the concept earlier this year. And following Senator Edward Kennedy's speech on July 23 before the National Urban League, blasting Carter's overemphasis on synthetic fuels, the Kennedy crowd on the Hill has begun to snipe at the program.

The other substantial aspects of the Carter program—the Energy Mobilization Board and the so-

called Fast Track Legislation speeding up designated energy projects—while steaming through the Senate Energy Committee, may be prevented from reaching the floor before the recess by Sen. Edmund Muskie (D-Me.), chairman of the Budget Committee. Muskie and others of his committee, like Kennedy crony Gary Hart (D-Colo.), have expressed concern over the budgetary impact of the legislation. Muskie can put 10-day hold on any legislation ready for floor action if he so desires, and 10 days at this stage pushes the legislation past the August recess.

Efforts to kill Clinch River breeder underway

The Clinch River breeder reactor funding is, at the time of this writing, on the floor of the House, with the \$200 million to fund construction now being debated. There are efforts to kill the breeder program being led by Congressmen Udall (D-Ariz.) and Bingham (D-N.Y.), who have an amendment to the Department of Energy authorization program for the breeder that will not only delete the funds for the construction of the breeder, but will cut out funds for research and development on breeder programs. On July 25, an amendment by Congressman Fuqua (D-Fla.) to cut construction funding by \$129 million adding only \$55 for study of the breeder was defeated by a vote of 237 to 182.

Export Administration Act passes Congress

A slightly streamlined version of the Export Administration Act passed the Senate on July 21 by a vote of 74 to 3. While floor manager Adlai Stevenson managed to make a few housekeeping changes in the bureaucratic and political bottlenecks strangling U.S. export capacity, the legislation in no way resolves the fundamental problems in U.S. export strategy. Stevenson was able to modify several amendments offered by Washington Senator Henry Jackson which would have crippled U.S. exports to the East bloc and to allies by, in effect, militarizing U.S. export administration.

Jackson, using a well-coordinated media event around the firing of a Commerce Department official who had "blown the whistle" on the export of strategic materials to the Soviet Union, attempted to place ultimate control of military strategic exports under the Secretary of Defense. Other amendments tightened up definitions and made other changes in such a way as to totally militarize a crucial element of U.S. high-technology exports. Stevenson managed to modify all of the amendments, but the Jackson philosophy still permeates U.S. export administration (see Trade).

Carter administration proposes beefed-up trade department

On July 19, the Carter administration finally announced their long awaited program for consolidating the trade functions of the executive departments, proposing not a new agency but a Department of Commerce and Trade. The proposal was drafted by the President's Reorganization Task Force at the Office of Management and Budget, a group run by top officials from the Rand Corporation. Although the institutional reorganizations proposed are not intrinsically bad, the effort to consolidate the trade apparatus is part and parcel of the administration's policy of using trade as a weapon against U.S. allies, the East bloc and the developing nations (see Trade).

The administration's proposal calls for consolidating in the Commerce Department the Treasury division dealing with countervailing duties, the commercial attachés of the State Department, the division at State that handles East-West trade relations and the functions of the multilateral trade negotiations staff. On July 23, the Special Trade Negotiator Robert Strauss and OMB head James McIntyre detailed this policy at hearings before Senator Ribicoff's Government Affairs Committee. The Senator, who has proposed a new Department of Trade, declared that a compromise policy would be worked out between his staff and the administration during the August recess.

Carter nominees railroaded through committees

The first of President Carter's appointees were railroaded through confirmation hearings before two Senate committees on Wednesday, July 25. Hearings were held before the Senate Judiciary Committee on the first of the new cabinet appointments in Carter's "Capitol Hill shuffle": current Deputy Attorney General Benjamin Civiletti who has been appointed to replace outgoing Attorney General Griffin Bell. The Senate Government Affairs Committee also met to hear testimony on the proposed appointment of John Macey to head the newly legislated Federal Emergency Management Agency. Hearings on the proposed Treasury Secretary William Miller will be held before Senator Long's Finance Committee on July 27, and Long has refused any outside witnesses.

Virtually no discussion took place at either hearing, representing the Senate's rubber-stamping of Carter's appointments, despite criticisms from Senate quarters of the President's cabinet firings.

—S. Kokinda, B. Dreyfuss and
J. Pierce

Exclusive interview with Indira Gandhi, page 42

The crisis in India



U.S. President Jimmy Carter was not the only chief executive in deep trouble this month. In New Delhi, Morarji Desai resigned as prime minister on July 16 less than eight hours before a crucial vote of no-confidence in the Indian Parliament threatened to topple his 18-month-old ruling Janata Party government.

Desai's resignation, the sudden emergence of many aspirants to the office of Prime Minister, and the crumbling of the Janata Party, have sequentially thrown the country into a deep crisis. For nine days, President Sanjiva Reddy has presided over a state of nongovernment, calling on every self-proclaimed "majority" candidate to form a government. None have thus far succeeded.

India is in for a period of extended instability. Whatever government is formed—if one is formed at all—will be a caretaker regime with all parties eyeing midterm national polls by the end of this year. Polls could occur as early as October, before any of the parties is prepared organizationally to make a powerful show of force. With every major political party a ruling party on the state level, observers in New Delhi grimly view a prospect for further fragmentation of the political scene, and behind that the threat of a greater role for the armed forces in maintaining law and order in the diverse and vast Indian nation.

Fundamentally, the collapse of the Desai government and the crumbling of the Janata Party was caused by a deep lack of confidence in the government expressed by the Indian population on two major fronts: economic policy and the outbreak of massive communalism. Forces within the Janata Party have deserted Desai's sinking ship to rally opportunistically into the Opposition, but the problems of the nation remain unsolved.

From one end of the political map to the other, India has gone from John Kenneth Galbraith's characterization of "functioning anarchy" to the Council on Foreign Relations' more recent 1980-description of "controlled disintegration." Every political party is splintered, with the only unifying characteristics being political chaos and disintegration at the central government and state government level. The Indian economy is in the throes of decay and collapse. Rising inflation, severe shortages of power shutting down industrial production across the country, waves of strikes even within the industrial police forces have crippled the country. A national railway strike appears imminent by the end of July.

Law and order have broken down, with continuous outbreaks of communal and caste violence—particularly Hindu-Muslim clashes; and deployment of the army, as in the case of gun battles between the army and striking paramilitary police in several regions, has set dangerous precedents.

The present crisis is neither surprising nor unanticipated by those who have watched India closely in the past years. It is a product of the failures of Indian leadership—under adverse international conditions—to solve the fundamental paradoxes of economic development which have been evident since the late 1950s. India's first Prime Minister Jawaharlal Nehru laid down both a standard of brilliant leadership and a foundation for a modern industrial economy, one which during his 14 years of rule clearly lifted India out of the ranks of what are today's Zaires and Bangladeshes into a nation with at least the potential to become rapidly a major industrial power in the world.

The fulfillment of that potential—the solution to the problems of massive backwardness and rural poverty, which endure despite India's modern steel, machine tool and nuclear power plants—was left to the successors of Nehru but, despite some good efforts from Mrs. Gandhi, his daughter and Prime Minister herself for 11 years until 1977, the problems were never solved on any fundamental level.

Whatever progress there was in the past has been in danger of complete destruction at the hands of the raving ruralists, who make up a large part of the ruling Janata party. Nehru's legacy has been under attack these past 18 months: industrialism itself has been questioned as a goal for India, and science has been denigrated in favor of the "appropriate technologies" of the World Bank-sponsored agencies. The present threat to the Nehru legacy is seen most clearly in the dangerous rise in communal and cast violence over the past period, marked by riots which took a toll of hundreds of lives in some incidents.

In this section

This week *Executive Intelligence Review's* Asia report presents a special package on the situation in India, based on the recently concluded tour of that country by *Executive Intelligence Review* special correspondents Paul Zykofsky and Leela Narayan. The report covers the current political crisis in India, which saw the collapse of the Desai government just as our correspondents concluded their visit, and includes an exclusive interview with former Prime Minister Indira Gandhi, the person who has emerged in the crisis once again as the key individual leader in India today. Accompanying reports provide an in depth view of the Indian economic situation, including an on-the-scenes look at some of India's most advanced industrial plant and equipment and at the climate for foreign business in India today.

Clearly, a strong central government prepared to take on the serious tasks of real economic development, preferably in an international environment favorable to such developmental efforts, is urgently needed in India at this moment. The Janata rule of Prime Minister Desai, which had released the forces of chaos and then established them as part of the government, now has fallen victim to its own destructive policies. The people of India, however, seek political stability and economic progress, and it appears unlikely, when given the opportunity to express themselves at the election poll, that they will give the Janata any further mandate to continue its present rule over India.

The crisis at this moment

The political current of the moment leaves India with few options to actually solve this crisis. At the time of this writing, all parties are agreed—with the sole exception of Mrs. Gandhi—that elections must be put off for as long as possible, preferably until early next year. Prime Minister Desai, a tough old man who has refused to step down from the leadership role of his party, and who is currently bidding to form a new government himself, now contends with his former Deputy Prime Minister and Finance Minister, Charan Singh, as to who will form that interim government. Mrs. Gandhi, who has kept a low profile during the entire crisis, has actually been lending support to Charan Singh's bid to form a new government. Under the circumstances, someone must emerge within the next few days with a viable majority in the parliament, or the President will be forced to call elections that no one really wants. Right now it is a game of "chicken" to see who—Desai, or Charan Singh and their supporters—blinks first before going over the election precipice.

At this moment, the lineup in the 539-man lower house (the Lok Sabha) is as follows. The Janata, composed primarily of the Hindu chauvinist Jan Sangh, Desai's Congress (O) and an assortment of others, still holds the largest single bloc of 210 seats with Desai leading it; Charan Singh's breakaway group, the Janata (Secular), holds approximately 110 seats; the Congress (S), the non-Gandhi wing of the splintered Congress party, holds 76 seats; the Congress (I) of Mrs. Gandhi holds 71 seats; and the rest are divided among smaller regional parties and the two major leftist parties, the Communist Party of India (CPI) and the Communist Party—Marxist (CPM), both of which rule on the state level. With 270 seats required for a majority, intense horsetrading and exchange of money is now going on as the main contenders compete to determine who will form a bloc for the new government. While Desai holds the largest single bloc, Singh claims the support of Congress S and I, leaving the swing factor of the smaller parties in the middle to ultimately determine

the outcome of this "Phase I" of the political crisis in India.

The background of the present crisis

In truth, the present crisis finds its origins in the events of 1973-1974, which saw India hard hit with the effects of the oil crisis and a severe economic and political crisis in the nation. Morarji Desai is known to harbor deep suspicions that he has been "destabilized," as Mrs. Gandhi had similar suspicions—both equally correct—that her government was destabilized in 1974.

At that time, long-standing anti-Congress elements—all of which later formed the Janata—combined with right-wing Congress elements led by Desai (who had been pushed out of the party in a big battle in 1969) in order to launch a massive campaign against Gandhi's government. The campaign included acts of terrorist violence, provoked strikes that paralyzed an already crippled economy, and calls for police and army disobedience to government direction—a China-type situation, as Mrs. Gandhi herself characterized it at the time.

The Gandhi government responded with the June 1975 declaration of the State of Emergency, temporarily stalling the crisis but fundamentally failing to resolve the economic hardship in the country. This failure was most directly reflected in the adoption by the government of economic formulas slipped into the Gandhi administration by the International Monetary Fund and the World Bank. Mass sterilization campaigns were one of these measures.

The March 1977 general elections saw the massive defeat of the Congress and the ascension of the Desai government. From the very start the Desai government was unstable: it brought together the forces who ran the 1974-75 operation from the outside into the government. It was doomed from its first day in office, but it took 18 months for the population's grave misgivings to be reflected in the actions of the politicians.

Several actions of the Desai government contributed to its collapse. It was an anti-Indira Gandhi government, sometimes resorting to extreme harassment of the former Premier, even ordering her arrest, only to demonstrate its utter inability to prosecute her. The prime anti-Gandhi grouping in the Janata Party is a funny marriage. It involves the Social Democrats, such as George Gernandes, a member of the Second International and a proponent of "Small is Beautiful" economic policies, as well as the Jan Sangh/Rastriya Sevak Sangh—rightwing Hindu revivalists. The Jan Sangh is the parliamentary wing, while the RSS is a secret society based on Hindu rituals and occult practises with semi-secret membership. Over the last year, law enforcement officials have in several instances compiled dossiers showing RSS members working with their ostensible

enemies, the Muslim Jamaati Islami, to set off Hindu-Muslim riots across northern India. Elements within the Janata Party leadership, seeing ground lost to the RSS and dissatisfied with Desai's dependence on this tendency, merely capitalized on the anger and fear voters had communicated to their political leaders on the communal question. When Parliament opened in July, in one week 106 Janata party members abandoned the party, openly attacking the Jan Sangh tendency. Deputy Prime Minister Charan Singh, a rich farmer with the backing of the Bharatiya Lok Dal (BLD) grouping, has since joined this group.

The Gandhi factor

There are undoubtedly tremendous opportunities for national leadership which are being wasted even by Mrs. Gandhi. Despite Mrs. Gandhi's attacks on the Janata Party, if national polls are held this October, even she may not do so well. This would not be a reflection on her personal popularity—that remains unmatched—but on the weakness of her organization, the Congress-I. In the year and a half it has been in the Opposition, the Congress Party has splintered into over six pieces. Now there are two large pieces, the Congress-I (Mrs. Gandhi), and the Congress-S, led by former Foreign Minister Swaran Singh. In March of this year, both came very close to unity, but talks collapsed around personality clashes. Mrs. Gandhi has since campaigned across the country and spoken out strongly on issues, but organizationally the Congress-I machine is very weak and splintered. It underwent further factionalization in June when another respected top leader, Devaraj Urs, left the Congress-I to form his own Congress.

A united Congress election stand is the only combination that could produce a majority government at national level, yet that is no where in sight. The passage by Parliament of a Special Courts bill overriding the constitution, and the expulsion of Mrs. Gandhi from Parliament last December, are both actions which Congress unity could have prevented. Yet political opportunism remains supreme in the Indian Parliament. The next few months will tell whether Mrs. Gandhi and others who represent the industrialization outlook of India's founding fathers will rise to tasks of providing both political stability and a clear program of economic development to rally the nation forward into the future. The path backward—the one Iran is now on—is certainly as clear as the other road open to India at this crucial moment in its history.

—Dan Sneider and
Leela Narayan

India's foreign policy: staunchly nonaligned

When the Janata Party government was installed in March 1977, great hopes were expressed in Washington and London that here would be an Indian government which would extricate India from its alleged position in the Soviet sphere of influence. Expectations were built that Indo-Soviet friendship could at last be diluted and replaced in some form with a regional role for India in a Washington-London-Peking axis.

With the Desai government crisis, the same Anglo-American policymaking bodies are expressing renewed anxiety. The lead editorial in the July 21 *New York Times* succinctly explained these fears: "If Mrs. Gandhi should ever return to power, her country's nonalignment would again tilt toward Moscow." This presumes that the Desai 'genuine nonalignment' somehow has tilted the other way, and betrays continuing Anglo-American fantasy about India's policies.

If it had been left to Desai's impressionable Foreign Minister A.B. Vajpayee, the State Dept. version of "genuine nonalignment" might have been successfully implemented. What has occurred however is far different. Desai, Mrs. Gandhi, and the mainstream political leaders of India all make foreign policy on a pro-Indian platform. India is not pro-Soviet, as the British and American policymakers fear, or pro-U.S., as they may desire.

Economic development has been the key negotiating issue in all foreign policy. It has been this issue that has led even the Janata government to question some of the fundamental beliefs in the U.S. vis-à-vis India, and to push Indo-Soviet relations forward.

The last four months of foreign policy developments should have taught some lessons to those dealing with India. In March, following China's attack on Vietnam, Soviet Prime Minister Alexei Kosygin visited India. He received one of the warmest welcomes ever by the Indian public, and toured key industrial centers. Kosygin spoke out freely on the Chinese threat, detailed his perceptions of India's economic difficulties, and made numerous Soviet aid offers to resolve them. Among the Soviet offers were increased oil supplies to make up for shortfalls in Iranian oil supplies, a nuclear plant six times the size of the U.S. built Tarapur plant,

and a linkage of the Soviet projects to production schedules of Indian machine tool plants. Desai accepted the oil deal, but turned down the nuclear plant at the time.

In a parallel development, Indo-U.S. relations continued to slide downhill. Despite many letters between Jimmy Carter and Morarji Desai, the U.S. has continued to renege on its contractual obligations to supply enriched uranium to India. The only U.S. initiative on the Indian scene was a blatant effort to prevent India from recognizing the new government in Kampuchea, and to induce it to play second fiddle to China's foreign policy aspirations in Asia. In exchange, in hard bargaining, the U.S. gave nothing.

On economic policy the high point was the June Aid-India Consortium meeting where, working closely with the World Bank and Britain, the U.S. praised India's maintaining its \$6 billion hoard of nonworking foreign reserves, and its emphasis on rural development. The U.S. warned that, while economic troubles may reappear in the near future, India was best advised to draw on World Bank project-linked aid.

The government's answer was a little delayed but forthcoming. Mararji Desai visited Moscow during a tour of socialist countries and West Germany which lasted from June 10 to June 22. Domestically his government began to collapse, but the kind of foreign deals he lined up were impressive.

The Soviet Union and India finalized agreement on the following projects:

- full Soviet credits for a new steel plant in the southeastern port city of Vizakapatnam.
- a go-ahead for the previously offered Soviet nuclear plant, along with assurances of greater oil, nuclear supplies, heavy water and even enriched uranium if the need arises in the event the U.S. shuts down the Tarapur plant.

The highlight of the trip was the launching by the Soviet Union of India's second satellite, "Bhaskara," to monitor drought and climatic conditions for Asia. The Soviet Union at the same time offered to put an Indian astronaut in space in the 1980s in a joint space program—the first such Soviet offer ever to a non-Comecon nation.

World's tenth largest

Janata ruralization policies threaten

India today ranks as the tenth most industrialized nation in the world, although the stereotyped view of India in the West is still that of a semi-naked, emaciated holy man taking a dip in the sacred Ganges River. That view is far from reality.

While one still sees an occasional "holy man" when traveling in India today, what is most striking to the visitor is not India's proverbial backwardness and poverty, but the large—and rapidly growing—number of industries which are springing up across the country. Aside from the older, traditional urban industrial cities, Bombay and Calcutta, new industrial centers are emerging throughout India.

It is not surprising, therefore, that the recent efforts by the Carter administration to lure U.S. business into China as part of its overall "China Card" policy have met with a great deal of scorn in India. One Indian business leader put this quite bluntly: "American businessmen who think that China is a better investment than India should have their heads examined. China simply doesn't have the industrial infrastructure and scientific and technical manpower that we have."

From all indications, despite recent economic problems India is excellently situated today for a real "take-off" in its development. It has plentiful natural resources, a well-established capital goods industry and, most important, the third largest pool of scientists and technicians outside of the U.S. and the Soviet Union.

The opportunities available to the advanced industrialized nations—the U.S., Europe and the socialist countries—for doing business in India in the years ahead, are virtually unlimited. This magazine, in an in-depth economic program currently under preparation, estimates that by the year 2025 India could be producing as much as the total world economy produces today, with an industrial labor force of well over 20 million! Without a doubt, in the years to come, India can become the center of a vast development effort stretching from Africa to southeast Asia.

With a concerted policy in the advanced sector aimed at the rapid industrialization of the Third World—such as that originally envisioned by the founders of the European Monetary System—there is no doubt that these goals of rapid development can be achieved in India.

Because of its historic friendship with the Soviet

industrial economy

industrial legacy of Nehru

Union and the socialist countries, India is also ideally situated to provide not only a bridge for North-South economic cooperation, but, also to serve as an example of how East-West economic cooperation can develop the Third World.

Despite the current turmoil in India, there exists a deep commitment to such a "grand" development policy among key layers of its political leadership, bureaucracy, business and the population at large. That commitment is the result of the leadership and vision provided by India's first Prime Minister Jawaharlal Nehru following Independence from the British. Nehru traced out a clear-cut strategy for India's development, based on "the rapid industrialization of the country" as the only way to insure that the "standards of living of the people rise substantially and poverty be combatted."

As part of that strategy the Indian government in

its first five-year plans undertook to build up the strategic heavy industries and capital goods sectors which are vital for industrialization—from steel plants to large machine-tool production required for building up other industries. Nehru referred to these heavy industries as "the temples of modern India."

Without a doubt India has come a long way since 1947 when the British withdrew after plundering the "jewel of the Empire" for over 150 years. As a result of Nehru's vision, India today has acquired an impressive industrial base capable of manufacturing entire steel and fertilizer plants, nuclear power generating stations, as well as sophisticated computers and advanced military aircraft.

In a country like India with over 650 million people, only an ambitious development policy like the one initiated by Nehru is capable of even beginning to solve the major problems of underdevelopment. Evidence of that is the fact that even with the substantial increase in industrial production over the past 30 years (see table) and the large number of people brought into the urban labor force, 80 percent of India's population still lives dispersed throughout the countryside. Further proof is the startling fact that 40 percent of energy produced in India today is "non-commercial"—i.e. wood and dung burning.

However, in recent years, following Nehru's death in 1964, and particularly under the Janata government,

30 years of industrial development in India

Industrial sector	1950	1968	1978	% increase	
				between 1950 & 1968	between 1950 & 1978
Mining					
Coal (mil. tons)	32.8	68.5	103.2	108%	214%
Iron ore (mil. tons)	3.0	26.0	54.0	766%	1,700%
Metal products					
Finished steel (mil. tons)	1.0	4.2	5.1	320%	408%
Aluminum (thousand tons)	4.0	96.3	178.5	2,307%	4,362%
Industrial machinery					
Machine tools (mil. \$)	.4	29.3	125.0	7,733%	33,233%
Railway cars (thousands)	2.9	13.2	12.0	355%	313%
Cement machinery (mil. \$)	.5	8.2	22.5	1,540%	4,400%
Electric power equipment					
Transformers (mil. KVA)	.2	8.1	18.0	3,950%	8,900%
Electric motors (thousand BHP)	99.0	2,120.0	4,000.0	2,041%	3,940%
Fertilizers					
Nitrogenous (thousand tons)	9.0	367.0	2,060.0	3,977%	22,788%
Phosphatic (thousand tons)	9.0	190.0	660.0	2,011%	7,233%
Building material					
Cement (mil. tons)	2.7	11.5	19.5	326%	614%
Energy					
Electricity (billion kwh)	7.8	43.0	92.0	451%	1,079%

the fact that India did not develop rapidly enough to resolve these lingering problems has been used as the justification for implementing ruralist, "back to the villages" policies. Coupled with that, Nehru's vision of building India into an advanced industrialized nation has also faded.

In fact, under the Janata government a concerted effort was made to reverse the emphasis on industrial development. Under the "populist" guise of resolving the problems of unemployment and poverty which still plague India, the Janata government implemented policies based on a "rural bias" and, inspired by the World Bank, emphasis on appropriate technologies and intensive labor.

The central notions of this policy, as enunciated most consistently by former Finance Minister Charan Singh, are that the industrial path traced out by Nehru was unsuited for a country like India with a vast peasant population. Instead what was required was to give "the highest priority" to rural development based on a labor-intensive, job-creating approach. Aware of the fact that there is not enough land to go around to employ India's millions in Chinese-style agriculture, the Janata government proposed large-scale employment in "village, cottage and small scale industries."

This "small if beautiful" approach to the economy was clearly reflected in the Janata's economic program which set out as its priorities (1) greater emphasis on solar and bio-gas energy; (2) a policy of "de-tractORIZATION" for the countryside (to save fuel and increase employment); and (3) greater utilization of "animal and human labor."

There is little doubt that the Janata government brought about its own collapse through these backward-looking economic policies. While the government could rely on unprecedented stability in two key areas—a food reserve of 18 million tons of grains and foreign exchange reserves of \$6 billion (built up before the Janata came to power)—there was no effort to move ahead with bold development initiatives. On the contrary, the past year had seen a steady deterioration of the economic situation. In April the industrial region of Calcutta was shut down for virtually an entire week when several power plants broke down due to coal transportation bottlenecks and poor maintenance; the same situation was repeated two months later in Bombay, the largest industrial center in the country. Inflation has been steadily rising and is expected to surpass the two-digit figure this month, and a threatened railway workers' strike could paralyze the economy. The head of India's Federation of Chambers of Commerce and Industry, several weeks ago, summed up the current state of the economy by warning that India faces the "virtual breakdown of infrastructural facilities affecting production and trade."

—Paul Zykofsky

India emphasizes R & D for energy production

The heart of any economy is energy, and with that in mind India under Nehru established its first plant to produce heavy electrical equipment for power generation in 1956. Since then, heavy electricals production has grown rapidly under the centralized, public sector corporation Bharat Heavy Electricals, Ltd. (BHEL) established in 1964.

In 1953, at the conclusion of India's first five-year plan, installed capacity for power generation was 2,500 megawatts (MW). This figure has since risen by more than ten times to 26,000 MW. More than 15,000 MW of that capacity has been supplied by BHEL and today BHEL has the capability to produce *annually* equipment with a generating capacity of 4,000 MW including thermal, hydroelectric and nuclear power. BHEL, a virtual newcomer to the field by most standards, today ranks among the top ten international companies in terms of annual production of power generation and transmission equipment. With over 56,000 workers at its four major manufacturing plants, BHEL is also India's largest engineering and manufacturing organization. Its total energy-related services range from feasibility studies, project formulation, and systems design through manufacture and coordinated supply of equipment to erection and commissioning.

While BHEL throughout the years has relied heavily on foreign collaboration with companies from the U.S., Soviet Union, West Germany, and other countries, since 1975 a new impetus has been given to its own research and development.

During a recent visit to the South Indian city of Hyderabad this reporter had the opportunity to visit the new BHEL R&D center which is currently under construction there, and to talk to some of its officers. While the Hyderabad center is still small in comparison to R&D units in the Western industrialized nations, it reflects India's growing concern with building up its R&D capabilities. When concluded in 1980 it will be the largest single R&D unit in the country with twelve laboratories and a staff of 1,000 scientists and technicians. Among the areas which are being examined by BHEL's R&D division are new systems to increase the efficiency of coal combustion, magnetohydrodynamics and metallurgy.

Given its long experience with foreign technical collaboration, the BHEL R&D division is excellently situated to function as an important link for the import

and adaptation of advanced technologies. While controversy has recently erupted over a wide-ranging cooperation agreement involving the West German firm Siemens, BHEL is not adverse to enter into selective agreements, especially for "joint development" of new products. A BHEL executive was quite candid about the mutual benefits U.S. companies—which have generally stayed away from India and its public sector—could find in such understandings: While India with its plentiful skilled manpower is in a position to assist in the development and adaptation of advanced technologies, the U.S. could look forward to new markets—especially in the Middle East—which are politically closed off to it now.

The executive gave the following "pointers" to U.S. companies who are interested in exploring linkups with Indian firms, particularly those in the public sector:

1) Contacts between foreign companies and Indian firms are best carried out "at the working level" with technicians, R&D staff and engineers discussing with their counterparts those aspects in which expertise is available and joint development projects can be carried out.

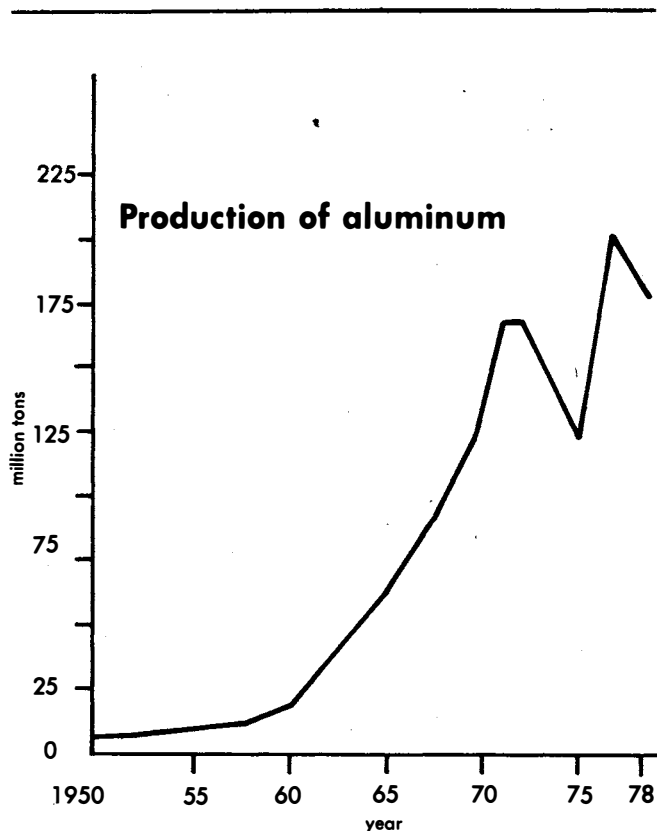
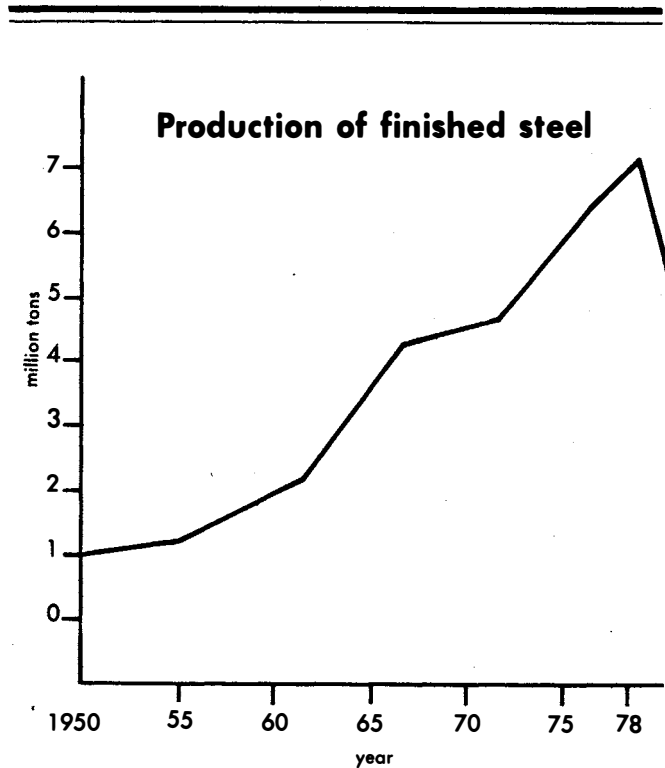
2) Relations should be carried out directly between firms, that is between the private U.S. company and the public sector Indian company. Government mediation, especially in the case of the U.S. where the Department of Energy or like-minded agencies get into the act, have proven to be more of an obstacle than an asset. The method traditionally used by West Germany where the government merely identifies those companies involved in a particular field, and then steps out, has proven to be much more effective.

—Paul Zykovsky

ECIL: from nuclear energy to advanced electronics

The story of the Electronics Corporation of India Limited (ECIL) provides devastating evidence against the advocates of appropriate technologies and the opponents of the transfer of nuclear energy technology to the Third World.

ECIL is one of the model public sector companies which in its mere twelve years of existence has become one of the largest electronic firms operating today in India. It was established in 1967 with just over \$100,000 by scientists and technicians working on five product divisions. Today it employs over 6,500 workers. Its production has since expanded to 12 product divisions



with over 250 distinct products including instruments for nuclear power generation, defense, transport, communications, as well as semiconductors, oscilloscopes, intensive care coronary units, television sets, desk calculators and computers.

At first sight ECIL would appear to be a "typical" electronics company. But during a recent visit by this reporter to its sprawling, 200 acre ultramodern plant on the outskirts of Hyderabad, one of the rapidly growing industrial centers in the south of India, two things in particular stood out: the unique history of ECIL, and the fact that without any foreign collaboration ECIL's scientists and technicians have rapidly mastered the advanced technologies demanded by the electronics industry today.

ECIL's history

ECIL was a spinoff from India's nuclear energy program begun in the 1950s by the brilliant scientist and father of the Indian nuclear program Homi J. Bhabha.

It was founded in 1967 based on the knowhow acquired by scientists and technicians at the Bhabha Atomic Research Center (BARC) involved in developing electronic instruments and components indigenously for the nuclear program. An ECIL pamphlet describes its establishment in the following way: "The moving spirit behind this ambitious objective and the programme of action evolved to achieve it was Homi J. Bhabha. Under his encouragement, significant advances in many technological disciplines were made ... In particular, knowhow for making a large line of electronic instruments and components finding general application in industry, communications, defence, research and other fields accumulated in course of time and it was proposed to establish a commercial venture through which accumulated knowhow could be turned into industrial production." Three years after its incorporation ECIL demonstrated that such a perspective was more than feasible when it turned the corner into profitable operation.

Because ECIL grew out of the sensitive nuclear industry, a great deal of emphasis has been placed on the need to make it entirely "self-reliant." Unlike many Indian public and private sector firms which sought foreign technical assistance to build up their industrial and technological base, ECIL has gone it alone.

An ECIL pamphlet minces no words in discussing the strictures imposed on it from the start by the efforts of the industrialized nations to prevent the transfer of nuclear technology to the developing nations: "Such an objective [self-reliance] was unavoidable since no developed country could be expected unreservedly to help a developing country to acquire nuclear power."

However, despite the drawbacks imposed by this consideration, it impelled ECIL to invest a high percentage of its resources and manpower in R&D—an

especially high percentage for a company in the developing sector. Ten percent of ECIL's total manpower and over 5 percent of its capital employed go for R&D.

Because of this it has also developed skilled scientific personnel who can today assimilate the rapid technological advances which are being made in the field of electronics in the industrialized nations.

A tour of the computer assembly and programming facilities fully confirmed this. Without any outside assistance ECIL is building from scratch third generation computers. Currently it is the sole manufacturer in India of digital computers. ECIL has supplied one out of every five computers in India today and it has provided a specially designed system to the Fast Breeder Test Reactor currently under construction in Kalpakam, Madras. Work is also under way to develop a large computer which will equal in performance some of the world's most modern and powerful computers.

Lessons of ECIL

The development of ECIL provides some important lessons to both industrialized as well as to Third World nations.

Through its experience ECIL has demonstrated how the development of the most advanced technologies like nuclear energy in the Third World can play a key role in "pulling forward" the technological levels of a vast array of other industries. A major effort today to export nuclear energy plants to the Third World would thus not only lead to an obvious increase in available power for industrialization but could generate a whole series of ECIL-like advanced technology companies.

Secondly, the argument that advanced technology creates unemployment, peddled by appropriate technology advocates, is exposed as a total fraud. The 6,500 jobs created by a plant like ECIL are only a small fraction of the employment generated by technology when we consider the multiplier effect created by ECIL's many products, both as inputs as well as as outputs.

This point was made sharply by Dr. A.S. Rao, one of the founders of ECIL and its retired Managing Director, in a speech in January on "self-reliance in development": "It can and has to be shown to the nation-at-large that science and technology are the breath of life, that they are the hope of the nation for solving its problems in general, but particularly the very human problem of unemployment."

The case of IBM

For U.S. and other advanced sector corporations who want to do business in the Third World, India's experience with IBM, which led to IBM's expulsion from India in 1977, can also serve as a useful lesson.

Instead of contributing to India's development by transferring not only the most advanced computers but also providing expertise in computer development, pro-

gramming and manufacturing to India, IBM was reportedly using India as a "dumping ground" for outdated computers. According to ECIL spokesmen, the computers IBM was selling in India were seven to eight years behind the computers being used in the advanced sector. Furthermore, IBM did not establish manufacturing or computer development operations which would help transfer computer technology to India. When IBM refused to dilute its shares according to new legislation for "Indianizing" foreign corporations—a measure which in no way undermines the control of the parent company since it still retains 40 percent control—the Indian government was more than willing to ask IBM to pack up its bags and leave.

—Paul Zykofofsky

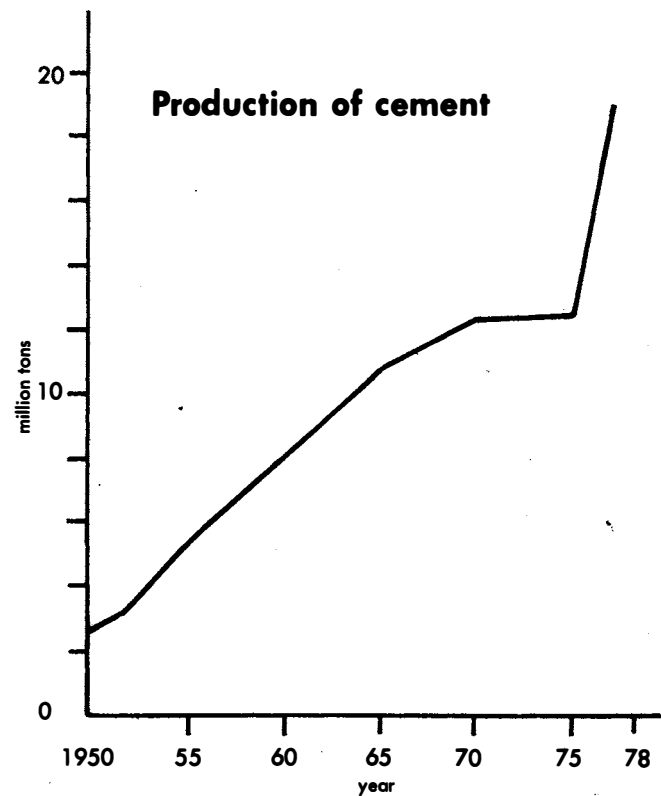
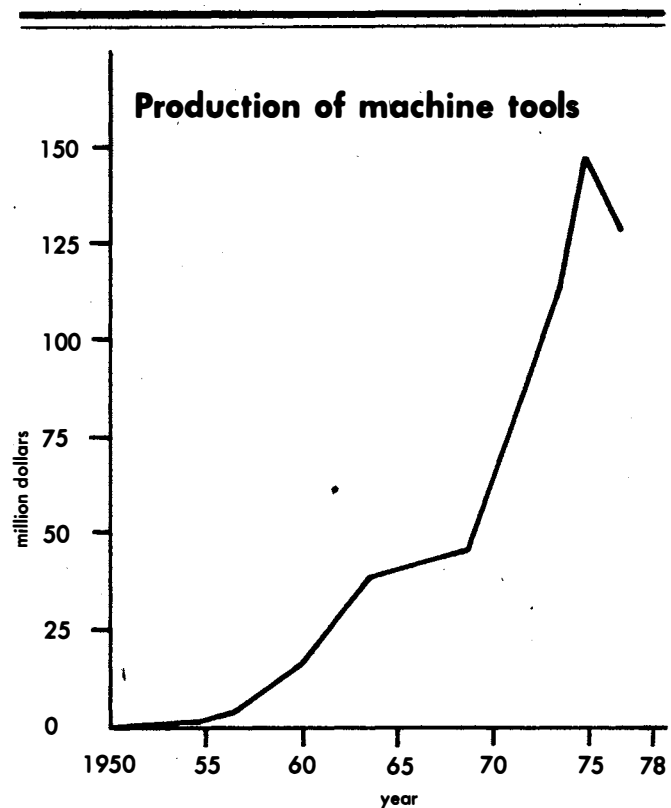
Indian businessmen begin to speak out

Indian businessmen who had expected the Janata government to be "better for business" than the Congress Party government are beginning to have serious second thoughts. While the Janata government took steps to "liberalize" the economy, businessmen, particularly those involved in industry, complain that the Janata's emphasis on "rural development" and small-scale production units, combined with the deterioration of the economic situation, has made it more and more difficult to increase production and investments.

Recognition of this fact is reflected in the higher public profile taken recently by Indian business leaders. In May, for example, the dean of Indian industrialists, J.R.D. Tata, delivered an unusually harsh public denunciation of a parliamentary committee study on Air India—the company originally founded by Tata and chaired by him until 1978. Several days earlier the chairman of the Federation of Indian Chambers of Commerce and Industry (FICCI), H. Singhania, warned of "the virtual breakdown of infrastructural facilities affecting production and trade."

The following report, based on interviews with several business leaders, sums up the prevailing sentiment of the Indian business layer.

The general sense among businessmen is that no direction was given by the Janata government to the country's development. Given the heteronomic nature of the various components which make up the Janata government, business leaders report that "each minister pull[ed] in his own direction." Policy statements made



by one minister were contradicted or opposed by others, measures were implemented without consultation, and so on.

But, as businessmen will agree, there was a method to this apparent madness. At the roots of the problem was the government's new emphasis on "rural development" and "small scale industry." As explained by Industries Minister George Fernandes in a recent interview with an Indian magazine, that this meant is the following: "if there are two applications for a licence ... between a large house or a medium or small unit, I will definitely prefer a medium or small unit. And between the urban or rural I would definitely prefer the rural, so my whole direction is towards the decentralized, towards the small man."

Redistribution vs. growth

Businessmen complain that at a time when India has accumulated an unprecedented surplus of close to 18 million tons of grain as well as sizeable foreign exchange reserves of \$5-6 billion, the government should be moving ahead with bold programs for economic expansion. Instead the opposite appears to be taking place. The government's emphasis on redistributionism and small scale industry instead of increased production has led to the point where companies are fined if they produce over and above their licensed capacity. The most recent case is that of a company producing rayon fabric, Gwalior Rayon, which is being threatened with fines and curtailment of necessary import licenses for raw materials because it is allegedly producing in excess of its licensed capacity.

"This is nothing less than a disincentive to produce, when the need of the hour is more production," one business leader recently told me. "It is a policy which only helps to perpetuate the scarcity psychology which already plagues India."

The problem of manipulated scarcities is also one of the factors which businessmen feel is responsible for growing inflationary pressures. Another related factor which some businessmen I have spoken to consider to be playing an important role in fueling inflation is the existence of a vast, parallel "black money" economy. Aside from the obvious effects of "black money" on government efforts to regulate the money supply, it creates a parallel economy which adds a inflationary premium to the cost of many scarce goods.

Another disincentive to increased production is the constant threats, delivered primarily by Industries Minister Fernandes, to nationalize this or that private sector company. The threat to nationalize Tata Iron and Steel

Co. (Tisco), a healthy, profit-making company run by the dean of Indian pro-development industrialists, J.R.D. Tata, is the most glaring example. In a response to Fernandes' threat Mr. Tata notes that Tisco did not meet any of the "economic reasons" which could be cited as justification for nationalization. Furthermore, businessmen point out that most large corporations like Tisco are already largely under public sector control through the nationalized banking sector. In commenting on the nationalization issue one businessman cited the difference in approach taken by the current government and Jawaharlal Nehru: "Nehru used to say: 'if we're going to agree to a mixed economy then why go on attacking the private sector. Let them work.'"

Nuclear energy

On the energy front, all the businessmen I have spoken to insist that the current government's emphasis on solar and bio-gas energy is not only foolish but dangerous. Given the severe energy shortages faced by industries in the Calcutta and Bombay regions, businessmen are demanding that India move ahead with its vast hydroelectric capacity as well as nuclear energy.

This was evident at a meeting in May on energy sponsored by the Association of Indian Engineering Industries at which a high-ranking member of the Planning Commission, V.G. Rajadhyaksha, formerly of the British corporation Hindustan Lever, announced an energy policy based on "conservation" and emphasis on solar and bio-gas energy. While one businessman present noted that the solutions presented by Rajadhyaksha were very similar in approach to the Club of Rome's "Limits to Growth," several industrialists called for greater emphasis on nuclear energy.

The same point was made several days later by F.A. Jasdanwalla, president of the Associated Chambers of Commerce (Assocham) at his organization's annual meeting when he stated that in the future India will have to depend more and more on nuclear energy. "We must not waste time on this, we have to start now," he added.

To deal with the "deteriorating energy situation," the Assocham has called for the formation of a special "high-powered and broad-based" Energy Commission to map out a centralized policy for this sector. This is particularly urgent, the Assocham notes, for tapping India's plentiful water resources, where state jurisdiction over water and power are "the main stumbling block" to large-scale water management projects.

—Paul Zykovsky

Crisis threatens India's independence

An exclusive interview with Executive Intelligence Review

Former Indian Prime Minister Indira Gandhi gave the following joint interview to New Solidarity correspondent Paul Zykofsky and the Indian weekly New Wave on July 10, the very day the Indian Parliament began a stormy session on a no-confidence motion against the Janata party government of Prime Minister Morarji Desai. India may go to the polls by the end of this year, and widespread popular discontent will be crucial in deciding the outcome. The voter will judge the Janata party by the caste and communal wars that have left over 180 dead in the last year. Power shutdowns have brought industrial production to a halt; the army has fired on striking police in the last month. By July 31, the national railwaymen threaten a strike which could paralyze the country. The feeling is that India has had no government for months.

Mrs. Gandhi is deeply aware of the crisis and has spent a large part of this year campaigning for electoral candidates from her party, Congress-I. She is rarely in the capital of New Delhi where other politicians stay, and is perhaps most attuned to the problems facing India. Mrs. Gandhi still views the country as she did when Prime Minister: as *one* nation, not a sum of many personal constituencies. To any problem, she responds with a national solution, an approach the Janata government has rarely taken.

As we print this interview, the likelihood of national elections has produced a golden opportunity for Mrs. Gandhi to play a role as a leader for national unity. While she stands head and shoulders above other politicians in and out of power, much will depend on her ability to bring other Congress tendencies into a united campaign program.

India must be unified

Q: The feeling in India today is that the country has entered a period of deep crisis on the political front, as evidenced by the recent police unrest, and on the economic front. What has brought about this crisis and what is required to get out of it?

A: There is first a lack of cohesion and direction of the government, which is linked with their wrong policies. Unfortunately, there is not one person in the government who has thought of India as a whole or what is needed to keep the country together, or to stabilize the economy. Each problem is dealt with on an ad hoc basis and not from the point of view of solving the problem, but only whether it helps them to regain their position. That is why the economy has been going from bad to worse. They're not worried about rising prices because the main people who support them are not suffering, that is, the very rich and the economically powerful people. The textile people say that they could never imagine that they could make such profits. Even the so-called socialists—their commitment is not at all to the country. If they're talking socialism at this late

stage after two and a half years of being with the reactionaries, it is because they think that in the eyes of the public they have suffered. It is not at all because they think that the policies were wrong or they could have stood up for them much earlier.

The police unrest is only part of the general unrest. Except for the very rich, the industrialists, and some portion of the middle class, like the shopkeepers, there is no section which is feeling secure. This is the first time that shopkeepers, who are traditionally very timid people and who don't like to have a confrontation with the government, *did* have a confrontation, and they were fired on in Lucknow.

The police also have grievances such as their pay, housing, leave, and all those things, but when the Punjab police went on strike, they told us that this was not the major grievance. The major grievance was that they were being used for political purposes; they were used to support criminal activities. ... They feel they can't act as police anymore; the public has absolutely no confidence in them.

So the crisis is on many levels. It's really a crisis of confidence. Nobody has confidence in the ability of the government, or even the will of the government.

Q: *How does India get out of this situation? There seems to be disintegration, regionalization, dismemberment of the country.*

A: There is, yes. And many problems which we thought had been solved have now opened up, as we see in the papers about Mizoram [northeastern tribal state plagued by secessionist activity—PZ]. In some of these border areas, we had people who were against us, against us as a country, because earlier missionaries and others had given them an impression that “you are not really Indian.” For instance, in Nagaland they had an impression that they were the only Christians, and that we had no Christians in other parts of India. When we brought out a series of stamps, they could see only Hindu institutions in these collections. When somebody showed them a picture of Taj Mahal, they had no idea that there were Muslims; that it was a different religion.

When I became Prime Minister, for instance, we had been having what was a mini-war with the Naga people. The army was there; people were being killed on both sides. I had talks, and we solved it. We didn't solve it 100 percent, but we solved it 98 percent, and the two percent was being solved over a period of time because we kept pressing how essential it was to have peace for any economic development.

The majority of the people there were convinced; there were just a few who remained hostile. But, little by little, they were coming over, and we were trusting them and giving them responsibility. Now, by its attitude, this government has just wiped that out. They've done the wrong thing. ... They haven't followed a consistent policy. While in Nagaland, Mr. Desai went out of his way to meet the leader of the hostiles, Mr. Phizo, who has very close contact with the U.S. administration—I know that Phizo had been invited to the United States where he met people, and that he was supported by various elements in England. I had been refusing to meet him. Morarji Desai met him. The person who was advising us to meet him, a person very close to Mr. Jayaprakash Narayan [spiritual leader of the Janata Party—PZ] and who had been sent by him, was pressing me to meet Mr. Phizo. As soon as the Janata party government came in, Phizo went to Morarji, and Morarji met him.

On the trip back, this gentleman, Dr. Aram, came to me and said, “I'm afraid you were right; it was very wrong because it has had a negative effect!” On the other hand, Mr. Laldenga [head of the Mizo secessionist tribal group—PZ], had a very positive approach, and we had promised him safe conduct. To him, the government had a very hostile attitude, and now the trouble there has erupted.

So, it's just that nobody seems very concerned about going into problems in depth.

Q: *What about Chinese input in the Mizoram rebellion?*

I hear some arms were discovered which were of Chinese origin.

A: The Mizoram people were constantly crossing the border through Burma, and they were coming back with arms as well as with Mao's little red book. Whether that is continuing—it's an old connection—we don't know because Foreign Minister Vajpayee announced that now there is no Chinese input. But the Mizoram rebels were getting training in China also, not just arms.

Destabilizing foreign influences

Q: *During my visit I've found people saying that India, because of its size and diversity, has become “ungovernable” without trying to understand how a situation of instability has been created. In the 1974-75 period you warned that foreign agencies were trying to destabilize India. It's a fact that the “think tanks” in the United States and Britain which greatly influence policy-making have constantly singled out the diversities—regional, linguistic, religious, communal—to destabilize India. The British made considerable use of this “divide and conquer” approach to maintain their rule over India. Do you see this type of process being used today to weaken India and destroy its sovereignty and territorial integrity and to destabilize other countries in this region?*

A: I think that this policy is continuing, but in a much more subtle way. Earlier it was obvious. Now it is behind the scenes and more indirect....

This division is there, as you have rightly put it in the second part of your question, not only in India, but it has taken place in all the countries of the subcontinent, in fact, beyond the subcontinent. I have no doubt that they have a hand in what's happening in Afghanistan; what's happening in Iran. This is all part of it because they [the U.S. and British—PZ] think that if this area is solid, it will not serve their global strategy, which I personally think is very shortsighted even for them.

As for the Janata party, they seem to want confrontation with everybody. They started off with a confrontation between the industrial worker and the agriculturalists, then between one caste and another caste. All these things exist in every society, but I think a government's task is to try and minimize these differences. Especially in India where we face the major challenge of poverty and economic backwardness, the task is how to harness this force toward that end—to the removal of poverty—rather than to fight among ourselves. But the government was not serious about that, partly, I think, to divert attention—because if you're fighting among yourselves, you can't fight the major thing—which is also what the British did during pre-Independence days. Now caste war has become much more acute; religious and communal harmony is at its worst.

The Poornia incident [recent caste riot—PZ] is also very serious.

The government is also trying to disenfranchise many Muslims, saying that some of our Muslim past presidents were responsible for bringing in Muslims from Bangladesh and therefore increasing the Muslim population. In West Bengal and in Assam, they're actually cutting their names off the voters list, and some of the people who are being struck off are people whose fathers and grandfathers were in the Independence movement from 1919. Their attitude is also very communal....

Even now various people are being supported for the prime ministership by these outside elements. For instance, Mr. George Fernandes [Industries Minister] is a member of the Socialist International; he has very strong support from West Germany, Austria....

Q: Willy Brandt?

A: Yes, members of the Socialist International.... And, on the other hand, certain American elements are supporting Mr. Chandrashekhar [Janata Party President]. Earlier it was Mr. Vajpayee, but I think now it has shifted. ... Chandrashekhar, who up till now was solidly with Morarji Desai, now seems to have shifted away from him.

Q: Who are the British backing?

A: It's difficult to say; I don't know. I think they're backing everybody a little bit.

Toward a scientific rational worldview

Q: *In reading your father's, Jawaharlal Nehru's, as well as your speeches, I've found repeated stress on the need for a country like India to modernize by applying new technologies and science to develop both industry and agriculture. However, the Janata constantly calls for a World Bank-style "rural bias," and it has adopted an anti-industry, antigrowth approach. How have these policies undermined India's economic development and contributed to the current economic crisis?*

A: Although they are talking about a rural bias, they have not done anything to strengthen the rural economy. On the contrary, the peasants have been very hard hit; the farmers have not gotten the declared price they should get. What has happened in our part of the world—that is western Uttar Pradesh and Haryana—is that when the majority of the peasants, that is, the small peasants, the small farmer, and middle-sized farmers, sold off their crop, then the government announced higher prices. That benefits either the rich farmer, who had kept his grain, or the middleman who bought it from these people. The poor people are absolutely ruined.

Although we were for modern technology, it meant

taking modern technology to the rural areas as well and modernizing agriculture, which the government doesn't believe in. These are just words that don't have much meaning. The fact is that in a country like India, without industry, you cannot have agriculture. And without industry, you cannot face the competition in the world or really remain truly independent; you are not economically independent, so you can't be politically independent.

We also see the antediluvian attitude of the present government. Now Mr. Desai believes that he is next to god only; I don't know whether Desai even thinks he's next to him. When he met our top scientists, he said, "What are you telling me? I have studied science in school." He is how old? Eighty! What science did he study—and he was not even a science student! So what science did he study that he thinks gives him greater knowledge than our atomic scientists today?

In Darjeeling I heard that he's closing down the mountaineering school, which, of course, is not a people's institute; it's an elitist institute. It was not costing much money. Mr. Desai said, "I have climbed the hills in Gujarat; what training do you need for climbing?" Now what hills are there in Gujarat? They don't even have a hill station! This is his attitude.

Right in this room I had, in the beginning of 1978 or end of 1977, some doctors from the postgraduate institute in Chandigarh. There was an inquiry against a doctor there for not treating Mr. Jayaprakash Narayan [spiritual leader of the Janata—PZ] properly during the emergency. The doctors came in and said to Mr. Desai, "Look, he's one of our top medical people; have the inquiry, but don't humiliate him in doing it. If he's guilty, he will be punished." They couldn't get a word in edgewise. He just said, "You admit that modern medicine knows nothing. You admit your ignorance." The doctors said, "We do admit that we don't know everything. At the same time, there have been quite spectacular advances, and we should not deny those. There are many areas where there are no advances; there are new areas which are being discovered." But Mr. Desai said, "No, no, you are too proud. You should say you know nothing." Finally, they said, "Here is our memorandum, and we are going."

This is the attitude the Prime Minister has in a changing world, with new discoveries, and so many technological and other advances.

Q: *What must be the strategy to develop the country? The path that was pursued by India's first Prime Minister, your father, Jawaharlal Nehru, and then carried on by you was to develop the industrial base, the technological base, the scientific base. Could you speak more specifically on that?*

A: My effort was to consolidate the outline that my father had made. After all, he could only build the

foundations. I tried to build on the foundations, and I think that I succeeded to a very large extent. There are lots of things which couldn't be done earlier, not for lack of capacity, but because of the situation. You had to have the foundation before you did anything further. I believe very strongly in modernizing the country. I think there are some traditions which have to be kept because they are a unifying factor for one thing, and a certain amount of national pride is essential if you want people to put in their all. This is the more difficult path. If you say we'll sweep away everything and start anew, in a way, it's easier. If you say we won't take anything new, it's easier. But saying we're going to keep some of the old and also some of the new, that is the most difficult. But there is no way out. That is what we need for this country.

Q: Which requires industry, new technologies....

A: What it really needs is for the whole country to have a more scientific and rational outlook, but you can go only as fast as the people are capable of going. You can't go faster than the people. Sometimes, even if you think something has to be done, you have to go slow because you shouldn't get out of touch with the people. Like, in Turkey, when Kemal Ataturk wanted to remove the purdah [the veil worn by orthodox Muslim women—PZ] and purdah came with a vengeance, but it was only years later that it was removed. You have to do a little bit of balancing. We find that even in the United States, which is a very modern country with tremendous technological and scientific advances, and so on, has no fewer superstitions than we have. There are different types of superstitions, but they have just as many. We would like to avoid all superstitions, the modern ones as well as the old ones.

Q: The role of education on a mass level, of political leaders being able to bring up the level of the population, is very important. This is very clear in Nehru's speeches.

A: The great thing was that he saw far ahead, which is what we find is lacking in most political parties—in fact, in all political parties today. Everybody thinks of the next step. You can't take the next step unless you know where you're going. Only when you know this is where I have to arrive do you see what is the first step, the second step, the third step. Especially in today's dangerous situation, I find that nobody is looking far ahead, or is willing to make the sacrifices or to face the difficulties that are inherent in the situation if you want to reach that goal.

Q: Yes, I've found that also in terms of economic planning, there is no clear sense of where India has to be as a developing nation by the turn of the century.

A: You can't be very clear because the situation is changing so much, and what happens in Europe and

America does influence our economy as well as the entire situation. You can only have an outline.

Q: For example, in the planning commission there is no long-term perspective.

A: No, they don't believe in perspective.

Q: While meeting people in the government bureaucracy, I was trying to get at what the goals are for resources, population, and development for the next century.

A: No, they're not concerned about that; they're talking of the past century.

Q: Mrs. Gandhi, in your recent statements you have said that the kind of situation that exists today is as bad as the period before you imposed emergency rule in June 1975.

A: I have not said that. This was a question that was put to me.

Q: My question, though, is that the chaos that has ensued, the "ungovernability" of the country, can lead to creating very unknown forces for the Indian political situation, the way it has in Pakistan. How do you see this developing in India?

A: I am deeply concerned myself, but the situation is too fluid to be able to say anything definite. Some people when asking this question asked if it meant that another emergency should be imposed. My reply was that the situation is only superficially the same as it was. The major difference is that at that time we had real economic difficulties. It was the opposition parties that were trying to make political capital out of this, and they purposefully created that situation. Today there are no real economic difficulties; the economic difficulties are created by the government. The situation is being created by their nonfunctioning or nonunderstanding, or noncapability. The situation cannot be controlled by the same medicine. It has to be an entirely different approach.

Q: Do you see within that a certain type of unity, even of opposition forces, around, say, a program to pull the country out of the crisis now?

A: No, nobody is bothered at all; they're just looking at the next step and how they personally are going to survive. Which is very unfortunate....

Q: Given the splits in the Congress party, do you think there is still room for a certain cooperation, fighting together on certain issues?

A: We will support any issue or any party or any individual who is against what we consider the wrong policies. Whether they're economic policies, social policies, or this communal tension.

Economics key to political independence

Q: *The recent nonaligned bureau meeting spent a great deal of time and energy discussing who should and who shouldn't be seated. In your statements on nonalignment, particularly your speech at the 1976 Colombo summit, you stressed the need for the nonaligned nations to lead in the fight against neocolonialist economic policies by establishing a New International Economic Order. Has that approach been weakened and what role should the nonaligned be playing today?*

A: Yes, they have gone away from what was the main thrust. The answer today, and I partly mentioned this in the earlier question, is the economics. Unless we reduce poverty in our country, unless we strengthen the people as a whole, we cannot be independent. And if we are dependent for essential goods on outside countries, they can always twist our arm. Our effort was not only to be independent ourselves, but to try and bolster any nonaligned country which was weakening on this issue. This, I think, was our main role in nonaligned conferences. Although the political thing was there—the anticolonialism, the anti-imperialism, the support for freedom struggles—we felt that we could only give this support if we were strong economically.

Q: *The latest oil crisis is once again threatening to deepen the world economic crisis, and particularly the situation in oil-importing developing countries like India. Mexico, which has discovered large oil resources, will present a "global energy development proposal" to the United Nations in September which calls for rational, global decisions on the production, distribution, and consumption of energy resources as well as the need to ensure that all developing countries can have access and financing to obtain new energy sources. This proposal has been endorsed by Cuban President Fidel Castro, French President Giscard d'Estaing, some of the socialist nations, as well as the U.S. Labor Party. What is your view of this proposal?*

A: I don't know enough about this proposal, but obviously if there is a rational, global decision on production, distribution, and consumption of energy resources, then it could be very helpful.

Q: *New forces are emerging in the West, including in the United States, which are committed to establishing a New International Economic Order and implementing policies of cooperation for the development of the Third World, particularly in areas of capital goods and advanced technologies, like nuclear energy. This was clearly the commitment of France and West Germany when they established the European Monetary System to replace the IMF-World Bank structure as the necessary mechanism to finance such development policies. What is your view*

of these changes in the West?

A: I don't know how strong these forces are because the conflict between them and the others who are for power politics or profit politics is tremendous. One just doesn't know who will win out.

Q: *There has emerged a split among the capitalist nations: On the one hand, the United States and Great Britain are continuing the policy of supporting IMF austerity measures, cutbacks in production, and so on for developing nations; on the other hand, there is the type of approach voiced by West Germany and France, in particular, in the last year in collaboration with the socialist countries. There have been extensive meetings between Soviet President Brezhnev and West German Chancellor Schmidt, Brezhnev and French President Giscard. Schmidt stopped in the Soviet Union on his way to the Tokyo summit....*

A: Obviously this is to be encouraged....

Q: *Yes, there is a lot of discussion about the need for détente based on economic cooperation.*

A: You can't have political détente without the other. In today's world economics are the key to politics.

Q: *Mrs. Gandhi, you have often discussed the crucial period between 1974 and 1976 as a period in which many destabilizations of the subcontinent countries took place, that there was a certain amount of coordination and a conspiracy at work in this process. How do you see the situation now in terms of what is going on in neighboring countries, in Pakistan, and the evolution of a China policy for India, a sound China policy.*

A: It's really a continuation of the old policy, isn't it? I think it dates back to the Bandung conference [of nonaligned nations in 1954]. It was at the Bandung conference that a first effort was made to divide India and China, and it was a visible effort, carried out by the entire Western press and other observers ... That was the time when they poisoned Chou En-lai's mind against India: "Why is India taking the leadership?" Even though we were not. In fact, because many of the countries were very shy of China at that moment, we were the ones who went out of our way to introduce Mr. Chou En-lai to everybody and to bring various conflicting interests together ... In fact, this was a task that was given to me by my father, and we invited people to breakfast, lunch, and dinner. We did a great deal to build up and to smooth all of these feelings of people who were frightened of China, especially the smaller Asian countries. I think this is where it started because *they* [the West—PZ] felt that if China and India are together, then it would make a very big impact on Asia. And they did not want this unity in Asia.

I have no doubt that they must have played a role also in the conflict between the Soviet Union and China.

Redefining the SALT debate

The American System approach versus the British approach

The following report is contributed by Executive Intelligence Review special correspondent Robert Cohen.

With the New York Council on Foreign Relations, the Anglo-American aristocracy's liberal fascist gentlemen's club, currently controlling both sides in the SALT debate, the American population is being offered a Hobson's choice between a British System version of arms control—worldwide technological disarmament and nondevelopment of the Third World—or simply no SALT at all, bringing on the “fantastic situation” of the complete collapse of détente and an unbridled arms race about which Soviet Foreign Minister Andrei Gromyko recently warned. Since both of these alternatives will lead to a strategic political-military disaster for the United States which could culminate in almost certain defeat in a general thermonuclear war, it is imperative to resituate the argument for the SALT II treaty in the context of the Federalist-Whig citybuilders' military policy and tradition to which the United States owe their survival and growth as a nation.

In recasting the SALT debate as “SALT the American System way versus SALT the British way” we not only redefine the crucial issue in the SALT debate but address the deeper issue of the need for a new strategic doctrine and military practice for the United States to replace the “cabinet warfare” British strategic doctrine which currently holds sway over American strategic thinking.

The Jekyll and Hyde of liberalism

The Council on Foreign Relations' psychological warfare specialists at the *New York Times*, the *Washington Post*, CBS, NBC, and so forth have long been heralding it “The Great SALT Debate,” and Senate deliberations are officially underway; but the questions which concerned Americans are, or should be, mulling over are the questions “Just why is that incompetent stooge Carter for SALT anyway?” and “What are establish-

ment figures such as Alexander Haig, Scoop Jackson, and Paul Nitze up to when they run around crying that the SALT treaty negotiated by fellow blueblood Cyrus Vance is ‘appeasement’?”

In reality, the core of the so-called debate on SALT in ruling Anglo-American circles is a miserable and farcical replay of the dispute between *Liberals within* the British Round Table grouping at the turn of the century, the debate between the Bertrand Russell zero growth faction and the pseudo-protechnology oligarchs led by Lord Alfred Milner and H. G. Wells.

At that time, the degenerate liberal aristocrat Bertrand Russell, mapping strategy for maintaining the

SALT or no SALT, for the Council on Foreign Relations, détente is over.

world hegemony of the British Empire, urged a policy of meeting the threat posed to British imperial hegemony by a developing coalition of governing prodevelopment forces in Europe, Japan, the United States, and the colonial sphere. He proposed by attempting to eradicate science and its influence, to sabotage new technologies and dismember existing technology, and to undermine industrial and military progress everywhere, even in England itself. This radical-liberal approach, the environmentalist, zero-growth push toward a New Dark Age, is today championed by many of the anglophile “pro-SALT” forces in and around the Council on Foreign Relations, most notably by diplomat Cyrus Vance, Carter's controller on SALT matters, and by Chappaquiddick playboy Teddy Kennedy. For them, SALT is viewed primarily as a central element in their antitechnology, anti-industrialization strategy, a

“SALT-and-windmills” foot in the door for their technological disarmament strategy.

The Carter administration’s SALT antidevelopment strategy was worked out, principally by Cyrus Vance, in the year preceding the CFR’s installation of its puppet Jimmy Carter in the White House. The important institutions in which this planning took place included the Russellite United Nations Association (UNA), the Trilateral Commission, and the CFR’s own Project 1980s. Thus, for example, a 1976 United Nations Association study commissioned and directed by Cyrus Vance argues that nuclear nonproliferation agreements be negotiated with the Soviet Union expressly for the purpose of preventing the transfer of nuclear technology to the Third World in favor of “energy based on the sun, the wind, and the use of wood”—a policy of genocide.

Similarly, the CFR’s notorious Russellite Project 1980s, exposed on this magazine (see *EIR*, May 15-May 21, 1979), featured the Vance-chaired “Working Group on Nuclear Weapons and Other Weapons of Mass Destruction.” It was Project 1980s that finalized the Carter administration goals of the imposition of a worldwide regime of economic “controlled disintegration”; the imposition throughout the Third World of the “Cambodia model” of ruralization and destruction of cities and the obliteration of urban civilization; and, forcing the Soviet Union to choose between a set of treaty agreements centering around a projected SALT agreement that would limit the growth of science and technology or accept the prospect of nuclear showdown confrontation and likely thermonuclear war. Project 1980s was *explicitly* a declaration of war against Hamiltonian dirigist economics and the American System and the threat posed by its implementation by the Third World in coordination with the advanced sector including the East bloc.

The UNA proposals and Project 1980s received their trial run in the arms control field with now Secretary of State Vance’s abortive March 1977 SALT mission to

Moscow, where he proposed that the U.S.S.R. begin the immediate destruction of large segments of its nuclear arsenal and promise to desist from further scientific breakthroughs in nuclear research and applications and transfers of nuclear technology in return for parallel “nuclear nonproliferation” arms control efforts on the part of the United States. Vance was, of course, sent summarily packing by an outraged Soviet leadership, which forced the neo-Russellite cabal to grudgingly lower its horizons and considerably alter its original expectations that the SALT negotiating process would serve as the ideal domain for ushering in the main features of their New Dark Age policy.

Then, Bertrand Russell’s opponents (and fellow liberals) within the Round Table inner elite, particularly Lord Alfred Milner (the notorious liberal imperialist—or LIMP) and H.G. Wells, while agreeing philosophically with Russell and sharing his New Dark Age goals, argued against him on the grounds that his program, desirable as it was, simply *wouldn’t work*. They determined, therefore, to appropriate scientific developments and technologies *for themselves* while doing everything possible to deny or at least contain advances in science and progress in industry everywhere else. Essentially the position of the “no SALT” crowd of liberals in the anglophile establishment of America today—Alexander Haig, Eugene Rostow, Paul Nitze, Scoop Jackson, Elmo Zumwalt, et al., all in or around the Committee on the Present Danger (CPD) and the American Security Council (ASC)—is that the Vance-Kennedy strategy of thwarting Soviet and advanced sector technological development (particularly preventing advances in the nuclear energy field) through arms control won’t work. Haig and Co. do not share Vance and Kennedy’s faith that the “Bukharinist” anti-industrial faction in the U.S.S.R. and the Palme-Brandt antiprogress social-democratic forces in Europe will ultimately triumph. It is not surprising then that Paul Nitze and his CPD defended the March 1977 Vance fiasco in Moscow as “an equitable offer,” claiming “that’s what the Soviets

don't want." Their argument is in effect: "We've tried the Russell arms control approach; we've supported Robert McNamara's 'cost-effectiveness' degrading of U.S. military capabilities; but there is no proof that Fabianism is triumphing in the U.S.S.R. Therefore, we must now save our position by appropriating military technologies for ourselves while continuing our New Dark Age drive full speed ahead around the globe. But, no more arms control appeasement, please."

The technology question is just one of the key issues in what is an *internal liberal* debate within the Anglo-American establishment breaking down now into pro- and anti-SALT camps. But it is the technology question that gets to the heart of the matter and serves to demonstrate that there is no disagreement *in principle* between what are in fact *complementary* "pro-" and "anti-"SALT factions. Once this is grasped, it becomes obvious that the present debate over the ratification of the SALT treaty is a dangerous fraud, a game rigged by the British oligarchy through the Council on Foreign Relations.

Senators Jake Garn, Barry Goldwater, Jesse Helms, et al. are foolishly conforming to their anticommunist, cold-war bullet-head profile, while George McGovern, Adlai Stevenson and others act out their pacifist, antimilitary profile—both duped groups simply playing into the CFR's hands with their anti-SALT postures.

So Cyrus Vance, a representative of the CFR-British Ditchley Foundation, organizes his "pro-SALT" Dr. Jekylls, while CFR General Alexander Haig moves out front mobilizing the Mr. Hydes of the American branch of the Queen's inner elite at the American Security Council (ASC) and the Committee on the Present Danger to lead the "anti-SALT" campaign throughout the country. If conditions demand, the CFR scenario calls for the "Jekylls" to turn into "Hydes" at moment's notice and follow Haig on his white horse on a hypothesized ride into the White House, as the CFR flips into its "no SALT" policy mode, the "fantastic situation" unfolds, and the CFR opts for nuclear confrontation with the U.S.S.R.

CFR against détente

SALT or no SALT, for the CFR *détente is over*. This point was driven home recently by a pro-SALT Senator who remarked that Carter administration policy was "SALT without détente" (the complement of Haig's "no SALT, no détente" line). In fact, under the banner headline "SALT hearings underway," the Rothschild-Meyer family controlled *Washington Post* openly boasted July 10: "In their joint appearance before the Senate Foreign Relations Committee the two secretaries Vance and Brown never mentioned détente with the Soviet Union, nor did they predict any secondary benefits in improved Soviet-American relations if SALT were ap-

Gromyko warns amendments

The following statements are excerpted from the press conference of Soviet Foreign Minister Andrei Gromyko on the subject of SALT.

The process of finding an appropriate compromise, a balance of interests, was very difficult. But finally the sides reached what is called an acceptable balance of interests. Perhaps at first glance it is not a very clear formula, but it clearly and precisely expresses the situation....

It may be asked: good—the SALT II treaty is signed and there is an agreement on holding talks on the possibility of concluding a new treaty; but how do things stand with the arms race? Does the treaty now signed put an end to the arms race? I must say definitively: no, it does not. First of all, if only because it covers only strategic arms, while it is well known that there also exist other types of weapons.... Furthermore, every rational person who looks at the world situation, sees indicators of the arms race like military budgets. Are they being reduced? Unfortunately not..

Q: *If the American Senate does not ratify the treaty, do you consider it possible to renew the talks in order to revise the treaty? What will happen if the treaty is not ratified?*

Gromyko: The possibility of renewing the negotiations is excluded. If the treaty is not ratified, the situation will be difficult. There will not be the restraint and limitation of the strategic arms race provided for by the treaty, and the bridges leading from the second treaty ... to the third treaty will be destroyed.

Those who have not decided their position as well as those who have decided in the wrong direction ought to think about that.

Q: *If the Senate makes some amendments to this treaty, will you agree to discuss them? With what amendments could you agree?*

Gromyko: I will say frankly that it would be impossible to reopen the negotiations. This would put an end to negotiations. Regardless of what amendments were made, it would be impossible to renew the negotiations. The situation created would be incredible....

Q: *Could you expand in more detail on the basic lines the SALT III negotiations will take?*

will kill SALT treaty

Gromyko: I must say that there was not a detailed discussion of the SALT III negotiations (at the Vienna summit). Therefore, were I to go into detail, this would be a presentation of the Soviet position or something close to the Soviet position. Only the most basic lines of the future talks were mentioned. But I would like to draw your attention to several aspects.

Success in the coming talks on concluding a third strategic arms limitation treaty is possible only if all the factors which influence the world strategic situation, including in Europe, are taken into account. To interpret this and switch from algebraic into more simple language, it can be put as follows: success is possible only if the talks include discussion of the American forward-based systems, that is, the American military bases, of which there are plenty both in Europe and outside of Europe, and which have, as is well known, a military-strategic orientation vis-à-vis the Soviet Union. The American side knows this well.

... There are other international questions currently under discussion....

The situation in the Middle East was also discussed in Vienna.... In short, the positions of the Soviet Union and the U.S. are different on this. The American side tried to argue that the Soviet Union would do better to support the separate treaty between Egypt and Israel and act so that the United Nations would adhere to that treaty in one way or another....

It goes without saying that the Soviet Union could not agree with a such a point of view. L.I. Brezhnev ... stated clearly that there would be no question of the Soviet Union supporting the anti-Arab treaty and any mechanism created for the purpose of discussing that treaty. We had the impression that President J. Carter did not expect a different answer from the USSR.

The principled position of the Soviet Union on Middle Eastern matters remains what was formulated many years ago. This is that all the lands seized by Israel from the Arabs ought to be returned; the Arab people of Palestine ought to be able to create their own—even small—-independent state. This is not difficult to do. History knows many analogous but more difficult problems that were solved.

All the countries of that region, including Israel—and here there can be no doubt on anyone's part—should have the chance to exist and develop as independent sovereign states in the Middle East.

proved." The decision by the Carter administration to extend most-favored-nation trade status to China but *not* to the U.S.S.R. is further confirmation of this policy.

As seen through the eyes of Zbigniew Brzezinski, Harold Brown, Cyrus Vance, and other CFR controllers of the Carter administration, the SALT treaty—besides keeping open the possibility of conning the Soviets into cooperation with the Carter administration and London against technological and industrial development, also provides a smokescreen of peace and "progressiveness" behind which they hope to pursue with impunity their New Dark Ages strategy for a "controlled disintegration" of the world economy under the dictate of International Monetary Fund conditionalities and World Bank "appropriate technologies"; genocide and regional wars in the Third World on the Cambodian and Nicaraguan models; "unilateral" special strike forces for intervention in "hot spots"; and Nazi-style autarky at home around the Third Reich's old concentration-camp synthetic fuels program. The CFR is hoping that all this will go down because those leaders like Helmut Schmidt and Leonid Brezhnev who are committed to real détente-cooperation for global progress, war avoidance, and arms control, will be mesmerized by the SALT carrot (and frightened by the threat of the Haig, "Mr. Hyde" stick) into the fantasy that if SALT is ratified by the Senate, "détente in our times will be assured."

At the same time, the Carter administration is quite worried that Senate failure to ratify SALT and the concomitant exposé of their policy of "phony détente" might well lead Europe, in the tradition of Charles de Gaulle and France, to break with the outmoded Anglo-American led NATO alliance to form an independent "third superpower"—a fear that has now become a repetitive theme in Cyrus Vance's speeches and in Senator Byrd's reports on the Italian and French defense ministries' policies, used as a key "selling point" for the treaty. Haig, Nitze, and the "Wells faction" may believe that Europe will swallow a new cold war, but evidently the neo-Russellites do not and are hesitant to run the risk.

The Carter administration and the Soviet leadership clearly hold very different views on SALT and détente.

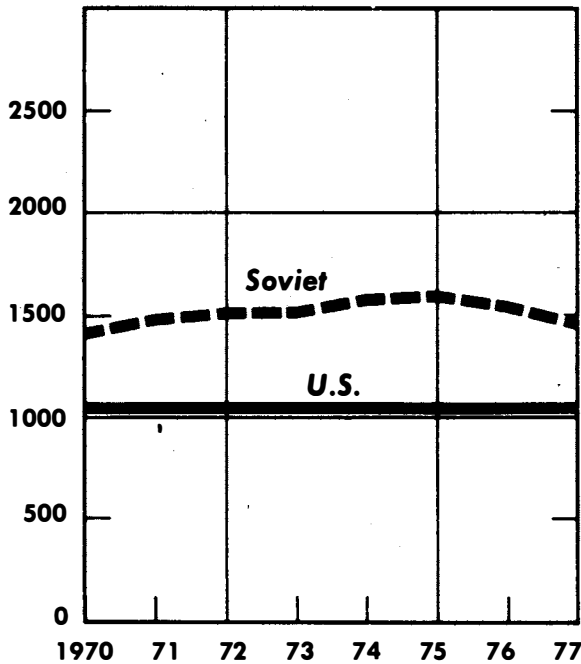
The message of the Vienna summit

The two diametrically opposed views of SALT and détente, the war-avoidance, pro-progress hopes entertained by the Soviets—with considerable agreement and cooperation from France and West Germany—and the war-inducing antidevelopment perspective of the CFR, were on dramatic display at the Vienna summit.

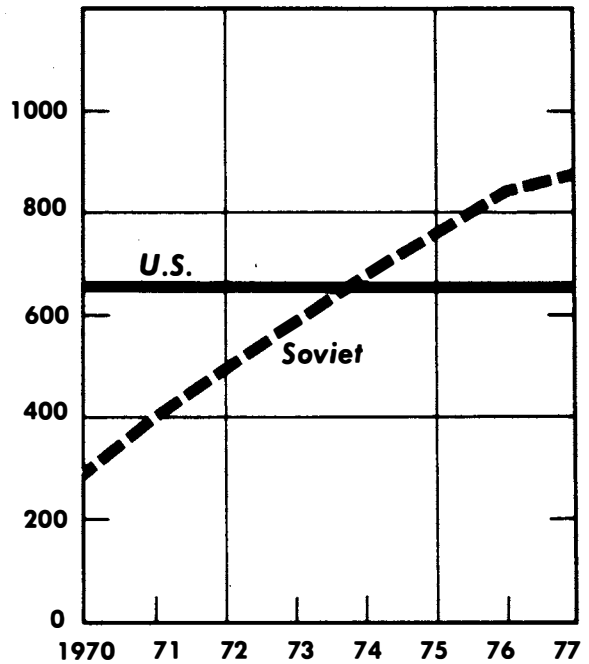
In his June 17 speech opening the summit, President Carter sounded the same strident, confrontationalist

Debate on relative U.S.-Soviet strengths masks U.S. strategic predicament

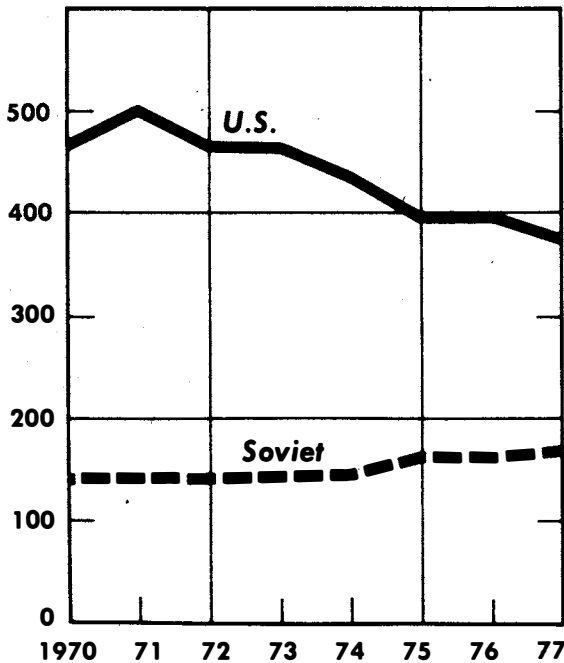
ICBM's



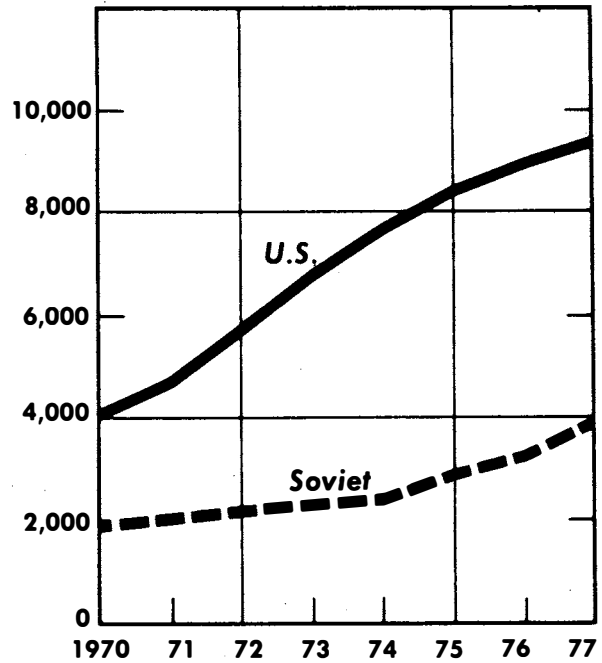
SLBMs



Bombers



Nuclear Weapons



SALT debate on relative U.S. and Soviet force postures has so far been focused on attempts to measure the relative strengths of the two nations' "asymmetrical" strategic triads—the U.S. being superior in bombers and numbers of deliverable warheads, the Soviets having the edge in throw-weight and numbers of ICBMs and submarine launched missiles. This approach is reflected in the accompanying graphs showing U.S. and Soviet delivery system capability. What this debate conceals is the more fundamental question of in-depth war-fighting capacity, where nearly two decades of hegemony of the McNamara "cost-effectiveness" approach has put the United States at a clear disadvantage vis-à-vis the U.S.S.R., and made it certain that at the present time, the U.S. would fall further behind the Soviets if SALT is defeated and an uncontrolled arms race gets underway.

blackmail theme as in his notorious Brzezinski-authored 1977 Annapolis address: "I believe that two possible ways are open to us. There is the way of rivalry and even confrontation. . . . The United States can and will defend its vitally important interests if that is the way we must take." On cue from his controllers, Carter proceeded to define those "interests"—drawing particular attention to support for reinstatement of the genocidal deposed Pol Pot regime in Cambodia (and opposition to Vietnam) and the CFR's Camp David war pact with Egypt and Israel against the Arabs: "In Southeast Asia the war is continuing and foreign troops are invading and occupying others' territory. We believe that the war in Cambodia can only be ended by the withdrawal of foreign forces. . . . In the Near East, Israel and Egypt have taken an historic step. . . ."

Brezhnev, on the other hand, in his opening remarks at Vienna, made clear that the Soviets view SALT, and ultimately U.S.-Soviet relations in general, as inseparable from the framework of the détente they have built in their agreements for energy and industrial development and scientific and military cooperation with the Federal Republic of Germany, France, and with other parties to the Helsinki accords: "We attach very great significance to cooperation between the U.S.S.R. and the United States in international affairs. . . . We already have good experience of cooperation in international affairs. It is sufficient to recall, for example, the joint efforts aimed at quenching the hotbed of war in the Near East in 1973. And, of course, the cooperation in preparing the all-European conference in Helsinki. . . . Détente is only the beginning. . . . In relations with America . . . we would like more. . . . We consider useful the exchange with President Carter on questions of developing Soviet-American relations in the spheres of the economy, science, culture and so forth. I would like to believe that here too our meeting will serve as a revitalizing impetus." Perhaps, in the hope that he could still develop with Carter something akin to the détente relationship he has with Giscard d'Estaing of France and Helmut Schmidt of West Germany—and had with President Nixon—Brezhnev went on: "The might and influence of our two countries impose a special responsibility on them. It is not propaganda attacks nor playing at certain 'combinations of forces' but wise restraint, respect for the partner's legitimate interests and the honest desire to find a common language in building a more sensible and safe world that . . . is the key to success."

It is in this light—Soviet commitment to détente and SALT—that Brezhnev made his warning, directed in particular at the Tory-Zionist forces in the Congress and the Janus-faced Carter administration, that with any tampering with the final SALT II agreement, delicately, elaborately, and painstakingly negotiated over a seven-year period beginning with the Nixon admini-

stration, "The entire structure could collapse—with grave and even dangerous consequences for our relations and for the situation in the world as a whole."

The Carter administration was not long in giving its crude response to the Soviet openings to expand détente. Secretary of Defense Harold Brown was trotted out on June 24 on Meet the Press to announce the formation of a "unilateral corps" of 110,000 U.S. soldiers "available for use in many regions"—especially the oil-producing region of the Middle East, where "we could be drawn into a serious conflict" and where "we have a serious security problem that is geopolitical." This dangerously incompetent and politically moronic military threat to invade the Saudi Arabian oil fields, cutting off Europe's oil supplies while militarily engaging Soviet allies like Iraq—has already been used to blackmail the Europeans at the Tokyo summit. Meanwhile, Israeli war plans against Syria, another tripwire for general thermonuclear war, are being encouraged.

Simultaneously, Senator Howard Baker, a member of the CFR, has boasted of his intentions to introduce amendments to the SALT Treaty that are likely to be unacceptable to the Soviets, and to mobilize other Senators to do so. According to the *Washington Post*, Baker determined his stance after consultation with his chief foreign policy advisor Edward Luttwak—who is not only a founding member of the Committee on the Present Danger, and a notorious spokesman for the Zionist lobby, but who is still a *British subject!*

Arms races not the cause of war

The sole benefit, then, that the United States is likely to derive from the SALT agreement *under the Carter administration* is its potential to place some limits on, and therefore restrain somewhat, a dangerous, costly, and destabilizing arms race. It is the height of folly, however, to believe that therefore the chief source of the general war danger in this period has been removed or even blunted. Arms races are seldom, if ever, the *cause* of war, but are themselves generally the *results* of conflicts between nations of ruling factions of nations committed to the destructive looting—cannibalization—of their own and their neighbors' productive economies, or between such bestialist forces and opponents committed to the cause of industrial and technological progress.

The "IMF conditionalities" and World Bank "appropriate technologies" policies of the Carter administration, by enforcing genocidal levels of austerity on Third World countries and requiring totalitarian regimes in the developing sector, lead to a process of coup and countercoup, economic and political instability, hunger, disease, epidemics and chaos, and potential Thirty Years War-type scenarios among nations scrambling to pay off IMF and World Bank debts. This

system and the military governments set up to enforce it in turn raise a fundamental strategic-military threat to the Warsaw Pact nations, and force intervention by the socialist bloc behind "wars of liberation." This leads to CFR demands for NATO intervention in behalf of the IMF looters—all the while the world hovering on the brink of an IMF-provoked thermonuclear war. The IMF policies are the driving force toward general war in this period.

This is the fundamental issue of war and peace that must be raised in the forum created by the debate around SALT. One key to the removal of the war danger is the effectuation of technological collaboration between the United States and the Soviet Union for the development of the Third World. This policy requirement can, of course, only be achieved where SALT is part of a genuine détente process, and in a climate of scientific interchange and exchange between the two superpowers.

Although it is seldom recalled today, President Eisenhower's exemplification of the American System approach to the maintenance of peace through technological and industrial development, his "Atoms for Peace" program, began—and was announced—as an *arms control program*, a forerunner to the SALT talks, where fissionable material that would otherwise have gone into producing bombs was provided by the U.S. and the U.S.S.R. to the International Atomic Energy Agency (IAEA) to foster nuclear energy development of the Third World. "Atoms for Peace" called explicitly for U.S. collaboration with the Soviets and other nuclear powers including France to begin "turning nuclear swords into plowshares" through negotiated transfer of nuclear technology, cooperation in the development of new nuclear technologies, and export of such technologies for the industrialization of the Third World.

Technological cooperation for development is the only real and stable underpinning for a stable SALT treaty and future SALT agreements.

The realization of such a shift in U.S. policy will, of course, require the defeat of the Carter administration and the overcoming of the present climate of anti-Soviet hysteria fostered by the Alexander Haig crowd, but it is not nearly as utopian a possibility as might appear. For the last four years the Soviets have been putting serious feelers out to the U.S. that they are ready to proffer an "Atoms for Peace" program of their own. All of these proposals, including proposals for the immediate use of nuclear energy and groundbreaking joint nuclear research, were suppressed and rejected by the United States. For example, proposals for the immediate joint use of peaceful nuclear explosions for canal-building, irrigation, resource generation, and energy production; Dr. Rudakov's proposals for joint research in the fusion area; similarly Velikhov and Basov's proposals in inertial confinement research, in-

cluding offers to open secret Soviet laboratories to the U.S., were all rejected.

Surely any U.S. administration in its right mind would want to encourage that Soviet factional current committed to peaceful coexistence on the basis of scientific and technological collaboration for development—the very American System ideals around which a "community of principle" agreement could be worked out with the Soviets.

In fact, the proposals of Velikhov, Basov, et al. are in the long run the key to a stable SALT arms control process. Since scientific advances in the nuclear field are clearly the most relevant to potential revolutionary and potentially destabilizing (from an arms control point of view) breakthroughs in nuclear weapons technologies, collaboration in the nuclear field, including joint fusion development, would not only assure the early practical realization of a virtually unlimited energy source, but would also make virtually impossible the clandestine achievement of significant unilateral advantages in military applications.

British strategic doctrine

The very fact that no Congressman or outside witness has to date stood up during the SALT debate and denounced the incompetent and highly dangerous "flexible response" and "counterforce" doctrines upon which Carter administration SALT *policy* rests, much less had the creative insight to blast the Carter administration's "energy policy" as a military-strategic disaster for the United States, is the clearest demonstration of the subversive hold of British strategic doctrine and thinking on American officials and policymakers.

The SALT treaty is essentially a political agreement in the guise of an arms control agreement. It was made possible, in the last analysis, by Soviet accommodations—to the point of bending over backwards, as U.S. military spokesmen have admitted during the SALT hearings—to the Washington-Jerusalem-Peking-London axis for the purpose of pursuing a war-avoidance course and thus keeping alive the possibility of real détente. And, the agreement, as U.S. military sources have also admitted, is one in which the Soviet side made almost all of the significant concessions on arms matters.

But the Carter administration is not operating from the standpoint of reason.

As the SALT II negotiations were entering their final phase, the administration brazenly announced, after a year-long process of deliberation in the context of National Security Council chief Zbigniew Brzezinski's PRM-10 memo, the adoption of a "counterforce" strategic posture to complement the "flexible response" doctrine under which they were already operating. Both of these suicidal strategic doctrines that underlie U.S.

In reality, the core of the so-called debate on SALT is a miserable and farcical replay of the dispute between Liberals within the British Round Table grouping at the turn of the century.

SALT policy in turn derive from the dangerously incompetent British strategic doctrine known since its inception in the 18th century as "cabinet warfare"—and crushingly already refuted at that time by both the American Revolution and the Napoleonic wars. It is this British "cabinet warfare" strategic doctrine, tailor-made for maintaining the British Empire, under which the Council on Foreign Relations today continues the provocative and genocidal policies that the Carter administration is implementing in behalf of the IMF and the World Bank.

One would reasonably expect that a government embarked on a confrontationist course that runs the gravest risks of provoking or plunging the nation into general thermonuclear war would be prepared to fight and win such a nuclear war. But the treasonous British "cabinet warfare" doctrine, designed for the CFR-IMF New Dark Age looting policy and regional warfare strategy, holds that *total war* is so terrible and unthinkable that alternative options for war-fighting at a reduced level short of all-out war must be defined and developed. Hence, "flexible response" and "counterforce," postures that provoke total thermonuclear war while preparing the U.S. to fight, with incompetent British counterinsurgency "special forces" and "escalation scenario" methods, only limited wars! Thus, the U.S. is currently on the track of trying to *bluff* its way through confrontations while clinging to a doctrine that *guarantees* defeat in a general thermonuclear war.

In fact, as the *Anglo-American architects* of SALT view it, the limitations on arms production actually facilitate their limited nuclear warfare strategies and gameplans.

"Flexible response," an IMF doctrine for "strike force" interventionist adventures into "hot spots," anticipates only the contingency of "limited nuclear war" or "theater limited nuclear war." "Counterforce," the complementary U.S. strategic posture announced by Secretary of Defense Brown in February, at the time of the Anglo-American sponsored Chinese invasion of Vietnam, is basically a dangerous psychological warfare bluff. By announcing a policy which targets U.S. missiles on various Soviet military capabilities while totally

unprepared for actual nuclear war-fighting with the U.S.S.R., the Council on Foreign Relations strategists anticipate at most "controlled thermonuclear war" in which nuclear war is insanely viewed as a *phased escalation process*—rung-by-rung up the escalation ladder involving, for example, exchange of nuclear strikes on one another's military targets followed by negotiations always stopping short of or at most only approaching all-out nuclear war.

In reality, the ABC's of clear war-fighting, as published Soviet military doctrine makes abundantly clear, begins, once the political threshold is reached, with an "Hour One" all-out "quick kill" first strike against U.S. logistical centers (e.g., American cities) designed to destroy the in-depth war-fighting capability of the Soviets' "out-of-reach" primary enemy and including the killing of on the order of 120 to 140 million Americans. Although the Soviets would absorb punishment in response greater in magnitude than what they received during the Second World War, their *greater in-depth war-fighting capability* (e.g., dispersed industrial infrastructure, superior civil defense preparations, and especially more highly trained, motivated, and disciplined army and reserves) assure them the margin of victory following the initial artillery (strategic missile) barrages. World War Three, total general thermonuclear war, which is fought in the very opposite manner to that expected and hoped for by the CFR grouping—a "de-escalation" following the Hour One all-out atomic, biological and chemical warfare first strike—concludes with Soviet military occupation of Europe and, shortly thereafter, the arrival of Soviet troops by boat onto U.S. shores to complete the conquest of a relatively defenseless and demoralized United States.

The present CFR-manipulated "Great SALT Debate" must be transformed into a forum in which it is exposed that the CFR Carter administration is running the U.S. straight toward a *disastrous and losing* general thermonuclear war.

As it is, the Senate SALT debate is serving daily to demonstrate the strategic bankruptcy and lunacy of the various CFR strategic tendencies. The Vance current defends the SALT treaty chiefly by comparing the numbers of different nuclear launchers and warheads on the two sides without any serious examination of how they would actually be used in real all-out thermonuclear war-fighting—much less how such strategic weapons usage relates to the overall deployment of forces including the role of troops (the foot-soldier is still the soul of war, as the occupation of the enemy's country and the establishment of an enduring peace are still the objectives for which war is fought) in general thermonuclear war. Vance and Co. then proceed to intone solemnly that the U.S. has "rough or essential equivalence" in strategic nuclear capability. SALT opponents led by investment banker Paul Nitze and his

protégé General Rowney, showing little or no understanding of how nuclear war is actually fought, screech about an alleged soon-to-be-realized Soviet *counterforce* capability in which Soviet land-based SS-18 heavy missiles would knock out (in their silos) the U.S. Minuteman force. Just why, given the U.S. policy of "launch on warning," the U.S. missiles would still be in their silos in this hypothesized scenario, Nitze and Co. have yet to explain—perhaps because buffoons like Nitze would be running the U.S. government at the time?

The utter absurdity of this latter line of "reasoning" was driven home by a June 24 *New York Times* report, "Mobile Soviet ICBM Held Key to Peace," on the remarks of Air Force Major General Kelly H. Burke. Burke, a utopian supporter of the planned MX mobile missile (mobile ostensibly to avoid a Soviet "counterforce" knockout of U.S. missiles, but in fact a potentially destabilizing new weapons system designed for a U.S. "counterforce" first strike) *demand*s that the Soviets follow the U.S. example and build their own mobile ICBM system: "The best hope now for peace is that the Soviets also have a dependable and survivable mobile missile system," Burke is quoted as saying, producing a new counterforce vs. counterforce version of British cabinet-warfare style strategic insanity, and giving the Nitze-CPD game away.

The McNamara legacy

How did the United States get into its present predicament, with the U.S.S.R. at least approaching a marginal nuclear war-winning advantage, and what can be done about it?

Not coincidentally, the person most responsible for putting the U.S. into its present position of strategic inferiority is the same Robert Strange McNamara who as president of the World Bank is now conniving with the IMF to impose famine and poverty on the peoples of the less developed countries by fixing their technologies at levels below those necessary to even reproduce their present living standards. As far as SALT is concerned, critics of the SALT II treaty should be turning their guns on Robert McNamara and his anglophile collaborators, not on the Soviet Union.

It was during McNamara's 1961-1967 tenure as Secretary of Defense that all the force decisions and posture shifts were made that gave away America's strategic advantage and in-depth war-fighting capabilities. McNamara established a trend of strategic incompetence from which the nation has not yet recovered.

McNamara's "cost-benefit" approach to strategic decision-making wrecked the Pentagon and dismantled U.S. R&D capability. Under McNamara, the United States went from a posture of "assured ascendancy" to the adoption of the hideous doctrine of "Mutually Assured Destruction" (MAD). By unilaterally declaring

all-out nuclear war a matter of pure destruction and "mutual suicide" which could have no peace-winning objective, America's anglophiles expected that they had thereby established "rules of the game" which guaranteed them a "deterrent" to total war and allowed them to pursue with impunity their flexible response strategy first formulated by Henry Kissinger and James Schlesinger.

The disastrous and demoralizing war in Vietnam was only one example of the consequences of this incompetent strategic policy. Effort was concentrated on British "cabinet warfare"-style "special forces," shifting U.S. military manpower objectives away from any concept of a citizen army and beginning the process of turning the U.S. armed forces into today's "all-volunteer" army—de facto mercenaries, a good percentage of whom are potheads. Civil defense was abandoned in line with the MAD doctrinal requirements. Anti-ballistic missile systems were given up by the U.S. as futile and hopeless exercises in a MAD world. Strategic force requirements and levels disadvantageous to the United States (e.g. the unnecessary trade-off of missile throw-weight for missile accuracy) were established and implemented. And department store catalogues of weapons systems and crude quantitative indicators such as McNamara's incompetent "body counts" replaced serious thinking about strategic capabilities and real war-fighting.

It is hardly surprising that many of the same people who deliberately wrecked U.S. military capabilities, including McNamara, the Rostow brothers, James Schlesinger, and others, are also in the forefront of the effort to literally Nazify the U.S. economy, pushing the same massive low technology synthetic fuels programs that were the core of the self-cannibalizing Nazi economy during the Third Reich. The autarkic energy austerity policy being promoted by these circles would finish off U.S. military capability once and for all by destroying what remains of the United States' high-technology and skilled-manpower basis for in-depth war-fighting.

Nor is it surprising that Robert McNamara himself has emerged as a leading spokesman for SALT—that is, SALT the British way.

General David Jones, chairman of the Joint Chiefs of Staff, and Admiral Thomas Hayward, in their pro-SALT testimony before the Senate Armed Services Committee on July 24, admitted for the first time publicly that the Soviet Union will enjoy a strategic war-fighting advantage over the U.S. through the early 1980s.

What is the remedy? An all-out arms race? Hardly. Given the productive and technological capability the Soviets have developed in catching up and passing the U.S., it is now *they* who have the momentum and who now start with the edge in strategic weapons develop-

ment the U.S. once enjoyed through the 1950s. Not only are we likely to lose such an unrestrained, not to mention highly dangerous, arms race, but the effort to win one would entail domestic policy decisions that are likely to be unacceptable to the American population.

The simple truth of the matter is that *past U.S. policy*, including McNamara's follies, has now *locked the United States into reciprocal arms control as a crucial requirement and inseparable part of any rational future U.S. strategy*. Like it or not, U.S. national security to a great degree depends on *cooperation* from our ostensible enemy, the U.S.S.R. Fortunately we are receiving it—the U.S. deterrent still packs a significant wallop, and the Soviets, for war-avoidance purposes, have been more than forthcoming. But if the Haig-centered Tory-Zionist hawks and their knee-jerk dupes have their way, we may yet, in the name of “patriotic anticommunism,” commit national suicide.

Citybuilders in arms: SALT the American way

The United States needs SALT, but it *must* be SALT the American System way. The way out of the grave predicament for the nation is a return to the American tradition of “citybuilders in arms,” the principal military policy of our Founding Fathers and such great American leaders as Abraham Lincoln.

It is only by the development of *in-depth war-fighting capability* that the United States can assure its security and survival. This is an absolute policy necessity which will not be made any less obligatory with the ratification of the SALT treaty. It is because the Soviets today have greater in-depth military capability than the U.S. that can be deployed in the unfolding geometries of nuclear war that they would ultimately emerge victorious in the event of total war.

The Federalist-Whig military policy which was pivotal in the building of our nation was itself a chapter in the history of humanist republican military policy—from Alexander the Great, to Charlemagne, to Machiavelli, to Cromwell's “New Model Army”—and was based on the demonstrated truth that republics committed to scientific and technological urban-centered progress leading to a high level of educational and cultural development and productive skill in the population at large, have an inherent potential military advantage over their rivals.

This advantage has historically been converted into fighting force in the form of a well-trained, well-equipped and competently led *universal militia*, providing not only the required forces in depth to defend the republic but also a key institution for the development of “citybuilders in arms.”

The *sine qua non* for the development of a “city-

builders in arms” policy that will not only assure the U.S. in-depth war-fighting capability that can prevent any conquest of this nation but also help generate the improved economic and industrial growth conditions that will go a long way toward removing the cause of war and maintaining peace is an American commitment to industrial recovery and technological revolution centered around vast nuclear energy projects to be undertaken worldwide.

The U.S. armed forces must in part be transformed, in the tradition of the West Point “Corps of Engineers” and the militia of the American Revolution, into a force deployed for the building of modern cities, the creation of new agricultural projects, the organizing of schools and hospitals, the generation of infrastructure, the realization of scientific advance, and the development of nuclear energy worldwide—in short, a city-building centered policy of global technological progress in which our military will participate as a vital agency. That is how the U.S. will win allies. That is how the U.S. will educate, train, and develop its population, in particular its youth, to help remove the contracting IMF-organized economic conditions that foster war. That is how the U.S. will develop in-depth war-fighting capabilities and remoralize its citizenry.

The United States must immediately institutionalize universal military training on just such a programmatic perspective.

Such a policy—made possible by a *dirigist* and centralized state-funded American System development program for the United States—will, of course, provide important benefits for the U.S. strategic weapons programs and civil defense programs as well. But it is from *national economic planning* of the *civilian economy* and *generalized* forced-draft scientific and technological progress that spin-offs to new military technologies will best be accomplished, rather than by concentration on narrow military technologies *in themselves*.

It was the commitment of Benjamin Franklin and the Founding Fathers to scientific and technological progress that established the conditions that made possible the creation of a well-disciplined and capable militia and the rapid development of professional military capabilities that helped win the American Revolution. It was West Point's commitment to technology-in-depth that created the “corps of engineers” which opened up the American West and built this nation. It was the great humanist Abraham Lincoln who saved his nation through a republican military policy and a dirigist mobilization of the industrial potentials and labor power of the Union.

“Citybuilders in arms.” That is the way out of America's current strategic predicament. That is the peace-winning alternative to IMF-World Bank genocidal war-losing policies. That is SALT the American way.

The Ayatollah drops his mask

Iran to join Israel-Egypt pact for a Middle East Treaty Organization

The recent maneuvering on the part of Iranian strongman Ayatollah Khomeini to bring his country into an axis with Egypt and Israel leaves no doubt of what this publication has argued for nearly a year, that Khomeini is a puppet of British and Israeli intelligence. His takeover of Iran was calculated by London and Washington as the complement to the Camp David separate peace; together these serve as the political basis for a London-controlled Middle East Treaty Organization (METO) for which an Iran-Egypt-Israel axis would be the keystone.

Earlier this month the fiercely "anti-British" Khomeini approved the reopening of talks with Britain on salvaging part of a previously negotiated defense package worked out by the Shah. A key feature of the negotiations which the *Financial Times* of London reports brought a secret British delegation to Teheran, is the support for the Iranian Navy.

In this connection, British Defense Minister Francis Pym visited Washington shortly thereafter where he declared that Britain had initiated talks with the Arabian Peninsula states of Oman, North Yemen, and the United Arab Emirates. Pym noted that Britain was considering the possibility of a future reintroduction of British naval presence into the waters of the region, notably the Persian Gulf, to aid in security. These peninsular states have maintained a close relationship with Britain despite London's termination of colonial control of the area in 1971.

Khomeini has already opened a dialogue with Oman this month following the visit of an official delegation to Iran aimed at tightening relations. The official Iraqi press has attacked the Khomeini government's efforts to solidify ties with Oman and Sudan as part of a conspiracy aimed at building a regionwide military bloc controlled by London and Washington. Egypt is reported to have a sizeable troop deployment in Oman replacing Iranian troops placed there by the Shah to protect the Sultan from Marxist insurgents who led the Dhofar rebellion. Sudan is one of the few remaining allies of Egyptian president Anwar Sadat following the signing of the peace treaty with Israel.

Last month the second most powerful Ayatollah in Iran, Shariatmadari, issued a bold call for closer relations between Iran and Egypt and earlier announced his intentions of visiting Egypt—this despite Khomeini's

theatrical break in relations with Egypt because of Camp David.

Anti-Soviet diplomacy

With its goal a solid military-political alliance against the Soviet Union, London is now maneuvering to establish overt Iran-Israeli relations in the not-too-distant future. Key to this strategy is the ouster of the Begin regime and the installation of a new government in Israel led by Israeli Labour Party chief Shimon Peres, who with the backing of the current Defense Minister Ezer Weizman would negotiate a cosmetic settlement with a faction of the PLO and in so doing create the illusion of an overall Mideast peace. Such a cosmetic peace, in which the second international networks led by Austrian Bruno Kreisky and Willy Brandt would play a crucial behind-the-scenes role, which would serve as the cover for implementing the METO plan region-wide.

According to well informed Iranian sources, Khomeini has already established contact with Peres through certain factions of the PLO. In recent weeks, since the well publicized meeting between PLO chief Yasser Arafat and Kreisky and Brandt, U.S. based Muslim Brotherhood connected organizations which strongly support Khomeini have begun to praise Peres as the only option in Israel for negotiating a Mideast settlement which includes the PLO.

In order for this strategy to succeed the governments in the region with the strongest ties to the Soviet Union must either be toppled or destabilized to the point of offering no resistance to the METO plan—most importantly Iraq and Afghanistan.

The Khomeini regime has taken the greatest initiative as an agent of London and Israel in fulfilling this task. Iranian sources indicate that Shariatmadari has left his permanent residence in the holy city of Qom to go to the eastern city of Meshed where he is involved in operations to overthrow the Taraki regime of Afghanistan. Khomeini is cited as putting millions of dollars into the overthrow of Taraki in favor of a Khomeini-style Islamic government. Similarly Iran has been backing various operations designed to destabilize their powerful western neighbor Iraq.

Brazilian sources have revealed that the recent upsurge of unrest within the Kurdish Minority in Iraq—

a traditional eyesore to the Iraqi regime—is backed by Iran. The London *Economist* of July 23 predicts increasing trouble between the two countries, citing various minorities on their common borders that are presently being stirred up. Informed sources anticipate a full-fledged border conflict between the two states in the near term over a large oil well Iraq is presently exploiting which extends under its border with Iran.

The Carter Administration is currently operating discreetly to strengthen a political faction within Saudi Arabia which would be amenable to the METO conspiracy. According to the *Christian Science Monitor*, July 16, the Department of State has recommended the sale of \$1.2 billion in arms to the Saudi National Guard to enhance Saudi security of the oil fields. The Guard is led by second Crown Prince Abdullah, a well known leading figure in the Muslim Brotherhood and long time challenger to first Crown Prince Fahd for the throne.

The United States, too, is according to Iranian sources beginning contact with the Iranian government over sending U.S. technical military advisors back into Iran.

The key question which still remains unanswered is just how the fragmented Iranian military will be put back together again. A reconstituted Iran military is key to the METO strategy and numerous Iranian watchers agree that the octagenarian Khomeini cannot rebuild the military. The London *Economist* this week names Admiral Madani, the former head of the Iranian Navy, and current governor of the oil rich Khuzistan region as a possible figure to seize the reins of power and reconstruct the military. Not only has London always maintained intimate ties with the Iranian Navy but it is the only branch of the military today which remains virtually intact following the revolution.

—Judith Wyer

Iraqis blast U.S., Iran

Ath-Thawra, the government daily of Iraq, issued an attack on the Iranian government June 24 for its clandestine efforts to return U.S. military advisors, linking this move to the Camp David separate Mideast peace.

The official statements by Iranian officials in Tehran regarding the increasing need for U.S. military advisers have become something normal and no longer surprising or astonishing to the new rulers, despite the fact of their shouting declarations of “hostility” to U.S. imperialism....

Exposing the contradiction between the two stands—the extreme statements of hostility toward the United States on one hand, and the demand for greater U.S. presence on the other—needs no exceptional effort.

The Tehran rulers are trying in vain to prove their hostility toward imperialism, but at the same time are

stepping up their overt demand for bringing in more U.S. military advisors and experts as well as rearranging their treacherous alliance with the United States and the forces of treason headed by As-Sadat's regime, declaring their open hostility toward, and expansionist designs upon the Arab gulf, and encouraging the spirit of chauvinism and revenge against the Arab citizens in Arabistan.

Ath-Thawra, July 10, questions a budding alliance between Iran, Sudan and Oman:

Why is the Iranian regime strengthening its relation with the regimes of Qabus and Numayri which are known for their strong ties and connections with U.S. imperialist circles, particularly at a time when the Iranian regime is talking day and night about the “Revolution and the revolutionaries” and is insisting on fabricating disputes with and creating problems for Iraq in an attempt to preoccupy Iraq and divert its attention from fulfilling its pan-Arab responsibilities in confronting the constant imperialist-Zionist plot against the Arab nation?

British and Iranian moves

Iranian Ayatollah Shariatmadari called for an Egypt-Iran link. Below is the June 20 Teheran Domestic Service coverage of Shariatmadari's call to the Egyptian daily Al Ahram:

Ayatollah Seyyed Kazem Shariatmadari in an interview with the Cairo newspaper *Al-Ahram* called on Egypt as an Islamic country to support Iran's struggle to prevent the infiltration of foreign and communist agents. Ayatollah Shariatmadari said: “Iran is disturbed by the maneuvers of the pro-Soviet government of Afghanistan against Iran. Ayatollah Shariatmadari called for cooperation between the Egyptian and Iranian mass media in exchanging news and information so that the Egyptian media may thereby reflect the views of the Iranian regime concerning the dangers threatening it.

The London Sunday Telegraph reports on the Gulf states-British military relationship:

In a speech, British defense Secretary Francis Pym announced that “several Arab countries in the area are keen on greater British involvement. This will have to be diplomatic and not military because of Britain's limited resources.” But “if there is a major change, military involvement might have to be reintroduced.”

Pym announced that the British navy will be making “more frequent” naval trips to the Gulf waters. He stated that during a recent trip to Washington he received requests from North Yemen, the United Arab Emirates, and Oman for more British involvement in the area.

Arabs target London for Mideast terror, destabilization

In an effort to prevent the total disintegration of the Middle East and the outbreak of a new oil hoax and full-scale war, responsible Arabs have begun to point their finger at the culprit behind terror and political instability in the Middle East: British intelligence. And the British, in response, are scurrying desperately to cover their tracks.

In early July, an extraordinary front-page article in the Kuwaiti daily *Al Qabas* accused, by name, Professor Bernard Lewis—a long-time agent of British and Israeli intelligence now operating out of Princeton University—for being behind terrorism in the Middle East. *Al Qabas* fingered Lewis and other participants at the recently concluded secret Bilderberg Conference in Austria for choreographing last month's massacre of 70 Syrian cadets by Muslim Brotherhood fanatics in Aleppo Syria:

The paper then cited by name the "Bernard Lewis Plan" as the blueprint for the deliberate destruction of the Arab world by British and Israeli intelligence. The Bernard Lewis Plan was first exposed by *Executive Intelligence Review* more than a year ago.

The *Al Qabas* exposé also coincided with charges by the Iraqi ambassador to Brazil, Said Haddar, that Robert Moss of the London *Daily Telegraph* and London's international Institute of Strategic Studies is part of an international terror operation set up to be blamed on the Arabs.

Now, a frantic Dr. Lewis admits that the influence of the U.S. Labor Party in the Arab world has blown his cover.

Arabs for LaRouche

Led by Iraq, Syria, and Saudi Arabia, a strategic shift is underway across the Arab world. The political leaders in those countries, together with their allies in the Arab world and overseas, are beginning to recognize the strategic significance of the campaign to elect Lyndon H. LaRouche president in 1980. Though still limited in scope—and subject to slanders and vilification campaigns against the Labor Party conducted by British intelligence—these Arab moves, detailed below, have already altered the world balance enough that a work-

ing alliance between the Arab sector, the French and West Germans, and the LaRouche forces in the United States to build a new world monetary system against London is emerging.

According to Syrian sources, the massacre of 60 Syrian cadets by Muslim Brotherhood terrorists last month—for which *Al-Qabas* blamed Bernard Lewis—was the work of Israeli agents and the Anglo-Americans. Syrian interior ministry and law enforcement officials who are investigating the murders are, say Syrian sources, making use of information on the Muslim Brotherhood that comes, in part, from the U.S. Labor Party and the *Executive Intelligence Review*. Recently, an Arabic-language commentator

Bernard Lewis: 'Arabs stupid enough to believe Qabas'

"I expect that what is being written about me will cause me some trouble with my Arab friends," Bernard Lewis told a caller in response to the *Al Qabas* exposé. "These exposés will hurt me. They already have." Like self-professed former CIA station chief in Lebanon Joseph Malone, Bernard Lewis is about to become persona non grata in the Arab world.

"It was only the first time that I attended the Bilderberg conference," Lewis explained. "A lot of people were there, including David Newsome from the State Dept. I know where Qabas is getting its ideas, or at least some of them: from the U.S. Labor Party. The U.S. Labor Party is very intelligent, very active. They have this theory that says that I am heading up a right-wing conspiracy against the Arabs, and that my colleague here at Princeton, Richard Falk, is involved in a left-wing conspiracy. The Arabs are very stupid. They are stupid enough to buy this line. They are stupid enough to believe *Qabas*."

broadcast to the entire Arab world a translation of the Labor Party's exposé of the British and Israeli intelligence networks that control the Brotherhood.

Further, according to Arab sources, several Arab governments are planning a coordinated investigation into the subversion of the Arab world and Iran by such pillars of British imperial policy as the Aspen Institute, the Bilderberg Society, and the Jesuits of Georgetown University. U.S. Labor Party investigators are presently supplying information to Arab officials concerning such subversion, including matters relating to the assassination in 1975 of King Faisal of Saudi Arabia.

What triggered the otherwise apparently sudden Arab interest in LaRouche and the Labor Party was the realization throughout the Arab world that Ayatollah Khomeini and his fascist Muslim extremist regime is a puppet creation of British intelligence and Israel—and not, as many Arab leaders foolishly believed, a victory of the “Iranian masses.”

That failure of Arab intelligence services—which was underlined in a Citizens for LaRouche's White Paper, “U.S. Middle East Policy”—sufficiently shocked some Arabs enough to set into motion a new political process.

Terror against the Gulf

The crisis which began with the destruction of Iran is still threatening to blow up the entire Persian Gulf, and the recent Arab moves to hit the British enemy between the eyes may not be fast enough. According to Al-Qabas, the CIA is presently training a hit squad of

“professional terrorists” who plan to hijack an oil tanker in the Persian Gulf's Straits of Hormuz—through which passes two-thirds of OPEC's entire oil output! This, says *Al-Qabas*, would serve as a pretext for a U.S. invasion of the Gulf.

Various media here and in Europe and the Middle East reported yesterday that the Pentagon has sent special warnings to some Arab governments that terrorists may attack oil tankers. Some sources, including London's *Financial Times*, even “predict” that the attack will come on July 23. According to French sources, the warnings—threats—to the Arabs came from “U.S. naval intelligence.”

Terrorism against the Gulf has been, for at least six months, a leading option for the Carter administration in order to create the conditions to enforce the insane energy policy and drastic consumption cutbacks in Carter's “moral equivalent of war.” The threat of an explosion in the Gulf, which would force the world's industrial economies to grind to a halt, is directed especially at France and West Germany.

Arabs consolidate alliance

In the face of such imminent threats, worsened by the constant U.S. reminders that Washington maintains a 110,000-man strike force, the Arabs are building their own alliances, including closer links with Paris and Bonn. For the first time there are signs of the Arabs moving to support Mexican President José López Portillo's call for a worldwide energy and transfer-of-technology conference.

Al Qabas fingers Lewis, Bilderberg for terrorism

The following is an excerpt from the Kuwaiti daily Al Qabas, which earlier this month featured a front-page article exposing who is behind terror and instability in the Middle East. The exposé is critical to halting the wave of British- and Israeli-sponsored terror scheduled to hit the United States and Europe in the wake of the terrorism conference recently held in Jerusalem. At that conference, a series of scenarios for an escalation of terrorist strikes was worked out, behind a facade of antiterrorist rhetoric.

An editorial in the same issue of Al Qabas charged that the Aleppo massacre was “punishment for the crime committed by Syria and Iraq: their rejection of the [Israel-Egypt] peace treaty and their steps toward unity between the two countries.” The editorial warned that “what happened in Syria could happen anywhere in the area,” and cited Iraq as a prime target. “The

incident in Syria is a warning to all the Arabs because the plot in the end involves all of them.”

The Aleppo incident [the massacre of 70 Syrian cadets in Aleppo, Syria—ed.] is the immediate result of a secret meeting held by the Bilderberg Group (a secret organization), which includes important political figures and well known financial personalities in the West. The last meeting held by this organization in Baden, Austria, discussed the instability in the Middle East.

The Bilderberg Group also discussed ways which would ensure the downfall of certain regimes in the Middle East.

The brain behind the “Bernard Lewis Plan,” which calls for using the religious minorities to hit at the regimes in the Middle East, is Professor Bernard Lewis, who is an unofficial member of the Bilderberg Group.

First of all, a major government shakeup in Iraq has placed Iraq's Saddam Hussein, always the guiding force behind Iraq's prodevelopment policies, in control as president of the republic, with the resignation of President Ahmed Hasan al-Bakr. In the major reorganization that followed last week, some housecleaning was done, including the expulsion of A.H. Mashhadi from the Revolutionary Command Council. Mashhadi was accused of having secret contacts with networks of Ayatollah Khomeini and the Muslim Brotherhood.

Immediately, the Iraqis launched a major attack on the U.S. and British oil multinationals. Said the Iraqi oil minister, "The oil shortage in the world market is a fabrication created by the oil monopolies to create confusion and to put the blame on OPEC. ... The OPEC countries' current production exceeds that for the same period last year by 1 million barrels a day." He then called for the elimination of the multinationals and the creation of state-backed oil companies for state-to-state deals.

In Mexico City, the Iraqi ambassador there stated that, as far as he is concerned, the Arabs should support President López Portillo's call for world action on oil-for-technology deals. Until now, the Arabs have mistakenly looked with some suspicion on Mexico because of its traditionally close ties to the United States. Observers now expect Saudi Arabia, the world oil giant, to begin moving more closely in cooperation with Mexico.

The European connection

With Saudi blessings for the Iraq-Syria unity talks, the Arabs are also strengthening their relations with Western Europe. In the past week, French Prime Minister Barre visited Iraq; then French Defense Minister Bourges visited Saudi Arabia; and finally, President Giscard of France stopped over in the United Arab Emirates.

In Baghdad, according to French sources, the Iraqis told Barre that France should launch its own Middle East peace initiative to counter the disastrous Camp David fiasco which has brought the area to the brink of confrontation again.

But, at the same time, the Arabs are aware that without the participation of the United States, any Euro-Arab initiative on the Middle East will likely be ineffective. An Egyptian military source, who is opposed to the policies of President Sadat's Camp David pact, said that the key question is: "What can Egypt and the Arabs do to get LaRouche into the White House?" The Europeans, he said, "cannot defeat the United States and its Middle East policy by themselves." If LaRouche and his campaign get moving, "the Zionists will start screaming," and that will open the way for much greater European leverage in the Arab-Israeli conflict, concluded the Egyptian officer.

—Robert Dreyfuss

Arabs growing wary of Aspen Institute

The usually secretive Middle East-related activities of the Colorado-based Aspen Institute are beginning to come under public scrutiny, months after the U.S. Labor Party circulated a memorandum indicating Aspen's key role in events surrounding the assassination of Saudi Arabia's King Faisal in 1975.

On July 17, the *New York Times*'s Washington bureau reported that the key funding conduit for Aspen's Middle East seminar, the California-based East-West Foundation, has been applying intense pressure on the Aspen board to break ties with certain key Israeli intelligence-connected agencies. The *Times* noted, for example, that East-West has tried to prevent a certain Colonel Menachem Milson from participating in the seminars; although the *Times* neglected to mention the point, Milson is known as an important Israeli intelligence specialist suspected of involvement in numerous dirty-tricks activities for Israel's Mossad intelligence service.

While the *Times* piece was written from the standpoint of "outrage" by the Aspen board over East-West's "anti-Israel meddling," the central fact is that the controversy is now out in the open, and Aspen's ability to delude and manipulate key Arab policymakers will be severely constricted.

According to an informed Arab source in Washington, "The story is very significant, it shows that the Arabs are beginning to take a close look at these types of institutions, at Aspen, at the Heritage Foundation, at the Bilderberg group. A new attitude is developing, in the wake of the Muslim Brotherhood activities in Syria and related events, to look twice at what are known as the 'Anglo-American policymaking institutions.'"

According to the source, special interest is being aroused in the Arab world by the just-concluded two week Aspen Middle East seminar, which had the title, "The shaping of the Arab world." "The question is being asked," the source stressed, "Why the word 'shaping' in the title? Is this yet another case of a policy-planning conference outlining the 'balkanization' of the Middle East?"

Britain's '8 Days' operation

In response to the *Al Qabas* expose of London and Bernard Lewis, the British are scrambling for cover. The July 21 issue of the London-based weekly magazine *8 Days* printed its own exposé of the Bilderberg Conference to "refute" many of the "allegations" of *Al Qabas*. *8 Days* went out of its way to whitewash the British connection to the Bilderberg operation, and falsely linked it instead to the French and in particular to French President Giscard d'Estaing. This deception operation is designed explicitly to discredit the French and undermine their recently renewed efforts to work with the Arabs toward a viable solution to the Middle East conflict.

8 Days highlights a *Le Monde* report of France's intention to resort, if necessary, to military intervention in the Gulf, and neglects to note that France will intervene only to discourage a move by the U.S. into the area, in an action similar to the one France carried out in Zaire.

What is 8 Days?

8 Days is an outgrowth of the subversive British Liberal *Middle East International* magazine. Its first issue hit the stands just weeks ago.

The editor of *8 Days* is Mohammed Mahdi al-Tajir, United Arab Emirates ambassador in London and cochairman of the World Festival of Islam Trust. The other cochairman of the World Festival is Sir Harold Beeley of the Middle East Center for Arabic Studies (Mecas), which was established under the auspices of the Royal Institute for International Affairs (RIIA) in 1944. Mecas, which operated out of Shemlan, Lebanon, served until this year as a training center for British intelligence and foreign office personnel assigned to the Mideast.

A native of Dubai, one of Britain's favorite stomping grounds, Tajir is a product of the British Bank of the Middle East and the British Oxford movement that serves as the "intellectual" foundation of the current "Islamic revival" in the Mideast.

The board of editorial advisers for *8 Days* includes old British Mideast hand Sir Geoffrey Arthur; St. John Armitage, head of British intelligence in the Persian Gulf; Lord George-Brown; Alastair Duncan; John Harris; and Sir Frank Layfield.

Another recent *8 Days* article, entitled "Palestine's Real Friends in Europe," by Yacoub Musallam, is all but a paid political advertisement for Britain's Lord Caradon and Austrian Chancellor Bruno Kreisky, both

long involved in Arab affairs on behalf of Britain. Writes Musallam: Lord Caradon ... is a reasonable and farsighted man. For the last ten years he has been urging ... an urgent settlement to the Middle East conflict ... He speaks from experience ... [He understands] the injustice done to the Palestinian people ...

—Nancy Parsons

'8 Days' covers for the Bilderbergers

The following excerpts are taken from the editorial statement in the July 21, 1979 issue of 8 Days.

Over good food and wine a group of people [i.e. the Bilderberg group—ed.], including several prime ministers and foreign ministers and a number of the world's major bankers, debated privately amongst themselves the fate of the world. There is nothing wrong in that, and although the event was cloaked in amazing secrecy there is nothing particularly sinister in men as innocuous as Niels Norlund, editor of *Berlingske Tidende*, Emile van Lennep, boss of the OECD, and Christian Beullac, French Minister of Education, wising themselves up on strategic matters far beyond the terms of reference of their normal duties.

Nor is the air of pretension that surrounds such occasions cause for concern. If the participants feel they can together solve the problems of the world—without the wisdom and experience of one single Arab, Indian, Chinese or Japanese, or any representative of the Third World—then so be it. At this year's conference one woman, Flora Lewis of the *New York Times*, was admitted so that is progress.

From the article which is entitled "Bilderberg, the West's Secret Power Play in the Middle East":

On June 16 last, in the northern Syrian city of Aleppo, eight men carrying machine guns and grenades burst into a classroom at the Syrian Army's artillery school where 86 cadets were attending a lecture, and opened fire...

The leading Kuwaiti newspaper, *Al Qabas* said that the real organization behind the attack was a "mysterious club", run by rich western nations for rich western nations—the Bilderberger (sic.) Group.

Al Qabas said that the group had held a conference earlier in the year ... and had decided on a well planned campaign to upset the stability of the Middle East. The aim: to drive a wedge between the countries of the Rejectionist Front.

More moves to skirt Davis-Bacon

With congressional forces jockeying back and forth for positions for a frontal assault of the 48-year-old Davis-Bacon Act, the Carter administration is involved in behind-the-scenes maneuvers to undermine prevailing union wage rates on construction projects.

Legislation to exempt certain projects from Davis-Bacon coverage was referred to committee in the Senate without ever coming to a vote on the floor. The amendment, which would have exempted military construction for Davis-Bacon guarantees of payment of prevailing wage rates, was referred to the Senate Labor and Public Works Committee where it is expected to die.

At this point, even the most die-hard opponents of Davis-Bacon like Sen. Orin Hatch (R-Ut.) regard their chances of passing a significant emasculating amendment as close to nil for this session of Congress. Nonetheless, egged on by the likes of Senator John Tower of Texas, they are prepared to make one more effort in the fall.

Far more dangerous noises are now coming from the individuals within the supposedly pro-Davis-Bacon Department of Labor. At this moment, the Carter administration's failed seven percent wage-price guideline program is undergoing some kind of summer renovation. With inflation running at near 15 percent, the "pro-labor" people within the DOL are asking that the guidelines be revised upward to somewhere around 10 percent.

At the same time, sources in the DOL report they are thinking of trying to hold "prevailing wage" rates on Davis-Bacon-covered projects to below the established guideline figure. If this were not done, the government would simply deny or cancel the contracts.

The net effect of this maneuver would be to force construction union wage levels to below levels necessary even to maintain current living standards—or precisely the foot-in-the-door at lowering wage rates that the anti-Davis-Bacon forces have been calling for.

The proposal reportedly has the backing of still-reigning inflation czar Alfred Kahn.

Labor beware of Connally

Labor leaders who are now being courted by John Connally would do well to ask the GOP presidential hopeful how he reconciles his "pro-labor" PR with his close personal and political connection to the Houston-based construction firm Brown and Root—the leading corporate component in the "open shop" movement in the United States. Connally's law firm, Vinson, Elkins and Connally, handles Brown and Root as a major account.

Connally's persistent image as a pro-labor voice is hard to credit. As Nixon's secretary of the treasury, Connally—the originator of the Phases I, II, and III austerity program—recommended suspension of the Davis-Bacon Act. In a recent appearance before New Jersey trade unionists, Connally

declined to issue a statement opposing the current "free enterprise" campaign against Davis-Bacon.

Connally is remarkably consistent for a man with a slippery reputation. Dating back to his term as Texas governor, Connally teamed up with Lyndon Johnson and Senator John Tower to deliver to Brown and Root the projects which built this "open shop" into the biggest construction firm in the country.

During the 1970s, following Brown and Root's takeover by the British-dominated Halliburton oil services company, Connally sat on Halliburton's board. The composition of the board now includes Anne Armstrong, former U.S. ambassador to Britain; James W. Glanville, general partner of the London-run Lazard Frères investment house in New York; and the Rt. Hon. Lord Po-warth, director of the Bank of Scotland.

Recently, Connally law firm partner John Smither described his firm's representation of Brown and Root in a number of areas: "First, you must go to the unions, but you have to pay competitive wages. Then you should go to the NLRB (National Labor Relations Board) to pursue nonunion status ... this will allow you to go, what they call in the trade, 'double-breasted'." Since Brown and Root and Connally's law firm adopted the "double-breasted" tactic in the early 1970s, the percentage of open shop operations in the Houston construction industry has increased from 30 to 43 percent, according to *Fortune* magazine.

Labor leaders will also be interested to learn that Connally's associates in the ABC and Brown and Root are now facing a \$75 million law suit brought by the Houston Building Trades charging them with conspiring to undermine union bargaining power.

—L. Wolfe and M. Kronberg

OPEC markets rising output on a direct sale basis

Earlier this month the Saudi government made a sudden and unexpected announcement of a mammoth new oil discovery. Curiously, right at the time when Americans were waiting on gasoline lines because of a supposed petroleum shortage, the American press chose to suppress the good news. Saudi Oil Minister Ahmad Zaki Yamani stated that the new find, which is as large as Saudi Arabia's largest Ghawar field, could add another 800,000 barrels a day of crude oil to Saudi production.

Just after the June 26 price setting meeting of the oil cartel, OPEC, the Iraqi Oil Minister Tayih Abdul Karim told the press that the cartel was then producing a full million barrels a day more than during the same time last year. Karim's statement came before the Saudis announced a production hike of up to 1 million barrels a day.

Other moderate OPEC producers have also announced projected production increases. Notably, the United Arab Emirates (UAE) this month informed a Japanese trade delegation that in early 1980 its average 1.4 million barrel a day production level would climb by a half a million barrels a day. During a visit to the UAE earlier this month, French president Valery Giscard d'Estaing was promised additional oil supplies. The *Middle East Economic Survey* reports that UAE Oil Minister Oteiba indicated publicly that an additional 30,000 barrels a day will go to

France. Iraq similarly has announced increased supplies to France in view of positive Franco-Arab relations. Just before the OPEC meeting the UAE and Qatar announced a new field would come on stream adding another 35,000 barrels a day to their total output.

Some oil industry sources might attempt to explain away these developments by arguing that these three countries, Qatar, the UAE and Saudi Arabia, all opted for the lower pricing level in the split pricing arrangement worked out at the OPEC meeting. In order to enforce pricing discipline, these sources suggest these countries are propagandizing new finds. But there is more to the reasons behind this sudden spate of announced finds and production increases than just pricing discipline.

Oil for technology

Since the emergence of this year's oil crisis, the OPEC nations, most importantly those of the Mideast, have been negotiating direct oil sales at an increased rate. This has occurred as the oil producers have become more vocal in their condemnation of the multinational oil companies for profiteering through the spot markets and driving up fuel costs. *Al Ittihad*, a UAE daily, at the end of June called for a global education campaign to explain "the present state of the market and its future, and make clear the exorbitant profits that the multinational companies are reaping through their irre-

sponsible speculations in the oil markets as well as the major industrial countries stance of exhausting energy resources at the expense of future generations."

The Saudi Arabians have in effect raised the cost of their crude oil sold to the multinational companies that market their oil through the Arabian American Oil Company by shortening the credit time for payment from 60 to 30 days. Last month the four companies, Socal, Texaco, Exxon and Mobil had to pay up a cool \$3 billion in "catch up" fees to the Saudis.

The Saudis, moreover, informed a visiting Japanese trade delegation, that for every \$1 million Japan invests in Saudi petrochemical industrial development, the Saudis will sell 1,000 barrels a day on a direct basis through the Saudi state oil company Petromin. According to the July 23 issue of *Oil and Gas Journal*, the two countries, are talking about a Japanese investment of \$1.6 billion in return for 160,000 barrels a day. This would complete Japan's five-year-long quest for direct purchases of Saudi oil.

The expansion of Saudi state to state and direct sales is echoed in Iraq, the UAE and Kuwait, and is benefitting many European countries and developing nations. Only this month Nigeria reduced its sales of crude to British Petroleum by 100,000 barrels a day and announced a campaign of more direct sales, the first of which went to the Swedish state-owned Svenka Oil Company.

Such developments prove that not only is there ample oil but that the oil producers are more than willing to sell it when the buyer favors returning technological and development assistance to the producer. This is a lesson Washington has yet to learn.

—Judith Wyer

WORLD TRADE REVIEW

New Trade Deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
U.K. from U.S.	National Semiconductor of California will expand its Scotland plant into the world's largest microelectronics factory	\$103 mn	up to 1/3 reimbursable by British govt.	Govt financing approved
China from Japan	Hitachi Ltd. has signed a provisional contract to export 11 medium-sized computers to China, having outbid IBM	NAv	NAv	Hitachi has asked MITI to secure COCOM approval
France/Poland	Joint agro-industrial projects in 3rd country markets such as Algeria and Iraq; French purchase of Polish coal; French participation in Vistula River development	NAv	NAv	II
Spain from France	PSA Peugeot-Citroën will modernize the badly run-down Chrysler plant at Villaverde (outside Madrid), which it purchased from Chrysler some months ago. The plant produces cars and trucks and reconditions Sherman tanks.	\$106 mn	NAv	NAv
Yugoslavia from Italy	Technipetrol of Rome will build an ethylene plant for Pazinka Kemijsko Tekstilna	NAv	NAv	Letter of intent signed
Update				
China from Japan	21 out of 22 contracts suspended by China in 2/79 have been reinstated after renegotiation favorable to China	\$2.6 bn	Half \$, half ¥	NAP

Abbreviations:

U = Undetermined
 NAP = Not applicable
 NAv = Not available

status:

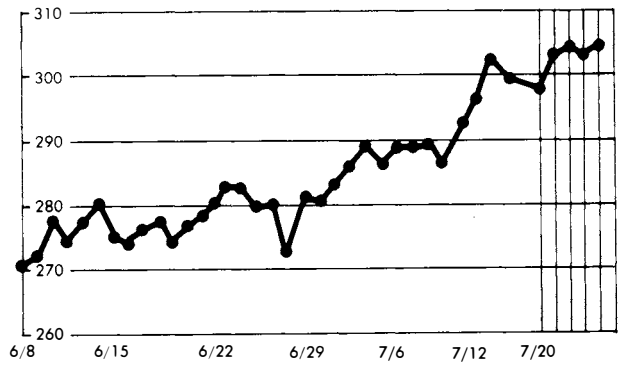
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

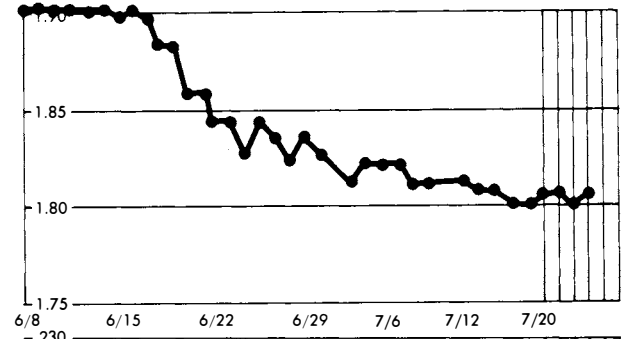
July 20	298.75
23	304.90
24	305.25
25	303.35
26	305.20



The dollar in deutschmarks

New York late afternoon

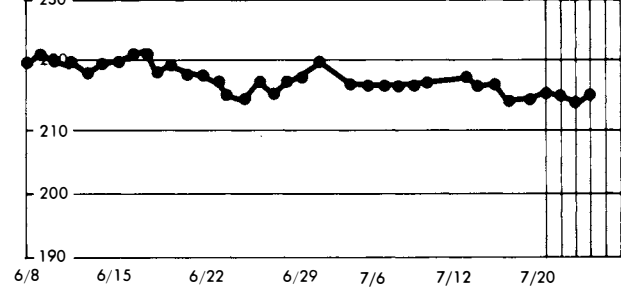
July 19	1.8090
20	1.8142
23	1.8105
24	1.8080
25	1.8155



The dollar in yen

New York late afternoon

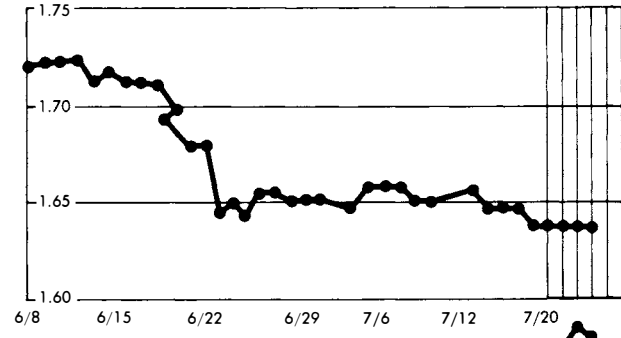
July 19	215.50
20	216.75
23	215.40
24	213.90
25	215.40



The dollar in Swiss francs

New York late afternoon

July 19	1.6370
20	1.6330
23	1.6317
24	1.6320
25	1.6390



The British pound in dollars

New York late afternoon

July 19	2.2880
20	2.2875
23	2.3037
24	2.3250
25	2.3165

