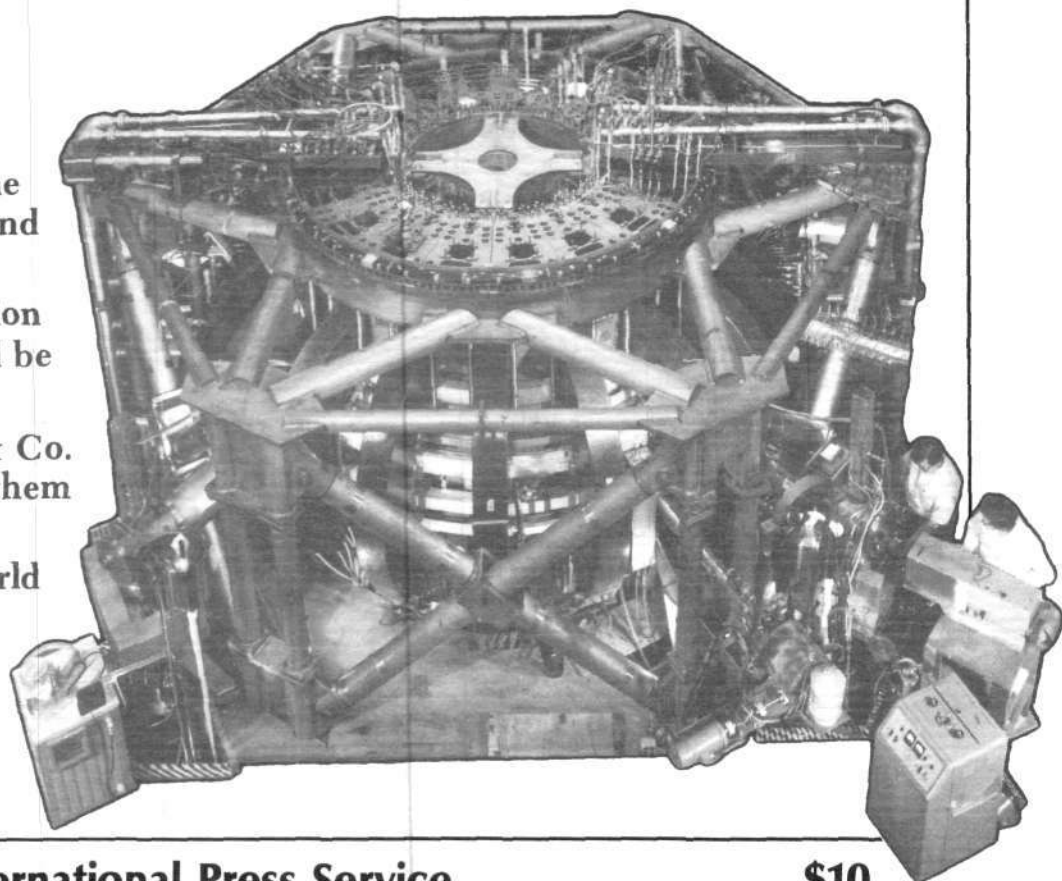


EXECUTIVE INTELLIGENCE REVIEW

August 22-28, 1978

Fusion's Spectacular Promise

- How it can turn the U.S. economy around
- What the next fusion breakthroughs will be
- How Schlesinger & Co. are trying to stop them
- A survey of the world press coverage



New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW

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On the cover: The Princeton Large Torus tokamak, in which the latest fusion breakthrough was achieved.

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IN THIS WEEK'S ISSUE

Our cover story **THIS WEEK**...the world-shaking breakthrough in harnessing nuclear fusion power announced in Washington this week...and its immediate significance for the U.S. economy and the **central international issue of energy policy**...We also have the story on how the British-led opponents of industrial expansion are meanwhile threatening the world with **their own use of nuclear power**...to **bomb the Saudi oilfields** and use this Israeli-detonated Mideast conflagration to put the **world economies** under the City of London's thumb...and an evaluation of the allied **London terror weapon** and the new openings for its **exposure** around the world...

* * *

In **INTERNATIONAL**, a full report on the just-signed **treaty between China and Japan**...that looks behind and beyond the often **distorted coverage** in most of the Western press...to the **development strategy** that Japan is pursuing for the entire region...Our coverage includes a **survey of the British and U.S. press**, and **official Soviet comment**,...an **exclusive interview** with a Japanese official on his government's evaluation of both...and **press clips** on the counterstrategy that the

Chinese and their London allies are conducting in the **Balkans**...

* * *

A **closer look at the fusion breakthrough** and its significance is presented in this week's **ENERGY** section...Included: the Fusion Energy Foundation's prediction of the **next breakthroughs coming up** on the heels of the Princeton results...a round-up of **world press coverage** of the announcement of the fusion breakthrough...**reactions from Congress**...and a report on how **energy czar Schlesinger** and others in the Department of Energy and the Administration are **continuing their sabotage of fusion research** with attempts to keep the lid on the breakthrough story...plus much more, in **ENERGY**...

* * *

Who wants to **collapse the dollar** and why?...See **ECONOMICS** for the answer to **this most crucial question** for American business and industry today...Also: the role of Fed Chairman G. William Miller's **credit crunch policy** in London's plan to bottom out the U.S. dollar....and London's **sabotage from**

within of the Franco-German European Monetary Fund **dollar investment plan** that can put the U.S. currency and the U.S. economy back on their feet...with press clips and interviews from across Europe and the U.S....

* * *

More on the fight for Mideast peace in **THIRD WORLD**...Our Middle East analysts evaluate the **preparations for the Camp David summit**...framed around the all-important issue of whether President Carter will take a firm line against Israeli intransigence...or will allow himself to be **blackmailed and pressured** by Israel, the Zionist Lobby, and the terror-wielding London controllers of both...We feature a **round-up of assessments** of the same issue from a wide variety of sources...ranging from a **U.S. official** involved in the summit preparations...to **Arab and French press sources**...to the **Soviets'** harsh condemnation of the Zionist Lobby's role in wrecking Mideast peace prospects...Plus a report on **Israel's use of the terror weapon in Beirut**...that documents how the entire spectrum of Arab political forces has for the first time unanimously **condemned Israeli intelligence** for this supposedly "inter-Arab" terror action...and shows how the **Israeli and London press** are demanding the same approach to a **near-term strike against Saudi oilfields**, as a way of holding the whole world hostage...

* * *

Another angle on the terrorism story, in **COUNTERINTELLIGENCE**...where we present the evidence that certain "**security forces**" supposed to be protecting individuals and governments from terrorism may actually be **facilitating the activation of terror**...with information from **inside a closed-door meeting** of "terrorist investigators" in Chicago...and an **exclusive interview** with a

British-based terror specialist who boasts that "terrorism can't be stopped"...and evidence linking **Lloyd's of London** and other purveyors of "anti-terror insurance" to the London terror controllers...

* * *

Other highlights in this issue: Our **SPECIAL REPORT** analyzes Paul VI's papacy, his role as one of the leaders of the international humanist elite, and the issues central to the struggle over who will succeed him...In **U.S. REPORT**, the story of how blatant **vote fraud** was used against the Michigan Labor Party and its program of international fusion-powered industrialization...that traces the fraud machinery all the way to the **Mondale-Kennedy faction** in Washington, and to the **stranglehold that grouping still holds over free elections** in this nation...And in our **ECONOMIC SURVEY**, a dissection of the **very political business** of international aerospace deals...that demonstrates how Britain is attempting to play the U.S. and Europe off against each other to its own **financial** and even **military-strategic** advantage...

COMING IN OUR NEXT ISSUE:

—A complete, documentary report on the story that is breaking out all over the European press, but hasn't reached the U.S.: the direct Israeli and British intelligence controls over the Baader-Meinhof and other terrorists.

—Who's the mastermind behind U.S. policy on the upcoming UN conference about Science, Technology, and Development? One of the world's bitterest opponents of all three, Henry Kissinger. Next week we'll provide a full report on how Kissinger is planning to starve the Third World with "appropriate technologies," and why men like G. William Miller and Teddy Kennedy have been helping him.

Fusion And The Dollar

Will Carter take Europe's advice to solve the currency crisis?

Senior West German officials are advising the U.S. Administration to take full advantage of last week's announcement from Princeton of a scientific breakthrough towards fusion power. "What is most important to us," a senior economics official told NSIPS, "is the prospect for American nuclear exports, and the effect on the balance of payments and the dollar."

The West Germans, who will meet with Federal Reserve Chairman G. William Miller and Treasury Undersecretary for Monetary Affairs Anthony Solomon in Frankfurt on the morning of Aug. 19, view the fusion achievement as the key with which the dollar crisis can be unlocked.

Although State Department advice to the President leans in the same direction, Carter still appears to be operating under Energy Secretary James Schlesinger's influence. Schlesinger attempted to convince Carter at a Tuesday night National Security Council special meeting that the fusion announcement was a political ploy arranged by enemies of the Carter energy program, and senior White House staff aides suspect that it was an "operation" against them.

Panic Reaction

Senator Henry Jackson's comedy-of-errors around the Carter energy legislation has exacerbated the paranoid atmosphere around the White House. As of Aug. 18, the Oval Office seemed to be leaning towards a panic-reaction to the dollar crisis, including, according to some reports, the imposition of emergency fees on oil imports by executive decree, a step the President has long avoided for political reasons. The White House did give its assent to a sharp rise in the discount rate from 7 and a quarter to 7 and three-quarters percent effective Aug. 21, in a statement the afternoon of Aug. 18. Correspondingly, the Federal funds rate has risen from about 7 and three-quarters to a new target rate over 8 percent.

White House susceptibility to a panic reaction probably drew on the *Wall Street Journal's* Aug. 18 lead article warning of an uncontrollable dollar collapse impacting the U.S. economy, and a worried call for immediate spending cuts and interest rate increases by Chase Manhattan Bank President

Willard C. Butcher in a Dow-Jones interview released the same day.

The insistence on a deflation program for the United States began with the Aug. 12 editorial in the *London Financial Times*, and reached a crescendo in the British press throughout the following week; the national press in the United States began to echo this view towards the end of the week, citing statements by Alan Greenspan (*Washington Post*), Arthur Burns (*Business Week*), and other notables demanding spending cuts and interest rate increases.

If the White House goes whole hog for this approach, there will be trouble: the *London Times'* Washington correspondent Frank Vogl reported Aug. 18 that Blumenthal wants to impose reserve requirements on U.S. banks' Eurodollar operations as a means of improving the dollar. In fact such a measure would shut down perhaps half of all dollar intermediation and produce a run on the U.S. currency.

Not Over the Brink

Indications at deadline were, however, that the White House would not go over the brink on the dollar question, for no virtue of its own. The European

Fusion and the Dollar: The View from Europe

From an Aug. 17 interview with a leading official of the West German Economics Ministry:

Q: What relation does the fusion news have to the fate of the dollar?

A: Even though I am no specialist in technologies or fusion, what I find remarkable is the way this fusion fight in the USA affects America's future nuclear export potential. Because if America starts exploring nuclear technologies again, this will affect the trade balance, and thereby the parity of the dollar.

My concern is whether this all is going to find its way into the international press in the next few days.

central banks have the dollar situation temporarily under control. Key to this was Wednesday's cabinet meeting in Switzerland, where Swiss National Bank chief Fritz Leutwiler and his two chief deputies, Longuetin and Schulman, were raked over the coals for failing to intervene in support of the dollar. Leutwiler's statements that he would not intervene triggered the most recent round of dollar-bashing. Swiss National Bank intervention, more than Carter's mid-week announcement of unspecified support

efforts for the dollar, accounted for the currency's modest recovery at the end of the week. West German Bundesbank sources emphasize that the big dollar holders have their nerves under control, and the line will be held for the time being.

This gives Washington time to sort out the mess that was reflected at the Tuesday National Security Council meeting — and take up on useful European advice.

—David Goldman

U.S. Breakthrough In Fusion Energy Announced

Over 100 members of the Washington press corps, government and foreign officials, and scientists crowded into a press conference room at the Department of Energy's Forrestal Building in Washington, D.C. on Monday, Aug. 14 to hear Dr. Marvin Gottlieb of Princeton and Dr. John Deutch of the DOE formally announce the historic Princeton fusion research breakthrough. The news had already captured front page headlines throughout the country over the weekend as a result of an end-run around Energy Secretary Schlesinger's office at the DOE.

What was announced in effect was that American scientists at the Princeton University Plasma Physics Laboratory have broken through the scientific barriers to achieving temperatures required for continuous thermonuclear fusion reactions. This result, originally scheduled to be officially unveiled in Washington on Aug. 15 and later this month in Innsbruck, Austria, eliminates the final scientific hurdle to the production of a pollution-free and virtually unlimited supply of electrical power. The news has been followed by a groundswell from Congress, key U.S. press, and other layers demanding a crash "Manhattan Project" style acceleration of American fusion energy research (see ENERGY).

In July — Gottlieb began his presentation — the Princeton Large Torus (PLT) had attained sufficient conditions of hydrogen fuel impurity so that the main heating source, the Oak Ridge neutral beam apparatus, could be turned up in power. With the low impurity level reducing the radiative energy losses from the PLT's hydrogen plasma, 2 megawatts of the deuterium heating beam shot the plasma temperature up from the previous high of 26 million degrees Centigrade — and past the ignition temperature of 44 million degrees — to a record *60 million degrees*. As Gottlieb described this feat, "it took us seven years to go from several million degrees to 26 million in

December 1977, and then just six months to go another 35 million."

Even more important, no instabilities or excessive leakage from the plasma occurred in this high temperature "collisionless" regime, in agreement with the theoretically predicted behavior. With these results in hand, Gottlieb noted, there was little doubt that the larger Tokamak Fusion Test Reactor (TFTR), now under construction, would achieve better than energy-breakeven conditions when it begins operation in the early 1980's. Gottlieb further pointed out that although there are about 100 tokomaks worldwide, the Princeton success is a unique U.S. result.

"The question of whether fusion is feasible from a scientific point of view has now been answered," said Dr. Steven Dean, head of magnetic confinement systems at the DOE. "It is the first time we've produced the actual conditions of a fusion reactor in a scale-model device."

Schlesinger knew of the Princeton results and their extraordinary significance as early as July 31. On that day Assistant Secretary of Energy for Technology Robert Thorne notified Schlesinger that the Princeton results were a unique achievement for the U.S. and unmatched by any other nation; that they were the most important results in the history of the U.S. program, and that a press conference would be held at DOE headquarters in Washington on Aug. 15.

Almost immediately, Schlesinger press secretary James Bishop went to work to prevent a devastating blow to the Schlesinger no-energy bill. By the evening of Aug. 11, Bishop was telling callers that the press conference was off. Thorne angrily replied that it was on. A blitz of telephone calls to the press by the Fusion Energy Foundation and active work by Dean clinched the affair and by the weekend before the press conference the story was appearing in banner headlines across the country.

White House Unprepared For Camp David Showdown

The Carter Administration is completely unprepared for the diplomatic explosion Israel is planning to unleash at the Sept. 5 Middle East summit at Camp David.

Reports from Washington last week indicate that the Administration expects the Israelis, and Prime Minister Begin, to negotiate seriously on a peace settlement with the Arab states, and to acknowledge the principle that the Sinai and the West Bank are Arab territory.

But the Israelis are giving every signal that they intend to use Camp David for a head-on confrontation with President Sadat and the Arabs, especially Saudi Arabia — and no one in the Administration has a plan for dealing with Israel if, in fact, it adopts a confrontationalist stand.

The unspoken agenda at Camp David will be the string of Israeli provocations, terrorism, war threats, and U.S. Zionist political blackmail that has erupted in the past three weeks.

The Begin government is stepping up its policy of establishing illegal Jewish settlements on the West Bank, despite unanimous international condemnation. The covert arm of Israeli intelligence, in coordination with the Jerusalem Foundation, the British secret services, and the paramilitary organizations controlled by the so-called Sovereign Order of the Knights of St. John of Jerusalem at Malta, has unleashed a wave of terrorism against the Palestinian movement and throughout Western Europe. And in Lebanon the Israelis are maintaining their refusal to permit the reintroduction of Lebanese Army forces into the south, and are thereby keeping the crisis in Lebanon hot enough to provide the pretext for another Middle East war.

Anti-Bremen Warfare

Israel's motivation stems from its intention to prevent the implementation of the Bremen European Community summit accords by blocking a peace settlement in the Middle East, which is a prime condition for long-term economic and industrial planning. The Israelis are seeking a pretext to strike out at Arab oil fields — in Saudi Arabia, Iraq, or Libya — to force a new energy crisis, jack up prices, and wreck the Bremen agreement before it is even established.

Carter, despite the serious preparatory work for the Camp David meeting underway in the State Department, is not prepared to buck Walter Mondale, James Schlesinger, and the Kennedy-Javits pro-Zionist

machine in Congress, and is afraid of the political consequences of clobbering the Israelis for their outlaw-state behavior. The British-Zionist machine is already mobilizing to ensure that no U.S. "plan" emerges at Camp David that, with U.S. muscle behind it, might force the Israelis to capitulate.

Behind Administration disclaimers, some signs have recently emerged that indicate the "fire-fighting" stance of the United States. A telegram to Begin from Secretary of State Vance forced Israel to announce a postponement of its settlements early last week, while according to *Newsweek* direct U.S. pressure compelled Israel to halt its shipments of illegal U.S. weapons to the Nazi Falangists in Beirut and north Lebanon.

But overall the Administration is clearly not ready to challenge the Zionist Lobby.

Separate Peace?

The Israeli position is to demand that Egypt agree to a "separate peace" — leaving out Syria, Jordan, and the PLO from the talks. Although Sadat has consistently refused even to consider that option, rejecting it again publicly last week, the Israelis plan to offer Sadat a choice between a separate deal and rapidly increasing momentum toward war.

For instance, the London *Financial Times* reported that Israel intends to go ahead and implement its own discredited "autonomy" plan for the West Bank if the Camp David talks fail, which will be taken by the Arabs as a virtual declaration of war, since it means that Israel has abandoned the negotiations entirely. Begin himself said this when he told reporters, "The role of the government is to undertake negotiations, and the role of the armed forces is to prepare for war."

That is also the meaning of Dayan's threat to Lebanon. He told a Jerusalem audience that the fascist Falangist stronghold in south Lebanon "is in danger," and that Israel would not "allow it to fall."

Meanwhile, as the Administration dithers about Camp David, the British press and the Zionists are putting out scare reports that an oil embargo will immediately follow the breakdown of Camp David, and that the Arabs are prepared to use the "oil weapon" to blackmail the West! Although Arab sources have repeatedly denied such allegations, the reports have already made foreign exchange markets and investors nervous.

—Robert Dreyfuss

A Move To End British-Israeli Terrorism

The European Grand Designers go against their biggest obstacle

Western European forces committed to the European Monetary Fund policy adopted at last month's Bremen and Bonn summit meetings this week moved dramatically to destroy the British-Israeli intelligence-run international terrorist machine presently mobilized against that "Grand Design" policy.

In a widely circulated interview with the French daily *L'Aurore*, Italian antiterrorist head della Chiessa exposed Baader-Meinhof founder and mastermind of the December 1975 Vienna OPEC assault Joachim Klein as an agent of the Israeli Mossad. Della Chiessa documented that Klein had recently been in Israel at a kibbutz for extensive debriefing by Israeli intelligence, and that he was subsequently provided with a new identity and redeployed to another country.

As this publication goes to press, the Klein-Mossad story has already been turned into front-page material in every Western European capital. In short, the word is out that the Black Guelph faction associated with such institutions as British Secret Intelligence Service, Israeli intelligence, the Sovereign Order of St. John of Jerusalem, the Jerusalem Foundation, the Mont Pelerin Society and the Anti-Defamation League of B'nai B'rith is behind international terrorism.

At the center of the exposé campaign is a resolute commitment by the Vatican and by forces associated with the Andreotti and Giscard governments to get to the filthy bottom of the kidnapping-assassination of former Italian Premier Aldo Moro.

In an interview in the latest edition of *Repubblica*, Italian Christian Democratic Party foreign policy expert Granelli linked the Moro affair to an ongoing destabilization plot against Italy dating back to the 1969 Piazza Fontana massacre — and implicated Henry Kissinger by name in the operation. Granelli further detailed the policy issue behind the assassination of Moro: the role of the deceased in pressing for a DC-PCI ruling coalition. Immediately prior to his kidnapping, Moro had agreed to accompany Granelli to the United States to press the Carter Administration to come behind such a coalition as the only basis for a stable Italy.

It has been reported to this news service that the Granelli interview merely represents the front end of a detailed grid of evidence on the Moro affair that will soon be released, establishing the terrorists' British-Israeli pedigree. On Aug. 17, an Austrian journalist provided a preview of that evidence, identifying an Italian-based Rumanian Jew, Montenello (alias George Mandel) with direct connections into Geneva and Basel Rothschild Zionist banking circles whose estate was probably the safehouse where Moro was

held following the March 16 kidnapping. Mandel is further implicated in safehousing — in conjunction with the Bronfman network in Montreal — individuals involved in the Kennedy assassination.

The necessary next phase in this counterterror campaign is for the governments of West Germany, France, and Italy — which are clearly working in coordination — to begin directly financing the names of the City of London and allied financier and black nobility circles responsible for creating and deploying the Israeli shock troops of terror.

Black Guelph Terror

Even as the Order of St. John's Israeli terrorist networks are being blown, escalating terrorist deployments are underway, reflecting the desperation of London and its allies to pull out all stops to wreck the European Monetary Fund. In the Federal Republic of Germany, a campaign of political terror and economic warfare is being run against the European Labor Party, via openly identified Order of St. John networks within the Bundespost, the West German postal service. Beginning on Aug. 16, European Labor Party headquarters in Wiesbaden began receiving a series of patently unconstitutional demands from the Bundespost for security deposits for telephone lines over and above existing deposits totaling nearly 80,000 deutschmarks. These deposits involved both the party's EAP offices and private phone lines in the homes of party members. Under the pretense of investigating the phone billing, intimidation and surveillance deployments were launched over the following days.

The individual known to be behind this operation is Walter Hesselbach, chairman of the Bundespost and a member of the Jerusalem Foundation. Hesselbach is one of the key Anglo-Zionist controllers of West German political life, sitting additionally on the boards of Lufthansa, and several large banks and trade associations.

The same Order of St. John networks are directly implicated in the recent spate of Croatian terrorist incidents in the United States. That activation, run through the Captive Nations networks that are directly controlled by the U.S. heads of the St. John's Order, are geared at both activating the long-threatened "left-right" terror spree in the U.S. and at destabilizing central Europe. A note attached to last week's New York City bombs directly threatened the life of West German Chancellor Schmidt; and the persistent theme of the terrorists and their supporters has been to promise an insurrection in Yugoslavia on Tito's death.

—Jeffrey Steinberg

Fusion's Spectacular Promise

Coming breakthroughs and political battles over the best energy source

The achievement of 60 million degrees Centigrade and better temperatures in the Princeton University Plasma Physics Laboratory's tokamak reactor (see *THIS WEEK*) is only the first in a series of major breakthroughs which the international fusion community confidently expects to achieve within the next 12 to 18 months. Moreover, the Princeton results have significantly improved earlier conservative projections which indicated that tokamak reactors would be both economically and technologically possible, with capital costs in the range of existing nuclear fission light water power plants.

As increasing numbers of the U.S. and international press have pointed out during the days since the Princeton results were announced, a rapid push to fulfill the spectacular promise of fusion will mean clean, cheap energy for the entire world and give the United States a global leadership role in solving the energy crisis. The *Executive Intelligence Review* is the only weekly publication which has consistently covered the fusion effort, both in its political and scientific implications. We are pleased to give our readers this week an exclusive overview of world response to the Princeton breakthrough and a picture of both sides of the raging political battle on fusion in the United States. Our report begins with highlights of a summary outline by Charles B. Stevens, Director of Fusion Engineering for the Fusion Energy Foundation, of the expected fusion research results and their impact on fusion energy development. The full report will be published in a forthcoming issue of *Fusion* magazine.

1. The Coming Breakthroughs In Fusion

Neutral Beam Heating

The most crucial technological input into the Princeton PLT success was the use of neutral beam injectors to heat the tokamak plasma to temperatures at which fusion reactions can occur. The injectors, which were constructed at Oak Ridge National Laboratory in Oak Ridge, Tenn., are the key technology responsible for the current U.S. worldwide lead in tokamak fusion research. They are also being developed at Lawrence Livermore Laboratory in California, where scientists utilizing neutral beam injection on their 2XIIB mirror machine have obtained plasmas with temperatures greater than 150 million degrees C.

New Tokamaks Now Coming on Line

The fact that the Princeton PLT tokamak works at all is, from an engineering and management perspective, a miracle. The total U.S. fusion budget at the time the PLT was conceived in 1972 was less than the Princeton Plasma Physics Laboratory budget for

1978. During the crucial, initial stages of procurement for construction of the PLT, far less than the necessary funds were committed.

The PLT was built on a crash, round-the-clock basis. Sufficient funds were eventually obtained through the efforts of Dr. Robert Hirsch, then head of the U.S. controlled fusion program. Hirsch also obtained commitments at this time for construction of two more major experiments: the General Atomic Corporation's Doublet III Tokamak and the Princeton Poloidal Divertor Experiment (PDX) Tokamak. Unlike the PLT, these devices have had the minimal funding needed from the very beginning.

The fact that the Oak Ridge Impurities Studies Experiment (ISX) tokamak was brought on line immediately following construction — and has achieved ground-breaking results — reflects the growth of the engineering and scientific competence in the U.S. fusion effort and the direct effects of substantially increased funding levels.

The Alcator C Tokamak

Because of the efforts of the current head of the Department of Energy Fusion Office, Edwin Kintner, the intermediate step in the followup to the MIT Alcator success has been skipped and a large, high magnetic field tokamak, Alcator C, will be brought on

line this fall. In 1976 the original Alcator reached the minimum confinement product needed for fusion energy production (i.e., 30 trillion nuclei-seconds per cubic centimeter), but only at a temperature of 10 million degrees C (44 million is needed to ignite the fusion reaction). This was achieved at relatively high plasma densities and opened up a whole new physical realm for tokamak research.

Alcator C will achieve a confinement product greatly in excess of that needed for fusion power plant operation. With only ohmic heating — that is, heating by simply passing current through the plasma, not using neutral beam injections — the Alcator C will probably only reach temperatures between 10 and 30 million degrees C. The addition of neutral injectors is not currently planned due to lack of funds, but the MIT fusion scientists are concentrating on an alternative method using intense microwaves.

Experiments this summer, as reported in the Fusion Energy Foundation's *Fusion* magazine, on Alcator A indicate that microwave heating will work. Since the Princeton Large Torus reached 60 million degrees C, with less than two million watts of neutral beam heating, the Alcator C could easily surpass this if large-scale microwave heating proves successful.

High Beta Experiments

Over the last six years of the U.S. fusion program, the General Atomic Corporation has made a major commitment to fusion research. The Doublet III tokamak now coming on line at General Atomic in San Diego, California, is the definitive scientific test of their design for a tokamak system. With the addition of neutral beam injectors, scheduled for next year, Doublet III will proceed well beyond what is needed for a tokamak fusion reactor. More importantly, Doublet III will demonstrate that tokamak plasmas can be efficiently confined in minimal-strength magnetic fields. This is key in bringing tokamak fusion plasmas up to the levels needed for economic power plants. That is, Doublet III could resolve the so-called beta problem. Beta is a measure of how efficient a given strength magnetic field is in confining a fusion plasma. Current experimental tokamaks operate at betas in which the magnetic field is less than one percent efficient. Five to ten percent efficiencies are needed for economic reactors, and DIII will operate in this range.

Another approach to the beta problem will also be tested in the near future with the addition of neutral

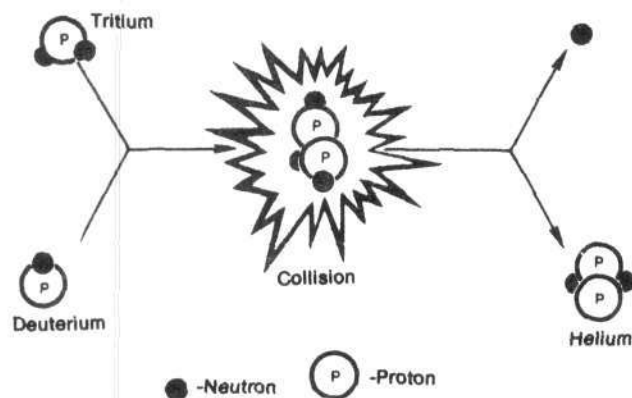
Just What Is Fusion?

Fusion, the fusing together of atomic nuclei, is the process by which all the heavier elements we know on earth were built up from simpler, lighter elements. It is the energy source that powers the sun.

Unlike nuclear fission, which splits heavier elements like uranium up into lighter ones and makes use of the energy released, fusion fuses lighter elements into heavier ones. The amount of power that can be generated from this process is mind-boggling. Fusion's basic fuels, deuterium and tritium, heavy hydrogen atoms, are found in sea water. Unlike uranium, deuterium is one of the most abundant elements known to man: there is enough in sea water to fuel fusion reactors for, literally, millions of years. A single gallon of seawater can fuel as much fusion energy as five barrels of oil can fuel conventional energy.

And fusion is clean. The special form of electromagnetic energy in the fusion-energized plasma and the wide variety of energy forms available from the fusion reaction — from charged and neutral particles to various frequencies of radiation such as X-ray and ultraviolet — will make it possible to build fusion reactors with a closed cycle of materials and energy flows that will have no waste and no radioactivity.

Equally important, fusion would permit man to redefine completely his earthly supply of raw



materials, through the use of plasma processing. This process, the fusion torch, could extract minerals that exist in minute amounts in ordinary rock and make them available for industrial purposes through the direct use of hot charged gas to separate them. It would open the possibility for a total revolution in industrial technology.

In the deuterium-tritium fusion process shown here, the deuterium nuclei (d), which consists of one neutron and one proton, fuses with a tritium nuclei which consists of one proton and two neutrons. The result is the formation of a helium nuclei with two protons and two neutrons and one free neutron. Since the total mass of the fusion reaction products, the helium nuclei and the free neutron, is less than that of the deuterium and tritium nuclei, the difference in mass becomes expressed in the velocity of the products.

beam injectors on the Oak Ridge ISX. This experiment could provide a test for the "flux-conserving" method of increasing beta efficiency. The experiment will also provide a means for beginning to corroborate the Grad-Hogan theory. The achievement of efficient high betas is key to producing the high power densities needed for low-cost reactors.

Princeton PDX

The large Poloidal Divertor (PDX) experiment at Princeton is just about to be broken in. The PDX will test an important method of cleansing fusion plasmas of impurities (elements other than the fusion reactants and the products of fusion reactions, helium). The method utilizes magnetic divertors which "scrape" impurities off the surface of the plasma.

Scientists at the General Atomic Corporation recently obtained initial experimental verification of another impurity-cleansing method using a gas blanket around the plasma. These impurity-cleansing methods will provide the means for sustaining fusion plasmas over long periods of time.

Inertial Confinement

As noted by Dr. Harold Furth, Assistant Director at the Princeton Laboratory, magnetic fusion research has been making great strides generally, not just in tokamaks. Scientists at Livermore who proved that everyone else was too pessimistic about mirror machines in 1976 will be bringing their Tandem Mirror Experiment on line this fall. This experiment could demonstrate the principles of what could be a very attractive mirror reactor configuration. The Soviets and Japanese are bringing similar experiments on line. The Soviets continue to have success with their broad-based tokamak program, and their stellarator donut-shaped magnetic bottle like the tokamak, which was designed in the U.S. but later abandoned for the tokamak — continues to demonstrate that it is as good of tokamaks of the same size.

The real breaking story is the inertial confinement fusion research effort which uses lasers, ion and electron beams to ignite fusion reactions. Researchers at the Lawrence Livermore and Los Alamos laboratories have already scored major technological breakthroughs with the breaking in of their large-scale laser systems. Sandia labs in New Mexico has also begun fusion experiments with their high-power electron beam, and Soviet laser and electron beam systems are just now being geared up. Major results should be coming from these laboratories within the next several months.

2. World Reaction to the 'Earth-Shattering News'

The press, both in America and abroad, gave prominent and generally accurate coverage to the Princeton fusion breakthrough, although some, like *Le Monde* in Paris, accompanied a wire dispatch with a lengthy attempt to play down the significance. Mexico's press gave massive coverage to the event. The British newspapers reported a similar breakthrough at Culham Laboratory in Britain, which is to be discussed at the international plasma physics and fusion research conference this week in Innsbruck, Austria.

ATLANTA JOURNAL, ATLANTA CONSTITUTION, "Atomic Breakthrough Made, Could Mean Cheap Energy," Aug. 13:

"For the first time in history, the actual conditions of fusion have been produced in a fusion reactor in scale model," said Steven Dean, director of the department's Magnetic Confinement Systems Division. "This is the biggest thing that has ever happened in fusion research," he said.

"Experiments at Princeton University that began three weeks ago and are now in progress are the most significant developments in the twenty-seven years of the fusion program," Dean said. "It has laid to rest the question of whether fusion is feasible from a scien-

The Science of The Breakthrough

The Princeton Large Torus (PLT) tokamak has attained sufficient conditions of hydrogen fuel impurity so that the main heating source, the Oak Ridge neutral beam apparatus, could be turned up in power. With the low impurity level reducing the radiative energy losses from the PLT's hydrogen plasma, 2 megawatts of the deuterium heating beam shot the plasma temperature up from the previous high of 26 million degrees Centigrade — and past the ignition temperature of 44 million degrees — to a record 60 million degrees.

Even more important, no instabilities or excessive leakage from the plasma occurred in this high temperature "collisionless" regime, in agreement with the theoretically predicted behavior. With these results in hand, there is little doubt that the larger Tokamak Fusion Test Reactor (TFTR), now under construction, will achieve better than energy-breakeven conditions when it begins operation in the early 1980s.

Although there are about 100 tokamak fusion devices worldwide, the Princeton success is a unique U.S. result.

tific point of view. There is now a scientific basis for embarking on engineering developments of fusion reactors."

NEWARK STAR LEDGER, "Princeton Reports Breakthrough in Creating Cheap, Clean Energy," Aug. 13:

"This significant achievement establishes the foundation for fusion as an energy source," said Dr. Morris Levitt, executive director of the New York based Fusion Energy Foundation (FEF), adding "Now it's up to the United States to make the same kind of commitment to fusion as it did with the Manhattan Project."

"The breakthrough...eliminates the final scientific hurdle to the production of a pollution-free and virtually unlimited supply of power," according to FEF's director of plasma physics, Dr. Steven Bardwell. "What remains now are technological and engineering breakthroughs in order to produce a prototype fusion reactor and ultimately commercial production of electricity through fusion."

Bardwell said most scientists world-wide believed the prototype fusion reactor could be built by 1990, and commercial production of energy through fusion is possible by the turn of the century. "This undercuts solar energy and of course oil and coal because fusion

represents an unlimited efficient clean source of energy. The energy scarcity's over," said Bardwell.

LE FIGARO, Paris, Aug. 15:

The current raging battle in the United States between pro- and anti-nuclear forces was marked by a turning point at the Bonn summit meeting with the famous little phrase of President Carter, "the indispensable development of nuclear energy." It is in this political context that one must situate the earth-shattering announcement by leaders in the U.S. fusion program, undoubtedly made to influence political decisions.

WASHINGTON POST, editorial, Aug. 16:

One thing the government must now reconsider is whether the secrecy wrapped around the laser approach to fusion can be reduced. It is the lack of secrecy and the large amount of international cooperation on the (magnetic) bottle approach that have brought success to the work at Princeton. The configuration of the machines in use there is Russian in origin. Somewhere in this maze of science is a solution to the energy problem. That should encourage the government to be generous in its support of a variety of research programs aimed at the development of a source of clean and unlimited energy.

Congress: "This Committee Expects The Department of Energy to Reap the Fruits"

Congressional reaction to the Princeton results mostly consisted of pressure on the White House and Department of Energy to scuttle its energy austerity policy and use the tokamak breakthrough as an excuse to move into real research and development. Some comments from the House floor follow.

Rep. Charles Rangel (D-NY, member of Black Congressional Caucus), Aug. 16:

"Miraculously, this timetable (the 20 to 30-year one cited by the *Washington Post*—ed.) coincides with most estimates of when we'll reach the end of the world's oil supplies. The implications of this advancement are tremendous. The solution to the world's energy problem is before us. We must seize the initiative and pursue it. This breakthrough compels us to redirect our energy and funnel further funds and attention to highly promising and vitally important nuclear fusion research."

Rep. Olin Teague (D-Texas, Chairman, House Science and Technology Committee), Aug. 16:

"This nation is eager for victories on the energy front and demonstrating advanced technology to tap renewable resources is mandatory if we are to show other nations that we are serious about energy supply." (Mentions letter he and ranking minority

member Wydler wrote to energy officials in June voicing their concern about the future of the magnetic fusion program when money was redirected to solar.)... "The stakes are too high for this nation to take a timid approach to magnetic fusion. We must move aggressively on this option and this committee expects the Department of Energy to reap the fruits of this latest advancement."

Rep. Carl Pursell (R-Mich.), Aug. 17:

"Fusion is America's future energy supply. Recent developments in our national fusion research program have given this potentially vast new source of energy the widespread public attention it deserves. . . . The real question is not so much if we can do it, but when and how. . . . I suggest to my colleagues that the time is right to push ahead with an intensive national commitment to develop fusion and other alternate energy sources. . . . Our energy problems and lack of a coherent national drive to solve them are undermining the strength of the dollar, distorting our foreign trade, influencing our fusion policy, threatening both our economy and national security. Fusion power can lead the way to a secure, inexhaustible energy supply, not just for America but for all the world's people. We should pursue it with all the vigor of our successful space program.

"I would ask the membership to look carefully at HR12922 (a bill for a limited supplemental appropriation—ed.) which I've introduced as a blueprint for a space program-type effort to accelerate the development of fusion and other alternate energy sources."

LONDON TIMES, Aug. 15:

The hope has been entertained that fusion technology will come into play in time to forestall massive reliance on fast breeders. The latest developments give an ounce of encouragement to that view. But the technical problems still to be tackled are too great and the economics of fusion generators too uncertain to permit the fast breeder option to be closed now or in the near future.

LE MONDE, Paris, Aug. 15:

A good twenty years of work is still required. The statements reported by UPI should thus be seen in the light of the ferocious struggle for grant money in which the American laboratories are involved, a struggle which drives them to trumpet *urbi et orbi* the least success. Last March, the same lab at Princeton announced a temperature of 26 million degrees as "a major advance toward the use of fusion for producing electricity."

Nevertheless, the step from 26 million to 60 million degrees is noteworthy. "Breakeven" requires temperatures of 50 million to 100 million degrees, and the American test shows that these temperatures can be obtained in a Tokamak.

LA REPUBBLICA, Rome, Aug. 15:

It has laid to rest the question of the realizability of fusion from the scientific point of view. Now there is the scientific basis to develop the technology.

BALTIMORE SUN, editorial, Aug. 16:

Scientists believe judicious increases in the federal fusion budget could hasten fusion's development. Yet the Carter Administration has actually cut the modest budget. The promise is for *unlimited* energy, enough to make not only the Texaco find seem paltry but even to render the Arab petroleum reserves of minor importance. With the success of the Princeton experiment, the promise is significantly nearer fulfillment. It is time for the Administration to review its attitude toward the fusion energy budget.

LE MATIN, Paris, Aug. 16, "A Billion Dollars a Year to Succeed" by Henri Laurent:

The tokamak results from Princeton prove that thermonuclear fusion is possible....Professor Bardwell...of the American Fusion Energy Foundation, goes even further. He has explained to Matin that in his opinion, the industrial application will occur before the year 2000. This is only, according to him, a question of investment: it is necessary to devote one billion dollars a year....

The recently obtained results...confirm Steve Bardwell in his conviction that it is actually possible to go faster....

...It is all a question of political will. He insists also on the direct relation between fission and fusion, "two paths which it is preferable to consider as

complementary rather than opposed."... For example, it will be possible, according to him, to build fusion-fission hybrid breeder reactors. "The development of such a process which has the advantage of a much greater rate of breeding than the convention breeder, would be an excellent transition to fusion both in terms of technology planning and supplying energy," said Bardwell, who favors fast breeder reactors.

3. The Soviet and Japanese Joint Research Offers

Since the beginning of 1978, the United States has been made at least three official offers by the Soviet Union and Japan to engage in a cooperative fusion development effort. The Princeton breakthrough, demonstrating the near-term feasibility of commercial production of thermonuclear fusion, makes U.S. acceptance of these offers all the more urgent from the standpoint of ensuring both U.S. and global energy resources through the next century.

In April, E.P. Velikhov, Vice President of the Soviet Academy of Science and a leader of the Soviet fusion program, privately suggested to U.S. officials in Washington that the work of several nations in the fusion field be coordinated in one major international effort so that a full demonstration of fusion energy production could be realized by the 1990s. Velikhov subsequently renewed this proposal at the May meeting of the U.S.-Soviet Joint Fusion Power Coordinating Committee in Moscow; and on May 31, the Soviet newspaper *Pravda* released an official proposal to the U.N. Disarmament Conference.

The Soviet statement read in part:..."it can be said with confidence that nuclear (fission-ed.) energy...does not provide the only key to solving the energy problem...There emerge alternative approaches...The Soviet Union is prepared to cooperate on a constructive basis with other states in research on new sources and types of energy. We have recently stated our readiness to participate together with the USA, European countries, Japan and other states on a 'tokamak' international project — a thermonuclear reactor designed to produce a controlled thermonuclear reaction with an energy yield higher than the energy input..."

On May 3, in New York City, Japanese Prime Minister Takeo Fukuda added a special kick to such proposals in his remarks to the Foreign Policy Association and the Japan Society. Fukuda proposed a billion dollar Japanese investment in the U.S. fusion program and the creation of a special fund for research in the field.

Fukuda singled out fusion as a uniquely promising avenue for joint research and development:

"Fusion involves harnessing almost unlimited

energy from a manmade process which employs the same principle by which the sun creates its heat and light in nature...I should like us to take (our current efforts—ed.) a step further, pooling our human and financial resources in a joint effort to realize an ultimate dream of mankind... I wish to propose that Japan and the United States seriously study the establishment of a joint fund for the advancement of science and technology, to serve as a framework for international cooperation in these areas...."

4. How Schlesinger Is Trying To Sabotage Fusion

In response to a question from NSIPS at a special White House press conference called on Aug. 18 to announce a compromise with Congress on the natural gas portion of the Administration's energy package, Department of Energy chief James Schlesinger for the first time publicly associated himself with the grouping that is trying to downplay the Princeton fusion breakthrough. Schlesinger, forced to cover himself by characterizing the Princeton achievement as "great," stressed to the press that they and their colleagues had "overplayed the Princeton results. They are a step toward feasibility (of commercial fusion), but they don't demonstrate feasibility."

Schlesinger's Aug. 18 statement was a continuation of the campaign of lies and disinformation the Energy Secretary has run against the U.S. fusion program since before the significance of the Princeton breakthrough reached the U.S. press and the White House. There is no doubt, in fact, that Schlesinger and his special team at the DOE did everything in their power to block news of the Princeton breakthrough from both the general public and President Carter.

As news of the Princeton results spread like wildfire across the national press last week, Department of Energy press spokesman Jim Bishop told callers to his office that the Princeton results were not as significant as press reports indicated. Bishop's disinformation line was that the whole story had been fabricated by "a former high-ranking Energy Research and Development Administration (ERDA) official now working for big industry." DOE Director of Press Services Al Alibrando circulated the same set of lies.

Schlesinger's office at the same time began heavily pressuring the Princeton scientists themselves, with the aim of restricting official news release of the results to a press conference scheduled at the International Atomic Energy Association meeting to be held at Innsbruck, Austria on Aug. 23.

Schlesinger knew of the Princeton results and their extraordinary significance as early as July 31. On that day, Assistant Secretary of Energy for Technology Robert Thorne directly notified Schlesinger that the results were a unique achievement for the U.S. and

unmatched by any other nation; that they were the most important results in the history of the U.S. program; and that the press conference announcing the achievement would be held at DOE headquarters in Washington on Aug. 15.

Subsequently, a joint Princeton-DOE Office of Fusion press release was modified and cleared by the DOE during the week of Aug. 7. During the same period, the DOE magnetic committee meeting in Oak Ridge, Tennessee, confirmed the extraordinary significance of the Princeton results.

By the evening of Aug. 11, Bishop had begun telling callers that the press conference was off, but after being told of this disinformation Thorne's office angrily insisted that the news conference would be delayed, but would definitely be held on Aug. 16. When the news from Princeton broke into the national press, Alibrando's office began insisting that no press conference was scheduled, and that since the story was out, "it may not be necessary."

Lies to Carter

Schlesinger targeted Carter in particular with disinformation. John Deutch, DOE Assistant Secretary for Research, provided Dr. Frank Press, the Presidential Science Advisor, with the incompetent assessment that the Princeton results did not warrant presidential involvement in their announcement. Deutch disregarded international scientific judgment when he told a scientist over the weekend that the results "may be great for Princeton, but they don't represent a real breakthrough." This is the same man who six months ago answered a reporter's question on fusion research with "I don't know anything about fusion. I'm a chemist."

Deutch continued his retailing of the Schlesinger line when the DOE was forced to go public with the Princeton results and convened a press conference at their Washington, D.C. headquarters on Monday, Aug. 14. Introducing Dr. Melvin Gottlieb of Princeton, Deutch slanted his report on the results to maintain the DOE's present inadequate timetable for the U.S. fusion program and to contain the new results within that framework. The press conference had been called with only several hours notice, barely allowing Gottlieb time to arrive in Washington, and Dr. Edward Kintner, the highly respected Director of the Office of Fusion, was excluded from participating.

The main thrust of Deutch's remarks was to deny the quality of the Princeton research as a "crucial experiment" for demonstrating the instability-free scaling of the tokamak device beyond the crucial ignition threshold. Instead, Deutch advanced the position that only the actual production of breakeven would be a "breakthrough" rather than a merely "significant" result, even if no new physical principles were required beyond those now established by the Princeton results. That bogus logic justified not changing the Schlesinger fusion timetable: no fusion energy until at least 2025.

When Deutch was asked about ERDA studies demonstrating that the date for implementation of commercial fusion power reactors could be moved up to the 1990s, he denied knowledge of them.

These studies do exist. They were directed by Dr. Steven Dean, Assistant Director for Confinement Systems of the Office of Fusion, who first broke the story on the true scientific significance of the Princeton results to the national media on Aug. 12 during Schlesinger's first round of attempted sabotage.

What Schlesinger Wants

A page-one article in the *Christian Science Monitor* on the day of the press conference revealed Schlesinger's underlying motivation in keeping the Princeton results under wraps and sabotaging the U.S. fusion program. According to the *Monitor's* reporting, premature development of fusion would interfere with the Schlesinger faction's plans to impose austerity conditions on the U.S. by cutting oil imports and domestic energy consumption, in preparation for another provoked Middle East war.

There is every indication that Schlesinger is prepared to fire any and all competent scientists on his staff who stand in the way of his program of sabotage and lies, if he can get away with it politically. It is Schlesinger who must be fired, before he destroys America's capacity to enter the nuclear fusion age.

5. A Shift on the Fission Front

The fight to break the deadly stalemate in the U.S. nuclear program is most obvious in the response to the Princeton fusion breakthrough, but there are plenty of other signs. First was the favorable ruling by the U.S. Nuclear Regulatory Commission approving resumption of construction at the \$2.3 billion Seabrook, New Hampshire nuclear fission plant.

Seabrook Symbolic

Over the past year, Seabrook has become the national symbol of the attempts by an organized and well-financed antinuclear lobby to bring even conventional nuclear power construction to a grinding halt. But hopes of stopping Seabrook by endless legal challenges were finally dashed when the Environmental Protection Agency ruled that the water cooling system at the plant was satisfactory. The Nuclear Regulatory Commission followed that up with a 4-0 ruling Aug. 10 to allow construction to resume on the Seabrook site. Construction had been halted by the NRC on July 21 pending the EPA final ruling.

More than 400 of a total 1,800 workers laid off began resumption of work this week despite a feeble attempt by 17 members of the antinuclear Clamshell Alliance to chain themselves to the site.

The favorable NRC ruling has created considerable demoralization in the ranks of the antinuclear movement. A spokesman for the electric utility constructing Seabrook, Public Service of New Hampshire, commented, "We're happy; very happy," adding that the endless legal challenges by the environmentalists were nothing but "legal harassment." New Hampshire Gov. Meldrim Thomson declared that "the great majority of our citizens who do want Seabrook are tired of having a filthy, foul and un-American minority interfering with their lives." A spokesman for the antinuclear Friends of the Earth group told an interviewer following the governmental decision, "My comments are not printable . . . It is a dark day around here . . ." He added that he was certain that there was "arm twisting" from the White House on the issue.

"Indispensable Role"

On another significant front, U.S. nuclear exports are reviving, after being stalled since passage last spring of the U.S. Nuclear Nonproliferation Act. After months of negotiation, a U.S. State Department source reported this week that both the U.S. and Iran have initialed an agreement to "facilitate U.S. assistance and technological development of Iran's nuclear capacities." The State Department source stated that he expected the U.S. and Iran to sign the final agreement within the next two weeks, after which point Congress, according to the proliferation act, will have another 60 days to register its approval. The London *Financial Times* estimates that the deal will clear the way for U.S. export of nine nuclear power plants, part of Iran's long-range program to build 23,000 Megawatts of nuclear power by 1994. One estimate is that the total export benefit to U.S. industry could reach as much as \$20 billion.

The Iran agreement is being watched by several other countries considering purchase of U.S. nuclear technology to see whether Congress will stick to its stated intent of using the nonproliferation act to facilitate decision on such exports, despite the actual intent of the antinuclear lobby which drafted the original Percy-Glenn bill.

The Iran agreement is also being watched closely by the other signatories of the summit communiqué, signed in July by President Carter and the heads of state of the six other major western industrial countries, reaffirming the "indispensable role" of nuclear energy for world development.

The big loser in the fight is Energy Secretary Schlesinger. His zero-growth energy bill, already bogged down in Congress, wasn't exactly helped by last week's series of progrowth developments. Schlesinger's resignation has been rumored for weeks in Washington and the publicity (reported elsewhere in this issue) around his attempt to undermine the announcement of the Princeton fusion breakthrough may be the coup de grace.

Japan Wins With Its 'China Card'

The just-signed treaty opens way for Japan's development policy

After six months of battle at the negotiating table, Japan and the People's Republic of China have finally reached a peace agreement — and Japan came out on top.

The two countries signed a long-delayed "peace and friendship" treaty in Peking last week, formally ending the state of war between them since World War II and setting the tone for future relations.

The major obstacle to the treaty was removed when Chinese leaders agreed to include in the text a statement moderating the "antihegemony" clause that Peking has identified as aimed against the Soviet Union. Japan insisted that a separate statement in the treaty make clear that the pact between the two nations was not aimed "at any third country."

The turning point in the treaty negotiations came last week, when Japanese Prime Minister Takeo Fukuda dispatched Foreign Minister Sunao Sonoda to Peking, with a "now or never" message for the Chinese leaders.

Sonoda's tough-talking forced Peking to back down. He insisted that Japan has no intention of being pulled into the Sino-Soviet conflict, and sharply questioned Chinese Foreign Minister Huang Hua on Peking's policy toward Southeast Asia. The countries of Southeast Asia, Sonoda said, fear China may itself have aspirations to achieve hegemony in their region.

While many press reports tried to depict the treaty as a triumph of Chinese diplomacy, it is clear that in fact Japan has played its "China card" against the schemers themselves. Japanese leaders are seeking to avoid the mistakes of the past that led to war. They are responding to attempts to draw them into confrontation not by allying with Peking against Moscow, but by enveloping China in a stable relationship based on fostering industrialization and scientific modernization of that backward nation.

The Soviet Response

The Soviet Union reacted quickly to the news of the treaty, sharply denouncing it in a TASS commentary as designed to enable China "to widen its sphere of influence" in Asia. The commentary also attacked Japan for "yielding to Peking's dictates," and for "placing itself in a position from which it may be involved in China's hegemonistic policy."

Diplomatic observers have noted however, that the bulk of the commentary was aimed against China and the sections attacking Japan were relatively mild.

Moscow is reliably reported to appreciate the desire of Japan to avoid involvement in some anti-Soviet "front" in Asia, but is questioning the ability of the Fukuda government to resist the heavy pressure favoring such a policy coming from Washington and Peking. As TASS stated, "The future will show whether Japan will succeed in conducting an independent foreign policy course."

It is significant that the moderate Soviet comments toward Japan differed sharply with numerous Western (especially British) press reports that the conclusion of the Japan-China treaty marked a decision by Japan to cooperate with China and reduce relations with Moscow.

Moderated Antihegemony Clause

Japanese government officials are stating confidently that the conclusion of the treaty with China is a victory for Japan, as China acceded to all of

Japanese Official: Press Distorted Soviet Reaction

First Secretary Muri of the Japanese Embassy in Bonn was interviewed last week by the NSIPS Bonn office, on the Japan-China Treaty. The following is a portion of that interview.

Q: How does your government view the Soviet reaction to the treaty, and do you expect any reaction from the Soviets?

A: The press response to the reaction of the Soviet Union has been twisted. That is my impression and that is the opinion of our Foreign Minister. We do not expect any retaliatory reactions from the Soviet Union.

Q: Do you think anyone could interpret this treaty as signifying that Japan has played the "China card" in the sense of Mr. Brzezinski's conceptions?

A: There are of course many interpretations. But my government has negotiated with the Chinese, and I believe that our interpretation, especially regarding the hegemony clause, has found expression in the text. In other words, no, I don't think that anyone could correctly interpret the treaty in this way.

their major demands. Most important, of course, was the inclusion in the treaty of the separate clause moderating the "antihegemony" clause. But the treaty also reaffirmed the principles of the United Nations charter, and stated that the relations between Japan and China will serve the cause of "peace and stability in Asia, and the world" — both Japanese formulations designed to dispel the idea that the treaty represents an anti-Soviet alliance in Asia.

Moreover, the Japanese wrested from Peking a verbal agreement never to repeat the attempted forcible seizure earlier this year of the disputed Senkaku islands held by Japan. Japanese government officials said they interpreted this to be a subtle Chinese declaration of Japanese sovereignty over the Senkakus. One official has been quoted as saying the treaty was a reaffirmation of Japan's traditional policy of maintaining friendly relations with all countries and "equidistance" between the two giant communist countries.

The Japanese "victory" has also greatly increased the domestic political strength of Prime Minister Fukuda. The millions of Japanese citizens who watched the signing of the treaty on television now see Fukuda as having skillfully negotiated with the leaders of Peking, gaining for Japan the benefits of the treaty, such as increased trade with China, but not falling in Peking's anti-Soviet trap.

Further, Fukuda's position within the ruling Liberal Democratic Party has been solidified. The Prime Minister's political base, comprised primarily of the conservative wing of the LDP which is traditionally hostile to Peking, would not have tolerated a treaty with China on Peking's terms.

Fukuda will now be under pressure to prove to Moscow that the treaty with China is not aimed against the Soviet Union. Fukuda stressed numerous times before the treaty was signed that he intended to make overtures to the Soviet Union for a Japan-Soviet peace treaty, following the signing with Peking. Japan's new envoy to Moscow has already met with the Soviet Foreign Ministry to "explain" his country's position on the treaty, and Tokyo is reported to be planning to dispatch a delegation to Moscow.

Moscow may be skeptical of such efforts from Japan, at least in the short term, and will want firm guarantees that the Fukuda government has friendly intentions.

One way to proceed in expanding relations has already been suggested by the Soviets, through the visit to Japan of Soviet Vice-Foreign Minister, who is also President Brezhnev's son, Yuri Brezhnev, in mid-July. At that time, the Soviets offered a series of proposals for joint Soviet-Japan economic cooperation on the magnitude of the accord signed last May between the Soviets and West Germany. A favorable Japanese response to these offers, which will be publicly discussed in October, would expand on a massive scale Japan's role in the development of Siberia.

The Text of the China-Japan Treaty

The Chinese government press service Hsinhua released this official text of the China-Japan peace and friendship treaty on Aug. 12:

The People's Republic of China and Japan, recalling with satisfaction that since the government of the People's Republic of China and the government of Japan issued a joint statement in Peking on September 29, 1972, the friendly relations between the two governments and the peoples of the two countries have developed greatly on a new basis,

Confirming that the above-mentioned joint statement constitutes the basis of the relations of peace and friendship between the two countries and that the principles enunciated in the joint statement should be strictly observed,

Confirming that the principles of the charter of the United Nations should be fully respected, hoping to contribute to peace and stability in Asia and the world, for the purpose of solidifying and developing the relations of peace and friendship between the two countries,

Have resolved to conclude a treaty of peace and friendship and for that purpose have appointed as their plenipotentiaries:

The People's Republic of China:
Huang Hua, Minister of Foreign Affairs

Japan: Sunao Sonoda,
Minister for Foreign Affairs

Who, having communicated to each other their full powers, found to be in good and due form, have agreed as follows:

Article I

1. The contracting parties shall develop durable relations of peace and friendship between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful coexistence.

2. In keeping with the foregoing principles and the principles of the United Nations charter, the contracting parties affirm that in their mutual relations, all disputes shall be settled by peaceful means without resorting to the use or threat of force.

Article II

The contracting parties declare that neither of them should seek hegemony in the Asia-Pacific region or in any other region and that each is opposed to efforts by any other country or group of countries to establish such hegemony.

Article III

The contracting parties shall, in a good-neighbourly and friendly spirit and in conformity with

the principles of equality and mutual benefit and non-interference in each other's internal affairs, endeavour to further develop economic and cultural relations between the two countries and to promote exchanges between the peoples of the two countries.

Article IV

The present treaty shall not affect the position of either contracting party regarding its relations with third countries.

Article V

1. The present treaty shall be ratified and shall enter into force on the date of the exchange of instruments of ratification which shall take place at Tokyo. The present treaty shall remain in force for ten years and thereafter shall continue to be in force until ter-

minated in accordance with the provisions of paragraph 2 of this article.

2. Either contracting party may, by giving one year's written notice to the other contracting party, terminate the present treaty at the end of the initial ten-year period or at any time thereafter.

In witness whereof the respective plenipotentiaries have signed the present treaty and have affixed thereto their seals.

Done in duplicate in the Chinese and Japanese languages, both texts being equally authentic, at Peking, this twelfth day of August, 1978.

For the People's Republic
of China:

Huang Hua
(Signed)

For Japan:

Sunao Sonoda
(Signed)

The Press Coverage Of The Treaty

From Britain's Press

FINANCIAL TIMES, London, "Japan and China: An Inscrutable Alliance of Historical Proportions," Aug. 14:

The growing relationship between Japan and China symbolised by the signing of a peace and friendship treaty between them on Saturday is the first modern alliance between two powerful countries outside the western framework . . . For the Japanese, dealing with China is the most emotionally satisfying part of foreign relations. Dealing with western countries is painful and confusing . . . Japan seeks friendship and trade with both Communist superpowers. However, relations with the USSR are complicated by several factors which have convinced most Japanese citizens that Moscow is a bullying tyrant . . . Toward China, on the other hand, the Japanese feel a deep cultural debt . . . The agreement has raised speculation of a developing U.S.-Japan-China axis opposed to the Soviet Union.

LONDON TIMES, "China and Japan Sign Peace and Friendship Treaty in Face of Soviet Fury Over Hegemony Clause," Aug. 14:

China and Japan have signed a treaty of peace and friendship which is likely to herald in a new era of geopolitical equations in Asia and further isolate the Soviet Union in the region . . . Much to the chagrin of the Soviet Union, Japan appears to have capitulated to Chinese demands and has endorsed the treaty containing a so-called "anti-hegemony clause."

LONDON TIMES, guest editorial by Lord Gladwyn, formerly top official in British Foreign Office and Foreign Affairs spokesman for Liberal Party, "China: The Long March Towards a Technological Goal," Aug. 14:

The present Government of China is pledged to achieve, by 1980, "an advanced and reasonably comprehensive industrial society" . . . While fully sympathizing with this ambitious decision, friends of China must still hope that it will not result in industrialization on Japanese lines . . .

From the U.S. Press

CHRISTIAN SCIENCE MONITOR, "Tokyo-Peking Friendship Pact — A Watershed," Aug. 14:

(The treaty) draws Japan one step closer into a network of both communist and noncommunist nations concerned about the growing military and political power of the Soviet Union. The treaty opens the way for growing Japanese economic and political cooperation with China at a time when Peking is persistently seeking to build an anti-Soviet "containment" network surrounding the Soviet Union and extending from the United States through Western Europe to Japan.

JOURNAL OF COMMERCE, New York, Aug. 14:

(The treaty was) favored by President Carter but bitterly opposed by the Soviet Union. Diplomats in Tokyo said the treaty . . . could speed up the normalization of ties between the U.S. and China.

WALL STREET JOURNAL, "Leaders See Treaty as Landmark," Aug. 14:

The treaty doesn't change much about the relationship between the two Asian powers. It does, however, raise questions about the two countries' future relations with the Soviet Union . . . Japanese diplomats have maintained that Japan's policy of equidistance between China and Russia won't change because of the treaty . . . they took pains to assure the Soviets . . .

From the Soviets

PRAVDA, Tass commentary by M. Demchenko, "Against the Interests of Peace and Detente," Aug. 13:

... Now the Japanese government is trying to convince the people of Japan and the peace-loving public of other states that the dangerous character of the treaty is supposedly neutralized by the article saying that it "does not harm the independent positions of the signatory countries in their relations with third countries."

The future will show whether Japan will succeed in

conducting an independent foreign policy course, on the basis of the shaky formulations which, in the opinion of its government, are called upon to "weaken" the dangerous character of the document signed in Peking. It is already perfectly clear now, however, that this treaty has been concluded against the interests of peace and detente. It contains a huge danger above all for the peoples of Southeast Asia, who have for a long time been the object of the aggressive aims of the Peking leaders. Japan too may be drawn into this adventure, with the help of the treaty signed in Peking.

Brzezinski Plays 'Balkan Card'

Chairman Hua's trip intended to raise Soviet ire

National Security advisor Zbigniew Brzezinski and other advocates of playing the "China card" against the Soviet Union, faced with the possible backfiring of the just-signed Japan-China peace and friendship treaty, are nevertheless eagerly pushing "the Balkan option". They hope to use the current trip of China's Chairman Hua Kuo-feng to Romania and Yugoslavia—a trip timed to coincide with the 10th anniversary of the Warsaw Pact invasion of Czechoslovakia—to drive the Soviet Union into a paranoid isolation mode, and to block its participation in the Grand Design.

THE GUARDIAN; London, "Romania plays Chinese checkers with Brezhnev", Aug. 16:

A good fairy tells President Ceausescu, or Marshal Tito, or Janos Kadar of Hungary, Edward Gierek of Poland, or even Bulgaria's Todor Jivkov and Czechoslovakia's Gustav Husak that they can have three wishes that will be fulfilled. The answer is always the same. In each case they ask for three visits from the Chinese. Why, asks the surprised fairy? "Because it means that Chinese forces must cross the Soviet Union six times."

This apocryphal story crops up constantly, all over Eastern Europe, even in parts normally considered devoted to the Kremlin. Now that Chairman Hua Kuo-feng is visiting Romania and Yugoslavia... the fairy tale is partly coming true... The timing of his visit is as significant as the mere fact that Chairman Hua has

ventured to Eastern Europe. It was obviously not a casual decision to interrupt the traditional holiday period in this part of the world. It is a deliberate gesture to coincide with the tenth anniversary of the Soviet Union's intervention in Czechoslovakia...

DAILY TELEGRAPH, "Ceausescu Greets Hua with Attack on Moscow", by Clare Hollingsworth, Aug. 15:

Chairman Hua Kuo-feng, now hailed in Romania as the most powerful man in the world, will land in Bucharest tomorrow on the first trip outside Asia by a Chinese Communist Party Chairman for more than 20 years.

He will be welcomed by a triumphant President Ceausescu, who recently accused the Russians, without naming them, of using military means to promote their political interests, owing to the "limited economic means at their disposal"...

CHRISTIAN SCIENCE MONITOR; "Behind Hua's Trip to East Europe," Aug. 14:

Peking's diplomatic offensive moves to East Europe as Chinese Chairman Hua Kuo-feng begins state visits to Romania and Yugoslavia.

Significantly, the Chinese leader's visit to the two Communist Balkan states, which have been asserting their independence from the Soviet Union, comes at a time when the rift between Peking and Moscow is widening without letup...

Who Wants To Collapse The U.S. Dollar?

At the conclusion of an Aug. 16 emergency session held at the White House, President Carter issued a curt press release stating that he had asked Treasury Secretary W. Michael Blumenthal and Federal Reserve Chairman G. William Miller "to consider

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what actions might be appropriate on their part and to recommend any further actions on his part to deal with" the continuing serious decline of the U.S. dollar on the international currency markets.

Release of Carter's statement, and reports a few hours earlier that the U.S. Federal Reserve had begun intervening on the currency markets provoked a sudden, momentary pickup in the dollar's value against all other currencies in heavy trading. By the close of the day, the dollar had topped 1.96 West German marks, and 1.60 Swiss francs. These are miserably low levels, but nonetheless relative high points after several days of an almost continuous dollar fall.

But at a press conference the next day, Carter failed to supply any evidence that his Administration will move in support of the beleaguered U.S. currency,

instead making it clear that he remains under the policy making thumb of London's inside wrecking agents against the dollar, Miller and Blumenthal. In lieu of a concrete plan of support actions for the dollar, the President claimed that the nation's "underlying economic strength" will suffice to prevent the currency's further deterioration.

The Carter Administration's stalling on a policy of dollar support created wide maneuvering room last week for the coordinated City of London campaign to discredit the dollar in the international press and wreck it on the foreign exchange markets. Immediately after the presidential press conference, the dollar fell below 1.96 West German marks and to a historic three-year low against the pound sterling.

The dollar's parity depends on the U.S. government's response to the European Monetary System (EMS) dollar investment proposals put forward by the West German and French governments with the support of Saudi Arabia at the July 6-7 Bremen European Community Summit. Conversely, the strategy of the London financial oligarchy is centered on preventing the Franco-German EMS from getting off the ground, principally by successfully provoking the collapse of the dollar as an international reserve currency. The items below document this strategy, answering the question of who wants to collapse the dollar, and why.

G. W. MILLER and **W. MICHAEL BLUMENTHAL** are pushing the dollar-wrecking line that federal deficit spending cuts and interest rate hikes in the U.S. are the key to saving the dollar, a source close to the National Security Council said this week. This line, put forward at the Aug. 16 White House-convened special Cabinet-National Security Council meeting to discuss the decline of the U.S. currency, is just the opposite of the solution the Carter Administration should be pursuing. Massive investment in the U.S., for example in the next generation of fusion-based energy production, is the only way to boost the dollar, hold down interest rates, and thereby insure noninflationary growth.

BRITISH ADVISORS TO ARAB CENTRAL BANKS, particularly those in Kuwait and Abu Dhabi encouraged this week's flight of Arab funds from the dollar, a petrodollar specialist at a major New York commercial bank reported this week. Aug. 15 selling by Kuwait, Abu Dhabi, Syria and Egypt of dollar reserves for marks and Swiss francs drove the dollar down to 1.92 marks and \$2.00 to sterling that day. According to the New York banking source, the Saudis have not moved to join the dollar dumping, "although there is a group inside the government that is listening to the Kuwaiti complaints that the Arabs have lost out on the dollar so far."

THE FINANCIAL TIMES of London led this week's propaganda barrage against the U.S. dollar, writing on Aug. 12 that "in fact, the main threat to world trade is not the falling dollar, but so-called policies to deal with it. In a longer term context, the surprising feature of the dollar exchange rate is not the recent fall, but how late that was in coming....Meanwhile, it is a myth to suppose that a European monetary arrangement would stop EEC currencies rising against the dollar....Exchange rate changes reflect underlying differences in economic policies and conditions. Like all policies they convey information which is not always popular. But that is an argument for paying attention to them, not for suppressing them."

WEST GERMAN ECONOMICS MINISTER OTTO GRAF LAMBSDORFF told a news conference Aug. 11 that the current weakness of the dollar is solely due to the United States' inability to implement a drastic program of energy cutbacks. Contrary to the spirit and letter of the Bremen monetary accords, Lambsdorff said that no central bank intervention could possibly shore up the dollar's position at this point. The Economics Minister then proceeded to attack Finance Minister Hans Matthöfer, who recently spoke in favor of federally directed steering of investment into industrial plant and equipment. "Investment control will not work," said Lambsdorff, who openly espouses the Mont Pelerin Society's "free enterprise" ideology.

LA REPUBBLICA, the Rome daily, published an Aug. 12 interview with Christian Democratic economist Nino Andreatta, a trainee of the London School of Economics. "The American currency continues to decline," Andreatta said, "... (but) towards the middle of 1979 the dollar will have to begin to recover, above all because the American economy's growth will slow down"

IL FIORINO, the Italian financial daily, issued an editorial attack on West German Chancellor Helmut Schmidt, one of the key organizers of the new European Monetary Fund. The paper facetiously labeled Schmidt the "King of Prussia," and insisted that the EMF will wreck the dollar in short order. *Il Fiorino* was recently taken over by Fiat's Agnelli family, which in turn is controlled through Lazard's international investment banks and the Order of St. John of Jerusalem.

HENRY KISSINGER, who is spearheading British "free enterprise" propaganda in the United States, will convene a special meeting of 20 U.S. and European corporate executives Sept. 23-24. The announced aim of the seminar, which will present a briefing on "the functioning of international financial and political institutions," is to form a "British Atlantic Community," a familiar key-and-code word

for British efforts to keep the U.S. away from the Franco-German "grand design" policies.

Kissinger's conference, which will include executives from General Motors, Philips and others, is part of his "Futures of Business" seminars at Georgetown University, whose content has been shaped by advice from London's Chatham House of the Royal Institute of International Affairs. The session will be coordinated with other "Georgetown-Oxford International Seminars" to be held in London and Brussels. Supervising the meetings are Clifton Berley of Oxford; Ann Armstrong, a former U.S. Ambassador to Britain with connections to Her Majesty's Secret Intelligence Service; Sir Frank Roberts of the British Foreign Office, Lloyd's of London, and Unilever, the Anglo-Dutch firm which helps finance the American Nazi Party through the Anti-Defamation League; and Roy Godson, Georgetown's European division chief.

MARGARET THATCHER, the "black" political leader of Britain's Conservative Party, will preside over a similar behind-closed-doors meeting in Europe devoted to currency questions, according to a well-informed West German source. The top agenda item of the meeting, to be co-chaired by Bavarian neo-fascist Franz Josef Strauss, will be how to link up European opponents of the European Monetary System with U.S. forces who want the Carter Administration to block the implementation of the Bremen monetary accords.

FRANZ JOSEF STRAUSS, leader of the feudalist Bavarian Christian Social Union, has handed the West German government a list of questions. Strauss (a close ally of Knight of Malta Otto von Hapsburg) aims the questions at encouraging the West German central bank (Bundesbank) to veto the Bremen summit results. The questions are: (1) Was the proposal agreed upon by the Bundesbank? (2) Did the Bundesbank have any opportunity to state its views on the European Monetary System plan before the Bremen summit was held? (3) Is the government prepared to inform the Federal Parliament of the details of the Bremen agreement? (4) Does the government intend to revise the charter of the Bundesbank, even if the Bundesbank were to oppose it and were to declare that it will be unable to transfer any reserves to the European Monetary Fund? (5) Is it true that Chancellor Helmut Schmidt did not coordinate his monetary plans with anyone, and only takes individual responsibility for the Bremen summit?

OTTO VON HAPSBURG, a leader of Europe's "black aristocracy," said that he would be glad to accept a government post if he were ever asked to do so. In an interview with the West German news weekly *Die Zeit*, Hapsburg also praised his Bavarian crony Franz Josef Strauss for being "the same thing Churchill was in the 1930s: England's greatest reserve potential."

Miller Once Again Opts To Hike Interest Rates

The Fed Chairman's aim is a deflationary recession in the U.S.

Federal Reserve Board chairman and London ally G.W. Miller emerged from a National Security Council meeting called to discuss the slide of the dollar the evening of Aug. 16, to indicate that he will attempt to push up U.S. interest rates, once again. Indeed, on

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that afternoon, Miller pushed up the federal funds target rate — the rate at which banks trade overnight money — to 8 percent, up from the 7.875 percent level the day before, and there were press rumors that the discount rate would be jacked up to 7.75 percent.

However, it soon became apparent that despite Miller's intentions, it was by no means evident that his interest rate increases would stick. By late afternoon of Aug. 17, the federal funds rate had dropped to 7.94 percent. Moreover, the yield curve showing the difference between one-month and one-year Eurodollar securities remained unchanged all week: one month Eurodollar rates were 8.19 percent on Aug. 14 and 8.37 percent on Aug. 17, whereas one-year Eurodollar rates were 8.94 percent on Aug. 14 and 9.125 percent on Aug. 17. If traders had expected Miller's increase in short-term rates to stick, money would have shot into short-term instruments and the yield-curve this week would have narrowed.

Miller Bids for U.S. Deflation

Miller promoted his latest attempted round of interest rate increases as necessary to strengthen the dollar. In reality, however, the Miller interest rate increase is a barely disguised attempt to trigger a deflationary recession in the U.S., a coherent part of a larger British operation to collapse the American economy and the dollar and force the U.S. to become a regulated satrapy of the International Monetary Fund.

Miller justified his interest rate tightening on the grounds that it was needed to slow the growth of money supply. Miller was supported — and preempted — in his "money supply" analysis by the British-linked U.S. press corps and its London counterpart; and by several British-connected or "fiscal-conserva-

tive" economists. The most prominent example of this is the London *Financial Times*, which in an Aug. 12 editorial, entitled "Dollar in Trouble Again," recommended that, "In fact, the main threat to world trade is not the falling dollar but so-called policies to deal with it....Mr. Miller is unwilling to make monetary policy the spearhead of the thrust against inflation." Two days after the *Financial Times* editorial, the Italian *Corriere della Sera*, the Swiss *Neue Zürcher Zeitung*, and the *Wall Street Journal* all carried editorials with exactly the same line. Concurrently, Miller reversed his monetary "softness" and became suddenly a monetary hard-liner.

Any Four-Year-Old Would Know

Yet the crux of the "cut the excess money supply argument" is not only unsound in fundamental economic perspective, but doesn't even accord with the fact of the direction of the monetary aggregates. The four week aggregate average of M1 money stock stood at 1.9 percent and the eight-week average was 3.9 percent. The fact that the 26 week average had been 6.8 percent means what any four-year-old child could understand: money growth is *decelerating* not accelerating.

As yet undaunted by this fact, the July-August issue of Bank of Chicago's *First Chicago World Reports*, in an article entitled, "Capital Outflows Help Sink the Dollar" predicted that excess money supply — and the lack of an energy bill — has led to a simultaneously large trade deficit and capital account deficit in both the fourth quarter of 1977 and the first quarter of 1978 (combined trade and capital account deficits of \$13.2 and \$13.9 billion respectively). The *First Chicago Report* — including several charts, a graph and much verbiage — contends that a simultaneous trade and capital account deficit is an anomaly only explainable by excess money supply, since the existence of a *deficit* in trade usually implies a *surplus* in capital account and *vice versa*. On consideration of the current period, however, the *First Chicago* analysis turns out to be a tautology which explains little.

Under the current situation, the widening U.S. trade deficit, combined with British-instigated antidollar warfare, had stampeded many multinational corporations and governments to move out of dollars into other foreign currencies, the deutschemark, the Swiss

franc, etc., and hence the cause of the current capital deficit.

Europe's View

The perception that money-supply cuts are the foremost means to stabilize the dollar is not shared, however, by leading Europeans. According to sources in the West German Finance and Economics Ministries, the West Germans were very relieved by the report that U.S. Secretary of State Vance opposed, at the Aug. 16 National Security meeting, using interest rate hikes as the means to prop up the dollar.

Still, many confused or British-connected spokesmen continued to pour out antidollar propaganda. Robert Norris, president of the National Foreign Trade Council, a New York-based business organization, told the Aug. 17 *Journal of Commerce*, "the need to reduce and bring inflation under control is our nation's top priority." He added that there should be "support actions by the Congress to maintain the strength of the dollar by reducing the budget deficit" — a move which will produce a deflationary credit crunch.

— Richard Freeman

The Press Campaign of Disinformation on the Dollar

Financial Times, London, Aug. 12, editorial: "Dollar Again In Trouble"

It is however, one thing to warn of the possibility of intervention, and quite another to welcome it or consider it necessary. In fact, the main threat to world trade is not the falling dollar, but the so-called policies to deal with it. In a longer-term context, the surprising feature of the dollar exchange rate is not the recent fall, but how late it was in coming. . . .

A policy of allowing the dollar to move with market forces has sometimes been labeled in the U.S. "benign neglect," a phrase which has come in for excessive abuse. . . .

Even then however, the international value of the dollar is still important for the U.S. authorities as a domestic inflationary indicator. The external and internal value of the dollar are much more closely connected than most U.S. economic forecasters suppose — a fact which would be demonstrated unmistakably if the OPEC countries move from dollar pricing to pricing in terms of a basket of currencies. . . .

The fashionable view of the fall in the dollar is that it is due to U.S. energy imports. . . . More fundamentally, the root of the falling dollar is probably to be found in an overexpansionary U.S. monetary policy. It is no accident that the latest bout of dollar weakness coincides with signs that the new Federal Reserve President, Mr. William Miller, is reluctant to make

monetary policy the spearhead of the thrust against inflation.

First Chicago World Report, "Capital Outflows Help Sink the Dollar," July-August edition:

The much publicized U.S. current account deficit emerged during the first quarter of 1977; the less publicized capital account deficit appeared in the second quarter. . . .

The unwillingness of the private sector to hold dollar assets obviously reflected the judgment that potential risks outweighed possible returns. Interest rates in the U.S. were too low and the probability of continued dollar weakness too high to justify investing in the United States. Both these reflected the more basic judgment that U.S. money supply — driven in part by the expanding budget deficit — was too fast to be consistent with stable, non-inflationary growth.

The solution to the inflation problem can also be simply stated: reduce federal deficit spending and the rate of monetary expansion.

First Pennsylvania Bank, Money Markets, newsletter, "The Market Assesses Bonn," Aug. 10:

The lack of any significant policy initiatives coming out of the seven nation economic summit conference held in Bonn on July 16-17 no doubt triggered the latest round of dollar selling. The market was clearly disappointed in an all too familiar way. . . .

It only took about a week for the market to assess the pronouncements from Bonn and the assessment was dramatic. By August 4, the dollar was down 7 percent against the yen from its pre-summit value.

Wall Street Journal, editorial, "A Dollar Primer," Aug. 14:

To start to understand what's happened to the dollar, you have to array the accounts to relate both trade and capital movements. While the effort is bedeviled by technical issues, the most sensible resolution we have seen is that used by the First National Bank of Chicago, for example, in the current First Chicago World Report. . . .

The reasons for this (capital) flight are anything but mysterious. In 1977, the U.S. moved to a more expansionary monetary policy, creating dollars faster than it did in 1976 or 1975. By contrast, Japan, Germany, France and Switzerland slowed their monetary growth. This meant that the dollar was bound to lose purchasing power faster than other major currencies. Investors inevitably looked into this account and moved into other currencies. The dollar fell not primarily because the U.S. imported too much oil, but because the U.S. created too many dollars.

The London Observer, "The Rise and Rise of the World's Share Markets," Aug. 13:

Wall Street has seen the Dow Jones index push

forward more than 20 percent to 890 since the low of last February. . . .

What is puzzling at first sight is that the rise should have taken place when the consensus of economic opinion is... that the United States is now headed for contraction as the government takes action to curb inflation. . . .

Financial Times, Aug. 18 article by Samuel Brittan: "Myths About Exchange Rates":

Seven years ago I was recalled from holiday because President Nixon had suspended the convertibility of dollars into gold and imposed an import surcharge — as well as imposing wage and price controls. The parallels are ominous. It is August and the dollar

is again under pressure, the U.S. President has asked for top level studies, and the weekend after next I shall be passing through Salzburg — the place from which I was recalled in 1971. This time the main cause for worry is not the falling dollar, but the supposed remedies for it — whether central bankers and central planners share a common distaste for exchange rate movements, as do the businessmen who would like stable exchange rates in an unstable and inflationary world. As a result of these prejudices (i.e., for fixed exchange rates), and a certain misinterpretation of economic research and teaching, it has become fashionable to say that (floating) exchange rates don't work. This still seems to me an attitude devoid of all merit, and a thought which could do untold damage to world trade.

EMS Negotiations At A Crossroad

British efforts aim at creating antidollar 'parallel currency'

Britain made no bones about its opposition to the creation of a new European monetary arrangement as outlined at the July 6-7 European Community summit meeting in Bremen, West Germany. Now London, together with its customary allies in the Belgian

commodity trade volume conducted in dollars, thus securing and indeed upgrading the dollar's reserve-currency status.

This potential was underlined at the time of Bremen by the leading West German business daily *Handelsblatt*, which foresaw the European Monetary Fund issuing long-term gold-backed dollar-denominated bonds to expand its own lending base. The French equivalent of the *Wall Street Journal*, *Les Echos*, described the fund as *un avaleur des dollars*, a dollar-swallower which to be effective must go beyond central bank-style clearing operations.

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government, is attempting to skew the European Monetary System (EMS) from inside the negotiations, toward deployment of an antidollar "parallel currency."

What is at stake is the character and purpose of the new European Monetary Fund (EMF). Both the final communique at Bremen and statements at the time by West German Chancellor Schmidt blueprinted a two-part fund. The first part would be a pool of European currencies to be used for coordinated intervention in the foreign exchange markets on behalf of the dollar.

The second, a pool of 20 percent of each member's dollar and gold reserves, would involve the creation of European Currency Units (ECUs), which member central banks could hold. Its key features, however, are (1) a *de facto* remonetization of gold, as acknowledged by both the advocates and opponents of such a move, and (2) the possibility of redeploying foreign-held dollars — augmented by cooperation with the Arabs — in the form of long-term, low-interest development credits to less-developed countries and the socialist sector.

These dollars would in good measure flow back to the U.S. as payments for industrial and technological exports, reversing the U.S. current accounts deficit and decisively expanding the volume of hard-

Tolerating the British

Thus far, however, the French and West German architects of the fund have to all appearances allowed their conception of the EMS as a seed-crystal for a new development-gear world monetary system to remain the guiding light of a small policy making stratum at the top. The negotiations appear to be afflicted by subordinates' tendency to act as if the EMS were chiefly an affair of the European Community, and to parley with the British as simply another, if troublesome, member of the EC instead of a self-proclaimed saboteur of the dollar and of global industrialization. This state of affairs in turn disorients those in the U.S. seeking genuine dollar support.

West German Finance Minister Hans Matthoefer's Aug. 10 interview with the Bonn *General-Anzeiger* is a case in point. Played down nationally and internationally, the interview was closely read in Bonn and other capitals. Matthoefer's inability to stress the dollar-lending potential of the EMS left him portraying it as a European "bloc." From that point of view, it was naturally difficult to explain how the EMS will

help the dollar — since everyone knows that currency intervention, whatever its scale, will not suffice.

Within a European Community framework, Matthoefer portrayed the fund's lending in national currencies, not dollars. The purpose seemed to be to bolster weak European members (like Italy — and Britain?) within the "bloc," rather than to create and sustain international trading and investment partners through centralized loans to the East bloc and Third World.

...And the IMF

Bracketing his polite remarks about the IMF and World Bank, Matthoefer's remarks on European Currency Units were coherent with the IMF's hope of making a European basket-of-currencies-unit into a sort of Special Drawing Right which would encourage central banks to divest their dollar holdings through "substitution accounts." Thus it is a half truth to say, like Bundesbank president Otmar Emminger, that "the devil is in the details." Once the overall conception is snarled, the British hope, they can encourage wrangling on technical questions to stall the fund's implementation and foster chaos-and-confusion blows against the dollar. Then they can finally accept a fund version with which they will be glad to live in the absence of dollar-recycling commitments. Matthoefer's emphasis on central bank autonomy and separate interventions reflects a willingness to mollify the British on a deeper question — joint deployment of European resources for gold-backed dollar credits.

An Aug. 15 op-ed by the British delegate to the IMF's executive directorate, William Ryrie, shows the trap from the other direction. Ryrie chats about "details" — such as whether West Germany would force the UK to put its domestic economy in order — while treating the whole EMS question as a matter of currency stabilization. What is unspoken, except in Ryrie's disappointment at the refusal of the U.S. to widen the role of SDRs, is the premise that the EMS will help permanently demote the dollar.

Stoltenberg: Fund Crucial to EC

Under these circumstances it was sensible of Gerhard Stoltenberg, Christian Democratic governor of the West German state of Schleswig-Holstein, an opposition leader and a key industrial spokesman, to propose that the discussion of the EMS be removed from the clouded sphere of Finance Ministers, EC functionaries and central bankers. According to the Aug. 16 *Frankfurter Allgemeine Zeitung*, Stoltenberg stated that questions concerning the system cannot be handled behind closed doors, since the EMS is the most important decision for the European Community since its founding. Stoltenberg challenged Bundesbank president Emminger to publicly state his reservations, if he has any. Over the past five weeks Emminger has informally allied with Christian Social Union demagogue Franz-Josef Strauss and Free

Democratic Economics Minister Otto Graf von Lambsdorff to restrict or unhinge the EMS.

—Susan Johnson

Matthoefer: Miscasting EMS As a "European Bloc"

Excerpts from interview with West German Finance Minister Hans Matthoefer, Bonner General-Anzeiger, Aug. 10.

On the European Monetary System:

...Reserves will be deposited in a common fund. The balancing of assets and liabilities among the central banks will no longer take place mainly in dollars, as is the case with the "snake," but in European Currency Units (ECUs). This offsets the transfer of reserves from the funds to the central bank(s)...The fund issues credits in ECUs against gold and dollar deposits. A central bank can then use the ECUs to balance those of its obligations arising from (currency-market) interventions.

In addition, a second European Monetary Fund pool will be created through deposits of national currencies. This second pool of funds exclusively serves credit purposes, and the credits will be linked to investment that promotes stability, with the size and term of the credit geared accordingly.

The new monetary system — in conjunction with the second pool's investments — commits us to a strengthening of economic interrelationships and mutual exchanges, a better grounding in a common division of labor, and thus positive effects on our economic growth....

Q: Public discussion indicates many further difficulties and problems... what are the details?

A: For one thing, the definition of the ECU as a common denominator for the upper and lower central bank intervention points....A second group of problems has to do with the targeting of parities vis-à-vis non-fund countries, for instance the dollar or the yen. In a third sphere there arise questions concerning the deposit of reserves proposed at Bremen, and the creation of ECUs as a corresponding offset. A further significant point for the status of the entire system is the policy that must be carried out by countries with varying payments balances in order to effect greater internal and external stability....Certainly speculation against certain national currencies will not come to an end. But it will be far more difficult to speculate against a currency supported within a European Monetary System....

Q: What about fears that national central banks' independence would be adversely influenced?

A: Naturally this will be worked out in the course of settling the details. I do not believe that the

Bundesbank could agree to a set of regulations that diminished its autonomy and compelled it to undertake a liquidity policy that would lead to undesirable price increases.

The upshot is that the existence of independent central banks ought not to be infringed upon; they have to maintain their control over money-supply policy in order to be independent. The Bremen resolution projects this. The interventions will not be carried out by the fund itself, but through the national central banks.

Q: Then there is the question of the EMS's relation to the IMF and the World Bank, which the Americans in particular are concerned about.

A: We are interested in a strong IMF and a strong World Bank and don't want to weaken them through the EMS. The IMF is to retain its important function in administering relations among major currency blocs and the totality of its member states.

Q: The (European Community) heads of state expressed the view that the new system would strengthen the dollar. From the American side there are somewhat contrary fears.

A: We have discussed this at length with the Americans. Since we ourselves are uncertain exactly how, for example, the ECU will be accounted or how intervention will take place vis-à-vis non-member countries, we naturally couldn't assuage the Americans' fears on particular points. However, we are firmly determined not to weaken the dollar, because we have a stake in a strong dollar.... We Germans have certainly experienced how the dollar's depreciation has the side effect of enormous export problems for us.... The system can lift certain burdens from the dollar. For example, the 'snake' interventions sometimes took place in dollars, but this will now occur instead in European Community currencies. At the same time, the policy of the European currency bloc members vis-à-vis the dollar would certainly be characterized by greater stability....

IMF Spokesmen: "The Devil is in the Detail"

Excerpts from "Powerful Political Impulse Spurs Monetary Integration," Journal of Commerce, Aug. 15, by William S. Ryrle, UK executive director of the International Monetary Fund and World Bank, and economic minister in the British Embassy in Washington.

...The great question about the proposals for monetary integration in Europe is whether a system can be produced which is both politically acceptable and economically workable.

As Otmar Emminger, the president of the German Bundesbank, likes to say: "The devil is in the detail."

Most of the questions which people have about the new system cannot be answered until the details are settled; and these technical problems are certainly difficult....

It is true that if the new system were set up in a manner which made the other currencies in Europe, in effect, satellites of the German mark, it would be unworkable.... Those who are working on it are well aware of these problems and there is no reason to suppose that they will not succeed....

Excerpts from an interview with Roger de Beckker, technical assistant to the IMF executive director for Belgium and Austria, Aug. 14:

Q: Are there plans to use the EMF to introduce a substitution account system as the IMF wanted to do, supplanting dollars with SDR's as reserves?

A: Yes, that's the idea, but I can't tell you if it will happen; everything is still vague and tentative. Negotiations are going on now with the British. The idea is that the EMF would create ECU's against the gold and dollar reserves, then use them to buy up dollars as in an SDR substitution account.

The problem with the ECU is that there is no market in them, so the EMF would use them to buy dollars from central banks or currencies for intervention purposes. There are continual meetings; no one knows how they will turn out.

Q: We have been told that Giscard d'Estaing has moved up the deadline for the EMF arrangements to September.

A: That's true, but I don't believe it will be met. There are too many technical details to be worked out with the British.

Think Tanker: Brits Steering EMF From Within

Comment by think-tank specialist connected with London and Brussels banking and British oil interests, Aug. 16:

Nothing is settled yet about the European Monetary Fund. Everyone is still jockeying. The British are pretending they want to join in order to shape the discussion. They don't want to lose any advantage they might gain by getting in on the negotiations.

A leading official of the West German Finance Ministry commented on Aug. 17:

Of course the British want to smash the dollar and the EMF because they are afraid that London as a banking center will decline if the EMF is implemented. But I don't think Her Majesty's banking system has the strength of pulling this operation this time around.

Probe Michigan Third Party Primary To Secure Free Elections In 1980

United Autoworkers union complicity in Aug. 8 vote fraud is indicated

The U.S. Labor Party Michigan organization has announced, in view of the results of the Aug. 8 Michigan primary election, that it will take the measures to expose and eliminate the vote fraud machine associated with the United Autoworkers

results reported so far credit the Labor Party with a ridiculous 300 votes statewide. USLP Detroit mayoral candidate Melvin Brown received 9000 votes in last November's election. Additionally, the Labor Party secured over 5000 signed pledges of intention to vote USLP in this primary in the six weeks preceding the election.

ELECTIONS

union. This apparatus was heavily implicated in 1976 electoral fraud in a number of states, and is gearing up for a national same-day registration campaign to set the stage for massive vote-stealing by the Democratic Party in the 1980 Presidential elections. From this antifraud effort, Labor Party spokesmen state, a national ballot security apparatus must emerge for 1980.

The Labor Party, under a state law passed in 1976 at the behest of UAW-connected individuals, is required to receive 4200 votes in a third party qualification primary in order to attain ballot status for its 32 candidates in the November elections. Unofficial

Incomplete Tallies

The Labor Party's preliminary investigation of the election procedures and results indicates that five days after the election only 20 out of Michigan's 83 counties had reported any third party qualification results at all. Of those reporting, the State Director of Elections' office stated, many submitted apparently incomplete tallies. The same pattern appeared in Wayne County, a UAW stronghold which includes Detroit city. There, during the public sessions of the canvass meetings in which the Board of Canvassers assesses the process of counting votes, the Detroit City Election Director indicated that the major problem with completing the canvass and certifying official election results was caused by the lack of reporting of

How Michigan Ran the 1976 Third Party Primary

Excerpt from the affidavit of William G. Hanft:

4. When I was given instructions at the polling place as to how to vote, the instructions contained no information on how to vote in the party preference section of the primary.
5. I was told that the choices in the election were for either the Republican or Democratic candidates.
6. I told the pollworkers that there was a party preference section and asked for information on how to vote in that part.
7. The official at the polling station told me that she did not know how it was possible to vote in that section and that she was not fully aware of what that section meant.

Excerpt from the affidavit of Scott Elliott:

4. In my capacity as Wayne County Chairman (of the USLP) I made several phone calls on Aug. 4, 5 and 6 of 1976 to the Election Division of the Secretary of State's office to get statewide returns in the 'party qualification' primary . . .
6. At 3 pm on the fourth of August, I spoke by phone with Bernard Apol, head of the election division. He said that they only had partial returns and that he would not give out partial returns because 'I don't want you to get your expectations up or be disappointed.' His secretary further stated that the ballot counts from several counties had been returned 'because they were not believed.'

votes in the third party qualification section of the ballot.

Labor Party organizers graphically demonstrated the nature of such problems by securing affidavits of voters swearing that they voted for the USLP in the primary. In four days, more affidavits were gathered in 119 precincts than USLP votes were recorded. In other areas of the state, significant discrepancies were uncovered between the number of voters entering the polling booth and the number of votes recorded cast in either the major party primary or the third party qualification section. This "drop-off rate" in Benton Harbor was reported to be 30 percent of the total number of voters. In Flint it was 18 percent. A small town outside Flint claimed that 17 percent of the total number of ballots cast were classified as "spoiled."

Disinformation Campaign Indicated

Labor Party voters reported a massive disinformation campaign took place on primary day itself. Poll officials repeatedly told voters they could only vote Democrat or Republican. Others informed voters that they could vote both in the Democratic or Republican primaries and in the third party qualification primary, resulting in spoiled ballots and machine lock-outs.

As well, the ballot was constructed in a blatantly discriminatory manner. Republican and Democratic candidates, even where unopposed in the primary, were listed in full with the offices they sought. U.S. Labor Party candidates, 32 in all statewide, were not listed. The U.S. Labor Party line appeared in small type in a corner of the ballot, with confusing and inadequate instructions on how to cast a vote in the third party qualification primary. Overall, every effort was made to ensure maximum chaos and confusion prevailed at the polls.

Labor Party investigators believe that the chaos, while significant in diminishing the total number of Labor Party votes cast, also served, as was the case in the 1976 Presidential election, to cover for actual tampering with the returns. The attorney for the Labor Party, James F. Schoener, went into court in Wayne County on Aug. 17 to win access to all the canvass materials, including inspection of machines, prior to certification, to determine precisely what happened to the Labor Party vote.

Wayne County Circuit Court Judge Thomas Roumel refused to grant a preliminary order, setting a hearing for the matter to be held Monday, Aug. 21. He issued this order despite the fact that Wayne County election officials report they are prepared to certify the election within two days, effectively eliminating any ability to monitor the process of the canvass or to check the operation of voting machines.

The Modus Operandi

The effort to contain the U.S. Labor Party as a political force in Michigan follows exactly the same

Judge Feikens on Michigan Third Party Primary Law

Dissenting opinion of U.S. District Court Judge John Feikens in the U.S. Labor Party's 1976 challenge to the Michigan third party primary law:

... According to Apol, many legislators believed that Act 94 (third party qualification primary) would restrict the number of qualifying parties to less than nine; Apol stated that the Act was adopted for the obvious purpose of keeping minor parties off the ballot. . . . As to the vital governmental interest, the state asserts that its purpose was to require new and minority political parties seeking ballot status to demonstrate a modicum of community support. While this is, of course, a well established and legitimate function of state election laws, it smacks somewhat of *post hoc* rationalization in view of Apol's explicit testimony as to the immediate evil that Act 94 was designed to remedy. . . . Where important constitutional rights are at stake, especially the rights of political parties whose interest in obtaining access to the ballot is in direct conflict with the interests of major party legislators in remaining in office, it seems appropriate that the motives of the legislature as well as the effects of the legislation should be strictly scrutinized.

modus operandi as the UAW, Mondale and Kennedy wing of the Democratic Party have used to gain control over national elections. The three-step process includes legislation, the collaboration of election officials and political machines, and actual interference with the ballot on election day itself. This is the method which provided the basis for manipulation of the 1976 Presidential elections.

Step one: a national campaign for post-card and/or same-day registration. By 1976 a number of states had adopted these procedures although a national same-day registration bill was killed in Congress. *Step two:* collaboration on a large scale among trade union political machines, the poverty apparatus, and election officials in setting up massive registration drives and get out the vote procedures. *Step three:* the recording of hundreds of thousands or more illegally cast votes.

The same process was carried out in Michigan.

Step one: State Senator Sheridan and State Representative Patrick McCullough, both on the election committees of their respective legislative houses, proposed in 1976 the institution of third party qualification primaries in addition to the customary petition gathering. McCullough (a losing candidate in the 1978 Democratic gubernatorial primary), who is closely tied to the UAW, worked with Michael Kerwin and Bernard Apol to ensure the bill would pass. Kerwin is former UAW Community Action Program

(the UAW's political arm) official and now Deputy Clerk of Wayne County, and Apol is Michigan State Director of Elections.

Step two: In 1976, when the bill first went into effect, state election administrator Apol composed a near-incomprehensible ballot and neglected to instruct election officials on the conduct of the third party primary. Affidavits gathered by the U.S. Labor Party in 1976 from Labor Party supporters and would-be voters indicate the total confusion which prevailed in the election place at that time.

This time Apol attempted to cover his administrative performance more effectively. One week before the primary election, he met with Richard Smolka, an election administration expert known for his opposition to third party ballot status. Apol sent a letter to each county clerk, warning that he had received numerous complaints about the conduct of the third party qualification primary in 1976 and asking them to ensure he was not barraged by disgruntled voters this time around. He also claimed he had sought the cooperation of the Michigan press to conduct an educational program around the third

party primary. The release he put out to the press he arranged to have delivered on July 5, the last day of the July 4th weekend. Little press coverage was noted. Apol also, despite U.S. Labor Party protests, designed exactly the same kind of ballot which had proved utterly incomprehensible in 1976.

Step three: After the primary, polling officials made little or no effort to count and report the third party vote. As indicated above, probably less than 25 percent of the local election officials made any report of third party qualification results within five days after the election. The lack of reporting, and unwillingness, as in the case of Wayne County, to provide any access to canvass material, is designed to make investigation of the election and its results practically impossible.

The Labor Party has launched a full investigation of all three levels of the fraud operation and will be in court both to seek relief and to take the cloak of genteel legality away from the Mondale-Kennedy vote fraud machine and their local cohorts.

— Felice Gelman

How the Fraud Machine Operated in 1976

In November 1976 the U.S. Labor Party and allied forces undertook a wide-ranging investigation into vote fraud in the 1976 Presidential election, and discovered the modus operandi used to manipulate U.S. elections on a large scale.

NEW YORK: On Nov. 10, 1976 the U.S. Labor Party entered New York State Supreme Court with preliminary evidence that large scale manipulation of voting had occurred. Four categories of evidence were presented: (1) "the invitation to fraud" which was provided by the state's postcard registration system and the New York City Board of Elections' lack of systematic verification of the voting rolls; (2) the use of known criminal elements — drug addicts, street gang members — to sign up voters and to intimidate voters to force them to the polls; (3) irregularities at the polls, including herding, double voting, lax verification of registration, and direct intimidation of voters by certain poll officials; (4) the results of preliminary Labor Party checking of newly registered voters, which indicated thousands of "tombstone" and "ghost" voters on the rolls.

In a federal court hearing the Labor Party showed that of the 600,000 or more postcard registrations received by the New York City Board of Elections, 300,000 were never checked by the board. A Bronx reporter verified the utter lack of ballot security by registering by postcard using ten names and addresses, and signing in at ten polling places without a challenge.

The Labor Party was, after four weeks of investigation, able to show that as many as 350,000

votes in the Presidential election in the state of New York had been cast illegally, by individuals "living" at abandoned buildings, parking lots, vacant lots, and other nonexistent addresses.

WISCONSIN: "Same-day" voter registration was employed to carry out vote fraud in Wisconsin. More than 110,000 voters registered on election day with absolutely no check on their identity. Evidence showed people traveling from ward to ward, registering and voting numbers of times; aliens voting and individuals using the names of dead people to vote; students voting on site in Wisconsin and again by absentee ballot at home. Much of this appeared to be an organized effort under the direction of the local UAW CAP organizations.

OHIO: Labor Party investigators brought three major patterns of fraud before the federal court in Ohio: stuffing the ballot box with "tombstone" votes, multiple voting, and illegal registration of out-of-state voters. Again, investigation indicated that UAW CAP was one of the major organizers of the fraud.

Although federal judges in both Ohio and New York found the evidence presented extremely convincing as to the scope and the extent of the illegal votes cast, both ruled that the identities and criminal intent of the individuals involved in perpetrating the fraud must be conclusively demonstrated. These rulings, coupled with the inactivity of the U.S. Attorney in New York to whom all evidence of individual criminal acts was provided, have left the 1976 vote fraud machines intact.

Administration Aimless On Exports

Six weeks have elapsed since the conclusion of the Bremen economic conference of the European Economic Community and five weeks since the Bonn Summit, and still the U.S. Administration has failed to come up with a coherent policy orientation toward the

TRADE

"Grand Design" world reindustrialization program that was launched at those conferences by the West Germans, French, and the Japanese. And while President Carter, Secretary of State Vance, and Special Trade Negotiator Robert Strauss have all stated publicly that they agree with these nations on the necessity for expanded exports, a development policy for the Third World, and elimination of the trade barriers that presently hinder this process, they have not addressed themselves to export policy — or any other economic question — in any serious way.

The Wreck of the Export Task Force

What happened to the policy statement on exports drawn up by the inter-agency Export Task Force is a typical case. President Carter personally set up the Export Task Force several months ago as the group responsible for drawing up a complete export policy. It was headed by Frank Weil of the Commerce Department who has been one of the Administration's most intelligent spokesmen on the use of technology exports-for-development. However, instead of giving Weil the freedom to design the kind of package he was fighting for, Carter capitulated to the demand that all the 15 agencies participating in the Task Force be given "equal voice."

As a result, there was a long factional struggle between the Commerce and Eximbank and the Treasury, National Security Council, and Office of Management and the Budget, at least five rewrites of the draft report, the elimination of Weil's recommendations on abolishing the Jackson-Vanik Amendment to the 1974 Trade Act, and a concluding report now on the President's desk "for his final decision" which, from all the unofficial reports to date, is "not a coherent policy statement." (The report has not yet been made public.)

The most that Weil's office is hoping for now, according to one of their staff officers, is that "the President accepts some of the recommendations as a foot-in-the-door to a better trade policy." Strauss's office says he "doesn't think too highly of the report," Senator Stevenson said that "it's not very strong and won't really boost exports that much" and Commerce is angry "over all the budget-chopping by the Office of Management and Budget and the Treasury." Solomon

has been mentioned as probably responsible for striking out all the policy recommendations on busting the barriers to expanded East-West trade.

The initial draft also contained strong language on the necessity for maintaining tax incentives for multinational corporations. This would include keeping the present DISC system and even going beyond that to help companies, especially smaller companies, who want to gear up their exports and international operations. The final language on this is now reported to be "very mild." As for export financing, the report now contains a request that the annual authorization from the OMB be increased by a mere \$200 million — hardly enough to even manage a foot-in-the-door for an export takeoff.

Export Sabotage

Meanwhile, the State Department's Human Rights Bureau, headed by Pat Derian and his assistant, former Kennedy aide Mark Schneider, and the National Security Council, headed by Zbigniew Brzezinski, are busy sabotaging U.S. trade. What follows is a partial grid of U.S. trade deals canceled by these agencies over the past months:

— In late July there was an abrupt cancellation of the Sperry Rand Corporation's contract to sell a Univac computer to the Soviet Union for use by its press agency, Tass.

— On approximately July 20 the State Department's Human Rights Bureau informed Allis Chalmers, one of the nation's leading producers of farm and construction equipment, that a \$450 million deal with Argentina would not be approved. This was to include turbines and other hydroelectric equipment for a large project. The deal was quashed on the basis of Argentina's violations of "human rights."

— In May, the State Department Human Rights Bureau and the National Security Council forced the cancellation of a \$61 million trade deal between the Oshkosh Motor and Truck Company and the government of Libya, Oshkosh was to sell 400 heavy-duty tractors to Libya for use in major construction projects. The company cleared the deal with the Department of Commerce and began an ambitious expansion program to provide the tractors. On May 9 it was informed by the Commerce Department that revised export regulations had gone into effect requiring a validated license for exporting the tractors and that the license would "probably be denied." The official denial came one month later. Stanley Marcus, Senior Deputy Assistant Secretary for Industry and Trade Administration at the Commerce Department stated that he had evidence that these heavy-duty tracks were "to be used by the Libyan Army to transport Libya's large inventory of Soviet-built tanks."

— Maureen Manning

World Leaders Mourn Pope Paul VI

More than a man of peace, one of the world's humanist elite

The late Catholic Pontiff, Paul VI, was buried on Aug. 12 in a ceremony unique in recent Vatican history for the amount and intensity of the international tribute paid to the Pope.

Immediately following the announcement of his death on Aug. 6, the governments of Arab and other developing-sector countries — themselves non-Catholic — made extraordinary gestures of public mourning. This included a declaration of three days of mourning by Brazilian President Geisel, of nine days of mourning by Syrian president Assad, and of seven days of mourning by Egypt, while the Shah of Iran instructed all flags to be flown at half-mast for a week to commemorate the dead "champion of peace and love."

The funeral services themselves, held in St. Peter's Square in Rome, were attended by over 100,000 people, including religious leaders and government representatives from throughout the Western, socialist, and Arab world. Soviet President Brezhnev, in his message of condolence, stated, "What Paul did will never be forgotten by men of good will." Condolences also came from Japanese Prime Minister Fukuda, East German President Honnecker, West German Chancellor Schmidt, and U.S. President Carter, among others, all similarly praising the ecumenical policies of Paul VI as representing his powerful commitment to peace and human development.

Within Italy, Prime Minister Andreotti, in an article published in the Vatican daily *L'Osservatore Romano*, recalled Pope Paul's role in establishing Italy as a democratic republic following World War II, helping to organize the Christian Democratic Party along with prodevelopment Prime Minister De Gasperi, and encouraging Andreotti himself to seek government positions.

Italian Communist Party Secretary Berlinguer, in the PCI daily *L'Unita*, praised the Pope for his "constant and impassioned work for peace... including in Vietnam, the Mideast, and Africa, and his efforts for the progress of peoples, states, and nations... Paul was the pontiff (the bridgemaker — ed.) for everyone, and an interlocutor of humanist ideals and culture."

This praise of Pope Paul is no mere rhetoric. Ever since the Pope wrote the encyclical *Populorum Progressio* in the mid-1960s, following one of his many

visits to such areas as India, Africa and Latin America, Pope Paul has been known as a proponent of industrial development. The papal encyclical demands that industrialized countries expand their own production in order to further the development of the underdeveloped countries, using an industrial development bank.

So threatening was the potential power of the Pope to foster the possibility of realizing the goals of peace and human development that President Carter, at the recent Bonn summit which formulated the first steps toward actually setting up a new monetary system bypassing the genocidal International Monetary Fund and World Bank, spoke of his desire to meet with the Pope. Carter advisor Zbigniew Brzezinski, a bitter opponent of both the Bonn program and the Pope's political allies, stepped in to prevent such a meeting from ever taking place.

Moreover, according to the West German newspaper *Bild Zeitung*, among Pope Paul's papers found after his death are proposals for the colonization of outer space as the next logical step in man's technological development.

At the funeral itself, broadcast live throughout the world, Pope Paul was eulogized as a man of peace. Among the representatives of major world religions in attendance were patriarchs from the Greek and Russian Orthodox churches and Moslem religious leaders. All of the more than one hundred cardinals in the Catholic College of Cardinals which will meet beginning Aug. 25 to choose a new Pope participated in the services. The eulogies to Paul VI underscored how important their choice of his successor will be.

Securing A Neoplatonic Papacy

Although much has been said about the late Pontiff's commitment to global peace, generally only select French and Italian newspapers have even hinted at the fact that this commitment was grounded in a self-conscious Neoplatonist epistemology, expressed through a working policy for high-technology economic development.

Pope Paul VI was not just a well-meaning, moral

man. He was one of the most influential members of an international humanist elite. It was this elite that pushed through the kernel ideas for the creation of a new international monetary system at the July 6 Bre-men summit of European heads of state, the same elite — including groupings in the Soviet Union — which is now engaged in a global organizing effort to make sure that that policy is implemented despite the sabotage efforts of power groups centered around the Sovereign Order of St. John of Jerusalem in Britain and within the Vatican itself.

In the years before his death, Pope Paul introduced major changes into both the electoral procedures through which his successor would be selected and into the composition of the cardinal electors. His purpose was to ensure that the full international weight of the Vatican, its huge international apparatus and its considerable prestige, would be passed on to a leader who could be trusted to use that power in the way Paul himself had done: supporting the cause of science and economic growth as the appropriate means for developing truly moral individuals.

Preparing The Succession

Given the crucial importance of the task in which he was engaged, Paul took the following formal steps to ensure that power would not be transferred to the enemy faction inside the Vatican.

First, he ruled that Cardinals over the age of 80 could not participate in the conclave which would elect a new pope. This wiped out in one broad sweep a number of cardinals on the extreme right-wing who could have been expected to vote for a candidate who would reverse Paul's positive *Ostpolitik* policy toward the socialist countries and reinstitute the former cold war status of Church-East bloc relations. This would not only rapidly lead to chaos in Italy, whose government is based on collaboration between the Catholics and Communists, but would have repercussions in other European countries, such as France, where the humanist factions are Catholic and interfaced with Vatican networks and thus significantly influenced by them.

Second, Paul appointed a large number of new cardinals and in particular non-European, developing-sector cardinals. These developing-sector cardinals will now make up the majority of the 116 electors that will meet later this month to elect a new pontiff. For the first time since the creation of the modern voting procedures for a papal conclave in 1523, the European contingent will not be able to determine the election along well-established lines of cross-national factional alliances. The old cliques, in other words were disrupted.

Third, Paul instituted a new provision which would further assure that "his" faction among the elector cardinals would be sufficiently powerful to win the election. This provision states that if within nine days no candidate is chosen by the requisite two-thirds-

plus-one majority required by earlier statutes, a simple absolute majority would be sufficient to elect the new pope. This decree makes it extremely difficult for the antihumanist cardinals—typified by Cardinal Benelli, a leading contender for the papal throne — to push through the selection of one of their own. The number of cardinals personally appointed by Paul would be sufficient to block the necessary two-thirds-plus-one votes, and by the same token would almost certainly be sufficient to win on the basis of a simple majority.

"Gospel Within The Gospel"

Despite its monolithic public appearance, let no one be deceived into thinking that the Catholic Church is a homogeneous institution. The current Vatican represents a continuity of two broadly identifiable and clearly distinct factions which in fundamental orientation have little in common with one another and may well be characterized as forces of good and evil.

The current to which the late Pope Paul belonged and led together with Paul's secretary Macchi, the Vatican Secretary of State Villot, Cardinal Pignedoli (the latter two being leading contenders for the papacy) and others is rooted in the Neoplatonist tradition which Paul himself cited during his 1965 visit to the United States: a moral and intellectual commitment to "the gospel within the gospel...the gospel of Socrates...of justice and reason."

Already before being elected Pope, during his tenure as Cardinal of Milan, Montini (his given name) had written a pastoral letter outlining his understanding that it is man's capacity for becoming one with reason which must be developed. Montini called this capacity, "which enables man to become a son of God," the "moral sense" — a qualitatively different attribute than the ordinary virtues and which he specified made man one with natural law. It was from this standpoint that he developed the importance of ever-increasing scientific development — "the glory of the twentieth century" — as the *prerequisite means* through which man would develop his God-like capacities of reason until reason became the very basis of his identity.

The Vatican circles led by Pope Paul demonstrated the depth of their understanding of the epistemological issues and method involved when they launched the Italian campaign for a "humanist revival" in Italy. This campaign, which was nominally headed by the Christian Democratic Italian Culture Minister Pedini, was launched early this summer. Exemplary of its aims was the meeting held by Pedini and a group of leading scientists with Archbishop Cassisa of Monreale the first week of June. During the meeting, which was focused on the relation between science and faith, the archbishop unconditionally attacked Aristotelianism as the root of empiricism, which he termed the number one enemy of the Church.

The archbishop stated: "The force of faith is perfectly compatible with science....Only a profound faith in God and the rationality of his creation could have sustained Galileo in his superhuman undertaking to destroy the myths radiated in 2000 years of Aristotelian dogmatism, to found modern science...."

It would be difficult to cite another member of the present humanist elite who would be capable of even formulating the problem which Aristotelian empiricism poses in the current global political-economic fight—including the nominal creators of the new monetary system program, Chancellor Schmidt of West Germany and President Giscard of France. In the main, outside of the U.S. Labor Party and its closest allies only the humanist Vatican networks fully grasp the full scope of the fight in which they and others are engaged, and which is based on two irreconcilable world views for which differences in economic problems are only subsumed expressions.

It is the importance of the central role played by the Vatican, understood from this standpoint, which made it imperative for Paul to ensure continuity through his successor. The far-reaching international networks through which the Vatican under Paul has operated to

provide international cohesion to its allied political factions will be detailed in future articles.

The Opposition

Opposing forces in the Vatican continue to exist, as they have existed since the early years of Christianity. Indications to date point to Cardinal Benelli, one of the forerunners in the upcoming papal election, as the powerful exponent of that grouping today.

Benelli, who is an acknowledged opponent of Paul's *Ostpolitik*, has over the past year shown his political colors by allying with former Italian Premier Amintore Fanfani in attempting to sabotage the alliance between Catholics and Italian Communists which Paul had worked for together with the recent murdered Aldo Moro, another former Premier kidnapped by the terrorist Red Brigades. Benelli also closely collaborated in this with the notorious Jesuit editor of *Civiltà Cattolica*, Victor Sorge. It was *Civiltà Cattolica* which was cited in a recent issue of *Panorama* magazine as the source for an article aimed at throwing off investigations into the foreign involvement in the Moro kidnapping away from the guilty British to "right-wing" CIA circles in the U.S.

— Vivian Zoakas

The Scientific Ecumenicism Of Paul VI

A dialogue between Catholicism and Islam

On Feb. 1 through 6, 1975, the current papal frontrunner, Cardinal Pignedoli, led a large Vatican delegation to the Libyan capital of Tripoli for a ground-breaking conference between Roman Catholicism and Islam, in the ecumenical tradition established by Pope Paul VI.

The conference has once again become an item for controversy, resuscitated by factional opposition to Pignedoli's candidacy to succeed Paul as Pope. It has been claimed by such diverse publications as the *London Times*, *Corriere della Sera*, *Le Monde*, and others that Pignedoli's management of the Vatican-Islamic conference will weigh heavily against his election as Paul VI's successor.

Nonetheless, the final outcome of that 1975 conference, as expressed in its final resolution excerpted below, was the clearest expression of the distinct policy orientation which characterized Paul's pontificate: a staunch commitment to the importance of science and its international dissemination. As such, reviewing the conference resolutions provides a crystal clear insight into Paul's policies. It similarly indicates the nature of the profiled antagonism of those Vatican factions who fought the implementation of those scientific policies during Paul's lifetime, and who are now attempting to keep the papal throne from anyone who follows the same tradition.

As the included excerpts indicate, the Vatican under Paul was unequivocal in its antagonism to the brand of Third World "development" of the Brookings Institute-type which typically goes under the name of "appropriate technologies."

The conference resolutions instead defend the notion of technology transfers at the highest capital-intensive levels, defining these to be the inalienable human right of the peoples of the Third World. In even stronger language, from a religious standpoint, science is defined as being a crucial aid to proper faith, and a proposal is laid out that this must be the focus of all international conferences dealing with Third World issues.

We also include portions of the speech delivered in the course of the conference by President Qaddafi of Libya. The speech is significant in its own right as an indication of the epistemological basis for proper political activity as understood by allied factions within both the Islamic and Roman Catholic Neoplatonist tradition. Although the speech was given by Qaddafi, his major argument was not accidentally included in the final resolutions adopted by both sides.

In brief, as Qaddafi indicated, religion properly understood is a guide to the nature of those fundamental truths on which a humanist state must be built. Of particular interest here is the implicit and

explicit polemic against heteronomic considerations in the establishment of laws for a state and society as a whole. Put another way, Qaddafi expressed the correct conception that states and their laws must be based on practical understanding of permanent values for humanity.

What those values might be, in the opinion of the conferees, has already been described: "the right of all people to science and the proceeds thereof."

Religion In Pursuit Of Science

The following are excerpts from the 24-point communiqué drawn up as the final resolution issued at the close of the 1975 Libyan Vatican-Islamic Conference.

(4) . . . The two sides affirm that religion is the basis for just law, and that all law established (merely) by man cannot attain to perfection.

(7) In order to realize the well-being of man, both sides affirm the need to unify their efforts in order to place at the service of humanity development programs, planning, the repartition of riches and international exchanges

(8) Both sides . . . denounce religious persecution in all its forms, and consider that regimes and ideologies which persecute believers are inhuman.

(9) Both sides affirm that peace is the mission of religion.

(10) Both sides have the conviction that religion is a global conception of the creation of the universe. Both sides insist that science is a part of religion and that all progress in the domain of science provides new proofs of the grandeur of God, who created this universe in a perfect manner and organized it in accordance with the laws and norms whose precision and miraculous character science discovers every day. Science ought always to remain in the service of religion, in the observance of its ideals, and in remaining oriented toward the service of humanity. Thus, science becomes a protection against atheism and deviation, which have stricken a large number of the world's youth who imagine, incorrectly, that science contradicts religion. Rather, science, in that it reinforces faith, could aid in eliminating the different problems of youth.

(16) The patrimony of civilization and of culture belongs to all of humanity. It is the right of humanity to receive this patrimony in a correct and just fashion.

(19) In order to reduce the gap between the developed nations and the developing nations in the domain of science; convinced of the right which all people have to progress, both sides address UNESCO to elaborate a Universal Charter for the right of all peoples to the acquisition of scientific development, technology and its proceeds. This Charter should be approved by the United Nations.

The countries of the Third World ought not be deprived of this right . . .

All conferences dealing with raw materials questions ought to examine the need to make available to the developing countries technology and its proceeds. The concretization of this will avoid a probable split between the Third World and the developed world.

(20) Both sides view heavenly religions with respect; consequently they distinguish between Judaism and Zionism, considering Zionism to be an aggressive racist movement foreign to the Palestine and the entire Mideast region.

(21) Both sides have decided to create a permanent mixed commission charged with executing these resolutions and recommendations. This Commission will be equally charged with preparing other seminars and colloquia.

Religion And Universal Law

Libyan Col. Moamar Qaddafi delivered the following remarks during his speech at the 1975 Vatican-Islamic Conference:

I believe that to distance religion from the drawing up of constitutions denotes a dictatorial orientation that wants to impose constitutions which would harmonize with their dictatorial character. In such a case the whims of the dictator becomes the source of law; there is no longer law which is preestablished apart from the wishes of the dictator.

. . . The proper question for all societies is tradition and religion. All other attempts to create a legislative code by whatsoever society outside of both these sources is an incorrect and illogical procedure because constitutions do not constitute law for society, because the former themselves need a reference point on which they themselves can lean in order to be justified

The differences in constitutions arise from the differences of opinions of the instruments of power.

This is what has killed liberty in the modern world system.

Liberty will remain threatened so long as society does not dispose of sacred law with fixed judgements, (judgements) which cannot be modified by any transient political authority. To organize a referendum in order to adopt a constitution is not sufficient. Referenda are nothing other than a falsification of democracy because they only allow the people to say yes or no

The laws of society are an eternal human patrimony which do not belong uniquely to those living. From this standpoint, to write constitutions and to pass them on for referenda becomes a kind of farce

Thus it is absolutely clear that religion is necessary to human societies which organize themselves socially or in the form of a state

No free man accepts living in a society where there is no sacred and fixed source for its laws

Britain's Aerospace Gambit

Playing the U.S. off against Europe to control both

For the past year a front-page debate has animated the British press concerning that country's aerospace industry. At issue is which other nation's aircraft manufacturers would Britain ally with to develop and produce a new generation of commercial jet aircraft — will it be the U.S. or its European competitors?

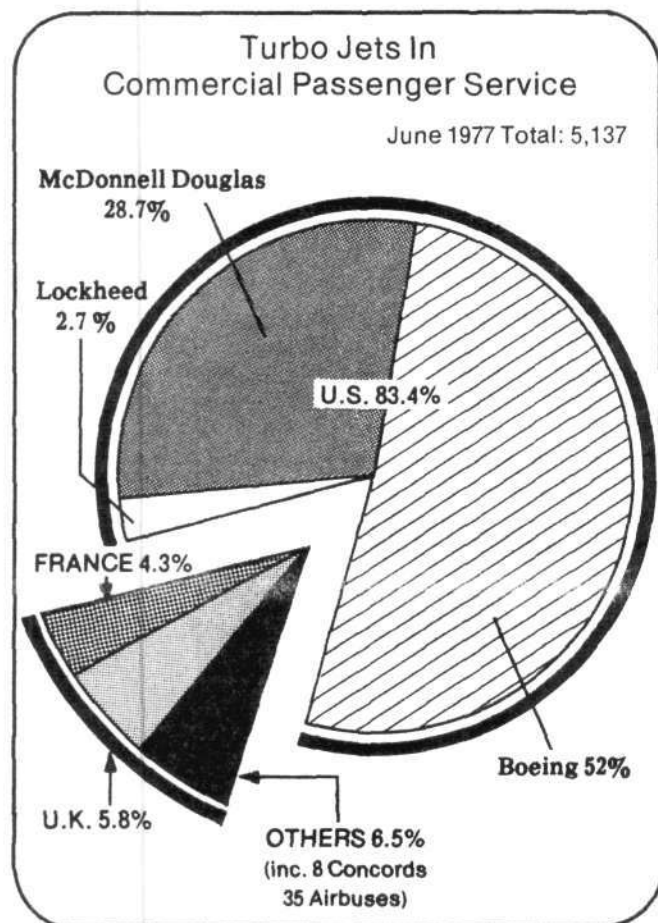
What might appear to be just another story for the financial pages and the industry journals is in fact much more: a case study of how leading British circles contrive to use economic deals and the press to win effective control over key aspects of U.S. economic and even strategic policy. One of the most fundamental questions in Britain's aerospace debate has been not how and with whom to develop aircraft for the sake of the aerospace industry itself, but how to use the industry toward the more fundamental goal of controlling both the U.S. and European economies. In particular, the aerospace tactic has been to play the U.S. and Europe off against each other in pursuit of British favors, as a means of extending British influence over both.

But just as significant about the aerospace case is the fact that Britain now confronts a development unforeseen to the Royal Institute of International Affairs. The de facto alliance of particularly West Germany and France with Japan and sections of OPEC and the developing sector in the aftermath of the Bremen and Bonn summits, against the anti-growth politics represented most vocally by Britain itself, has had its effect on aerospace as in many other areas.

Two important indicators of trouble for the British strategy are United Airlines' recent \$1.2 billion order for Boeing's proposed new airliner, the 767, and the success of the French- and West German-dominated Airbus Industrie consortium in lining up an impressive number of customers for their version, the B10 airbus. In a nutshell, with development financing and future sales now guaranteed for both major competitors, Boeing and Airbus Industrie, the British government has lost its main bargaining chip, namely the promised generosity of its national exchequer in helping to finance whichever potential partner should offer the best long-term options. A ranking U.S.-based official of British Aerospace Corporation was referring to Rolls-Royce but could just as well have meant his own firm when he said recently, "Their situation is precarious. The Europeans don't need them any more, and the U.S. may not want them."

The Industrial Issues

In terms of manpower and revenues, the aerospace industry in the United States is comparable to or larger than the steel industry, and second only to auto in manufacturing. (For an economic survey of the industry, see *Executive Intelligence Review*, Vol. V, No. 2, Jan. 17, 1978.) The British industry is even larger relative to its national economy, and is backed by a decades-long government commitment to bolster certain strategic high-technology industries, particularly where its own military hardware is concerned. But here as elsewhere, Britain has chosen to develop an industry capable of impressive innovations but without the depth of production to realize them.



Roughly half of U.S. aerospace output is civil (primarily commercial jet aircraft), the remainder military and to a lesser extent, space. In Britain the proportion is roughly 70 percent military, much of this for export, as is a significant, though lesser, proportion of both civil and military production in the U.S. As of June 1977, U.S. manufacturers controlled over 83 percent of the entire non-socialist-sector commercial jet market, with two-thirds of this total represented by Boeing. The estimated market for new jet aircraft over the next decade is in the order of \$70 billion-plus.

Thus the impact of ongoing airline decisions on several national economies will be very great. This is true not only in terms of employment and overall production, but particularly in the area of trade imbalances. For both the U.S. and the United Kingdom — and increasingly for Europe as well — aerospace exports are a key surplus account.

At the same time, aerospace production is not something that can be readily turned on and off in keeping with short-term market demand or trade pushes. The massive capital requirements for research and development, combined with the limited number of (high-priced) products sold — in the order of a few hundred a year — means that the success or failure of any given plane or company over a 10-to-20-year period is largely determined long in advance, in airline purchase decisions and capital availability established over a short and intense period of negotiation and deliberation.

This is due not only to the relatively long life-span of the plane, but also to the preference of airlines for sticking with the models or manufacturers they already use, to minimize costs of training pilots and maintenance crews on new equipment. Therefore what is critical for the manufacturer in deciding to "launch" a new plane as yet only on the first drawing boards is the number of airlines placing orders or options, as much as the initial number of planes orders. Even small initial orders from a wide enough range of airlines guarantees, through parts, replacements, and expansion of fleets, a large enough run size over the life of the plane to meet the initial development costs of engineering, simulation testing, and setting up of tooling and assembly lines.

This vital negotiation and decision period is now drawing to a close, with some of the burning questions now clearly answered.

First, Boeing will be able to proceed with its projected 767 program, and presumably with the derivative 777 version and smaller 757 as well, based on United's July 14 order for 30 767s and a smaller number of 727s — at \$1.6 billion combined, the largest single commercial aircraft order ever in dollar terms. Second, Airbus Industrie can launch its A300 B-10 program, with orders and options in hand from three European air carriers and an option taken on 25 planes by Eastern Airlines, supplemented by Eastern's firm \$778 million order for 23 of the existing Airbus model, the B4.

The Strategic Issues

Yet the make-or-break decisions that affect 10-to-20 year product cycles do not fully explain the urgency of the aerospace debate. Not only does this industry represent a large segment of several national economies, but it is also the single most important source of innovations in new technologies for the entire economy, and the industrial base for all strategic weaponry. There exists a symbiotic relationship between the civil and military applications of the industry. At times military projects have provided the research and development platform for subsequent commercial ventures, lessening the risk posed by a possibly uncertain commercial future. This was part of the motivation behind the bidding by Lockheed, Boeing, and Douglas for the Air Force C5A contract in the mid-1960s, which was correctly seen as a valuable boost to the beginning wide-body ("jumbo") jet commercial competition. Concomitantly, flourishing commercial sales can offset losses or shifts in valuable military contracts — sometimes. From a national military, rather than company, standpoint, the essential value of commercial aerospace sales is that the capital flow ensures the maintenance of the high-technology research and development capabilities of the domestic defense contractors.

This is one critical consideration for Britain. To the extent that Britain seeks to maintain a strategic military capability independent of the United States, it is essential to attach its aerospace industry to one with a guaranteed world market. The issue is only secondarily the cash-flow benefit of keeping the production lines running; this is easily accomplished by assuming a strictly subcontractor status with little or no overall design responsibilities. But what Britain seeks foremost is the resources to maintain intact its aerospace industry's integrated engineering and scientific research capacity, without too excessive a drain on tax revenues and without the need to constantly beat down thickheaded Tory opposition to any and all direct government subsidies.

From both the strategic and national-economic standpoints, the United Kingdom has arrived at a dangerous spot. When the decision was made in 1977 to nationalize the four British airframe manufacturers (Rolls-Royce, which produces engines, was nationalized in 1971), the industry appeared to be heading for collapse. The *Financial Times* (April 25) wrote:

The decline in exports of new aircraft by the UK . . . is the first significant manifestation of what is becoming one of the most serious problems confronting the UK industry — shortage of work on the civil side, with no immediate prospects of any improvement.

. . . (The) UK industry is feeling the pinch, with labour layoffs already announced at BAC and HSA (two of the companies merged into nationalized British Aerospace — ed.), and the likelihood of more to come unless some new work can be pumped in soon . . .

At the same time, the *Financial Times* pushed indirectly for a linkage with the U.S., by lying that:

So far, there is little political, and even less, manufacturing, cohesion in the European aerospace industry on the future of the civil side, contrasting sharply with the highly organised military collaborative programmes that do exist. The big exception is the Hawker Siddeley participation in the European Airbus, the one rock around which many in the UK feel a future new European civil partnership could and should be built.

In fact, as we will indicate below, it was only the British role in Airbus that was not cohesive.

From that point on, the British press waged a thorough campaign to convince the French and West Germans, the two largest partners in Airbus Industrie, that the U.K. was likely to "go Boeing" (or

otherwise U.S.) unless Airbus established a codominant role for Britain. At the same time the press tried to scare the U.S. — primarily Boeing — with the threat that Britain would join Airbus and gobble up chunks of the U.S.-dominated world commercial market.

How Britain Went After Boeing

A spokesman for British Aerospace suggested recently that Boeing's posture on the 757 program was essentially a *defensive one*. Of Boeing's three projected planes, he argues, this was the riskiest, since the jump in air traffic over the past year might now be putting a premium on larger planes (the 757 is the smallest of the 767-777-757 threesome) to handle the load. Moreover, he said, the manufacturer was

The New Generation of Jets

The first generation of commercial jets (starting with the Boeing 707 in 1958) were largely internally financed, although previous military experience was useful — contrary to Boeing's testy insistence that the two programs were totally unconnected. These jets, both Boeing's and Douglas's, emerged into a booming air travel market in the 1960s.

But the situation reversed with the emergence of the "jumbos." Here the manufacturers were forced to demand much larger and earlier down payments from the buyers, and even so took heavy initial losses with the recession of the early 1970s refracted through the impact of a combined falloff in air travel and in government-sponsored research and development programs.

The new generation of jets, while not embodying any

radically new technologies, are nonetheless an expensive proposition, and it has not been clear that airlines can carry much of the finance bill. The past year in air travel has been much better than originally expected, but continued adequate revenues are still not guaranteed. Hence all manufacturers have been jockeying with other manufacturers to form development-and-production consortia; even the U.S. giants cannot go it alone.

The latest generation of jets is made up of "mini-jumbos," falling between the present wide-body planes and narrow-body jets in passenger capacity and planned to operate with greater fuel efficiency and less engine noise.

Here, some members of the older generation and the new:

The Old Generation of Wide-Bodies

Boeing 747	A wide-body "jumbo jet" seating 370. For many routes this plane is simply too large. Present-day smaller jets hold no more than 130 or so. Also by virtue of its size, the 747 has little in common with smaller models either in parts or tools.
Lockheed L-1011	A smaller wide-body, with passenger capacity in the 250 range. This model could serve as the starting point for deriving new mid-range craft.
McDonnell Douglas DC10	Similar to the Lockheed L-1011.

The New "Mini-Jumbos"

Airbus A300 B4	Airbus's basic model. This plane has already won a \$778 million order from Eastern airlines. Its top selling points: low noise and high fuel efficiency.
Airbus B10	Airbus's new launch. A scaled-down version of the B4, the B10 is therefore in significant part already developed. This has been a selling point in competition with the "paper planes" (drawing-board models) of Boeing's 7x7 series, which will be available later than will the B10.
Boeing 757	A narrow-body craft seating 160. Cooperation with British Aerospace was projected on this model.
Boeing 767	A wider-body plane with 180- and 200-seat version. United Airlines has ordered \$1.2 billion of the 767, and the size of that order will no doubt facilitate the parallel development of both the 767 and the 777.
Boeing 777	A three-engine equivalent of the twin-engine 767. It is primarily aimed at over-water airlines that feel safer with an extra engine.

contemplating the development of three new models simultaneously, unlike all past development programs where comparable "families" of aircraft were developed successively, building on existing markets for the predecessors. By taking in the British, including both Rolls-Royce for engines and British Aerospace for airframe subcontracting, Boeing would avail itself of the tempting \$400 million of government issued and-or guaranteed credit (greatly reducing the financial risk). And it would deny British Aerospace's expertise and production facilities to competitor Airbus Industrie.

While such a tactic would be par for the political course in the aerospace business, the truth is more nearly the exact reverse. The British have been using Boeing, and would be far more the losers to Europe if the Boeing deal collapsed than would Boeing itself.

(It is true, though not of any great determining importance, that the interests of British Aerospace and Rolls-Royce do not necessarily coincide. Rolls has been playing the "U.S. card" for decades and continues to do so, often to the considerable annoyance of "Europeanist" Britons. British Aerospace, however, has seen its future in Airbus or similar ventures, since its own capabilities supplement those of Europe and more or less duplicate those of Boeing and other U.S. firms. In any case, both companies — and of course British Airways as well — are nationalized; "independent commercial" disclaimers notwithstanding must ultimately acquiesce to government dictate.)

Here's how the British tried to tighten their control over Boeing:

On April 4, 1978 Pan American World Airways ordered 12 Lockheed L-1011 Tristars (Lockheed's jumbo), with Rolls-Royce engines. The near-\$500 million order — with additional options taken that could increase the purchase to over \$1 billion — was underwritten by Britain's Export Credit Guarantee Department (similar to the U.S. Export-Import Bank) with a complete financing guarantee for the initial purchase. Such an arrangement, where the engines (Britain's direct interest) account for only 20 percent of the total airplane cost, is unprecedented in the industry. The following month, Eastern Airlines made its order for 23 Airbus B4s.

Boeing got the hint. On April 13, Treasurer J.B.L. Pierce took his case to Adlai Stevenson III's Subcommittee on International Finance of the Senate Banking Committee, urging passage of the then-pending bill to expand the lending authority of the U.S. Export-Import Bank (subsequently passed). Boeing's arguments at the time were not altogether in line with the effort to expand Exim from an overall positive national-interest standpoint; this argument appeared, but subordinated to an imputation that European export policy was somehow not proper — the argument often directed against the Japanese — and that so long as those guys were playing dirty, we ought to as well. "As a private company," he testified,

we cannot extend our limited resources beyond the prudent limits established by the capital market We can compete with Airbus and the other European aircraft manufacturers on cost and technical merits, but we cannot compete with the national treasuries of France and Germany and other European countries.

. . . . As for agreements between governments which would halt predatory export financing schemes, we would welcome a meaningful and enforceable structure. But if the spirit of such an agreement is more rhetoric than reality, we ask that Eximbank, when necessary, be permitted to match "head on" any governmental export financing activity devised (directly or indirectly) by other nations as a method of winning a sale in lieu of product superiority.

In late April Richard Ferris, President of United Airlines, announced that United's decision on the Airbus B10 versus the Boeing 767 might depend on pricing and financing, since the technical merits were so close. The London *Financial Times* followed up with an article May 10, reporting on British Industry Minister Varley's meetings with executives of Boeing, McDonnell-Douglas, and Lockheed. The *Financial Times* played up the tough new competition faced by the U.S. (that is, by Boeing), urging a U.S.-United Kingdom consortium . . . or else. On May 14, the *Sunday Times* of London reported that Britain now favored McDonnell-Douglas over Boeing, since Boeing might not, after all, sell the 1,000 757s it was anticipating. It remains unstated, that McDonnell could hardly hope to match even the lower projection.

By this time the negotiations were out of the hands of company representatives. British Prime Minister Callaghan took personal charge, with a visit to the U.S. June 25 for the express purpose of meeting not only with the manufacturing executives, but also with Frank Borman, president of Eastern Airlines. The visit was purportedly because Eastern had expressed interest in Boeing's 757, but in fact, equally if not more to profile Borman on the matter of Eastern's order of Airbus B4s.

The pressure was increased manyfold in June, with the press in the lead. Same-day articles in the *Financial Times* ("United Considers £1 bn. Order for European Airbus") and the *Wall Street Journal*, the latter authored by top scandal specialist Jerry Landauer ("Influential Allies: Boeing Co.'s Friends in Some Arab States Helped in Plane Sales"). The *Financial Times* noted prominently that the Eastern order had broken the American prejudice against foreign manufacturers; that the B10 had a most attractive financing package, and furthermore would limit the market for Boeing's 767; and that a delegation of airline executives had been quite impressed with the Airbus facilities at Toulouse, France.

Landauer's article was the first attempt to smear Boeing in a big way with the "overseas bribes" scandal. Unlike the unfortunate Lockheed, Boeing had remained Mr. Clean of American aerospace, despite a three-year Securities and Exchange Commission

investigation. (Boeing has had the advantage of State Department intervention. State has argued in federal court against an SEC demand that the company release the names of its foreign sales agents. At the time of Lockheed's "corporate Watergate" in 1976, its potential allies in the Administration had been paralyzed by Watergate and by the subsequent control over President Ford's policies by Secretary of State Kissinger. The SEC suit was finally settled in July, with Boeing promising never to do again what it had never done, and the SEC agreeing to let the names remain secret.)

Aerospace analysts in New York's brokerage firms dismissed the Landauer article, saying that such things no longer affected aerospace stocks, but that was not the article's intent in any case. The *Financial Times* followed up with a July 12 feature, "Europe's Airbus: Biting at Boeing's Heels," which retailed the "Boeing is on the defensive" line, reminded Boeing of its concern with foreign government financing inducements (such as the Pan Am Lockheed-Rolls Purchase), and noted that Boeing's "well-honed sales network" is "incidentally, under Securities and Exchange Commission investigation."

But two days later United announced its mammoth Boeing order, rather in advance of the end-August deadline the airline had set for its decision. It is possible that Boeing, under the previous months' barrage, had made a final offer to United that beat out Airbus, or that United, for its own reasons or under covert government and other pressure, made its move before the situation got further out of hand.

In any case, in the words of George Warde, President of Airbus's U.S. operation, "If Boeing had not won that, it would have been a disaster. For us, it isn't a disaster but a disappointment."

The British Lose Out

The United States made Boeing even more attractive to Britain, for now Boeing boasted a firm hold on the world's largest airline. But as events showed, the British strategy of playing the U.S. and Europe off against each other backfired. When both Boeing and Airbus found other sources for orders and financing, Britain was left with no reliable vehicle to support its own national research and development base in aerospace.

First, the British realized that McDonnell Douglas, Boeing's competitor, was now out of the picture. In all press accounts, McDonnell Douglas had figured as an alternative to Boeing on the basis of its offer of broader-range collaboration, extending to military projects (which are far larger in McDonnell Douglas than Boeing), and its willingness to include continental European collaborators along with the United Kingdom. Callaghan had personally favored this possibility. But the last week in July saw the final kibosh, when McDonnell Douglas refused to satisfy

British requirements for greater specificity about projected programs and about its intentions of launching its own commercial jet program (the ATMR).

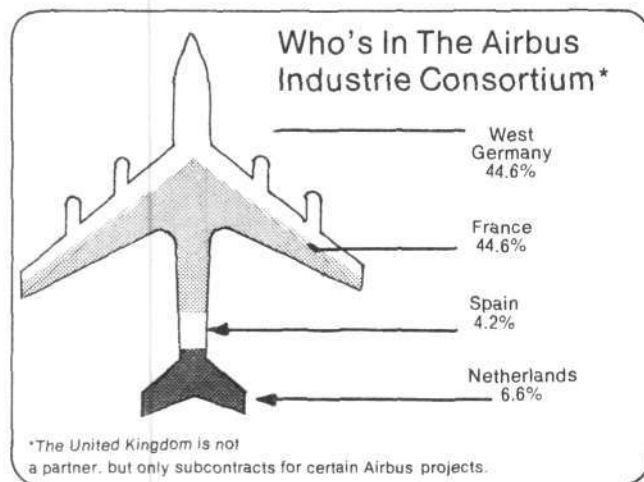
Meanwhile, Britain's Airbus alternative now appears almost equally distant. Although British Aerospace produced the wings for the Airbus B4, the development was largely financed by the French and West Germans, the full partners in the consortium. France is now demanding that Britain must pay its share of "back dues" if it expects to participate. This demand was known to the British at least as early as July 24, when a British Aerospace spokesman in the U.S. described the issue in a telephone interview. Yet the London *Sunday Times* claimed that

British Airways officials were shocked by last week's sudden and unexpected intransigence on the part of French negotiators (at the July 24 meeting between French, German, and British industries ministers — ed.).

... There is now a feeling that France does not want Britain in the European venture, and this is bound to affect the thinking of the British Cabinet.

Indeed!

Simultaneous with that shocked realization that the game was, if not over, at least being played by new and unpleasant rules, was the even more horrified British perception that the Franco-German "Grand Design" strategy rammed through at the July 8



Bremen and July 16 Bonn economic meetings was entirely for real. On July 26 the *Times* reported and editorialized on a just-released report from the Royal Institute of International Affairs, that Britain must indeed *not* subject itself to Boeing, at all, for otherwise she would lose all industrial leverage in attempting to mount a NATO arms buildup to counter the purported growing Soviet threat — on the correct though unstated assumption that the continental European countries, now in the tow of Schmidt's "Grand Design" and attendant potential for rapidly advancing MBFR talks, would otherwise not be susceptible to Britain's confrontationalist strategy.

It is possible that Franz Josef Strauss of West Germany's opposition Christian Social Union, and allied Atlanticist circles in West Germany, may put up a howl for German accession to Anglo-European military cooperation, in the context of Britain's long-anticipated withdrawal of Bloodhound surface-to-air missiles back to the island from their previous station with RAF-Germany. However, the Grand Design is far further along now than when Strauss's first complaints were squashed in mid-July. Moreover, without the now-dead McDonnell Douglas option, Britain will have equally little aerospace project-leverage in shaping U.S. policy in this provocative area of short-to medium-range missile and aircraft strategy.

In any case, the entire issue may soon be moot. If industrial and political forces in the U.S. continue to move positively in the direction of the Grand Design, then the United Kingdom, unless it acquiesce to European, Arab, and U.S. terms, will shortly have no economy left at all.

As for the British-instigated friction between the U.S. and Europe, to which Boeing, among others, has been dangerously susceptible, the tremendous expansion of everyone's markets — in the developing sector and in the East bloc — is the obvious mutually advantageous resolution. Over a slightly longer term, the future of the aerospace industry would most naturally be based, as was its past, on superseding

presently defined markets by developing entirely new and vital technologies. Grumman, for example, has begun a major commitment to the development of commercial thermonuclear fusion power, not only through its contracted research and development work, but through an open propaganda campaign. Lockheed, along with Kennecott Copper, is investing heavily in developing the technologies for undersea mining. An expanded space program is an obvious immediate step. And the "aerospace" industry should be key in developing future surface mass transportation based on magnetic levitation.

At that point, far from competition, there will not be enough of the industry to meet all the project demands.

Recently, articles appearing in the *London Times* and *New York Times* have averred that British and continental manufacturers had agreed on terms for full British entry into Airbus Industrie. Neither, however, identified those terms. If the allegation (attributed to "industry sources") is true, then given the unprecedentedly low-key nature of the coverage, it may well represent a British move to quietly publicize a turn in the "European" direction — more to stall and turn back the Grand Design than to join it. Such a move would be coherent with the above-cited Royal Institute of International Affairs report advocating a European option for military reasons.

— Richard Welsh

Terrorist 'Antiterrorist Forces' ?

Security investigators implicated in plans for U.S. terror

Leading security and intelligence organizations in the United States are presently investigating a nexus of individuals and organizations who, posing as antiterrorist security forces, are in fact agent-controllers of terrorism involved in facilitating the activation of a wave of "European-style" terrorism inside the U.S.

Under investigation is a grouping of British-based "private investigators" and their U.S. associates, typified by one John Grant, the head of the Institute for Professional Investigators located in Preston, Lancashire in England. Grant and associates attracted considerable attention while attending a Conference of the Council of International Investigators in Chicago last week, with their insistent, overconfident "predictions" that a wave of terrorism is coming to the U.S., terrorism that Grant billed as worse than that in Europe.

One of the most alarming features of this threat is the connection of the British Institute for Professional Investigators with the Chubb and Sons Insurance Company, which is known to be the second largest insurance company to offer "antiterrorist" insurance policies to leading executives and other VIPs. The largest company offering antiterrorist insurance is Lloyds of London which, as stated in private by high Italian security officers, is directly collaborating with foreign intelligence agencies. In Italy, the profiling of terrorist targets for kidnapping and assassination is conducted under the guise of requesting a detailed report of the target's security precautions for "insurance purposes."

In efforts to stop Lloyd's "protection racket" in Italy, top secret services officers and magistrates in Milan report that an investigation is being conducted against the Lloyds Bank for laundering money to finance both "left" and "right" terrorist organizations. Lloyds's gameplan broke into the public light on May 19, when the Italian police discovered a Red Brigade printing shop in Rome and arrested six terrorists involved in the kidnapping and assassination of former Italian premier Aldo Moro. The breakthrough in the case came just a few days after Interior Minister Francesco Cossiga was forced to resign, and Italian premier Giulio Andreotti took direct charge of the Interior Ministry.

Investigation of the print shop showed that the arrested leader of the terrorists was in contact with an

unnamed secret service, while the money used to set up the printing operation came from the ransom paid a few months earlier by the Costa family to free Mr. Costa, head of the Costa shipping line in Genoa. Costa had bought a "kidnapping insurance" policy from Lloyds and the bank had in its possession a detailed profile of his activities and security precautions.

Italian judges have also established that most ransom money is deposited in an obscure London bank called Universal Banking for its allocation into different operations.

The "security agent" kidnapping and murder capability has now been transposed to the United States under the direction of Chubb and Sons Insurance Company. Chubb's directors have already demonstrated their open sympathy for terrorist operations through their activities on the board of the Markle Foundation, a Chubb-financed "philanthropy." The Markle Foundation has dedicated its activities to the financing of mass propaganda projects, many of which are directly involved in providing a black-propaganda cover for terrorist activities. Markle's funded programs range from "communications" research projects by the Rand Corporation — scenario designers for nuclear holocaust and terrorist campaigns — to the proterrorist Fund for Investigative Journalism and the Media Access Project, a propaganda arm for the Washington, D.C.-based terrorism command center, the Institute for Policy Studies.

From Chicago: U.S. Terrorism Convention

Last week in Chicago, the annual convention of the Council of International Investigators (CII), an organization of 50-75 private investigative and security firms, was put through an intensive indoctrination session on the "newest area of interest" for U.S. private security and detective firms: terrorism.

During two days of closed-door meetings under the direction of outgoing CII president John Grant, a small group of supposed "antiterrorist experts" spoonfed the unwitting convention participants with a string of lies and conscious disinformation on the nature and origins of international terrorism, carefully designed to correspond with synthetic terrorist scenarios which are now standing by to be

launched against American business executives, political leaders, and the general population.

Despite the overwhelming documentation which has been made public throughout Europe, exposing terrorism as surrogate warfare created, run, and funded by British Secret Intelligence Services (SIS) and Israeli Shin Beth intelligence teams, in conjunction with "black nobility" intelligence networks, the participants of the CII convention were assured by these "experts" that *all* terrorism originates from training schools in East Germany, Libya, Cuba, and China. One participant noted that they were told that no such thing as right-wing terrorism existed; terrorism was all set up and controlled by the "left."

The source of the formulation of this line, carefully tailored to "fit" the profile of U.S. terrorist activations, has been traced back to a special meeting held in England by John Grant's Institute for Professional Investigators last May. The featured speakers at this strategy session were Peter Hamilton, security director for Chubb and Sons Insurance Company; Fred Rayne, president of Rayne International Inc., a U.S.-based private security firm which specializes in executive security — Rayne himself is a former British Intelligence and foreign service officer — plus two British private security terrorism specialists, Vince Cannatu and John Savage.

A central institution in this entire executive security disinformation campaign can be clearly identified as the Institute for Professional Investigators. The IPI was established three years ago in England under a commission from Queen Elizabeth II, specifically to draw together terrorism "specialists" from the British civil and military police forces, government police and intelligence agencies, and forensic and insurance investigators. Other notable operatives in the IPS's 300-member roster, besides John Grant, include Brig. Michael Mathews, chief of the British Army Military Police; Peter Frost, the director of studies for the British Home Office College, one of the centers out of which the Northern Ireland "gang-counter-gang" terrorism is run; and Professor Derrick McClintock, chairman of the Criminology Department at the University of Edinburgh, a long-time base of operations for British intelligence campaigns and terrorist deployments.

Additionally, the Institute is preparing to expand into Canada, with outlets in Montreal and Ottawa being negotiated, to facilitate the Institute's ability to "educate" private investigators and executive security personnel for the entire North American continent, and gain greater control over the entire U.S. terrorism apparatus.

— Stuart Pettingill

John Grant: 'Transnational Terrorism'

Exclusive to the Executive Intelligence Review

Made available to Executive Intelligence Review by a Chicago reporter are the following excerpts of an interview with terrorist-controller John Grant, head of the Institute for Professional Investigators in England.

I found John Grant happy to talk about the problem of terrorism to an interested reporter. "It would be silly to think that the coming wave of terrorism in the U.S. will be smaller than in Europe... on the contrary, it will be much bigger," Grant started out. "Terrorists are idealists, they are not afraid to die. You come up against somebody who is not afraid to die and you are in trouble." On being questioned about the kind of targets terrorists would choose in the U.S., Grant suggested that physical targets would include nuclear power plants and water supply reservoirs; in terms of individuals, he continued, "anyone is a target these days, not just executives. Any employee, the man on the street, they are all targets. These are psychotics... and you know I am an expert and I'll tell you something; you can't stop anyone who is willing to die. You can just make it difficult for them."

The terrorists themselves, Grant said, "are transnational. They interchange much the same guns, for instance: the IRA gets its guns from the PLO, Czechoslovakia, and the Japanese Red Army. The guns come from Cuba, China, Russia, Morocco, Libya, Algeria, etc.... Although security procedures at United States airports and seaports is good," Grant went on, "there are long land borders between the U.S. and Canada and Mexico, making it impossible to keep out the terrorists."

I asked when and what kind of terrorism he foresaw coming to the U.S., to which Grant replied that the shootout in Philadelphia between police and the MOVE cult were a "national signal for all terrorist groups to start hitting."

"The hits can happen at any time," he stressed. "All will occur at about the same time, anywhere. In many cases the underground press will signal the operation."

"Terrorism can only be leftwing," he said. "Right-wing terrorists are actually controlled by the left-wingers..." But he pointed out that having right-wing terrorists is actually helpful for the public because "left complements right, and they will fight against each other rather than attack the general public" in these cases.

Camp David Preparations Underway: Will Carter Toughen Up?

Preparations are currently underway for the United States strategy for the Sept. 5 Carter-Begin-Sadat summit at Camp David. The question in the minds of all informed observers is whether Jimmy Carter will prevail on Israeli Prime Minister Menachem Begin to agree to make peace with the Arab states by accepting the principle of Israeli withdrawal from the occupied West Bank. If Begin does not agree to this, what, if anything, does Carter have readied as the type of follow-up that would identify Israeli intransigence as the block to successful regional peace talks?

Strategy sessions to resolve exactly this question have begun this week at the estate of special envoy Averell Harriman between Secretary of State Cyrus Vance, special Middle East negotiator Alfred Atherton, Undersecretary of State Harold Saunders, and National Security Council Middle East advisor William Quandt. As these talks began official State Department sources described as "taboo" any public discussion on the "pressure Israel" subject. In testimony before the Israel Lobby-dominated Senate Foreign Relations Committee, Vance steered a cautious path, insisting that he was opposed to pressuring Israel yet at the same time strongly defending Saudi Arabia's positive role in the regional negotiations and criticizing Israel's decisions over the past months to erect new illegal settlements in the occupied West Bank territory.

Potential American indecision to act in the face of Israel is being attributed in the international press to Carter's fears of taking on the domestic Zionist Lobby; at the same time, Arab, European, and East bloc sources are concerned about the calamitous consequences if Carter does not show the toughness to take Israeli intransigence on forthrightly.

Israel's Threats

In lieu of any U.S. pressure on Israel, the Israeli government has publicly indicated its willingness to dangerously heat up the Middle East situation if matters don't go their way. Aside from renewed threats from Israeli military layers to bomb Arabian oilfields and continued Israeli obstructions in Lebanon, the Begin government is openly threatening to expand Israeli illegal control over the West Bank.

On Aug. 13, government spokesmen admitted that

Israel had initiated schemes in June of this year to build five new settlements in the West Bank. Leading the settlement drive, Agriculture Minister Ariel Sharon declared that "we must put our foot in the door everywhere, everywhere," before having peace talks with the Arabs. Co-thinkers of Sharon's in the ruling Likud Party spoke to the press about the necessity of Israel "creating facts" in the West Bank before the Camp David talks began.

A hue and cry broke out worldwide, including in Israel, when the provocative June decision was made public. Hurriedly, a special Cabinet committee voted to "defer" all settlement projects pending the outcome of Camp David — an unambiguous signal of Israeli policy to follow the summit if some momentum toward peace is not achieved at that meeting.

Push For Separate Peace

Informed Israeli sources close to Foreign Minister Moshe Dayan have evaluated Israel's negotiating position at Camp David as addressing the following blunt question to the Egyptians: "Are you ready to go to war over the West Bank?"

Stated otherwise, this question translates as, "Is Egypt going to sign a separate peace with Israel of the type advocated by Henry Kissinger?"

The architect on the Israeli side of the Kissinger-arranged 1975 Egypt-Israel Sinai Pact, former Premier Yitzhak Rabin, this weekend publicly advocated a separate peace, as the alternative to failure in reaching a mutually-agreed-upon declaration of principles on the question of self-determination for the Palestinian Arabs. Correspondents and editorialists in the Israeli Press have echoed this line.

According to an informed Gulf States-connected Arab source, "A separate peace would be the green light for Israel to strike East, against Arabian oilfields." The source labeled this potentiality "Saudi Arabia's greatest single fear," and indicated that the Saudis were intensively deployed throughout the Arab world to prevent a separate peace from coming into being. The source portrayed the separate peace push as only one element in a concerted Israeli-U.S. Zionist Lobby drive to "rupture U.S.-Saudi relations" and to "set up Saudi Arabia for a long-range hit."

"Separate peace" rumors have intersected reports

that a subject to be discussed at Camp David will be the stationing of U.S. troops in the Middle East to "guarantee" an Egypt-Israel peace. This possibility has been bitterly attacked by the Soviets, who have identified National Security Council chief Zbigniew Brzezinski as its architect.

Despite the publicity given to the separate peace dynamic, Egyptian President Anwar Sadat stressed Aug. 14 that he "would not sign a separate peace," but was committed to a "global accord. . . . I could have signed a separate peace a long time ago but I didn't, so why do these reports persist?" Sadat stressed.

Lebanon: Precedent For American Pressure?

The one sign that emerged this week that the U.S. would take Israel to task for obstructing Middle East talks was the evidence of U.S. pressure to force Israel

to stop arming the Lebanese Falangists. According to *Newsweek* magazine, shipments have in fact stopped to the Falange because of U.S. pressure.

Whether this is just a "put-out-the-fire-that-Israel-sets" operation, or is part of a wider operation to bring Israel into line, is as yet unclear.

In Lebanon, meanwhile, the Israelis continue to play with fire despite U.S. involvement. Israeli puppets in the South refuse to allow Lebanese Army forces to penetrate southward, jeopardizing United Nations peacekeeping efforts in the region. In Beirut, Israeli agents blew up a nine-story building in western Beirut in an attempt to initiate a new wave of terrorism in the Middle East. But the fact of Israeli intelligence's involvement has begun to emerge into the international press (see below).

— Mark Burdman

Views Of The Summit From Around The World

The Sept. 5 Camp David summit has drawn a great deal of commentary and evaluation from the international press and diplomatic community. The following is a representative sample, from the U.S., Europe, the Soviet bloc, and the Arab world.

A U.S. insider in the negotiations stressed that:

Camp David is a delicate balance, as we search for an umbrella to further the talks. The crux is for Israel to give back the West Bank: we need a commitment from Israel *in principle* that the West Bank and Sinai are Arab territory. That's the key: in return for it, the Arabs can make some concessions in terms of the Israeli security question. This won't be detailed to the point at Camp David, but will be discussed in follow-up working groups. . . .

For the West Bank, we need the principle of eventual self-determination. This may not seem like stated U.S. policy, but that is what is meant by 'legitimate rights of the Palestinians,' and the Israelis are fully aware of it. . . .

As for the Soviets, they'll buy the package if it doesn't include American troops being sent to the area, and that idea is not coming from the Administration, but from some people in Congress.

Other sources took a less sanguine tone. The Saudis have made clear that their support for the Camp David initiative is *conditional* on Israel making territorial and related concessions. On Aug. 9, the Saudi paper *Al-Bilad* stated that Camp David:

will be more or less Israel's last chance to make responsive steps to any reasonable initiative or to hinder it, which would make it yet another failure like the other meetings that have taken place. . . . (We) hope that Israel will not use the Camp David meeting to propagate again disunity in the Arab ranks when healthy signs of solidarity and the start of unified strategy have appeared on the horizon.

On Aug. 11, the *Riyadh Domestic Service* stressed that the Camp David meeting:

represents the last chance for Israel to abandon its arrogance and its insistence on its rigid position and to show greater flexibility. . . . Nobody expects the summit meeting to succeed unless the United States puts forward a plan of its own in line with the UN resolutions and forces Israel to accept. . . . The failure of this conference is fraught with great danger. . . . It will. . . mean the squandering of the last chance open to Israel to return to the right path and realize that it cannot gain peace and territory at one and the same time.

Jordan's *Amman Domestic Service* Aug. 9 worried about the consequences for Camp David if Carter held back from pressuring Israel:

As the United States clings to its stands of not exerting pressure on Israel, not submitting definite proposals and not turning into a full partner in the negotiations, except in the sense of arranging another meeting here or there; and as Israel is more persistent than ever on sticking to the two matters of territories and sovereignty, with constant denial of the firm, legitimate rights of the Palestinian Arab people, it is difficult to make progress toward a comprehensive peace in the region. . . . In order for us to have hope in the possibility of making progress toward a true and comprehensive peace, the United States should have called for a summit conference that comprises all the parties concerned with the Middle East dispute, including the Soviet Union and the EEC, in addition to the principal Arab parties.

The Dangers of War

A writer close to Egyptian President Sadat, Anis Mansour of the weekly *October* magazine, warned on Cairo's *Middle East News Agency* Aug. 13 that:

the U.S. has a definite and direct interest in peace, that this opportunity which it provided to the two sides of the Middle East dispute might be the last, and that if it does not lead to peace there will be no peace for Israel or for the U.S. . . . The U.S. and Israel are aware that the possibility of war exists, that military operations could begin at any moment, that Washington and Tel Aviv exchanged messages regarding the Egyptian military movements, and that Egypt sometimes raises the degree of military preparedness among its forces.

The threat of war is cited by leading French commentator Paul Marie de la Gorce of *Le Figaro* Aug. 9 as a prime motivation behind Carter's Camp David decision. In an article supportive of Carter, de la Gorce writes:

Short of being blind, it was impossible not to see that the almost spectacular failure of the Egyptian President's initiative last November would lead to a catastrophe of unpredictable dimensions . . . President (Carter) is putting himself on the front line: if he succeeds, he will come out with enormous prestige; if he fails, he will inevitably bear the consequences....What powerful motives pushed him to act?

First of all, the obvious certainty that, short of a settlement or the beginning of a settlement, a war (in the Mideast) would have formidable consequences on the world equilibrium. But in addition, the American government is, it seems, convinced that the Israeli refusal to accept Resolution 242 of the United Nations . . . is not insurmountable . . .

From a much more critical standpoint, the Soviets this week warned of negative consequences developing out of Camp David, in commentaries in various Soviet publications. An Aug. 10 *Tass* release reports:

Leaders of the present Israeli Government have made it clear on many occasions that they are interested in reducing the role of the United States to organizing the process of bilateral talks with some Arab countries and in forcing the Carter administration not to assume the role of the umpire between Israel and the Arabs. After

the United States itself has actually torpedoed the resumption of the Geneva peace conference on the Middle East, American diplomacy has had nothing left to do, as a matter of fact, but to follow the mainstream of Israeli policy. Of course, the United States has big levers of pressure on Israel, whose dependence on the American military and economic aid has increased particularly since the October war in 1973. At the moment, Israel accounts for one-third of all foreign aid by the United States. Nevertheless, the Carter administration has made repeated assurances during the past year that it will in no case resort to pressure on Israel.

The likelihood of such pressure has become minimal during the year of mid-term elections when the influence of the Zionist lobby forced the President to display especially and sometimes in a form even humiliating for the White House, the common American and Israeli positions on issues of a Middle East settlement. . . .

Pravda further stressed the danger of Israeli manipulation of the U.S. in an Aug. 12 *Tass* release entitled "Dangerous Undertaking."

According to reports received from Washington, the President's aide for National Security Z. Brzezinski told correspondents that the U.S. government is preparing, as he said, 'constructive proposals' which will be presented to the participants in the Camp David meeting at the beginning of September, Egyptian President Sadat and Israeli Prime Minister Begin. Informed American circles affirm that among these so-called "constructive initiatives" is a proposal for the deployment of contingents of American troops to the Middle East as a "guarantee" marking the separate deal between Egypt and Israel.

...Moreover, it should be clear that the proposed introduction of American troops will bring a new element into the Middle East situation, fraught with far-reaching dangerous consequences. . . .

It goes without saying that if these interventionist plans are actually intended to be realized, as has come out in the American press, they will be met with decisive resistance by the independent Arab states and all who are for a universal political settlement in the Middle East, including the Soviet Union.

Israeli Terror Aimed At Saudis, Arabs And Israelis

Faced with an unprecedented terror wave directed against their offices in the Mideast and elsewhere, Arab government and Palestinian officials have begun to lay blame for the incidents on Israel, exposing Israel's role in international and, in particular, in "inter-Arab" terror acts.

The vigorous Arab exposure of the Israeli connection to international terrorism promises to effectively contain a major Israeli deployment capability not only against Arab unity but also against the Bonn-Bremen economic plans and a Middle East peace settlement. Fearful that the upcoming Camp

David summit may become the venue for the U.S. to pressure Israel into a comprehensive settlement, the Israelis are brandishing terrorism to blackmail the U.S. into submission.

Triggering this development was the Aug. 13 explosion in Beirut that demolished a nine-story apartment complex housing the offices of the pro-Iraqi Palestine Liberation Front (PLF) and Fatah, the core group of the Palestine Liberation Organization (PLO). The leaders of both groups, who were in the process of reconciling their differences as part of a larger inter-Arab reconciliation effort,

publicly blamed Israel for the bombing in Beirut, as did Radio Moscow. The attribution of blame to Israel undercut initial reports that Syria had engineered the incident.

In addition, a high-level Iraqi diplomat has completely absolved the PLO for recent terrorist attacks against Iraqi officials and has blamed "Israeli secret services" for terrorism. Yasser Arafat, chairman of the PLO, stated that "the Israelis are willing to use a cover of so-called 'inter-Arab' fighting to launch waves of terrorism in the region."

The French daily *Le Figaro* reported on Aug. 15:

...The PLF denied having accused a rival organization, the (pro-Syrian) FPLP CG of having fomented the attack... The FPLP CG in turn denied having claimed responsibility for the attack...

According to a spokesman for Fatah, the PLO leaders are reported to now be sure that the Israeli secret services are preparing to set off a wave of terrorist attacks in order to intensify Iraqi-Palestinian divergences.

...Several representatives of the PLO abroad, who have just been called back to Beirut for consultations with Yasser Arafat, are reported to have shown the same apprehensions and demanded "muscléd protection" following the assassination in Paris of Ezziddine Kallak...

The Lebanese milieu — from left to right — is convinced that the Camp David summit will cause a new upsurge of violence in Lebanon...

Bomb The Oil Fields

On Aug. 11, the *Jerusalem Post* featured a scenario currently being discussed by Israel's top military strategists to bomb Arab oil fields.

... Israel has become a pawn, a somewhat unruly pawn to be exploited by the U.S. in the latter's drive to establish greater spheres of influence in the Middle East...

(Now) another Middle East war is possible and probable...

Such a war would not necessarily lead to the use of an oil boycott as a war weapon. However, if the Arabs should find themselves facing disaster, they would no doubt use this weapon.

The world is not fully aware, however, that Israel could bring about an even more effective oil stoppage, one that could ruin Europe's economy for a decade...

There is a growing realization that U.S. policy has made Saudi Arabia, in effect, a confrontation country... Israel might... be forced to destroy the main sources of Arab power — their oil wells.

Many of the mental and moral barriers existing in Israel to the thought of destroying oil wells are being slowly removed by Europe and the U.S. themselves.

Europe may be horrified at the prospect that Israel could cause its economic strangulation. However, this horror is somewhat hypocritical...

The recent reduction of the sale of U.S. planes to Israel and the linkage of this sale to a more or less equal sale to

the Arab countries, which are revocations of real U.S. commitments to Israel, will cause Israel to re-evaluate its position. Hence, moral compunctions and idealistic tendencies may be swamped by the demands of Realpolitik.

In the event of a full-scale war, Israel might use her power to temporarily destroy the oil source of a large part of the world. Paradoxically, present U.S. policy, which aims at reducing the probability of an oil embargo, may indeed bring about such an embargo. It is not inconceivable that the Soviet Union would even support Israel in such an endeavour.

It should also be pointed out that Israel's growing isolation and the West's failure to press the Arab side into a moderate compromise have resulted in a vigorous Israeli programme to develop an independent arms industry. It may force Israel to consider manufacturing different types of non-conventional weapons...

It is difficult to understand the U.S. failure to embark on an emergency programme to develop alternative energy sources... A partial explanation of the inability to act is the very effective power of the oil companies and the banking institutions. These concerns very often look more to their international financing and profits than to the well-being of the U.S. community.

(Alternative energy resource development) must be combined with a similar effort in energy saving...

In the long run, this will scuttle industrial enterprises that are not profitable because of their wasteful use of energy.

Then on Aug. 13, the London *Sunday Telegraph* asked in a headline, "Will There Be an Oil Embargo if Camp David Fails?", and linked recent deployments of Christina Onassis, the stockpiling of oil of certain American oil companies, and ostensibly pro-"oil weapon" editorials on Radio Moscow in a Byzantine web of intrigue to "prove" that a Camp David failure would lead to world catastrophe.

In an Aug. 16 speech, Prime Minister Begin summed up a predominant strain in Israeli strategic and military circles: Israel, said Begin, is "ready to negotiate an overall settlement but the Arabs are not," therefore "the task of the armed forces is to prepare for war, as the task of our government is to prepare a peace settlement."

Backing his statements up, the Israeli media are warning the Israeli population to be on the alert for an outbreak of "Palestinian terrorism" in the days leading up to Camp David. The meaning of the warning is clear: The newly activated "Brigade 101" commando unit formed by Gen. Ariel Sharon is about to unleash a wave of "Palestinian terror" against the Israeli population — to create the pretext for action against Saudi oilfields.

According to one veteran Mideast observer, "Sharon and (Foreign Minister) Dayan and their cronies have been known to blow up school buses filled with Israeli school children, if it served their wider ends of preventing peace with the Arabs."