

development that has yet appeared in West Germany. Strauss opponents are so terrified of "wasting" their vote that many do not dare vote Green. The S.P.D., the F.D.P. and the small Communist parties, all of which compete with the Greens for votes, cannot regret this development.

**I**t is unlikely that the North Rhine-Westphalian election results will be repeated precisely in October. There are a number of voters who support the Schmidt Government, for example, but fear the influence of socialists in his party, as well as a possible backlash vote against the Catholic bishops' criticisms of Schmidt by Protestants who usually vote C.D.U. They will vote for the F.D.P. in sufficient numbers to give it the required 5 percent of the vote, thus preventing the S.P.D. from winning a majority on its own. But if the present coalition Government is returned by a comfortable majority, what then? A good part of the local party work of the S.P.D. has for a long time been conducted by people far to the left of their representatives in the Government. The fear of Strauss has driven even more socialists under the S.P.D.'s roof. A big Social Democratic win in October could add to the ranks of the socialists in the Federal Parliament. The Young Socialists (Jusos), a nominally auxiliary organization of the S.P.D. that has for years followed an independent socialist course within the party, will be strengthened. Even the Young Democrats, the youth organization of the F.D.P., has moved in a leftward direction that sits uncomfortably with the more conservative party leadership.

Strauss talks polemically of a "Moscow group" within the S.P.D. This is ridiculous, if taken literally. But the leftist minority in the S.P.D. (which can count on some sympathy among the younger elements of the F.D.P.) has been pushing for a greater say in policy making, a much stronger pro-labor attitude, a reversal of the Government's pro-nuclear-power program and a halt to militarism and undue reliance on American leadership. The Schmidt Government, even more than the Brandt administration before it, has consistently battled its own left wing, and sought to steer a more moderate reformist course. The Government has gone so far as to approve a blacklisting program for public employment (including, among other things, university and school employment) that reminds Americans irresistibly of a long-dead Senator from Wisconsin—although local C.D.U. blacklisting is worse in this regard. [See Martin Oppenheimer, "West German McCarthyism," *The Nation*, March 17, 1979.]

If the Strauss candidacy proves bankrupt, the Government will be left without any excuse for its own policies against leftists within and outside its ranks. Chancellor Schmidt has left little doubt that rejection of the German left suits his own political opinions and style, but he has always been able to justify himself to his party by casting a fearful eye on the threat from the right. After October 5, he may have to reach a new accommodation with the socialists within the S.P.D. If not, he will be compelled to drop all pretense and justify a crackdown on internal party grounds. Either way, the struggle will be revealing. □

## ■ THE HYDROGEN ALTERNATIVE

# Somebody Doesn't Like Hy-Fuel

FRED J. COOK

**I**n the desert wasteland near Yuma, Arizona, two lines of weird-looking structures loom under the blazing sun. Slanted panels gape upward at the sky. Behind them are rounded, cylindrical devices that look like old-fashioned television tubes many times magnified. These are connected by wires and tubing to a small pumping station and rounded storage tanks. The slanted panels are solar collectors that gather the sun's burning rays; the cylindrical devices behind them are "parabolic concentrators" that intensify the energy collected by the panels and focus it on photovoltaic cells. The cells produce electrical energy, and electrolysis then splits the hydrogen atom from water. The hydrogen gas so produced is turned into a stabilized liquid similar to ammonia. The liquid, called Hy-Fuel, is fully substitutable for fuel oil or for gasoline in automobiles, tractors and other farm equipment.

This Yuma solar energy farm is the creation of Consumers Solar Electric Power Corporation of Culver City, California, masterminded by a maverick scientist, Dr. Gerald Schaflander. On July 1, the firm had its first commercial tankload of 250 gallons of Hy-Fuel ready for delivery—at only 50 cents a gallon.

There is no question that Hy-Fuel works. Schaflander has converted eighteen Chevrolet engines to his revolutionary fuel and has driven two of them across the continent, getting about twenty miles to the gallon. Tests show that Hy-Fuel's emissions are far cleaner than gasoline, obviating the need for costly emission devices. Hy-Fuel is also more stable than gasoline, far less likely to explode in case of an accident. Two years ago, Schaflander challenged a House of Representatives energy committee to let him test his device on a selected fleet of Government cars. Although he asked for no up-front money and promised, "If we can't deliver, we don't get paid," the Government turned him down.

Against this background, one looks out at the two small production lines on Schaflander's desert solar farm and wonders: Is this a vision of the future? Can the limitless energy of the sun and commonplace hydrogen found in water be tapped to yield up a new fuel that would make gasoline and fuel oil virtually obsolete?

Schaflander is convinced that this can happen, that inventions by his scientific team have achieved a major scientific

---

*Fred J. Cook, a regular contributor to The Nation, won the Newspaper Guild of New York's 1980 "Page One" Award for Crusading Journalism for his recent series of articles on energy issues. Research support for this article was provided by the Fund for Investigative Journalism in Washington D.C.*

breakthrough that would liberate the American economy from the inflationary spiral caused by the Organization of Petroleum Exporting Countries and Big Oil. Yet despite the promise of Schaflander's fuel, he claims that he and his co-workers have been scorned by Government officials and harassed by law officers and private detectives. Their phones have been tapped, banks have tied up their funds, they have received telephoned threats in the night and been subjected to bomb scares. The pressure and intimidation have allegedly been going on ever since 1974. Most recently, U.S. postal inspectors have been questioning Consumers Solar's stockholders, and a Federal grand jury has been impaneled to investigate Schaflander's Hy-Fuel operations for possible mail fraud.

**T**he feasibility of the basic premise of hydrogen fuel has been acknowledged even by the Department of Energy with its demonstrated pro-Big Oil bias. As far back as August 1977, Vincent Esposito, director of the division of transportation and energy conservation in the Energy Research and Development Administration (the scientific arm of the D.O.E.) wrote:

Hydrogen is an excellent motor fuel. It has been identified as a long-term candidate alternative fuel because its use results in very low emissions. However, it is not likely to be available in quantity at an attractive price until we have sufficient energy (e.g., nuclear or solar) to make hydrogen from water.

The department also contends that hydrogen fuel cannot become practical until an entirely new engine is designed to accommodate it—which would postpone its use to the year 2000. This pessimistic assessment ignores the fact that Schaflander has already converted existing motors to run on Hy-Fuel at a cost of between \$175 and \$350, depending on the size of the car.

There are other signs that the hydrogen alternative is attracting serious attention. In late June, the Energy Department allocated \$7.7 million to the Solarex Corporation for the production of a new type of silicon to be used in photovoltaic cells. About the same time, AEG Telefunken, a Berlin-based company with annual sales of \$10 billion, proposed a \$50 trillion, worldwide program to establish thousands of solar energy "plantations." Telefunken predicted that, by the year 2040, solar plantations could produce enough hydrogen to replace 100 billion barrels of oil. (World oil production last year was about 24 billion barrels.)

These announcements provoked a reaction from Schaflander. "We laughed when we heard about the \$7.7 million grant to Solarex," he said, "because we know from our own experiments that silicon will not work. It deteriorates in the desert heat and becomes only about 2 percent efficient. When we saw the AEG Telefunken announcement, we wrote them, offering to share with them our experience with silicon."

Having found silicon cells unsatisfactory, Schaflander's scientific team perfected Gallium Aluminum Arsenide/Gallium Arsenide solar cells. It also found a way, Schaflander

says, to produce such cells on a semiautomated basis, slashing costs. Some of the photovoltaic cells used to power our NASA spacecraft cost as much as \$5 a watt to produce; Schaflander's automated process, he contends, would reduce this to 27 cents a watt. "We have the technology to make these cells very cheaply," Schaflander insists.

He will not discuss the details of his manufacturing process and has not filed for a patent on it. "If we filed for a patent, Exxon or some other of the Seven Sisters would probably find a way to steal it," Schaflander says. "They've already tried to buy it, but we've refused to sell. We think that in a free enterprise economy our process should be used for the good of the American people. We want to give free enterprise a chance."

What seems clear in the Yuma desert is that the Consumers Solar team has accomplished something no one else has. It has, after all, produced 250 gallons of marketable Hy-Fuel and is still producing more. This success has been achieved without a dime of support from any Federal agency. Money to keep the firm's R&D programs creeping along has come from dedicated supporters whose numbers include such Hollywood figures as Robert Redford, Joanne Carson (Johnny Carson's wife) and Jack Nicholson. Support has also come from a strange amalgam of wealthy liberals and conservatives—the liberals would like to see the big oil companies' dominance of the American economy eclipsed, and the wealthy conservatives are anxious to show what free enterprise can do if Government just stops interfering.

Schaflander is a social psychologist who taught at Boston University, Northeastern University and other colleges. He developed an expertise in marketing and advertising working for the Young & Rubicam advertising agency. He later became closely associated with Senator Estes Kefauver, helped raise money for Dr. Martin Luther King Jr. and became active in the SANE antinuclear movement. By 1974, having become convinced that the nation needed new energy alternatives, he gathered together a nucleus of his academic colleagues, all scientific experts in related fields, and began the research that has led to the invention of Hy-Fuel.

In the six years since Consumers Solar was founded, Schaflander says, he has raised \$3.7 million from private sources. It has all gone into costly research and the establishment of his skeleton system in the Arizona desert. Some of the scientists working on the R&D program have accepted stock in lieu of cash for their efforts—stock that may turn out to be worthless or, on the other hand, extremely valuable. Nevertheless, Schaflander says, the costs over the years have been such that some \$280,000 in judgments are outstanding against Consumers Solar, and the firm still has no cash flow that would enable it to pay off these debts. It obviously needs more financial help, and it is seeking this under the Government's synfuels program.

What could be accomplished if Consumers Solar received a D:O.E. grant like the \$7.7 million given to Solarex? Schaflander says that even \$500,000 worth of financing would enable him to start up mass production of his photovoltaic cells. He is now producing Hy-Fuel on 1,000 acres of leased

land, but he has an option on another 10,000 acres. Given financial support, he says, he could crank up to full production on the entire tract in six months. According to Stephen Wright, president of Consumers Solar and its scientific expert, with six hours of full sunlight a day, such an energy farm would produce 2.85 million gallons of Hy-Fuel a day. Since the Arizona desert has almost continuous sunshine, an eight-hour day would enable the farm to turn out 3.8 million gallons of Hy-Fuel.

There are other advantages. "A unique co-generation system," Schaflander says, would turn the waste heat produced by the process into low-pressure steam that could be used to drive turbines producing electric power for the utilities. "Once we link the cells and put them in the desert, we have virtually a free ride," Schaflander insists. "The cells will continue generating hydrogen and producing electricity for years. The only capital expense we would have would be the one-time cost of installation."

Such a system—if Schaflander and AEG Telefunken are right—could render the nuclear power controversy forever moot, since it would not be needed. Schaflander estimates that his energy farm could produce electricity at a capital cost of \$690 per kilowatt. The capital-cost figures for fossil-fueled and nuclear-powered plants are \$1,200 and \$1,400 per kilowatt, respectively.

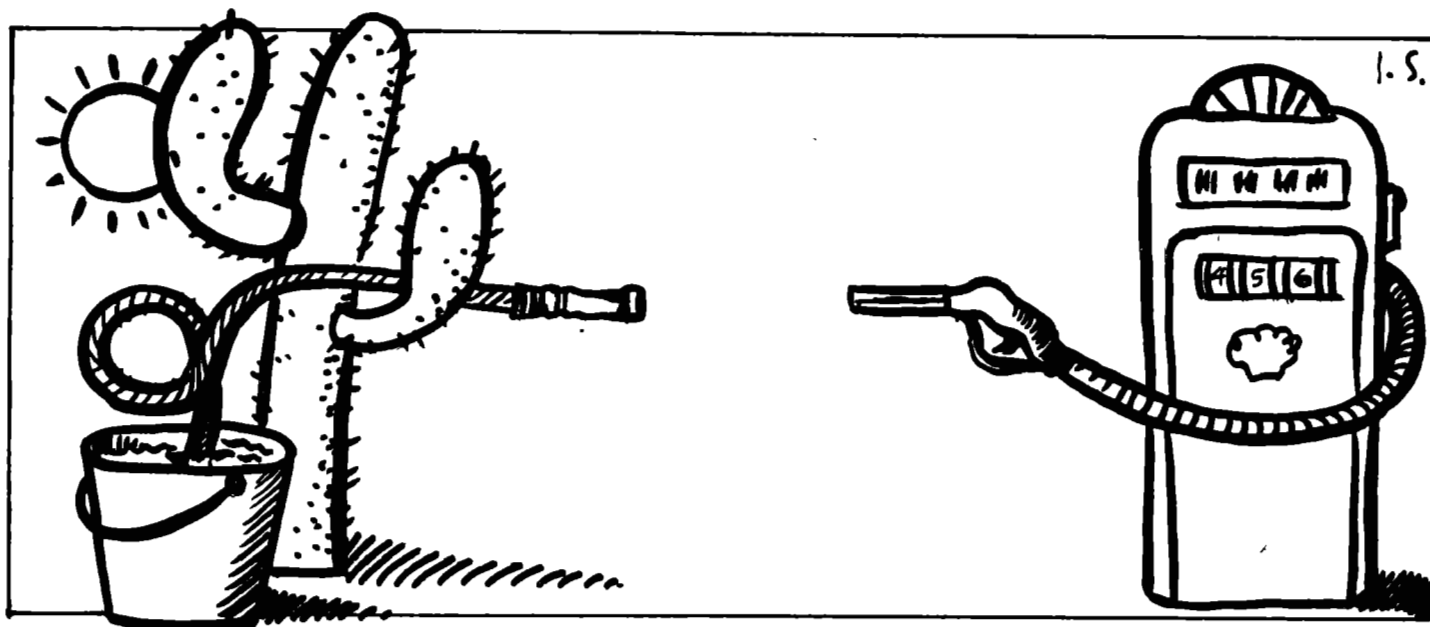
Car owners might wonder how difficult it would be to convert their present engines to hydrogen fuel. Schaflander's experiments show that it can be accomplished in a few hours. The process involves removing the gasoline tank and installing a new tank capable of holding the slightly heavier hydrogen hydride mixture. A "cracker" would be positioned in the front of the car next to the motor to convert the ammonialike Hy-Fuel into a gas mainly composed of hydrogen. This would flow into a new carburetor to which a fuel regulator is attached. Certain other solenoid valves and vacuum and pressure switches would be wired into the car. The hydrogen-powered vehicle would then be ready to roll.

A major and obvious difficulty (at least at the start-up of such a system) would be distribution. With Hy-Fuel paying all taxes, it would be priced in California at 59 cents a gallon at the pump. Major oil companies could hardly be expected to welcome Hy-Fuel pumps at stations where they now sell gasoline at more than double that price, and Schaflander claims that Big Oil and its corporate allies are behind at least some of the harassment he has experienced. The details of this are fully described in sworn affidavits on file with the Federal Bureau of Investigation. Schaflander says he informed the F.B.I. "because the only protection we have is to make public what is being done to us."

The incidents began almost the moment Schaflander attempted to set up shop in Menlo Park, California, in 1974. Union Carbide, from which he wanted to purchase nitrogen for his experiments, and Southern California Edison, from which he needed electric power, both demanded a list of his stockholders before they would advance credit. "We told them that we didn't want credit, we were prepared to pay in cash—but still they insisted they had to have a list of our stockholders," Schaflander says. Then banks began returning checks for insufficient funds—"even when we had plenty of money in the accounts to cover the checks."

The infighting got dirtier in June 1974, while Schaflander's team was trying to perfect its photovoltaic cell. There were interruptions and noises on the firm's telephone lines, indicating wiretapping. Then came the threatening telephone calls. Schaflander, his wife and his 79-year-old mother all received them. A husky-voiced caller kept warning: "Get out of Menlo Park or your life won't be worth a plugged nickel." Schaflander's mother fainted after getting one of these menacing messages about her son and had to be hospitalized.

Schaflander's affidavit, dated June 5, 1974, described how he was stopped at 10 A.M. as he was driving along Highway 101 from San Francisco to Menlo Park. Police sirens wailed; he was forced off the road and surrounded by five police cars. He continues:



One officer pulled me out of the driver's seat and dragged me back of my car against the side of his car and drew a pistol which he placed at the side of my head. Four other state troopers drew pistols on me and jostled and shoved me while they went through my pockets, roughly handling me. I argued that I was not resisting, but wanted to know why this was happening. The official who seemed to be in charge, called Brownie, said I had been driving erratically over 90 miles an hour for 10 minutes. I said it was absurd, Miss Jane Brown, my administrative assistant, was in the front seat with me and would verify that I had not driven more than 55 miles an hour.

"Brownie" said, "Tell it to the judge." Then he handed Schaflander a ticket and started to search under the seats of the car. When Schaflander demanded to know what evidence there was to support the 90-mile-an-hour charge, "Brownie said, 'We had a call from a driver with a phone in his car that you passed on 101.' I said, 'Who was it?' and they handed me a card and the card was that of Dennis Hettman, a private investigator. We asked the Wackenhut Detective Agency to check out this gentleman and they reported that he has long been hired by Union Oil Company of California."

Jane Brown, in a supporting affidavit, said she had seen Schaflander "forced to place his hands on the car, being frisked, and pistol-whipped [she apparently mistook the pistols being waved at his head for pistol-whipping], and being told he was a dangerous criminal and ought to be arrested for endangering people's lives."

Schaflander, Brown and four other employees of Consumers Solar reported that helicopters constantly circled over their Menlo Park plant and that they were followed on the highways wherever they went by burly-looking thugs in three vehicles: a white pickup truck; a two-door, red wide-track Pontiac, and a blue Thunderbird. A check on the license numbers of these cars showed, Schaflander says, that they belonged to Intertel, a detective agency owned by Resorts International.

The rough stuff was only beginning. "Two of our hydrogen-converted cars were stolen off our vans," Schaflander says. "Then one of our cars was driven off the road by a truck, and the driver suffered a concussion and a fractured shoulder. Well, we have some young and pretty dedicated people working for us, and they caught up with the truck, drove it off the road and sent three people to the hospital. I don't like it. It's a dirty way to have to fight, but what choice do you have?"

No choice at all in view of the occurrences in Menlo Park in February 1975. Schaflander's team had been working almost around the clock all week. Tanks of hydrogen and nitrogen for use in their experiments were stored in the plant. Edwin Rothschild, Schaflander's son-in-law, now director of Energy Action in Washington, recalls that they were all dead-tired when they locked up for the weekend. Later that night, a watchman for the Ace Guard Service discovered a bomb that had been placed in the back of the plant.

Ventura County detective Robert Kerr removed the

bomb. According to officials in the Ventura County sheriff's office, it was a very crude device. Some of its components, they said, were similar to materials to be found in Schaflander's plant. This was the basis for the story ultimately leaked to the newspapers that Schaflander himself must have planted the bomb to get publicity. Schaflander shakes his head in disgust. "Some people may think I'm crazy," he says, "but nobody has ever called me pathological. And anybody would have to be pathological to plant a bomb where hydrogen and nitrogen were stored. Why, if that bomb had gone off, it would have created an explosion like an atomic bomb."

This logic made no impression on the Ventura County sheriff's office. Rothschild remembers the day—Saturday, February 22, 1975—when sheriff's deputies descended on Consumers Solar. Brown also recalled the scene in a statement filed with the F.B.I. It was 4 o'clock in the afternoon when the raiders appeared with a search warrant signed by Judge Charles McGrath. Brown testified:

All present, including corporate officers, members of the board, five administrative assistants, one scientist, two guards, one receptionist plus CPA and attorney were asked to remain either in the front room or the Board Room until all names and addresses were taken by the police.

Mr. Schaflander was personally searched, and then his attaché case was completely emptied and the contents were placed on the conference table and scrutinized by several officers.

All of us were then kept in the front office or outside the plant while officers combed through our corporate documents.

This raid, coming within a week of the bomb incident, was based on the charge that Schaflander was running a phony corporation. The sheriff's office contended that a check with the Secretary of State of Delaware had revealed that Consumers Solar was not registered nor in good standing. (A reporter from *The Los Angeles Times* who later called the same office was told that the corporation was in compliance with the law.)

Brown's personal notebook in which she recorded day-by-day details of business transactions was confiscated. The following morning, Sunday, February 23, she learned that "documents from the corporate files and our master Rolodex containing all business phone numbers including investors, suppliers, attorneys, etc., had been confiscated without any opportunity being provided for our people to photocopy the items."

Schaflander had to resort to legal action. It took him eight days to obtain a court order compelling the sheriff's office to return the seized documents. Then Schaflander made another discovery. "We found that [someone] had flushed out three of our bank accounts completely," he declares. "We had been holding about \$15,000 in them to pay the most necessary bills, but somebody had forged Steve Wright's name on eleven checks and that wiped us out completely. We asked the District Attorney to investigate, but

nothing was done. We got our own handwriting expert, and he declared there was no question Wright's signature had been forged. We asked for a grand jury investigation, but got nowhere. Perhaps it's only coincidence, but three of the officials in charge of the investigation were big stockholders in Standard Oil of California (Chevron). The effect was that our work was brought to a halt, and it took us three to four months to regroup."

Schaflander says that the harassment, whatever its origin, is continuing. About once a month until around the end of March, either he or one of his associates would get a telephone call that a bomb was going to be planted in Consumers Solar's plant. So far, these have been idle threats, but there is another subtle form of harassment that disturbs Schaflander. "My son has been followed on his way to school, and that worries me," he says.

**T**wo business developments that seemed to promise a breakthrough in getting Hy-Fuel accepted have backfired this year. Schaflander had entered into an agreement with J. R. Simplot of Boise, Idaho, head of a multinational corporation that is reputedly the largest potato processor in the nation. The contract called for the delivery of 32 million gallons of Hy-Fuel over a five-year period. Because of the size of the order, the price was to be 50 cents a gallon. The first delivery under the terms of the contract was to be made July 1, and on that date Consumers Solar had 250 gallons of Hy-Fuel waiting for Simplot. At the last minute, Simplot's lawyer issued a refusal to accept delivery because, he said, Consumers Solar had "breached" the contract by not supplying needed technical information about Hy-Fuel and the manner in which it was to be handled.

Wright conceded there had been some delay in providing information because Hy-Fuel was constantly being upgraded in quality. But he expressed surprise that Simplot would resort to such a "technicality" to abrogate the contract. Schaflander was outraged. He said an examination of Consumers Solar's records showed: "On April 3, 1980 . . . two scientist-engineers from the Simplot company and one of Simplot's sons visited our plant in Culver City to again see our technology . . . At that meeting—with two other Boise SCEP stockholders present as witnesses—we detailed *all* the chemical elements in our Hy-Fuel and, further *fully* discussed storage and vehicle conversion techniques."

#### ATTENTION SUBSCRIBERS

*The Nation* is in the process of transferring our file of subscribers to a new computer house. We anticipate that there will be a slight delay in processing new orders until the new system is fully underway. Once it is operating on schedule we are confident that we can service all orders quickly and efficiently. If you have any complaints or questions about your subscription, please direct them to:

*The Nation* Subscription Service  
P.O. Box 1953  
Marion, Ohio 43302

Furthermore, Schaflander said, full information "along with final Hy-Fuel (percentage) contents" were in a sealed envelope aboard the trailer-tank truck with the 250 gallons of fuel. Simplot, of course, never got this because, at the eleventh hour, he decided not to accept the fuel. Significantly, perhaps, Schaflander had not asked for any up-front money on the signing of the contract; but with the first delivery, he was seeking funding to enable his firm to fulfill the rest of the enormous contract.

The second setback this year involved the U.S. Postal Service. The service had agreed to let Schaflander convert six delivery jeeps to Hy-Fuel, but it had turned over only one jeep for the initial experiment. Then trouble developed. The conversion equipment that had worked on Chevrolets simply would not function on a jeep. Stuck with an unworkable jeep, Consumers Solar had to call off scheduled demonstrations and go back to the drawing board. Schaflander says the firm spent more than \$125,000 designing a new carburetor and cracker that would work on *anything*—even a jeep. Then the Postal Service demanded that their jeep be returned. They had not, they said, intended to enter into any R&D experiments. Schaflander duly returned the jeep and bought one of his own for further experiments. On April 14, Consumers Solar ran a test on the newly converted jeep. According to the Richard Petty Fund for Automotive Engineering, the jeep passed all tests. But postal officials boycotted the demonstration.

Charging that a double standard was being applied to him, Schaflander bombarded Senators and Congressmen with demands for an investigation of the Postal Service. He pointed out that, while postal officials had reacted with horror to the idea of R&D where Consumers Solar was concerned, they had taken an entirely different attitude in other cases. He cited a letter from Edward Horgan Jr., an assistant postmaster general, to Senator Warren G. Magnuson. In this, Horgan wrote: "Enclosed is an executive summary of a research and development project on hydrogen fuel conducted by the Billings Energy Corp. . . . in 1977. In addition to this project, the Postal Service has been working with UCLA in the area of hydrogen-fueled vehicles. . . . A substantive amount of research and development remains to be done."

When Schaflander started to cause trouble, the Postal Service struck back. On June 9, Schaflander wrote Senator John Glenn, Representative James Hanley and others: "I think you should know that the postal inspectors are still trying to intimidate our stockholders in a vindictive fashion. Last week they visited a key vendor/manufacturer/stockholder and told him, 'You better talk to us since you're probably going to have to do it in court anyhow.' He, of course, is a close friend and key stockholder, and refused to give them any proprietary information or show them proprietary designs for which he had made countless crackers and carburetors."

The trouble did not stop there. On June 19, Pacific Telephone notified Schaflander that all his telephone records had been subpoenaed by a Federal grand jury in Los Angeles. On July 31, two postal inspectors sent a list of 52



questions to 100 selected Consumers Solar stockholders. They asked, among other things, if stockholders had been led to believe the corporation was in large-scale production when they invested and if they were told that it was about to have a public underwriting and was in a good cash-flow position. The stockholders were told to return every mailing they had ever received from the corporation to determine whether fraud had been committed by mail—and then they were given the ridiculous reassurance that, of course, the fact that it had would not in any way jeopardize their investment.

“What—if a fraud had been committed?” Schaflander snorts in disgust. “Then, of course, everything would be worthless.”

Schaflander, who had already asked to appear before the grand jury without being granted that privilege, had the postal inspectors' questionnaire reproduced and mailed to all 628 persons who had loaned the corporation money in return for stock. He asked if they wanted to return their stock and get their money back. “I doubt if there are more than a dozen in the whole list who are that disgruntled,” Schaflander says. “But let's find out. All of this trouble began after I had complained to Congressmen and Senators about the Post Office's conduct, and as far as I'm concerned, it represents nothing but vindictive harassment.” □

## ■ BITTER TIMES IN SUGARLANDIA

# Marcos's Influential Enemies

BRENNON JONES

*Manila*

**D**issension in the Philippine sugar industry is only one indication of the growing opposition to President Ferdinand Marcos's continued rule. The sugar industry has been harnessed for the personal gain of the President, and support for him among sugar planters is now nearly nonexistent. And as the real incomes of the sugar workers decline, they grow more militant in their criticism of the Government and increasingly see violence as the only way of gaining justice.

For years, the wealthy Filipino sugar growers dominated Philippine politics. The majority of representatives and senators in the Congress had interests in sugar. Most political candidates tapped the wealth of the sugar magnates to finance their campaigns. President Marcos was no exception, wisely choosing Fernando Lopez, whose family had substantial sugar interests, as his running mate in his 1965 Presidential bid.

After Marcos imposed martial law in 1972, however, he set about dismantling the sugar bloc. Planters contend that

he used the policy of “nationalization” of the industry, a not unwise one in the face of curtailed U.S. sugar imports and the need to find new markets, as the opportunity to break the traditional economic and political power of the sugar magnates. In 1973, by presidential decree, trade in sugar came under Government control, with the planters paid a fixed price for their production. The policy was implemented just in time for the Government to capture wind-fall profits from the 1973-74 boom in international sugar prices. Planters were paid approximately 13 cents per pound for their sugar by the Government, which in turn sold it on the international market for prices in excess of 40 cents per pound. As a result, the large profits that planters could have earned during the period of high world sugar prices were skimmed off by the Government, with no official accounting of how they were used. Planters say they needed such profits to meet future rising costs of production; to help improve conditions for their sugar workers, and to weather the years when world sugar prices plummeted in the late 1970s. Now, when world sugar prices are higher, planters have been told by Marcos that they must repay massive loans, on which they survived in recent years, before any personal profits can be realized.

The planters' outrage at Marcos's policies could be easily dismissed as the normal grumblings of producers anywhere who are anxious for greater profits, but the plight of the sugar planters is recognized by most knowledgeable observers of the industry, including those in the U.S. Government. Said one U.S. official who is a close observer of the Philippines, “I'm not surprised that more than 90 percent of the sugar growers don't like Marcos. His policies have locked planters into a certain price relationship that works directly against them. Private traders would never rip off the planters to the same degree that the Government has.”

Planters see Marcos's motives as primarily political. “He is out to destroy any political opposition in the industry,” according to Alec Marisol, a sugar grower and former ally of the President's. “When your opponents are helpless financially, they are helpless politically.” Marcos has expropriated profits that planters could have used to finance opposition against him, profits that he can now use to buy elections.

Sugar planters are not just angry at being robbed of their sugar earnings. Many contend that the Marcos Government is manipulating bank loans, on which growers rely to cover their annual production costs, to intimidate and even destroy planters who are critical of the President. In the past, the Government-owned Philippine National Bank disbursed most sugar loans. But in 1978 President Marcos decreed that a commercial bank, Republic Planters, become the principal lending facility to the planters. Roberto

---

*Brennon Jones is a freelance writer who has written on international commodity issues. He reported from Vietnam in the early 1970s and was involved in the research and production of Hearts and Minds (Peter Davis). This article was supported by the Fund for Investigative Journalism in Washington, D.C..*

Copyright of Nation is the property of Nation Company, Inc.. The copyright in an individual article may be maintained by the author in certain cases. Content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.