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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

Record U.S. trade deficits...a 40 point plunge on the New York stock market...signal the coming world **monetary blowout**. Our **International Report** pinpoints the dynamic behind the economic downslide...includes special **emergency instructions** to bankers from U.S. Labor Party presidential candidate **Lyndon LaRouche**...whose proposal for a private banking **alternative** to the moribund **International Monetary Fund** is now under consideration by international financial and political circles.

* * *

International **bankers met** in Japan last week... **without the Rockefellers**...and Europe's oil combines have drawn a bead on the Rockefeller multis...but developments on the forex markets, analysis of central and private banking policy show the **anti-Rockefeller forces** have **no competent plan** of their own for putting the economy back together...see **Economics**.

* * *

Italy's **Andreotti** and West Germany's **Schmidt** are pushing to make the upcoming **Belgrade conference** on European security a means for increasing East-West political and economic cooperation...and reducing the danger of general war. The ouster of the

USSR's **Podgorny** is being interpreted as a sign the **Soviets** are **ready to move** more aggressively...to outflank the Carter Administration's drive toward global strategic confrontation...see **International Report**.

* * *

Can Jimmy Carter **muzzle his generals**...as they warn his Trilateral Commission policies will lead to war? The **Singlaub** affair has provoked Congress into motion against the war threat...See **National Report** for the story, **Asia Report** for a background feature on **Korea**...and why Gen. Singlaub was right.

* * *

Congress may well extend the Singlaub **hearings** into a general investigation of U.S. preparedness. Our **Military Strategy** section presents an important prospective witness, Maj. Gen. **John Keegan**...who reports that if general war breaks out, "the **U.S. will die** as a nation...the **Soviets will live on**..."

* * *

Vance **squashed** again on SALT...Congressional report says **Soviets won't attack unless** intolerably provoked...Carter's South Bend speech affirms **Brzezinski doctrine** of U.S. global hegemony...see **National Report**.

Israel is **out of Rockefeller's direct control**... but **Arab-Israeli tensions** still constitute the world's most dangerous flashpoint...and a **political brawl** has broken out in **Israel** in the wake of the extremist Likud Party's election victory. For the **strategic implications** of the infighting...an in-depth **profile of the Likud**...and **Arab reactions** in the wake of Saudi Crown Prince **Fahd's talks** with Carter...see **Middle East**.

* * *

South Africa does not appear to be falling for **Walter Mondale's** invitation to become a "breakaway ally" warlord against southern **Africa's** front-line states...nor are the Africans breaking ranks to embrace U.S. "soft cop" **Andy Young**. The USSR is again moving to cool down another confrontation point, the troublesome **Horn of Africa**.

* * *

U.S. **environmentalists** move to **terrorism**...see **Counterintelligence** for the incriminating internal documents of the group that led the **anti-nuclear demonstrations** at Seabrook...and a memo from **Lyndon LaRouche** on the necessity for a thorough **cleanup of the FBI** to guarantee prompt action against new terrorist outbreaks. The Justice Department may be implicated in the recent **murder of a Teamster official**...see **Labor**.

* * *

Andreotti gets the weapon he needs to **clean out terrorists** in Italy...**Rockefeller** responds with South Moluccan **kidnappings**...Britain's **Callaghan** counterattacks "**Lockheed scandal**" destabilization tactic...see **Europe**.

* * *

India is heading into new state elections...in a **political shambles**. Our **Asia Report** carries an editorial from the Indian publication **New Wave** assessing the situation...and calling for

a new **coalition** based on an aggressive **economic development** policy to restore order.

* * *

White House documents expose Carter's **illegal aliens** plan as **fraud**...see **Latin America**. Plus a special report on financially strapped **Peru**...will the **IMF** get its way?

* * *

In the wake of the London economic summit...Canada's **Trudeau** has shifted gears...appears to be moving out of the U.S. orbit...and has won a **convincing victory** in recent by-elections. What's going on north of the border?...see **Canada**.

* * *

Another "**oil shortage**" scare report...this one from **MIT**. Our **Energy Report** takes apart the **swindle** piece by piece, to expose the limits to growth fallacy...the backbone of the **Carter Administration's** no-energy program.

* * *

A more **incompetent** banker than **David Rockefeller**? We've found him...**John Bunting** of Philadelphia's **First Pennsylvania Corp.** See **Economics** for a full report on "**The Worst Bank in the World**." Plus a look at who stands to benefit from Carter's "switch to coal"...a rundown on **who controls the coal industry**.

* * *

The key to the international situation...the rapid **impeachment** of **James Earl Carter** and the **Rockefeller** crew running the U.S. executive branch. Our **National Report** reviews Carter's stinging defeats in Congress...reports on the emerging **Whig Coalition** of pro-Constitutional forces winning **victories** on vote fraud...drug proliferation...and fusion power development. Will a full-scale "**Cartergate**" follow?

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Fears Of War And Economic Collapse Precipitate U.S. Market Plunge

The recent steep descent of the New York stock market, which closed below 900 on May 27 for the first time in 16 months, should serve as a dash of cold water in the faces of the world financial and political leaders.

The market plunged, losing over 40 points in 7 sessions, when it perceived the twin dangers of a new war in the Mideast and economic downturn brought on by the Federal Reserve's tightening of interest rates, as the *Wall Street Journal* reported freely in its market column last week. The stock market implicitly recognizes what most American and Western European political leaders still do not — that the inflationary debt refinancing game could be up at any point, unleashing economic chaos and increasing the war danger.

The Fed's recent decision to tighten interest rates ever so slightly to bring U.S. double-digit inflation under control will not only terminate the U.S. economic "recovery." Already commodities prices — the source of debt service payments for Third World debtors — are headed downward; the bursting of the inflationary bubble in the U.S. will hasten that process. The "excess liquidity" in the banking system, which has been generated as a by-product of the inflationary economic expansion in the U.S., could turn into illiquidity overnight — ushering in a deflationary collapse replete with uncontrollable Third World debt defaults.

In this crisis, the world's leading international bankers who gathered at last week's International Monetary Conference in Tokyo are deliberating on ways to perpetuate the present bankrupt monetary system — and hence the threat of economic collapse and war. At the Tokyo conference, the first large public meeting of international bankers who want to survive Chase Manhattan's bankruptcy, European, Japanese and American financiers huddled around the still-warm cadaver of the International Monetary Fund. West German and Swiss bankers debated ways of raising money for the IMF to refinance unpayable Third World debt, while reports trickled into the meeting that Turkey had defaulted on payments for imports — only the most obvious sign of monetary collapse. The public statements of the bankers in Tokyo are backed up by the recent wave of new Third World loan syndications: West German, Swiss, and U.S. regional bankers are currently doing a spate of lending to the more "credit-worthy" Third World countries to bail out their — and the Rockefeller's — previous lending. Their strategy is epitomized by the attitude of the Rothschild family financial interests, who are talking in private about collecting enough of their present debt-holdings to survive a general monetary collapse.

The demonstrated ineptitude of those leading financial groups who might be constructing a working

alternative to the IMF's bankruptcy has created a situation in which the U.S. Labor Party Chairman Lyndon LaRouche's proposal for a private-sector gold-backed development bank has become the going alternative in the eyes of a growing number of more rational bankers and industrialists.

Deflationary Tendencies

On May 6 the Federal Open Market Committee, the Federal Reserve's chief policy making body, voted in favor of Fed Chairman Arthur Burns's recommendation to raise the upper end of the Federal funds target range to 5.5 percent. The decision was made public when the minutes of the April 19 FOMC meeting, to which the minutes of the May 6 emergency meeting were appended, were released last week; but the market had been aware of the Fed's decision to tighten credit for over two weeks.

The Fed moved to raise the Federal funds rate, the interest rate which determines all other short-term rates, in early May, in spite of the deflationary consequences, to prevent the inflationary cycle from running out of control. In April, continuing the first quarter's trend, the wholesale price index rose at 13.2 percent annual rate, while consumer prices rose at nearly a 10 percent annual rate; the basic money supply grew at a 20 percent annual rate. Consumer installment credit, which has increased by record jumps since December, increased by \$2.7 billion in March alone.

The revised first quarter Gross National Product figures were the final straw. The upward revision of the growth of real GNP from 5.2 percent to 6.4 percent reflected a much greater change in the value of inventories than was previously estimated. The change in inventories was revised from a \$7.5 billion annual rate to a \$13.8 billion rate, following a \$1.7 billion rate of accumulation in the fourth quarter of 1976! The "strength" of the inventory building, however, represented substantial price mark-ups on a small volume of inventory accumulation.

Given the glut of debt and profit obligations overhanging the corporate sector, even a minor upturn in production — such as took place in the first quarter of the year — can only be financed through substantial price increases. The price indexes; the hefty, near \$6 billion expansion in short-term business credit thus far this year; and the explosive growth of the money supply attest to this point.

Over the first four months of this year, corporations were borrowing to maintain artificially high prices — that is, to stave off a collapse of corporate profits. Midwestern wheat growers, for example, borrowed heavily in the first quarter of the year to keep wheat off

the market — in the hope of stopping the collapse of its price.

In the industrial sector, inventory building was fueled by fears of inflation and possible strikes and shortages. Steel companies, perceiving threatened coal shortages later in the year, took in whatever inventories they could find, in spite of the fact that the price of anthracite doubled during the winter cold wave, which disrupted the mining and shipment of coal. In anticipation of a July 1 copper strike, refiners and consumers of copper built up inventories of the metal, though hedge buying was limited by the existence of massive worldwide stocks of the metal.

But as the case of copper illustrates, first quarter inventory building wasn't sufficient to hold up the prices of industrial raw materials — and hence corporate profits. Phelps Dodge and Asarco, two of the leading U.S. copper producers, cut their prices 3 cents per pound to 71 cents in late April in spite of the blow to their earnings, because at that time the London Metals Exchange price was already heading towards 60 cents. The other copper producers held out as long as they could hoping that stockpiling in anticipation of a copper strike would offset the continued erosion of world demand and obviate the need for a price cut. However, prices on the LME were falling too fast to allow U.S. producers to hold their prices. According to copper market sources, the 71 percent price which was adopted by all U.S. producers last week, is below the cost of production and will mean bankruptcy for some producers.

Last week North American zinc producers were also forced to cut their prices. Noranda, the major Canadian producer, is simultaneously cutting back its capacity from 80 percent to 65 percent.

Even in April, the increase in industrial prices was already slowing. That month the industrial price component of the wholesale price index slowed to a 0.6 percent increase from 0.8 percent in February and March. The *Journal of Commerce's* index of 15 industrial materials has been losing ground steadily since March, and at the end of last week stood at a level below where it was on the same date last year.

Burns' decision to step on the monetary brakes can only aggravate this deflationary process, weakening the liquidity of the entire industrial sector.

Trade Collapse, Protectionism

In anticipation of the unraveling of the consumer-based "recovery" in the U.S., protectionist sentiments are reaching a new peak. On May 25 the American Iron

and Steel Institute, the lobbyist for the industry, released a major white paper on foreign imports. The study singles out Japanese producers and charges that they are selling steel in the U.S. at \$35 to \$45 a ton below their cost of production — qualifying them for the charge of "dumping." The study argues that if imports increase above last year's 14.3 million tons, they could threaten the U.S. steel industry's ability to finance new steel making capacity and lead to a major steel "shortage" in the 1980s and a U.S. dependency on foreign steel!

But the steel industry, by and large reconciled to the inevitability of shrinking world markets, has been cancelling expansion plans left and right.

In releasing the white paper, Edgar Speer, chairman of U.S. Steel and the AISI, clearly felt obliged to answer the undercurrent of feeling that he is doing everything to conciliate the Administration to get it to take up protectionism. Speer protested U.S. Steel "didn't make a deal" with Carter for protectionism when it undercut other U.S. steelmakers by announcing an average 6 percent increase on steel products in early May.

Treasury Secretary Michael Blumenthal has been trying to reassure Europe and Japan that the growing U.S. trade deficit will not aggravate protectionist sentiments in the U.S., however this has become an impossible job. On May 26 the Commerce Department announced that the U.S. ran another record trade deficit in April. The \$2.62 billion deficit in April brings the deficit for the first four months of the year to \$8.55 billion — already far surpassing the deficit for the whole of 1976. This time the Administration couldn't pin the deficit on the growth of oil imports: exports declined one percent as agricultural exports remained unchanged, and exports of manufactured goods declined.

In the first two months of the year U.S. exports to Europe and Japan were actually up noticeably. In the case of Japan, the 36 percent increase in February compared with February 1976 was facilitated by the appreciation of the yen against the dollar. The move of the U.S. into European and Japanese markets — fueling the potential for trade war — is contrasted by the declines in U.S. exports to the developing sector and the Communist countries. Exports to those sectors were off 3.5 percent and 29.5 percent respectively February to February, a direct result of New York bank-IMF credit policies. Underlining the precipitous collapse of world trade, West Germany announced on May 27 that its exports plunged 15 percent in April from the previous month, while its imports declined 12 percent.

EXCLUSIVE

Emergency Advice To Bankers

The following statement was released May 27, 1977 by U.S. Labor Party National Chairman Lyndon H. LaRouche, Jr. :

I wish to make clear to working people why I am now advising U.S. bankers to immediately cut off all further lending except for hard-commodity credit and short-term personal and household loans.

First, although no one can predict the day on which the "crash" will occur, the world is presently teetering on the edge of the biggest monetary blow-out in history. Under these circumstances, it is urgent that the basic machinery of credit for productive employment be kept as intact as possible, so that the collapse of one or two key New York City financial institutions does not trigger a general chain-reaction of institutional collapse.

Second, the recent Federal Reserve action of raising interest rates is typical of the floundering incompetence flowing from the Carter Administration and New York Federal District. In this situation, someone has to give out the sane word to Congress, state governments, and to bankers and industrialists. With the aid of key figures who already accept my competence in these matters, a strong recommendation from me will encourage responsible bankers to follow the right course of short-term action.

Arthur Burns' Blunder

The current collapse of the U.S. dollar is being triggered by a plunge in the U.S. balance of trade. The problem is not that we are importing too much, but that we are exporting much too little. This drop in U.S. exports is directly the result of Manhattan bankers and International Monetary Fund pressures on Third World countries to reduce their imports. That means a cut-back in imports from Western Europe, Japan, Canada and the United States. So, U.S. exports drop and U.S. unemployment rates increase.

The drop in U.S. exports means a drop in U.S. foreign earnings. This causes an increase in U.S. inflation and is leading toward an estimated five percent (or larger) devaluation of the U.S. dollar with respect to West Germany's deutsche-mark.

What does Federal Reserve Chairman Burns do about this problem? He tries to cover up the problem by raising U.S. interest rates so high that — he hopes — short-term money will tend to flow from Europe into the New York money markets in search of an additional margin of profit. This dries up credit for domestic production and for financing exports. Meanwhile, it won't work anyway, since anyone considering moving into New York markets knows that a possible five percent devaluation is in the wind.

What Burns Should Have Done

Burns should have acted to *lower* interest rates on all hard-commodity credit, but at the same time acted to cut off all other credit-flows except into Federal government securities and short-term personal and household loans.

In other words, credit should be sharply restricted to keeping the wheels of industry and agriculture moving as fully as possible, to defending the credit of the U.S. government, and to ensuring social stability (e.g., personal loans).

He should have acted, at the same time, to encourage bankers and industrialists to dig in in preparation for the imminent monetary blow-out. Bankers must concentrate their positions as much as possible in non-speculative hard-commodity investments and credit, debts of preferred *national* governments of OECD countries, and gold. They should prepare to freeze other categories of financial paper, and move as far as possible away from secondary markets and refinancing operations.

These actions should be based on the presumption that my private International Development Bank-type banking actions will become dominant world policy during the relatively short term.

What We Are Going To Do

First, there are not going to be WPA "make-work" jobs, and no expansion of "labor-intensive" employment. All credit available will flow into industry and agriculture, both to finance additional production orders and for high-technology capital expansion.

The economics of this is simply this. Ten billions in government-funded make-work jobs will go mostly to waste or to things which have no significant benefit for improving total U.S. earnings. Make-work programs are not only inflationary, but as the experience of the 1930s ought to make clear, make-work, WPA-type projects reduce the potential for economic recovery. However, \$10 to 15 billions of Federal government debt-service can generate approximately \$100 billions in new production contracts.

Such use of Federal government debt to stimulate economic recovery is not inflationary unless military orders are the kind of production being financed. Since bombers, tanks and so forth can neither be eaten or used as machine-tools, they do not represent an increase in the production of wealth, but — national defense needs aside — are economically production poured down a bottomless pit.

Military production should be done only for military needs, not as a job-creating gimmick.

What we are going to do to counteract the collapse of present monetary system is this. We are going to scratch together every nickel of hard-commodity reserve we can pull together as basic reserves concentrated through a new international central bank. The in-sight potential for this purpose is in the order of about \$20 billions of reserves for world trade. About \$1 to 2 billions of these reserves will be in the form of gold reserves, and the remainder in the form of hard-currency holdings or commitments. With this, we can generate up to \$200 billions in new hard-commodity credit, to restart world trade on an ascending scale.

Governments, such as the United States, will create a national debt for export-oriented production. This mar-

gin of debt will cover chiefly intermediate-term and long-term loans to developing countries, and will be applied to industrial and agricultural development projects, including a very large portion going into creating full-cycle fission and (later) fusion energy production.

To ensure that the new banking system does not repeat the same old crap which got us into the present mess, developing-sector loans will be limited to projects which increase the level of productivity in those countries through more-advanced, higher-energy-consuming forms of industrial and agricultural production. The code-word used for this in many circles today is "technology transfer."

The national government debt of net capital-exporting countries will be defended, but much of the pyramided financial debt of the developing nations is going to be written off the books or frozen, and the new loans issued will be at low interest rates and for sufficiently long terms that the new debts are matched by a realistic future projection of ability to pay. By pushing the actually worthless debt to one side, we clear the way for high-technology exports into the developing sector in the order of \$100 to 200 billions annually over current trade balances.

This means that modern U.S. (and Canadian, West European, and Japanese) high-technology industrial and agricultural capacity is literally "as good as gold." Every modern productive capacity will be put to work, and every job that represents will be filled.

There will not be a significant increase in employment opportunities for social workers, or for service-employment increases outside of production-related services. The job increases will be among skilled and semi-skilled industrial, construction, transportation jobs of all categories, and among scientists, engineers, and technicians.

There will also be an increased requirement in the U.S. for certain categories of teachers at all levels. These will be for teaching jobs related to technology. On the university level, this will mean a shift to emphasis on physics, chemistry, biology and so forth, away from sociology and

such useless types of liberal-arts subjects.

New Credit Policies

In the coming period, credit-issuing policies inside the United States are going to shift drastically away from past patterns toward selective credit policies. The emphasis will be on new production, with a heavy emphasis on new technologies and export.

Our toughest problem is going to be real estate paper. It is in the urgent interest of the United States to dry out sources of credit for all forms of speculation. This means no easy credit for secondary markets in stocks, or real estate. New construction, maintenance of useful structures, genuine improvements, and so forth are classed as new production. This means a collapse in secondary-markets for mortgages and old real estate. However, we will have to manage this in a way which does not crush savings institutions, certain pension funds, and so forth.

Our basic approach to that problem is already worked out, as the USLP's draft Emergency Employment Act specifies. No one is going to go hungry or be driven into the degradation of relief because of the collapse of the old monetary system. As long as we crank up industrial production on the basis of high technology, we have the means available to deal with each of these problems — and, naturally, we will do just that.

However, interest rates are going to drop down to the levels of between 1 and 2 percent, and a lot of purely paper financial book values are going to drop.

We are going back to pre-Jacksonian national-banking and national-economic policies, to the foundations in sound economic policy upon which the achievements of our nation were based. Banking in general is going to become industrial and agricultural banking. Get-rich swindles will evaporate; our source of wealth will be solely what we produce and the increase in the productive powers and real incomes of our people, achieved through steady advances in skills and productive technologies.

Andreotti, Schmidt: Belgrade Conference For Energy And Mideast Peace

The final days of May have seen a dramatic increase in diplomatic activity throughout the Mediterranean region. This is certainly what could be expected in advance of next month's European security meeting in Belgrade, Yugoslavia. But the circumstances of Italian Prime Minister Giulio Andreotti's visit to Greece and Rumania, and West German Chancellor Helmut Schmidt's upcoming visit to Yugoslavia, clearly indicate that these two leaders are coordinating their activities in order to make Belgrade into an important step toward averting war in the Mideast, thereby helping to avoid general thermonuclear war.

The Belgrade meeting will bring together delegations from the 35 nations, the U.S. and Canada among them, which signed the Helsinki agreement on Cooperation and Security in Europe (CSCE) two years ago. For months

the Carter Administration has been intent on using this occasion to harass the Soviet Union over "human rights" questions. The intention of Schmidt, Andreotti, Yugoslav President Tito, and others, however, is to expand CSCE into a comprehensive set of agreements on Mediterranean security and energy cooperation. The first step is to put such vital issues right on top of the Belgrade agenda, letting "Basket 3" simmer on a back burner.

Andreotti's trip is intended to set a model for the type of Mediterranean cooperation required. During his talks with Greece's Prime Minister Constantine Karamanlis, he concluded an agreement on national rights to the Ionian Sea, which lies between the two countries. Italy's concession of continental shelf rights to islands in Greece's possession serves as a model which could be used to settle the festering disputes between Greece and

Turkey in the Aegean. As Andreotti commented on the need for further cooperation, "The only obstacle to this development now would be a repeat of the 1973 monetary crisis."

Proceeding to Rumania, Andreotti conferred with President Nicolas Ceausescu, who himself had just returned from Egypt. Both leaders agreed to work towards a Balkan nuclear-free zone, and *Il Giorno*, the Italian state-sector daily, wrote that Andreotti particularly sought leverage to secure peace for the deteriorating Middle East situation. Rumania is the only Warsaw Pact country which maintains diplomatic relations with Israel.

Just as this meeting concluded, Ceausescu invited Helmut Schmidt to pay him a visit as well. Schmidt has just departed for Yugoslavia with a delegation of trusted advisers, in order to hold six days of talks with President Tito and others. Reliable sources within the West German foreign ministry say the prospects are good for making Mediterranean security the focus of Belgrade. West German newspapers report that Tito is "leaving all doors open" to Schmidt, and hint that Schmidt, Tito, and Andreotti are working out a unified strategy.

These visits have been supplemented by a considerable number of secondary-level talks. Right before Andreotti's departure, his Foreign Minister Arnaldo Forlani returned from Spain bearing a pledge from the Spanish government to back the Italian position at Belgrade. Shortly before this, West German Economics Minister Hans Friedrichs also made a stop-over in Madrid on his way back from Tunisia. This diplomacy neatly coincides with a reported Soviet overture to Madrid: an offer to sell Spain oil in return for Spain's rejection of U.S. pressure to join NATO.

A number of top-level East bloc delegations are touring, or plan to tour, European capitals, Hungarian party chief Kadar, accompanied by his Foreign minister and Foreign Trade Minister, will arrive in June for talks in Bonn and Rome. This week West Germany hosted a Polish delegation led by Polithuro member Babiuch, and

Michael Solomentsev, chairman of the Ministerial Council of the Russian Soviet republic, who is meeting with top Ruhr industrialists.

Yugoslavia, in the meantime, is rebuffing the Carter Administration's attempts to make a mockery out of Belgrade. Last weekend, President Tito personally told U.S. Vice President Walter Mondale that Yugoslavia is not about to listen to lectures on "human rights" from anyone, particularly from the U.S. The host country's Foreign Minister Milos Minic told a West German interviewer that the Belgrade conference will concentrate instead on the international issue of nuclear energy development. The Yugoslav daily *Vjesnik* has criticized Carter for his "medieval crusade against nuclear energy and nuclear technology," which has "slammed the door in the face of the developing nations...and angered the United States' allies as well."

Carter has been trying to keep the Yugoslavs off balance though alternating "friendly" with menacing policy decisions and propaganda. Mondale informed the Yugoslavs that Washington has dropped restrictions which would have held up completion of a nuclear power plant under construction there by the Westinghouse Corporation. Aging Democratic Party Eastern Europe specialist Averell Harriman and the Second International's Willy Brandt have given interviews to the Yugoslav paper *Politika* in which they discuss scenarios for U.S. "support" to Yugoslavia in case of a "Soviet attack."

The U.S. has cleared the appointment of Lawrence Eagleburger as its ambassador to Yugoslavia. Eagleburger is a former aide to the detested Henry Kissinger. Eagleburger's close ties to Trilateral commission terrorist specialist Anthony Lake serve to remind Belgrade of the ever-ready threat of deploying Croatian "Ustashi" terrorists to destabilize the country.

The Yugoslav Interior Minister has responded to this latter threat by praising West Germany's efforts to root out the Ustashi networks in that country as a "positive contribution to Helsinki."

Podgornyi Ouster Presages USSR Foreign Policy Shift

Yesterday's ouster of Soviet President Nikolai Podgornyi from the Communist Party Politburo without an official explanation signals that the biggest Soviet leadership struggle since the end of the Khrushchev era has begun.

While the dust has not yet settled from the surprise demotion, and news dispatches from Moscow report rumors of more leadership shuffles to occur there in short order, coinciding Soviet international moves indicate that Podgornyi's removal was part of a Soviet faction fight over major foreign policy decisions. The assertion of an "interventionist" foreign-economic-policy tendency is particularly strongly suggested.

Yesterday's *Financial Times* of London carried an interview with Janos Fekete, director of Hungary's Central Bank and a leading advocate of a gold-backed international monetary system — one capable of replacing the bankrupt dollar system. Fekete reported

an expansion of his bank's operations including the news that its deposits from Arab customers amount to \$30 million dollars. Fekete's reemergence is all the more significant because the Hungarian Communist Party leader Janos Kadar, accompanied by his Foreign Minister and Foreign Trade Minister, will begin a European tour in early June by conferring with Prime Minister Andreotti in Rome and Chancellor Helmut Schmidt in Bonn, the two foremost anti-dollar political leaders in Europe.

In preparation for a meeting of the CMEA's permanent currency and financial commission this week, Hungarian Finance Minister Lajos Faluvergi issued an article in the Hungarian party daily *Nepszabadszag* calling for upgrading and streamlining the functioning of the transfer ruble within the CMEA countries. The Hungarians have consistently been the major spokesmen in favor of extending the transfer ruble for use as credit out-

side the bounds of CMEA.

Moscow also took unusually bold initiatives this week in the Mediterranean and Africa, using the clout of potential economic development as political leverage. To Spain, the Soviets reportedly offered to sell a million tons of oil per year at fixed prices, if Spain would stay out of NATO. To Morocco, Moscow proposed economic development projects if that country would cease to be part of the Carter Administration's NATO-French force now intervening in Zaire and threatening socialist Angola.

The purge last weekend of two "super-radical" Angolan leaders, who had taken the provocative line that Angola was "not black enough" and should cut all relations with Western nations, conforms to a pattern of the USSR turning to seek broad international alignments for economic cooperation.

The Foreign Ministers of the Warsaw Pact nations met in Moscow today, where the Soviet Minister Andrei Gromyko was scheduled to give the USSR's closest allies a full briefing on his direct dealings with the Carter Administration at the Strategic Arms Limitation Talks (SALT) and the Kremlin's estimation of Carter's overall policy tending towards war. The meeting is then expected to deliberate on the specific crisis situations in the Middle East and Africa, as well as Carter's "Second Front" policy of bolstering China as a military deployment against the USSR.

Well-informed sources today reported that disputes over inadequacies in Soviet Middle East and China policy were a factor in the dismissal of Podgorny. Already there have been signs of action to rectify the China problem. The Soviet Foreign Trade Minister Nikolai Patolichev arrived in Tokyo on a long-postponed trip which marks a stabilization of Soviet-Japanese relations and a top-level Soviet decision to disrupt Carter's "Second Front" China policy which would have relied on a Peking-Toyko axis.

In this, the Kremlin is acting in de facto alignment with United States military and conservative circles who are now openly attacking the China and Korea policies of Carter and his energy czar, James "limited nuclear war" Schlesinger.

Marshal Brezhnev

Podgorny as President, short for Chairman of the Presidium of the Supreme Soviet, was not a powerful man in the recent period, although he represented the USSR on a tour of African countries in March...and was criticized at that time by Tanzanian President Julius Nyerere for relaying insufficient Soviet support for a new world economic order to replace the dollar.

Although the United States press has portrayed the ouster of Podgorny as a move by Brezhnev, the European press sees the matter differently. *Die Welt* identified Podgorny's removal as a result of his opposition to "over-engagement in world politics," and the Italian Communist Party paper *Paese Sera* called the move a victory for Soviet hardliners and cited sources predicting that Brezhnev and Kosygin will not remain in their party positions for long.

The next days will reveal Podgorny's successor to the presidency.

One possibility is that the Communist Party chief Leonid Brezhnev will get the post, either being "kicked

upstairs" into it, or adding its prestige to his duties as party General Secretary. Evidence for the latter includes the fact that Brezhnev appears to have dominated the Central Committee plenum proceedings, announcing the draft of a new USSR Constitution — a long-standing project of Brezhnev's to replace the 1936 Constitution.

But a failure of Brezhnev to follow Podgorny into oblivion or be kicked upstairs will by no means indicate affirmation of his soft detente policies, in the context of which he has at times appeared willing to deal away the Soviet capability for marginally superior military technology in exchange for meaningless peace guarantees from Carter.

There appears, rather, to be a "Marshal Brezhnev" option developing, whereby Brezhnev would be tied to the opposing faction's strategy of "interventionism" and tough war preparedness. A lengthy article in the military daily *Red Star* May 19, which stressed military importance of technological advance and the unity of political, economic and military leadership, referred to Brezhnev with his military rank of Marshal and in his rarely mentioned capacity as chairman of the USSR Military Council.

East Europe Repercussions

The Soviet shifts are interrelated with Eastern European and will have repercussions there. The Polish Party has announced a Central Committee plenum for June 8. The East German party is currently holding a central Committee conference on party propaganda work, where Politburo member Werner Lamberz — a recent visitor to Moscow — urged efforts to prevent a world war in which people in the West would pay "the most terrible tax in blood."

"The Immutable Basis of Military Construction," by K. Vorob'ev appearing in Red Star, May 19:

In its multi-faceted work to consolidate the country's defense, the CPSU ensures the unity of political, economic and military leadership.... It constantly analyzes the development of the international situation and the constellation of military-political forces in the world and formulates requirements for the organization of the country's defense, taking into consideration the laws of social development and the achievements of scientific and technological progress....

Questions of strengthening the country's defense occupy a great place in the activity of the Central Committee of the Party and its Politburo. The life and activity of the army and navy, and the training, teaching and political education of the personnel are under the unflagging attention of the Defense Council of the USSR, headed by General Secretary of the CC CPSU, Marshal of the Soviet Union L.I. Brezhnev. 'To continue to maintain the armed forces of our country on a high level,' said comrade Brezhnev at the October 1976 plenum of the CC CPSU, 'so that Soviet soldiers always have the most modern weapons, with which the imperialists cannot fail to reckon — this is our sacred duty to the peoples and we will fulfill it.'

The constant improvement of defense is an objective

necessity....

It is known that the appearance of nuclear missile weapons and other means of attack creates the real danger of their sudden use by an aggressor. Also, the rate of qualitative improvement of weapons grows.... The party develops and implements a realistic and far-sighted military-economic and military-technological policy.... On a strictly scientific basis, it coordinates the activity of industrial enterprises and scientific research institutions and organizations, directs the work of the defense industry and ensures the necessary conditions for it to function. Thanks to the concern of the party, the Soviet economy, science and technology are on a level sufficient to create, if necessary, in the shortest period of time, any type of weapon which the enemies of peace might want to place their stake on.

East-West Trade Activities

The following is a grid of East-West trade and trade-related diplomatic visits occurring over the last two weeks.

West Germany

May 19: Soviet Ambassador to West Germany Valentin Falin addressed the Duesseldorf Chamber of Commerce, calling for a doubling of Soviet-West German trade to 22 billion deutschemarks by the end of this year. Falin reported that 1500 West German firms now carry on trade relations with the Soviet Foreign Trade Organization.

May 25: The Dresdner Bank announced that a standing loan to the CMEA International Investment Bank of \$400 million will be increased by \$100 million. This constitutes the largest Western loan to a Soviet banking authority ever.

May 26: West German Chancellor Helmut Schmidt arrived in Belgrade, Yugoslavia for scheduled talks with President Tito. Leading subjects will be nuclear power development as an agenda item for the Belgrade international conference.

Italy

May 19: An East German bankers delegation headed by the president of the DDR's Export Bank arrived at Rome to meet with bankers before going to Milan. The DDR Export Bank announced plans to open up a subsidiary in Italy.

May 20: Italy signed a ten-year research agreement with the Soviet Union which includes research on the following areas: light industry, peaceful use of energy, and food industry.

May 25: Italian Premier Giulio Andreotti and Foreign Minister Arnaldo Forlani arrived in Rumania for an official visit.

— It was announced in Italy that a top level Hungarian delegation, including the Foreign and Trade ministers will visit Italy June 7-9.

— Italian Transport Minister arrived at Moscow for talks with the Soviet Transport Minister.

Britain

May 13: British Energy Secretary Anthony Wedgewood Benn is in Moscow for discussions on possible joint projects and energy-related trade deals. According to the *Financial Times*, Benn called for a "joint European approach" to energy policy, and specifically called for the study of possible Soviet link-up into a European electricity grid.

May 18: The largest-ever Anglo-Soviet trade deal, worth £147 million (\$250 million), is announced involving the construction of two methanol plants in the Soviet Union by Davy Powergas, a subsidiary of Davy International.

May 17: Gordon Richardson, chairman of the Bank of England is in Moscow for a three to four day visit, returning the visit to London of the head of the Soviet Gosbank earlier in the year.

May 23: Trade Secretary Edmund Dell is in Moscow for the sixth annual meeting of the Anglo-Soviet Trade Commission. According to the *Financial Times*, Dell, who is urging the Soviet government to make full use of the still-outstanding £600 million worth of credits extended to them by the British in 1974, will be following up on energy-related trade deals discussed during Energy Minister Benn's earlier trip. Representatives of ICI and British Petroleum will be meeting with Soviet officials to discuss specific projects. In particular, BP is believed to be discussing possible oil explorations in the Barents Sea with the Soviets, as well as a contract for an oil-rig fabrication yard for oil exploration in the Caspian Sea.

Finland

May 18: Agreement has been reached between Finland and the Soviet Union, in which thirteen Finnish companies will join in building the first phase of an iron plant in the USSR near the Finnish border. This iron plant will produce three million types of iron pellets per year and housing for 9,000 Soviet workers. The plant will provide jobs for 5,000 Finnish workers and will cost \$900 million.

One-third of the plant's output will be used in Finnish steel mills. The Soviets anticipate that the project will function at an eventual 26.5 tons capacity.

Singlaub Challenge Begins To 'Draw The Line' On Carter War Policy

"We have to draw the line on what these people in the Administration can get away with. The situation is very dangerous, we're on the brink of nuclear war. Congress has to move to counter Carter's policies." This was the assessment of a ranking member of the House Armed Services Investigations Subcommittee May 25 following testimony by Major General John K. Singlaub on the Carter Administration's decision to remove all U.S. combat forces from Korea.

In the wake of the challenge by Gen. Singlaub, the now-ousted U.S. chief of staff in Korea, to the Carter Korea policy, the following facts have emerged:

*Singlaub's view that Carter's Korea policy will lead to war is almost universally the view held by senior U.S. military personnel, both in Korea and elsewhere.

*Singlaub's view on the war danger in the Carter policy is also shared by the U.S. embassy in Seoul, and by leading U.S. government specialists on Korea.

*There is sweeping discontent over broad aspects of Carter foreign and military policymaking — and fear it will provoke thermonuclear war — among leading layers of both Congress and the U.S. military, discontent which is making itself felt around Carter's handling of the Singlaub affair.

*Press commentary on the affair has overwhelmingly supported Singlaub against Carter.

Carter's ostentatious attempt to silence Singlaub by removing him from his post, dressing him down in person, and putting out the word, through the *New York Times* and Defense Secretary Harold Brown, that any other military leader who dares to express independent views on relevant matters of U. S. policy will be similarly treated, has clearly backfired and backfired badly on the President.

In a press conference May 25 following the Investigations Subcommittee hearings, Subcommittee Chairman Rep. Samuel Stratton (D-NY) declared that "Secretary of Defense Harold Brown's statement that once the Administration has made a policy, that then the military leaders have to shut up, is exactly what went on in Hitler's Germany. We don't operate that way in this country...I hope that other generals concerned about the nation's security will speak out when they think a policy endangers the security of the nation."

The next day Carter appeared testy and defensive at his televised press conference, as reporters grilled him on such questions as whether or not his Administration applied a double standard to senior military officers such as Gen. Singlaub and fast talking UN Ambassador Andrew Young. Carter unconvincingly parried questioners by charging that it was Gen. Singlaub who — by calling

public attention to the Carter policy — was inviting a North Korean attack.

Taken as a whole, the developments surrounding the Singlaub testimony have alerted the nation that the bipartisan "Whig" majority in Congress has moved to confront the Carter Administration head on, drawing the line on the Trilateral Administration's drive for thermonuclear war.

There can no longer exist either public ignorance or doubt that:

* the decisive showdown between Whig-constitutional forces and the Carter Administration has begun; and

* that the *near-term* outcome of this struggle, with the nation facing radioactive extinction, will determine the question of America's very existence.

Threat to Nation

Following the Singlaub testimony, Stratton announced that Singlaub's appearance before the Investigations Subcommittee was only the beginning of a full investigation into the threat to the nation posed by the Carter Administration. Stratton announced that he will call General George S. Brown, Chairman of the Joint Chiefs of Staff, before his subcommittee, "as soon as he returns from Korea," to inform the subcommittee why "no explanations on the withdrawal policy were forthcoming from either the JCS or the White House to the U.S. Military Command in South Korea ...despite repeated requests for such explanations." Stratton also underscored that the investigation would encompass "the entirety of U.S. Far East policy," and that "many other generals and officials" would be called upon to testify.

In the latest development, the investigation has been broadened to include the participation of the full House Armed Services Committee, a move which informed Washington sources report will give added clout to the probe.

Cartergate Atmosphere at Hearings

Notwithstanding Atlanticist press statements that Singlaub had been "humbled" by a stern Carter, the general maintained at the hearings his estimate of the Administration's Brookings Institution-authored proposal to withdraw U.S. forces from South Korea. "The U.S. embassy has the same view," Singlaub said, "that the Administration's troop withdrawal policy will lead to war...There are no senior U.S. military officials or Republic of Korea officials who agree with the President's withdrawal schedule...The question of why (a withdrawal) has been asked by the U.S. military command and the embassy on several occasions...to both the White House and the JCS...We never received a reply."

The hearings were characterized by a mood of strong support for Singlaub from a majority of subcommittee members, balanced by outbursts in defense of "the President" from the pro-Carter Fabian minority that sounded eerily reminiscent of the congressional defenders of Richard Nixon during the Watergate hearings.

Rep. Robin Beard, ranking Republican on the Subcommittee, then began the questioning: "Did the fact that the President never answered you make your job difficult?"

Singlaub: "Yes, it made it extremely difficult."

Reps. Robert Legget (D-Cal) and David Treen (R-La) then denounced the Administration policy as "incompetent." At this point, Administration supporter Ron Dellums (D-Cal) began shrieking: "This hearing was designed to set up and embarrass the President. You're crippling the President's ability to make policy...Your comments hit right to the heart of the President's policies...as former Secretary of Defense Schlesinger said, 'There is no physical or military justification for the troops being there.'"

Singlaub: "That was at a time when others felt that way. Since then they've changed their minds (naming Generals Stillwell, Vessy, Hollingsworth — past and present U.S. commanders in Korea)."

Rep. Badham (R-Cal): "Regarding Mr. Dellums' charges...our constitutional mandate is extremely clear."

Rep. Lucien Nedzi (D-Mich): "Is it your belief that you're entitled to speak out as a military leader?...You have ambushed the President...(You should)follow orders."

Standard of Conduct Set at Nuremberg

Rep. Richard Ichord (D-Mo.): "The prosecutions by the U.S. at Nuremberg set the standard for responsibility and conduct of military officials for the policies they implement. That should answer your question, Mr. Nedzi."

Nedzi: "Nuremberg?! What's going on here?"

Chairman Stratton: "I believe Lieutenant Calley ran into the same problem...I don't believe this will hurt your career at all, General Singlaub."

Rep. Charles Wilson (D-Cal): "I'm no fan of Mr. Schlesinger. This is the same Secretary of Defense who went to China, got brainwashed, came back and now he wants to arm the Chinese."

Rep. Donald Mitchell (R-NY): "President Carter's broken many other promises, maybe he'll break this one too (uproarious laughter from the galleries)." At this point, pro-Carter Rep. Pat Schroeder could no longer contain herself and burst out with: "This is a kangaroo court against the President. He's being tried without being present."

Singlaub: "Let me answer that...I was ordered to appear by Secretary of Defense Harold Brown."

Rep. Daniel (D-Va.): "I hope, God forbid, if we fight another land war it won't be a State Department war...We've drawn on the first one(Korea) and lost the other (Vietnam)."

Singlaub: "At least the first time, in Korea, you could tell who your enemy was there."

Fabian Rep. Thomas Downey (D-NY), in almost a

shrill scream: "You aren't implying that the State Department is your enemy?"

The summation was then given by ranking minority member Beard and Chairman Stratton. "I hope we are going to get more people from the field to continue this investigation," said Beard. Stratton added, "We do intend to bring in more field commanders...One of the obvious things we are going to have to do is get someone from the JCS up here, as to why our field commanders cannot get explanations for policies they're asked to carry out."

U. S. Press Reports Dissent In Military Is Wide

Chicago Tribune, May 26, "Lashing A General Won't End Carter's Military Problems," by Chicago Tribune columnist, Jack Fuller:

Washington — Carter and his Defense Secretary Harold Brown have put together a civilian leadership in the Pentagon that does not please the brass. His new appointments have quite liberal, and to the brass, anti-military credentials. The brass won't get sympathetic hearings from bosses...

The temptation is to short circuit the chain of command, to go public, to make an anti-administration case on Capitol Hill. Seen in this context, the Singlaub comment appeared to the White House more than aberrant indiscretion. They were portents of things to come...The underlying tension between the brass and civilian leadership in the Pentagon and White House will remain to manifest themselves again.

Los Angeles Times wire service, appearing in the Los Angeles Times, Newsday, the San Jose Mercury (and others), May 26, "Fired General Says Dissent is Wide," by Norman Kempster:

Washington — The general who lost his job for criticizing President Carter's Korean policy said yesterday that every senior U.S. official in Seoul agrees with him that withdrawal of U.S. ground forces risks a new Korean war...

If Singlaub is even close to accurate in his assessment of the views of his fellow officers, it might explain why Carter moved so swiftly to discipline him. The Administration might have been able to shrug off the opinion of a lone dissenter, but not a chorus of criticism...

New York Daily News, May 25, "Korea: Silencing the General, Not the Debate," by James Wieghart:

Washington — ... I do not feel constrained to join in the hosannas for the misfortune visited upon the general... Singlaub clearly had no intention of being in the hubub that followed the *Washington Post* story.

But more importantly, there is a possibility that Singlaub's assessment is right and Carter's is wrong. There is no question that, next to the Middle East, the most dangerous place in the world today — in terms of potential conflict that could rapidly involve the major powers — is the Korean peninsula, with Tokyo, Peking, and Vladivostok less than one hour away by jet, Korea is obviously a strategic piece of real estate...

It would be unfortunate if the removal of Singlaub is taken as a signal that the debate and discussion over Carter's decision to pull out of Korea is now over.

Chicago Tribune, May 27, "Mr. Carter Flunks on Korea," editorial:

... General Singlaub told Congress that (Mr. Carter's) "explanation" didn't do the job. "We have not heard any rationale, any reason given," he said. "It is making our job extremely difficult."

He said requests by the American military in Korea to the Joint Chiefs of Staff for the reasons behind the policy had gone unanswered. The impression is left that the "explanation" the President referred to was in the nature of "this is what you're going to do, so shut up and get going." ... For all we know, his discussions with the military were as one-sided as his "explanation" to the people in Korea. And if we did learn of the opposition of

men like General Singlaub, this President who promised an open administration, didn't see fit to mention it to the American people...

There is now talk in Congress of summoning the Joint Chiefs of Staff to give their version of what happened when they were "consulted" about Korea. This should help to show whether Mr. Carter actually had any military support at all for his policy or whether he is simply carrying out an ill-informed promise he made as a candidate for the presidency. We need to know the truth.

Detroit News, May 27, "Withdrawal Decision Seen as New Threat to Peace," editorial:

... (Retired Army General and editor of the American Enterprise Institute's Defense Review, Richard G. Stillwell, said:... "U.S. forces in Korea are... essential assets... in strengthening the partnership with Japan... improving relations with the People's Republic of China, sustaining the region's economic equilibrium... and preventing nuclear proliferation...")

... The withdrawal decision, it is now confirmed, did not reflect the opinion of the U.S. Army officers on the ground, and was in effect, a campaign pledge that became policy with Mr. Carter's election.

Isn't that sufficient reason to be worried?

Vance Foiled Again In Geneva

U.S. Secretary of State Cyrus Vance was squashed for the second time in as many months following his May 18 Geneva summit with Soviet Foreign Minister Andrei Gromyko to discuss strategic arms limitations (SALT). President Carter's latest try at convincing the Soviets to accept a "deep cuts" proposal in their national security occurred at the same time as his Mideast scenario backfired (see Mideast report) bringing the Likud electoral victory in Israel and lowering the threshold for nuclear war.

These events, according to highly placed, informed sources, prompted the Soviet representative at Geneva to point out to a shocked Vance that the Likud sweep had been interpreted by the Soviet leadership to signify the Carter Administration's final resolve to provoke a world war confrontation.

At the conclusion of the two-day Geneva meeting, the Western press blared "breakthroughs" and "gains" despite the fact that nothing of the kind was achieved. At his May 20 press conference upon departure from Geneva, Gromyko said unequivocally that while "certain progress" had been made, an agreement was still very much lacking and the U.S. side has not in any way renounced its intention to seek one-sided advantages to the detriment of Soviet security. "We have repeated this on more than one occasion and we will repeat again — we cannot accept such an agreement."

On May 23 a senior Tass commentator strongly reiterated Gromyko's attacks against U.S. attempts to

"diminish the security of the Soviet Union" and secure "an advantage to the American side."

Gromyko's statements embody exactly the same rejection of Carter's "deep cuts" proposal made by the Soviets at last month's Moscow SALT talks. The unacceptable "deep cuts" would mean a slashing of Soviet heavy missiles, while a full crop of NATO tactical nuclear weapons aimed at the Soviet Union from Western Europe would be maintained. The proposal also seeks to destroy Soviet Research and Development in nuclear technology — which currently forms the Soviet's marginal superiority in defense over the U.S.

The joint Geneva communique printed in *Pravda* May 22 confirmed the death of the "deep cuts." "They (Soviet Union and United States) studied in detail the matter of preparing a new agreement on limitation of strategic arms on the basis of the Vladivostok Accord...." This 1974 agreement provided a simple ceiling on strategic missiles and launchers which were acceptable to both sides.

Another proposal touted in the press as "Vladivostok plus," supposedly would force the U.S. to accept limits on their "cruise missile" and the Soviets to accept a concession on their Backfire bomber. This supposed lone "concession" which the press claimed was made by the Soviets, is actually a concession by Washington. According to the *Baltimore Sun*, the Soviets agreed to position their Backfire bomber in such a way that they could not reach U.S. territory; the Backfire will not in

any way be included in the total limits for strategic bombers. But, as the Soviet side has always emphasized, the Backfire is now incapable of reaching the U.S. — which is why the Soviets have insisted it cannot be classed as a strategic bomber!

“One Little Paper”

Against this background, Vance arrived at Geneva surrounded by “stacks” of already rejected proposals, imaginatively packaged by the press as something new. On the other hand, Soviet Foreign Minister Gromyko pointedly remarked: “I’ve brought one little paper” — which no doubt read “stop your foolish and dangerous ideas about concessions from us.”

As it became clear that there was no “breakthrough”

story, the U.S. press dramatically switched its reportage to the “results-are-in-the-eyes-of-the-beholder” method. According to the *Washington Post*, “Each side’s Assessment Fits Its Own Needs.” The Geneva meeting, wrote Moscow Bureau chief Peter Osnos, is how you see it: “is the glass half full or half empty?” By Sunday, regardless of the contents of Osnos’ glass, even the *New York Times* had to admit that “major snags” remained.

At a press conference on his departure, the U.S. Secretary of State tried to keep up some semblance of an agreement. Vance danced around a description of a “three-tiered” proposal, while the press corps scratched their heads and asked for more than just “scanty” details.

Proxmire: USSR Will Strike If Forced

What follows are excerpts from the April 1977 report of the Joint Congressional Committee on Defense Production, chaired by Sen. William Proxmire (D-Wisc). The Committee examines three scenarios of Soviet nuclear attack against the U.S., and concludes, similarly to the U.S. Labor Party, that the military leadership of the USSR will initiate such an attack only if forced by strategic encroachments from the West:

Case I: Calculated Risk

...the committee could find no credible or realistic scenario in which the Soviet Union would initiate a nuclear war or threaten to initiate a nuclear war as a means of achieving some Soviet objective, since there are no credible or realistic circumstances in which the Soviet leaders could believe that the risks and costs of such an option would be less than the gains...

Case II: Irrational Leadership

...In the absence of other, strong justifications for them, massive expenditures for civil and industrial defense against the low probability of an irrational adversary alone do not seem justifiable.

Case III: Last Resort

...As Secretary of Defense Brown has noted in the remarks quoted earlier, the ordinary forms of deterrence will not discourage a desperate leader or leadership from nuclear attack.

For example, an effort by the West to “roll back” the Iron Curtain and to “liberate” the Soviet republics or client states in East Europe might be so threatening to the Soviet regime, to Soviet communism, or to the Russian people that the initiation of an nuclear war to forestall this roll back would

appear to be the lesser of two evils. Likewise, an overt or implied threat by the United States and/or its allies to launch a direct nuclear attack on the Soviet Union might be perceived as sufficient cause to warrant the desperate step of trying to implement a pre-emptive strike on the United States, no matter how costly the retaliation would be. Any strong threat to the core values of a nation, therefore, is enough to upset normal calculations of deterrence and to run the risk of igniting a nuclear war no one wants by making it an option of last resort.

In reviewing various estimates of the willingness of the Soviet Union to initiate nuclear attack or war, the committee could find no authority who believed that the Soviet Union cared to launch a nuclear attack except under conditions of extreme provocation. Most sources, in fact, considered that the Soviet Union wishes to avoid war...

When viewed in this light many of the questions about Soviet offensive forces and the purposes of passive defense measures take on a different meaning...Population protection becomes, not a malevolent effort to achieve the impossible “war-winning” capability, but rather a prudent effort to make the devastation of thermonuclear war slightly less awesome in its consequences...

Nor could the committee find any basis for the claim that Soviet civil defense programs had any aim other than responding to a nuclear war that might be thrust upon the Soviet Union. This, in the committee’s judgment, is a very different objective from attempting to promote world-wide communism by attaining nuclear superiority through uncertain, untried and partially effective civil defense programs...

EXCLUSIVE

How To Translate Carter's Notre Dame Speech Out Of Trilateralese

Jimmy Carter's May 22 speech on the campus of Notre Dame University has been widely portrayed as a major shift in foreign policy. However, the speech's internal features demonstrate that the presentation was simply a "cut-and-paste" of several Trilateral Commission policy documents, some dating back to 1973.

The one thing actually striking about the Notre Dame speech is that, while Carter is obviously following closely the contours of the earlier Trilateral documents, he is holding back on the specific implementation recommendations included in the earlier pieces. This can probably be chalked up to the increasingly hostile environment — an environment which would give the Trilateral Commission second thoughts about having Carter publicly espouse at this time the vociferously fascist proposals of the Trilateral documents in question.

Rather, the speech represents a fall-back position: probable-author Zbigniew Brzezinski (who, as Director of the Trilateral Commission, edited the Commission's policy statements) rewrote the speech to field only general ideas, so that the specifics could be filled in at a later date if there is no great outcry. This process, in the argot of Brzezinski and the Trilateral Commission, is called "creating a policy consensus."

What Carter Said

The nub of the Carter presentation was the barebones statement that "the Western democracies, the OPEC nations and the developed Communist countries can cooperate through existing international institutions in providing more effective aid (to the developing nations — ed.). This is an excellent alternative to war."

What He Meant

The specifics of this broad statement are not to be found in the Notre Dame speech. But, they are clear from two Trilateral documents — "OPEC, the Trilateral World, and the Developing Countries" (written 1974-75) and "Towards a Renovated World Monetary System" (1973) — and from several proposals emanating from the Brookings Institution, the other major policymaking body of the Rockefeller interests.

The Trilateral documents stress repeatedly that OPEC's oil wealth must be channeled into the International Monetary Fund-World Bank so that those institutions can continue to refinance the developing sector nations which are in danger of default on their dollar-denominated debt. "OPEC, the Trilateral World..." in fact, recommends that the "Trilateral countries could indicate now their sympathetic interest in seeing the OPEC countries' share (in the IMF —ed.) raised to 15-20 percent...assuming, of course, that the OPEC countries are willing to assume increased (financial) responsibilities in the Fund..."

Although the Trilateral Commission has not taken on the question directly, the Brookings Institution (under

the direction of Henry Owen, a Trilateral Commissioner, and C. Fred Bergsten, Carter's Undersecretary of the Treasury, who has authored several Commission studies) has long discussed the possibility of having the Comecon join with OPEC in this bailout of the Rockefeller-dominated Wall Street banks via IMF "aid" to the Third World.

What Carter Said

"We have moved deliberately to reinforce the bonds among our democracies. In recent meetings in London we agreed to widen our economic cooperation, to promote free trade, to strengthen the world's monetary system, to seek ways of avoiding nuclear proliferation; we prepared constructive proposals for the forthcoming meetings on North-South problems of poverty, development and global well-being..."

What He Meant

Notwithstanding Carter's consciously lying representation of what went on at the London summit, the phrase "reinforce the bonds among our democracies" should be translated "How do we keep Japan and the NATO allies from breaking with the U.S., and the dollar monetary system and making their own, independent deals for trade and development with the Comecon and the Third World." This question of "advanced sector solidarity" was the subject of the 1973 Trilateral document "The Crisis of International Cooperation" (also co-authored by Henry Owen). Advanced sector governments "must be held accountable to one another for their actions;" the document states, "at a minimum, they should not be allowed to get away with unilateral or bilateral faits accomplis that are irreversible....the same applies in relations between the advanced countries and the LDCs (Less Developed Countries)."

What Carter Said

In fact, these bonds must enchain the whole world: "our policy must encourage all countries to rise above narrow national interests and work together to solve...formidable global problems..."

What He Meant

The question of "narrow national interest versus global problems" has always been Trilateralese for "limited sovereignty" — the ability of one country to intervene, Entebbe-style, in another. This was outlined most clearly in "Towards a Renovated International System," co-authored by Yale professor Richard Cooper right before he became Carter's Undersecretary of State for International Monetary Affairs in 1977. "A realistic strategy for action must take into account the major obstacles to cooperative management of interdependence. Obstacles of particular importance are

the desire for national autonomy (and) the impact of domestic politics....," Cooper writes.

"The desire for national autonomy and the traditional concept of sovereignty aggravate the tension between national policies and transnational interaction.... In developing countries...the desire for autonomy poses special difficulties..."

The goal of limited sovereignty for the Trilateral Commission and the Rockefeller banks is what some Brookings and Rand Corporation personnel have publicly referred to as "command economies:" fascist regimes capable of enforcing the level of austerity necessary to keep up debt payments. Or, as Cooper in the cited document more daintily puts it: "The fact that politicians must present themselves to the voters every few years has the unfortunate effect of concentrating their attention on issues which secure their re-election and not on the problems of the more distant future..."

What Carter Said

"We are now free of that inordinate fear of Communism... I believe in détente with the Soviet Union. To me it means progress toward peace. But that progress must be both comprehensive and reciprocal.... We hope to persuade the Soviet Union that one country cannot impose its own social system upon another, either through direct military intervention or through the use of a client state's military force — as with the Cuban intervention in Angola.

"Cooperation also implies obligation. We hope the Soviet Union will join in playing a larger role in aiding the developing world...."

What He Meant

Limited sovereignty must be applied to the Warsaw Pact nations, despite the fact that this will cause thermonuclear war. Detente is to be transformed into "reciprocity," a concept developed by Brzezinski and publicized by him and his colleagues in *Foreign Affairs* magazine, among other places. Reciprocity is the diplomatic analogue of the "limited nuclear war" gameplans worked out by James Schlesinger, Henry Kissinger and others around the Rand Corporation during the 1950s and 1960s: The Soviet Union must be induced to accept "trade-offs": the USSR is to be induced to stop support for the socialist regime in Angola, for instance, in exchange for some U.S. concessions in, say, the Middle East. According to the Rockefeller-Trilateral planners, this kind of diplomacy will create the environment in which the U.S. can deeply intervene in Warsaw Pact internal relations or launch a "limited" or "theatre" nuclear strike on the Warsaw Pact or its close allies, and the Soviets will accept a trade-off rather than go to full-scale war.

The abysmal failure of Trilateral Commissioner Cyrus Vance in Moscow — where he asked the Soviets to trade off crucial research and development programs in exchange for a new SALT treaty — should be seen as an unequivocal Soviet reaffirmation of their rejection of the premises of reciprocity. Any serious attempt to enforce reciprocity, as that term has been defined by the Carter Administration and the Trilateral Commission, will provoke the Warsaw Pact to begin World War III.

Ally Denounces 'Risky Righteousness'

London Daily Telegraph, *May 23*, editorial, "Risky Righteousness":

In his speech on foreign policy yesterday ... Mr. Carter enunciated the true faith of the American 'liberal.' We must hope that, as with so much that Mr. Carter says, this was largely rhetoric which will have no application to the real, harsh world... In their efforts to preserve themselves from aggression, free societies must very often make common cause with tyrannies with whom they, for a period, share an enemy. Is Mr. Carter arguing that America and Britain should not have made common cause with Stalin against Hitler? Of course not, he would reply. But that is the logic of his argument. Indeed, from his own words yesterday, it was clear that he was not fastidious about *all* tyrannies. He spoke eloquently of the need for closer relations with China. He spoke also of a new foreign policy based on decency and optimism. Decency, yes; but it is difficult to feel optimistic about a world policy based on optimism. The good has in the past often been preserved by those who feared the worst.

• Daily Express, *May 24*:

The United States is peculiarly vulnerable to sudden flushes of compulsive morality, and it elects once in a generation, often on behalf of disparate causes, a politician with an over-developed disposition to public virtue.... Basically Mr. Carter wants his foreign policy no longer to be governed by an 'inordinate fear of Communism.' He wants us to treat other forms of non-democratic government which he bundles together unreflectively as 'totalitarian,' as being unacceptable. This is as untenable a view in the light of today's political map as was the unintelligent anti-Communism of Dulles.... When Jimmy Carter first ran for President, the most usual reaction in Europe to the jarring emphasis upon the candidate's piety and sincerity was a hopeful assumption that neither need be taken too seriously. The terrible truth may have to be faced that Mr. Carter has been entirely honest....

The Times of London, *May 24*:

(Carter's speech showed) a stirring vision that should raise the drooping spirits of the American people and inspire hope abroad among those who share Mr. Carter's aspirations. Is it also realistic? Could it even be dangerous? Power politics sometimes demand compromise with moral principles. Military security sometimes demands alliances with governments one does not like. Previous American presidents — notably Woodrow Wilson and Franklin Roosevelt — have inspired men's minds while making bad mistakes in foreign policy. If President Carter relies too much on the belief that history automatically rewards the good and the just he will come to grief, and much damage will have been done....

Carter Press Conference: Mr. Waffle

Reporters from national media asking politically pointed questions on Gen. Singlaub, the Mideast, SALT and his deteriorating relationship with Congress thoroughly grilled President Carter at his press conference on May 26. In all cases, Carter either evaded the questions or lied outright.

From the transcript of the press conference:

From Opening Statement

“...I respect the Congress; I’ll work day and night to reach an agreeable solution to these potential threats to harmony, but I have to reserve the right and the duty to say no when spending is excessive.”

General Singlaub

Q: Mr. President, why did you fire General Singlaub? He claims that the officers there (in Korea — ed.) have never been given a rationale on withdrawal...

A: In the first place, General Singlaub was not fired. General Singlaub was informed that he was not being fired, he was not being chastised or punished. He is being transferred to a new position at an equivalent degree of responsibility and stature...

Many leaders in our country and in the Republic of Korea have advocated complete removal of ground troops from Korea. Melvin Laird, the former Republican Secretary of Defense, is one of those, President Park himself, the President of the Republic of Korea, has called for the removal completely of American troops....

Q: Mr. President, I’d like to go back to General Singlaub. In your transfer of him, how do you square that with the claims of your Administration that it’s an open Administration where dissent is encouraged? Isn’t there a double standard between your treatment of him and your treatment of Andrew Young, the United Nations Ambassador who has dissented several times from American policy and yet has not been transferred from his job?

A: Well, I know of no instance when Andy Young has violated the policy that I described....

A member of the Joint Chiefs of Staff, Bernie Rogers, went to South Korea to meet with our own military leaders and some of the South Korean military leaders as well. Our policy was explained. General Singlaub was one of those....

Middle East

Q: Mr. President, last March 9 you talked about the idea of Israel withdrawing to the 1967 borders with only minor adjustments. Is that still your position? And is there any way that Israel could retain the West Bank of the Jordan and make that fit in the definition of “minor adjustments”?

A: That is still my position, although I might add again that the United States, including myself as President, we do not have a Middle Eastern settlement plan....

Provoking War

Q: Mr. President, your SALT II proposals calling for deeper cuts than the Vladivostok Agreement were rejected by the Soviet Union after you had enunciated them publicly. And your public statements with respect to a Palestinian homeland are being credited with a factor — as being a factor in the election of a conservative hard-line political group in Israel. Do you think that you’re going to be able to continue your policy of open discussion of foreign policy issues and at the same time achieve agreements? In other words, do you think you’re going to be able to have your cake and eat it, too?

A: Well, I don’t agree with the premise of your question....

Threatening Veto and Impoundment

Q: Mr. President, to follow up your opening statement does that mean that you’re putting Congress on notice that if they pass the appropriations bills with the water projects and with the impact aid, and if they pass the higher farm price supports, that you will veto those measures?

A: Well, I would rather wait until I see the final form of those bills.... But I certainly reserve the right to veto bills if I think they are excessive....

Q: I’d like to follow that up on another prerogative that you have. If it gets to the point that a bill is vetoed and overridden, would you consider using the procedures that you have to rescind appropriations that have been voted...

A: Yes, I would certainly have to reserve the right to use any proper and legal prerogatives to pursue my position.

Whig Coalition Draws Line On Carter

In the last two weeks, a bipartisan coalition of Republicans and Democrats in Congress and in state legislatures has emerged which is drawing the line against Jimmy Carter on the issues of drug decriminalization, the electoral reform package which would legalize the Nov. 2 vote fraud which put Jimmy Carter in the White House, and with a growing drive in states for fusion the passage of fusion memorials to Congress. In Congress, this emerging Whig coalition has operated in joint actions between Republicans on the one hand together with either Southern Democrats or urban democrats on the other.

Nevertheless, while this coalition has put serious dents into Jimmy Carter's overall policy thrust, its current Maginot line mentality has so far kept it from going for the Trilateral Commission Administration's jugular: impeachment of Jimmy Carter for treason to the nation for economic and military strategic policies which if not stopped dead will lead to the country's rapid destruction.

The following reports are a summary rundown on the activity of the growing national Whig coalition — a rundown which, as the New York drug story shows — thoroughly documents its potential national strength.

Congress Bucks Carter On Farm And Water Bills

A growing bipartisan coalition in Congress engineered the defeat of several important Carter Administration measures this week, ignoring Carter's veto threats. The vote margins of this bipartisan coalition of Republicans and Democrats has increased to the point that Carter's threatened vetoes may be overridden. A group of Northern urban Democrats have joined the previously existing Republican-southern Democratic axis, creating a bloc consisting of more than two-thirds majority.

The following four measures which Carter considered to contain "excessive spending" provisions, were voted up by Congressional units this week mostly by wide margins:

SENATE FARM BILL — On May 24, the Senate passed a five-year farm bill that authorizes approximately \$1 billion more each year for primarily corn and wheat supports than the amount the President said he would accept. The Senate vote was 69 to 18. Senator Bob Dole (R-Kan) charged that "The Administration is up here trying to beat down the farmer instead of trying to help the farmer." The bill also establishes authority for special overseas sales and donations of food.

Although the House Agriculture Committee has called for price support levels closer to what Carter wants, there is an ongoing fight within the committee over Carter's proposed food-stamp reform which is also part of the bill. The bill is expected to reach the floor in July.

WATER PROJECT BILL — On May 25, the House Appropriations Committee passed unanimously a bill introduced by Thomas Beville (D-Ala.) to restore more than \$200 million for continued construction of 17 of the 18 water projects Carter had demanded be halted. The committee also voted up funding for 12 water project starts. The *Washington Post* reports that Carter had sent a letter to every member on Beville's subcommittee, who

voted up the bill earlier, expressing "deep concern and disappointment." This tactic only created an even fiercer determination to restore the cuts, with Beville firing back a letter stating that he "disagreed with the advice" he had just received.

House Speaker Tip O'Neill (D-Mass.), speaking on nationwide television last week, cited the water projects bill as a severe test for the Congressional majority leadership and for the Administration. He said that if the House leadership is forced to bring a vetoed bill back for an override, this would discredit both themselves and the President. Such an event never occurred even once under Kennedy or Johnson.

The *Washington Post* reported that a White House official said that if the Water Project Bill, the Farm Bill, and a third bill which authorizes the Health Education and Welfare Department to allocate more on education than Carter wants, all arrive on his desk at the same time, Carter will not dare to veto all three. The White House source cited the Water Project Bill as the likeliest target.

LABOR-HEW MONEY BILL — On May 26 the House Appropriations Committee passed by voice vote a \$61.3 billion Labor-HEW bill which contains \$1.4 billion over Carter's allocation. Over half of the increase is for educational grants and loan programs Carter specifically asked to be halted. The Committee also defeated by a one-vote margin an amendment that would have cut \$563 million from Labor-HEW funds for fiscal 1978.

A Senate Appropriations subcommittee on the same day voted up its own version of the bill, adding another \$765 million for programs above the House committee-approved levels. The *Washington Post* noted that "the President's desire to hold down spending was hardly referred to during the Senate subcommittee's all-day

session." The close vote on the amendment was due to Rep. Robert Michel's (R-Ill.) and Appropriations Committee Chairman George Mahon's (D-Tex.) support of the amendment.

CLEAN AIR ACT — On May 26, the House of Representatives passed a bill to amend the Clean Air Act of 1970 by a vote of 326 to 49. The bill contains a provision for further delayed and permanently weakened controls on automobile exhaust fumes. The House also defeated an earlier Carter-backed amendment which would have contained stronger restrictions on auto emissions, by a margin of 202 to 190. The amendment that the House adopted was supported by the United Auto Workers union and the automobile industry and strongly opposed by environmentalists and the Carter Administration.

Representative James T. Broyhill (R-N.C.) who sponsored the adopted amendment along with John D.

Dingell (D-Mich.) said, "We want clean air, but we have other social goals."

However, Carter announced early this week that he intends to enforce current clean air regulations to the hilt, and a spokesman at the Council on Environmental Quality said in a recent interview that the crackdown on industry "would not require new legislation."

Also this week the House International Affairs Committee passed by voice vote an amendment sponsored by Rep. Jonathan Bingham (D-N.Y.) which supports Carter's blockage of the commercialization of the Clinch River Fast Breeder Nuclear Plant. The passage of the amendment does not mean that the fight ends here. The issue will be taken up in the House Appropriations Committee before it reaches the House floor.

Lastly, on May 26, the Senate passed the Administration's Comprehensive Youth Employment Act by a vote of 80 to 3. The measure creates thousands of unproductive menial low-paying jobs for youth and will now go to Carter's desk for signature.

Carter Takes Bloody Nose On Vote Bill

Bi-partisan opposition to the Administration's Universal Voter Registration bill, authored by Vice President Mondale, last week forced Administration backers in the House of Representatives to withdraw the bill from the legislative calendar. The action is the Administration's response to Democratic Representatives' warnings to the President that they do not have enough support to ensure the bill's passage.

Opposition in both Houses intensified after hearings in the Senate Rules Committee found that the Justice Department with evident White House approval, had suppressed memoranda which warned of the vote fraud possibilities in the bill.

The bill was pulled from the House calendar only hours after Sen. Strom Thurmond (R-SC) announced that he and other Senators were prepared to filibuster the legislation in the Senate, a move which would effectively kill the bill in both houses.

Thurmond made his promise May 19 at a press conference called by Rep. Philip Crane (R-Ill) chairman of the American Conservative Union, to announce the results of a poll on the bill taken among secretaries of state and election officials on the state level. Of 50 officials polled, representing each state, Crane reported that 29 opposed the "reform" bill, 12 supported it, and nine were undecided.

While the Crane-Thurmond press conference was in progress, Carter met with a delegation of urban Democratic Congressmen who told him that they could not guarantee the passage of the bill in the House. Rep. Dan Rostenkowski (D-Ill) reported that the Dems were worried about the broad national opposition to the bill particularly from predominantly Democratic urban election officials. A large delegation of officials from Cook County, Ill. had given extensive testimony to committees in both houses, opposing the measure because of the vast fraud potential.

Efforts by Mondale, the President, and Democratic leaders in the House to arm-twist more votes have thus far proved unsuccessful. The White House strategy now is to work over what they term "recalcitrant" Congressmen and election officials during the Memorial Day recess. Both the Senate bill and the House version are expected to be heard after Congress reconvenes on June 6. Rep. Frank Thompson (D-NJ) told reporters: "We have the votes to pass it but not by a wide enough

"I urge everyone to vote early and often."

— Walter Mondale,
Vice President
of the United States

Nov. 1, 1976

margin to impress the Senators." He and the White House are worried that even if the bill passes in one house, the margin will be so slim that the measure will die in the other house.

Taking advantage of the Administration's dilemma, Republicans in the House, led by Rep. Frenzel (R-Minn) are sponsoring a series of additional amendments which would gut the bill, and thereby kill any support. Frenzel stated to reporters after the bill's withdrawal, "When you've got a leaky vessel in the fleet, that's where you direct your fire." Frank Thompson, a sponsor of the bill and chairman of the House Administration Committee commented on the continued attacks on the bill because

of its fraud implications, "My friend Charlie Wiggins (R-Cal) wants to put a guillotine at each polling place."

*Will Carter Opposition Drop
Investigation of Cover-Up?*

Despite the setbacks dealt to the Administration over the registration bill, indications are that the Carter opposition has dropped its call for an investigation into the Justice Department cover-up of internal agency opposition to the bill, which could lead to a Watergating of the Carter Administration.

In hearings held before the Senate Rules Committee, Senators Griffin (R-Mich), and Allen (D-Ala) had requested that the Senate Judiciary Committee take up the question of the Justice Department's suppression of three memos and the subsequent cover-up that took place with the knowledge of the White House.

At those same hearings, testimony given by Jeffrey Steinberg of the U.S. Labor Party and Col. Thomas McCrary, chairman of the National Committee for Honest and Fair Elections, detailed how the cover-up was geared to prevent any investigation into the vote fraud in last November's election.

Interviews with the staffs of the bill's leading opponents have shown they are hesitant to pursue the line of attack begun in the Senate Rules Committee. One top aide to a Republican Senator claimed that if either Bell or Mondale were questioned on their role in the cover-up, they would "plead ignorance of the law." Such statements support the fact that the opposition to the Carter Administration may easily be profiled by the White House to settle for the simple defeat of the bill while keeping the lid on investigations which would lead to impeachment.

Nation Says 'No' To Carter Drug Policy

On May 21, Illinois became the 12th state to reject a bill decriminalizing marijuana since the inauguration of Jimmy Carter, who is the first President in history to go on record in support of removing criminal penalties for the possession and use of dangerous drugs.

Carter demonstrated his determination to create a nation of drug addicts with his appointment of Dr. Peter Bourne, a self-professed supporter of *decriminalizing heroin and cocaine*, to head the White House Office of Drug Abuse Policy.

Subsequently, state after state has refused to accept the policy of drug proliferation, after considering the medical evidence that shows marijuana to be a harmful hallucinogenic drug with damaging effects on brain and cellular functions.

Despite this national mandate, the Drug Abuse Policy Office now headed by Bourne and employing members of the Wall-Street funded pot lobby, the National Organization for the Reform of Marijuana Laws (NORML), is determined to enact a policy of drug proliferation — first marijuana, and then cocaine and heroin as soon as it becomes "politically feasible," according to Dr. Bourne.

But in the last three months, despite major U.S. media, pothead Bourne's pipe dreams about the "political feasibility" of legalized, government-dispensed heroin and other schemes to drug the American population have met with stiff, multi-partisan opposition. This resistance was catalyzed in large part by the U.S. Labor Party and by the nationwide circulation of the party's special report, "Bust the Drug Ring in the White House," which details the medical evidence on the mind-killing effects of marijuana which has been ignored by most of the press.

New York: The American Way

On the night of May 16, following a five-hour debate in the New York State Assembly, a bill to decriminalize possession and "casual" transfers of up to 1.25 ounces of marijuana was defeated by a surprise cross-party

alliance of Republicans, democrats, and Conservatives. The defeat of the bill shocked Carter-allied political observers, including New York's Governor Hugh Carey, who planned to use New York as a major milestone to pressure other states to accept decriminalization.

Two months before the scheduled vote on the New York bill, the *New York Times* and other major media began a concerted campaign to ensure its passage, quoting such experts as Carter himself to exemplify the "changed attitude" in the nation regarding pot smoking. Based on this calculated media barrage, members of the Senate and Assembly polled by the Labor Party in early April considered decriminalization a foregone conclusion based on its "constituent support."

In reality, outside of the *New York Times* and the very vocal, well financed NORML, no such support existed. Instead, within three weeks, defeat of the decriminalization bill became the most insistently expressed demand of the New York electorate. The New York State Black Caucus, previously considered a solid block of support by the Carter pro-pot forces, refused to bind its members to voting for decriminalization. On April 20 a Queens, New York Assemblyman invited four prominent New York physicians with extensive knowledge of the dangers of drug use to hold a press conference exposing the real dangers of marijuana, and kick off the battle to defeat the pot bill. The press conference included Dr. Gabriel Nahas of Columbia University, Dr. Henry Brill, former president of the American Medical Association, Dr. Robert Baird of New York, and Dr. Ned Rosinsky of the U.S. Labor Party.

While largely blacked out by statewide media, this opening foray against drugs brought into action the forces to defeat the bill. On May 9 the New York Conservative Party held a press conference with the Veterans of Foreign Wars and other groups, including county Medical Associations, Elks Clubs, and Knights of Columbus. Any representative who indicated he was "horse trading" a vote for dope in exchange for another measure he wanted enacted was pinpointed by the U.S.

Labor Party and allied groups for constituency pressure. With this activity ensuring defeat in the State Senate, the surprise upset in the State Assembly finally killed the bill.

Who's Pushing Pot

New York is now seen as the precedent for defeating the decriminalization of marijuana rather than a model for the "state-by-state" mandate envisioned by Carter and Bourne, and this has enraged leading Carterite supporters like Governor Carey. On May 23 Carey held a press conference demanding that the pot bill be voted out of committee again and that legislators "have the guts" to pass the bill this year. Democrat Carey provoked shocked disbelief among his own party leaders when he promised to "defend the vote (for the pro-pot bill) in any part of the state, any assemblyman who votes for this bill," virtually ordering the Democrats to pass the bill as a bloc. Even Rep. Stanley Steingut, the Democrat Majority Leader in the State Assembly, refused, saying,

"I would not use the power of my position for something like this."

At the same time, Rockefeller-controlled Conservative William F. Buckley, Jr., an Advisory Board member of NORML, transmitted orders to legalize pot in a nationally syndicated column berating the New York Conservative Party for their strong political opposition to the bill. Buckley coyly boasted that he himself indulges in pot on his yacht, "outside the 12 mile limit."

Plans for the Future

Bourne has stacked his White House policy office with prominent members of NORML who promote the decriminalization of every mind-killing drug available. With the failure of the "state-by-state" decriminalization strategy, Carter and Bourne are expected to throw their weight behind two versions of federal decriminalization — bills currently pending before the Senate and House of Representatives, and a version buried in the Kennedy-McClellan revision of the U.S. Criminal Codes.

Pot Decriminalization: Where The Fight Stands

As of January, 1977, the National Organization for the Reform of Marijuana Laws (NORML) boasted the support of the Carter Administration for state decriminalization bills in nearly 30 State Legislatures. In the last three months, since the U.S. Labor Party mobilized forces against drug proliferation and began to publicize the destructive effects of marijuana, only one state — Mississippi — has passed decriminalization.

Since May 1, the U.S. Labor Party has circulated 20,000 copies of a special report, "Bust the Drug Ring in the White House," pinning the pro-pot movement at its center — 1600 Pennsylvania Avenue. This campaign has coalesced a fighting force against dope, with the following results:

Decriminalization Defeated:

Connecticut, Hawaii, Iowa, Louisiana, Missouri, New Hampshire, New Jersey, Pennsylvania.

Three of NORML's "target states" for 1977 killed the bills after pitched political battles:

***Maryland, March 17. Following testimony by the U.S. Labor Party's Dr. Ned Rosinsky, the only medical expert to appear before the legislature, the bill was killed in committee. A compromise measure to have decriminalization put on a state wide referendum was crushed in a floor vote with only six supporters.

***New York, May 16. A cross-party coalition rebuffed pro-pot Governor Carey and defeated the bill in the State Assembly by a vote of 72-70. The State Senate is solidly opposed to the bill.

***Illinois, May 21. Decriminalization was abandoned by the bill's sponsors in favor of lessening the status from a misdemeanor to a petty offense. Even this failed to pass with opponents declaring "Any decrease in penalties would encourage marijuana users."

Decriminalization Pending:

***Kansas. In April the bill was thrown back to committee for the fifth time in two years.

***Michigan. A decriminalization bill is expected to be defeated this week. Sponsors of marijuana decriminalization have also introduced a bill for a state hospital-dispensed, "heroin addiction" program.

***Washington. A decriminalization bill is still in committee. The session ends in early June.

***Wisconsin and Massachusetts. No attempt to bring the bills out of committee since hearings were held in early April where the U.S. Labor Party testified.

***Florida. Decriminalization passed the State Senate by one vote. House of Representatives' version to legalize and tax marijuana has no chance of passing.

Decriminalized States: "Don't Drink the Water"

California, Maine, Oregon, Alaska, Colorado, Mississippi, Ohio.

***Minnesota enacted a modified version, allowing the "first and second offense" as a simple citation and dismissal with subsequent criminal penalties.

***South Dakota startled the Carterites by being the first state to repeal decriminalization in April, after learning that a 35 percent increase in pot use occurred in Oregon among the age group of 18-25.

Pot-Luck?

After a four-month delay, on May 25, the Senate unanimously confirmed Jimmy Carter's appointee Peter Bourne, the man who has said that "drugs are just like TV," as the head of the Office of Drug Abuse Policy. The vote was taken by voice vote.

Fusion Memorials Passed In 4 States, Introduced In 12 More

U.S. Labor Party-initiated memorial resolutions calling on the U.S. Congress to vastly increase the funding for the development of fusion energy and basic scientific research have been introduced in 14 states legislatures since January, 1977. Four states, Maryland, Delaware and Pennsylvania and Colorado have overwhelmingly passed these fusion memorials and transmitted them to Congress. This week votes are expected in Washington State and Texas and in New Jersey by the third week of June.

The following is a complete listing of the states, the status of memorial resolutions and groups which have supported the bill either officially or as a strong tendency among the group's members.

MARYLAND — HJR 80 passed House of Delegates 108-3, and Senate unanimously. Signed by Lt. Gov. Blair Lee on May 20, 1977 and transmitted to the President and every member of the Maryland delegation, and entered into Congressional Record.

Supported by the Bethesda Chamber of Commerce, received favorably by 12 Baltimore union executive boards, supported by Harrison Associates, Hittman Industries and Eastern Shore Development interests

DELAWARE — SCR 24 demands restoration of Carter budget cuts in fusion and the fast breeder introduced by Sen. Berndt (R); passed the Senate and the House by a 31-3 vote on April 21. Transmitted to Congress and every member of the Delaware delegation.

Supported by engineering layers at Dupont, scientific layers at U. of Delaware and covered by Dupont-influenced newspapers.

PENNSYLVANIA — Sponsored by Rep. Ivan Itkin (D-Pgh), House Resolution 54 passed the Pennsylvania House of Representatives 177-3 April 26. The bill condemns the Carter cuts in funding for fusion and fast breeder. The House Resolution was directly transmitted to the President and Pennsylvania delegations.

The fast breeder was supported by Democrat Congressmen Gavdos and Dent, and appeared to have support from Westinghouse-linked spokesmen. The Pennsylvania United Steel Workers of America introduced a nearly verbatim replica of HR 54 into the AFL-CIO national convention.

COLORADO — Introduced by Rep. M. Hillsmeier (R), the bill passed the House of Representatives 52-8 May 20, and the Senate 28-4 May 27. Thirteen legislators co-sponsored it in the House and 14 in the Senate.

The Memorial has been supported by Independent oilmen and leading Republicans as well as scientific layers.

WASHINGTON STATE — Introduced by a coalition of Republican and Democratic Senators, the resolution passed the Washington Senate unanimously in March. Specified SJM 102, it has been introduced into the House of Representatives by Rep. Oliver and is now before the House Energy Committee, where a vote is being blocked by Rep. King Lysam, a Democratic environmentalist. If he fails to accede to constituent pressure, members of the House and Senate will bring the resolution out on the floor before the session adjourns.

Supported by traditional Democrats, Republicans, statewide Building Trades, and in general by Boing-linked layers, such as its Senate sponsors.

OREGON — HJM 5 was introduced by nine Democrats and six Republicans. It passed the House Economic and Trade Committee in late April and is now stalled in a second committee in the Oregon House.

HJM 5 was officially endorsed by the Oregon State AFL-CIO in its paper in February. Advanced scientific layers also supported it.

NEW JERSEY — Introduced by Senator Dodd (D-Middlesex) and Assemblyman Markert (R-Bergen), the resolution was referred to Energy Committees in both houses where it is expected to be voted by the third week of June.

Building Trades of Middlesex County took a vote to inform Congressmen Patten and Hollenbeck that this fusion memorial should be introduced as national legislation. The Middlesex Industry Commission expressed support, the Chamber of Commerce of Edison invited an FEF spokesman, as did the Mercer County Building Trades, and GOP clubs in Bergen, Middlesex and Morris Counties.

NEW YORK — Senator Edwyn Mason (R-Kingston) introduced a fusion memorial to the Senate on May 18, where it was referred to the Senate Finance Committee.

The resolution is supported by conservatives around the state, patriotic groups also like the Labor Party opposed to the decriminalization of drugs, and public utilities corporations.

ILLINOIS — Introduced by three Republicans and one Democrat to the House where it passed 138-1. Bill's introduction to the Senate now pending.

Supported by Republicans around the state, leading representatives of industry and scientific layers.

WISCONSIN — Assemblyman George Klicka introduced AJR 44 into the Assembly with 11 Republican and 5 Democratic co-sponsors. Hearings are pending before the House Environmental Protection Committee.

Support is widespread throughout the state Conservative Caucus and the bill was well received by the Wisconsin Agribusiness Council and the Wisconsin Industry and Commerce Association.

MICHIGAN — Fusion legislation has been introduced by Rep. Wilbur Brotherton (R) and Tom Anderson (D), and a dozen co-sponsors. Hearings pending before the House Policy Committee, whose Chairman is a Carter Democrat.

The Conservative Caucus in the 2, 14 and 16 C.D. favor the resolution, as well as representatives from auto, utilities industries, and the State AFL-CIO.

TEXAS — Senate Concurrent Resolution 103 was introduced by Senator Walter Mongdon (R) on May 16, and has been referred to the Senate Natural Resources Committee. The bill calls for Congress to "promote the development of new energy sources, such as ...nuclear fission and fusion..."

Independent oil and industrial layers, scientific layers.

VERMONT — Introduced by state senator Melvin Mandigo, Chairman of the Senate Energy Committee. Although the legislature has adjourned for the year, hearings are scheduled before this committee in July, and the bill will be on the agenda of the next session.

Conservative Caucus layers, utilities, and anti-environmentalists.

CONNECTICUT — Senate Resolution 31 introduced by Sen. Bozzuto was not reported out by the House Government Administration and Policy Committee under the control of liberal Democrats.

Industrialists around the state, including the Connecticut Industrial Associations and also the Connecticut Building Trades strongly support nuclear energy. An FEF spokesman was invited to address a union-industry demonstration against environmentalist crippling of industry recently.

Europe Treads Water As Monetary Storm Approaches

FOREIGN EXCHANGE

After almost five months of general stability obtained by tight European central bank controls over foreign exchange market trends and by the absence of any intense pressure against the dollar, the situation facing the monetary officials of western Europe and Japan has begun to resemble the agenda of the Pickwick Club. Last week started with solemn debates in Britain as to the benefits of allowing the pound, for some time held down by the Bank of England at the \$1.72 level, to freely appreciate. At week's end, the Bank of England had laid out half a billion dollars of its precious reserves to keep the pound from tumbling below that level. New York, London, and Paris sources predict that such support will quickly end, however.

The upward trend in U.S. interest rates mainly responsible for this speculative run out of sterling also intersected with continued lavishings of liquidity by West Germany and Japan to their impecunious trading partners. Perhaps in belated reaction to the inflationary consequences of their money-printing at a time when the U.S. Federal Reserve itself is being pressured toward deflation, Western European central bankers and finance ministers deliberated on upvaluation of the deutsche mark and Dutch guilder, according to widespread rumors. Meanwhile, on May 26, a low-keyed competition took place between the mark and the dollar as to which would drop more from bad news concerning trade. While the U.S. again ran a record trade deficit in April, West German imports dropped 12 percent and exports 15 percent, reflecting the fact that West German bailouts are going to finance old deficits rather than incoming business orders.

According to a familiar New York bankers' scenario revived this week by Morgan Guaranty's financial newsletter and by a lead editorial in the May 25 *Journal of Commerce*, not only ought the mark and guilder appreciate, but April's Scandinavian devaluations were insufficient and the Swedish crown in particular should be subjected to another sizeable depreciation. The advocates of this move conceded that, though both are considerable, neither Sweden's balance of payments deficit nor its foreign debt has reached emergency proportions, and the crown's decline in trade-weighted value of only 1 percent since September, despite the devaluation, confirms that the economy is not yet a basket case. But the scenario, in any case, is less concerned with Sweden per se than in finding a pressure point to impose the kind of domestic austerity Italy and Britain have still fudged on — and, most important, breaking up the European

joint currency float, or "snake." A Bankers Trust official was explicit on this score: "If Sweden devalues, all the other Scandinavian countries will follow." Wouldn't this disrupt the snake? "The snake will disappear. It has to. It is wrong for the Swedish krona to be tied to the German mark ... the Scandinavian countries are heavily indebted and have to devalue. This means the cost of the devaluation will be very high..." Other bankers and foreign exchange traders — emphasizing that there is no immediate market pressure for such devaluations — noted that the mere fact of rapid snake adjustments in succession tends to jeopardize the useful existence of the snake.

A second destabilizing development has already taken effect by way of the Swiss banking crisis around the Chiasso scandal, as Crédit Suisse had to sell considerable amounts of gold to cover its losses, driving the gold price below \$145 at a time when gold otherwise would have been sought as a hedge by investors intelligent enough to look past the rise in U.S. interest rates. The Swiss crisis has also had a dampening effect on Arab depositors in Switzerland. The London correspondent for the Italian daily *L'Espresso* reported the New York banks to be far from discontented about the incentive to switch from Swiss franc to dollar deposits, while London banker Rupert Hambro was described as full of ungentlemanly glee at a situation which the City expects to enhance its domination of both the gold markets and "hot money" flows in general. For several weeks already, the London *Economist* had underscored the loss of Zürich's reputation as a bastion of conservative banking solidarity.

It is also interesting to speculate who will benefit from exposés in the Milan daily *Corriere della Sera* and elsewhere about the use of Swiss banks for drug revenue, assassination payoffs and the like. Crédit Suisse is linked to pro-industrial allies in both the Italian Communist Party and Christian Democracy of Prime Minister Giulio Andreotti.

International response to the new market shakeups has thus far occurred mainly on the level of disoriented reaction, rather than the discussions of a return to a fixed-rate gold-based monetary system that were popping up around December and January. At the International Monetary Conference in Tokyo, Commerzbank official Robert Dhom derided U.S. Treasury Secretary Blumenthal's claim that a mammoth U.S. trade deficit would help "stabilize" the rest of the world; it will simply unsettle the dollar, said Dhom, and pressure the mark parity upward 5 percent, damaging exports. The main counterweight to this mark trend at present is equally inauspicious: the Bundesbank central bankers' policy of continued loose money for patchwork financing of Scandinavia, Italy and so forth.

Whereas the New York banks have a clear idea how they want to alter the situation — including renewed

International Monetary Fund pressures for an outright devaluation of the pound sterling — other policymakers seem to be merely trying to tread water in an increasingly turbulent sea. Japan — whose industrial growth slowed significantly last month — may soon follow West Germany in having nothing to show for its combination of

printing-press activation and compromise currency appreciation but the kind of reduced surpluses that some West Germans pretend make a contribution to world economic recovery. When each sector slides toward bankruptcy, the allocation of relative surpluses and deficits may become a bitter question, but remains a ludicrous one.

Rockefeller Missing At Inter'l Monetary Conference

BANKING

For the first time, the New York banks were almost completely excluded from a key meeting of the world's major private commercial bankers. This cordon sanitaire against the Rockefellers has been built up by their international colleagues at the 24th International Monetary Conference (IMC) meeting — a private-sector counterpart to the International Monetary Fund (IMF) — now taking place in Tokyo. But the general approach of these financial forces to the economic crisis still remains incompetent: while they are opposed to a bailout of the Rockefeller banks, they expect to maintain all their own financial holdings and avoid a debt moratorium through a reinforcement of the IMF and World Bank, orienting those institutions toward cheap, long-term credit, which in itself can only trigger an hyperinflationary crash.

The major topic of the Tokyo discussions will be the "possibility that some of the world's lesser developed countries may default on their massive debts to commercial banking institutions," according to the May 23 *Journal of Commerce*. Informed sources report a "high concern about the LDC's bad loans," notably for the European banking community. Japan's leading bankers, less exposed than their Western counterparts, are in a position to act more independently and stress that this is the first IMC meeting to be held in Asia.

The Conference is the pet project of Bank of America President Q.W. Clausen, and the list of attendants reads like an international summary of all non-Rockefeller interests: Japanese bankers and officials, British-Rothschild forces such as representatives of Barclays, Standard Chartered, the Hong Kong financial community, U.S. West Coast banks, most of the leading European bankers together with governors of the West European central banks and René Larre, head of the Bank for International Settlements (BIS) — the clearinghouse of Europe's central bankers.

Among the guest speakers is British Petroleum (BP) Chairman David Steel. The Rothschild-controlled British oil companies BP and Shell decided to side with other public-sector European companies against Rockefeller interference in Europe through Exxon and other "oil multinationals." Contributions of traditional British outlets like the *Far East Economic Review* Oxford University are also expected.

But despite the obvious importance of the conference, Rockefeller's Federal Reserve Chairman Arthur Burns decided at the last minute not to go, as did Citibank Chairman Walter Wriston. Reached for comment, a senior Vice President at Citibank admitted the "primary importance of the gathering," and acknowledged that West European and Japanese interests were controlling it together with the "West Coast banks, which are undoubtedly much better represented than the East Coast banking community."

The Citibank official also pointed out that Bank of America's Clausen was very preoccupied by the need to insure that sufficient long-term credit is available by 1978 for sound development projects and not for servicing and repayment of existing external debt — a view directly in conflict with that of the Rockefellers. Finally, the Citibank representative implied that his own bank is planning to join the anti-Rockefeller bandwagon with the declaration that the "head of our organization in Japan follows the meeting and we are ready to react if something important comes out of it."

No Alternative

Clinging to their own bankrupt financial assets, the bankers' state of mind is one of terror that "any attempt to write off Third World loans would start a world financial depression," as accurately stated by the Japanese financial daily *Nikkei*.

Bank for International Settlements head René Larre expressed the intellectual confusion in a speech in Tokyo where he admitted that IMF resources are inadequate to bail out the banks, even if a new "special fund" is set up in the near future. Therefore, Larre recommends, the IMF should borrow directly from the private banks. Such a vicious circle did not meet an enthusiastic response, neither from IMF officials nor from private bankers. Some attendants commented that such a scheme would destroy the chances of the IMF ever getting money from Saudi Arabia.

Other proposals included the transformation of the IMF and the World Bank into a single long-term lending institution, to promote "projects" in the Third World without cancelling the Third World debts, along the line advanced in the U.S. by circles linked to Averell Harriman.

Refusing to freeze part of their financial holdings, plan the proper bankruptcy proceedings, and endorse an International Development Bank-type of institution based upon the principle of hard commodity only credit issuance, the bankers are left with no visible alternative.

Under such circumstances, all the non-Rockefeller banks have no other choice than to engage themselves even more deeply into Third World financing, which amounts to a bailout of the New York banks! Part of their motivation is the drastic fall in the profitability of domestic lending and the general reduction of bank spreads by half from the fourth quarter of 1976 to the first quarter of 1977, an evolution that the banks try to counter by making it up in volume. This speeds up the inflationary snowball at an ever-accelerating pace.

Thus the organizers of the Tokyo meeting — U.S. regional banks, West European and Japanese banks — are now throwing themselves into what they had tried to avoid up to now, "overexposure." Even such a cautious institution as Pittsburgh National, which a year ago would not have gone into LDC paper, now finds itself syndicating a \$150 million loan for Mexico in company with Chase Manhattan. This happens at a point where

Mexico would require at least \$4 billion to pay its debt service this year, according to Chase Manhattan. Bankers Trust comments that the country can raise \$1.4 billion at best.

Turkey Wild Card

In the middle of such a suicidal loan rush, news about Turkey's de facto debt moratorium sounds like a fire alarm. Turkish Central Bank officials tried to deny a general payments moratorium, but had to admit that "some payments have been delayed because of the country's foreign exchange problems." In fact, all import payments are being screened, and payments priorities are going to be decided daily up to the June 5 elections. Japanese sources indicate that this country's exporters are not being paid, while a *Reuters* dispatch has announced that the Ankara government has stopped all payments except for oil and arms.

Europeans Take Aim At Rocky's Oil Multis

SPECIAL REPORT

The EEC Energy Commission, prompted by the European state oil companies, met May 16 and implemented "full speed ahead" a study for government control of European oil markets which if successful "could be the end of Exxon, Mobil, and the other U.S. oil companies' European operations," a Wall Street oil analyst admitted last week. Similar moves are underway in Europe's chemicals industry, where Vice President Grandi of Italy's state-control Montedison chemical giant called yesterday for an EEC-controlled market for oil feedstocks used for petrochemicals.

For the first time, the British government and Britain's leading companies, British Petroleum, Royal Dutch-Shell, and Imperial Chemicals, are moving in full political support of the EEC studies, breaking openly with Exxon, Mobil, Texaco, and Socal, the Rockefeller-controlled oil multinationals.

The Exxon four meanwhile announced additional cuts of 20 percent in their June deliveries of Saudi Arabian oil yesterday, on top of 20 percent cuts in May shipments already announced. Exxon et al. hope to drum up an oil-embargo level shortage by claiming the fire at Saudi Arabia's Abqaiq oil field has forced 20 percent production cuts for the indefinite future.

But their efforts to touch off panic buying and soaring prices have flopped oil industry sources said, because the world's oil consumers know — despite Rocky — the Saudi government intends to have production back to normal by the end of May.

Prompted by five European state-owned oil companies, the EEC Energy Commission's ad hoc committee on marketing presented its study on chaotic European oil prices to the Energy Commission May 16. The commit-

tee, dubbed Euomart, ruled the current pricing system unacceptable. This move threatens the Exxon group's ability to dominate the market when and where they please at their prices. With European oil prices top secret (as they are internationally), speculation is rampant, making planning impossible.

The EEC Commission has decided "to go full speed ahead" on the initiative of Italy's ENI, West Germany's VEBA, France's ELF and CFP and Belgium's Petrogina, for price transparency of the refined oil products market according to reports published May 23 in an oil journal. This means open publishing of prices.

Significantly, the two-Rothschild-controlled "Seven Sister" multis, British Petroleum and Royal Dutch-Shell — which sat on the sidelines over the past several months as Europe's state oil companies maneuvered against Rockefeller — have now gone in support of the state oil companies position. "This means," complained one U.S. based analyst, that they are making a "long-term political agreement to stabilize European markets which would cream free markets — and the U.S. multis." In addition Shell proposed an extensive method to sample price quotations of oil companies which the EEC accepted.

More significantly, BP made a major proposal that the EEC governments create a market for long-term stable sales of refined oil products and according to some sources, crude oil as well. The vast bulk of oil and oil products is sold presently either "spot," meaning "grab it now while you can," at whatever price the buyer can be taken for, or under top-secret longer-term contracts between individual companies on widely differing terms.

The "price transparency" and BP long-term market proposals taken together would have to be favored and run by EEC governments, and would shift the price and profit terms of the entire European oil market to the advantage of the European companies, Wall Street analysts say. ENI's long-term oil-for-machinery deals with,

say, Iraq would become more profitable than ENI's current spot purchases from Exxon, for example.

Exxon is already squealing. Esso Italiana, its Italian subsidiary, denounced such long-term direct negotiations with producing countries as "risky if they were to become substitutes for the (current) pluralistic system" in a major report released in Rome May 23, "Italian Energy to 1990." Exxon and the U.S. majors "are worried," the *Journal of Commerce* commented the same day, "that Italian government efforts aimed at direct purchase...could bypass them and make their presence on the Italian market unprofitable."

Meanwhile British Energy Minister Anthony Benn "led the revolt" of European oil interests forcing the EEC to cancel its plans to shut down up to 25 percent of its oil refineries May 20, the *Journal of Commerce* reported. (The shutdown had been introduced by Trilateral Commissioner Roy Jenkins to "solve" the problem of Europe's depressed refineries running at 50-60 percent of capacity.) The North Sea is booming and Britain and other European oil companies not only need the spare capacity, but intend to build more, Benn said.

Benn's success comes as a slap in the face to the Exxon-Esso study on Italian energy, whose central proposal is that Italy "cut off the sick branches" of its refining industry by shutting down at least 10 percent, if not 20 percent of Italian refineries. Esso Italiana may be the only oil company in Italy forced to follow that advice.

European-wide Chemical Cooperation

Led by the Italian government, the European chemical industry is making parallel moves for EEC-wide cooperation and integration into the emerging EEC government oil market. Italian Prime Minister Giulio Andreotti's top economic advisor Cappugi issued a plan recently for the three Italian chemical giants, Montedison, SIR, and ENI's subsidiary ANIC, to "harmonize" their production, prices, and marketing strategies. Cappugi's plan was coordinated with other EEC governments for an all-European chemical market, Italian political sources said. Montedison and SIR subsequently issued a joint communiqué agreeing to stop their internecine competitive warfare "as part of a national program for chemicals." Cappugi publicly stressed over the weekend this was a government strategy for the entire Italian industry.

Montedison Vice President Grandi, an Andreotti intimate, meanwhile made clear the Cappugi plan's links to

the EEC Euromart oil strategy yesterday, by calling for a "European-wide selling price for oil feedstocks for the European chemical industry" in the Italian press. Resemblance to the BP call for long-term contracts for refined oil products is not accidental.

Britain's Imperial Chemicals Industries (ICI), Europe's largest chemical corporation with close business ties to Montedison and SIR, announced major petrochemical investment expansions worth over £700 million (\$1.2 billion) in Germany, Britain, Holland, and France — defying the worst depression Europe's chemical industry has ever seen. A new chemical complex will be built in Wilhemshaven, northern Germany, another at Wilton, England, and projects in Rozenberg, Holland, and in France will be expanded, all to take advantages of North Sea oil coming on stream in 1977-78.

Oil Embargo Flops

Back in the Persian Gulf, efforts by Exxon, and the other Rockefeller partners with the Saudi government in ARAMCO to speculate up oil prices causing embargo-level scarcities have been a resounding flop so far. Oil prices did not respond even when Exxon, Mobil, Texaco, and Socal announced a 20 percent cut in their June deliveries of light crude yesterday, following a 20 percent cut in deliveries for May announced last week.

The fact is, European and Japanese oil consuming companies know that the Saudi government believes Saudi production can be back to its pre-explosion levels of 10 million barrels a day by May 31 — and that the U.S. position in Saudi Arabia may be deteriorating as the Saudis countermand the Rockefeller group's production cuts. "Saudi Arabia is exerting considerable pressure on ARAMCO to get oil output up," a key oil industry journal said yesterday. "Everyone knows, as even (ARAMCO Vice President) George Larsen said last week, that production will be back to normal by the end of May if the Saudi government has anything to say," a State Department source added.

The same source characterized reports in the London International Currency Review that the Saudis have made a deal to place long-term deposits in U.S. banks to prop up the dollar in exchange for political guarantees from Carter "are a pile of rubbish." In fact, U.S.-Saudi negotiations on preserving Saudi purchasing power from dollar inflation at the Paris North-South talks fell apart last week, with the Saudis remarking it may be better to leave their oil in the ground than accept dollars for it.

EXCLUSIVE

First Pennsylvania Corporation: The Worst Bank In The World

SPECIAL REPORT

A Philadelphia banking consortium, led by John Bunting's First Pennsylvania Bank, is currently spearheading a drive for massive cutbacks and rationalization of the city's public sector. In an atmosphere replete with Watergatings of prominent state and local "old line" politicians who oppose this policy, Bunting announced last month that the Philadelphia school system would have to pare 25 percent off its 1977-78 budget before the banks would lend it the \$31.5 million to enable it to *finish this school year*.

Bunting's crackdown on Philadelphia is more than a local version of the Carter Administration's (read David Rockefeller's) policy of debt collection through austerity, such as cutbacks in city services. John Bunting has an even more pressing personal stake in this matter: First Pennsylvania Bank, the nineteenth largest in the country, is virtually bankrupt. The wretched status of First Pennsylvania — in plain view in their annual report and annual reports specialize in covering up the true condition of corporations — is testimony to their undisputed status as the worst bank in the world.

Lest one should imagine, however, that the other banks mentioned in this report are healthy financial entities, the reader is referred to EIR Vol. IV, No. 19 for an autopsy of the New York banks. These institutions are only marginally better off in their real estate investments, and considerably worse off in their foreign loans. The top fifteen banks are themselves facing imminent bankruptcy proceedings as billions of dollars of Third World debt fall due in the second and third quarter. These establishments are no longer banks in any proper sense of the word. Like First Pennsylvania, they are public health hazards.

Who Is John Bunting?

Over the past decade of his tenure as First Pennsylvania's chairman, John Bunting has built up an image as the wheeler-dealer, dashing Dan of the banking world. He is known as a man who will take all kinds of risks and engage in unorthodox practices, which have resulted in a doubling and tripling of such key items as earnings, dividends, deposits, assets, and capital growth.

But as insiders in the industry know, John Bunting is a buffoon rivaling David Rockefeller himself — a reckless incompetent whose bell has begun to toll. "John Bunting has expressed his philosophy," commented a Pennsylvania state banking official, "that a bank as large as

First Pennsylvania can never fail." Bunting feels that no matter what happens, in the long run the government will have to bail them out. He bases his risk-taking and his investment strategy on that ultimate premise.

"John Bunting is a very very good speaker," continued the official. "he wanted to become regional head or chairman of the Federal Reserve earlier in his career. But at a certain point he decided that he wanted to make a lot of money, so he went in to First Pennsylvania ... Bunting never got the practical experience or training which a man in his position usually gets. But he is a very, very good speaker."

An Executive Intelligence Review survey of top investment houses in New York found only a handful of individuals who dealt at all in First Pennsylvania stock, and of those few who did, no one would recommend it without strict reservations. A senior analyst at Loeb, Rhoades said, "No one is researching First Pennsylvania, they've gotten into very hot water with real estate investments. Real Estate Investment Trusts (REITs) were hit after 1974, and we only recommend those who have a long term plan for getting things back into shape, and they aren't one of them." Another analyst at Paine, Webber summed it up best. When asked if anyone wants to touch First Pennsylvania, he laughed, "Well, at the right price, even a '42 Nash Rambler is a good investment."

An examination of First Pennsylvania Corporation's (FPC) 1976 annual report shows that it isn't even an Edsel. Since Bunting took over the helm, FPC has engaged in an orgy of real estate speculation and bad loans that have resulted in an overall financial condition worse than any of the largest fifteen bank holding companies, including Chase Manhattan and Bankers Trust, which have been put on the problem list of the U.S. Comptroller of the Currency. As Table I shows:

- * 81 percent and 61 percent of their REITs and real estate construction loans, respectively, are non-performing.

- * 40 percent of the loans are non-performing for four categories of real estate and financial institution investment.

- * 63 percent of total non-performing loans are these four categories.

- * These categories of bad loans account for fully 10 percent of total loans.

First Pennsylvania Corporation's percentage of non-performing loans to total loans is, conservatively, 15.8 percent, more than triple the average of the top 15 banks, and 50 percent worse than First Chicago, the worst of the top 15. Furthermore, their net loan losses over the past two years are *double* the average of the top 15, on a

Table 1 — Non-Performing Assets, 1976

(in millions of dollars)

	OREO ^A	NON-ACCRUAL LOANS	RE-NEGO- TIATED LOANS	TOTAL NON- PERFORMING LOANS	% OF NON- PERFORMING LOANS PER CATEGORY	% OF ALL NON-PER- FORMING LOANS	TOTAL LOANS PER CATEGORY	% OF NON-PER- FORMING LOANS TO ALL LOANS
FIRST PENNSYLVANIA								
REITS	---	11.9	68.7	80.6	81	---	99	2.1
NON-BANK FINANCIAL INSTITUTIONS	---	5.6	10.0	15.6	5.3	---	292	NEG
REAL ESTATE CONSTRUCTION, DEVELOPMENT	---	128.3	42.1	170.9	61.5	---	278	4.4
REAL ESTATE COMMERCIAL, PERMANENT	---	44.4	---	44.4	20.0	---	222	1.1
TOTAL, FOUR CATEGORIES	73^B	190.7	120.8	384.5	39.9	63	964	10.0
COMMERCIAL, INDUSTRIAL		90.1	112.0	202.1	13.7		1,474	5.2
TOTAL	73	299.0	239.0	611.0	100.0		3,861	15.8
BANKAMERICA	35	289	262.0	586	---		35,448	1.7
CHASE MANHATTAN	280	1,386	325.0	1,991	---		30,663	6.5
BANKERS TRUST NY	118	509	413.0	1,100	---		11,347	9.7
FIRST CHICAGO	96	976	152.0	1,224	---		11,720	10.4
MANUFACTURERS HANOVER TRUST	91	295	202	538	---		17,610	3.3
							AVERAGE OF TOP 15: 5.1	

A OTHER REAL ESTATE OWNED-TAKEN OVER THROUGH FORECLOSURE, ETC., ESSENTIALLY NON-PERFORMING

B CONSERVATIVE ESTIMATE

SOURCE: ANNUAL REPORTS AND LOEB, RHOADES

percentage comparison of losses to total loans (see Table 2).

Just as revealing is FPC's provision to cover their losses (see Table 3). Their loan loss reserve entering 1977, as a percentage of impaired assets, is nearly half the average of the largest 15 banks, and only slightly better than Bankers Trust and First Chicago. In 1976 their loan loss provision — the amount allocated during the year to the loan loss reserve — was not only proportionally lower than any of the top 15, but with the exception of First Chicago, was the only one lower than their loan losses (\$52.8 million provided vs. \$66 million lost).

This has vital ramifications for 1977 and 1978 once a further fact is taken into account. FPC's earnings, or net income, peaked in 1973 at \$43.3 million. In 1974 net in-

come dropped to \$35.7 million, then to \$18.2 million in 1975, before creeping up to \$23.1 million last year. Earnings are critical for First Pennsylvania in more than the usual way. Because of their shaky financial position, they have maintained the same dividend payments for the last three years, at \$1.32 per share, despite the sharp drop in net income. The yield on FPC equity is 8.3 percent, 50 percent higher than the average for the top 15 bank holding companies. Although dividends ate up nearly all the net income the past two years, with very little of the earnings retained, FPC had no choice. Had they cut the dividends payout, they risked a capital flight and stock dumping, as their assets and capital have sharply contracted after years of speculative growth. This bears directly on the loan loss provision (see Table 4). Every dollar put into the provision is one dollar taken

Table 2 — Comparisons of Net Loan Losses, 1975 and 1976

	(MILLIONS OF DOLLARS)			1975-76 LOAN LOSSES TO 1976 TOTAL LOANS
	1975	1976	1975-76 TOTAL	
FIRST PENNSYLVANIA	30.0	66.0	96.0	2.48
BANKAMERICA	148.6	119.2	267.8	.75
CHASE MANHATTAN	251.0	269.0	520.0	1.69
BANKERS TRUST N.Y.	97.7	81.9	179.6	1.58
FIRST CHICAGO	92.9	145.8	238.7	2.03
MANUFACTURERS HANOVER TRUST	70.0	83.3	153.3	.87
TOTAL TOP 15 BANKS	1,520.2	1,531.1	3,051.3	1.29 AVERAGE

SOURCE: ANNUAL REPORTS AND LOEB, RHOADES

Table 3 — Comparisons of Loan Loss Reserves, 1976

(millions of dollars)

	TOTAL IMPAIRED ASSETS*	LOAN LOSS RESERVE	RESERVE AS % OF IMPAIRED ASSETS	LOAN LOSS PROVISION	PROVISION AS % OF IMPAIRED ASSETS	NET LOAN LOSS
BANKAMERICA	586	272	46.4	147.1	25.1	119.2
CHASE MANHATTAN	1991	324	16.1	310.2	15.6	269.0
BANKERS TRUST N.Y.	1100	107	9.7	100.0	9.1	81.9
FIRST CHICAGO	1224	102	8.3	126.5	10.3	145.8
MANUFACTURERS HANOVER TRUST	588	150	25.5	91.6	15.6	83.3
FIRST PENNSYLVANIA	611	61	10.0	52.8	8.6	66.0
AV. OF TOP 15			18.5%		14.0%	

*NON-PERFORMING

SOURCE: ANNUAL REPORTS AND LOEB, RHOADES

Table 4 — First Pennsylvania Corporation

(MILLIONS OF DOLLARS)

	A EARNINGS BEFORE LOAN LOSS PROVISION	B EARNINGS**	C LOAN LOSS PROVISION	D NET CHARGE-OFFS (LOAN LOSSES)	E LOAN LOSS RESERVE***
1972	47.8	38.9	8.9	10.0	36.4
1973	54.4	43.3	11.1	11.5	35.3
1974	67.7	35.7	32.0	24.4	34.9
1975	79.2	18.2	61.0	30.0	42.6
1976	75.9	23.1	52.8	66.0	74.1
1977	---	---	---	---	60.8
1977 *	80.0	30.0	50.0	50.0	60.8
1978*	---	---	---	---	60.0

*HYPOTHETICAL

***AMOUNT FOR EACH YEAR ROUGHLY EQUALS
COLUMN E + C-D FOR THE PREVIOUS YEAR

** COLUMN A MINUS C

NOTE: COLUMN E IS FOR BEGINNING OF YEAR

SOURCE: ANNUAL REPORT

out of earnings. In 1975 Bunting girded for the approaching loan loss deluge by doubling the loan provision from \$32 million to \$61 million, taking a year of low earnings that barely covered dividend payments equivalent to 1974. But in 1976 he had to show an improvement in earnings, even if modest. Hence, FPC "cheated" on its provision for 1976, took record loan losses, and entered 1977 with a lower reserve than 1976 and nearly the worst position of the major banks, as mentioned previously.

In order not to become even more exposed, FPC will have to put approximately as much into the loan provision this year as its loan losses. This should be, conservatively, in the \$50 million range. If this is done and losses are equivalent, FPC would enter 1978 with the same loan loss reserve. The bank must also, however, show at least a \$30 million earnings margin to maintain the illusion of "resurgence" for its edgy stockholders. This means that its earnings before loan provisions must be at least \$80 million, reversing last year's decline (column A of Table 4). And this raises another critical problem.

FPC's income from interest and fees on loans — traditionally the main source of earnings increase — dropped a whopping \$40 million in 1976, or 10 percent. This was offset by a roughly equivalent drop in interest paid on deposits and borrowed funds. The bank's \$23 million profit came from essentially two sources: a \$10 million tax rebate partially due to new methods of loan loss accounting, and a \$10 million increase in "trading account profits and commissions" — that is, sheer speculation in the bond market!

Bunting incredibly takes great pride in this achievement. In his letter to stockholders in the 1976 annual report, he boasts:

"A two year downtrend in earnings was reversed as profits jumped by 27 percent to \$23.1 million. First Pennsylvania Bank, led by First Pennco — its securities trading subsidiary located in New York — and solid success in its own investment department, paced the resurgence with a 37 percent increase in earnings....

"While we expect earnings gains from our lending area, we will once again be dependent to some extent on a strong performance in the securities trading and investment areas as well as continuing overall very tight expense control. We think First Pennco will have another good year."

As any competent securities analyst knows, the bond market has had a poor year so far, and will be lucky to pull steady; and repetition of last year's boom is out of the question. Federal funds interest rates have risen about one percentage point in recent weeks, and with inflation running in double digits and the money supply galloping even faster, interest rates will soon be forced much higher, with market collapse soon to follow. In sum, there is no way Bunting is going to improve on 1976's bond market speculation. FPC will suffer a sharp decline in its trading account profits this year; first quarter figures already show a \$760,000 decrease vs. a \$782,000 gain last year, which points toward returning to the 1975 figure for the year — a \$10 million loss!

The \$80 million target for earnings before loan provisions therefore looks more like \$60 million on this

count alone. Bunting will then have the suicidal choice of cutting his loan loss provision and reserve even further, or wiping out dividend payments. But, says Bunting, "We believe that our loan losses in 1977 will not be as large as in 1976 so that a commensurate reduction in the reserve for the very high levels of last year is appropriate." What he neglects to point out is that the real estate "resurgence" is based primarily on book juggling, e.g. banks' assumption of failing property in lieu of loan repayment. The very modest improvement in banks' control over their real estate assets last year thus hangs by a thread, subject to massive failures with any significant credit crunch or string of defaults.

That this realization has struck Bunting like a bucket of cold water is evident in his panicked strongarming of the Philadelphia school system. The 25 percent budget reduction he is demanding will destroy education in Philadelphia and result in 10,000 layoffs and \$100 million lost in taxes. Like his counterpart Felix Rohatyn of New York's Big MAC, Bunting is not interested in collecting the nickels and dimes of the system's debt for his bank.

The situation is far too advanced for that. What Bunting is gunning for is the elimination of institutions of a progressing industrial society and the regimentation of the population such that it will accept austerity and a low standard of living — thereby opening Philadelphia and Pennsylvania to the large-scale labor-intensive energy investment schemes of James Schlesinger. In his report, Bunting calls for turning Philadelphia into a Puerto Rico-type operation, and ends with a virtual declaration of war: "As presently constituted, it is fair to say that this country cannot afford prosperity."

Michael Marcuse, superintendent of schools in Philadelphia, recently responded to Bunting's proposals: "We can only pray at this time that responsive persons will not tolerate this pillage of the Philadelphia public schools." The EIR recommends far more than praying. We recommend that the Philadelphia banking community and First Pennsylvania consult our financial staff for discussion of the appropriate steps toward investment in the private development bank proposal of U.S. Labor Party chairman Lyndon H. La Rouche.

EXCLUSIVE

Rockefeller And The Coal Industry

COAL

The popular imagination associates the Rockefeller family name with oil and New York City banks. Not so well known is the fact of Rockefeller domination of another key sector of the U.S. economy — the coal industry.

The Rockefellers and associated business institutions dominate:

*the largest coal-reserve-possessing companies in the United States.

*a majority of the top coal-producing companies.

Knowledge of this domination provides insight into the motivation behind the Rockefeller-sponsored Carter Administration's "Energy Program."

The Rockefeller family and its allies also have significant holdings in railroads which are or would be principal carriers of coal under the Carter energy program; they are also organizing themselves into consortia to profit from a mooted rival transport medium — the long-distance coal-slurry pipeline (a mixture of water and coal dust sent through a pipeline as though it were oil).

The policies of the present generation of Rockefellers are a lawful continuation of those initiated by the first of the line, John D. Rockefeller Sr., who within years of founding Standard Oil began branching into pipelines, railroads, coal, etc. The older generation still remembers the early connection of the Rockefeller family to coal — in the form of memories of the infamous 1913 Ludlow (Colorado) massacre of over a dozen miners and members of their families during a strike against the Colorado Fuel and Iron Company, in which the Rocke-

fellers had a majority interest.

Coal and War

To look at the coal-promotional aspects of the Carter energy program as merely a boondoggle for a particular industry in which the Rockefellers happen to be heavily invested would be an error. Carter's energy program proposes to postpone the demise of David Rockefeller's leading financial institutions by conduiting flows of funds away from industrial capitalists and workers — toward One Chase Manhattan Plaza. Carter proposes discriminatory taxes on the productive sector (a) through price increases on oil and natural gas ("to discourage use") and coal ("to encourage production"), and (b) through various federal energy taxes, which in turn would make their way to Chase Manhattan coffers through public works swindles, "welfare reform," etc.

The coal-related aspect of the Carter-Rockefeller energy plan includes a programmed strike of coal miners later this year (already being emphatically predicted by Rockefeller-linked communications media)...another energy-short winter (with coal in short supply in the winter of 1977-78, vs. the natural gas shortage of 1976-77)...the breaking of the Eastern-based United Mineworkers Union through nonunion mining operations in the Rockies...the re-opening of uneconomical Rockefeller mines in the East, to be worked by nonunion labor under conditions imitating the worst mines in the Union of South Africa. Coal itself would be pegged at triple the present price, on the basis of a supposed BTU equivalency to oil, or some such pretext. Immediately related to these productivity and labor-destroying schemes would be a parallel drive to revive thermodynamically inefficient coal gasification processes first introduced in Nazi Germany.

The general political means for launching these crackpot energy schemes would be a Carter Administration rigged Middle East war, in which Saudi Arabian and other major fields in the area were destroyed, providing the "motivation" for a coal autarky and de-industrialization economy. If Carter were to be successful in this, however, it is more probable that thermonuclear war would intervene to clear the books at Chase Manhattan and other urban centers in the U.S. — before any of the intended looting profits came in. (Perhaps Nelson Rockefeller imagines he will be able to revive his early 1960s *folie* — boosting bomb shelters — and thereby make a killing selling shelter space in his coal mines.)

U.S. Companies With Top Coal Reserve Positions

Burlington Northern. Has 11.4 bn. tons of coal reserves, according to the Keystone Coal Industry Manual. The Rockefeller-controlled Equitable Life Assurance Co. has historically held large amounts of the railroad's stock; currently a representative of Equitable sits on the finance committee of the Burlington Northern. Morgan Guaranty Bank also has historically had one of its placemen on the Burlington board. Morgan Guaranty and Citibank perform stock transfer and registrar functions for the Burlington Northern.

Continental Oil. Owns Consolidation Coal, which has 10.8 bn. tons. Although usually reputed an "independent" oil company because of its heavy exploration activity, Continental has been closely linked to "Morgan" interests and the Rockefellers for decades. Its previous head, L.F. McCollum, is a former Standard Oil of N.J. man who still functions as a director of Morgan Guaranty. Its present head, Howard Blauvelt, is a director of Bankers Trust. Chase Manhattan Bank is the stock registrar. Lundberg, basing himself on Rep. Patman's 1963-64 study of foundations, notes that at that time two Rockefeller foundations owned 306,013 shares of Continental Oil capital stock.

Union Pacific R.R. 10.0 bn. tons of coal reserves. New York banks are the largest stockholders, with the Harrimans holding a number of leading positions for old time's sake.

Peabody Coal. 8.9 bn. tons of coal reserves. Owned by Kennecott Copper, which in turn is controlled by the Guggenheims and various Rockefeller-Rothschild New York City and related financial institutions (a divestiture proposal is pending, however).

Exxon. 7.0 bn. tons of coal reserves. A core Rockefeller holding.

Amax Coal Co. 5.0 bn. tons of coal reserves. Better known as American Metal Climax. The Rockefeller-family dominated Standard Oil Co. of California (SoCal) holds one-sixth of the stock of this company.

North American Coal Co. 5.0 bn. tons of coal reserves. The board of this "independent" coal company is dominated by representatives linked to Cyrus Eaton, a close associate of the Rockefellers. (Cyrus Eaton started out as John D. Rockefeller Sr.'s golf caddy in Cleveland, where Standard Oil was founded; became John D.'s

private secretary; acted as his front man in busting up the Insull and Morgan utility and railroad empires in favor of the Rockefellers; has served continuously since 1930 as trustee of the John D. Rockefeller funded University of Chicago; and founded the Pugwash conferences for brainwashing Soviet scientists.)

Top U.S. Coal Producers

Peabody Coal Co. produced 70.5 mn. tons of coal in 1976, the *Keystone Coal Industry Manual* reports. For ownership, see above.

Consolidation Coal produced 55.9 mn. tons in 1976. For ownership, see above.

Amax Coal produced 23.1 mn. tons. For control, see above.

Island Creek Coal produced 17.6 mn. tons. It is controlled by Armand Hammer's Occidental Oil Co.

Pittston Coal produced 17.1 mn. tons. The company is part of the Alleghany Corp. empire of Allan Kirby and the late Robert Young. Like Cyrus Eaton (with whom the two worked closely), Kirby and Young functioned as placemen for the Rockefellers in dismantling the Morgan empire (e.g., the Morgan hold on the New York Central R.R.) and in harassing the Mellons (e.g., in the Pullman and Virginia Railway cases). Further confirming Rockefeller control over Pittston is Robert W. Purcell, "consultant, Rockefeller Family and Associates," who sits on the Pittston board of directors alongside Kirby.

Arch Minerals produced 13.6 mn. tons of coal. It is controlled by Ashland Oil.

North American Coal produced 10.7 mn. tons. See above for control.

Old Ben coal produced 9.7 mn. tons. It is controlled by Standard Oil of Ohio (Sohio), historically under Rockefeller family control but now anticipated to pass under to majority control of British Petroleum under an Alaskan North Slope oil delivery agreement.

Westmoreland Coal produced 8.1 mn. tons. It is dominated by Fidelity Bank of Phila. and related financial institutions, with a Rothschild representative, the Earl of Westmorland (of Southeby-Parke Bernet), also on the board. (Earlier in this century, Philadelphia banks functioned as satellites of the Morgan empire; that empire subsequently came under the control of Rockefeller institutions.)

Peter Kiewit produced 8.0 mn. tons. The Keystone Coal Industry Manual describes this company as being controlled by an (unspecified) oil company. Peter Kiewit himself is an Omaha, Nebraska contractor.

Eastern Associated Coal produced 7.7 mn. tons in 1974. It is controlled by Eastern Gas and Fuel, which in turn is controlled by Boston financial interests closely allied with the Rockefellers.

Pittsburgh and Midway produced 7.5 mn. tons in 1974. It is owned by Gulf Oil, dominated by sometime rivals to the Rockefellers, the Mellons.

Utah International produced 7.0 mn. tons of coal in 1974. It is owned by the Rockefeller-linked General Electric company. ("Captive" coal mines are omitted, e.g. U.S. Steel, Bethlehem Steel, etc.)

MIT Energy Study: Chicken Little Revisited

When President Carter made his television speech on energy April 18, he tried to convince the American public that "the sky is falling." We are running out of energy, especially oil, the President gravely warned, and therefore we must conserve. Unfortunately for Mr. Carter's energy program, the vast majority of the public reacted with the same justifiable skepticism which greeted the original announcement by Chicken Little. Administration mootings of mysterious CIA reports on energy have done little to dispel such skepticisms.

Last week, fellow Trilateral Commission member Carroll L. Wilson made an attempt to come to the rescue of Mr. Carter's tattered credibility. Armed with an array of charts and tables, computer printout and other appropriate paraphernalia, Mr. Wilson has attempted to prove in a new book "Energy — Global Prospects" that the sky is indeed falling. The book, a report of a Massachusetts Institute of Technology (MIT) Workshop on Energy Alternatives, had been liberally funded by the normal assortment of interested parties, such as the Rockefeller and Ford Foundations, and was given a good deal of ballyhoo in the front pages of the nation's press, complete with banner scare headlines on the coming crisis.

Mr. Wilson's conclusions are sobering indeed. The demand for oil will exceed supply sometime between 1980 and 1995, probably no later than 1985. The only way to avoid catastrophe, therefore is a "wartime" program of conservation and conversion to coal — oddly enough, the same recommendations as Mr. Carter's program.

To prove these conclusions, Mr. Wilson's workshop has contributed 300 pages of arguments. But careful reading indicates there is one major problem with the effort to prop up Chicken Little. *The conclusions of the report are totally wrong because the premises on which the report is based are false.*

When the large amount of fluff in the report is stripped away, the argument used is seen to be very simple. Paraphrased like this: "Considering the world outside the socialist countries, the maximum oil production which can ever be achieved is about twice the present rate, of 80-90 million barrels a day. Given a modest rate of increase of energy production of 3.5 percent a year, this level will be reached in 20 years, or by the late 1990s. It may be reached sooner, since it is likely that OPEC will limit oil production below its ultimate capacity, possibly no more than 20 percent above current levels. Therefore, sometime in the next ten to twenty years or less, oil supply will fail to meet even a moderately growing demand. Nuclear energy cannot fill the gap since neither the breeder reactor nor fusion will be available before the end of the century. Therefore we must use more coal and conserve to cut demand."

Thus, the whole argument is based on two premises — oil production cannot exceed about double present levels; the breeder and fusion will not be ready before 2000. Given these premises, the rest of the argument follows (in far less than 300 pages and without any necessity to consult computers.)

Both these premises are false.

Take oil first. The MIT report admits there is something like 2,000 billion barrels of oil ultimately available in the ground, of which 500-600 billion are already discovered — proven reserves. Since the maximum rate of oil extraction from available reserves is generally agreed to be 10 percent a year, one might naively think that total oil production can peak at as high as 10 percent of 2,000 billion, or 200 billion a year — about eleven times current production. The MIT report reduces this number to a mere double current production by making an additional key assumption. The major premise is that the rate of discovery of new or expanded

Senator Calls MIT Report 'Self-Serving Propaganda'

Senator James McClure this week entered into the Congressional Record an angry refutation of the "authoritative studies," including the MIT report, that support Jimmy Carter's energy program. The Senator, an Idaho Republican, titled his statement "More Energy Scare Tactics."

"Mr. President," McClure's statement said, "the American people are being misled by deliberate distortion of the facts concerning our nation's energy problems. First, we had the Ford Foundation-MITRE Corporation 'study' of nuclear power which ignore logic and scientific judgment. Then came the convenient CIA report which just happened to support the Carter energy position. Now we have another self-serving propaganda piece released by the so-called Works on Alternative Energy Strategies," written by Dr. Carroll L. Wilson of MIT.

"Who is Dr. Wilson?" McClure asked. "He has been a member of the World Peace Foundation of Boston, the Trilateral Commission, the Commission on Critical Choices, and the Club of Rome. He also served on the UN Conference on Human Development. In other words, Dr. Wilson's background may qualify him to publish reports on the environment and the desire by many for increasing government authority to control growth."

proven reserves will never exceed the average rate for the last 20 years — about 20 billion barrels a year. Since this is little more than the current rate of production, it takes no computer to see that if this discovery rate is maintained, then not much more oil can ever be produced than is being produced now — possibly 40-50 billion barrels a year at maximum, or twice current rates.

But the report in no way justifies the incredible assertion that the rate of exploration of oil can not in any way be increased! All it says (p.223) is that, as there is less oil to be found, discovery rates should decline. But Mr. Wilson and company omit a vital caveat — at the end of that sentence — *given a constant effort*. The amount of oil found is roughly proportional at any given time to the amount of wells drilled and the amount of investment into exploration and exploitation of new or existing reserves.

There is absolutely no question in the minds of any oil geologists that in every part of the world, especially the

Mideast where oil has been discovered, ultimate reserves are far larger than proven reserves — this is the very basis for the overall estimate of 2,000 billion barrels of oil worldwide. If the oil companies were to increase five-fold *now* their investment in exploration in the Mideast, for example, where drilling efforts have been desultory for a decade, there is absolutely no doubt that oil discoveries will be increased by an approximately comparable amount — it is, after all, down there to be found.

Second, the report utterly dismisses the possibility of improvements in rate of recovery which can vastly increase the oil produced from existing deposits, or improvements in exploration techniques. It simply assumes a fixed investment in exploration, fixed technology of exploration and fixed technology of extraction. With these assumptions, the conclusions follow without any work whatsoever.

If we on the other hand assume an increase in the allocation of the rather modest sums now expended on,

Soviets Say CIA 'Oil Study' Conclusions 'Clash With Reality'

As for the Soviet Union's attitude toward the MIT report and the rest of Jimmy Carter's "energy studies," this recent release from Novosti Press Agency on the CIA's similarly slanted report on world oil reserves shows that the Soviets are not impressed.

USSR OIL PRODUCTION: THE SOVIET POINT OF VIEW

By Boris Rachkov
Observer of the *Ekonomicheskaya Gazeta*

In a recently prepared CIA report on the state and prospects of world oil reserves, it is pointed out that some long-established oilfields are now being depleted. The CIA is very near the truth here, but it draws political conclusions which clash with reality. It claims, for example, that the growth of the world oil deficit will force the Soviet Union to compete with the United States and Western Europe for Persian Gulf oil.

This is not the first time far-fetched conclusions regarding the USSR's policy in the world market were made in the U.S. In 1958, for example, it was predicted that, by the early 1970s, the USSR would annually sell up to 100 million tons of oil on the Western market. At that time, the prospect of the operating oilfields being exhausted seemed rather remote. Predictions in the U.S. were that the westward flow of Soviet oil would damage both the Western coal mining industries and the Third World oil-exporting countries. In 1963 NATO even insisted on a Western embargo on selling pipes for pipelines to the Soviet Union.

That decision, however, did not slow down the development of the Soviet oil industry. In the period between 1960 and 1976, Soviet oil extraction went up

from 148 to 520 million tons, and the bulk of it is consumed inside the Soviet Union and in other socialist countries. In 1975, Soviet exports of oil and oil products to nonsocialist countries, including developing countries, amounted to 148 million tons, which is less than half of the volume predicted in the West. Yet the demand for Soviet oil in Western countries is very high now, and is no longer associated with the "Red Menace."

The CIA has gone to the other extreme now, predicting the inevitability of an energy crisis in the Soviet Union. This agency too carelessly applies the West's problems to the Soviet power industry, which does not run on the basis of market anarchy, but on the basis of long-term planning and the even, balanced development of all fuel industries.

The USSR continues to develop new deposits situated in places like Western Siberia, which has now become the main oil extracting base in the USSR. The 182 million tons of oil extracted there last year advanced the Soviet Union to first place in the world.

The CIA also discounts the stand taken by the Soviet Union regarding the world economy and trade. For a number of years the USSR has been proposing that the West should cope with particularly complicated economic problems, its energy problem included. Similar ideas were reflected in agreements between the USSR and the USA and a number of other Western countries. It is only necessary to put them to practice more energetically.

The assumption that the USSR wants to compete for Persian Gulf oil seems especially doubtful as the Soviet Union sells primary and fuel goods, including oil, and does not intend to stop selling them in the future.

especially, Mideast or say, Mexican oil exploration, increases in oil reserves of 100 billion, rather than 20 billion barrels a year, would reasonably be expected. No great sums of money are really involved — current Mideast investment in exploration amounts to only a small fraction of overall development costs and this is in an area where ultimate reserves are estimated to be 1,000 billion barrels!

With this sort of policy, the picture changes radically. Now let us assume not a piddling 3.5 percent rate of growth but a rapid 20 percent annual rate of growth, and we will find that by 1990 an additional 1,200 billion barrels of oil will have been discovered, 600 billion consumed, and current production will be running about 120 billion barrels a year, or nearly seven times current rates!

With natural gas, it should be noted, the situation is even better, since gas exploitation rates are very low. Given a rule of thumb estimate that gas production gives about two-thirds the energy of oil production from a given region, gas production over the same period could rise to the equivalent of 80 billion barrels of oil a year or nearly a dozen times current output.

What Happens Then?

So, the idea that we can get only a small and crippled rate of growth out of existing oil and gas reserves is absurd. But, even in the scenario here, oil production will in fact top out, although at a much higher level sometime in the 1990s, as the MIT report asserts. The key question however is what happens then? The answer is that first the breeder and then fusion take up the slack.

The assertion that the fission breeder cannot contribute to energy needs before the year 2000 is just as bald an assumption as the limit on oil development. On p. 210 of the book, it is asserted that no more than 5 percent of total nuclear energy can be supplied by breeders by the year 2000. Given well-known limitations on the supply of natural U-235 for existing reactors, the conclusion that nuclear energy can do little to fill the energy gap is inevitable.

But what are the real facts? The first commercial scale breeder reactor is now under construction in France, the Superphoenix, and will be operating as early as 1983. The technology is already in hand, tested out on smaller models and well understood. Given a commitment now to start construction on a large scale of

Superphoenixes, and given the elimination, in this and other countries of laws which virtually prevent nuclear construction, such as the National Environmental Protection Act, within a few years, a major breeder construction industry could be under way. By 1985, large numbers of breeders could be moving directly into the fuel production cycle, accompanied by even larger numbers of light water reactors to use the fuel produced. Given a large overall growth rate to the world economy, and thus to the energy capital goods sector, by 1990, between 10 and 15 percent of total energy needs, and about half of all electricity could be produced by the breeder cycle. The technology is there — all that is required is the necessary investment.

The MIT report handles fusion even more cavalierly. In devoting a total of one paragraph to the subject (p. 215) the report asserts fusion will not contribute any energy by the year 2000. But in the real world, the scientific feasibility of fusion production has already been demonstrated a few blocks from where the Energy Workshop labored, at the MIT Bitter Magnet Lab's Alcator device. And Stephen Dean of the Energy Research and Development Administration states flatly on the basis of all available experimental evidence that given sufficient investment, a fusion reactor could be producing commercial power by the late 1980s.

Given the achievement of fusion power on a small scale in the late 1980s, a full scale production program could bring fusion on line as the dominant energy source, replacing oil and gas in the course of the 1990s. All this assumes a much faster (20) percent annual rate of growth, not the Trilateral Commission's conservation. In fact such accelerated growth is necessary to produce the high standard of living and skill levels which will be needed by a fusion powered economy.

Now of course it is true that time is short, as Mr. Wilson says. We agree. It is almost true that the sort of engineering research and development projects involved in rapid energy growth requires nothing short of a "wartime" mobilization. But the question is war for what? War for sacrifices, austerity and the destruction of the energy base of an industrial society? Or war for rapid expansion of energy, the basis of technological growth, and higher standards of living? Mr. Wilson's Rockefeller-funded report is nothing more than a flimsy cover for the policies of austerity.

— Eric Lerner

Reagan: 'Energy Cover-Up?'

In his syndicated column of May 20, Ronald Reagan, still mentioned as a presidential possibility, questioned whether Jimmy Carter is coming clean with the American people on the issue of Energy. Reprinted below is Reagan's column as taken from the Los Angeles Times.

Energy Cover-Up?

Is the Carter Administration leveling with the people on the energy issue, or is there a heavy dose of propaganda involved in its moves?

Skeptics and sympathizers will debate this for months,

no doubt. But there are some nagging concerns that the Administration hasn't been telling all the truth when it comes to the energy situation.

First, it let the C.I.A. release an unusually gloomy assessment of world energy reserves on the eve of President Carter's energy plan announcement — totally ignoring a recent United Nations survey which draws far more optimistic conclusions.

Next, Mark Siegel, a Deputy Assistant to the President, told the Washington Press Club details of the White House's plans for saturation selling of the Carter program, including the view that they would like to manipu-

late school curricula to fit their concept of America's energy future.

Now, it turns out that a 500-page environmental impact report prepared by the Federal Energy Research and Development Administration is being suppressed by the government, presumably because it does not conform with White House views on nuclear energy.

Carter's proposed program, you will recall, cited a need for some reliance on nuclear power plants, but strictly those operating on uranium, of which we have a limited supply (often estimated at about 20 years). The President's commitment to stopping the spread of nuclear materials around the world apparently led him to the conclusion that he should not advocate the use of breeder reactors which use plutonium, a byproduct of nuclear fission.

Plutonium can be recycled and breeder reactor research has been aimed at creating reactors and peddle colorful scenarios about theft of plutonium by terrorists or devastating accidents which somehow turn nuclear power plants into giant bombs. The latter is technically impossible, and the former is a matter of good security.

The E.R.D.A. report, Document 1554-D, has been gathering dust since February, probably because it does

not fit the Administration's avowed bias against plutonium and breeder reactors. This is despite the fact that this renewable source could solve a lot of our problems.

The E.R.D.A. report makes some important points. Among them, it says that plutonium safety is good and getting better. It says that, "...with full recognition of the need to provide adequate protection against theft...or sabotage of facilities involving nuclear materials, it is concluded that there is no safeguards-related reason to delay the development of fuel cycle facilities to demonstrate reprocessing, including plutonium conversion and storage."

Document 1554-D even makes the point that recycling plutonium is probably safer than not recycling it — as is the case now — for it eliminates the waste disposal problem.

Still the Carter Administration sits on this important report. At least two publications were given the bureaucratic run-around before being allowed to see copies. One even had to threaten use of the Freedom of Information Act to get this self-styled "open" administration to open up its files.

With luck, we may find Mr. Carter's opposition to the use of breeder reactors going the same way as his \$50 rebate.

EXCLUSIVE

Environmentalists Promise Terrorism

The so-called radical ecology movement in the USA is moving from professed non-violence into a terrorist phase. A copy of an internal memorandum circulating inside the New England-based Clamshell Alliance and supplied to this news service reveals that the anti-nuclear group which led the recent highly publicized demonstration at Seabrook, N.H. is now functioning as an integral part of the international terrorist network coordinated by the Institute for Policy Studies (IPS).

An independent investigation confirms that the group has been bankrolled by IPS-linked funding conduits from its outset.

As the memorandum (reproduced below) makes clear, the group's training for non-violent civil disobedience at their April 30 occupation of the nuclear power station construction site at Seabrook was a tactical ploy to gain widespread recognition and support from the liberal mass media. Now, it is said, "The Clam" must recognize "the eventual necessity, in some battles for human rights, of armed resistance."

Labor party investigators traced the financing of the Clamshell operation to Boston's Haymarket People's Fund, a recently established conduit which underwrites nearly every terrorist operation and front group in New England.

Through its board of directors the Haymarket fund interlocks with the New England branch of IPS, the Cambridge Policy Studies Institute. Board members include: Maria Garcia, a member of the Institute-founded Cambridge-Goddard Graduate School for Social Change; Ann Froines, a long time anti-war activist who formerly worked with the Indochina Peace Campaign, among other Institute projects; George Pilsbury, David Crocker and others who are all part of various Cambridge Institute projects. The entire Cambridge operation is sustained from the Rockefeller Family Fund.

Other terrorist credits of the Haymarket Fund include various branches of the New England Prisoner's Association, a recruiting ground for the terrorist Jonathan Jackson-Sam Melville Brigade which claimed responsibility for bombings of several new England court houses last year.

All the necessary evidence now exists to open full congressional investigations into this domestic terrorist apparatus; this information is in the hands of relevant public officials. In Italy similar investigations by the Andreotti Government are underway against the Institute-run terrorist networks.

Such investigations should go into the root of the radical ecology terrorism, to its controllers in the Washington, D.C. offices of the Institute for Policy Studies. This criminal network includes not only IPS staff but related terrorist controllers in the Carter Administration including: Rand Corporation terrorist planner Brian

Jenkins, now a paid consultant to the State Department's Cabinet Committee for Combatting Terrorism; Anthony Lake, designer of the Institute's "Tar Baby" race war scenario, a leader of the Institute's international branch, the Transnational Institute, and currently the State Department's Director of Policy Planning; David Rosenbaum, a top MITRE Corporation terrorist planner specializing in nuclear terrorism, and now operating in the General Accounting Office as an energy advisor.

Issues For Discussion For Clam Coordinating Committee Meeting

The Seabrook Occupation is a matter for celebration — especially for the Hard Corps that worked in the Portsmouth Office all winter to make it such a victory for all of us. If we are to believe the media, we have helped revive the activist movement in this country even as we were fighting nukes. In the coming weeks we can see the Clam come to maturity by refining and developing our positions on critical issues that we have so far been too busy to address. We need no longer be afraid of conflict and struggle — we now have the strength and mutual respect for the principled struggle that is necessary for growth. The following are some initial points for discussion.

1. So far the Clam has confined itself to a simple opposition to nuclear power, without any analysis of the causes of the rise and abuses of such an unsafe technology. To confine ourselves to the reform of symptoms without taking a stand on causes may well be to repeat the mistakes of the movement in the 60's. For many of us, a stand must be taken recognizing that these abuses are inseparable from the system of monopoly capitalism, which is a socially irresponsible system because it is based solely on the accumulation of profit rather than on planning for human needs. Nothing could be deadlier than nuclear power in the hands of such a ruthless system.

2. Although we have attended to alternative sources of energy, we have not considered opposition to the economic, health, safety and environmental abuses inherent in capitalist management (sic) of other sources of energy — oil, coal, even conservation and solar energy. Certainly we are not willing to simply exchange radiation sickness for black lung disease, nor the destruction of the environment by thermal pollution for that by oil spills, nor breeder reactors for the plundering of South

Africa's uranium supplies. We must develop a political and internationalist position on energy generally.

3. Some believe that nuclear power managed by a different political system such as socialism could be developed safely (see, for example, *The Guardian*, 5-18-77, p.22) While most of us would probably not agree, the issue should be addressed.

4. While we have gained national attention in the media, and broadbased middle-class support, there is virtually no working class base in the Clam. This is something that has concerned us all, and can no longer be glossed over without hypocrisy, (sic) or at least contradiction, by those members of the Clamshell who are socialists. We do not really understand thoroughly the reasons for this. The best place to go for an analysis of the situation is to workers themselves. If working class involvement is of serious concern to Clamshell, a committee or all interested members should address themselves to meeting with working people, not so much to "educate them" — though some information on jobs and energy, etc., undoubtedly should be made available — but rather for the purpose of inquiry and dialogue, which hopefully might lead to alliance.

5. Non-violence has now become more than a tactic in the Clam. The media, and we ourselves, have featured non-violence as one of our distinguishing principles. We have been quoted repeatedly to the effect that non-violence is the best and most successful form of political struggle. The Clamshell is now recognized as a *pacifist* group (in all the media — *Guardian* 5-4-77 editorial especially comes to mind. Community people see it this way too) For some of our membership this is just as it should be — pacifism is a religious (sic) principle that must be witnessed to in every direct action. Others of us do not share this religious background and never intended non-violence to be anything more than a tactic for this particular event. I think most agree it was a good tactic in this case, though some feel we might have had a chance of holding the site had we been a little less willing victims. However we did not see the issue itself as serious. What harm could the ideal of non-violence do?

I think it is a very serious issue now, and may in fact be doing harm that I am sure none of its adherents would

have wanted. The response I have had from community people involved in labor struggles, and others concerned with international struggles like those in South Africa or Chile is that by our rather self-satisfied upholding of the ideal of nonviolence as the only proper way to conduct political action, we are degrading the sacrifice and heroic resistance of those involved in struggles that of necessity have reached the point of arms or self-defense. To a friend who has had loved ones killed by the Chilean Junta, we are naive and reactionary in our refusal to recognize the eventual necessity, in some battles for human rights, of armed resistance.

Perhaps we have not yet exhausted our potential for non-violent action, as Chileans, or South African blacks, or Harlan County miners have. But to continue to claim righteousness for being at one, early stage of political struggle should be called into question. Perhaps nonviolence itself should be. Some suggest that it proved bankrupt and destructive in the civil rights movement and that we should not repeat the mistakes of the '60s.

Our well-bred backgrounds and legal resources, *as well as* our principled behavior, assured us civilized dialogue with Doyon, the armory guards and even Meldrim. Workers in Boston are right now having to go armed to their jobs because of the use of force in certain labor disputes there. An inmate at Salem (Mass) Jail, who last week collected money to help free his fellow prisoners in the N.H. armories, had himself not had the privilege of friendly dialogue with his jailors. He had several months earlier been handcuffed to the bars for 36 hours and beaten by 7 guards. Are we going to continue to discretely isolate ourselves from these brothers and sisters, and in the same dedication to human rights that underlies the ideal of non-violence, *drop that* and unite in principle with them?

These and other issues should be refined and struggled through until, one way or another, they became part of a clear statement that people can unite around or withdraw from — a set of Clamshell Principles of Unity. Only by being willing to struggle, and even to diminish our ample numbers if necessary, will the Clam develop the maturity and strength of a principled stand that it owes to those who are looking to it for leadership in Left mass actions.

LaRouche: Why The Senate Must Clean Up The FBI

The following statement was released on May 24 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.:

It is in the most urgent U.S. national interest that some relevant Senate or House committee with real guts expose the fraudulent character of FBI official allegations against the U.S. Labor Party. As every well-informed congressman knows and many others know, the Labor Party is performing a vital function in the efforts to prevent a general thermonuclear war and to prevent the United States from being dragged into a depression far worse than that of the 1930s. Under these conditions, any FBI or similar interference with these activities of the Labor Party is not only illegal, but close to treasonous.

We are not proposing a fishing expedition. More than enough evidence to prove the fraudulent and illegal character of FBI activities against the Labor Party is already developed — including approximately a truckload of evidence from various Federal court proceedings against the FBI, Attorneys-General Edward Levi, Griffin Bell and others. About a week's work by any congressional committee with the guts to do the job properly, and the fraudulent character of the FBI's official allegations against the Labor Party would be conclusively proven.

Some of the Answers

The first question any congressman with guts will ask is this. "I tend to agree that the FBI charges against the Labor Party are incompetent. What bothers me is: Why would the FBI under two successive Attorneys-General wish to take the risk of making such fraudulent charges against the Labor Party?"

Although we do not know all the answers to that question until the investigation is completed, we know two of the main reasons the Department of Justice has perpetrated the lies in question. The first, and most prominent reason is the Washington, D.C. Institute for Policy Studies and its international, terrorist-linked networks. The second, broader reason is David Rockefeller, who is deeply involved with the Institute for Policy Studies and its networks.

According to the reports of the Senate Church Committee, the Department of Justice's intervention in support of Institute for Policy studies operations against the Labor Committees, a sponsor of the formation of the Labor Party, dates from no later than Fall 1968. According to the Church committee's published report, the FBI intervened in support of Mark Rudd and his associates, composing and issuing a leaflet entitled "The Mousetrap Revolution." Mark Rudd and his associates, who went on later to form the Weatherman terrorist-bomber organization, were operating in part on a funding conduit of the Institute for Policy Studies network, a conduit known as the East Side Service Organization (ESSO), under the trusteeship of Herbert Marcuse's nephew, Tom Newman.

It is relevant that, according to official publications of the IPS network organizations, leading members of the

Weatherman terrorist organization have had a revolving-door association with IPS. They were overtly associated with IPS prior to their formal association with the terrorist operations of the Weatherman and resumed that formal association after they had purportedly emerged from continued active association with the Weatherman terrorist operations.

There is no mystery concerning the significance of actions of the Attorney-General's office, through the FBI, supporting the Rudd-led group. The articles of incorporation of the Institute for Policy Studies and official reports of foundation grants to IPS and its affiliates, as well as the circumstances of involvement in IPS of members of the David Rockefeller family, show the relevant mediating connections to the same configuration of interests centered in David Rockefeller's Trilateral Commission. These connections directly overlap continuing links to the U.S. National Security Council since no later than the administration of President John F. Kennedy.

The slender thread upon which the entire official FBI allegation against the Labor Party hangs is the fact that full exposure of the terrorist-tainted IPS networks would provoke congressional action against certain forces associated with the national security apparatus.

This is corroborated by FBI releases under provisions of the Freedom of Information Act (FOIA), and Federal court disclosures.

Exemplary is the case of the briefings given to leading FBI officials during the early Summer of 1976.

The involvement of the Weatherman terrorist organization and similarly disposed groups as sponsoring organizations of the IPS-fostered "July 4th" coalitions rightly caused concern among law enforcement agencies that the projected radical demonstrations of July 4, 1976 would provide an environment in which terrorist acts would be perpetrated. In this context, FBI officials invited the legal coordinator of the U.S. Labor Party to Washington, so that responsible FBI officials might secure a fuller briefing concerning Labor Party legal and security investigations of the terrorist networks being monitored.

The fact of this briefing session was included in FBI documents disclosed. However, the summary of that meeting included no reference to the principal content of or circumstances of the discussion. This corresponds to a consistent pattern throughout FBI and other FOIA releases and Federal court discoveries available to date. Constantly, wherever the subject of the documents most emphatically involves IPS networks, that aspect of the matter is either suppressed or is alluded to in such a tortured way as to delete all direct evidence leading toward IPS and associated networks.

The Italy Connection

This correlates with evidence from several nations. The case of Italy is exemplary.

The present government of Italy, the government of Christian-Democratic Prime Minister Giulio Andreotti, is currently engaged in an accelerated effort to clean up

Bell Slanders NCLC

The following excerpt is from the 1976 Attorney General's report released by Griffin Bell in early May. Listing the National Caucus of Labor Committees first under the heading, "Domestic Security Matters," the report characterizes the NCLC on the basis of slanders propagated by the FBI and its director Clarence Kelley.

Domestic Security Matters

The National Caucus of Labor Committees is a violence-oriented Marxist revolutionary organization that aims to replace democracy in the United States with a communist form of government. The group is engaged in a harassment program called "Operation Counter-Punch" directed against big business and law enforcement. Its members have also been involved in beatings, kidnappings, and other forms of intimidation of members of other domestic revolutionary organizations. With headquarters in New York City, the National Caucus of Labor Committees has nearly 1,000 members in chapters in over 50 cities in the United States, with affiliated chapters in Canada, Mexico, Europe, Asia, and Australia.

terrorist networks in that country, and to reorganize the intelligence and security services in such a way as to eliminate all patterns of malfeasance and non-feasance in connection to the terrorist problems which have plagued Italy recurrently since 1969. In the course of this clean-up of terrorism, Italian prosecutors, courts and security services have released exposures of and have made indictments and arrests of persons which have a well-established cooperative relationship with both the U.S.-based and foreign-based organizations of the IPS network.

The reaction to this clean-up of terrorism in Italy was a U.S.-based counter-campaign of unprecedented overt-ness in defense of the IPS networks and their political collaborators. IPS co-director Richard Barnet was rushed to Italy, where his work was assisted by representations made on his behalf by the U.S. Embassy in Rome. The U.S. ambassador himself, Trilateral Commissioner Richard Gardner, intervened publicly in opposing the Italian government's anti-terrorist efforts. Italian publications releasing information provided by highest-level Italian government security and intelligence agencies reported massive pressures against them from the U.S. Embassy, certain Swiss banks, and other channels. An emergency meeting was held of IPS network forces in Paris, denouncing the anti-terrorist efforts in Italy and West Germany, a meeting to which IPS-associated Professor Noam Chomsky and Fabian agent Jean-Paul Sartre sent representations in support of the terrorist groups. Hysterical denunciations of the Italian government's clean-up campaign were published in the Paris *International Herald-Tribune*.

Meanwhile, although the Labor Party's findings only paralleled those released in much fuller detail by Italian security and intelligence agencies, a concerted effort was launched, blaming Lyndon H. LaRouche, Jr., and the U.S. Labor Party for instigating these actions by the

Italian government. Richard Barnet was interviewed to this effect in an article published in *Il Messaggero*, a leading Italian newspaper controlled by Italian interests operating under U.S. financial pressure. Barnet's shriek against LaRouche and the Labor Party was echoed by various channels working either with the IPS network or directly with the U.S. Embassies in Rome and Berne, Switzerland.

These facts, which merely typify a mass of evidence to the same effect, identify the specious pretext for charging the Labor Party as being a prime threat to the pro-terrorists' perception of U.S. national security interests.

Can You Trust An FBI Man Under Forty?

Although we lack means to pass comprehensive judgment on the FBI as a whole, we know that there are some FBI men who, if permitted, would wish to act to enforce the law against terrorist activities. We also know that from our experience, these honest FBI men are usually from the ranks of older FBI special agents and officials. Whereas, in the pattern of our experience, it is younger "whiz-kids" who turn up as those career-minded fellows usually more-enthusiastically in the middle of activities in de facto support of the IPS networks.

There is a tendency for a correlation with the associations and orientations of those Attorneys-General who have, with some exceptions, dominated the Department of Justice since Robert Kennedy took over those premises.

The list of those Attorneys General who fit that pattern of co-thinkers of IPS-founder Thurman Arnold includes Kennedy, Clark, Katzenbach, Levi, and Bell.

There are two levels of problems to be considered in reviewing the malfeasances and nonfeasances permeating the Justice Department overall and FBI in particular. On the first level, the problem is one of policy, as distinct from corruption. A Department and its subordinate agencies may be operating according to a bad policy or policies-orientations without therefore being deemed corrupt. On the second level, there is the problem of corruption.

Although the two problems, where they co-exist, may be interconnected, it is necessary to begin by making a separation between the two in matters of evidentiary proceeding presentments, and indictments.

We have proof that massive corruption in the Department of Justice, corruption contaminating the FBI, is a clear-cut case, and that the FBI's fraudulent official allegations against the Labor Party are an integral part of that massive corruption.

This was also reflected, of course, in the matter of the role of Executive Branch representations in hearings on the proposed legalization of vote fraud.

Investigation of the clear corruption in the leaderships of the Department of Justice and FBI will certainly lead to useful judgments concerning matters of policy. This will, in turn, require mobilizing the honest public servants in the Department and FBI to reorganize those now-corrupted institutions according to a clear and workable set of corrected policies.

In the course of any adequate investigation of the corruption, it is most highly probable that we shall at last discover the truth concerning who murdered Jimmy Hoffa and other persons, and for what reason.

Keegan: 'Whiz Kids,' Econometricians Undermine U.S. Strategic Capabilities

Following are excerpts from a letter written by Major General George J. Keegan, Jr. (ret.) which was printed as an editorial in the recently released spring 1977 issue of *Strategic Review*. Since his retirement as head of Air Force Intelligence on January 1, 1977, General Keegan has concerned himself primarily with "getting the facts out before the American public" (in his own words) about the enormous lead which the Soviet Union has over the United States in research leading toward early development of an operational directed-energy, electron-beam anti-ballistic missile weapon.

General Keegan made appearances throughout the country on this campaign, urging that the U.S. adopt a program of renewed emphasis on basic scientific research and calling for U.S. strategic planning to be taken out of the hands of dangerously incompetent Rand Corporation bubbleheads and similar "cost-benefit-analysis" and econometrics types. (The *Executive Intelligence Review* has published remarks by General Keegan on several previous occasions.) Keegan's current tour includes appearances not only in the U.S. but in Western Europe as well.

Meanwhile, fierce debate over the validity of Keegan and others' charges has erupted in the U.S. press.

The *Detroit News*, in a May 18 editorial, endorsed Keegan's charges as contained in the *Strategic Review* letter, warning that "this could be our last administration."

A May 19 article in the same paper by military news analyst Colonel R.D. Heinel, USMS (ret.) detailed the investments by the Soviet Union in basic scientific research, placing emphasis on that country's commitment to scientific progress. "In 1977 the USSR is committing more than \$30 billion to military research development and technology," Heinel wrote. "The United States, supposedly the most advanced technological nation in the world, is spending \$10.6 billion." Heinel listed 12 technological breakthroughs first achieved by the USSR, including several non-military advances (orbiting the first earth satellite, first walk in space, etc.). Heinel noted that the Carter Administration has gone to great lengths to knock down General Keegan's claims.

The Copley chain's *Pennsylvania Mirror*, May 20, ran an editorial titled "Science Shorted," which cited General Keegan's revelations and rhetorically asked, "Why doesn't the President take up the real question of science involved?"

On the other side, reflecting the "electron-beam-is-impossible" line laid down by Defense Secretary Harold Brown at the recent International Institute for Strategic Studies conference in London, a number of articles have

appeared attempting to debunk Keegan's assessment.

The May 22 *Chicago Tribune* ran an article entitled "Progress is Slow as U.S., Soviets Hunt Gods Arsenal" which featured a Flash Gordon-style picture of a U.S. soldier with an electron-beam gun as a science fiction fantasy. And the *Philadelphia Bulletin* carried a piece citing unnamed "Pentagon sources" who gave assurances that the Soviets could not possibly develop an electron beam anti-missile weapon.

General Keegan, in his latest appearances in Pittsburgh and Washington, has increasingly turned his attention to "why and how" the present situation developed, and has focused on the McNamara "whiz kid" period as the crucial turning point, a perception shared by most competent military officers. The excerpts from *Strategic Review* printed below details General Keegan's assessment of the matter.

An Editorial In The Form Of A Letter

Increasingly, U.S. policy has become the product of analysts whose approach to war prevention or war waging is an exercise in abstract logic and econometrics. For many of us who have experienced combat and have worked at first hand with nuclear weapons and the tools of defense, the strategic policies of the past twenty years or so are found wanting — in almost every major respect. In my judgment, those policies, and the faulty intelligence upon which they were based, have brought us closer to global conflict, not away from it. In contrast, I find the Soviet mind-set on strategy to differ so fundamentally from our own that there seems no reasonable way in which the asymmetries can be rationalized and understood so long as we are confined to the base line of our own behavior as a standard against which to judge what the Soviets are doing. Recently, the so-called "B Team" critique of CIA's view of Soviet objectives reached the same judgment. Soviet policy goals ought to be examined on their own historical merits — free from the distortions of the "mirror image" and the imputation of our own strategic predilections.

I find the Soviet literature precise, specific, and rather clear — as clear as strategic concepts can ever afford to get. I am able to view that so-called imperfect expression of Soviet strategy to which you allude — as written by the Soviets — as entirely consistent with the available

“hard” intelligence. Besides, have you ever seen a good book on strategic objectives — ours or theirs — which anticipates in detail the precise circumstances under which one plans to go to war?

...Meanwhile, successive U.S. administrations in the last two decades have taken it upon themselves to impose restraint upon our own military programs in the hope of inviting similar restraint on the Soviet side. The consequence has been that we have not studied war waging in classic terms of fighting to win... Those who are not prepared to wage war successfully are destined to succumb — on the battlefield or at the bargaining table. There is no weapon, no force, and no strategy that cannot be defeated by someone determined to do so.

I am impressed by the soundness of the Soviet literature on these matters. The Soviets have correctly attended to the knitting of war and strategy. They have determined that a nation can survive a nuclear holocaust; and they have proceeded to get on with the business of being capable of initiating, waging and prevailing in a nuclear conflict.

I am convinced that the Soviet approach is more realistic than our own. The one certain way to minimize the likelihood of nuclear war is to premise your approach upon its likelihood, as have the Soviets...

To those who view the Soviet commitment to military superiority as abstruse or marginal — and clearly lacking any assurance such capabilities can be achieved at some end point — I can only say: look to the lessons of history! For better than twenty years, our war-fighting scenarios have tended to be bound parametrically by a new art form known as econometrics. We calculate battle and engagement outcomes in probabilities of kill and in terms of quantified damage expectancies.

The high-water mark of that artistic exercise came during the 1960s, and found its fullest expression in the form of a Draft Presidential Memorandum on General Purpose Forces relating to the defense of Europe. Having precisely measured the probability of kill for each bullet, artillery shell, rocket, acrially-delivered munition, etc., the paper concluded that a substantial reduction of NATO forces could be achieved in Europe. It judged that the air superiority battle could not be won: it was too costly and indecisive and therefore should be confined only to the protection of the forward edge of the land battle area. Interdiction was adjudged too costly and therefore to be confined only to the few kilometers ahead of the land battle. As that memo sat on the desk of the Secretary of Defense for his consideration and signature, the Six-Day War occurred in the Middle East.

With tongue in cheek, a few young colonels took all of

the force application tables and computations from the Draft Presidential Memo and applied them retrospectively to the 1967 Middle East War. Using the standards applied in that memo, they concluded that the Israelis should have destroyed but a few dozen airplanes, tanks and fieldpieces. That war was characterized by all of those imponderables that are not susceptible to econometric equations. That war was resolved by will, leadership, timing, initiative, and the high quality of the man-spirit-machine equation.

It seems to me, as I follow Soviet writings, that *they* have been far more judicious. Their systems analytical work is equal to our own. The difference is that they devote themselves far more extensively to the full spread of modern strategy, and they see it, with all of its imponderables, in a fuller and more realized context than do we...

In the final analysis, it has not mattered whether we exercised restraint, avoided provocation and destabilization through our weapons development, or whether we proceeded to fulfill a “mutual assured destruction” strategy that would be all things to all men. The fact is that “assured destruction” was conceived by a number of groups for entirely different purposes. It was conceived by one group as a “gimmick” to at first conceal and then rationalize a policy of unilateral strategic weapons restraint — designed to induce a like psychology and reaction on the part of the Soviets. For others, it was something much headier and which might conceivably have been made to work, save that it contravened every lesson of war that history has ever taught us about what it takes to deter and what it takes to neutralize such a deterrent. The tragic consequence is that American military professionals have long been discouraged from thinking militarily in terms of realistic war prevention and war waging. Thus, we are confronted with the fact that the largest group of professional military men in the world who think professionally about the business of avoiding, waging and winning conflict at all levels, nuclear and conventional, are the military leaders of the Soviet Union. My regret is that I myself have vacillated with the times and have sometimes been responsive to the “compulsive” logic of the “Whiz Kids.”

...We have steadily weakened our resolve, we have concluded faulty agreements, and we have created a state of mind that makes it well-nigh impossible to face up to the clear-cut military implications of what lies ahead. Most inexcusable of all has been the distortion of the intelligence estimating process for the sake of rationalizing policy.

Trudeau Shifts Toward EEC, Signals Split With Carter

An interview with Canadian Prime Minister Pierre Trudeau appearing in the French daily *Le Monde* on May 14 clarifies the significance of a wide array of unusual Canadian diplomatic moves in the two weeks following the London OECD summit. Asked about the future of Canadian economic ties with the U.S., Trudeau replied "Let's talk about political relations first: Canada feels a very great will for political independence from the U.S. at this time." This comment in the context of the entire interview confirms the nature of a Canadian policy shift since the summit which has included dramatic initiatives to consolidate expanded industrial trade relations with the EEC nations, and a link up with West Germany in opposition to U.S. control over NATO that was bolstered by significant moves to create new financing institutions to sponsor programs of technology transfer to Third World nations in the Middle East and Africa.

Responding to the threat posed by Trudeau's moves, Rockefeller's Canadian networks have moved into high gear to watergate leading pro-growth Ministers in the Trudeau Cabinet. The *Toronto Globe and Mail* gave front page billing May 22 to an article by Peter Moon that reactivated charges that the Royal Canadian

Mounted Police are guilty of an hypothesized illegal 'break-in' at the offices of the Toronto based Praxis Corporation and the consequent theft of documents recently returned to Praxis by the RCMP. Praxis Corporation, is the central Canadian funding conduit for Rockefeller's Institute for Policy Studies terror fronts and the activities of extremist 'environmentalist' groupings.

Conservative Member of Parliament Frank Oberle, who called for investigation of the charges against RCMP earlier this year, intimated that pro-growth Minister Jean-Pierre Goyer is implicated in the affair by virtue of having circulated a memorandum to other cabinet members warning of the subversive nature of the Praxis extremists. Goyer, the most outspoken proponent of zero-growth in the Trudeau cabinet, was recently promoted by Trudeau to serve as special assistant to Exterior Minister Jamieson in charge of relations with French speaking nations.

Trudeau's Summit Posture

Trudeau's European shift came to light when he conspicuously allied with West Germany's Schmidt in op-

Trudeau Scores Election Victory

Canadian Prime Minister Pierre Trudeau's Liberal Party scored a stunning electoral victory this week, winning five of six federal by-elections with a net gain of one seat in the House of Commons. The elections had been called earlier this year to fill seats vacated during the current session of Parliament. Trudeau's victory will not only strengthen his hand in dealing with nationalist "separatist" movements in Canada, but also his position for current negotiations with European and Arab pro-development forces.

The elections were a sharp defeat for the federal Progressive-Conservative Party, led by Albertan Joe Clark, which not only lost a seat to the Liberals on Prince Edward Island, but failed in its bid to challenge Trudeau's strength in Quebec. The Conservatives' campaign had also been marked by factional warfare within the party. Claude Wagner, a Progressive Conservative member of Parliament from St. Hyacinthe (Montréal) and generally considered a party leader for the province, had openly refused to campaign on behalf of PC candidates in the by-elections.

In Quebec, the Liberals won in four districts (or

ridings) with the fifth Quebec seat, formerly held by the late Social Credit Party leader Real Caouette, going to Caouette's son Gilles.

Trudeau hailed the victory as a vote of confidence for the Liberal Party and particularly the party's stand on the necessity of a unified federal government, as against various proposals for national decentralization or the Parti Quebecois' (PQ) "separatist" doctrine. While the PQ, a provincial party only, did not actively campaign during the by-elections, both the social-democrat New Democratic Party (NDP) and the Progressive Conservatives had sought the PQ's favor during their campaigns, particularly emphasizing their support for "provincial rights" and their concern for purely local and "environmental issues."

It remains to be seen whether Trudeau will now use this endorsement of his government to call a general election in the near future. Having nearly completed his current term in office, the Premier will have to call a national election sometime before next spring, and many Canadian press sources have indicated that the by-election victory may encourage such an election call.

posing the Carter 'human rights' diplomacy and the anti-Soviet posturing of Admiral Luns at the London summit and subsequent NATO meeting. In an interview reported in *La Presse* following the summit, Trudeau stated frankly that Carter's tactical pursuit of the human rights question is extremely dangerous and will lead to war at the point that Eastern European nations interpret it as an infringement upon their own internal security. Trudeau was also described as Schmidt's most outspoken ally in calling for emphasis on relief of the Third World debt situation and a viable OECD position at the forthcoming North-South talks.

Post Summit Developments

In the intervening weeks, Trudeau's words have been backed up with concrete initiatives. On the Third World debt question, Canada announced during the second week of May that it is rescheduling some \$22 million of debt owed by the government of Jamaica for a period of at least three months. The Manley government of Jamaica has turned to the Soviets increasingly for support in response to heavy pressure from the IMF on the debt question. More recently a Canadian Standing Committee on External Affairs and National Defence has issued a report on the Third World debt problem concluding that case by case renegotiation of debts owed by Third World nations is a necessity if the debt burden is not to constitute a brake to the development of these countries. While stopping short of proposing a generalized debt moratorium, the report nonetheless represents strong opposition to the Carter-IMF policy.

Even more dramatic are the recent Canadian programmatic initiatives to the developing sector. While Trudeau's Minister for Industry and Commerce, Jean Chrétien, is touring the Middle East, visiting Iran and Saudi Arabia before going to Israel, to consolidate oil-for-technology trade deals, the Bank of Montreal has announced a joint venture with the Arab-African Bank to establish a new International Resource Development Bank to operate out of Luxembourg and London in financing exactly the kind of arrangements being discussed by Chrétien, with emphasis on the transfer of technology to African and Middle Eastern nations.

Rounding out these developments is a series of Canadian initiatives on the European front. Following the NATO summit, Canadian Defense Minister Danson spent several days in Bonn in talks with West German

Defense Minister Leber discussing a number of contractual military and defense related trade agreements between the two countries. On May 20 *Le Figaro* reported the presence in Europe of a high level Canadian industrial delegation, of undisclosed composition, engaged in discussions relating to a \$2 billion Canadian military aircraft contract (which, if given to Europe could be the basis of initiating the development of a significant European aerospace industry, *Le Figaro* observed. The Canadian ambassador to the EEC, Cadieu is quoted to the effect that the Canadian Embassy office in Brussels is being converted into an international information center to coordinate on-going negotiations on high technology industrial deals between Canada and the Europeans. The Canadian negotiators are aiming for consolidation of a concrete nexus of deals within the year and identify the initiative as part of a move to "re-equilibrate" trade away from the U.S. and towards Europe. The defense-related initiatives appear to complement a more general thrust on the part of the EEC nations to break U.S. hegemony over arms production and trade within the NATO countries.

Moves to Neutralize the 'Quebec' Threat

Perhaps the most dramatic signal of the political nature of Trudeau's anti-Carter thrust is the international press exposure of the Rockefeller control of the separatist Parti Quebecois government of Quebec. On May 10, the official Soviet Communist Party paper *Pravda* featured an article which identified the Quebec separatist movement as inspired by U.S. "monopolies." The article was reported in *Le Monde* the day prior to the Trudeau interview cited above.

Commenting pointedly on the significance of the *Pravda* exposé, Trudeau told *Le Monde*, "What is at stake is simple: what would happen to Canada if Quebec separated? — Canada would essentially fall apart and be pulled into the U.S. orbit. Then there would, of course, no longer be an option of developing independence from the U.S. as there is now."

That Quebec is in fact the major club being used to keep Trudeau circling within the Carter-Rockefeller orbit was confirmed by spokesmen at the Johns Hopkins Center for Canadian Studies this week, one of whom stated, "you'll see flirting with such policies (towards Europe) but no diversion of basic trade flows. National unity is the key thing for Trudeau. It's all in one word — Quebec."

Berger Report Threatens Canada With Rockefeller's 'Project Independence'

If the recently released Royal Commission Inquiry report authored by Canadian New Democratic Party member Thomas Berger and similar efforts succeed in preventing the early construction of the proposed MacKenzie Valley natural gas pipeline, Canada will have no economic alternative to the brutal "Project Independence" energy program promoted by Rockefeller and the Carter Administration. In addition, Canada's political capacity to resist subversion by domestic

Rockefeller forces and institutions will be severely damaged.

The Berger report, purports to defend the northern Canadian Eskimo and Indian "native economy" based on porcupine, caribou, muskrat skins and prehistoric tools against the construction of the only natural gas pipeline route capable of insuring an unbroken supply of adequate natural gas reserves to meet Canadian domestic and export requirements beyond the mid 1980s.

As the Northwest Territorial Council pointed out in its attack on the incompetence of the Berger report, construction of the pipeline along the route proposed by the Arctic Gas U.S.-Canadian consortium is the very program which would help provide the economic basis of bringing the native people of the north "beyond the level of basic literacy so that they can participate in a modern world." Ironically, in view of the attacks on the pipeline proposal as a design for the sole benefit of the U.S. by Justice Berger's friends in the NDP and the rest of the Canadian environmentalist swamp, failure to approve the MacKenzie line by the Canadian Federal Government will almost certainly lead to a reduction of Canadian living standards to the status currently enjoyed by the northern trappers, while opening the door to a disintegration of the Canadian confederacy to the status of a fractured political satrapy of the U.S.-based Rockefeller machine.

Background of the Pipeline Issue

The proposed pipeline route would pipe natural gas from the Alaskan northern slope and corresponding Beaufort Sea area above the Yukon through the Mackenzie Delta of Northern Alberta south to Canadian domestic lines and to markets in the northwestern U.S. Dave Harbour, chief public relations officer of the U.S.-Canadian Arctic Gas Consortium sponsoring the Mackenzie proposal, told the EIR this week that "The Arctic proposal was first submitted in March of 1974 following seven years of exhaustive investigations into the environmental and economic feasibility of every alternative route." According to Harbour, the current proposal by the consortium of 17 U.S. and Canadian shareholding companies represents the only route which was found to be practical. "In 1975 a number of companies including Alberta Gas Trunk Line and the Northwest Pipeline Corporation who had been shareholding or cooperating members of the Arctic Gas venture began to withdraw from the consortium. In 1976 these companies who had formerly agreed with the conclusion on the route abruptly submitted a proposal for a route which the original group had investigated and rejected, the so called Alcan route."

This proposal consists of two separate lines, one to follow the Alaskan Highway and transport only Alaskan gas, the other to be built through the Mackenzie Valley after a ten year delay. It would require the laying of at least two thousand miles of unnecessary pipe and would fail to enable the tapping of needed Canadian frontier reserves within the ten year period that the existing reserve projections are expected to be depleted. Hence the Alcan line would make less gas available to the U.S. at higher rates and would at the same time fail to enable Canada to maintain its existing level of gas production beyond 1987. 'Coincidentally' the Alcan proposal meets exactly the conditions favored by Berger, who began his investigations the same year that the Alcan group pulled out of the Arctic consortium and also favors a ten year delay in beginning the Mackenzie line construction.

The Real Stakes for Canada

Current Canadian natural gas production totals some 2 trillion cubic feet per year, with half of that volume exported to the U.S. and the remainder consumed domestically. The \$2 billion revenue inflow resulting

from the gas exports constitutes a sizeable factor in maintaining Canada's yearly balance of payments standing. If the Mackenzie line were delayed, the drastic energy conservation program necessitated by curtailing domestic natural gas consumption after the mid-1980s would mean enforcing drastic cutbacks in overall productive output, even further compromising Canada's capacity to maintain its national economy. The current constitution governing the Confederacy, the British North America Act, allows federal regulation of energy policy over the provinces only so long as Canada remains an energy exporter. The cutoff of natural gas exports would provide those provincial governments controlled by Rockefeller political interests such as the Lévesque PQ government of Quebec and the Exxon controlled Lougheed government of Alberta (Canada's oil and natural gas heartland) to autonomously implement price hikes domestically that would finish Canadian industry.

Vociferous denunciations of the Berger report have issued from Canada's pro-industrial forces in addition to the N.W. Territorial council, and including sections of the Steamfitters and Plumbers Unions and pro-growth layers within the Canadian energy industry. At the same time the issue has brought forward the brewing factional battle within the Progressive Conservative Party. At a recent meeting of the Ontario Chamber of Commerce, Ontario Premier Davis, previously sympathetic to the environmentalists, was challenged by members of his own party. "If Joe Clark (PC Leader) opposes the pipeline, will you still support it?" Subsequently even Clark was forced to reverse his initial endorsement of the Berger report. Newly appointed federal cabinet member Jack Horner, former Alberta conservative, has already signaled that the Berger report will likely be discounted in reaching a decision on the Mackenzie proposal.

IPS Activates 'National Unity'-Terror Operation

The Rockefeller-Schlesinger energy policy for Canada requires an abdication of federal government jurisdiction over provincial energy and resource policy which is presently protected by the British North America Act. Correspondingly, the environmentalist movement extending from the NDP to the "left-radical" networks controlled by the Institute for Policy Studies conduit Praxis Corporation is among the most vociferous proponents of the call for a "revised confederacy" which would give provinces control over their own resources. In this, these networks have acted in de facto alliance with separatist Parti Quebecois government who has firmly endorsed the entirety of the Carter-Schlesinger energy program. Recent developments indicate that the Rockefeller-IPS machine is moving to activate frank terrorism to prevent the pipeline from being approved.

"Indian Leader" Daniel Johnson, Chairman of the Council for Yukon Indians has already threatened the advent of terrorism and "civilian uprising" should the government attempt to approve the Mackenzie proposal — the same threat Justice Berger made in his report and in inflammatory public statements at the report's release. Last week the pro-NDP Toronto Globe and Mail's call for prosecution of the Royal Canadian Mounted Police for investigations of Praxis Corporation constituting an invitation to the activation of such terrorism.

Andreotti Gets Green Light To Clean Up Terror Networks

ITALY

A coalition of conservative and socialist forces allied to Italian Prime Minister Giulio Andreotti this week launched a comprehensive attack on Rockefeller's Atlanticist terrorist networks in Italy. The attack threatens to thoroughly dismantle the full gamut of Institute for Policy Studies-created terrorist capability in the country.

The government's anti-terrorist operation is taking place simultaneously at a number of levels, including the following:

- * Press exposés of the top Italian politicians who run the terrorist networks, not merely citing the Institute for Policy Studies operatives.

- * The repeal of the State Secrets Acts by the Constitutional Court, giving Andreotti, as Prime Minister, the power to make rulings on what information can properly be classified under the heading of "national security."

- * A simultaneous attack by the Andreotti-linked Mancini wing of the Socialist Party against that wing of the party which has historically acted as the major conduit for Italian terrorism.

- * Local Italian magistrates in Padua arrested the entire staff of the State Doctrine division of the Padua University Sociology Department for involvement in terrorist activities.

The latest issue of the conservative magazine *Il Settimanale* carries an exposé of the sources of Italian terrorism, specifically targetting Riccardo Lombardi of the Socialist Party who has functioned as possibly the topmost conduit and controller of Italian and European terrorism since the beginning of his career as a Rockefeller agent with the wartime Office of Strategic Services.

Quoting extensively from an earlier series of parallel exposés put out by the Communist magazine *Giorni Vie Nuove*, *Settimanale* again documents the role of the Institute for Policy Studies in the creation of the international terrorist network, further documenting the fact that the Institute is in fact operating as an arm of the Carter White House. The feature, which is entitled, "Torpedoes Aimed at U.S. Hit Lombardi," focuses on Lombardi's career as the leading Italian connection in this network.

The magazine also makes a point of dispelling slanders against the European Labor Party initiated by Institute co-director Richard Barnet following the initial exposés published by *Giorni*. Citing a subsequent article put out by the press of the Maoist countergang, *Avanguardia Operaia*, which attacked the Labor Party as "provocateurs" because of the party's exposé of the Institute, *Settimanale* reports that the labor Party is able to document all of its charges. It then reports the actual history of Institute directors, such as Barnet, which proves them to be part of the Rockefeller New York banking establishment.

The State Secret Acts

Il Settimanale hit the newsstands the same day that the Socialist Party was about to begin a three-day meeting of its Central Committee in which the anti-Lombardi forces grouped around Giacomo Mancini vowed to launch a major offensive against the Lombardi network. On the same day, one of Mancini's closest collaborators authored an editorial for the Italian Socialist Party newspaper, *Avanti*, attacking the paper's (Lombardi-controlled) editorial board for refusing to cover the announcement that the Constitutional Court had de facto repealed the State Secret Act. The writer, Balzamo, accused the editorial board of acting against the orders of the party executive and threatened reprisals.

The Constitutional Court's decision was finally made public yesterday, following a weeks-long intense factional outbreak among the judiciary. The split between the conservative wing of the judiciary which backs Premier Andreotti, and their "left cover" Institute colleagues had earlier reached the levels that the conservatives had issued an announcement that they were placing the *entire* countergang "left" wing under investigation!

The ruling of the Constitutional Court, heralded by the Communist Party as a victory for Balzamo and the Andreotti magistrates, means that evidentiary material can now be legally released that will target such national figures as ex-Premier Aldo Moro for involvement in attempted coups d'état against the Italian state, according to such press sources as the magazine *Tempo Illustrado*. The Court ruling, therefore, was the crucial legal weapon required by the government-allied pro-development forces in finally nailing the full gamut of Italian terrorism.

South Moluccan Terrorists Unleashed In Netherlands

SPECIAL REPORT

South Moluccan terrorists have been turned loose in the Netherlands — the last bastion of unquestioned Rockefeller control in Europe — in a rerun of a two year old terrorist destabilization scenario. Timed to upset efforts by Italy's Andreotti government and the Schmidt government of West Germany to clean out INTERPOL-Institute for Policy Studies-controlled terrorist networks in their countries, the incident is designed to provoke a European-wide security clampdown. Such "police" measures would undoubtedly force political crises for the Andreotti-Schmidt opposition to Rockefeller's global confrontation with the USSR.

In two separate attacks May 23, South Moluccan terrorists seized a country school house and a train, capturing a total of 230 hostages. They are demanding the release of 21 jailed terrorists and independence for the South Moluccan islands from Indonesia. On May 27, the terrorists released the 106 school children held hostage after several of them fell ill with an unspecified disease.

Taking provocative "counter-terrorist" measures, the Dutch Justice Ministry has made a massive police deployment around each terrorist incident and has sealed off the South Moluccan ghetto in the Netherlands. Meanwhile, the British Special Air Services (SAS) has been called in by Dutch authorities to instruct the Dutch police in the use of special weapons and electronic devices, and in how to deal with the Moluccan gangs operating in the community. The SAS, documented as the masterminds behind much of the IRA terrorism in Northern Ireland, are thus setting in place future terrorist capabilities. According to Belgian press, the Dutch Justice Minister, Andries Van Agt has stated, "We need a police state to prevent such events."

The cover story on this operation has been threatened, however. In successive articles the *London Daily Express* reported that the South Moluccans have been known to train jointly with the INTERPOL-IPS run Baader-Meinhof Gang, and that the entire scenario is calculated to set off race riots in the Netherlands. The Justice Minister has stated that "There is an intellectual brain behind this and we know who it is. We know the identity of the group who set this up. The planners are walking around free..." The Justice Minister has linked this

operation to a former NATO employee, Joop Glimerveen the leader of the fascist Nederlandse Volksunie.

The terrorists come from a community of 12,000 South Moluccan soldiers who remained loyal to the Dutch Colonial army and moved to the Netherlands when the island cluster was incorporated into Indonesia. The South Moluccan communities remained close to the Dutch military and were recently recruited by Dutch Special Forces for various covert operations. It is known that NATO in Brussels and IPS through its Transnational Institute in Amsterdam maintains the capabilities for generating terrorist groupings from ethnic "oppressed minorities" like the South Moluccans.

European Terror

* Adding to the destabilization atmosphere in the Netherlands, five convicted Basque terrorists expelled from Spain by Prime Minister Suarez arrived in Brussels today. Their arrival was given extensive coverage in the press and their statements announcing a new "military struggle," to free Basque prisoners held in Spanish jails was widely reported. The ETA, of which the five are members, recently took credit for the kidnapping of a Spanish businessman, and are provoking violence in anticipation of Spanish national elections.

* Francesco Alberoni, a Sociology professor at Trento University and the creator of the terrorist Red Brigades, predicted a new wave of terrorism for Italy when the Communist Party joins the Andreotti government. To cover for this bald threat, Alberoni says the increased terrorism will be caused by the lack of a strong party to the left of the PCI once the party enters the government. Alberoni suggests in his article that well-known terrorist controller Riccardo Lombardi leave his position with the Italian Socialist Party and lead the new left terrorist grouping. Lombardi has come under fire following publication of his terrorist connections to IPS in the magazine *Giorno Vie Nuovo*.

* The head of the West German Federal Detectives Association, Rolf Gunert was arrested May 23 on spying charges.

Gunert, a conservative who aided in exposing the involvement of the West German BKA (West German FBI and INTERPOL liaison) chief Herold in protecting INTERPOL controlled Baader-Meinhof terrorists. Gunert was working in conjunction with former Federal prosecutor Siegfried Buback, murdered by the Baader Meinhof Gang for his key role in dismantling their operations.

Corruption Claims Force Callaghan To Defend Industrial Production Strategy

BRITAIN

Rockefeller-connected circles in Great Britain were unable to get away with an attempt to replay a "Lockheed"-style destabilization operation against Prime Minister Callaghan's Labour government last week. Instead the government has turned the would-be scandal into an offensive for its political future. Callaghan's government, already under strong attack from its trade union base because of its compromises intended to satisfy both the International Monetary Fund's austerity demands and its own economic growth policy, is staunchly defending its industrial apparatus, the target of the "Lockheed" scandals, as the last vestige of its political credibility.

The *Daily Mail*, a mass-circulation daily with an anti-Labour government stance, May 18 claimed to have uncovered a huge "slush fund" operation within British-Leyland, Britain's large nationalized auto and heavy vehicle complex. Not only did the paper implicate British-Leyland, but also the very heart of the government's industrial policy apparatus, the National Enterprise Board and its chairman, Lord Ryder.

Government-directed investigations into the documents released by the *Daily Mail* quickly proved them to be forgeries, so obvious that one journalist commented that "a child with a Sherlock Holmes kit" could have easily spotted the fraud. Unconvinced by the *Daily Mail's* excuses for not checking out its story, the government — with full support from members of all parties in Parliament — is going in for the kill on the *Daily Mail's* rumor networks. In Parliamentary debate, Callaghan openly charged that far from being concerned with the health of British Leyland or the jobs it provided through its export orders, the *Daily Mail* editor's only concern "was to try and smear the Labour Government and bring down a nationalized industry." Lord Ryder, for the National Enterprise Board, is suing the *Daily Mail* for defamation and the forger of the phony documents has been arrested and formally charged.

While failing to implicate the government in a bribery scandal, the newspaper did manage to uncover one slush-fund the Callaghan government has pledged to fully investigate. The exact course of the investigation is still unclear, but leads in the press bare key Rockefeller connections behind the breaches in corporate morality. For example, a Chase Manhattan bank subsidiary in

Geneva, Switzerland, has been named as the conduit of corporate bribes from British-Leyland to foreign purchasers, and a top British-Leyland executive involved in the investigations is a member of Exxon's international board of directors as well as its four-man "accounting team" which monitors flows of payoff funds.

Attempts to Compromise

While the hoaked-up British-Leyland scandal failed to topple the government, Callaghan's future is far from secure. Little effort is being made to hide the open fissures between the government and its trade-union base. The chief architect of the social contract between the government and unions, trade-union leader Jack Jones, warned this week that "unless the government pulls something out of the hat the trade union movement is preparing to resume normal collective bargaining at the end of phase two."

Even more significantly, given the collapse of any expectation of major economic growth this year, trade union members are turning against even the non-wage tenets of the social contract, such as the government's proposals for worker participation and public ownership of the banks.

However, it appears that the Callaghan government is making major efforts to find "compromise" positions on these vital questions which will allow for the enforcement of the principles behind the programs, in an attempt to maintain key aspects of its industrial strategy. Callaghan has reportedly asked the Treasury to investigate the feasibility of the amalgamation of the National Giro (publicly-owned checking and savings facilities) with the National Savings Bank (Post Office) as an alternative to the "political albatross" of full nationalization of the banks, insurance companies and selected merchant banks.

In addition, the center faction in the Parliamentary Labour Party, the Manifesto Group, which has pledged support for the Callaghan government as long as the industrial program can be implemented, has proposed as alternative for the highly controversial Bullock Committee report on worker participation. In a clear attempt to bridge the widening gap between industry and trade union views on the report, the Manifesto group upheld the Bullock provisions for equal worker and shareholder representation on policy making boards, while suggesting that implementation of this proposal should be delayed for up to three years to allow for shop floor and company-wide discussion on the best means for implementation of industrial democracy.

In Wake Of Likud Victory:

Political Storm Rages In Israel

A political storm is raging in Israel in the wake of the May 17 upset victory of the right-wing Likud bloc in Israel's national elections. The leaders of the Likud this week began unofficial talks with other Israeli political parties on the creation of a coalition government to rule Israel — amid a knock-down, drag-out battle among top international political circles for effective control of this next Israeli government.

Riding on the outcome of that fight — which involves intervention into Israeli and Zionist circles by the U.S. Labor Party, financier factions including the Rockefellers and Rothschilds, and various political intelligence networks both of the West and of the Warsaw Pact — is either an accord for a stable Arab-Israeli peace or a sudden outbreak of another Middle East war.

The political earthquake that catapulted Menachem Begin's Likud bloc into power has fundamentally altered the very basis of Israeli politics. On the one hand, the Likud win has stymied Rockefeller's efforts to install a malleable government in Tel Aviv headed by the military clique around General Moshe Dayan, hopes that had been riding on the formation of a government composed of the Labour Party under Shimon Peres, a leading Dayan ally, and Yigal Yadin's Democratic Movement for Change, a fascist party run by ex-intelligence chiefs like Aharon Yariv and Meir Amit. Carter's sought-after Peres-Yadin coalition has been decisively buried by the strong Likud win.

On the other hand, a grave danger of war remains. The Likud, though most definitely not under direct control of Rockefeller and the Rothschilds, might easily blunder into a Middle East war on the basis of its single-minded ideological commitment, with fascist overtones, to a Greater Israel including permanent occupation — annexation — of the West Bank, a condition unacceptable to the Arab states and the Palestine Liberation Organization.

Unless the Likud is contained politically by careful but firm international diplomacy that guides Begin and his allies away from a confrontation and toward a peace settlement based on regional economic development, then a head-to-head confrontation is virtually inevitable. Italy's Prime Minister Giulio Andreotti, during a visit to Athens this week, responded to this challenge with a declaration that Israel is in desperate need of a government that will "have the strength to make the necessary steps for peace." Andreotti cited the precedent of Charles deGaulle, the "Bonapartist" leader of France who in the late 1950s and early 1960s brought an end to the war in Algeria.

Israeli Power Struggle

The Likud bloc, as a political animal, is something of

an anomaly. Originating out of the 1940s-era armed fascist movement Irgun Zvai Leumi, which at the time served as a Rockefeller vehicle for battling the British in the Middle East, it fell by the political wayside when Israel became independent in 1948, and developed a base among the petit-bourgeois and Oriental Jewish sections of the Israeli population. (See the analysis of the Likud phenomenon that follows.)

As battle-hardened fighters, the Likud developed in Israel as a coalition of various political currents, whose links were maintained to political forces around the world including the Rockefellers and Rothschilds and even some ties into Eastern Europe — but which for the most part emerged as truly independent "Israeli nationalists." The complex Likud structure — what one informed source called a "power combine" — contains within it a veritable smorgasbord of conflicting tendencies, but virtually all sources agree that at its core Likud is the personal fiefdom of Menachem Begin, ex-terrorist and extremely shrewd politician who engineered the May 17 upset that shattered all the RAND Corporation programs of the Rockefeller White House.

Now, the political process leading toward the formation of Israel's next Cabinet has begun, and may take as long as six weeks. Evidence of the intensity of the fight involved in that process is the violent political storm that broke out over the mooted appointment of Labour Party warhawk Moshe Dayan, the former Defense Minister, to the post of Foreign Minister in the coming Likud regime. That battle, which left Dayan a probably-fatal casualty and a political zero, is only the first skirmish in the war.

On Wednesday, May 25, it was reported in Israel that Likud had asked Dayan to assume the post of foreign minister, and Dayan quickly responded by accepting the offer "in principle." That event, however, triggered a double-barreled blast from *both* Likud and Labour that left Dayan shell-shocked.

First, within 24 hours of the Dayan "appointment" powerful forces in the Likud rose in open revolt against Dayan. Simcha Ehrlich, the head of the Liberal Party faction of Likud, publicly demanded that Dayan not be named to the post, and successfully forced the convening of a special session of the Likud Executive Committee to discuss the matter. Begin, who had foolishly lauded Dayan the day before as a "man of great international prestige," on May 26 said that he was "reconsidering" the offer due to "growing opposition" within Likud.

At the same time, the Labour Party exploded with outrage over Dayan's treachery. Although Dayan had hoped to retain his seat in the Knesset as a Labourite, the party demanded that Dayan resign from the Knesset and turn in his party membership card as a penalty for crossing the aisle and backing Begin. Moshe Kargman, a Labour

member of the Knesset with links to the trade union confederation Histadrut, denounced Dayan as a "traitor," and the entire leadership of the Labour Party was reported "bitterly criticizing" Dayan.

Rabin's Comeback

The fiasco around the Dayan appointment has given impetus to the second major political development in Israel — the startling comeback by Prime Minister Yitzhak Rabin, a leading Labour Party moderate who was ousted in April in a cold coup by Defense Minister Peres, Dayan's chief ally. On Sunday, May 22, Rabin announced that he was ending his self-imposed "leave of absence" that followed the Watergate-style scandal which ostensibly forced him out of office, and said that he was taking up the reigns of power again at the head of the Cabinet.

Rabin will thus return to an active role as Prime Minister until Begin and the Likud bloc either form a new government or abandon the effort.

With the outrage against Dayan, Peres himself has been badly discredited. At the same time, Rabin is letting it be known that he considers Labour's poor showing in the May 17 election to be the sole responsibility of Shimon Peres, who headed the ticket. Peres, said the *Baltimore Sun*, is reportedly "furious" over the Rabin comeback, though powerless to halt it.

One observer, himself a former Knesset member, said in New York yesterday, "The Rabin move for a comeback is very important. Whether or not Rabin himself heads the party now, I don't know. But I do know this: If the Labour Party tries to purge the hawks and become a

liberal, left-of-center party with a clear peace program, then they have an excellent chance to have a stunning comeback."

The forces behind Rabin include the Histadrut circles, the Labour Party Old Guard, and Mapam, the left-leaning party allied to Labour in the Alignment. The strategy of these forces is to build up their prestige and organizational control of the Alignment in preparation for a possible failure of the Likud to form a viable government. Should Begin's effort collapse, and should Dayan be ousted and Peres left impotent, then there is a good chance that Rabin and the pro-peace moderates in Labour could end up atop a new Israeli government after new elections in July.

Crucial to this effort is the June 21 Histadrut election. State Department sources report that the Histadrut vote will be taken as a barometer of the strength of the Labour Party after the May 17 vote, which — in some senses — was an aberration. Rabin is thus maneuvering himself into a position to reap the credit for a strong Labour showing in the Histadrut vote, which in turn could be a decisive defeat for Begin if the rightists are unable to form a government by that time.

The Dayan affair is also indicative of the inside fight that is ripping Israeli politics. According to a highly knowledgeable source, Dayan — and his cronies in the so-called "Rafi" faction — are a kept political entity of the Rothschilds and Baron Edmond de Rothschild personally, who "is surrounded by Rafi people, and keeps a number of them, very generously, on his payroll in Paris and in Israel." To Israelis, it was clear that the Dayan

Friedman: 'Workers In Israel Will Have To Be Fired'

The following is taken from an interview with Milton Friedman published in the May 24 Jerusalem Post, by Wolf Blitzer.

Prof. Milton Friedman, the Nobel Prize-winning economist who has been invited to advise a Likud-led government, suggested yesterday that Israel drastically reduce government involvement in the private business sector and remove laws which prevent workers from being fired.

In a telephone interview, Friedman said laws which prevent the dismissal of employees are "wasteful" and "invariably do far more harm than good."

Friedman confirmed that he received a phone call the other day from someone "speaking on behalf of Begin and (Simcha) Ehrlich," who is widely believed to be the next finance minister.

According to Friedman, the caller asked whether he would be available to advise and help the next government. "I said I would be delighted," Friedman said.

He said that he knew Israel's economic problems because of his many visits to this country over the past 15 years.

Israel should immediately reduce government spending and cut back on the rate of increase of "government money" in circulation, he said. "As I understand it," he continued, "this is the concept advocated by the Likud... The government should reduce its involvement in Israel's business." He noted that "government-run enterprises are inefficient and wasteful."

...He insisted that the basic objective of the new government should be the "widespread private ownership of industries in Israel."

He also suggested that Israel adopt a "free market" with respect to unemployment. Under a free market system, he argued, unemployment would affect only those people between jobs. The current system in Israel is wasteful because it leaves "no flexibility enabling people to move."

When told that the question of unemployment in Israel was a "sacred cow," Friedman replied that "there are a lot of sacred cows. But you get buried by what the cows produce."

On the Likud's foreign policy, Friedman declined to comment, stating only that he had seen Begin on ABC television on Sunday and "I was very much impressed by what he said."

appointment was a blatant attempt by the Rothschilds to force Dayan into Israeli politics by fiat, to control the Likud coalition — and it was forcibly rejected.

A Likud Government?

A crucial determination of whether Begin will be able to form a government will be whether or not he can persuade the technocratic Democratic Movement for Change to join Likud in a coalition. The DMC, led by former Chief of Staff Yigal Yadin, is a patchwork body which is "run out of the U.S. Embassy."

The second determinant is whether the Likud bloc can stay together long enough to complete negotiations. It is generally recognized that Begin is the strong central authority in Likud, and without him there is some question whether the diverse factions of the bloc could stay together. After a long meeting with the new U.S. Ambassador Samuel Lewis, Begin suddenly fell ill and was rushed to a hospital intensive care unit for observation. Speculation immediately developed — fed by the

New York Times — that Begin might be too ill to remain atop Likud, and that "civil war" might erupt inside Likud between Ezer Weizman, Begin's No. 2 man in the Herut faction of Likud, and Simcha Ehrlich, the Liberal leader.

If Yadin joins the Begin government, it will signal that the Rockefeller forces are seeking to infiltrate and thereby control the next regime. But for Rockefeller, this is dangerous, because if Yadin enters the government and thereby strengthens Begin's hand without extracting sufficient political concessions, it will push Israel further out of the control of the U.S. National Security Council. On the other hand, should Yadin not join Begin, it will force the Likud to form a narrowly based rightist regime which will probably collapse within a few weeks due to lack of political support. This option, however, is only feasible for Rockefeller provided that Peres — and not Rabin! — is in control of the Labour Party which will head the next government if Begin fails.

— Bob Dreyfus

Saudi Confrontation With Carter Reported

In sharp contrast to the low-key U.S. press coverage of last week's talks in Washington between Saudi Arabian Crown Prince Fahd and President Carter, the West German press reported a major "confrontation" between the two leaders. Fahd rebuffed Carter's demands that Saudi Arabia abandon support of the Palestine Liberation Organization (PLO), and reiterated that "the Palestinian problem is the key to the Middle East." Commenting on the Fahd-Carter talks, the West German daily *Die Welt* warned that the U.S. "cannot expect Saudi Arabia to impose on the other Arab states a solution to the Middle East that they do not want." The Saudis also refused to bail out the bankrupt International Monetary Fund and agreed to give a mere \$2.9 billion to the Fund, according to the *Washington Post*. East German radio assessed the talks as having "no result."

The Saudi rebuff of Carter coincides with growing indications that the Saudi ruling clique intends to use their oil and monetary resources as strategic weapons to counter Rockefeller's manipulation of the extremist Likud Party in Israel and thereby to defuse the likelihood of a Middle East confrontation.

For such a peace push to succeed, the Saudis must move for the establishment of a new international monetary system in cooperation with Western Europe and the Soviet Union. Spurring the Saudis on is their awareness that the National Security Council's plans for a Mideast war involve the toppling of the present Saudi regime and its replacement with more malleable leaders.

For the moment, the Saudis have defused the war situation by distancing themselves from the Likud provocation and placing full responsibility for neutralizing the Likud crazies on the shoulders of the U.S. Just before leaving for the U.S., Fahd told the French paper *Le Monde*: "The upset which took place on

the Israeli scene concerns the U.S. first of all. If they seriously want peace, they must arrange this with their eternal friends."

Saudis at the Crossroads

During the Fahd visit, the Saudis proceeded gingerly, allowing for some U.S. face-saving by Carter. A full-page advertisement in the *New York Times* stressed the *joint* responsibility of the U.S. and the Saudis for peace, noting that the Saudis had \$140 billion worth of development projects that could involve every sector of U.S. industry. The Saudis also paid lip service to Carter's energy program, although it is clear from their rejection of the so-called Witteveen proposal to bail out the IMF that they have refused to sink their money into the purpose of that energy program — keeping Rockefeller afloat.

The choices for the Saudi regime and the rest of the Arab nations, other than forcing the U.S. into a Mideast peace and a new monetary system, are all suicidal. Egyptian Foreign Minister Ismail Fahmy warned after the Likud victory that the Arabs were readying use of the "oil weapon" if the U.S. stalls efforts toward an overall Arab-Israeli peace. Short of an actual embargo, Fahmy and other Arab spokesmen have intimated that the oil weapon they have in mind would include retaliatory phased price increases and petroleum production cutbacks. These measures, instead of targeting the Rockefeller forces, would wreck advanced sector economies and weaken the factional strength of the best potential Arab allies, the anti-Rockefeller industrial-based factions in the U.S. and Western Europe.

Significantly Saudi Oil Minister Zaki Yamani countered the oil threat by emphasizing that the Arabs will not use the oil weapon, according to the May 27 *Journal of Commerce*.

Even more catastrophic than the oil weapon would be an activation of an Arab military option against Israel.

Such a war could not *possibly* be contained regionally and would quickly precipitate general thermonuclear war.

Rockefeller Primes Flashpoints

The regional situation, meanwhile, remains extremely tense and constitutes a potential flashpoint for provoking the Arabs to war. In the wake of last week's inflammatory statements by Begin that Israel considered the West Bank territories "liberated" and would set up scores of new Jewish settlements there, unrest has spread throughout the area. The mayor of one Arab-populated West Bank town has warned that "it will be a

hot summer" and that "extremism breeds extremism."

Simultaneously, the volatile southern Lebanon situation is also heating up, with heavy shelling reported between Palestinian-leftist forces and Israeli-backed right-wing units, and Israeli overflights into Lebanon, according to the Soviet sector press. PLO leader Yasser Arafat warned that a Begin prime ministership would result in direct Palestinian-Israeli confrontations in southern Lebanon.

Sources close to Brzezinski report that a primary fear of the National Security Council is that the Arabs will make direct overtures to Israeli forces, "circumventing the U.S. bridge" in order to cool the region down.

Kuwait Urges Persian Gulf Security Pact

The Arab states of the Persian Gulf are continuing their diplomatic efforts to reach a general consensus on a formula for a Persian Gulf Security Pact. Quoted in the United Arab Emirates newspaper *Al Ittihad*, Kuwaiti diplomatic sources underscored the need for such an agreement, "the intensive contacts currently underway among the Gulf states are aimed at working out a strategy, perhaps for the next 20 years, to achieve some kind of cooperation, coordination and complete understanding among the states in the area." The papers emphasized that Kuwait and other regional governments recognize "that it is not to their advantage to continue to let various regional disputes go unresolved at a time when some foreign elements and quarters are trying to exploit these superficial disputes."

In this connection, Kuwait and Iraq, according to the authoritative weekly *Arabia and the Gulf* are very near to settling a longstanding dispute over the Shatt al Arab at the mouth of the Tigris. At the same time strenuous efforts are underway between the two states to reach an agreement on the volatile border dispute involving drilling rights to oil reserves spanning the still poorly defined joint border. Normalization of relations between Iraq and Kuwait represent a significant step in lining up an alliance of all the Arab Gulf states around a Gulf Security formula, one which is already shaping up to be pro-Soviet.

A major feature of the unification of the Gulf states around such a perspective is the acceptance of a unified

Arab currency, the gold-backed "Arab Dinar." According to a United Arab Emirates (UAE) diplomatic source both the UAE and Kuwait are putting maximal pressure on Saudi Arabia to back the institutionalization of the Dinar, which would eventually extend to the Arab states of North Africa as the underpinning of an "Arab Common Market." For Saudi Arabia to back the Arab Dinar would mean a break with the dollar and Riyadh's continued willingness to bail out Wall Street banks. With Saudi Crown Prince Fahd having returned from meeting with Carter in Washington with nothing tangible to show his Arab brethren, the Saudis can expect even more pressure from their neighbors Kuwait and the UAE to break with their pro-U.S. position.

Kuwait has allocated over \$1 billion for the next three years to build up a strong military to help insure regional security. Aside from numerous purchases from western countries, the Kuwaitis recently concluded their first large scale purchase of arms from the Soviets and are considering a second purchase of Soviet built patrol boats. Similarly, the UAE Commander in Chief of the armed forces concluded a large arms deal with the French earlier this month.

In an interview with the Egyptian press, the Sultan of Oman, who recently joined the bloc of five Gulf countries behind the formation of the Dinar, warned of "designs of the big powers in the area," while calling for more balanced relations between the U.S. and the Soviets. The tiny Gulf Emirate of Bahrain has acted on this perspective by terminating the U.S. base established there since World War II. After three years of squabbles with the U.S. over the issue, Bahrain's Foreign Minister announced last week that the base from now on will only be used as a "supply station."

EXCLUSIVE

Inside Israel's Likud Party

The Likud Party that will likely head Israel's next government is an unstable coalition of at least three distinct political factions — the Herut and Liberal parties and the La'am group — and an amalgam of four sociological layers; the lower-class Oriental Jews who comprise a sizable chunk of Israel's population; middle-level businessmen, shopkeepers, and professionals; rightist generals with varying degrees of connections to Rockefeller and Rothschild (mainly French-related) intelligence networks; and a group of top scientists and military-connected technicians.

Correspondingly, the Likud is a mixed bag of foreign policy orientations and international affiliations. Likud and Herut leader, Menachem Begin, is an unyielding nationalist fanatic who had strong 1940s connections with the Rockefeller family, in their destabilization operations against British interests, but who has since built up a machine in the tradition of Chicago's late Mayor Daley in Israel's largest cities and newer development towns. General Ezer Weizman, likely to assume the Likud-Herut mantle of power if Begin leaves the scene, is an ultra-nationalist-expansionist with substantial ties to the U.S., British and French military and aerospace circles through his years-long experience in building the Israeli Air Force into a powerful machine.

By contrast, Chairman of the Liberal Party and member of the Likud Executive Arieh Dulzin, a possible candidate for Foreign Minister, is a foreign policy dove with primary connections in Mexico, where he lived for almost forty years. Similarly, Liberal Party National Secretariat President Simcha Ehrlich, number two on the Likud's Knesset (Israeli Parliament) slate, is

reliably reported to be a "superdove"; it is Ehrlich who is internally leading the fight to have Moshe Dayan *not* become Israel's next Foreign Minister.

According to intelligence sources, there exist as well within the Likud individuals with long-standing connections to East Germany, who operate in Israel according to understandings between the East Germans and British intelligence networks both within and outside the East Bloc itself. These networks came into existence as the historical result of a process by which old West German Communist Party networks operated in Palestine through joint arrangement of British and Soviet officials. The same sources report that the recent shifts in Israel are being utilized as a means of expediting desired shifts in U.S.-East German relations toward the granting of most-favored nation trade status to East Germany, status useful to the transfer of technology to the East Bloc.

The factors which make the Likud cohere — outside of the perception of a handful of sophisticated intelligence operatives that the Likud could be a useful stalking-horse to get the reins of state power — are twofold.

For one, all factions in the Likud fundamentally agree that the socialist-corporatist measures of the Histadrut labor confederation which have managed Israel for almost three decades must be rolled back and replaced with a severe reduction of the state sector and decisive austerity measures. The degree of austerity to be imposed is likely a matter of disagreement; the Herut interests tied into aerospace-research and development and those responsive to the lower-class Oriental communities are less inclined to provoke class war than are many in the Liberal Party afflicted with a shopkeeper-accountant mentality. It was, for example, Ehrlich and Liberal Knesset-man Gideon Patt who arranged for fascist economist Milton Friedman to become an official economic advisor to Israel's new government.

Second, the Begin-run machine has been a continued center of gravity for Israeli right-wing coalition politics for over a decade. Numerous Liberal and non-party Israeli politicians have seen in the Begin-run "mafioso" operation a means of getting closer to state power than available alternative means for existing smaller parties in Israel opposed to the Labour Party. Begin, in fact, has survived at least three major challenges mounted to his rule within the Likud and its predecessor Gahal bloc. It is an open-ended question what the Likud would look like — if anything — if Begin were to be shunted aside, whether because of ill health or because of a conscious move by Rockefeller and Rothschild operatives intent on bringing into effective power in Israel the hard-core military intelligence crowd around Dayan, Peres and such backers of Yadin's Democratic Movement for Change as Aharon Yariv and Meir Amit.

Begin Headquartered In Rockefeller Command Post

How malleable a Menachem Begin-led government will be to Rockefeller Mideast regional scenarios is a question now being actively posed in intelligence circles. Aside from analyzing the obvious "fanatic" profile of Begin, observers should note two aspects of Begin's life:

*What exactly were the circumstances of Begin's leaving a Polish prison camp in the early 1940s under joint British and Russian supervision — turning up in Palestine to become the Irgun command head in 1943-44? A top-level Rockefeller intelligence source claims that Begin spent much of 1943 in *North Africa*, being tutored on the subject of changing Mideast geopolitics by Robert Murphy and David Rockefeller.

*Begin's 1969 role as head of the Israel-France Association, a grouping totally controlled by Baron Edmond de Rothschild.

The Progression from Herut to Gahal to Likud
The Likud as a political formation is less than four

years old, having been formed on the eve of the October 1973 War by superhawk General Ariel Sharon. Sharon's organizing welded together the Gahal Party (composed itself of Herut and Liberal parties), and three small grouplets, the Greater Israel Movement, the Free Centre and the State List, the latter a grouping put together by ex-Premier David Ben-Gurion.

Herut itself was formed soon after the State of Israel was proclaimed. With Ben-Gurion, Israel's first premier, rapidly subsuming relevant military institutions under his direct command, Begin disbanded his Irgun militia. In coordination with such leading Irgun men as Samuel Merlin, Peter Bergson, Shmuel Tamir, Chaim Landau, and others, Begin put together the leadership of Herut. This leadership moved quickly to neutralize an alternative political leadership force deriving from the Revisionist Party, the political arm of the Irgun, and took the reins of party power. With the exception of Landau, this has since dispersed, and even Landau, intensely faithful to Begin, did not run in the recent Knesset elections.

This factor, however, has not led to the lessening of Begin's control over the party machine, a control which to this day is tenacious.

From 1955 to 1965, Begin and others in Herut sought to end the party's isolation and image as an extremist sectlet. In April, 1965, an arrangement was consolidated

with the General Zionist wing of the newly formed Liberal Party to form a new party, Gahal, on the basis of a common alliance against the Labour Party's "socialism." The Progressive Party wing of the Liberals, composed of sophisticated intellectuals and cosmopolitan counterinsurgents such as the editors of Israel's leading Ha'aretz newspaper, split from the Liberals to form the Independent Liberal Party.

By this time in the mid-1960s, Israeli politics was going through upheavals that have never been competently explicated, but decidedly have the appearance of a major Rockefeller-Rothschild move to muscle in on the Israeli line to put into effect the re-alignments necessary for launching the "Greater Israel" that emerged after the 1967 Arab-Israeli war. Notably, Ben-Gurion had in 1963 dropped out of the leadership of the ruling Mapai Party, and an observer from the U.S. Massachusetts Institute of Technology stated that "Ben-Gurion's departure from the helm of Mapai has cleared the atmosphere, and Herut's acceptance by other parties as a responsible spokesman will now be more easily achieved. It is quite likely that the new Gahal coalition party would not have been possible had Ben-Gurion retained his full political power."

When Begin suddenly resigned from Herut's leadership in mid-1966, the same author exclaimed that "factional battles within Herut achieved public visibility for

Likud Knesset Members: A Dossier

The prevailing tendencies in the Likud that are the basis for a strong centrifugal phenomenon are evident in the diverse backgrounds of a representative sample of the 43 Likud members just voted into the Knesset.

The number three man in the Herut faction, after Begin and Weizman, Itzhak Shamir, is a former top-level Shin Beth agent who, during the 1940s, had been one of the triumvirate leading the Stern Gang. Shamir has been described by one knowledgeable Rothschild-connected source as "the best assassin the State of Israel has ever had."

Herut man Amnon Linn, number 27 on the Likud slate, is also known for his ideological fervor. A former head of the Labour Party Arab Bureau, Linn is an advocate of strong security measures against Israel's Arabs and has publicly called for the banning of the Israeli Communist Party (Rakah).

Another leading member in Herut is Moshe Arens, the top representative of the "technocratic" faction in the party. A relative newcomer to Israeli politics, Arens went to Massachusetts Institute of Technology and California Institute of Technology, is a member of the American Institute of Aeronautics and Astronautics, and, in Israel, is a professor of Aeronautical Engineering at the military-connected Technion Institute and a Vice-President of Israel Aircraft Industries.

Other representatives of the scientist-technocrat layer include Yoram Avidor (slate no. 13), a biochemist at the Technion Department of Biology,

and Yosef Rom (no. 28), who earlier this year publicly advocated using joint Egypt-Israel nuclear development projects as a means of forwarding Arab-Israeli peace discussions.

The Liberal wing of Likud is predominantly characterised by economic management types of the cost-efficiency accountant tendency. Ehrlich and Patt, numbers 1 and 3 in the Liberal part of the Likud slate, were responsible for Milton Friedman being appointed to manage Israel's economic affairs. Dulzin, while not on the official slate, yet considered to be one of the top power-brokers among the Liberals, has authored books titled "The Economic Role of the Middle Class" and "Middle Class and their Place in the Productive Absorption of New Immigrants." The fourth leading Liberal Knesset member, Yehezkel Flumin, wrote a book titled, "Financial Management in the Small Enterprise."

Number 14 on the overall Likud Slate, Liberal Pesach Grupper, is President of the Farmers' Association. Number 18, Yitzhak Madai, is on the Board of Directors of Revlon, Israel, and is a Vice-President of the Israel-American Chamber of Commerce and Industry.

The number 3 man on the overall Likud slate, Yigal Horowitz, is the top representative of the La'am faction, which has 10-15 percent of the Likud Knesset seats. Horowitz was the most prominent of those members of the Dayan-Peres-led "Rafi" split-off from the Labour Party who later went into Likud rather than back into Labour.

the first time" and mooted that "major shifts in political alignment, begun in 1964, will be given new impetus by the resignation; it is now possible to contemplate a fairly comprehensive coalition of the moderate right."

But Begin was not out for long. On the eve of the 1967 Arab-Israeli war, he and five other Gahal leaders joined the government. A competing Herut faction that had precipitated the 1966 battle, a faction led by Shmuel Tamir, left Gahal to form the Free Centre bloc.

Representation within the government qualitatively transformed Gahal, and the party scored around 30 percent in Israel's 1969 elections. Begin's power in the party was maintained, as exemplified by his surviving a severe challenge to his leadership, when 112 out of 229 delegates of the Gahal Executive voted against his demand that the party leave the government in mid-1970 in protest against the signing of an Egypt-Israel armistice that put an end to the bloody 1969-70 war of attrition between the two countries.

The challenge was led by Weizman, who had agreed to become a Gahal Minister of Transport in the 1967-70 government on the basis of a deal: Weizman lent his popularity as the architect of the Israeli Air Force to Gahal — which lacked representation from the Israeli military's high ranks — in return for his building a power base on the basis of a "reform" appeal. Weizman was supported in this by the leading businessman backer of Herut, Joseph Kremerman, who wanted to shift Herut away from its "proletarian" orientation among the Orientals into a more "technocratic-business" basis. Kremerman, who was related by marriage to the powerful Maritime Fruits shipping interests, personally

engineered Weizman's becoming chairman of the Herut Executive, number 2 man in the party. Kremerman was busily packing local machines with his supporters, building on discontent that had erupted over Begin's 1970 public reprimands of Weizman.

Nonetheless, when push came to shove at the 1972 Herut convention, Begin emerged on top over Weizman-Kremerman's people. Weizman temporarily left politics, joined the now-bankrupt Maritime Fruit interests, and then in mid-1973 threatened to form a new rightist party with the followers of Tamir.

This move was headed off when Sharon, in the words of one source, "transformed Israel's political scene overnight." Now, the source noted, Israel officially had an alternative "Alignment" to oppose the Labour Party-led Alignment that ruled the country. The Sharon move, he concluded, "toned down the image of Gahal as a party closed to new ideas and new people."

But when it became obvious that Sharon was repeating Weizman's efforts to use the Herut-Likud as a base for bringing himself into power, Begin moved to neutralize Sharon, who left Likud in 1976 to form his own Shlomzion bloc for the recent national elections.

While down to this very moment, Begin is holding the reins in Likud, Weizman, Sharon, and other top generals and intelligence men have set the precedent for future exploitation of the Likud as a means of consolidating hard-core Rockefeller-Rothschild interests at the helm of the Israeli government in order to further develop the Rockefellers' regional brinksmanship managed-war scenarios.

South Africa: Second Thoughts About Carter's Africa Policy

SOUTH AFRICA

The recent series of Atlanticist diplomatic deployments designed to isolate South Africa and spur it into a war posture vis-à-vis the neighboring African states, has failed miserably.

U.S. United Nations Ambassador Andrew Young, and Olof Palme, both used a lot of strident rhetoric at the Maputo, Mozambique U.N. conference on Namibia and Zimbabwe (Rhodesia) calling for economic pressure on South Africa. Palme called for a complete economic boycott of South Africa. At the same time Vice-President Mondale met South African Prime Minister Vorster in Vienna. According to press accounts, Mondale was slated to confront Vorster with demands for internal changes in South Africa which Vorster was expected to reject. Just prior to the Vienna meeting, South African Foreign Minister Roelof Botha was whipping up the white South African population: "I am prepared to die for our right to exist." Botha urged all voters to face up to the threat of a race war, and avowed that South Africa would never negotiate away its existence.

However after the Mondale meeting, Vorster and other South African officials did not react in the expected manner to vociferously protest the imposition of unacceptable demands. The day after the talks, the May 21 *Washington Post* still maintained that "South Africa would indeed now have to go it alone to defend itself against increasingly militant black governments," and claimed that "Vorster's defiant stand in favor of continued racial separation" could spark new outbursts of riots in South Africa.

Vorster and Mondale only agreed on vague generalities: an eventual undefined independence for Namibia, now illegally ruled by South Africa, and an unspecified Rhodesian settlement. This represented no change in previous commitments by Vorster.

After the Vienna meeting, Vorster went to Geneva where he met with the President of the Ivory Coast, Houphouët-Boigny, and gave an unusual four-hour press conference. Asked if he thought the Carter policy of pressuring South Africa would backfire, a question carefully formulated so as to give Vorster an opportunity to angrily declare his intention to "go it alone," Vorster responded simply: "I don't think it will work."

The question on the minds of knowledgeable observers is: What caused the South African government to abandon the Carter scenario as a way out of their own predicament?

Soft-Option Disintegrates

The Carter Administration has sought to use the time-worn tactic of squeezing pariah countries like South Africa or Israel — called fifth world countries by *New York Times* columnist C.L. Sulzberger last week as he described this process — to turn them into a bludgeon against surrounding countries. In southern Africa, this would mean the threat of or actual military attacks against the front-line African states by South Africa to splinter off the weaker front-line states, permitting the imposition of agreements on the African states that would be agreeable to both South Africa and Carter.

But several things went awry with this scenario, leading the South Africa leadership to the conclusion that it would be suicidal to adopt a war posture. Young's civil rights parody at Maputo, an attempt to get the Africans to adopt a passive, apolitical approach to the problems in southern Africa was a complete failure. Mozambican President Machel asked Young to refrain from making 'racist speeches.'

Young failed to whip up a racial fury despite increasing threats from the racist regimes of Rhodesia and South Africa: Rhodesian Prime Minister Smith threatened to attack the front-line state of Zambia; helicopter-borne South African troops carried out a provocative attack into Angola, another front-line state. The African delegates responded at the conference by calling for a weapons embargo against the two regimes, which the U.S., along with the other Western powers, did not support.

Bolstered by declarations of support from East Bloc and African countries, the front-line states are relatively confident. The threat of war by South Africa thus tends to strengthen their solidarity, and drive them closer to the Soviets.

Looking for Alternatives

Confronted with this situation, the South Africans have been forced to rethink their policy, and look for alternatives. South Africa now appears to be putting out feelers for a non-confrontationist policy. Education Minister Pieter Koornhof, while carefully not committing the South African government, noted that there were South Africans who believed that the blacks living permanently outside the tribal areas (bantustans) should be given a direct role in the new structure. Koornhof noted that changes along these lines, a sharp departure from official Nationalist Party doctrine, would offer South Africa more policy options and more "political maneuverability." Explained Koornhof: "Politics, especially in these times, are unpredictable, and only

time will prove whether this line of thought is feasible or not," indicating that the South Africans were at least evaluating options rather than their traditional military one.

There was widespread speculation that Koornhof was floating the idea with the encouragement of Vorster. However, for the record, Vorster on May 27 said that it is "not practical politics at this stage" to consider the establishment of a confederation that would give other racial groups in South Africa, possibly including urban blacks, a share of national power.

The lead article in the South African business weekly *Financial Mail* published immediately prior to the Mondale-Vorster meeting also indicated that a reevaluation was taking place. The *Financial Mail* stated

that the Mondale-Vorster meeting signified the end of the Kissinger era policy, in which South Africa could count on U.S. support no matter what.

Faced with isolation from Europe because of its policy towards blacks in South Africa, the article dismissed the possibility of a military option: "Despite its military preparedness it (South Africa) would pay a devastating price against an enemy with unlimited time, unlimited black manpower and unlimited Russian resources." The article advocated "visible movement toward political equity" in South Africa, emphasizing that the country must at least "be seen to be making progress towards giving its black citizens full citizenship," before any Western country can afford to ally with South Africa.

Young Jeered As Racist In Africa

The following are excerpts from an article in the May 25 Washington Star reporting on the reaction of African delegates to UN Ambassador Andrew Young at the United Nations Conference in Support of Zimbabwe and Namibia held in Maputo, Mozambique:

Maputo, Mozambique — Ambassador Andrew Young, who won friends and the Carter Administration time on an earlier visit to Africa got into trouble here when he started speaking 'as a fellow black man' and tried to tell Africans how to win their 'freedom.'

Before Young left town, Mozambique's President Samora Machel asked him to refrain from delivering any more 'racist speeches' while in the country. Rhodesian and South-West African nationalist leaders, who are heavily engaged in guerilla warfare, said they resented having Young, an outsider, lecture them.

"He just doesn't understand the history of our struggle," said Rhodesian nationalist leader Robert Mugabe...

Young called for blacks living under white minority rule in southern Africa to engage in economic boycotts. He said that 'the combination of (economic) pressures and incentives are more effective than outright war.'

Young declared that 'if we do an analysis of the racism that we find pervasive in southern Africa we find a phenomenon with which I am very familiar. It's been a part of my whole life — come to me with my mother's milk.' Throughout the speech, Young referred to Machel, Mugabe and any other black person as 'brother.'...

Many other African delegates who heard Young's speech immediately expressed surprise and called it 'racist.'

According to Mozambican sources, Machel told Young, in no uncertain terms, that such presentations are not welcome in Mozambique...

(Referring to Young's recounting his exploits in the civil rights movement...) (Robert) Mugabe, a lawyer

who heads the group doing most of the fighting in Rhodesia, said that comparison between the southern United States and Rhodesia was 'not applicable.'...

Mugabe told journalists 'We've tried these methods. We've tried passive resistance. Our people have been locked up. Our people have been shot. We have now moved a stage up in the struggle.' The guerilla leader added, 'No, we're not going to be a laboratory for experiments.'

(Nigerian Ambassador Leslie O.) Harriman who said he was 'very disappointed,' said that 'one could have hoped that Andy Young would contribute to the conference and not lecture us on civil rights. I would have listened 10 years ago with some patience. But instead I listened today with considerable irritation.'

Harriman's views appeared to be shared by the overwhelming majority of the delegates from 93 countries who attended the conference. The speech was met with only polite applause...

Young refused to give the specifics that Africans were waiting for. In the 'trust me' style of Jimmy Carter's presidential campaign, he said the major question is not about the specifics of the Carter administration's African policies — but 'our policies are believable.'

Said Mugabe later, 'If they (the Americans) have any pressure to exercise, let them exercise it from a distance.'

'Third World Hero'

President Carter told members of his Cabinet May 24 that "There is no doubt in my mind that over a period of time Andy Young will become a hero to the Third World," according to the British Daily Telegraph May 25. Carter added that Young is "establishing the proper relationship with developing countries on the issue of race and human rights."

Soviet Union Opens Peace Initiative On African Horn

The Soviet Union has launched a diplomatic counter-offensive to the Carter Administration's efforts to destabilize the tension-filled Horn of northeast Africa.

The USSR is attempting to settle the upsetting territorial disputes between Ethiopia and Somalia — both countries have good relations with the Soviets — and to negotiate an end to the bloody secessionist struggle in Ethiopia's coastal province of Eritrea, a struggle which provides another avenue for destabilizing Ethiopia's socialist leadership and could cut the country off from the sea.

Last week, a Soviet delegation held talks with leaders of circles in the Eritrean secessionist movement, who are open to negotiations; another Eritrean leader met with Libyan officials in Tripoli. These circles have, in the past, indicated their willingness to negotiate an end to the war in Eritrea, and are responding to an offer made in Moscow by Ethiopian head of state Mengistu Haile Mariam to grant regional autonomy to Eritrea within a federal Ethiopia — provided there are guarantees of Ethiopian access to the Sea. Mengistu made the offer during a visit to Moscow earlier this month, and reportedly asked the Soviets to make the preliminary advances.

Soviet and other socialist country representatives have also made an increasing number of visits to the pro-socialist governments of Somalia and Democratic (South) Yemen, across the Gulf of Aden from Somalia at the mouth of the Red Sea. These visits follow attempts by the pro-U.S. governments of Sudan and Saudi Arabia to "buy" Somalia away from their Soviet ties, an effort reportedly aided by a visit to Somalia this week by the

British Foreign Office's Africa specialist Edward Rowlands and an offer to discuss supplying Somalia with U.S. weapons by the American Ambassador in Somalia John Loughran.

Cuban President Fidel Castro yesterday denied reports that he has sent military advisors to Ethiopia for an oft-reported but never materialized onslaught against Eritrea by an Ethiopian peasant army. Castro told ABC reporter Barbara Walters that he had sent medical and diplomatic personnel to the country, but emphasized that he would send military personnel if the Ethiopians requested them.

Castro's message to Carter is that the Cuban government is committed to peace on the Horn and, as in Angola, will defend their allies against the Trilateral Commission's subversion. In addition, Castro is still organizing to bring about a confederation of the three socialist countries bordering the Red Sea, Ethiopia, Somalia and Democratic Yemen.

The Islamic Foreign Ministers Conference, held in Tripoli, Libya this week, also supported a peace program for the Horn, issuing a statement on the Eritrean question in their final communique: "The Conference studies the question of Eritrea and decided to coordinate its efforts with those of the Organization of African Unity in view of a just and equitable settlement in the framework of Afro-Asian brotherhood." Such a statement is a slap in the face to the Saudi and Sudanese efforts — on behalf of the Trilateral Administration in Washington — to use the Eritrea struggle to try to bring down the Ethiopian regime.

Why General Singlaub Is Right

KOREA

The "Singlaub Affair" has now brought to the front pages of the U.S. press a raging battle over the Carter Administration's Korea troop withdrawal policy. General John K. Singlaub, the Chief of Staff of the U.S. forces in South Korea until his dismissal last week by President Carter, sparked the controversy with his statements to the *Washington Post* and this week before a Congressional committee. Singlaub told them: "If we withdraw our ground forces on the schedule suggested it will lead to war." Singlaub's views are shared, according to him and to others, by the entire command structure in South Korea, both Americans and Koreans, by most of the U.S. Embassy including the Ambassador, and by the majority of the Joint Chiefs of Staff in the Pentagon. One officer in Korea, quoted in the *Washington Post* put it this way: "I don't know anyone who is not staggered by it (the withdrawal plan). There's no military or strategic logic to it."

General Singlaub and his associates are right — the danger of war as a consequence of the Carter policy is very real. But they are wrong — there is a strategic logic to it, but it has very little to do with Korea. The logic, and the use of that word is admittedly generous in the case of the maniacs who put this policy together, lies in the *raison d'être* of the U.S. Far East policy since the Kissinger era: the Grand Alliance with Peking.

Kissinger, whose ghost can be found often these days wandering through the White House, constructed his Far East policy on the foundation of an alliance with Maoist China against the Soviet Union. This strategy — known as the "second front" policy — aimed at creating a NATO-type front in the Far East involving Japan, China, and the U.S. It rested on the insane belief that the Soviet Union could be pinned down on this "second front."

Korea's place in this grand strategy is as a bargaining chip with the Chinese. The Kissinger plan was formulated in a so-called "4-power agreement" whereby China, the U.S. and the two Korea's would revise the existing armistice agreement with China, pulling the North Koreans into line and the U.S. doing the same with their client, South Korea.

The stickler in this little scheme — which may include a Taiwan for Korea deal as well — has always been (at least from the U.S. side) the complete refusal of the government of President Pak Chung-hee in South Korea to go along. The U.S. answer to this is the withdrawal of U.S. troops, an act of political destabilization of the Pak regime which has absolutely no military reasoning behind it.

While the Singlaub hearings were taking place this week in Washington, a high-powered U.S. mission arrived in Seoul headed by Assistant Secretary of State for Political Affairs Phillip Habib and Chairman of the Joint Chiefs of Staff, General George Brown. The purpose of the mission was ostensibly to discuss the timetable for the withdrawal of U.S. troops, but it rapidly became clear that the Pak regime itself was a target of the trip.

Assistant Secretary Habib announced upon his arrival in Seoul that he would meet with leading figures in the anti-Pak circles, including the head of the Protestant National Council of Churches. Habib also met briefly with former Korean President Yo Pu Sun, who has been convicted of trying to overthrow the government and is awaiting appeal on his sentence. Habib's little imitation of Andrew Young's South African escapade did not go unnoticed by the Pak regime which made it clear that they considered the act of meeting with a person convicted of treason an affront.

The official response of Pak was to accept the U.S. fait accompli while making it clear that they do not support the move. One Pak aide was quoted in the *New York Times*, in response to Habib's assurances that the U.S. would continue to defend the security of South Korea: "In the post-Vietnam era, it is a rare Asian who would be satisfied with bland statements." The *Washington Post* reported May 25 that another Pak aide, following the meeting with Habib and Brown, stated that the Koreans would take all measures to ensure their security. Specifically he added: "As to the question of nuclear weapons, we would consider the matter on that basis."

The Korean response ironically is unanimous among all political layers. The leading opposition groups have issued statements opposing the pullout as did all the leaders who met with Habib. Small demonstrations were held in Seoul at various locations, including the residence of the American Ambassador, protesting the U.S. pullout. The Korean press as well has been strongly attacking the U.S. policy and giving extensive coverage to the Singlaub affair and the statements of other U.S. military and political leaders in opposition to the Carter policy.

The Soviet Response

The Carter-Brzezinski policy on the Second Front has not gone unnoticed in Moscow, the target of this scheme. The principal Soviet response, however, has not been directed against the U.S. but against China and Japan. The Soviets have moved along two tracks — hitting the Chinese hard for their efforts to provoke a U.S.-Soviet confrontation and more carefully making it clear to Japan the disadvantages of playing into the China alliance strategy.

On the Japanese side there are two events which signal

this approach — the handling of the recent fishing agreement and the announced visit of Soviet Trade Minister Patolichev to Tokyo. The fishing dispute has functioned as a surrogate battleground on the China issue. The Soviets have played it tough on the talks in direct response to moves by the Fukuda government to open up military and other discussions with the Peking regime. This linkage has been played from both sides.

The signing of the fishing agreement this week in Moscow after more than two months of negotiations marked a clear step forward in the state of Japan-Soviet relations. At the talks a curious series of events took place. After a long session of talks between Soviet Fishing Minister Ishkov and his Japanese counterpart, Suzuki, an agreement was reached with concessions from both sides in the form of the Japanese acceding to Soviet fishing areas including the disputed Northern Islands territory and the Soviets agreeing to the inclusion of a clause that the agreement did not prejudice outstanding Japanese claims. After the agreement was reached Ishkov walked in the next day and announced that they wanted to revise the clause, immediately causing a Japanese trauma and reports that the talks had collapsed again. The next day Ishkov walked in and announced that they should forget what he said the day before and the agreement would go ahead as planned.

What's going on here? The *Executive Intelligence Review* does not have any inside information, but it is safe to say that a high-level shift took place in the Soviet leadership to ensure a settlement of the dispute. Immediately following that came the announcement this week of the visit of Patolichev to Tokyo for a meeting of the Japan-Soviet Economic Commission and the signing of various trade and economic cooperation agreements. This visit was originally scheduled for last January and postponed by the Soviets as a protest against the Japanese handling of the infamous MIG 25 affair which sent Japan-Soviet relations into the deep freeze. Moscow go-ahead on the trip is a clear signal of their initiative to warm things up, a far more sophisticated and preferable approach to dealing with Japanese overtures, at Washington behest, toward Peking.

As for the Chinese, the Soviets have been far less pleasant. Since they broke the ban on attacks on Peking with the Politburo editorial blast in *Pravda* two weeks ago, increasing comments have been issued. According to at least one informed source, China was a major issue in the recent Soviet leadership shakeup, with criticisms of Soviet handling of China being voiced. The new head of CPSU relations with ruling Communist Parties is said to be a China expert and the former Ambassador to Mongolia, some indication of the verity of our sources assessment.

Yesterday the followup to the *Pravda* editorial was made public in *Pravda* in the form of a Soviet note delivered to the Chinese Ambassador in Moscow May 19. The note strongly protested the anti-Soviet propaganda now emanating in large doses from Peking's propaganda outlets and warned that the Chinese must "take on before their own people a grave responsibility for the consequences that could result from the continuation of such a campaign." The warnings here can be interpreted in several ways, but the Soviets linked it clearly to their

larger perception of the war danger now prevailing in the world.

The note concluded: "One can only conclude that China is not preoccupied with the future of humanity, including its own people.... Precisely in this area China stands together with the designs of the imperialist states. It stands on the side of these reactionary circles in its campaign of hostility toward the Soviet Union and is dangerous to the cause of peace in the entire world."

Whig-Soviet Alignment Against Second Front

With the Soviets carrying out a counter-attack against the Chinese Second Front and American military and political circles on the warpath against the Carter Korea policy there now exists a de facto united front against the insane Second Front strategy. American conservatives are not unaware of the China connection to the Korea issue as was evidenced at the Singlaub hearings.

An American conservative posture on this issue must address a real solution to the Korean dispute, which General Singlaub addressed in detail. Singlaub stressed the unpredictable nature of the North Korean leader Kim Il Sung and the fear that a signal of U.S. abandonment of the south in the form of the withdrawal would encourage an attempt to carry out a military solution to the dispute of the divided peninsula.

An incompetent Congressional Budget Office report, authored by the Brookings Institution, the originators of the pullout plan, has been issued and cited by numerous pro-Carter types. The report isolates the issue as one of numerical military balance between North and South Korea and on this basis claims that a U.S. pullout would not alter that military balance. The report admittedly and conveniently ignores the political effect of the pullout, preferring to concern itself only with comparisons of the numbers of tanks, artillery pieces, jet fighters, etc. on both sides.

The issue here is understood in more serious circles as one of the creation of a permanent structure for political settlement of the Korean dispute within which a U.S. pullout would be an included feature without its presently destabilizing effect.

The outlines of such a statement must include:

One, an agreement among the major powers concerned — the Soviet Union, China, the U.S., and Japan — and the two Koreas for a guarantee of the neutrality, security and stability of the peninsula. An agreement of this kind — in contrast to Kissinger's Middle East-modeled 4-power agreement which deliberately excluded the Soviets — must have a guarantee of the non-use of force by the two Koreas and of non-intervention by the major powers.

Second, within that treaty structure, which would replace the existing outdated United Nations armistice agreement, the two Koreas can immediately proceed to negotiations on the peaceful reunification of the country, the stated goal of both governments.

Third, a basic feature of the agreement which would provide an actual basis for peace must be a large-scale economic development program for Korea, including as first steps, opening of trade relations between the two Koreas. Both Koreas possess remarkably well-developed industrial sectors in comparison with the rest of the

developing world and complementary resources which, if joined, would make Korea a major foci of industrial development for the entire region.

Ironically both Koreas also suffer from severe foreign debt burdens which if provided with a debt moratorium combined with large-scale infusion of industrial-related credits and investment would experience massive leaps in their economic growth.

A Korea development plan could be and should be

posed as part of an integrated industrial and resource development plan for all of northeast Asia, including north China and Manchuria, the Soviet Far East, and with Japan acting as the principal source of industrial and technological input into the area's development. With such a program, a secure and stable basis for permanent peace, in which all the powers concerned would have a strong stake, would be assured.

— Daniel Sneider

EXCLUSIVE

'The Indian Political System Is A Shambles'

INDIA

The government of Indian Prime Minister Morarji Desai has been completely paralyzed by the decision it made several weeks ago to call state elections in eleven northeastern states. Focus within the country has moved significantly away from overall economic and political issues to a desperate fight inside the ruling Janata Party to resolve internal differences and produce a 'united' public appearance to gain majorities at the June 11-15 elections. This would enable it to take control of several state governments. Ten thousand candidates have filed for the electoral contest for a total 2,000 available seats from the Janata Party alone, producing a situation where candidates from the same party are contesting each other in key constituencies. So far the central Janata leadership has failed in its efforts to dissuade the "surplus" candidates, mainly because many leaders feel that such candidates may decide to run as independents with sponsorship of faction leaders inside the Janata Party. This would make a mockery of the new "unity" the Janata front displayed when all its constituent parties merged on May 1.

The breakdown of unity in the Janata is largely a product of the actions of pro-zero-growth Home Minister Charan Singh. The calling of state elections itself was an unconstitutional product of Singh's naked bid for power. Singh has attacked every basic pro-growth development policy pursued by India in the post-independence period, alienating most of the pro-socialist members of the government. These forces, led by the Congress for Democracy (CFD), have become the targets of Singh's attacks. In every state candidate selection committee, Singh's forces have closed in on the CFD by giving it the minimal possible number of seats, insulting its leaders, and running terror operations against the party's mass workers.

This assault on the CFD, which only a few weeks ago merged with the Janata only to find all its merger agreements violated, has resulted in an overwhelming belief, by government and political circles in India that the only alternative to the current 'political shambles' is the formation of a broad-based multi-partisan coalition to fight for India's growth and development. New Wave, a weekly that speaks on behalf of these forces, in a May

15 editorial titled, "Let Us Turn Back with Courage," produced the reasons for this view, tracing the subservience of Indian political leaders to the World Bank-International Monetary Fund dictated policies and attacking this as the basis for the failure so far to launch a viable political fight for India's economic development. The editorial is reprinted in full below.

Let Us Turn Back With Courage

If the Himalayas were to crack up the whole of Asia would be reduced to rubble, unprecedented tidal waves will wash away large parts of the world, and no corner of the earth will escape the tremor.

If a 90-year old national organisation, which challenged the almighty British imperial rule, won national independence and chalked out a wide-ranging programme of national reconstruction, betrays the principles on which the national polity was founded, and in the process, crashes, not only does the whole nation suffer; the way is also cleared for a change in the balance of world forces with disastrous consequences.

Maoist China has been whispering since 1962 that India is the sick man of Asia. This prophesy is likely to come true if the drift towards disaster is not quickly checked by initiating a vigorous struggle against the World Bank-IMF policy package and by restoring the policy of economic development, evolved in the second half of the fifties.

The Indian political system is in a shambles. There is no basic difference between the socio-economic outlook of the Indira caucus and Janata conglomerate. The policies for which the erstwhile Swatantra Party, Syndicate and the Jana Sangh fought for during and since the debate on the second five year Plan, were adopted by Lal Bahadur Shastri-L.K. Jha clique soon after Jawaharlal Nehru's death.*

Indira Gandhi pretended to be opposed to the reversal of the basic policies so long as Lal Bahadur Shastri was alive. Once in power, two well known spokesmen of the World Bank IMF line, C. Subramaniam and Asoka Mehta, digged in around Indira Gandhi and the reversal of Nehru's policy of independent development was fur-

* L. K. Jha, C. Subramaniam, Ashok Mehta are three finance ministry-linked figures most closely associated with the World Bank-IMF policies in India.

ther accelerated. The devaluation of the rupee and the initiation of an export oriented development, based on an open invitation to multi-national corporations by Asoka Mehta to open India's womb, marked the end of the first phase of the conversion of India into an appendage of international bankers and their financial institutions.

Reversal begins

Though not an expert, his sixth sense compelled Kamaraj to question the wisdom of Indira Gandhi's kitchen cabinet. She brusquely rejected Kamaraj's advice and haughtily told him that she would go to the people, if necessary, and secure sanction for the destruction of national economy. Indira Gandhi did go to the people in 1967, got her nose broken at Bhubaneswar and got the Congress routed in nine major states. The Congress strength in parliament was reduced to 282, a small majority in the Lower House. Instead of admitting her own stupidity and that of her advisers, Indira Gandhi managed, with the help of party radicals, to pass the blame for her own sins of commission and omissions on the party bosses and came out with flying colours when a split was forced on the Congress in 1969.

Electoral compulsions persuaded her to make minor adjustments in policies but essentially, she won the 1971 elections hands down by appealing to the populist sentiments of the impoverished masses with the hastily contrived slogan of 'garibi hatao'.

That she was not convinced of the policy of a self-reliant economy became evident the day the decision was taken to take over wholesale wheat trade. This was a major decision in the direction of distributive justice without which capital accumulation for industrial development would be well nigh impossible. Within minutes of adopting the decision Indira Gandhi declared to her close confidants that she would change every policy adopted during the post-split period. And change she certainly did with her characteristic ruthlessness. The immediate result was a sharp fall of nearly ten per cent in Congress votes in the 1974 UP Assembly elections compared to the 1971 poll.

The failure of her economic policies, which led to economic stagnation, a sharp rise in prices, mounting pressure of unemployment and unheard of corruption at the political and administrative levels triggered the so-called JP movement which sought to challenge the system, and her own power.

Having lost the moral and political authority to run the country, Indira Gandhi had no courage to meet the opposition challenge except by taking recourse to unabashed authoritarianism with the proclamation of the internal emergency. The World Bank-IMF line was pursued with unusual vigour during the emergency and L.K. Jha and the Birlas were again elevated as her main advisers. Instead of acting as the authentic voice of the Indian industrialists, the Birlas became the salesmen of the World Bank-IMF recipe and turned Indira Gandhi's family members into commission agents of the multinational corporations.

Treacherous line

Cheryl Payer has summed up the World Bank-IMF policy package for developing nations thus:

1. "Domestic anti-inflationary policies, including the

reduction of government spending and contraction of bank credit. This implies the curtailment of public expenditures for welfare and of government investment in development projects; economic recession; the failure of many domestic businesses and their forced sale to foreign speculators; and a large unemployment problem resulting from both curtailed government expenditures and business recession.

2. "Devaluation of the currency in terms of the US dollar and the elimination of as many direct controls on foreign exchange expenditure as possible.

3. "Encouragement of foreign investment through policies which range from anti-strike legislation (and action), through tax benefits, to guarantees of profit remittance. This part of the programme contains a self-fulfilling prophesy, since the IMF first prescribes the policies necessary to attract foreign capital and then gives the country the credit rating required by foreign capital suppliers.

4. "The IMF claims that the aim of this stabilization package is long-term balance-of-payment stability, but its actual effect in practice has been reinforcement of the dependence on traditional exports, which was the real cause of instability in the first place. If the government implements these policies on IMF advice, it is rewarded, not with a healthy and diversified economy, but with temporary relief for immediate exchange difficulties. This relief typically takes the form of new loans to the government, rescheduling of old loans when repayments become burdensome, and credit for the import of consumer goods."

There is a striking similarity between the IMF policy package and the policies pursued by Indira Gandhi during the emergency. The way the Industrial Policy Resolution was scrapped shows how the objective of self-reliance was given up under foreign influence. It is not accidental that World Bank Chairman McNamara came all the way to New Delhi to shower praise on Indira Gandhi's emergency economic policies, and a section of the influential western press started seeing in Sanjay Gandhi India's man of destiny.

The foreign agencies whom Indira Gandhi in her AICC speech held responsible for her defeat, first tried to destabilise her government through outside pressure, and later worked from within her house.* Indira Gandhi's attention was repeatedly drawn to Sanjay Gandhi's direct links with the CIA chief in India through an Indian businessman with intellectual pretensions. But she was too busy with her plans to destroy the Left inside the Congress and outside to pay any attention to the activities of her son the like of whom no Indian-mother had the honour to give birth to.

The Congress rout in the election and its continuing disintegration and destruction are the price Congressmen in general, and the Left in particular, have to pay for their failure to fight against the reversal of policies initiated under Nehru's guidance. The spectacle of political fragmentation that we are seeing for the past 14 years is directly linked with the nation's failure to prevent a sell-out of national interests.

When we speak of national interests all that we mean is the defence of our right to build the national economy in a

* AICC — All India Congress Committee

manner as to make it possible to satisfy the basic needs of our people. This cannot be achieved unless tangible goods and services are produced to meet the demands of our people. This objective cannot be achieved without making a clean break with the thrust of policies pursued by the ruling class since Jawaharlal Nehru's death.

After three successive referendums of 1967, 1971 and 1977, those who still measure their strength in terms of the number of seats won or lost, are only making a fool of themselves, apart from bluffing the people at large.

Indira Gandhi has created the Janata conglomerate. The Janata will certainly restore the caucus, because neither of the parties is prepared to break away from the World Bank-IMF policy framework. The rot will continue and so will the process of political fragmentation until the people in sheer desperation, opt for either a US sponsored two-party system or take recourse to extra-constitutional means to settle accounts with the betrayers of national interests.

Stakes Are High

At the moment the Congress is disintegrating and Indira's caucus is holding on to the party label in the hope of cashing in on the inevitable popular backlash in due course. The CFD which could have acted as a catalyst for the unity of all the left and democratic forces has decided to liquidate itself. The Janata party itself will crack up under the weight of its own internal contradictions once the present anti-Congress wave dies. A viable regional party like the DMK is now divided into three distinct groups. The Communist movement in India is split into two major parties, CPI and CPM, while there are half a

dozen Naxalite groups each trying to prove its own Marxist authenticity. One section of the Communist movement is clinging on to the Congress apron strings and the other to the Janata kurta tails. It is opportunism of the worst type. One type of dictatorship has collapsed while its another variant is waiting in the wings.

The intelligentsia, youth and the professional classes are caught in a blind alley. Shall we allow this to continue or catch the bull by the horns?

There are hundreds of thousands of people all over the country who are frustrated at this cruel joke on the nation. Among them there are Marxists, Socialists, Nehruites and plain Congressmen who are deeply distressed at this phenomenon.

What is at stake, they ought to know, is not the fate of one party or the other but the future of India itself. It is their duty to first articulate themselves and then the people at large. What is needed is neither a new party nor an organised platform but a self-propelled mechanism to strike at the enemy's most sensitive point and throw a spanner in its scheme to perpetuate poverty and backwardness.

Again, the issue is neither socialism nor capitalism but the reconstruction of the country by creating conditions in which goods and services required by the people are produced and consumed. Barring a handful of agents of foreign capital, all sections of the people, including capitalists, have a major role to play. It presupposes a drastic curb on the power of the house of Birlas who have become sales agents of the foreign aid giving agencies like the IMF and World Bank.

Let us turn back with courage and determination.

EXCLUSIVE

Memo Prepared For White House Contradicts Carter Administration Policy On Illegals

MEXICO

The chief outside consultant for the White House on the illegal alien issue has submitted a memorandum to President Carter and his staff which conclusively demonstrates that the principal assumptions of Carter's soon-to-be-announced program on illegals are false.

The memo, prepared by Prof. Wayne A. Cornelius of the Massachusetts Institute of Technology, a leading authority on problems of Mexican-U.S. immigration, summarizes all relevant studies and data on illegal aliens. The original studies are well known to key policy planners Ray Marshall of the Labor Department and Attorney General Griffin Bell. The memo itself has been read by Carter's White House advisors preparatory to final decision making. Yet all statements from the Administration itself and all press reports indicate that these known facts and studies have been systematically ignored.

The primary elements of the Carter program, due to be announced shortly, are:

- 1) civil sanctions against employers of illegals;
- 2) some kind of improved, even "counterfeit-proof" ID

system for workers seeking jobs;

3) stepped-up policing of the U.S.-Mexican border.

To make this sweeping package more palatable, Carter will include some form of "amnesty" for illegals who meet certain residency or property requirements. However observers have noted that only a relative handful of illegals will qualify, and those that do generally lack supporting records. Many will be concerned that if their documents are not accepted, they will be deported. There is also an outside chance that Carter will accede to a "temporary workers program" to appease Sen. James Eastland, (D-Miss) who controls immigration policy in the Senate.

The Carter proposals, in the estimates of most observers, will have devastating effects on the Mexican economy by closing off a critical "escape valve" for underemployed labor and eliminating an important source of income. Yet from inside accounts, it is reported that Marshall and Bell approached the question as a domestic issue and "factored out" foreign policy considerations in preparing recommendations for Carter. The Mexicans were only presented with copies of the Cabinet proposals when the deliberation process was well advanced.

Following are excerpts of the Cornelius memorandum made available to NSIPS this week.

A Critique Of The Policy On Undocumented Aliens Recommended By The Carter Administration's Cabinet-Level Task Force On Undocumented Aliens

by

April 31, 1977

Wayne A. Cornelius
Massachusetts Institute of Technology

The program recommended by the task force appears to be based on three principal assumptions, all of which are challenged by existing evidence on undocumented aliens:

- (1) that undocumented aliens compete effectively with, and displace, large numbers of native American workers

- (2) that the benefits resulting from the aliens' contributions of low-cost labor and tax payments are offset by the "social costs" which result from their presence

- (3) that the increase each year in numbers of undocumented aliens entering the U.S. represents an increase in the total population of *permanent* alien residents

Do undocumented aliens take jobs away from native workers?

Thus far there is no direct evidence of large-scale displacement of native Americans by undocumented aliens in the labor market.

The author is Associate Professor of Political Science at M.I.T. and director of a 3-year NIH-sponsored study of undocumented Mexican migration to the U.S.

Studies in Texas and California have shown that Mexican undocumented aliens in no way compete with or displace native workers in the skilled labor market. In the unskilled or semi-skilled labor market, they work alongside Blacks and Chicanos, but in different types of jobs.

In most cases the jobs held by undocumented aliens are the least desirable in the U.S. labor market: They involve dirty, often physically punishing tasks, low wages, long hours, low job security, and little chance for advancement.

The same studies point out that few native Americans care to compete for these jobs, since in most states one can receive more income from welfare benefits than from working at a job of the type customarily held by undocumented aliens.

Most experts believe that *some* displacement of native workers occurs, but that the magnitude of the problem is considerably less than is commonly assumed, and it is likely to be limited to particular job categories (e.g., *skilled* construction worker), particular types and sizes of enterprises, and particular geographic areas.

Do undocumented aliens take more from the U.S. in social services than they contribute?

All available studies show that undocumented aliens from Mexico make amazingly little use of social services while present in the U.S., and that the cost of the services they do use is far outweighed — by a factor of nearly 25 to 1 in one study — by their contributions to Social Security and tax revenues. (Rates of service utilization are higher among aliens from other countries.) Studies have found that at least two-thirds of the Mexican aliens have Social Security, federal income, and other payroll taxes deducted from their wages while employed in the U.S.

Are undocumented aliens temporary or permanent residents?

The answer to this question is crucial, since many of the social and economic costs usually attributed to undocumented aliens are likely to develop only if the migration is of a permanent rather than temporary nature.

Studies show that the vast majority of undocumented aliens from Mexico maintain a pattern of seasonal or "shuttle" migration, returning to Mexico after six months or less of employment in the U.S. Nearly three-quarters of the Mexican undocumented aliens interviewed in various studies expressed no interest in settling permanently in the U.S. A higher proportion of aliens from other countries seem to become permanent residents.

While thousands of "new" undocumented aliens do enter the U.S. each year in search of work, the majority of these new entrants are temporary workers from Mexico. They do not represent an increment to the permanent-resident population of undocumented aliens.

EMPLOYER SANCTIONS LEGISLATION

- (1) The need for the kind of sweeping, across-the-board employer penalty law proposed by the task force is

questionable, given the lack of hard evidence on job displacement.

If employer sanctions are to be imposed, they should be aimed at the kinds of jobs which are attractive to native workers. A blanket employer penalty law is not justified by existing evidence, and it may have negative consequences for the U.S. economy:

- (a) An across-the-board employer sanctions law may have a significant inflationary impact, reflected in higher consumer prices for all goods currently produced with alien labor (especially food).
- (b) Such a law may increase bankruptcy rates among small businesses. Existing studies show that more than half of Mexican undocumented aliens are employed in enterprises having 25 or fewer employees. Many of these small businesses have long been dependent on undocumented alien labor, and their survival may be jeopardized by a cut-off or severe reduction in the supply of such labor.

- (2) The *benefits* of such a law in terms of reducing unemployment in the U.S. may be minimal.

- (a) The mere fact that large numbers of undocumented aliens manage to find jobs in this country does *not* demonstrate that these jobs would be *available* to native workers if employers were prevented from hiring undocumented aliens; many of these jobs would be eliminated through mechanization or bankruptcy of the enterprises involved, and many others would not be filled by employers (especially jobs in small businesses unable to absorb higher labor costs).

- (b) Nor is it clear that native workers could be induced to *take* the jobs currently held by undocumented aliens, given the particular disadvantages of these jobs, and the competing alternatives of welfare and unemployment compensation. Two major programs undertaken in 1975-1976 by the INS and the State Human Resources Development Agency in Los Angeles and San Diego to fill jobs vacated by apprehended undocumented aliens failed in their efforts to recruit native workers for these jobs, reportedly because of low-wage scales, long hours, and the menial nature of the work involved.

For these reasons, few experts believe that an employer sanction law would have an appreciable impact on the rate of unemployment in the U.S....

Hysteria Over Illegals Fanned By New York Times

Major sections of the United States press have undertaken a campaign to propagandize the "menace" of illegals in preparation for the Carter Administration's package of controls on illegals. James Reston of the New York Times, in particular, has allocated himself a special role in this regard. "He simply comes unglued"

on the aliens issue, one knowledgeable observer has noted.

Other press, notably the Baltimore Sun and the Christian Science Monitor, are only a step or two behind. So far only the Wall Street Journal has forthrightly denounced the Carter proposals as "scapegoating" based on evidence which is "mostly nonsense." The following are representative passages of the New York Times campaign.

New York Times, Feb. 17, column by James Reston, "The Poverty of Power":

What the Mexicans do with their population, of course, is none of our business — until they cross the U.S. border. But...illegal Mexicans, according to the U.S. Labor department, now number about eight million, more than the total number of U.S. unemployed...

In a country that was prepared to do its own work and pay attention to what's happening to it, this would be a howling political crisis...

New York Times, April 3, from "Open Border Strains U.S.-Mexico Relations," by James P. Sterba:

While the two men (President Carter and President López Portillo) were exchanging toasts, agents of the United States Drug Patrol, Drug Enforcement, Customs and other agencies were fighting a futile holding action against a flood of Mexican aliens, brown heroin, marijuana, manufactured goods, plant and animal pests, and human diseases streaming across the sparsely patrolled Mexican frontier.

New York Times, April 24, from "Illegal Aliens Pose a Growing Problem" by James P. Sterba:

Federal agents apprehended and expelled today more than 2,000 foreigners who had entered the United States illegally. It was not the least bit unusual. It happens every day. Only the numbers change. They keep getting bigger.

...For U.S. officials at home and abroad, these have become grim but necessary rituals in an increasingly crowded world...To the worlds' poor, "huddled masses," now more numerous than ever, the United States has increasingly said, "No vacancy." But that has not stopped them. They have come anyway, entering illegally and threatening the very economic and social systems that lured them.

'Soft-Line' Solution: Rural Work Camps

Many critics of the "hard-line" approach to Mexican illegals in the U.S. call for dealing with the "disease" and not its "symptoms" by expanding Mexican employment opportunities. Some suggest a "temporary worker program" in the U.S. that would admit hundreds of thousands of Mexicans on a seasonal basis for four to six

month menial labor jobs. Others wish to create centers of labor-intensive rural production in Mexico. All reject as a solution Mexican development based on advancing skill levels and technology.

The Labor Party in Mexico denounced any attempt to solve the employment problem in Mexico with regressive labor-intensive rural work programs and has instead called for massive capital-intensive development in both rural and urban areas.

The U.S. Labor party and the Mexican Labor Party have issued complementary programs calling for the complete opening of the border to Mexicans seeking skilled employment in the U.S. Both parties have noted that under conditions of minimally necessary capital expansion and modernization in the U.S., the U.S. workforce could easily absorb — in fact, would have to absorb — large numbers of "illegals" in productive job categories. Those workers who chose to return to Mexico, when similar productive jobs opened there, would thereby be a critical trained industrial cadre force to speed rapid industrial expansion in Mexico.

The following rural-labor proposal by Mexican investigator Jorge Bustamante, reflective of the anti-development, soft-line approach is excerpted here as presented at a "Fronteras 76" border conference in San Diego in November 1976, has been circulated widely:

1. Creation of "units of production" of foodstuffs. Within the existing framework and policies of Mexican federal programs for development of the rural areas, a selection of strategic locations will be made for the establishment of units of production of food products. These will include the organization of systems of production based on labor intensive rather than capital intensive means for the processing of farm products.

2. Sources of capital. The initial sources of capital for these production units would be either the Mexican government directly or international agencies which finance development programs. The main reason for this is the traditional Mexican reluctance to participate in "foreign aid" programs.

3. U.S. imports as an immigration policy. The production of these units located in Mexico would be destined to the United States programs of foreign aid in food products to countries with whom agreements of this nature have been established. The purpose of this is twofold: to provide a source of capitalization that will not be dependent upon the forces of international marketing on the one hand, and to provide conditions of stability to the production units for the programming of long term patterns of production on the other...

6. An additional concerted program for adjustment of migratory status for undocumented immigrants in the United States. This measure would correspond to the roots of the problem of undocumented immigrants located in the United States namely, U.S. labor demands. The main task of the U.S.-Mexico concerted actions in this regard would be to orient those who do not qualify for adjustment of migratory status toward the production units in Mexico.

Will IMF Get Its Way In Peru?

PERU

As Peru's foreign exchange reserves dwindle to zero, the Peruvian military is split down the middle on whether to accept the International Monetary Fund austerity program required for preventing a default on Peru's foreign debt this June. While U.S. government and banking circles express confidence that Peruvian President Francisco Morales Bermúdez has finally decided to make substantial concessions in the direction of the drastic "stabilization" conditions demanded by the IMF, there is room for grave doubts that he will be able to persuade his military government to carry out the measures. What UPI calls "some of the most powerful military men in the country" are not only resisting further austerity, but counterposing a moratorium on Peru's foreign debt obligations and an expansionary economic program to revive the flagging productive sector of the economy.

There is a broad consensus inside Peru that a debt moratorium of some sort will be required; but military decision-makers are holding back on such a declaration for fear of the economic reprisals the New York banks and the Carter Administration would come back with. The Administration's appointment of Harry Shlaudeman — internationally recognized as the organizer of the Chilean truckers' strike and other features of the 1973 coup d'état against Salvador Allende — as U.S. Ambassador to Peru is a clear warning to Morales to stay in line.

The pro-moratorium forces are depending on the generation of sufficient international support to be able to break the threatened U.S. blockade.

Wall Street's interest in Peru is to try to use that country — and whatever remaining influence Peru has within the Third World — against those forces currently resisting IMF demands for a bailout of the private banks and the dollar international monetary system. Morales Bermúdez's top economic advisors, recent *InterPress Service* interviews indicate, are hoping that the IMF will be "less rigid" in negotiations with Peru if only Venezuela and Saudi Arabia could be persuaded to channel their oil wealth into the proposed IMF "Witteveen Facility" for rolling over Third World debt. As co-chairman of the Commodities Committee of the Paris North-South Talks (Conference on International Economic Cooperation), Peru is in a position to forcefully promote both the Witteveen facility, and the "Common Fund" for raw materials inflation — both Wall street debt collection schemes.

If Peru's leaders prostitute themselves to the IMF, by attacking OPEC or organizing the Third World against European and Japanese commodity-importers on the pricing question, they will not only be delivering a setback to the world's pro-development forces, but will be

alienating those nations capable of supporting Peru against U.S. economic warfare.

Peru and the Banks

Peru at the moment has no foreign exchange reserves, and requires on the order of \$500 million in *net* inflow of foreign capital beyond that required to meet \$700 million debt service payments due this year.

Early this year, Citibank began arranging a \$200 million package to meet what the Peruvian Central Reserve Bank (BCR) estimated to be the year's minimum foreign exchange needs to avoid a default. Citibank found regional bankers throughout the U.S. generally unwilling to throw good money after bad, but preferring to write off previous loans to Peru. Citibank then told the Peruvians that they would not get a penny from the U.S. commercial banks until they have won solid approval from the IMF for their economic stabilization policy.

The IMF says it is negotiating with Peru for second and third tranche loans worth only \$90-100 million. In return, the Fund is demanding conditions so severe that all Peru was shaken when they were first delivered by an IMF mission in mid-March. The Central Reserve Bank's letter urging rejection of the demands reflected the strong opposition of both Peruvian military men and government ministers to further sharp budget cuts. The BCR warned that "these measures would require an unacceptable level of political and economic repression."

An Interministerial Commission of nine ministers, headed by Industry Minister Gen. Gaston Ibañez O'Brien, was set up over the protests of pro-IMF Economic Minister Luis Barúa. In its May 6 report to the military cabinet, the Commission recommended a series of measures to expand the economy — measures which the bi-weekly *Caretas* characterized as "the position of Industries Minister Gaston Ibañez O'Brien and of industrialists and merchants overwhelmed by the recession."

Peruvian Interministerial Commission Program

1. Stop the mini-devaluation system and stabilize the exchange rate to alleviate the growing cost of imported agricultural and manufacturing inputs, and restore the system of subsidizing such essential imports.
2. Substantially increase wages and salaries to stimulate consumption and introduce new cash into the monetary system of Peru.
3. Freeze gasoline prices for the present.
4. Stop payment on the foreign debt.

Source: points 1, 2, and 3, *Caretas*; point 4, *UPI*

These recommendations were seriously discussed, but not agreed upon, at an extraordinary cabinet session. In response to the rejection of the concept of monetarist "stabilization" by ministers representing the government bureaucracies — and fire power which would have to be used to enforce austerity — the monetarist "economic team" handed in their resignations. This grandstand play was intended to force Morales Bermúdez to accept — at least — a "compromise" version of the draconian IMF package.

BCR president Santisteban's resignation note lamented that, "on the basis of the various financial measures taken during 1976, and especially in June, we were about to achieve the objective of returning the country to its basic financial equilibrium...(but) that would require fortitude and coherence, especially when it was agreed that the government would negotiate with the (International Monetary) Fund..." Santisteban's May 11 note complained that implementation of new austerity measures "was being dangerously delayed."

Economic Minister Barúa's May 13 resignation note protested that the stabilization program imposed by Peru's New York banking creditors in June-July, 1976 worked well until December, but "is now menaced by death because of the refusal of other ministries to accept budget cuts and reduce their deficits to acceptable levels...There's no reason to object to negotiating with the IMF," Barúa complained.

After a weekend of feverish consultation, President Morales Bermúdez accepted Barúa's resignation, but allowed the BCR budget-cutters to stay on as a sop to their friends in the international banking community. As *Agence France Press* put it, "The IMF lost the skirmish, but won the battle."

It remains to be seen, however, who will win the war.

The Battle Ahead

Evidence over the week since the dismissal of Economic Minister Barúa seems to bear out the *Caretas* and U.S. Agency for International Development judgements that Morales Bermúdez will inevitably buckle under to increased austerity rather than face a blockade should Peru officially default or declare moratorium on payments due next month. Yesterday, Peruvian Foreign Minister De la Puente announced that Peru would oppose Third World declaration of debt moratoria at the upcoming North-South talks. And Finance Minister Barúas's replacement, Walter Piazza Tanguis — chosen to divert the dangerous private sector panic about tight liquidity into a desirable focus on dismantling the state sector and further depressing working class wages — is widely thought to be a more committed monetarist than Barúa himself. *Caretas* expects Piazza Tanguis to impose a program "acceptable" to the IMF in late May "if all goes well."

Squared off against the IMF and its Peruvian supporters are a sizable section of the military and bureaucracy. The popular-based Revolutionary Socialist Party (PSR) — partisans of the "Third Worldist," pro-development policies embodied in the "Peruvian Revolution" initiated by former president Gen. Velasco Alvarado in 1968 — are organizing for debt moratorium

Central Reserve Bank Program

Measures "acceptable" to the IMF which are ready for implementation in late May.

1. Raise gasoline price from 60 to 65 soles per gallon
2. Raise interest rates from the present 17 percent to a rate closer to the inflation rate to stimulate internal savings.
3. Cut public spending.
4. Create a "parallel market" (i.e., free exchange market) — to encourage return of dollar deposits abroad.
5. Accelerated mini-devaluation of the sole to 85 soles per dollar by the end of May (a 10 percent devaluation).

Source: *Caretas*

and the international support needed to face economic warfare.

The cabinet shakeup by no means resolves the crisis: the biggest battle still lies ahead. While the monetarist forces might control monetary policy — as they have for the last two years — they face extremely strong bureaucratic and military resistance to the proposed fiscal and state sector industry budget cutbacks. The Banco Continental reports that real levels of government spending were constant in 1976 and capital-spending was down only slightly — despite the cutback goals outlined in July. The Interministerial Commission's insistence on raising wages and preventing IMF-mandated cuts in arms and other budgets indicates that the monetarists will continue to have tough sledding in the immediate future. The 1976 budget deficit closed at 30 percent of expenditures, and current projections indicate at least as much for 1977.

Although the "stabilization" measures adopted with increasing vigor since June-July of 1976 have achieved none of their goals of reducing budgetary and balance of payments deficits, the social and economic cost to Peru has been tremendous. Central Reserve Bank figures show that money supply (M3) was slashed by a full 17 percent last year, after adjustment for the official 40 percent inflation. The result is widespread bankruptcies in the productive sector, growing unemployment (on top of already grave levels of unemployment and underemployment), and sharply reduced consumption levels. Official statistics show that the real buying-power of the minimum wage was cut by 27 percent during 1976, according to the Revolutionary Socialist Party.

Reduced demand has led to requests by hundreds of firms for government permission for mass layoffs — a demand which was resisted by Labor Minister Galindo Chapman until his ouster last week. While the government claims to have raised "non-traditional exports" by

85 percent in the first quarter of 1977 a close look shows that the increase is due primarily to coffee earnings, with only about \$2 million worth of textiles and \$5 million worth of shipbuilding coming out of manufacturing.

This real economic situation of Peru is bound to worsen. First quarter exports ran at \$362 million, only 6 percent above the 1975 and 1976 yearly rates. The present drop-off of mineral and coffee prices on the world

market, plus the total failure of the anchovy fishmeal season due to overfishing, will result in declining exports rather than the 60 percent increase required to keep up with burgeoning debt-service costs.

The IMF-monetarist "solutions" will totally destroy the Peruvian national economy. The only concrete alternative on the table is that proposed by the PSR — debt moratorium in order to clear the way for the industrial and agricultural development of Peru.

PSR Program: Debt Moratorium

The following are excerpts from an interview published in Caretas magazine, with Peruvian Revolutionary Socialist Party (PSR) representative Dr. Antonio Meza Cuadra.

Q: What measures would stop the possibility of an inflationary spiral after the increase of wages (demanded by the PSR -ed.)?

PSR: We have called for a moratorium on the foreign debt. This is not only an economic measure. It is a political measure. It needn't be global, but could be selectively applied to those sectors which could progressively enter into the moratoria.

Q: What would happen if Peru didn't find international support. Should we persist in this and decree a unilateral moratoria?

PSR: The conditions have been defined in various international forums and at one time Peru was within the group which led this thesis (for debt moratorium -ed.). This should be done according to

a strategy which permits all the countries in similar situations to participate (in the moratoria).

Q: Do you think that the socialist countries, whose foreign debt is \$40 billion, will accompany Peru in this thesis?

PSR: I think that rather than be concerned about whether we are accompanied or not, it is necessary to identify a sovereign position on our part and gain the greatest support of various countries which are in similar situations.

Q: Have you taken cognizance of the repercussions which a unilateral moratoria would cause?

PSR: Yes, we know that it is not an easy measure. It is evident that this could bring as a consequence an imperialist blockade, in which our products would be boycotted — as was our iron ore — but I think that is a calculated risk which must be taken. Surely it would be a sacrifice. But I am sure that our people could face it if that sacrifice were collectively shared and not excluding the eternally privileged.

Judge Rules Carter Officials Must Answer Fusion Foundation Charges

Federal Judge William Knox, in a decision printed in full below, has refused to dismiss a suit brought by the Fusion Energy Foundation (FEF) against James Schlesinger, Griffin Bell, Clarence Kelley and FBI Special Agent William Martin for their part in directing disruption of the April 29 Pittsburgh, Pennsylvania energy conference sponsored by the FEF and its collaborators.

The decision means that FEF attorneys can now concentrate on putting Schlesinger, Bell and Kelley under deposition in order to discover precisely how the Americans for Energy Independence, the Brookings Institution, and participants in Schlesinger's Operation Pacesetter, as well as the FBI were deployed in Pittsburgh on orders from the White House to wreck the conference. Twelve of fifteen original conference speakers and sponsors dropped out once the FBI line was spread that the FEF was a "front group" for the NCLC and U.S. Labor

Party and that both groups were violence prone and anti-semitic.

Judge Knox granted a temporary restraining order against the defendants April 28 and heard testimony for a preliminary injunction before deciding to keep the case in court and open the Administration officials to discovery. Schlesinger, Bell and Kelly were defended by the Justice Department in lengthy legal memoranda which argued that they were not responsible for the actions of their subordinates and that they were immune from prosecution because of their government positions. In addition the government argued that the case was moot since Judge Knox had already granted the TRO and the conference was over.

It is significant that Judge Knox answered these complex arguments very simply; by quoting back in full to the Justice Department the First Amendment to the Constitution of the United States.

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

FUSION ENERGY FOUNDATION, et al
v.
FEDERAL BUREAU OF INVESTIGATION et al

} Civil Action No. 77-479

Dated: May 17, 1977.

MEMORANDUM DENYING IN PART
AND GRANTING IN PART
GOVERNMENT'S MOTION TO DISMISS

The urgency of the situation in this case prevents the court from preparing a more thorough memorandum. The briefs were not completely filed until May 16, 1977 and a pendency of a further hearing on plaintiff's application for preliminary injunction set for May 18, 1977 necessitated a ruling upon the motion without delay.

It appears that the federal court has jurisdiction of this cause of actions against federal officials. See *Driver v. Helms*, (D.C.R.I. 4177, 45 L Week 4506).

(1) Mootness

The government urges that the matter should be dismissed for mootness. The government's position is that this suit was brought only to protect against in-

terference with a conference set up by plaintiffs for Pittsburgh on April 29. This was protected by a temporary restraining order entered the day before. The conference is now over and therefore it is urged there is no further purpose in the action. This overlooks the fact that the plaintiffs claim they have other conferences coming up and because of the past two years history of what they call harassment, intimidation and interference, other conferences around the country will be interfered with. However, this may be, it also appears that plaintiffs are seeking damages for interference with the conference of April 29 when many speakers and attendees failed to appear. Plaintiffs claim that their failure to appear and a consequent disruption of the conference was caused by spreading of stories, interference by the FBI and others.

It would seem, however, that there is at the present time no immediate need for equitable relief, i.e., for a preliminary injunction. However, the court will consider

that in connection with the application for preliminary injunction.

(2) Cause of action under 42 USC 1983.

No action by state officials is alleged which qualifies for a suit under 1983 and the same will therefore be dismissed.

(3) FBI not a proper defendant.

The Federal Bureau of Investigation (FBI) is but a division of the national government and is not a proper defendant in this case, although individual members of the bureau are. The case will be dismissed against the FBI.

(4) Suit under 42 USC 1985 (3)

This section of the Civil Rights Act requires a conspiracy based upon class or race animus. Nothing like this appears in this case and therefore the action under 1985 (3) must be dismissed. *Griffin v. Breckenridge*, 403 US 88, 29 L Ed 2d 330 (1971).

The suit however based upon the doctrines of *Bivens v. 6 Unknown Agents of the Federal Bureau of Narcotics*, 403 US 388 (1971) and 28 USC 1331(a) cannot be dismissed. Plaintiffs allege an interference with their First Amendment rights. The First Amendment to the U.S. Constitution reads as follows:

“Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.”

The facts alleged here would indicate interference with freedom of speech and freedom of assembly by government agents. If this is true, it cannot be tolerated. The First Amendment has been recognized as being one of the focal points in our Constitution and if people can be harrassed and intimidated while trying to hold a peaceable assembly, then the First Amendment means nothing. See *Moore v. Koelzer*, 457 F 2d 892 (3d cir 1972). *Peyton v. LaPrade*, 524 F 2d 862 (3d cir 1975) ; *Spock v. David*, 469 F 2d 1047 (3d cir 1972) and a very similar case now pending in the Eastern District of Michigan, *Ghandhi v. Police Department of Detroit, Clarence Kelly, William Saxbe, et al*, 66 FRD 385 (E.D.Mich 1975).

The court holds that the complaint contains specific enough allegations to withstand the attack on it as being conclusory.

An appropriate order will be entered.

William W. Knox
U.S. District Judge

CC: Counsel of record.

Justice Department Implicated In Teamster Murder?

At approximately 3:00 pm on May 17, John Nardi, the Secretary-Treasurer of International Brotherhood of Teamsters Local 410 was assassinated in front of the Teamster offices in Cleveland by a bomb planted in his car.

Information provided to NSIPS by informed sources in the intelligence community strongly suggests that the assassination is part of the 20-year campaign by several federal agencies, notably including the Justice Department and Federal Bureau of Investigation, to destroy the IBT, the nation's largest union and, potentially, a major opponent of the Rockefeller interests. This new information demonstrates that sections of the government conducted a virtual war with the Teamsters — including assassinations of union leaders like Jimmy Hoffa — with the full knowledge and complicity of Attorney Generals from Robert Kennedy, through Ramsey Clark, Nicholas Katzenbach and Edward Levi, to Griffin Bell, the current office-holder.

Any investigation of the Nardi murder which does not inquire into the known Justice Department assassination capability against the IBT will be a coverup. The following are avenues of investigation already confirmed by this news service which must be incorporated into the Nardi case:

* The Detroit FBI office is the central coordinating point for all "black operations" directed against the IBT, and Special Agent William Graybill is in charge of these deployments. The Detroit FBI office is known to have an assassination capability: Graybill has been identified as the controller of Vernon Higgins, who was involved in the 1971 Pontiac, Mich. school bus bombing and who was later deployed to infiltrate the U.S. Labor Party. According to sources, the kidnapping-assassination of James Hoffa was ordered by FBI officials in Washington and carried out by networks under the control of Special Agent Graybill.

* These operations are interfaced with deployments by the Justice Department's Organized Crime Strike Force and the Treasury Department's Bureau of Alcohol, Tobacco and Firearms (ATF). Both agencies are known to possess and use assassination capabilities. The networks under their control are responsible for domestic drug- and gun-running, as was exposed in court in a USLP-initiated suit in Reading, Pa. last year. As dope- and gun-runners, they interface with the Mafia and other "employable" components of what is commonly referred to as "organized crime." The penetration and subversion of the Teamsters by organized criminal elements was

Teamsters Say: 'We Stop Turning The Other Cheek'

The following are major excerpts from a signed article by International Brotherhood of Teamsters Vice-President Jackie Presser appearing in the April-May issue of the Ohio Teamster. Presser was appointed last month the propaganda coordinator for the union's national counterattack against their accusers. It should be noted that Cleveland Teamster official John Nardi, assassinated last week, was an aide to Presser.

Remember the ad "Who is attacking the Teamsters"? (printed two months ago in several major newspapers around the country-ed.) That ad signalled the end of an era. For years we have ignored our enemies — confident in our strength and unity. We now find that we must counterattack because it is becoming increasingly clear that these attacks upon the Teamsters are part of a cleverly orchestrated campaign that is directed against other unions and if left unchecked could destroy our economy and our society...

Members have a right to responsibly disagree with their elected leaders and have a right to oppose them in elections. That is the American way...

We can only assume that it must be those radical forces who seek to destroy democracy and responsible capitalism. We are beginning to see a curious alliance among those who attack the Teamsters. Alliances between self-proclaimed social reformers and self-confessed socialists and powerful money interests including tax protected foundations. Recall if you will that it was foundations that were revealed (by the Church Ctte-ed.) as frequent conduits for "dirty money" from the CIA.

The attacks and subversive activities against the Teamsters have been observed in other unions. Radical forces in the mine workers union have forced illegal wildcat strikes — these strikes have placed that union in danger. Outside eastern elite forces attempted to swing the steelworkers election in the direction of left wing unionism — they failed this time but what about the next time...

carried out with knowledge and encouragement of the Justice Department. These criminal networks provide the cover and often personnel for assassination and related operations against the Teamsters.

* Walter Sheridan, the "former" FBI agent and former National Security Agency counterintelligence officer who was Bobby Kennedy's chief hatchetman against Jimmy Hoffa, now operates in the Fund for Investigative Journalism, a front for the National Security Council's Institute for Policy Studies which specializes in watergating Rockefeller's opponents. Sheridan is known to particularly be interested in destroying IBT International Vice President Jackie Presser and former IBT Vice President William Presser, both Hoffa supporters. Nardi, a member of IBT Joint Council 41 headed by Jackie Presser, was recently fingered as a "mafioso" in a FIJ-style exposé run in the Cleveland press.

* The PROD "anti-leadership" countergang within the Teamsters union was founded in 1971 by the FBI with personnel, such as John Sikorski and Arthur Fox, borrowed from Ralph Nader's organization. Set up with laundered FBI funds, PROD serves as a paid informants network, assisting in the profiling of vulnerable Team-

ster leaders for watergating or assassination.

* As in similar Justice-FBI deployments against Rockefeller enemies, there is a fifth column of paid-off collaborators and agents in place within the Teamster "official family." Sources indicate that such penetration has taken place in the highest ranks of the Teamster leadership. An example of such inside operations is the case of Edward Grady Partin, a convicted criminal who was released from prison under FBI supervision and insinuated into the confidence of then Teamster President James Hoffa. Partin later became the "crucial" witness in the 1967 trial that produced Hoffa's conviction on trumped-up jury tampering charges.

The existence of these FBI-controlled networks is not unknown to the Teamster leadership. Such networks are, however, protected by threats of violence. Sources report that Jimmy Hoffa's threat to blow the FBI networks in the union was the major factor in the decision to kill him.

The Nardi assassination and other yet-to-be carried out, FBI-directed murders are aimed at establishing the climate for a McClellan-style Congressional witch-hunt against the IBT. What is immediately required is a full Congressional investigation of the Justice Department-FBI deployment against the Teamsters to get the real corruption-murder scandal out from under "national security" wraps.

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