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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE —

A complete rundown on the USSR's dramatic new round of **peace and trade initiatives** is the lead story in this week's **International Report**. Featured items: **Brezhnev's** remarkable offers to **Giscard**... his stern warnings to the **Carter Administration** on the near-term danger of total **nuclear war**... Moscow's **Economics Gazette** proposes global role for **transfer ruble**... beginning at the **Belgrade European security conference**... where Soviet negotiators are firmly **rejecting Brzezinski's** efforts to torpedo a peace-and-trade agenda with "**human rights**" complaints.

* * *

The Soviet Union's savage attacks on top "Eurocommunist" **Santiago Carrillo** of the Spanish CP made the front pages internationally last week. "**Good news from Moscow**," says U.S. Labor Party chairman **Lyndon LaRouche**, who explains why the new Soviet stance improves the West's chances to avoid war.

* * *

An **all-out scramble** for safety is underway in Western financial circles threatened with imminent international **monetary collapse**. For the details on **bankers' bailout schemes**... and a potential **Eurocurrency opening** toward new world monetary arrangements featured in the **Italian press**... see **International Report**.

Despite the Carter Administration's best efforts... the Clinch River nuclear breeder programs is moving through the **U.S. Congress**... It could knock out the "non-proliferation" hoax worldwide. See **National Report** for the story... plus interviews with **Dean Rusk** and a top **Defense Department** official threatening war with the Soviets if **30 percent energy cuts** are not immediately imposed in the USA.

* * *

Mondale and Carter **on the outs**? Fritz reportedly did a **slow burn** at Carter's "friendly insults" at the big **Dem party fundraiser** last week. And where were the **Kennedys**? Our **Washington Week** column tells you what they're saying in the backrooms... see **National Report**.

* * *

U.S. Labor Party puts **Carter campaign financing scandal** before Congress... "**Whig**" legislators **attack** the Administration's **inflationary bailout** strategy in the **New York Times**... **Ted Kennedy** gets an education in American history at hearings on the **S-1** revision of the criminal code... it's all in this week's **National Report**.

* * *

Financial analyst **Dave Goldman** takes apart the **OECD's** most recent **economic**

INTER-NATIONAL
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report point by point in this week's **Economics** section... and finds Hitler's Finance Minister **Hjalmar Schacht** lurking as the "ghost in the machine." Plus reports on the epidemic of **bankruptcy in southern Europe**, and what last week's **OECD meeting** did and didn't do about it... New York bankers at each others' throats... What the U.S. Fed and Treasury are up to behind closed doors. Special added feature: **Lyndon LaRouche** explains how and when to buy gold.

* * *

The ammunition to wipe out **international terrorism**... a detailed exposé of the Fabian fascist private intelligence networks of the **Institute for Policy Studies**... with case studies of the IPS operations like the **Entebbe** terror raid, and the **Black Liberation Army** cop-killings. See **Counterintelligence** for this exclusive... and a followup piece on who's behind the **nuclear terror hoax**.

* * *

A major **military-strategic debate** has broken out in **West Germany**, the USA's chief NATO ally. Our special report under **Europe** analyzes the implications for the **U.S. military posture**. Also... the latest on the **Schmidt-Brandt scrap** in West Germany... **Callaghan's** efforts to defend his "**industrial strategy**" against Tory "class war" scenarios.

* * *

Tito's Yugoslavia at the center of efforts to cool out the **Middle East** through **Mediterranean security** accords. Meanwhile... "it's **amateur night** in Washington" as one expert described Carter's **Arab-Israeli policy**. But the **Lebanon** flashpoint for general war is only getting hotter as a result... and

Pan-Arab summit efforts to get the situation under control appear to be failing... see **Middle East**.

* * *

By the time you read this... **full-scale war** may have broken out on the Horn of Africa... touched off by the granting of independence to the French colony of **Djibouti**. Destroying **Soviet influence** in Africa is the aim of **Brzezinski's** gameplan.

* * *

Former **KCIA chief** testifies in Congress... and our **eyewitness report** goes over his story in depth, sorting out fact from the fictional accounts of this new **Koreagate** development which have dominated the U.S. press. Also featured: a look at the recent state **election returns** in **India**... which indicate the ruling **Janata** combine is much weaker than many think.

* * *

This week's **Latin America Economic Survey** carries Part I of a country-by-country picture of energy resources and policy. **Mexico, Brazil, and Argentina** are the subjects...

* * *

Since Australian news magnate **Rupert Murdoch** took over the New York Post... **Alexander Hamilton** has been spinning in his grave. To find out why, turn to this week's **Press** column.

France Shuns Soviet Peace Bid; Moscow Renews T-Ruble Offer

French President Valery Giscard d'Estaing has answered a flat no to two major Soviet proposals offered by Soviet President Leonid Brezhnev for the purpose of consolidating East and West European efforts to counter the Carter Administration's course toward confrontation.

The primary demand of Brezhnev, during his three-day visit to Paris, was for France to join the Vienna negotiations on mutual and balanced force reduction in Central Europe (MBFR) — and if possible to end the deadlocked "numbers game" played out there between the Warsaw Pact and NATO countries. Giscard turned down the invitation as he did also a Warsaw Pact proposal to negotiate a treaty banning the first use of nuclear weapons.

Giscard turned a cold shoulder at a point where Moscow is offering the fullest cooperation to governments, bankers or other forces in the West who will act to thwart Carter and move independently above all toward institutionalizing a new monetary basis for the world economy. As Brezhnev arrived in Paris, the French paper *Le Matin* observed that many Europeans urgently want to dump "human rights" diversions for the sake of economic priorities and predicted that the Soviet leader might openly offer the socialist bloc's transfer ruble to finance expansion of trade. Soviet diplomats in Paris confirmed that transfer ruble financing was indeed a priority item on Brezhnev's agenda, and the authoritative Moscow weekly *Ekonomicheskaya Gazeta* marked his visit with a feature article on international use of the currency.

The *Ekonomicheskaya Gazeta* article, written by Council for Mutual Economic Assistance (CMEA) currency and finance official Yurii Konstantinov, reviewed regulations already passed by the CMEA and its banks to enable transfer ruble financing of planned, non-speculative commodity trade outside of the CMEA sector and international investment projects. Konstantinov predicted that the transfer ruble may come to play a role commensurate with the actual weight of the Soviet bloc in the world economy, and specified that the standing — and increasingly attractive — offer of transfer ruble financing is part of the CMEA's strategy for carrying out the Helsinki accords on European Cooperation and Security (CSCE). The CSCE is now up for review at an international conference begun in Belgrade June 15.

The immediate effect of Giscard's rebuff, however, is to reduce the Soviets' perceived maneuvering room in which to forge alliances to defuse Carter by knocking out his strategic underpinning: a subservient NATO. The Soviet offers stand, and the bilateral documents signed between the USSR and France confirm a commitment to triple their trade turnover. But however great the lever-

age and collaboration against Carter provided by the Soviets, a visible positive response by West Europeans in power is required if Moscow is not to conclude it seeks allies in vain and move directly into the thermonuclear confrontation phase.

Brezhnev warned in his June 21 banquet speech that everything accomplished in detente to date could be instantly obliterated, if "one fine day" a regional hot spot exploded and touched off a world war. Standing with Giscard as their communique and documents were signed, Brezhnev remarked again in the same vein and made a special point of telling Giscard's chief press officer to mark his words.

Developments at the Belgrade conference also indicate that the Soviets are in no mood to be trifled with. Yulii Vorontsov, the Soviet delegate to the conference, told journalists June 23 that the U.S. and West European representatives are taking a "frivolous and cavalier" attitude towards the Helsinki document under review. Vorontsov was referring to a U.S.-supported agenda proposal tabled by the British delegation, which would schedule a dissident-by-dissident rehash of the last two years of "human rights" cases for when the Foreign Ministers meet at Belgrade this autumn. Vorontsov warned that this stand boded "unpleasant consequences" and "the failure of our efforts," but made clear that the USSR does not intend to stalk out of the conference. "We are people accustomed to fighting," he said, "and we know how to win battles and will win them." Moscow's own proposal substitutes for the case

'The Ruble Gamble'

The French daily *Le Matin* published, on the occasion of Soviet President Brezhnev's visit to Paris June 20, an analysis by journalist Henri Lauret entitled "The Ruble Gamble." Lauret reported on the Soviets' desire to obtain more credit from the French so as to expand greatly the trade between the two countries.

"This problem, paying imports from the West, is fundamental for the Russians," he wrote, "since the ruble is not a transferable currency on the international market on the international market, Moscow has to pay with borrowed currencies... Leonid Brezhnev, it is said, has the intention of asking Paris to support a project particularly dear to his heart: making the ruble a means of international payments. This is a project which would revolutionize the conditions of the present world economy from top to bottom."

by case rehash a single-item agenda on further implementation of the Helsinki accords, which would open the meeting for discussion of pan-European economic development proposals and their financing.

Giscard Flunks Test

The *Washington Post* admitted June 20 that Brezhnev in Paris was making a test of the "new global balance" which will emerge if the Washington-Moscow stand-off over Carter's provocative SALT approach and "human rights" declarations continues; in other words, a flex of the Soviets' muscle in Europe. The West German industrialists' daily *Handelsblatt* reported eagerly on the prospects for tripling East-West trade, as Brezhnev telegraphed down en route to Paris his hopes for a milestone Bonn trip to follow in the autumn.

Giscard d'Estaing, never anything but a faithful Rockefeller servant except under the severest of pressure from the Gaullists and the French population and strongarming from Moscow, flunked the test. By the end of two and a half days of meetings, Brezhnev and his Foreign Minister Andrei Gromyko could not fail to evaluate Giscard as a part of Carter's confrontation deployment.

Giscard presented, according to the Paris press, a package of four "conditions" for detente, including "moderation of ideological competition." Fair indication of how the exchange with Brezhnev went in this area is that his press spokesman, TASS director Leonid Zamyatin, emerged to tell reporters that Washington at this point is waging nothing short of ideological warfare. Carter and especially National Security advisor Zbigniew Brzezinski have gone too far with their "human rights" campaign, said Zamyatin.

The Brezhnev-Giscard communiqué contained none of Giscard's conditions, but reverted to an empty formulation advocating "a favorable climate in relations between states."

Brezhnev also demanded an explanation for the so-called "Méry doctrine," the plan to expand the French nuclear "force de frappe," extend its range and even

deploy French missiles in West Germany or the Indian Ocean. While the doctrine's author, Chief of Staff General Méry, was still in the Soviet Union explaining himself to Chief of Staff Ogarkov and Defense Minister Ustinov, Brezhnev indicated that there is but one criterion by which the Soviet Union may assess the doctrine: whether it means to abandon De Gaulle's concept of defense "on all horizons" and enter instead into NATO deployments.

"There has been much talk about France increasing its participation in NATO's military organization again," Brezhnev reportedly told Giscard, "About a new doctrine, a policy of 'forward battle.' But one must ask: Battle against whom?" Brezhnev evidently did not obtain a satisfactory answer.

Initialing of the intent to expand trade and work out long term scientific and cultural joint programs was the minimal achievement of the talks. Everything else, Giscard slyly undermined the minute Brezhnev boarded his flight home. The communiqué called for convocation of a world disarmament conference; Giscard told a press conference that this presumed the participation of the Chinese (which China will refuse). The communiqué supported speedy convening of the Geneva peace conference on the Middle East; Giscard explained that this could occur only if the U.S. and Soviet Union were not co-chairmen of it (which they are).

Vance, Brzezinski Blasted Again

Leonid Brezhnev's French tour occurred against the ground of Soviet press commentaries painting the Carter Administration as something like a single engine plane off-course in a pea soup fog. *Pravda* reported that "The State Department Corrects Vance," when a Department release explained the Secretary of State's remarks on East-West trade to mean the Soviets must relax emigration standards. "Gross interference" in Soviet affairs, commented *Pravda* on June 20. The paper then quoted distraught editorials in the *Wall Street Journal* and *Fortune* on Carter's "presidency with no victories" and "lack of a clear direction."

What Brezhnev And Giscard Put On Paper

Presidents Valéry Giscard d'Estaing and Leonid Brezhnev released a communiqué and signed four documents last week at the end of two and a half days of talks in Paris.

The communiqué contained the following points:

— affirmation of the principles of the Helsinki Final Act of 1975 on European Cooperation and Security and the 1971 quadripartite agreement on West Berlin;

— reference to the Geneva conference on the Middle East, where "representatives of the Palestinian people" should participate;

— reference to the importance of peace in Africa "respecting the independence, sovereignty and territorial integrity" of its countries;

— joint support for convocation of world disarmament conference;

— expression of the French side's "consideration" of a Soviet proposal to outlaw production of new types of mass destruction weapons.

Additionally, the two presidents signed the following documents:

— a declaration of principle on bilateral relations;

— a statement on common views related to détente, including support for implementing the CSCE, disarmament, non-interference in others' internal affairs, and recognition of human rights;

— an agreement to oppose the proliferation of nuclear weapons while advocating use of nuclear energy for peaceful purposes;

— a declaration of intent to triple trade turnover and draft cultural, scientific and educational exchange programs covering the period to 1990.

The Czech weekly *Tribuna* took aim at the Administration figure most detested in Eastern Europe, Zbigniew Brzezinski. It should be recalled that Brzezinski drafted and oversaw the implementation of the plans for counterrevolutionary overthrow of the Czechoslovak government in 1968, wrote *Tribuna*.

As if anything were lacking to demonstrate the tough posture Moscow has adopted, the Soviet weekly *New Times* released an historically momentous denunciation of Santiago Carrillo, the General Secretary of the Spanish Communist Party (PCE). The attack, which a State Department called about "as strong as you can get," came within a hair of dubbing Carrillo an outright agent of NATO intelligence. In language compared by Spanish

national radio broadcasts to that used against Zbigniew Brzezinski's pupil Alexander Dubcek during "Prague Spring" in 1968, *New Times* wrote that "Carrillo's interpretation of 'Eurocommunism' is solely in the interests of imperialism" and constitutes a "useful service for the class enemy."

The attack on Carrillo opens the door for Moscow to initiate a major purge of the European Communist Parties, cleaning out Carrillo's fellow "Eurocommunists," who have functioned for years as agents in Rockefeller-related private intelligence networks and posed an obstacle to Soviet policy on the continent.

— Rachel Berthoff

The Transfer Ruble: Experience And Prospects For Its Use

The following is excerpted from an article appearing in the weekly Ekonomicheskaya Gazeta No. 26, 1977 by Yuriy Konstantinov, Director of the Currency-Finance section of the Council for Mutual Economic Assistance Secretariat.

The Transfer Ruble: Experience And Prospects For Its Use

At the present stage of the development of economic relations among the CMEA countries, a further improvement in the role of the transfer ruble is gaining great importance, as is the expansion of its sphere of application both inside the socialist community and beyond its borders.

New Possibilities

In recent years, measures have been adopted for the possible expansion of the sphere of application of the transfer ruble beyond the borders of the countries which are members of the Banks (the CMEA's International Bank for Economic Cooperation and International Investment Bank — ed.). The real preconditions for this appeared, for example, as a result of the IIB's 1975 agreement with Yugoslavia on basic principles of cooperation, which provided for the possibility of Yugoslavia's receiving transfer ruble credits.

A special fund was created at the IIB to finance economic and technical aid to the developing countries. This fund is 95 percent composed of the collective currency of the CMEA countries.

The positive changes now occurring on the international scene open up favorable prospects for the further expansion of trade and other economic relations between the CMEA countries and the capitalist states. In accord with the Complex Program of Socialist economic integration, the IBEC Council in 1976 improved the conditions under which non-members of the bank can participate in the system of transfer ruble settlements. These conditions provide for third countries, which may be capitalist states, to have the opportunity to use transfer rubles in payment for import of goods from the CMEA members,

for paying off credits received, and for non-commercial payments. These operations may be carried out in individual trade deals or for the entire trade turnover of the non-member of IBEC with individual IBEC members or all of them.

The IIB Council also instituted basic principles of extending credits to borrower countries which are not members of the bank, for the construction, reconstruction and modernization of objects of mutual interest to bank member countries and non-members. This is, above all, credits related to the fulfillment of the Complex Program of socialist economic integration.

All these measures in the currency and finance sphere are part of the common strategy of economic policy of the CMEA member countries, which is intended to expand foreign trade ties on a long term basis with all countries, following the principles set forth in the Final Act of the Conference on Security and Cooperation in Europe (the Helsinki accords — ed.)

The fundamental directions for the further improvement of the currency and finance mechanism were indicated in the Complex Program of socialist economic integration and concretized in the decisions of the 30th session of the CMEA. In particular, the session posed the task of further raising the effectiveness of the credit system and improving the activity of the IBEC and IIB, and of ensuring close coordination of this activity with the work of the CMEA Committee on Cooperation in Planning. As concerns the transfer ruble, this means a further intensification of planning its use. Precisely in this, and not in the anarchistic movement of money, the CMEA countries see not only the advantages of their collective currency, but also the main way in which to improve the mechanism of its functioning.

Socialist currency and financial relations, with their planned character, cannot be viewed as a strictly independent sphere of operation, isolated from its other forms. Therefore the expansion of multilateral transactions using the transfer ruble occurs smoothly and in a planned fashion to the extent that the necessary economic preconditions for this are created: the growth of

the economic strength and the gradual drawing together and evening out of the levels of economic development of the CMEA countries. This corresponds to the principles of the Complex Program, which provides for raising the role of the transfer ruble and expanding its sphere of application, as a process subsuming measures both in

the currency area and in the area of material production and foreign trade.

It is beyond doubt that among the other currencies used in international transactions, the transfer ruble, thanks to collective efforts, will come to occupy a place corresponding to the role and importance of the CMEA countries in the world economy.

Brezhnev To Giscard: Need 'Joint Action' To Prevent World War

June 22 — The following are excerpts of Soviet President Brezhnev's speech before a dinner held by French President Giscard d'Estaing in Paris. The excerpts are translated from a transcript printed in Pravda today.

... We have always valued the striving of France and its freedom-loving people for independence in policy, for ensuring their security. We have valued the brave actions in this direction that France undertook at one time. The Soviet Union and the other socialist countries have seen in France a solid partner in carrying out the policy of détente and in the consolidation of peace.

We want the scale and depth of cooperation between the Soviet Union and France to constantly grow, and, I would say, to be in tune with the demands of our epoch. Possibilities for this exist.

We have constant contacts in the political sphere. On many problems of international politics which await solution, we have close positions. And each new Soviet-French summit meeting serves the further rapprochement of our views, the strengthening of trust.

Growing economic ties serve as a good foundation for our political cooperation. Over the past 11 years, trade exchange between the USSR and France grew almost 10 times. But, this is not the limit. We are for trade continuing to grow, becoming even more balanced, and in particular for France increasing its purchases of Soviet machinery and equipment. Another thing would also be useful: to look into the long-term perspective of our economic and industrial ties, to lay the foundation for cooperation in these areas not for one year or even for five years, but even, let us say, up to 1990. Such an approach would give stability to this cooperation, would raise the effectiveness and our scientific-technical ties...

For a third of a century now, Europe has not known war. People are looking into the future with growing hope. This is not a gift from heaven, but the result of conscious efforts, the purposeful actions of state and political leaders and the broad popular masses, demanding a firm peace.

However peace in Europe, and even more so on the planet as a whole, is by no means so firm as could be wished. It is threatened by many dangers, overt and covert. The main one is the ceaseless and growing arms race. This race is whipped up by the poisonous propaganda campaign of militant circles, the opponents of détente, whose goal is to sow distrust and enmity between peoples, between states.

Even risking being accused of an inclination to repeat myself, I will say one more time: there are no problems more burning, no tasks more important, than reducing the arms race, and turning towards real steps to disarmament. How much will all good words and declarations on devotion to détente be worth — everything already achieved in the area of détente and peaceful cooperation between countries — if one fine day, in some sensitive region, a spark blazes up, and all the previously accumulated supplies of means of destruction, capable of laying waste to the earth, destroying entire peoples, go up in flames?

The prospects for further proliferation around the planet of nuclear weapons, and also the creation of new, maybe even more frightful, more destructive types and systems of weapons of mass destruction present a particularly serious danger under present circumstances. The Soviet Union sees clearly how this can threaten humanity. Our country is doing and will do everything that depends on us to prevent such a development of events. We would like France to act in this direction as energetically.

In this consideration — and solution — of problems as vitally pressing as disarmament, diminishing the threat of nuclear war, the participation of all states of the world is important. We propose that any forums whatsoever be used to move towards this goal: the UN, special international conferences, bilateral negotiations and broad social movements...

The road to general and full disarmament, possibly, is still a long one; but it is necessary to ensure ceaseless movement towards this goal, so that there is no lull, so that every year and month sees new practical steps in one area or another of restraining the arms race and reducing the arsenals of states, weakening the threat of nuclear war...

Mr. President!

In the Soviet-French "Principles of Cooperation," there is a section where it says: "The USSR and France will undertake efforts so that in regions where peace is threatened or violated, the most rapid political settlement be achieved in the interests of general peace."

Life convincingly shows how pressing this task is. On the map of the world today, many such spots can be found where serious problems exist in relations between countries and peoples, conflicts potentially dangerous for peace.

Of course, our countries may have different evaluations of one situation or another, their reasons and

their outcomes. However, it seems to us that the high responsibility of France and the Soviet Union as permanent members of the UN Security Council, as countries playing a great role in international affairs, impels them to joint actions in pursuit of peace...

Our countries belong to different social systems. Each

of us has our friends and allies. We understand many problems differently, but even so our cooperation has turned into a stable and extremely useful element of international life. I propose that our talks with you, Mr. President, agreements for whose achievement there is a basis to count on, will confirm this once again...

As Gabriel Heatter Used To Say: 'Good News Tonight'

The following statement was released on June 24, 1977 by Lyndon H. LaRouche, Jr., U.S. Labor Party National Chairman and Presidential candidate:

Those of you in the United States who are as old as I am vividly recall the voice of Gabriel Heatter, the radio news commentator, the man with the distinctive sing-song delivery, who started his program with a flat-out, "Good news tonight," or "Bad news tonight." None of this phony crap we get from the news today. Gabriel Heatter told you flat-out at the beginning what the world looked like to him that day.

Well, in memory of Gabriel Heatter, let me tell you friends, "There's Good News from Moscow tonight." First, I'll tell you the basic facts, and then explain why you ought to be happy with the development. I was laughing with pleasure most of yesterday afternoon and early evening. Let me share it with you.

Yesterday, the leadership of the Soviet Communist Party unloosed the equivalent of an artillery barrage against one of the scummiest of the characters presently walking the face of the earth. One of the major, official publications of the Soviet leadership, *New Times*, issued a blast against this scoundrel and the Soviet international radio kept up the bombardment all day long. The scum in question is named Santiago Carrillo, presently head of the Communist Party of Spain.

Since Moscow only attacked this scoundrel, without yet spilling the dirt they have on him, I should tell you what Carrillo is.

Like a large number of leaders of Communist parties, Carrillo was planted into the Communist Party of Spain as a British political intelligence agent. It was done in the usual way. First, he was pushed into a leading position in the Spanish Socialist Party, under the guidance of a British agent named Alvarez del Vayo. Then a split-off of a self-styled left-wing was engineered from the Spanish Socialist Party, led by this British agent Carrillo. This "left-wing" splinter then merged with the Communist Party of Spain, putting Carrillo into a leadership position inside the Communist Party. Then, through operations involving British intelligence, largely through the British-infiltrated Paris leadership apparatus of the Communist International, Carrillo ran a "murder incorporated" operation which eliminated most of the competing Spanish Communist leaders, thus moving himself into the top position.

That was only the beginning. Carrillo worked together with U.S. intelligence operative Lombardo Toledano and FBI agents in the New York City Communist Party leadership to murder Trotsky in Mexico in 1940. Carrillo and his so-called Spanish Communist central committee — actually nothing but a gang of assassins — has been murdering ever since, including his own former wife.

Among the things I know will soon be published is the details of how Carrillo's wife was murdered and what was done with the body afterwards.

Naturally, I am delighted to see that thug's career coming to an end at last, but that is not the specific reason for my pleasure over the barrage from Moscow.

The Massive Fraud

Most of you my age or slightly younger remember the great fuss we had in the United States during the late 1940s and early 1950s over the alleged menace of Communists hiding under the bed. It was a hideous witchhunt, with the late Senator Joseph McCarthy getting most of the attention, but the Kennedy machine right in there all the way. The whole damned thing was a hoax.

True, most of the victims of that red-hunt were honest-to-goodness professing Communists, or at least people who had attended a meeting where Communists were present, or something of that sort. Otherwise, there never was a "Communist conspiracy" in the United States during that period; all the time the Communist hunt was on during the Korean period, the leadership of the Communist Party was being run by the Federal Bureau of Investigation, the U.S. State Department, and other official and private agencies of the same credentials. It has been like that since at least 1938, with substantial controlling influence of the Communist Party leadership going back to a much earlier point in time.

A large proportion of the smaller Communist parties throughout the world are nothing but operations controlled and maintained by NATO and allied intelligence networks, like the Communist Party in the United States. In the larger Communist parties — like those of Italy and France — the situation is more complicated, however, a large part of the leadership of even those larger parties is essentially the same sort Carrillo represents.

These phony organizations and phony leaderships have had a double function. One of their main functions has been to give NATO and related intelligence services

extra leverage in running penetration and influence operations against the Soviet, Peking, and other governments and parties. Their other function has been to stick a "Communist" or "left" label on certain operations run against the labor movement and other targets inside the United States and other countries.

For example, in 1968, the Ford Foundation, the Rand Corporation, the Department of Health, Education and Welfare, Mayor John V. Lindsay and the Kennedy machine launched a model union-busting operation in New York City. It was the Communist Party which provided most of the actual forces for the attempt to break the largest single municipal union in the United States that year. A bunch of Marcus Raskin's IPS freaks, such as that phony Angela Davis, Ron Tyson, Mike Zagarell, and Tony Monteiro, are nothing but a bunch of Raskin's "Pinkertons" up to their ears in the PROD operation against the teamsters, the effort around Sadlowski to bust up the steelworkers union, and the related operation going on in the mineworkers union.

Objectively, these freaks — like Monteiro and Angela Davis — are straight-forward fascists in philosophy and practice. However, as long as Moscow continued to give thugs like Carrillo, Amendola, Kanapa, and Angela Davis the official endorsement of being so-called "Communists," any time someone went after these fascists a general hue-and cry went up about persecuting the "left." Fascist organizations such as the leadership of the Communist Party or the Socialist Workers Party were also the means by which the cover of "leftist" was given to such terrorist networks as those of Marcus Raskin, Richard Barnet, and Noam Chomsky.

Whenever you see one of your own or a friend's teenage children stumbling around on drugs, or some neighborhood torn up by an orchestrated race riot, or a union being corrupted and broken, it is Marcus Raskin and Richard Barnet, together with the likes of Joe Rauh, behind it. And, usually, right in the middle of much of this is the Communist Party and the Socialist Workers Party, or similar types, praising union-buster Rauh as a liberal and praising thugs like Raskin, Barnet, and Chomsky as "leftists."

Naturally, I and others have been enraged with Moscow for giving credibility to such swine. The reason I was so delighted yesterday, and the reason I wish to share my pleasure with you today, is that that crap is about to come to an end.

The Carrillo Angle

To understand the full significance of Moscow's attack on this scum Carrillo, you must take into account Moscow's methods. They don't do things the way we would do them; they have their own ways.

What is being launched is a general clean-up of Moscow's relations to Communist parties throughout the world. The attack on Carrillo is logical, if one understands how Moscow works. Carrillo is the official international spokesman for what is now called Eurocommunism. He has also attacked the Soviet leadership, echoing the Carter-Brzezinski line. This is not the reason Moscow has attacked Carrillo; Moscow is using this as a legitimate excuse for going after the whole mess interconnected with Carrillo. Going after Carrillo is like push-

ing the obstruction out of a stopped-up sewer-line; push him out of the way, and a lot of filth runs out after him.

Since Secretary of State Cyrus Vance and his sidekick Paul Warnke fell on their faces trying to do a Mutt-and-Jeff act in Moscow this past March, a lot of things have been changing very rapidly on that side of the world. A few basic facts about those changes are helpful and necessary to get the full significance and flavor of the Moscow blast against Carrillo.

Up until Vance's March trip to Moscow, the operational posture of the Soviet leadership was that the Carter Administration was the puppet of the big financial interests in New York City (which was correct) and that those financier interests were the "realists" who wished to avoid the kinds of confrontations what would set off World War III. This doctrine concerning realistic financial interests in New York City goes back to 1962-1963, and is directly tied to a State Department-FBI cell controlling the Communist Party, and also tied to David Rockefeller and Richard Barnet of the drug-and-terrorism-pushing IPS networks also behind PROD and Sadlowski.

The Carter Administration, guided by Crazy Zbigniew Brzezinski, "blew the game." They threw away the illusion which had been carefully maintained by Henry Kissinger, and attempted to bluff the Soviet leadership: "Give NATO a decisive war-fighting, or else." What Vance did by that and related actions was to discredit all the most important channels of influence the United States National Security Council had built up into the Soviet leadership over decades. Then, Brzezinski and his dumb, confused mouthpiece, Jimmy Carter, uncorked their "human rights" caper, which made a major issue of every network run through the social-democracy, the churches, and IPS into Eastern Europe. The effect was about the same as openly setting fire to Brezhnev's bed in the Kremlin.

A drastic shift in posture developed quickly in the Soviet leadership. Some of the so-called "softer" elements are still in important positions, but with the "hardliners" and the military very much on top of the policymaking process. With the build-up of threats of war in Africa and the Middle East added to this situation, Soviet policy underwent a basic change, and the world-outlook within Soviet leading circles has also been undergoing a very rapid evolution.

The Soviet leadership is currently operating on the basis of two, interconnected policies. In the background, they are convinced that the Carter Administration is very close to pushing the Soviets into a world war the Soviets are convinced they would win. They do not wish the war — who wishes to lose 30 percent of one's own nation's population in war? But, if they are forced, they will fight a war rather than back down to Carter's bluffs. At the same time, they are attempting to prevent war by some very sophisticated political and economic moves.

Together with this change in policy, the Soviet leadership has become very self-confident in its attitude toward the outer world. They are suddenly very confident that they have decisive margins of both military and economic advantages. In this new mood and world-outlook they are inclined to write off any nominal "investments" in the rest of the world which they decide aren't worth at-

tempting to keep. Their attitude toward Carrillo and similar types must be stated: "Why do we put up with this piece of rubbish any longer? Let's clean house."

Over the past several weeks, I have been picking up a pattern through Israeli, Arab, Western European, and American sources. There has been nothing in modern history to compare with the way in which the Soviets are moving during the present period.

It's All to the Good

You should be pleased with the overall developments on the Soviet side. The New York banks are absolutely going to collapse very soon. The only chance they could be saved from collapse would be for them to turn to me for cooperation, and so far they haven't shown the brains to take that route. So, unless they change their policy fast, the biggest depression in world history is about to break loose, either during the summer or next fall.

Your pensions, insurance, and savings will be wiped out. The New York bankers are already moving to steal your pensions and savings, and there isn't a thing you can do to stop it while Senator Hubert Humphrey has an arm-lock on the Congress. They will swipe everything you have in a useless effort to save themselves while the banking system goes down for the plunge. Everything you have saved will go the way of the pension funds Victor Gotbaum turned over to David Rockefeller and Felix Rohatyn. Unless you dump Humphrey, Humphrey's sidekick Mondale, and Carter now, there isn't a damned thing you can do to stop it.

When that bust comes, and your savings have been cleaned out by the Hump's New York cronies, when you're out in the streets looking at a shut-down plant, wondering where your family's next meal is coming from, what do you do then?

Then, you turn to me — if they haven't assassinated me first. How do I get you out of this depression? With the Labor Party's Third National Bank legislation and with

my private international central bank. How do I get the world economy started again? The beginning depends upon two crucial elements: the Arab Monetary Fund and the Soviet-linked T-ruble.

Naturally, the *New York Times* is drooling over the Arab funds. They can't reach them — unless they wish a general war. London bankers desperately want the T-ruble and the Arab reserves. That combination is the "big potato." Every group of bankers is lying to one another, saying, "Of course, we're all on the same line." In fact, every group of bankers is out to cut the other group of bankers' throats in the race to get to the T-ruble and Arab reserves while the other bankers go under. They won't get either, any of them, on the terms they presently demand.

However, I and the Labor Party, working together with leading congressmen and others, can pull the United States out of any depression, with the aid of an international banking program which includes major participation of the T-ruble and Arab Monetary Fund.

We could do it right now, before the depression strikes, provided you and others like you mobilize with full support around the Labor Party. The fact that the Soviets are being tough, the fact that they are cleaning up garbage such as Carrillo, means that they are capable of moving rationally and moving quickly in cooperation with the United States on any sound economic cooperation package which means an end to the danger of general war. They will never contribute a single T-ruble to bail out the bankrupt monetary system as it is presently organized. In their present outlook, they will enter into economic cooperation with any Whig forces who put the United States on the track toward national and world economic recovery the Labor Party has proposed.

Meanwhile, our thanks to the Soviet leadership for helping to clean up some of the self-styled Communist garbage polluting our backyards. I say, that's pretty good news, things being what they are.

U.S., European Bankers Begin Emergency Planning For Collapse

Frantic meetings and negotiations are taking place on both sides of the Atlantic in response to the immediate danger of monetary collapse. A top-secret meeting of U.S. Federal Reserve and Treasury officials, with leading New York bankers in attendance, took place earlier this week to plan for emergency measures including massive government bailouts for the bankrupt international banks, and vicious austerity against both the populations of Third World debtor-nations and the industrial working class of the advanced sector.

At a scheduled meeting of European finance ministers in Luxembourg this week, officials of the nine European community countries weighed an Italian proposal for the creation of a gold-backed European currency, in response to the imminent collapse of the dollar.

Federal Reserve Governor Henry Wallich chaired the government and bankers' meeting, which decided that

public officials "should acknowledge that the debt situation is difficult," and should call for the U.S. government to assume the risk on existing bank loans and provide additional taxpayers' funds for rolling over developing countries' debt.

To shore up the debt-servicing ability of these countries, the meeting decided, the banks must put them through an austerity wringer, allowing funds only for "development projects" that will produce quick export revenues, such as cheap-labor factory assembly operations.

For the industrial countries, the Wallich meeting demanded enforced "energy conservation" to reduce national oil bills; coal gasification and other forms of Nazi-type investment; breaking of the cost-of-living adjustment clauses in trade union contracts; and "the psychological use of the prime rate," keeping the system

saturated with money to prevent panic. This combination of hyperinflation and austerity is a page torn from the annals of the Hitler-Schacht regime in Nazi Germany.

However, the short-term prospects of swindling the U.S. Congress into providing bailout funds for the banks are still virtually nonexistent. A coalition of conservative congressmen, according to the spokesman for Congressman Rousselot (R.-Cal.), is forming to ensure that no such bailout goes through.

European Moves

Western European leaders, by contrast, are throwing out a set of proposals that verge on being viable, without showing the *political* will to put them through.

A leading such proposal was made by Italian central bank official Giovanni Magnifico in the pages of Italy's leading daily *Corriere della Sera* June 21 for a gold-backed European currency and central bank. This plan, which is being hotly debated in open meetings of Italian leaders and economists, has certain "technical" merits, but this betrays its problem: it is a scheme floated to no one in particular, with no real commitment to its success.

More importantly, the European Economic Community finance ministers responded, after 18 months of stalling, to an initiative by the Soviet-led economic alliance, CMEA for full-dress collaboration between the two groups. The European ministers agreed that two top European Commission officials, incoming president Henri Simonet and Economics Commissioner Wilhelm Haferkamp will meet with the CMEA in September to negotiate bilateral relations.

What the content of this relationship could be is clear from newspaper reports that Soviet President Brezhnev offered the use of the currency used for international trade within the CMEA, the transfer ruble, and CMEA credit institutions, as the means of financing a 300 percent increase in the Soviet Union's trade with France.

According to the Paris daily *Le Matin* June 20, Brezhnev's offer "would revolutionize international trade." Immediately, the introduction of the transfer ruble into general usage in Western Europe would free the continent from the burden of supporting the bankrupt U.S. dollar, and open prospects for immediate economic recovery through increased levels of real trade and investment.

Elsewhere in Europe, West German industrialists are anxiously awaiting signals from the East for the use of the transfer ruble in their own trade with the CMEA. According to banking sources, leading West German industrialists made approaches to the Soviet monetary authorities and to Hungarian central banker Janos Fekete, a leading East bloc proponent of a new monetary system, to establish T-ruble accounts several months ago. Now, West German industrialists say, the moment may have come.

The Monetarist Solution

The type of proposal that Italian central banker Magnifico offered could, in principle, link up with the CMEA initiatives. But it is not certain how far this plan, presented as a "technical" initiative on behalf of "currency stability" at last weekend's meeting of

economists at the Villa Santa Colomba in Siena, will proceed.

According to the Magnifico plan, also presented by his colleague Rainer S. Masera, the European countries would all pool together a portion of their gold reserves, and use them to fund a European central bank. The central bank would issue a new currency, the "Europa," on the basis of gold, and extend credits for trade to the Third World and the East bloc.

Part of what is wrong with the plan emerges from the guest list at the Santa Colomba meeting, traditionally a monetarist sounding-board for academic scheme specialists like Prof. Robert Triffin of Yale and conference chairman Robert Mundell of Columbia University.

Among Magnifico's enthusiastic listeners was top City of London banker Rubert Hambro, who has been travelling through Italy making pro-Italian noises for the benefit of the press. Hambro's tendency in London banking circles has decided that a collapse is inevitable, and is rooting around for alliances, deals, maneuvers, schemes, anything that will keep them afloat. Obliging, Magnifico suggested that the first thing that could be done with the Europa is to float paper denominated in the new currency on the City of London-based Eurobond market.

Another Voice

Other forces in Italy take the need, to rebuild the monetary system more seriously. Italian Communist Party spokesman Umberto Cardia, in a speech yesterday in Rome, called on the Italian Communist Party to take "a more incisive role" in building relations between Europe and the East Bloc and the Third World. Blockage of the development of the Third World, and the gigantic debt burden of the developing countries, are the obstacles that must be overcome in order to create a new monetary system, he said. Lending particular weight to Cardia's remarks is the fact that the core of the Italian diplomatic push for a new monetary system, including Trade Minister Rinaldo Ossola's forthcoming visit to Moscow and Prime Minister Andreotti's visit to Libya and Iraq later this month, is the alliance between the Andreotti faction of the ruling Christian Democracy, and the Italian Communist Party.

The proposals floated at the Siena meeting, by contrast, appear to originate from City of London banking circles. The London-based monetarist faction, although it is anxious to survive the demise of David Rockefeller, nonetheless insists on collaborating with Rockefeller where its particular interests would seem to benefit. One top British public figure told *NSIPS* that he would be absolutely delighted to have access to the CMEA's transfer ruble — but wants to keep his options open, including cooperating with the U.S. Administration's plan for war in southern Africa.

What the chiefs of state of the CMEA countries, who will hold their annual summit meeting this week, must think of this nonsense is not difficult to imagine. The question of war or peace hinges on how the monetary collapse is dealt with, and the Soviets have made themselves abundantly clear on how close the world now is to war.

— David Goldman

The 'Europa'

The following is an article which appeared on the "Europa" this week in Corriere della Sera:

A parallel European currency denominated the "Europa" is the most interesting, if not new, proposal to emerge from a two-day conference organized by the European Movement on (the issue of) currency as "the element of division and unity" in the Old Continent.

The novelty consists in the fact that two of the top spokesmen of the Banca d'Italia have completely elaborated the proposal in political economy and technical terms, to the point where it seems proper to deduce that the idea of a parallel European currency is today the determining element in the long term strategy of our central bank.

The theoretician of the parallel European currency is Giovanni Magnifico, director of the International Economic Cooperation desk at the Banca d'Italia, professor at the University of Rome and Johns Hopkins University at Bologna, member of the EEC monetary committee, and financial advisor to our London and Bonn embassies. The man who instead developed the technical scenario within which the parallel European currency could be created and established is Rainer S. Maserà, head of the International Monetary and Financial Problems desk at the Banca d'Italia.

The immediate usefulness of the parallel European currency is evidenced by the following proposal made by Magnifico: it would be desirable for Italy to follow the recent example of France, launching a large loan indexed to the European unity of account. If the unity of account were replaced by the "Europa," many of the problems of financial reequilibrium which today worry the nine EEC countries could be easily solved in the interests of all...

"The possibilities today for stabilizing monetary relations within the EEC Community by means of direct action on exchange rates are scarce," affirms Magnifico. In fact, the deficit countries, which are also the ones with the highest inflation rates, have no possibility of breaking the vicious inflation-devaluation cycle... Furthermore, the snake itself has no Common Market significance; it is nothing more than a deutschmark zone.

What should be done, therefore?

"We must begin," says Magnifico, "with the presupposition that monetary union cannot be conceived abstractly, as an end in itself, but rather as an aspect of economic union. Within this context, as occurs at the national level, the monetary question must be seen as having a responsibility toward the problems of development and employment."

The parallelism between economic and monetary components leads in turn to the creation of Common Market fiscal instruments. In other words, we must begin to realize, in Italy as well, that in order to obtain financial aid from the rest of the EEC it is also necessary to know when to waive (in favor of EEC resources) the

direct management of part of the fiscal profit, such as that of the VAT. This in turn presupposes greater democratic control over the functioning of EEC organs, which can only be done by a European parliament elected by direct universal suffrage...

"In general," concludes Magnifico, "the more the instruments of political economy in the hand of EEC organs increase in importance, the more the need to harmonize national economic policies decrease. Even in the area of monetary policy, this is the road to follow, pragmatically speaking, even though knowing only too well that — given the slowness of such an evolution — the task of containing the broadness of the cyclical fluctuations within the EEC will still remain for a long time to come entrusted in preponderant measure to difficult harmonizations of the policies of the member countries.

"The three principal functions of such a currency" — says Maserà, illustrating his "technical proposals" — "are those of unit of account, means of exchange, and monetary reserve." The problem of a parallel currency is, by definition, that of coexisting for a greater or lesser period with currencies already in circulation without provoking portfolio disequilibria leading either to its disappearance or that of the other currencies.

The preferable definition of a parallel European currency is therefore that of the "unit of account basket," officially adopted by the EEC, because it is useless to propose a parallel currency which, as a currency in a narrowly defined sense (that is, useful in directly satisfying the function of a means of exchange), would be tendentially stronger than all or most of the existing currencies...

The circulation of the "Europa" would represent an instrument for ensuring the coherence of monetary and financial policies of individual countries, allowing for the existence of interest rates in the national markets compatible with conditions of integration into capital markets. In this situation, the nominal rates of the different currencies would have to diverge in response to the foreseen differentials in their relative inflation rates in such a way as to guarantee a real yield that is not dissimilar...

To that end, Maserà's scheme foresees two outcomes: the establishment of the European Monetary Cooperation Fund and quarterly meetings of four-way EEC meetings (among Ministers, bankers businessmen and trade unionists). The Fund, as the first nucleus of a Federal European Central Bank, would from today onwards, according to Maserà, acquire precise and important responsibilities, assuming the functions of a technical secretariat and study center for the Committee of Governors of the EEC and for the groups of national central bank experts that would meet regularly to evaluate the degree of convergence in EEC monetary policy and to examine methods for the promotion of efficacious and constructive harmonizing of interventions.

Moreover, the European Monetary Cooperation Fund would acquire a direct operative function through the emission of conditioned and unconditioned reserve balances which would constitute a European analogue to Special Drawing Rights denominated in "Europas." The reserve balances thus created would function in the place of gold deposits in the settlement of official

balances... Credit would be tied to progress achieved in individual countries in the process of adjustment. It would particularly favor consolidation of short term debts accumulated in the last few years as a way of overcoming the poor distribution of liquidity.

Such schemes do not necessarily require heavy

obligations on the part of the countries with strong currencies. It is rather a case of multilateralizing forms of financial support which have until now been carried out bilaterally... With the support of multilateral guarantees, international loans could be launched denominated in "Europas."

Congress Defeats Efforts To Kill Clinch River Breeder Program

In a major defeat for the Carter Administration, two key Senate committees last week voted to fund \$150 million for the Clinch River nuclear breeder program, despite massive White House pressure to kill the project. Eliminating the breeder has been a cornerstone for the entire Carter energy austerity program and the Administration has made the breeder project fight a test of its credibility. The vote of no confidence in the Administration's policy promises to have major international repercussions, as President Carter's demands that Europe scrap its own breeder programs to avoid the danger of nuclear proliferation hinge on his ability to prevent its development in the U.S. The way is now cleared for the full Congress to pass the breeder funding and legislate a complete energy growth program, and for Japan, Germany and France to go ahead with their own breeder programs.

On June 22 the Senate Appropriations Committee voted 13 to 7 to fund \$150 million for the breeder; two days later the Senate Energy Committee did the same, in a 9 to 9 vote. The committee was evenly split on the issue all day and defeated by tie votes an Administration proposal to fund \$33 million to close down the breeder program and a compromise proposal by Senator Church to fund only \$75 million for the breeder.

Committee chairman Senator Scoop Jackson (D-Wash) a strong breeder proponent broke the stalemate by invoking a rule stating that unless a majority voted against the breeder, the Energy Committee could not overrule the Senate Appropriations Committee vote. The way is now cleared for floor votes in both the House and Senate, which are expected after the July 4 recess.

Strong labor union mobilization, especially from the Building Trades, Teamsters and the AFL-CIO, along with stout support from conservative, pro-growth Senators was responsible for the Administration's defeat. Senator McClure (R-Idaho) explicitly warned that the breeder was necessary to prevent war. "It is absolutely essential that we develop new energy sources like the breeder because if we don't, we have condemned this country to an inevitable war. Nations fight wars because of lack of essential raw materials. If we fail to develop new energy sources we will have set this world on an inevitable course toward war."

The U.S. Labor Party was instrumental in mobilizing support for the breeder, especially trade union support. Two weeks ago the *Washington Post* led its front page article on the breeder by listing first among pro-breeder lobbyists, "the U.S. Labor Party, united with the AFL-CIO." The Labor Party initiated the mobilization for the

NSC Defends Carter Energy Policy

The following interview with Jessica Tuchman, head of the Global Issues section of the National Security Council was provided to EIR

Q: Today's *Washington Post* says that the only real opposition to the Clinch River Breeder Reactor has come from within the Administration and references you as a key person who has influenced President Carter to oppose the project. The *Post* reports that the reasons that you and others have given to the President for opposing Clinch River Breeder are based on false information. This seems to be an attack on you by the *Post*. How do you account for this?

A: You didn't read the article very carefully. It was not an attack on me. It only said that some members of the Administration were only lukewarm in their attitude toward the breeder. It was the President's decision, no one else's.

Q: From the numerous articles appearing in the

press playing up Henry Kissinger and his "style" versus Brzezinski's and strong attacks on Carter's push for human rights, it appears that there is a drive to replace Brzezinski with Kissinger. We have heard that Kissinger is waiting to be called by the White House. James Reston's recent column which said that West German Chancellor Helmut Schmidt and other European leaders are extremely upset by Carter's human rights campaign seems to be an attack on Brzezinski, the person behind that campaign. Do you think what I've said is true?

A: I really can't help you on Kissinger, but on the Reston column, I think Reston swallowed a line. First of all, the President went way out of his way to avoid any conflict on human rights. The CSCE report which he issued, was required by law, he didn't even attach a policy statement to it, because he wanted to avoid this problem. Secondly, Reston exaggerates the response of Schmidt and others. We have found no indication of anywhere near that kind of dismay.

breeder months ago and is committed to ensuring that passage of the breeder program becomes the first step in inaugurating a comprehensive energy development program.

A General Accounting Office letter to Senators Jackson and Baker (R-Tenn) released Friday, declared that President Carter may already have violated the law with his proposal to fund \$33 million to phase out the breeder demonstration program. The GAO said the President "lacks legal authority to implement this plan" while Comptroller General Elmer Staats said that "to implement the President's plan without such authority, would be in violation of the law."

The Administration has been conducting a massive arm-twisting and dirty tricks campaign in Congress and among trade unions to force agreement with this illegal proposal. Early this week Administration allies, Congressmen Bingham (D-NY), Fish (R-NY), George Brown (D-Cal), and Tsongas (D-Mass) formed a Committee to Stop the Breeder. Their main effort has been attempting to dupe the Steelworkers Union (USWA) and the mineworkers union to join the agent-led United Autoworkers Union against the breeder. Congressmen Brown and Bingham met secretly with union officials to "show that labor is not united on the breeder," and especially to force the steelworkers to break with the pro-breeder AFL-CIO. Acting USW legislative director Jack Sheehan said that the "union was not as rigidly in favor of the breeder as the rest of the AFL-CIO" and was weighing what to do. Late this week the UMW legislative office was still considering a writing campaign against the breeder. Congressman Bingham's office was trying to fuel this motion, telling labor leaders that the money saved in cutting out the breeder "could be better spent on (low wage) CETA and public works jobs."

This Administration supported activity has apparently backfired. The AFL-CIO is reported to have sent a letter late this week to Congress, urging complete support for the breeder. Al Zack, Jr., the assistant public relations director of the Federation, told a reporter that the AFL-

CIO intended "to lobby hard to get the breeder through Congress" and intended "to pull strings to break the stalemate" in the Senate Energy Committee. Member unions have put pressure on the steelworkers to follow AFL-CIO policy, and there are reports that a special AFL-CIO executive board meeting will be held next week where the board, including the USW President Lloyd McBride, will be asked to reaffirm their support for the breeder. Several Steelworkers Union officials have privately expressed dismay that the union could even consider not supporting the breeder.

Angry Building Trades President Robert Georgine declared "we are 100 percent for the breeder." The Building Trades unions have been working closely with the Teamsters, also firmly committed to the breeder program. "We will not lead the fight," a Teamster spokesman said, "but if our support is needed, you can bet our troops will be there."

The White House conducted a major lobbying effort with Congress throughout the week with Carter personally involved. Carter sent a letter to House Speaker Tip O'Neill warning him that he must come out with a clear statement on the breeder — either supporting Carter or the breeder's Congressional backers. And just before the Senate Energy Committee voted June 24, Carter telephoned Senator Church for a last attempt to change the Senator's mind.

At the same time Bingham tried a last desperate dirty tricks operation to convince the Senate to defeat the breeder funding proposal. Bingham released documents to the press purportedly showing that Burns and Roe, the chief contractor for Clinch River, knew four years ago that the project would be a lemon because of cost overruns and poor siting. The "scandal" broke in the *Washington Star* June 22 afternoon as the Energy Committee was voting. According to a euphoric aide in Bingham's office, Senator Church, chairman of the Senate Energy subcommittee on nuclear power postponed an earlier vote on the Clinch River when told of the impending leak, fearing the story would unfavorably influence the vote.

Rusk, Stetson Sound Carter War Cry Over Energy

If Congress won't pass the Carter Administration's energy program, the U.S. will go to war with the Soviets to secure a Rockefeller stranglehold over world energy supplies. That was the message delivered by Rockefeller spokesman Dean Rusk and John Stetson in well-publicized interviews in U.S. News and World Report and the Chicago Tribune last week.

Rusk, former Secretary of State, former President of the Rockefeller Foundation, and a member of the Council on Foreign Relations, demanded the U.S. population cut energy consumption by one-third and get used to a correspondingly reduced standard of living. Stetson, Carter's Secretary of the Air Force, promised that

"somebody will drop some firecrackers" to overcome Americans' resistance to a massive new arms buildup. The interviews are excerpted below.

Dean Rusk

Q: Professor Rusk, has the basic challenge for the U.S. abroad changed in the past few years?

A: Indeed it has. The entire human race is faced now with problems which are different in kind than we ever faced before. I have in mind the continuing nuclear-arms race and the threat of general war in a world in which there are thousands of megatons lying around in the

hands of frail human beings.

I think of the energy problem, with regard to which we continue to live in a fool's paradise — where we know if we continue on our present course, there's catastrophe ahead. I'm thinking of the environment and the possibility that we can inflict irreparable damage in this thin biosphere in which the human race lives. I'm thinking of the population explosion where, on the most optimistic figures, there will be 15 billion people or so on this planet within a hundred years — unless perhaps the inhuman truism of Malthus intervenes in the form of war, pestilence and starvation.

Q: What do you regard as our most urgent foreign-policy problem?

A: Short of the nuclear-arms problem, the matter of energy. This is a new cause of war coming down the road. James Schlesinger (White House energy advisor) said recently that oil and gas are going to run out in 30 to 40 years. Long before that happens, nations of the world are going to be at each other's throats for energy supplies.

Q: Is the Administration providing sufficiently strong leadership to deal with this challenge?

A: I thought there was some slippage of mood and atmosphere between the President's talk to the people on energy and what has been happening with his message to Congress. There's much less talk now of sacrifice.

There's an attempt to persuade people that it's not going to be too bad after all — that everybody's going to come out of it sort of comfortable. It won't work that way, because everybody is going to have to make sacrifices if the objective is to be achieved.

We've got to cut down our energy consumption by about a third — and do it fast. You can't do that by maintaining the same kinds of comforts and luxuries and standards of living that we've had before. So I'm a little worried about whether the politics of such problems may be to take it easy, whereas the necessities of the situation may demand sacrifice.

Q: Are the American people willing to support a major world role, or is there a trend towards isolationism?

A: I've been somewhat concerned with a tendency to withdraw from world affairs. Actually, that is suicidal. I think we've got to get scared.

President Carter told us in his fireside talk on energy that he was talking about the moral equivalent of war. What that really means is the question as to whether we can, in peacetime, mobilize the unity and the effort which we have not seen in this country since World War II. I don't know whether it's possible to get that kind of action from a democracy in peacetime...

...My impression over the last several years has been that democratic governments in Western Europe, North America and Japan have been rather afraid of their own people. They've been too timid.

Q: Is military power going to be less important to our foreign policy than in the past?

A: No. I'm very strongly opposed to unilateral disarmament. We demobilized after World War II, and have been picking up the pieces ever since...

Q: Can we look for greater co-operation from Russia — or a more dangerous competition?

A: I think a lot of illusion and euphoria grew up around this word "détente." The major differences between us and the Soviet Union have not been resolved. They still are committed to their world revolution, and will probe at points of weakness. They look upon these notions of freedom as lethal to their kind of system.

John Stetson

Q: What were your orders from the President and the Secretary of Defense when you took office?

A: Sec. Brown is committed...to getting a balance between the economy and still maintaining a strong military preparedness. That's a tightrope act and he wanted me to participate in it. Obviously the American public is not prepared for what I would call extraordinary expenditures on defense. Very likely what will happen one of these days is that somebody will drop some firecrackers, and then things will heat up, and the American public will have a little different attitude.

Q: What do you think is likely to heat up? What kinds of wars do you foresee?

A: Let me put it this way. I think that the key problem we and the rest of the world have is oil and gas, and most of it is concentrated in the Middle East. If you look down the road there could very well be a war to protect minerals and fuel resources. The rest of the world has energy, including ourselves, but it's hard to get to and at a higher cost. The Soviets know this as well or better than we do. Look at the Soviet armaments amassed a few hundred miles from the oil fields. And we're thousands of miles from the oil fields. Ask the question when are the Soviets going to be importers of oil? Right now they're exporters. One of these days their attitude toward the Middle East is going to change, and they're going to covet that oil and gas. It doesn't do us any good to say that we might be independent over here if our allies in NATO and Europe have gas and oil shut off to them.

Q: What do you think can be done about such a threat?

A: Forces are still being built in Iran. Saudi Arabia is moving toward building a responsible military force. But they have a long way to go. I don't like to see the Middle East armed to the teeth. But the alternatives are unacceptable. Unless there is some kind of deterrence there, what is going to happen? Anyone who looks at it sensibly can answer the question themselves looking over the next ten years. And in my opinion, the only thing that is going to deter the possibility of the kind of thing that could happen in that part of the world is the Soviet's concern for retaliation.

Q: Do you think that perhaps, because you and other military leaders are constantly bombarded with intelligence reports, you might be getting an exaggerated view of what Soviet intentions might be in the future?

A: Sure, I think that you have to consider that, and you

have to continue to ask yourself the question. But when people reach a state where they covet land and minerals and they arm themselves in a way that they can attack these areas, it doesn't follow — based on any historical perspective that we have — that people will not take advantage of that position, if they are allowed to do so. I certainly don't want to sound like a hawk, but I can add, and I can see what apparently their long term intentions are. And it's hard for me to believe that the Soviets are building up this enormous power for defensive purposes.

'It Can't Happen Here'

A staffer for the National Security Council gave the following interview to the EIR June 23. As the interview indicates, the NSC has not determined a solution to the current U.S. liquidity problems.

EIR: What do you think about the statements of the Italian Central bankers on a gold-backed monetary system and the French press reports that Brezhnev will propose the transfer ruble to the French?

A: I'd be surprised, I'm amazed that the Germans and French would be considering this. Why would they do that? I'm surprised, what's in it for them? I've heard of the transferable ruble and every once in a while there are reports on it. But I would be surprised if the Europeans

would go to this extent to pursue trade. There are limits to Soviet trade. I can't see how they can expand this trade 300 percent. Reports on a uniform European currency based on gold are off the wall.

I have never heard of these deals in transfer ruble that you say have been negotiated. These transfer rubles are untouchable. What do you buy with it? I don't believe it. Such a revolutionary undertaking by the Europeans flies in the face of everything.

EIR: Well, the Europeans clearly do not want to go down with the dollar and the New York banks. Did you know that Senator Javits revealed the bankruptcy of the New York banks last week in the Senate?

A: It's not true just because Javits said it. The problem is not just a result of the underdeveloped nations not having money. Some are creditworthy. Some of the developed countries like Italy and the United Kingdom have problems. But if countries like Brazil and Mexico did not pay their debts they wouldn't get more money.

EIR: What do you think about the reports that the Saudis will not bail out the New York banks, and that the Europeans, especially those two countries you mentioned, are setting up a new monetary system based on expanding trade and industry and relations with the east, and are not standing by the old monetary system?

A: You are a lot more pessimistic than I am. The whole thing is preposterous.

Congressmen Warn Carter Against IMF Bailout

The Carter Administration received its first warnings from Congress this week that the Administration's commitment to bail out the failing International Monetary Fund will not be met without a fight. Since Sen. Jacob Javits (R-N.Y.) sounded the alarm last week, the question of whether the Congress will support such a bailout is no longer being ignored on Capital Hill.

The first public signal came on June 21, when the *New York Times* ran a letter signed by three conservative Congressmen which condemned the Administration's mouthpiece, the *Times*, for hyperinflationary bail-out orders to West Germany and Japan, and called instead for "the free flow of capital to deficit nations" to solve the international balance-of-payments problems. In a more visible warning to Carter, the full House overwhelmingly passed a foreign aid bill which in Carter's own words "severely restricts" his ability to "promote American interests (read New York banks) around the world."

Meanwhile Carter was busy sending messages to House Speaker Tip O'Neill warning him of the danger of resistance to his bail-out plans. In a letter delivered to O'Neill, reported by the *Washington Post*, Carter "urged the House to resist cutting contributions to international banks, and not to restrict the aid which he said could jeopardize U.S. participation in the lending programs." The House response was not only a "badly battered" bill cutting Carter's foreign aid appropriations by nearly \$1 billion, but an amendment offered by Rep. C.W. Young (R-Fla.) restricting aid to Cambodia, Laos, Vietnam,

Cuba, Mozambique and Angola. While the Young amendment, which passed by a 295-115 vote, reflects confusion amongst Carter opponents regarding aid to "communist-dominated" countries, the hysterical reaction from the Administration and its press reveal the worry that the Congress will take this initiative into other areas.

The *Washington Post* responded to the Young amendment with an editorial entitled "Breaking the Banks," calling the vote a "nasty piece of mischief that ought to be undone." The *Post* cried that "No donor...should lightly savage the imperfect but vital international institutions set up to transcend individual nation's limitation." It went on to blame Carter for creating this situation with his precedent-setting endorsement of the earlier Reuss amendment "instructing the U.S. government to use its voice and vote in the banks to advocate human rights."

The Administration's real worry, echoed in both the *Post* and a *New York Times* editorial, is that "liberals" in the Democratic Party joined the core conservative Republicans in the foreign aid votes. The *Post* warns that "Mr. Carter does not yet have his international act together. He doesn't have all that much time."

Their cause for alarm is deepening. Copies of the U.S. Labor Party's 16-page "Special Report on the Illiquidity of the New York Banks" and "The Solution to Jake Javits' Fears" are currently circulating in both houses of the legislature, and are being analyzed by economics staffers in several House offices.

How Not To Spur Global Development

Appearing on the editorial page of the New York Times June 21 under the above headline was the following Congressional attack on the Trilateral Commission's monetary policy.

To the Editor:

The policy of rapid expansion of the German and Japanese economies to solve worldwide balance-of-payments troubles, which you recommend in your editorial of June 1, "The Virtue in Trade Deficits," fails to meet the test of practicality.

The Governments of Germany and Japan know far better than anyone else just how far they can go in expanding their economies before they run into socially and economically unacceptable inflation, with its attendant risk of recession and unemployment...

... The implication of your recommendation that Japan and Germany continue with floating exchange rates and eliminate or reverse their current account surpluses is that they ought to eliminate or reverse their capital account deficits — that they should stop lending and start borrowing! Such a

policy might aid those third-world nations which would furnish exports to Germany and Japan. However, it would injure those which are deepest in debt and need to restructure or renegotiate their loans. These countries do not want to see an end to German and Japanese lending. Still less do they want to compete with German and Japanese borrowing.

Recent economic experience has taught us that general economic expansion is not the only way to handle a trade surplus. The reduction of tariffs and quotas on imports, and the free flow of capital to deficit nations, would do more to spur worldwide economic development. Inflation in Germany and Japan would simply lead to a future recession, and severe damage to world development.

John H. Rousselot, M.C.
Clarence J. Brown, M.C.
Garry Brown, M.C.
Washington, June 13, 1977

The writers represent, respectively, California's 26th, Ohio's Seventh and Michigan's Third Congressional Districts.

USLP Demolishes Kennedy, S-1 At Senate Hearings

WASHINGTON, D.C., June 21 — Sen. Edward Kennedy (D-Mass) today tried to defend his notorious Criminal Code Reform Act (S. 1437) in the face of U.S. Labor Party testimony which established the fundamentally unconstitutional and anti-republican nature of the legislation.

Testifying before the Subcommittee on Criminal Laws of the Senate Judiciary Committee, Labor Party representative Susan Kokinda charged that the Criminal Code Reform Act embodies a "social contract" or "Animal Farm" notion of society in which the government must impose "order" upon the anarchistic behavior of individuals. This stands in complete opposition to our constitutionally grounded notion of a republic, Kokinda said, which defines a national interest as continuing scientific progress and industrial growth, and seeks to mobilize the wilful impulses of the population in accordance with that national interest. "A crime," she said, "can then be defined in the context of that which transgresses the national interest — such as that of the use of marijuana which impairs the higher order functions of the human mind."

Challenged on the fundamental world outlook of his legislation, rather than whether this or that section was repressive enough, Kennedy tried to argue his case. He defended decriminalization of marijuana on the grounds that alcohol is much more dangerous than pot, but still

legal. While the Senator appeared to be speaking from profound self-experience, his argument was demolished with the scientific evidence on marijuana's harmful effects. He then tried to defend his "social contract" notions by claiming that outbreaks of anarchy in U.S. history, such as the Shay's Rebellion in the early days of the Republic, were justified. The Senator was reminded by Kokinda that the Founding Fathers answered the problem of the Shay's Rebellion not by drafting an Orwellian criminal code, but by carrying out a massive political-economic educational program which resulted in the acceptance of the U.S. Constitution.

Pointing to the fruits of his family's work in the 1960s, Kennedy next attempted to argue that, while crime increased in that decade, the unemployment allegedly fell — and, hence, crime had no relationship to economic progress.

Kokinda finished her testimony, and finished off Kennedy, with the charge that Congress has abrogated its responsibilities by allowing the Carter energy program to survive in any form, and by failing to reestablish a concept of national interest based on Hamiltonian policies, "Instead, you are building yourselves a better Animal Farm through which to control the resulting breakdown of our Republic."

Kennedy had no further response.

USLP Charges:

Carter And FEC Run Protection Racket For Democratic Party Debt

The following is the text of an official complaint filed by the U.S. Labor Party with the Federal Elections Commission and Senate Rules and House Administration Committees, June 23:

Developments in the matter of the Federal Election Commission's partisan, lawless treatment of the Democratic Party and the Carter Campaign Committee's debt obligations and general finances demand your immediate attention and remedial action.

We cite the particulars below and hereby officially request an investigation, and orders to the FEC to halt its illegal activity.

The FEC, under the new, unconstitutional powers arrogated by the agency in April 1977, has launched operations to cover up questions of illegal Carter campaign and Democratic Party funding. At the same time it is using these powers to attempt to financially bankrupt the Labor Party, and to harass other opposition groups including the American Medical Association, Liberty Lobby, etc.

Under the April 1977 powers, which violate First Amendment rights of association, the FEC claims the power to penalize creditors of political organizations with fines and jail sentences on the sole criterion of the FEC's arbitrary judgement as to whether pay-back is underway.

The Case of the Democratic Party and \$3.2 Million

In the case of the Democratic Party, whose debts total a reported \$3.2 million and go back before 1976, the FEC has given the go-ahead to extend the debt repayment period through 1981. The FEC has approved a new Democratic Party committee, the National Finance Council, as demonstration of intention to pay debts. The FEC has avoided any investigation of the obvious indications of funding and debt irregularities.

* For example, the FEC has not investigated the evidence that the Coca-Cola Corp. conduited large sums to the Carter campaign through the Greg Allman drug-rock concert benefits.

* A debt of over \$500,000 remains outstanding from the Citizens and Southern Bank of Atlanta, to the Carter Campaign.

* Large sums are outstanding on individual accounts, for example media advisor, Jerry Rafshoon, owed \$44,000. None of these have been queried by the FEC.

* The FEC has refused to investigate the hundreds of thousands of dollars of Carter campaign funds spent "To Get Out The Vote" November 2, where massive fraud occurred, as through the South Bronx SERA drug program.

The Case of the Labor Party and \$100,000

In May this year the FEC wrote to creditors of the Labor Party's LaRouche for President Campaign and

demanding private corporate records. In one instance, involving a debt of \$25,000, they claimed, "These debts may be viewed as contributions in kind until repaid." Their justification: "Our review of these reports (standard filings) has ascertained a heavy accumulation of debt of your corporation by the Committee to Elect Lyndon LaRouche and the United States Labor Party over a substantial period of time without any significant repayment."

In fact, unlike most presidential contenders, LaRouche would have no debts outstanding if the FEC had not illegally withheld the \$111,000 in primary matching funds due the campaign.

In line with this financial harassment of the Labor Party, the FEC is complicit in a general dirty tricks operation.

* Under the pretext of a "Compliance Spot Check," never done on other campaigns, LaRouche contributors in five states have been subject to surprise home and workplace visits, and subject to coercive interrogation techniques.

* Evidence obtained from the FEC last week shows the direct connection of the FEC to "dirty tricks" run against the Labor Party through the FBI. David Fiske, in his role as Public Relations Director for the FEC, told a reporter that the Labor Party is "violence prone," a characterization lifted from a contested report being circulated by the FBI and now under court challenge by the Labor Party.

* Fiske, in his role as a public government official, referred the reporter "for more information" to private individuals connected to the Institute for Policy Studies, a private, terrorist-linked organization.

Fiske referred the reporter to Donna Warnock, at the Center for Science in the Public Interest, who provided false, slanderous details of alleged violence attributed to the Labor Party. She referred the reporter to one Harvey Kahn, the author of the Institute for Policy Studies-connected brief, "Brownshirts of the Seventies," which called for radical disruption of the Labor Party.

Thus, Mr. Fiske is using his office to conduit slanders circulated by the Institute for Policy Studies and contained in the contested FBI report.

The facts herein detailed justify legal action on grounds of abuse of public office against Fiske and other FEC employees. However, the most appropriate action at this time would be an overall review and reversal of the FEC's policies by Congress.

The Labor Party has two Federal Court actions now pending against the FEC. Friday, June 24, we expect to file for a temporary restraining order to stop the illegal FEC harassment.

The evidence presented above clearly demands swift Congressional action, and initiative on the part of whoever on the Commission may have any integrity of office.

It's Rough Being A Democrat

Few people are finding the Democratic Party a good investment these days. There weren't many takers for the Democratic National Committee's gala \$1,000-a-plate fundraising dinner at New York's plush Waldorf Astoria June 23 until the dinner chairman, United Artists board chairman Arthur Krim, put out the word that Hollywood was coming to the rescue. Robert Redford reportedly paid \$10,000 for a table, and Andy Warhol was resurrected to attend. Observers noted that no list of party attendees was ever printed — apparently no one wants to be listed as a Democratic Party contributor...

Redford couldn't bring himself to attend and is said to have sold his ten seats to friends. The dinner itself, touted as a gourmet feast followed by dancing to Peter Duchin's orchestra, degenerated into a two-hour handshaking tour of the guest tables by President Carter, while the band intoned "Happy Days are Here Again." The press pool, hanging over the balcony watching this floor show, decided in consensus, that the most exciting part of the evening was timing how long Carter inspected the décolletage of each woman he kissed. Chuckled Carter, "I'm filled with lust but I don't discriminate." But the "gay lib" demonstrators thronged outside were not allowed in...

Rumors were flying in Washington the next day that Vice-President Mondale was furious over Carter's lampooning of him during Carter's Henny Youngman-style address to the Democratic dinner. Carter told the dinner that he had tried hard to find jobs for "Fritz" — the Concorde issue, Northern Ireland policy, and the \$50 tax rebate that failed in Congress. Mondale, reportedly dissatisfied with the way Carter and his National Security Council Advisor, Zbigniew

Brzezinski, have handled foreign policy, apparently did not take kindly to being the butt of Carter's jokes.

In fact, Mondale was scheduled to introduce Carter at the dinner, but never even went on the podium. Alice Mason, who sat next to Mondale at his floor table during Carter's remarks, nervously told the press over and over, "It's not

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true — It's not true that Mondale was angry. He laughed at everything Carter said." The lady doth protest too much...

Strikingly absent from the Democratic Party fundraiser were any Kennedy family intimates. Declared Mrs. Thomas K. Finletter, wife of the famous FDR advisor, "The Kennedys wouldn't have come — they voted for Ford." And an angry Arthur Krim declared, "The Kennedys never make contributions to the Democratic Party..."

Observers are speculating that a major rift has developed between the Kennedys and Nelson Rockefeller and Henry Kissinger over how to handle U.S.-European relations. An angry associate of former Secretary of State Henry Kissinger noted that Senator Ted Kennedy's one-time foreign policy advisor Robert Hunter, now with the National Security Council, is in Europe attending the Belgrade Conference. "He's a dangerous man," the Kissinger associate said indignantly. "He's telling Europeans to make their own decisions about things"....

Ted Kennedy himself will make one of his few major speeches to

Congress on Monday June 27. The speech, on "human rights in the context of detente," will call for a more muted defense of human rights than the Carter Administration has followed, with a pointed warning that the most "fundamental human right remains the freedom from fear of war."

The rift between Carter and Congress is wide indeed. Leading conservative Senator Barry Goldwater (R-Ariz) was overheard telling leading liberal Senator George McGovern (D-ND) that he couldn't find any friends of the Administration on his side of the aisle. "Can you on your side?" Goldwater asked McGovern. "I'm not sure" was the reply.

But hoary Humbert Humphrey is still behind Jimmy Carter. All of Capitol Hill is amazed at Hubert's energetic work for the Carter Administration, and Senator McGovern believes only the ailing Humphrey's love for the Oval Office spurs him on. Humphrey has been mediating between the White House and (especially) Congressional conservatives on such key foreign policy issues as troop withdrawals from Korea. Carter paid tribute to his one remaining supporter at the June 23 fundraising dinner, calling Hubert the "greatest Democrat living." Rhode Island Senator Pell was the only other Congressman who showed up at the dinner...

Congressional sentiment toward Carter was succinctly expressed by one member of the House Ways and Means Committee after the Committee breakfasted with Carter this week: "On the one hand he lies, on the other I don't think he knows what he's talking about. They just feed him things and he passes it along."...

Book Review:

'Towards Full Employment And Price Stability'

TOWARDS FULL EMPLOYMENT AND PRICE STABILITY

SUMMARY of a report to the OECD by a group of independent experts.

OECD, Paris; June 1977

\$4.50, 52 pages.

Since the release of the report under consideration here earlier this month, the annual meeting of the finance and foreign ministers of the 24 nation-members of the Organization for Economic Cooperation and Development appears to have accepted the basic principles it sets forth. Certainly U.S. Secretary of State Cyrus Vance's suggestions towards an OECD "master plan" worked out among the leading countries on an annual basis point in the direction of the "Full Employment" report's recommendations.

This strongly suggests that the American media vastly underrated the importance of the document, and that even the more extensive reviews of such foreign media as the London *Financial Times* failed to anticipate the true intent of the study. For behind the impenetrable technocratese of the OECD experts' report there is a simple and unmistakable message: to put the economic policy footing of the advanced capitalist countries on the lines of Germany in the 1930s.

From the communiqué of last week's ministerial meeting only an approximation of this emerges, in the form of recommendations for deflationary austerity in the weaker OECD members, "markets" oriented appreciation of the currencies of the stronger members, and scads of new official financing through the realization of the old Kissinger \$25 billion "safety net" plan, and the so-called Witteveen special facility for balance of payments financing through the International Monetary Fund. But the darker aspects of the "Full Employment" study are waiting for implementation just beneath the surface of public policy, especially in the United States, which is being given the bums' rush towards Schachtian economy. Earlier this week, before the ministers left for their annual meeting in Paris, a high-level meeting of Treasury, Federal Reserve, and New York banking officials occurred in Washington, with recommendations identical to those of the OECD study. These include managed raw materials prices, elimination of "cost-of-

living escalator-induced inflation," massive official financing of deficits, and the "psychological use" of monetary policy to avert panic over inflation.

Schachtian economy, the best modern reconstruction of which is Brazil, involves systematic looting of labor-power through reductions in living standards, and reduction of skill-levels through a shift from capital-intensive to labor-intensive production. This is done to support a rapidly-inflating government (or government-related) debt structure. Schachtian economy combined pick-and-shovel work on the Autobahnen and war build-up. The enlightened authors of the OECD study do not explicitly say anything that grating. But they surround the unstated premises of their report with the full array of Schachtian devices required to see such a program through.

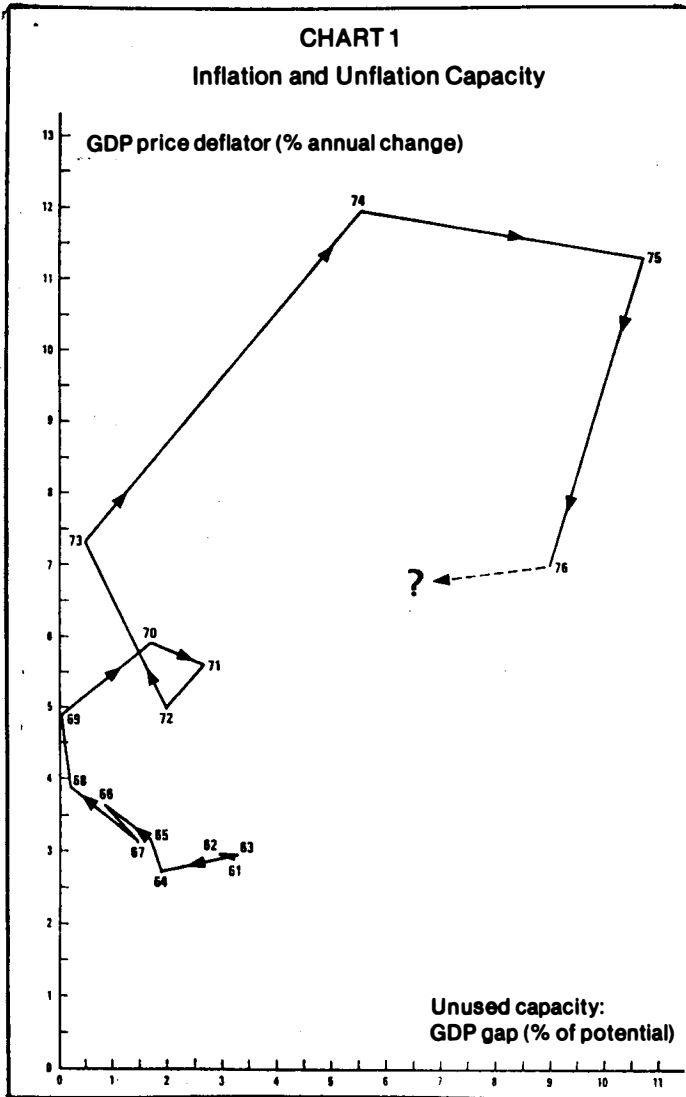
The study was commissioned two years ago by then U.S. Secretary of State Kissinger, previously, then, and now an ardent follower of Nelson Rockefeller. To the panel were appointed Paul McCracken, formerly Chairman of the Council of Economic Advisors under President Nixon, a member of David Rockefeller's Trilateral Commission, as chairman; and former Governor of the Bank of Italy Guido Carli, a Rockefeller family associate since his 1958 groundbreaking work on economic warfare planning for NATO, the most prodollar of European central bankers at his Bank of Italy post between 1961 and 1975, and a close personal friend of David Rockefeller. Other members of the panel include French Trilateral Commission member Raymond Barre who resigned to become Minister of Foreign Trade of France (and afterwards Prime Minister), who was then replaced by fellow Trilateral Commission member Robert Marjolin, the former Secretary-General of the OECD. From West Germany came Herbert Giersch of Kiel University, former chairman of his country's council of economic "wise men," and intermittently a key organizer for the Brookings Institution's "tri-partite conferences." The single panel member from a developing country, former Turkish Deputy Prime Minister for Economic Affairs Attila Karaosmanoglu, is presently Director of Development Policy at Robert McNamara's World Bank. On the record, then, it is no surprise that these economists should espouse Nelson Rockefeller's brand of "enlightened Schachtianism" in their final draft.

Most of the report is unreadable economists' jargon, e.g., "it should be increasingly possible and preferable for the authorities to frame monetary and fiscal policies

in the light of medium-term requirements and leave correction of minor deviations of aggregate demand from the desired course to built-in stabilizers designed to reinforce such self-correcting forces as exist in the economy (p. 30)." Or, "governments... should also provide a regular analysis of how far deviations of the actual budget outturn from the target reflect discretionary action rather than automatic stabilizers, and how it is eventually intended to rescind or offset the discretionary anti-cyclical action that has been taken." All such catch-phrases refer to concepts that have not been taken seriously much since 1974, and which the OECD group itself otherwise ignores.

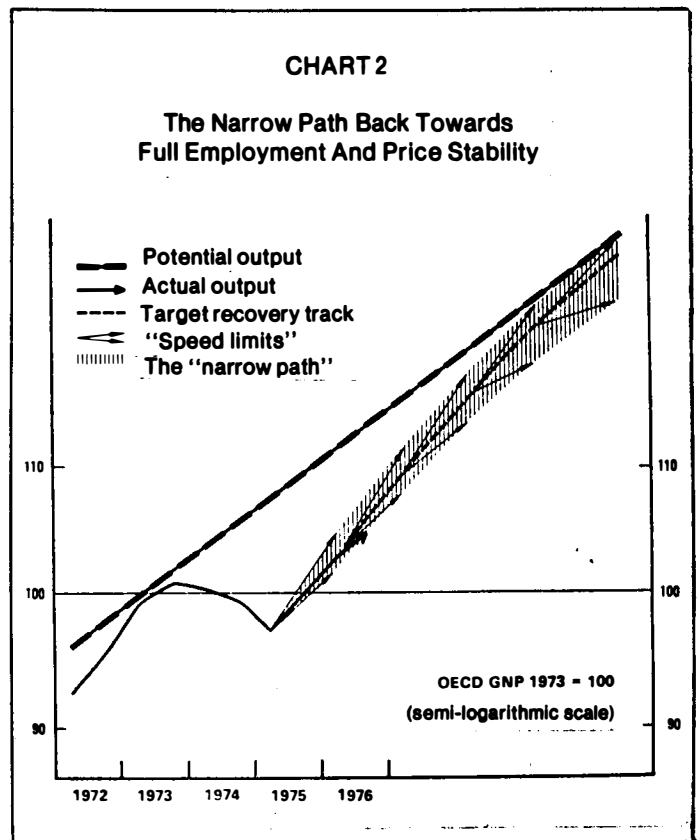
consistent with achieving a sustained recovery. The lower limit is set by the need for a rate of expansion sufficient to encourage a recovery in investment, both through spreading overhead costs and improving profit margins, and through creating expectations of the need for additional capacity in the reasonably near future. The upper limit is set by the point at which a rapid increase in aggregate demand would re-ignite inflationary expectations (p. 29).

These profound considerations, illustrated hypothetically in Chart 2, leave out the question the financial press, let alone the business community, raises every morning: have the upper and lower limits crossed? Mr. Leonard Silk of the *New York Times*, for example, notes that 6 percent real GNP growth plus 6 percent "built-in inflation" require a 12 percent rate of money supply expansion. (Most economists are now pegging the rate of built-in inflation around the current rate of increase of wages, at above 10 percent). If money supply is less than 12 percent p.a. (and there is now compensating rise in the velocity of turnover), the difference will not come out of inflation, but out of levels of real output. Considering that the Federal Reserve's announced target for the narrowly-defined money supply is a range of 4 to 7 percent growth p.a., and that the investment community would be extremely upset at a rate of money growth twice as fast as Dr. Burns wants, the OECD economists' view becomes pure fantasy. In the real world, the "lower limit" of money supply growth required to sustain current output is already above the "upper limit... which would re-ignite inflationary expectations."



In discussing "What Went Wrong," the report sinks to unintentional lampoon of conventional "demand management" economics. The worst gaffe is reflected in Chart 1 which shows the shifts in a modified Phillips Curve (economic activity vs. inflation) as a series of great curlicues which resemble the path of a confused insect on the economists' notepad. At this level, the report's recommendations fall into the worst banalities of official writing:

At the present time, the authorities should aim to steer demand along the relatively narrow path



The above line of reasoning prompted the London *Financial Times*' editorial comment that the report is "unfortunately but predictably weakest" on the "broad central issue of policy management," a remarkable British understatement.

Nonetheless, the report gets better as it goes along. The first section, tracing the origins of the present crisis, lumps together monetary expansion associated with the 1972 elections, the rise in oil prices, the associated erratic movement of commodity prices. "The most important feature" of the 1971-75 events, the economists write, "was an unusual bunching of unfortunate disturbances unlikely to be repeated on the same scale, the impact of which was compounded by some avoidable errors in economic policy." The reader is left to stare at the spiralling shifts in the Phillips Curve and wonder why, as the study group reports, "there has been a severe deterioration in the short-term trade-off between activity and inflation."

By page 37, the report finally puts down a simple answer — the problem is labor costs. Secondary hindrances to capital investment, the report says, include "risk premiums," the fact that entrepreneurs "are less confident," and "less certain about the availability and future costs of energy and raw materials." But the central cause is "a secular rise in the price of labor and other input costs relative to output prices, and reduced flexibility in the adjustment of labor inputs in response to output fluctuations." (This, turgidly expressed, is the "downside rigidity of wages" that Robert V. Roosa used to complain about). The high labor price leads to "a more persistent form of structural unemployment," even if "cyclical unemployment falls."

After pages of mumbling about matching the flow of savings to budget deficits and so forth, the economists have finally said what they are talking about. In a brief and astonishing section entitled, "Better Functioning of Markets," the core of their domestic policy programs comes through all in a lump. Until this point the study group insisted on a tone of conservative, even market-leaning academicism (e.g., "the severe problems of 1971-75 can largely be understood in terms of conventional economic analysis," and so on). In their section on markets per se, they make clear that their objective is to eliminate markets in favor of Schachtian dirigism. By topic:

1. Labor Markets

The OECD study wants "action more directly aimed at increasing the flexibility of wage structures." Repeating its earlier point, the study warns:

The tendency towards less flexibility in labor markets may be one of the main reasons why in recent years the unemployment rate at the peak of the cycle has steadily increased in most countries. Unemployment amongst youths and women has gone up at the same time as vacancies for adult male labour have increased. Rigidities in the labour market are partly psychological and legal, but are also related to inappropriate wage differentials and the rising costs of hiring and firing labor (p. 44)

In addition, the report suggests tax incentives to em-

ployers of the type that the Carter Administration attempted to work into its "stimulus program," namely, using the fiscal system to encourage the expansion of labor-intensive, low-wage, low productivity employment, at the direct expense of high capital formation, capital-intensive employment.

Professed admirer of Schacht and Hitler, Eli Ginzburg, the U.S. "manpower specialist," Carter Labor Secretary Ray Marshall, and others have been sounding this concept out for some time, i.e., degrading the quality of labor-power to loot their way out of the economic crisis. The OECD group feints in the direction of corporatism, e.g., "governments should discuss regularly with the organizations representing business and labor the general evolution of prices and wages to be aimed at over the coming year or so, consistent with achieving or maintaining high employment levels..." and, "A prices and incomes policy for the private sector becomes both more necessary and more feasible the larger and more strongly centralized are the national organizations representing business and labor." It is ambivalent on the issue of building Autobahnen and other primitive Bauarbeit forms of public work ventures. But the basic Schachtian premise is there, namely, that the source of the problem is a rising wage scale — rather than viewing a rising wage scale as indispensable to economic growth — and its solution degrading the quality of labor power to fit the productivity levels of miserable levels of real capital formation.

2. Capital Markets

Incredibly, the OECD authors make indexation of the capital markets their one, central plan, dropping the idea in passing. Indexation, now used in Brazil and not too many other places, involves tying the interest paid on a security to either the cost-of-living index or some other adjustment mechanism in order to guarantee the lender a real rate of return. Outside the capital markets proper, anything can be indexed to anything. Commodity prices can be indexed to overall inflation (this is in any case the point of the buffer stocks for commodities the report's authors propose a bit later). Wages can then be indexed to the price of raw materials. In effect, this is what has happened in Brazil, the model of indexation, where the regime controls all prices, and real wages have fallen 50 percent as a result. But such accelerated forms of looting of labor-power are not that far away from the richest of the industrialized countries. In the ongoing negotiations between the Unites Steel Workers and U.S. copper companies, there is a proposal on the bargaining table to index the wages of copper workers to the market price of that metal! Considering that copper has fallen from almost \$1.50 a pound at its Spring 1974 peak to about \$0.61 a pound now, below its cost of production, the implications are terrifying. On present recollection, the last time such a wage agreement existed in the United States was when southern migrant labor in the 1960s was paid according to the quality of the beans they harvested.

The OECD group does not draw out all the implications of their suggestion, but it does hint at them in proposing

the removal of institutional obstacles to the issue of indexed bonds. These would reduce uncertainty for borrowers and provide savers with better protection against inflation. *Availability of indexed bonds*

should also help to stabilize prices of other assets, such as land and raw materials, in inflationary periods. Most of us also believe that governments themselves should also be prepared to issue indexed bonds. (p. 45)

It would have been Hjalmar Schacht's dream come true to see such things happen. Schacht's system combined inflationary issues of government paper for military and make-work spending with systematic reduction of the quality of labor-power. Under the OECD schema, indexation would tie one to the other by simple arithmetical formulae and eliminate all the uncertainties of Schachtian planning.

Nothing shows up the deceitfulness and the true intentions of the study better than the indexation plan. After all the rambling about non-inflationary growth, what the authors propose is a device that is notoriously the last resort against hyperinflation, which has gained credence nowhere in the advanced sector except among the British followers of Milton Friedman (*London Times Economics* Editor, now Ambassador to Carter's Court, Peter Jay, made the only serious plea for indexation to come from an industrial-country economist during the height of Britain's inflationary crisis in 1975).

To wrap up, the authors propose not exactly commodity indexation but something very close to it:

action to reduce the vulnerability of the world economy to shocks, arising either from interruptions in supply or sharp fluctuations in demand. As regards food, we agree on the desirability of building up security stocks of cereals. For industrial raw materials, we support policies designed to encourage international investment, consistent with desires of host countries to maintain sovereignty over their resources, and in some cases action to reduce the stability of commodity prices through buffer stocks. (p. 46)

Put it all together: breaking up the wage market under the slogan, "increase the flexibility of wage structures;" indexation of the commodities and capital markets; the assumption of inflation and austerity; these elements and their combination are the Schacht system revived in its entirety.

If this were not sufficient, the study betrays itself by proposing the Schachtian trump card, i.e., paying off industrial workers through shares in their enterprise, "peoples car" swindles, and related devices, through which Schacht skimmed off 20 to 30 percent of German wages that had already fallen to half of their 1928 levels. It recommends

more radical solutions which introduce an 'equity' element into wage payments, for example through schemes for employee participation where remuneration is partly in the form of share issues and dividends, or profit-sharing. (p. 39)

Finally, McCracken, Carli and Co. give their wholehearted endorsement to the most extreme elements of Jimmy Carter's homespun Schachtianism: the energy and environment programs. "Full use (should) be made

of the market mechanism," the authors say, to "provide a firm long-term perspective for energy prices," presumably by jacking them up as Carter wants. "Additional measures may be required," the authors say, "to improve efficiency in energy consumption," presumably by mandatory conservation. Further, "we support policy instruments, which rely on the price mechanism, to make 'polluters pay,'" as American industry already has, through the nose. They add coyly, "In some cases, however, an element of direct regulation may be unavoidable."

But the OECD report does not merely want Schachtianism "autarky" to the 24 nations of the OECD and beyond. Under their heading, "The International Dimension," the McCracken-Carli group demands a distribution of world trade that will not overstress the credit structures of the countries that have already been brought to the brink of collapse, and place a correspondingly greater burden on the economies of Japan, West Germany, and the United States. The single international criterion is what the international banks will accept! Given "an increased role for private financial markets (i.e. the group's patron, the Rockefeller family) in the provision of international liquidity," consequently "it is a matter of some urgency that a greater share of the oil deficit be borne by countries whose external credit-worthiness is intact." The danger is that "some countries have run up debt so massively in recent years that their external credit-worthiness may now be becoming exhausted."

All this must be managed from the top, the authors conclude in their final paragraphs:

This emphasizes again the need for closer consultation and better co-ordination of demand management policies...the degree to which the world price level as a whole has become sensitive to fluctuations in demand, and the rapidity with which loss of confidence affecting investment, inventories and consumers' behavior seems to spread out from country to country, underline the fact that close international cooperation is an essential ingredient of a program directed towards getting back to full employment and price stability. (p. 52)

Fluctuations in demand? There is an obvious fraud in the formulation: the report bears almost no mention of the relationship between the OECD countries and the Third World, and no mention at all of East-West trade, the two leading areas of export expansion. "We cannot claim to have dealt adequately with the problems of the less-developed countries," the authors admit, but there is no mention of the latter channel of trade whatsoever. Up until the industrial collapse two years ago these were the fastest-growing parts of international trade, the clear domain of world economic expansion as a whole. Except for a few passing references to the mass of debt, the OECD report takes as a given condition the strangulation of international trade and development efforts under the rule of the Eurodollar market. Since the international debt structure has prevented the world economy from expanding through the development of its backward sectors, and slowed the expansion of East-West economic cooperation, the debt structures themselves are about to

collapse.

To alleviate this collapse the authors propose to turn the crisis back against the advanced-sector economies themselves; the thinking is identical (but less honest) than the similar demands by Federal Reserve chairman Arthur Burns, and Assistant Secretary of Treasury C. Fred Bergsten, for massive cuts in U.S. energy consumption to ease the strain of the U.S. payments deficit.

Since the McCracken-Carli study contains layer on layer of deception that must be stripped away before it becomes intelligible, it is fair to insist that there is an element crucial to their proposal that they have failed to mention altogether. This is the sine qua non of Hjalmar Schacht's system, arms production. Not the economists, but their employer, Nelson Rockefeller, is trying to steer the NATO countries towards a medium-term buildup of armaments with a perspective of confronting the Soviet Union sometime around 1980. There is no coincidence in the simultaneous emergence of the OECD report, and President Carter's first signals in favor of building the B-1 bomber on which U.S. conservatives place so many

false hopes. Nothing intrinsic to the OECD report proves this allegation (see *The Spirit of Camp Pocantico*, *EIR* Volume IV No. 24). But it does explain two anomalies that stand out like flashing red lights. One is the inadvertently-betrayed expectation of hyperinflation, to be cured through indexation. The authors clearly expect their "budgetary targets" and the "difference between private savings and private domestic investment" to be huge.

The second, the one the *Financial Times* complained of, is the assumed 5.5 percent growth rate potential. This figure is plucked out of thin air, as the editors say, "a ghost in the machine." But if Paul McCracken, Guido Carli, and Robert Marjolin are not merely gibbering, but have a thought-out reason for making such a projection, they are projecting 5.5 percent growth to occur on the same basis that Schacht achieved high "growth" in Germany between 1933 and 1937. The "ghost in the machine" the *Financial Times* fears speaks fluent German.

— David Goldman

Inflation Vs. Illiquidity

BUSINESS OUTLOOK

While the bulk of the bank and investment house market letters are painting a rosy picture of the U.S. economy — bubbling over about the favorable technical conditions in the money markets, the coming boom in business spending, and so forth — insiders at the same institutions are operating on the basis of an entirely different set of economic expectations. The insiders' view does leak out into the public from time to time — for example, in *New York Times*' Leonard Silk's column June 23. Silk there promoted the views of Harvard Professor Daniel Bell, one of the authors of the "quality of life" Triple Revolution doctrine. Bell, says Silk, finds "striking parallels" between today and the 1920s and 30s, and says that today's insoluble crisis is inflation. Bell then asks blithely whether democracy has a future.

The inflation specter was also high on the agenda of a recent private meeting of government and private sector financial leaders, where the use of interest rate manipulations for psychological effect was freely discussed.

But the scope of this insiders' meeting was much broader. After admitting that the LDC debt situation was a "difficult" one, the attendees hammered out a strategy of getting the U.S. government, not the banks, to underwrite the risks of the upcoming debt rollovers and of manipulating upward commodity prices — on the model of coffee — to support debt repayments. Part of the international strategy involves mixing the straight refinancing with loans for some Third World "development" projects, both to attract the capital of regional and other conservative bankers and to provide

the countries with some means of earning foreign exchange to repay their debts.

On the domestic side, the program is energy conservation and austerity — specifically the elimination of "cost of living clause-induced inflation." Energy "development" e.g., coal gasification, which according to sources at the Washington Federal Reserve is Fed chief Arthur Burns' latest all-consuming interest — will be thrown out as the capital formation bone.

Inflation vs. Illiquidity

But anyone who looks beyond the barrage of government economic statistics every month fully appreciates the Silk-Bell 1930s analog. The U.S. economy is caught in a bind, where it faces either inflation, on the one hand, or illiquidity, on the other. In May the rise in consumer prices slowed to a 7.2 percent annual pace. The slowing of both industrial and now food prices, however, threatens to plunge both of those sectors into bankruptcy. The big change in consumer prices last month came in the break in food prices. Fresh vegetable prices dropped 13.5 percent, while supermarket prices of fresh fruits, eggs, and beef also fell. The threat that wheat prices might go through the ceiling is over; wheat prices fell below government support price levels last week on the news of the harvesting of an unusually large and rich wheat crop. However, the other side to this good news is the fact that a record harvest, taken together with the drop in grain exports, threatens the heavily indebted farm sector — and its regional banks creditors — with extreme illiquidity.

The rise in industrial prices has been slowing down since early March. Between last October and early March, the Bureau of Labor Statistics index of 13 industrial materials prices rose 11.6 percent; but early March through mid-May the index was flat, and in the last four weeks it has lost 4.9 percent. The *Journal of*

Commerce index of 15 industrial materials prices rose 11.6 percent; but early March through mid-May the index was flat, and in the last four weeks it has lost 4.9 percent. The *Journal of Commerce* index of 15 industrial materials puts current dollar prices today over ten percent below where they were a year ago.

The effect of falling industrial materials prices is already evident in the copper industry, where the U.S. producers are clearly trying to provoke a lengthy strike — with an offer of ten cents over three years and indexing of the workers' COL to the plunging copper price — to work off world copper stockpiles and raise the plunging price. During the Great Depression, the copper cartel was one of the first to break.

In his latest market letter J. Roger Wallace of Gilbert Haas, Inc., the only Wall Street economist to predict the 1974 inventory bust, points out just how miserable corporate profits really are. Adjusted for inflation, first quarter 1977 earnings of \$87.6 billion (seasonally adjusted annual rate) were slightly below similarly adjusted fourth quarter 1976 earnings! "This was the first such decline since the first quarter of 1975, where business was in a tailspin," writes Wallace. Wallace also points out, incidentally, that the much touted rise in business equipment expenditures in the first quarter (the bulk of "plant and equipment" expenditures) was approximately 70 percent due to purchases of new autos and trucks for business use!

Our own analysis shows that during the first quarter of

the year the internal cash flow situation of U.S. non-financial corporations continued to worsen. While the aggregate of nonfinancial corporations were running a negative cash-flow position of approximately \$20 billion over 1976, in the first quarter that figure jumped to over \$25 billion. This exercise, which measures retained earnings against plant and equipment and inventory expenditures, where both are adjusted to reflect inflated replacement costs, underlines the effect of inflation on corporate operations. Under conditions where corporations are forced to pass along price increases to each other, their plant and equipment and inventory expenditures outstrip their earnings at an accelerating pace.

The only way out of this bind is a new credit system and conditions of worldwide development and demand for U.S. capital goods exports. Short of this, there are only a variety of swindles. One leading New York investment house is investigating the legality of selling foreign securities to pension funds — presumably, bailing out their foreign investments.

More conventional is the push to extract profits out of wages — stop "COL-induced inflation." But this is no less a swindle than the above scheme to universalize the Big MAC principle. Depressing the standard of living of the workforce will at the very best produce a short-term, one-time boost to profits — at the expense of long-term destruction of productivity and real profits.

Mediterranean, Scandinavian Countries Bankrupt; OECD Paralyzed

FOREIGN EXCHANGE

The annual ministerial meeting of the Organization for Economic Cooperation and Development (OECD) has started in Paris with the insoluble problem of debt affecting the smaller member countries of the Mediterranean region and Scandinavia at the top of its agenda. There is now no way for some of the 24 more developed nations of the West to pay their debts in 1977 without ruining whole sectors of their economies and destroying their ability to survive as industrial entities. The official debt-service ratios in 1977 — percentage of annual debt-payments to annual exports — cannot be met by such OECD countries as Turkey, Greece, Spain, Portugal, Finland, or even Norway, whose figures vary between an incredible 93 percent for Turkey to 23 percent for Norway. (See Table on Page 8)

Mediterranean Bankruptcy

The more spectacular cases are Greece and Turkey, but Spain and Portugal are not in a much better shape.

Up to the 1973 oil embargo hoax, those countries were building up a relatively viable industrial sector,

balancing their imports of equipment goods for that purpose with exports of "Mediterranean" agricultural products and resources based upon tourism and remittances sent by guestworkers employed in Western Europe, mainly in France, Belgium, and West Germany. Since then, the increase in oil prices has sent their trade balances into high deficits, and their current account resources have been drastically cut as a result of the world crisis. Tourism has decreased and guestworkers bear the heaviest burden of unemployment in Western Europe.

Countries making the greatest industrial effort have reached unbearable balance of payments deficits: Turkey's is estimated at \$2.5-3 billion and Spain's at \$4-4.5 billion. In the case of Spain, this is an amount equivalent to that of its foreign exchange reserves; in the case of Turkey, five to six times the reserve. Portugal and Greece are in a relatively better financial position, only due to the fact that their industrial effort has been in the preceding period. Greece's debt is therefore more evenly distributed in the future than Turkey's, which has for the past two years based its industrialization and long-term infrastructure equipment on short-term capital inflows through accounts in "convertible lira" favorable to speculation which now come due. Portugal has a heavy \$1.1 billion balance of payment deficit and a quickly expanding debt, but its debt-service ratio is still

comparatively limited due to the policy of no indebtedness and no industrialization of the Salazar regime.

Nonetheless, this means that both Greece and Portugal will need increased borrowing to build up a viable industrial structure and therefore be soon compelled to face similar or worse situations than those affecting Spain and Turkey. Greece's debt-service ratio is already very high in 1977 (30 percent) and the percentage of its total debt to its annual exports of goods and services is over 100 percent.

For all these countries, the increase in the debt-service ratios between 1976 (Source: *World Financial Markets*, Morgan Guaranty, June 1977) and 1977 (Source: Bank for International Settlements) measures the deep impact of the collapse: Turkey is up from 9.9 to 93 percent, Spain is up from 9.1 to 29 percent, Greece is up from 11.1 to 30 percent and Portugal is up from 12.5 to 17 percent. To these countries should also be added the case of Yugoslavia, whose debt-ratio is down to 13 percent in 1977 from 15.3 percent in 1976, but whose total debt represents 85 percent of its annual exports, a figure superior to those for Portugal and Spain (75 percent in both cases).

Moreover, the foreign exchange reserves of those countries is either close to nothing (\$0.8 billion for Greece and \$0.5 billion for Turkey) or relatively limited compared to the current account deficit as in the case of Spain.

End of the "Welfare States"

The worse psychological aspect of the crisis for the OECD governments is that the debt squeeze is not limited to the borders of the Third World or contained in the Mediterranean region, but spreads into the so-called welfare states of Scandinavia and threatens the existence of the "Swedish model."

In the short term, the two more affected countries are Norway and Finland, with debt-service ratios of 23 and 25 percent respectively in 1977. Norway's total debt represents approximately 180 percent of its annual exports, and its balance of payments deficit in 1977 is at about two-thirds of its total exports. Despite such obvious problems, the May 17 *Financial Times* of London describes Norway as "an unusual saga of economic success" because the growth rate progression of the country has reached 5.7 percent in 1976 and is expected to reach about 8 percent this year. But the real saga is one of "oil bet," an uneven economic development based on commodity speculation: while 90 percent of the net capital investment had been covered by savings in 1973, more than half had been financed externally in 1976.

Finland, which has limited foreign exchange reserves, is confronted with a 150 percent increase in its debt-service ratio between 1976 and 1977, up from 10.3 to 25 percent. Its total debt is at about 130 percent of its annual exports, while a progressive reduction of its balance of payments deficit — still at \$1 billion in 1977 — would only foster the economic collapse, being mainly based on import cuts.

Denmark and Sweden, reputedly the more solid economies in the North, are facing high balance of payment deficits: \$2.5-3 billion for Sweden and around \$1.5 billion for Denmark in 1977. Their total debt

represents around 75-80 percent of their annual exports, a rate equivalent to that of Spain and Portugal! Worse, their rate of increase of the debt is extremely high, precisely because of the current account deficit.

As mentioned by *World Financial Markets* (Morgan Guaranty, May 1977), "one striking fact about the current account deficits in the Scandinavian countries has been not only their fairly substantial absolute size, but their exceptionally large dimensions in relative terms."

The case of Sweden is exemplary. After having been in surplus in 1973, Sweden's balance of payments has recorded deficits of 4.2 billion Swedish Kröner in 1974, Kr. 6.7 billion in 1975, Kr. 10.5 billion last year and, according to the latest Economic Ministry estimate, should reach Kr. 12.5 billion this year. Swedish foreign exchange reserves, at about \$1.7 billion, are at 50-60 percent of what they were two or three years ago. The traditional symbols of Swedish excellence — the shipbuilding, steel and paper industries — are all in shambles under general conditions of economic contraction in Europe.

A devaluation of the Scandinavian currencies has been avoided only because of West German and Dutch support. Relatively low domestic interest rates imposed by the government and ample liquidity have prompted vigorous lending to nonresidents by West German banks, while Dutch authorities also have lowered their interest rates and eased the conditions applying to nonresident bond issues in the Netherlands since the autumn of 1976. Much of the capital outflow from Germany and Holland has been directed to Scandinavian countries. The Nordic members of the "European snake" have induced correspondingly large-scale inflows by the traditional means of maintaining high interest rates and tight credit conditions in domestic money markets which are largely isolated from international markets by extensive exchange controls.

It is precisely such a mechanism of regulation through ever-increasing indebtedness which has reached its ultimate duration of efficiency.

Italy and France

Even such big Western European countries as Italy are now being affected by the debt disease. Italy's percentage of total debt to annual exports (66 percent) is not far from the 75 percent of Spain and Portugal. France is now at 45 percent, and both countries have to fall more and more into foreign indebtedness to finance the development of the public sectors of their economies and compensate the negative capital formation of their private sectors.

True, both countries still have relatively high foreign exchange reserves — \$13.5 billion for Italy and \$18.5 billion for France — and their 1977 balance of payment deficits are supposed to be cut to nearly zero for Italy and to about \$4.5-5 billion for France. But, such a relative regulation would be done at the expense of economic growth. It is scheduled to be based on import cuts and the limitation of indebtedness — which means a process of deindustrialization and self-imposed or International Monetary Fund-imposed austerity. In other terms, France and Italy are on the verge of reaching debt-service ratios comparable to those of Portugal and

Debt Situation Of The Mediterranean And Scandinavian Countries

(BILLIONS OF DOLLARS)

	Balance of Payments Deficit in 1977 (estimations)	Long-Term Debt (over 1 year)	1977 Debt Service and Short-Term Debt to Banks	Total Debt	1977 Debt Service, Short-Term Debt, Future Trade Debt and the end of 1977)	Percentage of Total Debt to Approximate Annual Exports of Goods and Services (gold and currencies)	(A) Official Debt-Service Ratios in 1976 (% of exports)	(B) Official Debt-Service Ratios in 1977 (% of exports)	
MEDITERRANEAN									
GREECE	1.1	4.5	1.0	5.5	1.1	115%	0.8	11.1%	30%
TURKEY	2.5-3	5.0	2.0	7.0	3.0	150	0.5	9.9	93
PORTUGAL	1.1	3.0	1.0	4.5	1.1	75		12.5	17
SPAIN	4-4.5	12.0	3.0	15.0	4-5	75	4.5-5	9.1	29
ITALY	0 - 4	20.0	10.0	30.0	11.0	66	13.5 *	5.4	
FRANCE	4.5-5	26.0	9.0	35.0	10.0	45	18.5 *	7.7	
YUGOSLAVIA	0.5-0.8	8.0	0.6	8.6	0.5-1.0	85		15.3	13
SCANDINAVIAN									
SWEDEN	2.5-3			12.0		75	1.7		
NORWAY	3.5-4	10.5	2.5	13.0	3.5-4	180			23
DENMARK	1.5	9.0	3.0	12.0	3.0	80		7.5	
FINLAND	1.0	6.7	1.8	10.0	1.8	130		10.3	25

NOTES:

* GOLD REVALUED AT MARKET PRICES

(A) NEW YORK BANK ESTIMATIONS AND WORLD FINANCIAL MARKETS
(PUBLISHED BY MORGAN GUARANTY)

(B) BANK FOR INTERNATIONAL SETTLEMENTS ANNUAL REPORTS

SOURCE: N.Y. BANKS, OECD ANNUAL REPORTS

Greece in 1976 or start a process of economic collapse. Up to now, both countries have maintained their industrial sectors — not without collapsing such branches as steel and machine tool — only through indebtedness on the international markets and relending to the East Bloc and Third World to foster exports in those areas at the expense of the “strong currency” economies like West Germany.

Now, the ultimate duration of efficiency of such a borrowing and relending system has been reached with the collapse of the Third World countries (Mexico, Brazil or Turkey, with debt service ratios of respectively 170, 51, and 93 percent cannot import and pay their debts), and the import cuts of the East Bloc. This means that even independently of their unstable political situation, France and Italy have to be dragged into the spiraling breakdown.

The vulnerability of the whole world monetary system is exponentially increased by the effects of the crisis on the OECD countries. The extension of the crisis occurs precisely at a point when eurocurrency bank credits are shifting from exhausted Third World countries to the OECD industrial countries. For the January-May period, the developing countries (non-OPEC) got \$4.67 billion in 1976 and only \$3.63 billion in 1977, while the industrial countries increased their share from \$3.62 billion in 1976 to \$5.38 billion in 1977. France, the United Kingdom and Spain have been the key borrowers: France went from \$700 million up to \$1.3 billion, the United Kingdom from \$661 million to \$1.57 billion, and Spain from \$274 million to

\$495 million. The increases in the shares of the Scandinavian countries are comparable. As it always occurs in periods of breakdown crisis, the highest increases in indebtedness hit the countries which are becoming the most vulnerable. Moreover, those countries “carry the disease” by relending as long as it is possible to nations unable to meet the standards of the international markets themselves.

OECD Paralysis

Faced with such direct, now internal threats, the OECD countries are unable to act by themselves.

The presence at their meeting of U.S. Treasury Secretary Michael Blumenthal and Secretary of State Cyrus Vance has apparently paralyzed all initiatives and public discussions about debt-freezing, a new world monetary order or gold-based monetary arrangements. Therefore, the senior officials and international economists in Paris have been reduced to think in their own old terms: “heighten pressure on them (indebted countries) to devalue their currencies in hope of giving their exports a competitive price edge,” or “tighten budgetary belts against inflation.” But, they themselves know very well that this is absurd. They acknowledge, as put by the June 23 *Wall Street Journal*, that “with unemployment already high, slower growth raises the risks of protectionist curbs against imports.” In other words, there is no way to increase export-incomes for a sizeable number of currently indebted countries, even at the cost of the most murderous austerity, under con-

ditions of trade and production contraction.

Moreover, the New York banks and their associates fear expanding political resistance to their moves. In the Scandinavian countries, says the *Wall Street Journal*, "workers have come to take their lofty living standards very much for granted." What the *Wall Street Journal* does not say but that senior economists at Citibank know very well is that a double-digit devaluation imposed on Sweden would trigger a process of unemployment and wage collapse, and therefore give the final blow to the "Swedish model" of social control through relatively high wages and self-induced social obedience. In turn, this would immediately weaken the agents of the dollar system in the West European social democracies, and accelerate the move toward a new monetary system.

As for countries like Spain, Portugal or Turkey, international bankers are terrified by the potential resistance against their austerity policies. The government of Turkey is refusing the conditions of austerity and deindustrialization that the International Monetary Fund and World Bank are trying to impose upon its economy, while the newly elected Spanish government is

multiplying diplomatic initiatives toward the East Bloc and the Arab countries to such an extent that the June 21 *Financial Times* already sees in Spain a "nonaligned" country. The fears of the international bankers have been properly expressed by an economist quoted by the *Wall Street Journal*: "there isn't much margin for squeezing people without getting a revolution."

Paralyzed by their conflicting fears of the U.S.-based international bankers and their terror to see their economies looted and have to face social upsurges, the OECD governments have tried to compromise and find such expedients as the \$750 million loan to Portugal — accepted after much discussion by the Western European governments and bankers under the leadership of their U.S. counterparts. Such an amount of money represents, at best, a breathing space of some months; at least \$1.5 billion was needed only to maintain the industrial infrastructure and the rural equipment of Portugal for one year. Such impotent hesitations are extremely dangerous at this point. They leave room to the New York banks for a desperate counteroffensive by all means and at any costs.

How To Buy Gold In Today's Markets

GOLD

The following statement was released on June 20 by Lyndon H. LaRouche, Jr., U.S. Labor Party chairman and Presidential candidate.

Some significant gold purchasers are presently assessing the problem of how to buy large amounts of gold bullion without contributing to a speculator's market. There is no fundamental difficulty to be feared. Some will be astonished that I explain the solution publicly (rather than in sealed, confidential memo by special messenger). The opposition could not gain against an intelligent application of the method I now openly explain.

Principles of Gold Price

Under a world monetary system based on a gold reserve principle, the price of gold is based on the following considerations. First, one must estimate the amount of gold reserves required. Second, one must determine the average price of purchase of gold from producers in terms of world production levels based on those volumes.

For example, the case of gold from the Republic of South Africa. This will require improved (higher-cost) mine maintenance and development than is presently prevailing, and will also have to absorb a significantly higher average wage for mine workers. Otherwise this nation is not a stable source of gold production according to its potential. In general, under those stipulations, southern African gold would tend to set the world-price

level, and would determine or tend to determine the extent at which other mining comes into production.

Under a new monetary system, gold will move between the current trend-price and the South African price-level to be stabilized approximately five years hence. Thereafter, that gold-price five years hence will tend to become the permanent price of gold, for obvious and principled reasons.

Large buyers of gold bullion should therefore concentrate on looking up producer sources of bullion stocks, and falling back to secondary markets as a secondary, supplementary tactic. In the case of South Africa, this dealing with producers must be tied to a political solution of the southern Africa issues. In general, the objective should be to stabilize a present and forward price-level for gold bullion based on purchase agreements with large-volume gold-producers, with operations in secondary markets to balance this primary tactic.

The Speculators

With a sufficiently firm and astute policy, large-volume gold purchasers deploying hard reserves for this purpose can amuse themselves by bankrupting any monetarist who attempts to foul the market for gold with various speculative antics.

I illustrate a few sample cases. These do not cover all variations, but the examples given are sufficient to indicate the range of measures to be followed.

The basic principle to remember, once the principle of long-term price is understood, is that gold hoards are useful only to large-volume purchasers who intend to employ bullion stocks for hard-commodity reserves in a new, gold-based world monetary system. Anyone who attempts to hoard gold for any other purpose under any other policy is intrinsically vulnerable, and can be given a financial bath by any powerful combination of the pro-

monetary-gold opposition.

So, if gold is dumped in the effort to drive down the price, *buy*. If it goes above the price-trend through purchase by speculators, let them hold it *for as long as they are able*. In general, "average" the purchase-price for all secular movements caused by gold purchases for monetary use, and stay away from price rises caused by purchases for speculation or counter-measures. In sum, if price rises up toward a stable price of production of

gold for world monetary needs are caused by purchasers for monetary purposes, the upward price movement tends to be sound. If the monetarist speculators move up the price, bring down the market. The tactic works as long as the approach is based on purchases of gold production as the primary approach.

Have fun. It's all for the good of the world economy, anyway. Doing the right thing for humanity can also be a source of pleasure.

Steel: The 'Over-Capacity' Delusion

STEEL

The U.S. steel industry's loud cries for government action against foreign steel imports stem from motives exactly opposite to those which prompted Federalist Alexander Hamilton's 1791 proposals for a tariff system to protect developing U.S. industry from the encroachment of British monetarism. The leaders of the current protectionist drive aren't interested in producing steel or anything else. These monetarists are out to protect the equity values attached to their decrepit plant and equipment, through artificially high steel prices and effective cuts in steelworkers' wages.

The same steel industry monetarists who today are screaming for protection against Japanese and European steel actually promoted a policy of developing steel industries abroad — to save themselves the cost of developing a modern steel industry and expanding the skilled workforce in the United States. Now that this policy is collapsing, along with world consumption of steel, and threatening their price and profit structure, they want the government to save them from "cheap imports." Moreover, they are calling on U.S. steelworkers to voluntarily descend to the level of "cheap foreign labor" in the interest of making the industry "competitive."

In documents such as the American Iron and Steel Institute's recently released white paper on "The Economics of International Steel Trade," these steel producers point to the threat of the government-assisted development of steel industries around the world. This, they protest, has led to an "oversupply" of steel capacity worldwide and now to the "dumping" of steel on U.S. shores.

Underconsumption

Yet it could not be plainer that the problem facing the world steel industry is one of *underconsumption* of steel, not surplus capacity to produce it.

Between the peak year of 1973 and 1976, steel consumption in the U.S., Japan, and Western Europe collapsed by over 20 percent, in tandem with a comparable decline in the output of capital goods for use in the advanced sector and for export to the developing countries. In the developing sector, the part of the world

where steel consumption should be accelerating the fastest, consumption in 1976 was no greater than in the peak year of 1974, thanks to the import-slashing austerity programs imposed by the same New York-based financial interests that dominate the steel industry itself.

Throughout most of the post-war era it was U.S. monetarist policy to develop the Japanese and West German steel industries on the basis of cheap labor, while systematically allowing the U.S. industry to fall into ruins. Thus it was no accident that in 1951 the U.S. produced roughly 45 percent of the world's steel output, while in 1976 it produced barely 15 percent. If Japanese and European steel imports hadn't been available in the peak consumption years of 1973 and 1974, there would have been a severe shortage of steel in the U.S., and U.S. industry would have ground to a halt.

It was only when world steel consumption fell off the precipice in 1975 that the howls about cheap imports went up. In fact, throughout the 1971-1974 period the U.S. was actually importing more steel than it is now — some 19.6 million tons in both 1971 and 1972, compared with around 15 million tons in 1976, the year of the "Japanese invasion" and the current annual rate of 13 million tons.

And while U.S. steelmakers now portray themselves as innocent victims of government-subsidized foreign steelmakers, it should be noted that in the peak consumption years of 1973 and 1974, when the U.S. imported 17.0 and 17.9 million tons respectively, U.S. producers were taking advantage of the devaluation of the dollar, turning wage-price controls into a virtue, and sharply increasing their exports to the rest of the world. During those years many U.S. industries were forced to buy imported steel, which was selling for as much as \$100 a ton or 25 percent more than domestic steel.

As late as 1974 the New York banks and related institutions were clamoring for the development of steel industries in the Third World, based on the same monetarist logic as the decision to develop the Japanese and West German steel industries over against that of the U.S.

But today the American Iron and Steel Institute is inveighing against the rampant expansion plans of the Brazilian, Mexican, South Korean, South African, and Spanish state-owned or state-assisted steel industries — now that those industries are out of New York's control and world steel consumption has been forcibly depressed.

'Over-Capacity'

The collapse of steel consumption in the advanced

capitalist countries is the direct product of the stagnation both of capital formation within the advanced sector and of capital exports to the developing world. In the U.S. the recent apparent high rate of capacity utilization in the industry reflected hedge buying in anticipation of the June 19 steel price hike and little else. Last year steel consumption was off 15 percent from 1973. Shipments of flat rolled steel, used in autos and home appliances, are still trailing 1973 levels. Shipments of structural steel and heavy plates — the types of steel used in the production of machinery, aircraft, shipbuilding, and construction — are off sharply from previous levels. Last year steel shipments to the automotive industry were 8 percent below 1973, and shipments to the machinery industry were off 19 percent. Shipments to the construction industry were off 36 percent from 1974, the peak year for that industry.

The recent Chapter 11 bankruptcy of Alan Wood Steel in eastern Pennsylvania tells the story graphically. One of Alan Wood's principal products was heavy plates for the Mid-Atlantic capital goods and construction industries and the shipbuilding industry all along the Atlantic coast. The collapse of orders from those sectors made it impossible for Alan Wood to go on servicing its debt on schedule, so the banks pulled the plug.

This is still only half of the story, however, for a critical margin of U.S. steel consumption goes into the country's exports of capital goods abroad. In volume terms, U.S. exports of machinery to the developing sector are currently down at least 10 percent from a year ago, while exports of machinery to Western Europe and Japan are off only slightly less. In the case of Europe and Japan, this margin is far more critical. The stifling of Third World development by the International Monetary Fund and allied monetarist institutions has knocked out the Third World markets for Europe and Japan's capital goods exports and dealt a devastating blow to their capital goods and steel industries.

What's Wrong With Protectionism?

Under these conditions of collapse the American Iron and Steel Institute has suddenly discovered an oversupply of steel capacity around the world! As of this week, major steel mills around the country have sent out letters to their suppliers informing them that government-subsidized foreign steel industries are selling steel at a discount in the U.S. market, at the expense of the U.S. steel industry and its workers, and urging executives and employees to write to President Carter to save their jobs and their industry.

Protectionism — the type the American Iron and Steel Institute is demanding — was tried once before. It precipitated the 1930s depression and World War II. Any worker who thinks that protectionist import barriers will

save his job is forgetting that Europe and Japan would be forced to retaliate by slapping down barriers against U.S. exports. It is a little-publicized fact that while U.S. exports to the developing sector and the East bloc have fallen precipitously over the last year, U.S. exports to Europe and Japan, taking advantage of the depreciation of the dollar, have actually increased significantly and held total exports up.

One bait the Administration is holding out to U.S. industrialists and workers alike is a series of three "tanker preference" bills, which would require that U.S. oil imports be carried in U.S. flag ships. This boon for the shipbuilding and steel industries is pure illusion. As the Norwegian Ambassador to the U.S. warned recently, these bills "could create the most serious consequences for international shipping and trade." Passage of the tanker preference bills and adoption of other protectionist measures would plunge the world into trade war and economic chaos where there would be little need for new U.S.-built tankers.

How about war production? Wouldn't the production of the B-1 bomber and so forth create a surge in demand for a full range of currently depressed steel lines? In contrast to the 1930s, the Soviet Union has made it clear that it will not tolerate an arms buildup in a fascized United States, and that should one begin, this nation's steel capacity would be melted down by Soviet atomic weapons in a matter of seconds — a very short boom.

One of the saner voices among the protectionist din is that of President of Inland Steel, Michael Tenenbaum, who in a speech last winter spoke favorably of the forced development of national steel industries in foreign countries, and held such dirigism up as a model for the U.S. "If there is anything that stands out in the patterns that have been described," said Tenenbaum at the close of his speech, "it is the fact that the most impressive progress has been attained where a high national priority was assigned to steel expansion goals so as to promote the construction of large, completely integrated plants."

In contrast to the "impressive" expansion of foreign steel industries, the U.S. industry has stagnated under the combined weight of accumulated debt and profit obligations and government environmental regulations. Over the last quarter century, while U.S. steel production increased by a mere 30 percent, European production tripled, East bloc production increased 6 times, and Japanese production jumped by 20 times. The great danger is that this capacity will stand idle or be scrapped — by the free-enterprise method of bankruptcy in the U.S. or by planned rationalization in Europe.

— by Lydia Dittler
and Joe Stein

Uranium Cartel Scandal Covers 'Watergate' Against Rocky's Enemies

SPECIAL REPORT

New revelations regarding the now-famous "uranium cartel scandal" confirm that the Rockefeller financial interests are using what the *London Financial Times* called "the incredible Westinghouse affair with its worldwide legal ramifications" to begin "Watergate"-style attacks on several corporations and governments and to pave the way for the Carter Administration's world anti-energy program.

Investigations into the affair have already been begun by the U.S. Congressional Oversight and Investigations Committee chaired by Rep. John Moss (D-Cal), the U.S. Department of Justice, a Federal Grand Jury, and the New York State Assembly's Office of Legislative Oversight and Analysis. The scandal atmosphere for these Watergate-type probes was set in London this week, where the chairman of the powerful Rio Tinto Zinc Corporation, Sir Mark Turner, appeared at a precedent-setting hearing before U.S. Federal District Judge Robert Mehridge at a makeshift courtroom in the U.S. Embassy building. Sir Mark pleaded the Fifth Amendment to the U.S. Constitution as a defense against self-incrimination.

The Canadian government, one of the top targets of Rockefeller financial destabilization, has been the first to denounce the probes as politically motivated. Canadian Finance Minister Donald MacDonald angrily condemned the U.S. Congressional investigations into the matter, including involvement of Canadian government officials insisting that Canada had become involved in order to protect its uranium industry from "predatory" pricing policies of the U.S. companies which, he alleged, had received support from Washington. MacDonald urged President Carter to stop the Congressional investigation, "If he wanted good relations with Canada."

At the center of the storm is an international conspiracy orchestrated by Rio Tinto Zinc in 1972 involving at least 28 major mining companies and several governments including Australia, Canada, the United States, Britain, France and South Africa, which rigged up the price of yellow cake uranium nearly 800 percent from 1972 to 1976. The story broke when the Westinghouse Corporation was unable to deliver uranium to several U.S. utilities because of the price increase, and was sued by them for breach of contract. In the fall of 1976, Westinghouse sued the mining companies for damages resulting from their conspiracy. Gulf Oil Company, which has been targeted in the recent investigations, was

a defendant in the Westinghouse suit because Gulf's uranium mining subsidiary in Canada had participated as a conspirator.

While the original affair was largely a matter of predominantly non-Rockefeller multinationals attempting to swindle more out of the world market, the current scandal is being engineered by the Rockefeller interests to weaken their opponents in government and industry and to generally disrupt the world production of uranium — a disruption which would fit exactly the Carter-Trilateral Administration's plans for the end of nuclear energy use.

Canada has been hit by U.S. court disclosures of classified Ottawa documents, detailing government complexity in the scandal. The French Atomic Energy Authority, (FAEA), which has consistently opposed the Carter Administration's anti-nuclear energy policies, has been attacked because the headquarters of the uranium cartel was located in independent offices inside the headquarters building of the FAEA. Gulf and Westinghouse, long-time rivals of Rockefeller's Exxon and General Electric, have been maneuvered into center-stage, tearing each other apart.

Sam Harris Connection

Ignored in the affair has been the curious role of RTZ attorney-director and former head of "Wall Street Lawyers for Carter," Sam Harris. Named several times in the Westinghouse legal brief, Harris is a director of RTZ (UK), RTZ's Canadian subsidiary Rio Algom and RTZ's U.S. subsidiaries. Harris is believed to be responsible for the scandal, acting as a Trojan Horse inside the cartel.

The original documents which led to public exposure of the conspiracy were "leaked" last year to the zero-growth-environmentalist Friends of the Earth (FOE) by Kathleen Uranium, an Australian RTZ subsidiary! FOE is funded by the Kaplan Fund, which is represented by the Harris firm. In 1967 *Newsweek* identified the Kaplan Fund as a CIA conduit. During recent weeks, charges have been raised that the CIA had infiltrated Australian labor unions and meddled in the affairs of the Australian government. Public reports from this winter indicate that FOE in Australia had been very active within Australian transport workers unions, successfully lobbying against uranium exports — in conformity with RTZ's policy of reducing Australian uranium exports in favor of South African uranium exports. On June 17, the *Montreal Gazette* revealed that one of the motivating purposes of RTZ in the conspiracy was to insure that its large Rossing uranium mine in South West Africa would be profitable.

SEC Scandal: Factional Free-For-All Overtakes Lower Manhattan

BANKING

With Wall Street an "every man for himself" disaster zone, the uneasy alliance between David Rockefeller's New York banks and the Lazard Freres-Rothschild financial interests is threatening to turn into a donnybrook.

Felix Rohatyn, the Lazard Freres investment bank's "fixer," has been taking public pot-shots at Rockefeller's heavy-handed bludgeoning of New York City, castigating the banks' lack of "responsibility" in the city's financial crisis. It is an open secret that Rohatyn, whose "fixer" role in bankrupt New York is modeled on the "wizardry" of Nazi Finance Minister Hjalmar Schacht, favors a sweeping bank reorganization which would create a fascist, austerity-based banking system — at the expense of much of David Rockefeller's financial power.

The fight is erupting on many levels. The New York press banner-headlines a new scandal virtually every day. One of the most serious is an impending report by the Securities Exchange Commission which tops an 18-month investigation of financial improprieties in the New York City crisis.

As of this writing, the primary target of the SEC probe appears to be David Rockefeller's New York banks. Drawing on a parallel investigation of these banks by William Haddad's State Legislative Oversight Committee, the SEC is considering pressing charges over the banks' fraudulent dumping of New York City securities in 1975, which triggered the unsalability of New York municipal bonds and resultant crisis. The State Assembly Banking Committee held hearings on this matter in early April, and Haddad subsequently subpoenaed the relevant documents of four New York banks and three investment houses, returnable this Thursday. The banks, with no intention of complying with the subpoenas and having stonewalled on similar SEC requests, now face imminent court action.

Rocky Fights Back

Rockefeller, however, seems to be fighting back. State Assembly Speaker Stanley Steingut, leader of the "old-line" Democrats with whom Haddad is presently allied, has once again been threatened with indictment for "corruption." When Haddad zeroed in on the commercial banks in April, Rockefeller dragged up the "redline" scandal, especially accusing Brooklyn savings banks for refusing to invest in deteriorating slum housing. These banks are a key power base of Steingut's machine, and the operation has significantly slowed Haddad's offensive. In addition, Rockefeller's New York City press has taken daily target practice on every aspect of city and state services — welfare and medical fraud, education waste, official corruption. On the same day the SEC probe broke into print, it was heavily pitted against a heavily publicized story that no less than 250 judges statewide had fixed traffic tickets!

For all the sound and fury, however, the Lazard Freres offensive against the Rockefeller banks is going nowhere. Weakly begun last winter by the U.S. House and Senate Banking Committees, the banking reorganization scheme is now totally stalled, for fear that Congressional conservatives will lay hands on the plan and turn it into an opportunity to implement some form of Third National Bank — ending *both* Rockefeller and Rohatyn's debt-collection austerity for good. As a result, the banking committees are in total disarray on the New York City issue: Reuss's House Committee is doing nothing, and Proxmire's Senate Committee is torpidly waiting for a staff report.

The chaos has Wall Street insiders terrified. "The party is over," moaned a senior official at the Citizens' Budget Commission, a top New York research outfit, to a Labor Party representative during discussion of the party's Third National Bank proposal. "We don't have the time to futz around like this. All hell is going to break loose and a lot of heads will roll. If the banks are going to get burned like you say, we better sit down and discuss how we get a whole new structure."

Anti-Nuclear Spokesman Fudges Facts

June 20 — An interview with Theodore Taylor of the Princeton University Program on Nuclear Policy Alternatives has revealed the latest twist in the Carter Administration's anti-energy policy: Taylor called for the development of the thorium breeder reactor — *since it doesn't work* and will help justify the implementation of vastly more inefficient solar energy.

In an Op-Ed in the New York Times earlier this year, Taylor claimed that the thorium cycle breeder is relatively free from the "dangers inherent in the plutonium cycle." Specifically, terrorists would find it more difficult to manufacture a bomb from the thorium cycle's U-233.

Since thorium reactors probably won't even breed, or will do so only marginally, they would have little or no effect on the need for reactor fuel. In addition, the most

feasible way to produce the U-233 fuel is to use the neutrons from a reactor using plutonium, so why not just produce plutonium in the first place.

In response to questions on the drawbacks of the thorium breeder, versus the vitally needed fast breeder, Taylor pointed out that he expects solar energy to be implemented soon, so that the long-term fuel solution provided by the fast breeder is not really necessary.

Taylor suggests, "We should get rid of all the plutonium by creating U-233. I won't say it is the most toxic substance in the world, but it is very, very bad." As for fusion energy, "You know that the fusion reaction is the same as the H-bomb. Since the technologies are related, there could be spill over from fusion to bomb building."

Within 50 years, Taylor says, about one percent of the earth's land mass can be covered with solar collectors. Taylor neglected to mention that the sun is also "the same as the H-bomb," and that solar collectors are just the most expensive and inefficient way of harnessing a fusion reaction.

Design Breakthrough Of Internal Combustion Engines Stymied

At least three devices or processes which would result in large savings of fuel are being kept from both public knowledge and development by industry and government agencies. This is no old chestnut about dropping a pill in a tank of water to turn it into gasoline — these are proven systems. One of these processes involves additives to petroleum which increase its efficiency by 25 to 30 percent in actual industrial tests.

This publication has previously described novel methods of desalination and iron ore reduction that would almost immediately save quadrillions of BTUs, freeing the energy for expansion of the economy, while at the same time doubling food and steel production and providing desperately needed water. The inventors of these processes have resisted enormous pressure to maintain a commitment to the implementation of their systems. The story of the isolated inventor of the additive in question and his process can serve as a demonstration of the manner of control used by the hypocritical individuals hiding and destroying new technologies while preaching energy conservation.

The people involved in the production and testing of this process have asked to remain anonymous for the present and therefore the documentation and testimony concerning this material cannot be published here. A later report will present the evidence in a much more detailed way.

The process was discovered almost by accident in internal combustion engines. After extensive although not well-documented scientifically monitored tests demonstrated a very large saving in gasoline mileage, the inventor observed the effect in a continuous hydrocarbon flame. This led to the testing in external combustion engines where the results were more dramatic and more easily monitored and controlled.

According to the inventor, the process requires an additive to increase the heat of the reaction in the flame and another component to keep the energy release from becoming excessive. The proper combination requires a high degree of experience with the process for proper and safe operation. This is especially true since so far there is no satisfactory scientific explanation of how the energy output is increased.

When improvements and further testing convinced the inventor that his process was effective and viable, he rather naively tried to demonstrate and market the system quickly. As in the case of the desalination and steel production processes, he soon found that the effectiveness of the process itself represented an excuse for not using it. The best-documented test reported the savings being "limited" to 25-30 percent, limited only by the strength of the material of the fire box. This was given as a reason for not using the process. Savings have been much higher in less documented tests.

The reasons given for not helping to develop and test the fuel additive sound like the reasons a buggy manufacturer might have given for not using a modern automobile engine. Even if it didn't run over the poor

horse and kill it, some one would go too fast and tear the buggy apart. All testers agreed that the system increased the energy output of the fuel, but complained of structural damage to the equipment that resulted from over use of the fuel additive. When asked why they did not investigate the parameters of the system, a universal "We are not set up for that sort of thing" was the response.

FEFAid

Attempts by the Fusion Energy Foundation to aid this researcher and have the material tested under carefully controlled conditions have resulted in excuses and delays. One government-sponsored laboratory official was quite excited, if skeptical, about testing the material in the initial conversation, then after reviewing the documentation, stated "We are not equipped for testing it." This statement is patently false.

One private manufacturer who advertises help to private inventors in this field insisted upon a written agreement that they would have exclusive control over development and sale of the system before they would even test it. Others said they were not interested in testing.

Benjamin Franklin described this situation accurately when he wrote, "The best capacities require cultivation... as with the best ground, which, unless well tilled and sowed with profitable seed produces only ranker weeds."

— *Wayne Evans*

Carter Administration Pressures ERDA's Kintner To Resign

June 22 — Rumors are flying through the U.S. fusion research community that the Carter Administration is trying to get rid of Edwin Kintner, head of the Division of Magnetic Fusion Energy (DMFE) at the Energy Research and Development Administration.

That Carter should move to dump him is not at all surprising, given Kintner's record as a strong advocate of a large-scale international program to develop fusion power. Kintner, a strong traditionalist who worked in the Navy fission program which led to commercial reactors and a strong advocate of the fast breeder reactors, was appointed by Dr. Robert Hirsch, before Hirsch's own resignation as head of DMFE under pressure.

In recent testimony before the Congress, Kintner has defended the necessity of a strong U.S. energy development program, and emphasized the desirability of cooperation with the Soviet Union over fusion energy development, saying "they have never denied us anything."

Kintner had recently been offered a top position in the private fission industry. He is reported to have turned this offer down, indicating that he has no desire to leave his ERDA post at this time.

EXCLUSIVE

Call To Investigate The Institute For Policy Studies

The Senate Committee on Intelligence has as its obligation, in accordance with its Charter, the proper jurisdiction for conducting a thorough investigation into the activities of the Institute for Policy Studies.

Under the previously constituted body, the Select Senate Committee on Intelligence, or the Church Committee, past and present abuses by the intelligence community were brought forth for public scrutiny, and, in some cases, clear violations of the United States Constitution were documented. As a result of those findings, several remedial steps were and are being taken to establish a legal framework for the conduct of intelligence activities.

However, the steps taken and the hearing conducted only delved into *official* governmental agencies, and left open for further investigation the *private* intelligence networks of which the Institute is a crucial feature. These private intelligence networks, although they interface with many official intelligence functions of the government, serve the interests of Wall Street, specifically the Rockefeller financial interests.

The U.S. Labor Party, along with many trade unionists, industrialists and other political party spokesmen, insist on the basis of the evidence below that the Senate Committee on Intelligence launch a fullscale investigation into the conduct and affairs of the Institute for Policy Studies as the primary means for explaining to the American people the mechanisms of this private intelligence network.

Bill of Indictment

1. The Institute for Policy Studies from its inception in 1963 was specifically set up as an institution modeled on the British Fabian Society for the purpose of coordinating special overt and covert intelligence operations in the interests of political forces connected to key financial institutions allied to the Rockefeller family. One major goal of the Institute has been to "infiltrate" legitimate organizations and political institutions and take them over. These takeovers have been central to the Institute's primary function: coordinating terrorism internationally and domestically.

2. The Institute receives its money and funding from selected foundations and has used such funds illegally for terrorism and for the creation of "dummy" political organizations, both domestically and internationally for the purpose of destabilizing sovereign governments and legally constituted organizations, such as trade unions, political parties, etc., through acts of violence, rigged elections and other "dirty tricks."

3. The Institute has worked closely with certain government and extra-governmental institutions for the purpose of carrying out the illegal activities cited. These governmental institutions such as the FBI and CIA and extra-governmental organizations like Interpol help facilitate and maintain the "cover" for these operations. The Institute also interfaces with foreign intelligence operations, such as Israel's intelligence and secret services and the Bundesnachrichtendienst, West Germany's intelligence service, as well as maintaining contact with certain foreign citizens of influence such as former Chancellor of the Federal Republic of Germany Willy Brandt.

Chain of Command

The overall command structure of this private intelligence capability functions on two parallel levels: governmental and extra-governmental. The starting point for any competent investigation is the Rockefeller-centered banking circles which direct and control key law firms and foundations which supply the funds and personnel for these covert operations. It is extremely relevant to the investigation that individuals within the National Security Council and associated institutions and circles who are involved in these operations have close associations with and in some cases direct links to IPS. In fact, the two co-directors of IPS, Marcus Raskin and Richard Barnet, come from the National Security Council and the State Department respectively.

In view of the fact that the Carter Administration includes members of the David Rockefeller-organized Trilateral Commission in its highest levels, for example Zbigniew Brzezinski as National Security Advisor, the Institute for Policy Studies is well protected from any serious investigation by the executive branch as currently constituted. In addition to this type of protection, the Institute directly interfaces internationally with Interpol, an organization infested with former Nazis and fascists which has functioned since 1923 as the Rockefeller family's private police force. Interpol provides the logistical support for the IPS networks, including the smuggling of guns and drugs. The old Nazi "Die Spinne" apparatus comprised of members of Otto Skorzeny's special SS units, the French fascist networks of the Secret Army Organization's Jacques Soustelle and assorted networks operating in southern West Germany and Austria provide the crucial interface between the so-called "left"-wing and "right"-wing terror operations, including the majority of international "network" or assassination operations.

On the lower levels of this vast interlocking network of private institutions, many pseudo-organizations function

as the offspring and appendages of IPS. The various maoists, trotskyists, and radical ecology groups, such as New England's Clamshell Alliance, carry out many of the policies created by the Institute and its satellite networks.

Background of IPS And Related Institutions

The Institute for Policy Studies was established in 1963, under the direction of President Kennedy's National Security Advisor, McGeorge Bundy. Bundy, now President of the Ford Foundation, incorporated the Institute along with Hans Morgenthau, Stephen Muller, Thurman Arnold, and Marcus Raskin and Richard Barnet. The architect of every counterinsurgency project carried out in Vietnam, Latin America, and domestically, Bundy consciously modeled IPS on the British Fabian Society. IPS was created, therefore, as a neo-Fabian, private political intelligence network for running special counterinsurgency projects, such as community control, "new left" organizations, black nationalist groups, and terrorist operations — operations of the sort which were pioneered by British intelligence agencies, which place major emphasis upon the use of private institutions whose overall activity is inextricably linked to official government institutions. It is important to note that these operations are the outcome of political intelligence operations set up prior to World War I under the auspices of the National Civic Federation and the Russell Sage Foundation and which were officially institutionalized following World War II under the aegis of the CIA. Importantly, during the period between the two world wars and during World War II, most official U.S. political intelligence functions were chiefly dependent upon British services. As a result, many of these political intelligence operations incorporated into the Institute's program of activities are based on British methods and British ideas which are totally alien to the United States Constitution and the principles of U.S. foreign and domestic policy established by our Founding Fathers.

From the mid-1960s through the present, IPS set up a network of primary organizations and so-called think-tanks internationally. These networks of think-tanks have worked in turn to establish a network of pseudo-organizations called countergangs from the theories of the British counterinsurgent, Brigadier General Frank Kitson, including zero-growth, anti-technology organizations, environmental groups linked up to political parties, and special terrorist operations, especially under the auspices of the anti-war movement. The Cambridge Institute in Cambridge, Massachusetts, the Transnational Institute in Amsterdam, Holland, and related organizations such as the group of so-called ex-CIA and military intelligence personnel around CounterSpy promote such policies to seed the political climate with the idea that many of these actually covert operations are really expressions of popular political will. With the help of the mass media and selected newspapers, many of the operations are made to appear as legitimate expressions of a political point of view.

Funding of IPS And Related Institutions

The foundations that supply the funds to sustain the illegal activities of the Institute can be divided into two basic categories. First, top level foundations such as the Rockefeller Family Fund, Rockefeller Brothers Fund, Ford Foundation, and Field Foundation, which serve primarily as policy determining bodies which earmark funds for the specific operations desired. Significantly, the official reports of such foundations rarely identify the precise purpose of these special operations; instead a "cover" organization or activity is used to facilitate the disbursement of funds. On the second level, foundations, such as the Kaplan Fund, Stern Fund, and the Janss and Bernstein Foundations merely serve as conduiting points for selective political and covert functions.

Through a vast network of corporate assets and tax free institutions, IPS and its satellite organizations internationally receive vast funds to carry out their operational capabilities.

The Case of Marcus Raskin And Richard Barnet

Prior to the deployment of Marcus Raskin and Richard Barnet into the Institute for Policy Studies in 1963, both had been trained by a succession of agents from the top levels of Rockefeller's private and official political intelligence machine. Though each has a different history, the essential quality of their development is in some fashion similar and is well suited for the purposes of IPS.

Raskin's initial development came under the tutelage of Representatives James Roosevelt, son of Franklin Delano Roosevelt, and Robert Kastenmeier of Wisconsin, one of the top Fabians in the U.S. Congress.

Representative Roosevelt specifically aided Raskin in formulating the plans for the Fabian-Rockefeller takeover of the constituency-based Democratic Party in order to mold it more towards Rockefeller's needs. During the late 1950s, the plans for the takeover were formally drawn up. Thus began the Liberal Papers Project, which was to be implemented in earnest during the early phases of the Kennedy Administration and the heyday of Rockefeller manipulation of the civil rights movement and related social control programs.

Raskin's earlier training came at the University of Chicago Law School, a political factory for Rockefeller agents and operatives. Raskin acquired his initial grounding in Fabian practices under the influence of then-Dean of the University of Chicago Law School (later U.S. Attorney General) Edward Levi. From 1961 to 1963, Raskin served on the National Security Council under the direction of McGeorge Bundy. He participated directly in every nasty intelligence operation generated during the Kennedy Administration, including assassination of anti-Rockefeller political figures. Italian industrialist Enrico Mattei was one assassination victim.

Bundy was one of the architects of U.S. policy toward Vietnam, particularly the notorious Strategic Hamlets

Giorni Vie Nuove Retracts IPS Exposé

Giorni Vie Nuove, the weekly publication of Italy's Communist Party-linked cooperatives, on June 9 retracted its recent articles exposing the U.S.-based "left-wing" Institute for Policy Studies (IPS) and its director Marcus Raskin as the Rockefeller-funded controllers of Italian terrorism over recent years. The articles had been printed in coordination with efforts by the Andreotti government to root out terrorism, and were retracted in the face of concerted pressure mounted by the Rome U.S. Embassy, the Riccardo Lombardi wing of the Italian Socialist Party — itself deeply implicated in the brainwashing of terrorists — and by IPS co-director Richard Barnet, who arrived in Italy in May as Lombardi's guest while the series was being published.

Responding to a letter by Lombardi faction member Agnoletti, the editor of *Giorni Vie Nuove*, Davide Lajolo writes that "we do not have the proof" that IPS is Rockefeller-controlled. "If IPS has as much merit as Agnoletti maintains, then it was clearly a mistake on our part to have criticized them and we do not hesitate to correct ourselves.... We have taken precautions... not to pick up our information from suspicious informants. We fulfill our duty to those we unjustly accused and above all slandered the political positions of two comrades like Lombardi and Agnoletti whom we esteem so highly."

In a press release issued from Wiesbaden, West Germany today, U.S. Labor Party chairman Lyndon H. LaRouche, Jr. stated that "Although I am informed of the pressures from the Rome U.S. Embassy and certain Swiss bankers which forced editor Lajolo to publish a false retraction, I must

regretfully report that editor Lajolo has lied.

"The magazine, *Giorni Vie Nuove*, has in its possession official documents of the Washington, D.C. Institute for Policy Studies and from official public records of foundation grants in the United States. These documents... conclusively prove both that the Institute for Policy Studies is nothing but what is called in the USA the "left-wing faction of the CIA," and that the principal funding of IPS is from Rockefeller family sources and through conduits exposed in the 1967 National Student Association affair as CIA conduits.

"It is also fully documented that IPS networks and key figures are directly associated with terrorist networks.

"I emphasize again that editor Lajolo made this fraudulent retraction under the most massive pressure from officials and financial circles linked to David Rockefeller. It is to the credit of *Giorni Vie Nuove* that it surrendered to the defenders of terrorists only after a stubborn resistance. The magazine deserves credit for showing far more courage than others who also had the same information, but were too cowardly to publish it.

"Nonetheless, I must also state that editor Lajolo has displayed cowardice in battle — and that because of his cowardice, one does not know how many of Lajolo's own friends will die at the hands of the terrorists now more encouraged by his cowardice.

"War is cruel. It demands courage... all cowards who refuse to expose the networks linked to the Institute for Policy Studies are morally responsible for condoning the deaths of the terrorists's victims."

programs and the murderous "Operation Phoenix" program in the Mekong Delta region. He taught Raskin all he knew. In fact, Raskin's official position on the NSC was within a unit known as the "Special Staff" where Raskin became one of the overseers of special covert operations and destabilization scenario planning — a unique experience in creating and developing terror. Raskin's tenure at the NSC also coincided with the critical Bay of Pigs-Cuban Missile crisis period of confrontation with the Soviet Union, planned and carried out by the NSC. It was this counterinsurgent background that Raskin brought with him when the Institute for Policy Studies was formed in 1963.

By then, Rockefeller and the founders of the Institute, Hans Morgenthau, Thurman Arnold and McGeorge Bundy, all well experienced in running Rockefeller operations, had begun to set up a systematic cover for running anarchist-leftist operations through the coopting and influencing of a vast international network of operatives for "black operations."

Also key in effecting this development was the creation of the Students for a Democratic Society (SDS) in the U.S. With the help of the leading U.S. figures in the social democratic "Second International," such as Michael Harrington and UAW leaders Victor and Walter Reuther,

the SDS became the flagship "synthetic new left" organization for spinning off phony "leftist" operations internationally. Through a process of splitting and then regrouping such organizations, a selection procedure was established for creating terrorist organizations. Raskin supervised this operation starting in 1963 and including the period when the Weathermen and other terrorist organizations were set up.

Pravda Reports Giorni Vie Nuove Exposé

The Soviet Communist Party daily Pravda published the following short article in its June 10 issue, in a collection of reports under the headline "unceremonious interference":

The CIA is organizing, financing and leading terrorist groups, which in recent months have waged partisan "street warfare" in Italy. In other words, they have entered into total struggle against the state, according to an article by G. Cappato in the Italian weekly *Giorni Vie Nuove*.

When Raskin left the NSC in 1963 to become co-director of IPS, he initiated a series of projects designed for the profiling and eventual deployment of the various regroupments of SDS and left groups internationally. He supervised the Radical Education Project, created in part by the University of Michigan's Institute for Social Research, the U.S.'s leading "conflict resolution" think tank. Raskin had also been thoroughly trained in psychological profiling through the National Training Laboratories, a project set up for the Rockefellers by the German fascist psychologist Kurt Lewin. NTL specializes in brainwashing through various methods, including transactional analysis and therapy and group therapy, as well as harder brainwashing methods, all employed to create the social basis for running terrorist operations.

This is the same *modus operandi* which was used by the University of Trento's School of Sociology head Francesca Alberoni to create Italy's murderous Red Brigades.

Out of the projects arose the "radical ideology" and "youth movement" operations, otherwise known as the counterculture. In the U.S., the violent Revolutionary Youth Movement (which spawned the Weathermen) and every Maoist organization came into existence through these programs. At the same time, Raskin became an editor of *Ramparts Magazine*, *Vietnam Reader*, and, along with other neo-Fabian intelligence operatives like Tom Hayden and Bo Burlingham, produced a series of new left journals — all publishing black propaganda to condition college and high school aged youth in the U.S. to accept drugs, terrorism, and other aspects of the "counterculture."

Raskin, however, is no mere terrorist controller. He, like his counterpart Barnet, was also involved in the negotiations for nuclear disarmament in the early 1960s. In 1962, Raskin represented the U.S. at the Geneva Conference on nuclear disarmament and proliferation. He later advised the Johnson Administration in 1963-65 as a consultant for the White House Office of Science and Technology — despite the fact that he did not know anything about science or, for that matter, technology. He later served briefly as head of the U.S. Arms Control and Disarmament Agency, now under the leadership of Paul Warnke. Using the limited knowledge he gleaned from the scenario negotiations, Raskin has since aided the deployment of ultra-left anarchic countergangs against pro-industrial forces. The anti-nuclear demonstrations in Brockdorf, West Germany and Seabrook in the U.S. are exemplary case studies.

Raskin's network created and currently controls every Maoist and left anarchist grouplet in the USA. His network directly interfaces allied operations which together created the various Maoist groups in Western Europe, whose deployment is coordinated by the Transnational Institute. Raskin's recent excursions have also brought him to the Caribbean, where he has arranged for the running of destabilization operations against the pro-development governments of Jamaica and Mexico.

The Barnet case is not significantly different from Raskin. A lawyer trained at Harvard Law School in 1954, Barnet was placed in the highly respected law firm of Choate,

Hall and Stewart, a firm with connections extending into nearly every intelligence agency. Barnet worked in the State Department from 1955 to 1959 as a specialist in Russian affairs and was connected to the Russian Research Center at Harvard. Following his stint at the State Department, Barnet moved into an important post at the Arms Control and Disarmament Agency and in 1960 became the U.S. Army's legal counsel. Through his various activities, Barnet was well situated to develop special black propaganda concerning the Soviet Union, especially around the nuclear disarmament issue during the Kennedy confrontation years. Barnet held a post in the U.S. Information Agency, while serving as Deputy Director of Policy Research for ACDA.

Barnet is also one of the leading formulators and advocates of the utopian military doctrine. His "specialty" lies in areas of nuclear disarmament and proliferation. Barnet's notion is that a posture of military superiority by either the Soviet Union or the U.S. is wrong; superiority is an unthinkable position because it leads to aggression which therefore leads to thermonuclear war.

Barnet's line is the classic "soft" side of U.S. utopian strategic doctrine. Its purpose is to attempt to gull the Soviet Union into reducing their strategic arsenal. His theories, along with those of other leading utopian strategists such as James Schlesinger, have evolved from the writings of Henry Kissinger, who once described Barnet's close associate Arthur Waskow as "brilliant" on the question of nuclear war, and who believes in bluff and "limited war" as the basis for U.S. strategic posture. Barnet, in 1965, was simultaneously co-director of IPS and director of the Princeton Center for International Studies where he edited a book, *Security in Disarmament*, with fellow IPS staffer Richard Falk.

More recently, Barnet has been somewhat upgraded in his ranking among Rockefeller policymaking circles, by being accepted for membership on the New York Council of Foreign Relations. He is also presently involved in two newly created Rockefeller organizations, New Directions and the Institute for World Order.

One of Barnet's more important functions, in this context, is his meetings with Georgii Arbatov, the head of the Soviet Union's USA-Canadian Institute in Moscow and the leader of the USSR's "Arbatov faction" of Rockefeller agents and dupes. In fact, Barnet in recent years has repeatedly met with Arbatov concerning world strategic questions to glean insight into Soviet response to various Kissinger and now Carter Administration operations, including IPS itself, which Arbatov wittingly protects.

Barnet has also traveled extensively throughout Europe and Latin America defending Rockefeller-IPS policy. As a member of the Institute for World Order, Barnet has been a crucial cog in the counterorganizing against the New World Economic Order among Third World and OECD nations. He has written speeches for Jimmy Carter and, as special advisor to the New Democratic Coalition, the Fabian wing of the Democratic Party, has pushed the same deindustrialization programs with the Carter Administration.

Three Case Studies In IPS-Interpol Terrorism

On the basis of the profile of the origins, personnel and nature of the Institute for Policy Studies-Interpol operation, which has been established above, the following case studies should be seen as:

1. specific initiating points for investigation aimed at rooting out crucial, still-operational elements within the IPS-Interpol terrorist machine;

2. more broadly, profiles of the modus operandi by which the Institute for Policy Studies networks and the "official" and "semi-official" Interpol components interface in creating, executing, and protecting terrorist activities. Once this modus operandi is understood, virtually every terrorist operation in the United States and abroad can be cracked in short order.

Case I:

The Creation of the Weathermen

The creation of the Weathermen bombers out of the Mark Rudd-centered "Praxis" grouping within the Columbia University Students for a Democratic Society (SDS) during the spring to fall, 1968 period is the unique case in which check-stub evidence can be produced to establish direct and witting complicity by the Ford Foundation, the Institute for Policy Studies, and federal agencies including the FBI. The following two well documented background points must be considered at the outset.

First, sections of the U.S. intelligence community (including the CIA) associated with Kennedy Administration NSC director McGeorge Bundy, then-Columbia University Russian Studies professor Zbigniew Brzezinski, and the Institute for Policy Studies' Marcus Raskin and Richard Barnet were conducting an international destabilization program characterized by the simultaneous, predominantly student-based uprisings in France, West Germany, Czechoslovakia and the United States. Material released by the 1975 Rockefeller Blue Ribbon Panel, the 1976 Church Committee and other official U.S. and foreign government sources fully documents this fact.

Second, beginning in spring, 1968, the Ford Foundation — in conjunction with the newly created Law Enforcement Assistance Administration (LEAA) and the Department of Health, Education and Welfare (HEW) — initiated a major pilot project in counterinsurgency in New York City modeled on the Vietnam Strategic Hamlet program created by McGeorge Bundy. This pilot project in "community control" counterinsurgency was a centerpiece of the Johnson Administration, and particularly Attorney General Ramsey Clark's domestic policy.

It was the conjuncture of these two broad developments reflecting official and semi-official U.S. government policy that defined the need for a controlled "shock troop" formation: the Weathermen.

The immediate circumstances around the Ford Foundation's creation of the Weathermen are the following.

As the result of the intervention of the tiny SDS Labor Committees faction (the precursor of today's National Caucus of Labor Committees) into the Columbia University student strike in May, 1968, the very real danger emerged that the strike would take on the character of a genuine citywide movement for economic development at the expense of the major New York banks. Under such circumstances, which posed an immediate threat to the community control pilot project, the Ford Foundation, in conjunction with the FBI, moved to break the strike through anarchist provocations.

The East Side Service Organization (ESSO), an already existent Ford Foundation community control center, was used as the Ford conduit into Mark Rudd and his anarchist group at Columbia. Through ESSO head Tom Neumann (nephew of former Office of Strategic Services operative Herbert Marcuse — himself directly involved in Ford-IPS anarchist projects), Rudd and his network at Columbia were provided with unlimited funds through a Ford Foundation checking account; in return, Rudd et al. mounted violent disruptions to discredit and break up the strike forces.

The Rudd-centered operation was beefed up by three outside deployments. First, the FBI, through its Cointelpro division, provided certain black propaganda aimed at provoking racial attacks on the Labor Committee grouping (see the appended "Mouse Crap Revolution" leaflet released by the Church Committee as an example of FBI Cointelpro activity). Second, agent provocateur networks maintained on the ESSO payrolls and already associated with the New York City headquarters of SDS were deployed onto the University campus as disruptors. This grouping, known as the "Up Against the Wall Motherfuckers," became a core element in the Weathermen.

One "Up Against the Wall Motherfuckers" and ESSO operative, Murray Bookchin, was functioning as a funding conduit for parallel anarchist disruptions in France and Italy. Significant sums of Ford Foundation money found their way into the hands of "Situationist" and "surrealist" provocateurs through the European (including Eastern European) travels of the Bookchin-associated Living Theatre troop.

Third, direct Institute for Policy Studies affiliates, operating through the Radical Education Project (REP) of SDS were deployed to Columbia for the planned disruptions. REP was created in 1966 by IPS co-director Arthur Waskow as the seed kernel of the anarcho-terrorist movement of the late 1960s and 1970s. Housed at the University of Michigan Institute for Social Research complex, financed by the United Auto Workers, REP was directed by such future Weathermen as Tom Hayden and Bernadine Dohrn — both of whom were sent in to Columbia University for the Ford-IPS-FBI disruptions.

The Chicago Events

Once constituted as a Ford Foundation anarchist shock troop component through the Columbia University strike breaking project, the Rudd-centered proto-Weathermen

were immediately deployed for broader civil disorders at the 1968 Chicago Democratic Party National Convention. The immediate objective of the several days of anarchist riots was to publicly humiliate and weaken key northern constituency based Democratic Party officials (including Chicago Mayor Richard Daley) who represented crucial pockets of resistance to Wall Street's Ford Foundation community control plans.

Material based on Internal Revenue Service files and released through reports of the Illinois State Crime Commission and the Senate Internal Security Subcommittee revealed the following funding of the Chicago riots:

\$194,888 in federal Office of Economic Opportunity (OEO) funds was conduited through the Institute for Policy Studies into the National Mobilization Committee (NMC), which organized and coordinated the disruptions. Among the steering committee members of the NMC were Tom Hayden, Arthur Waskow, Jerry Rubin, Rennie Davis. With the exception of IPS co-director Waskow, all the others had participated in the Columbia disruptions and all were publicly associated with the creation of the Weathermen.

It should be noted that the Weathermen — now the Weatherunderground grouping — maintain revolving door membership with both the Institute for Policy Studies and the CIA's "Black Orchestra" espionage operations in Western and Eastern Europe.

Robert "Bo" Burlingham was a founding central committee member of the Weathermen in 1968-69. Under the code name "Arlo," he spent the 1969-73 period in France, Sweden, and West Germany coordinating the activities of the CIA-associated American Deserters Movement, a front through which espionage operatives were conduited into Eastern Europe and North Vietnam. FOIA material released to the National Caucus of Labor Committees points to Burlingham's involvement in fall-winter 1973-74 in a plot involving FBI agents to assassinate NCLC National Chairman Lyndon H. LaRouche Jr. On his return to the U.S. Burlingham had become a fellow at the Institute for Policy Studies' Cambridge Mass. satellite, the Cambridge Policies Studies Institute.

Eric Mann was an initiating participant in the Rudd "Praxis" grouping at Columbia at the time of the Ford Foundation sub-contracting. His subsequent activities as a Weatherman bomber in the Boston area resulted in a several year jail term. Upon his release he became a fellow at the Cambridge Institute. His principal activity at Cambridge centers around the New England Prisoners Association (NEPA) — an inside-outside prison project modeled on the San Francisco area United Prisoners Union that spawned the Symbionese Liberation Army. Recent investigations by the U.S. Labor Party and by New England police agencies have confirmed that that the NEPA was the spawning point for both the "left" wing terrorist Sam Melville-Jonathan Jackson Brigade and the "right"-wing South Boston Defense League bombers; these investigations have thus established further positive links between supposed left and right wing terrorists through the IPS.

Case II: Lincoln Detox Center And The Black Liberation Army

Eyewitness information brought to the attention of U.S. Labor Party security personnel during April-May, 1974 provided crucial evidence that the Lincoln Hospital Detoxification Center in the South Bronx ghetto of New York City was one spawning ground and "safe house" for the Black Liberation Army, a terrorist organization devoted to murdering policemen. An intensive, several months-long investigation by the U.S. Labor Party supplemented by even more extensive probes by sections of the New York Police Department established a chain of complicity involving the HEW, the OEO, and the Institute for Policy Studies in a "blind terrorism" project designed as an integral feature of the cited community control program of the Ford Foundation, Ramsey Clark and others.

The Black Liberation Army was conceived as a counterinsurgency tool to discredit traditional police methods and justify their replacement with LEAA-designed and sponsored programs in community self-policing, block-watching, "community relations", etc. — all programs modeled on Bundy's Strategic Hamlet conception and its antecedent "*Judenräten*" system of Hitler's gestapo. The message conveyed through BLA bullets was that centralized police operations, characterized by uniformed street patrolmen, represented "outside authority," unacceptable and inappropriate to the "local control" supposedly required by U.S. ghetto situation.

The South Bronx pilot program in mass behavior modification and social control (of which the BLA "blind terrorist" component represented a final phase) was based on methods of counterinsurgency elaborated by the Britain's Dr. John Rawlings Rees and his colleagues at the Rockefeller Foundation-funded Tavistock Institute of London. Rees conceived of a society comprised of discrete communities controlled by "psychiatric shock troops" — community-based mobile teams of psychiatrists and para-psychologists and social workers.

It was on the basis of precisely this approach that one of the leading American adherents of the Tavistock Clinic, Dr. Frank Reisman, initiated the South Bronx pilot program in 1964. Operating out of the community psychiatry center of the Albert Einstein College of Medicine — and working in close conjunction with the Institute for Policy Studies — Reisman initiated a plan to: 1) build a "radical health movement" predicated on Rees' "psychiatric shock troop" model, drawing principally from the ranks of the SDS and the already existent community-based networks of Saul Alinsky; 2) turn the thoroughly gutted South Bronx ghetto into a laboratory and training ground for the operation. From the outset, the Reisman program was heavily funded by the OEO.

The entire project received a significant boost in 1966 through a series of seminars given by the Institute for Policy Studies under the title "Dimensions and Deter-

minants of Health Policy." Chaired by Dr. William Kissick, Assistant to the Surgeon General and an Institute fellow, the conferences brought together representatives from the National Institute of Mental Health, the Brookings Institution, the Office of Economic Opportunity, the White House office of Science and Technology, and Institute fellows who had already been deployed into the South Bronx operation. Plans for the implementation of a community-control-oriented national health plan involving the implementation of Tavistock-designed programs of mass brainwashing and social control were worked out in detail, preparatory to the next escalation in the Lincoln "experience."

Reisman used the OEO seed money to set up the Neighborhood Service Center at Lincoln Hospital as the first of what became an extensive network of Reesian "selection" centers. Here residents of the brutally ghettoized South Bronx were submitted to batteries of psychological profiling tests. Those individuals who exhibited the highest "aggressive drive against outsiders" were recruited directly into the network of community control organizations then being set up by Reisman and his cohorts in the Committee For Full Employment.

A full range of mind-destroying "therapies" were tested out on the Neighborhood Service Center victims, including the wide dissemination of drugs, the use of small group "sensitivity sessions," and other forms of "soft" behavior modification. More extreme cases were referred to the Rockland State Hospital, where Tavistock Institute associate Dr. Nathan Kline was carrying out experiments with prolixin and electro-shock.

Through Reisman's own Committee For Full Employment and *Social Policy* magazine (on whose editorial board he sits), through several studies published by the CIA-linked Praeger Press, and through the public relations activities of a number of Institute "radicals," Lincoln Hospital became known nationally as one of the centers for the developing community mental health "movement."

By 1968, when Reisman's Service Center was renamed the Lincoln Mental Health Center (LMHC) with renewed, larger federal funding, a core of young doctors and social workers had been recruited — some naively enticed by the public relations job, others consciously deployed in by intelligence agencies (as was the case of Army intelligence agent Lieutenant Steven Levin, already a veteran of the Rand Corporation's GI "organizing" networks).

The staff was organized into the Maoist "Think Lincoln Collective." This "Collective" was created by Alinsky-trained agents Robb Burlage and Lee Webb, both of whom were also founders of the Second International's Students for a Democratic Society (SDS) and presently sit on the Board of Directors of Marcus Raskin's Institute for Policy Studies. The recruited staff was subjected to attack therapy sessions led by the overtly racist black and Hispanic counsellors while at the same time the LMHC was being consciously opened up to the Alinsky-created Young Lords and the Maoist Health Revolutionary Union Movement (HRUM). In short, the behavior modification programs at Lincoln, which later under Dr. Pedro Ruiz included the use of voodoo and black magic rituals, were being organized into an explicitly "radical political" artificial belief structure built

along explicitly nationalist lines.

By March 1969 the still small-scale Lincoln operation was ready to be geared up into the broad network of outreach centers and store-front satellites through which the entire population of the South Bronx could be profiled and turned into a vast pool of potential terrorists, strike-breakers, and welfare slaves. That month Reisman and company had the hospital administration fire four staff members of the LMHC, thus provoking a strike that only ended when the strikers' demand for additional funding to set up community controlled and staffed service centers in nearby Hunts Point was granted.

Before the Lincoln operation could be carried into its final phase of implementation, the creation of the terrorist BLA, a control agent more experienced in the military side of CIA covert operations had to be brought in. In 1970, Gordon Chase was appointed by New York City's Rockefeller-allied Mayor John Lindsay to head the city's Health Services Administration.

In the early 1960s Chase had been a State Department liaison man with the National Security Council; later he served as a case officer for the CIA during the Bay of Pigs invasion. Before taking the post under Lindsay, Chase spent a number of years in the CIA-front Agency for International Development (AID), training Latin American and African police and military officials in counterinsurgency methods. AID was itself an action program originally designed and implemented through the International Association of Chiefs of Police, which still maintains close interface and is the principal vehicle through which AID covert training programs are run. It is not coincidental that Chase was participating in NSC planning sessions at the same time that Raskin was serving as an NSC special advisor.

Under Chase's direction, the Health Services Administration provided the funds to fill out the network of intake centers throughout the South Bronx. The psychological profiles gathered through that octopus were all stored in a computer bank located on the premises of Lincoln Hospital.

In October 1970, following the successful action the previous March, a coalition of staff members including the "Think Lincoln Collective," the Young Lords, the newly created outpost of the Maoist gang Revolutionary Union, and duped members of the Puerto Rican Socialist Party and the Black Panther Party seized the administrative offices, demanding a community-controlled drug detoxification program to be set up and run by them. The demands included the right to hold political "educational" sessions at the clinic. Under Chase's orders, the demands were granted.

The resulting Lincoln Detox Center became the specific brainwashing center out of which the carefully selected black drug addicts selected from the computer bank of names and psychological profiles were initially hooked on methadone (the highly addictive heroin substitute developed by Hitler's Nazi doctors and eventually perfected as a mass brainwashing tool by Nelson Rockefeller) and then subjected to intensive "political" behavior modification sessions in which they were "taught" that anyone who was not a raving black or Puerto Rican nationalist was insane. Operating on the same principal employed by the NATO doctors who created the Baader-Meinhof gang out of the self-brain-

washed Heidelberg Mental Patients Liberation Front, "patients" at Lincoln Detox were maintained in the controlled environment of the clinic (methadone doses were administered twice daily, in the morning and the evening, with political educationals filling the afternoon hours), where the most depraved sexual desires and psychotic killer impulses were given credence as legitimate behavior — as long as they were directed at the right target. BLA posters and literature focusing on the "white racist police" as the most hated enemy were prominently displayed in the Center.

Once the first BLA cop killings had occurred and the first arrests made, the Detox Center began to openly function as a BLA "support" headquarters. The clinic's phone number was prominently displayed on a widely circulated leaflet calling for demonstrations outside the trial of one "BLA member."

In coordination with BLA "Godfather" Gordon Chase, Bronx County District Attorney Mario Merola provided the legal protection necessary to maintain the "integrity" of the brainwashing center and of the extensive drug-running that was being carried on at the clinic. Despite all the evidence readily available in the public domain (let alone to official investigation) linking the Detox Center to the BLA police assassins, police were prohibited from investigating the terrorist center. In fact, all police in the South Bronx were issued a warning by the department head: stay away from Detox "for your own safety."

The latter point is crucial in two respects.

The first respect related directly to the Labor Party's own investigation. Photostat copies of the "security staff" log of the Lincoln Detox Center revealed that at least one known member of the BLA, Affeni Shakur, was a paid employee of the Clinic! Such a vital piece of evidence, placed in the hands of competent, unencumbered police officials would have resulted in an immediate shutting down of the program and likely roundup of the BLA killers. The "cordon sanitaire" provided by Merola and complicit LEAA elements within the area police department and local Democratic Party machine was absolutely central to the seemingly "blind terrorist" operation.

It is a fact, recently conveyed to the Labor Party by sources in the U.S. Attorney's offices in New York City, that the New York Police Department has corroborated and publicly acknowledges that Lincoln Detox is the center of BLA activities; however, the Center is still in operation.

The second respect is a broader point drawn from the same complicity of official police and intelligence agencies. "Blind terrorists" of the BLA type are functional zombies, incapable of functioning on their own under situations of even minimal stress. The fact of acts of "blind terrorism" being "successfully" carried out (execution and escape) is itself evidence that controllers are directly involved before, during, and following, such incidents.

Case III: Wilfred Böse, Interpol and the Entebbe Hijacking

The July, 1976 Entebbe Airport incident, involving the

hijacking of an Air France jet and passengers by terrorists and the subsequent Israeli Commando raid to free the passengers, constitutes the most glaring case to date of Institute for Policy Studies visible collaboration with Interpol networks in international acts of terrorism. It can be categorically stated and demonstrated that no such sequence of events could have taken place without moment to moment coordination by Interpol-associated "official" police personnel in at least France, West Germany, Greece and Israel.

First, the IPS credentials of the terrorist "leader," the pathetic Wilfred Böse. Böse was *known* by police to be a member of the Baader Meinhof gang and a personal associate of Carlos Ramirez Sanchez. Böse's dossier was maintained on Interpol computer banks accessible to virtually every police agency outside of the socialist sector nations, including airport security at the Athens and Tel Aviv airports — the two possible points of Böse's boarding the Air France jet.

The neo-Fabian and anarchist swamp in West Germany, of which the Baader-Meinhof gang is one "blind terrorist" component, is a product of NATO intelligence projects dating back to the early 1950s creation of the "SoPo" grouping within the West German Social Democratic Party (SPD) by Ernest Mandel, Peter Von Oertzen and others under the direction of NATO political intelligence officer Paul Henri Spaak. During the late 1960s, behavior modification techniques broadly similar to those employed at Lincoln Detox were used under NATO auspices by Heidelberg University psychiatrist Dr. Wolfgang Huber to constitute the Heidelberg Socialist Patients Collective. "Members" of the collective were subjected to behavior modification, provided with weapons and demolitions training, etc., and deployed into various anarchist and Maoist formations, particularly the terrorist Baader-Meinhof gang. Several leaders of these gangs were direct associates of the Institute for Policy Studies, being officially listed in IPS rosters during the period of intensive terrorist activities by the Baader-Meinhof, the Maoist Kommunistische Bund Westdeutschlands, etc.

The links between Baader-Meinhof and official police agencies of West Germany and the United States are direct. Peter Urbach, an identified controller of the group, was an operative of the Bundesnachrichtendienst, the West German equivalent to the U.S. Central Intelligence Agency. It is a matter of public record that Baader-Meinhof leader Andreas Baader was an agent for a CIA covert operation in the mid-1960s to build a tunnel under the Berlin Wall. His operational cover was membership in the joint CIA-BRD created countergang, "Fighting Group Against Inhumanity," an early "human rights" espionage outfit.

Until such time as an official intelligence oversight agency convenes hearings, subpoenas official Interpol records, etc., the particulars of the interface between the several participating Interpol and Institute for Policy Studies networks in the Entebbe raid will remain somewhat clouded. However, the following internal details of the sequence of events leading to the early July, 1976 events represent a preliminary book of evidence — all gleaned from public source — that establish the fact of the IPS-Interpol collaboration and represent the starting point for an official inquiry.

First, the Entebbe operation was presented in Rand

Corporation "scenario" or "script" form at a semi-public briefing in New York City on June 9-11, 1976. Approximately fifty government officials, think tank planners, and field controllers were present at the briefing, held at the Ralph Bunche Institute under the rubric of a "Conference on International Terrorism in the Contemporary World." Among the participants were H.H.A. Cooper of the LEAA; Ramsey Clark, the former Attorney General who had instituted the Operation Garden Plot terror-counterterror program during the late 1960s; officials of the HEW, CIA and State Department, and Senator Jacob Javits.

Such semi-public briefing sessions — institutionalized through a "traveling circuit" of regularly scheduled "academic" conferences — represent the mechanism through which the broad network of terrorist planners, controllers, media apologists, etc. receive advance profiles on pending terrorist operations, obscured through appropriate "aesopian" language. The conferences furthermore represent the formal settings in which more detailed and covert informal briefings and marching orders can be delivered.

On the direct internal features of the Entebbe operation: Wilfred Böse, the chosen field leader for the Entebbe operation, was in the custody of French Interpol-associated police authorities only a month before the hijacking! Through Interpol channels, the French *Défense et Sécurité du Territoire* (DST), turned Böse over to the West German *Bundeskriminalamt* (BKA) in approximately June, 1976. Böse had been in French custody for his complicity in the murder of two DST by Carlos Ramirez Sanchez.

It is a matter of record that the BKA *released* Böse in his own custody on the basis that he was able to provide a permanent address in the BRD. That address was the Frankfurt headquarters of the "Red Star Collective" — an anarchist-terrorist group with documented connections to both Carlos Ramirez Sanchez and the Baader-Meinhof gang! Such facts were known to BKA officials at the time of the Böse release.

Despite such recent contact with French and West German intelligence agencies directly associated with Interpol data banks, Böse and five other *known* terrorists were able to board an international Air France jet flight armed with weapons and explosives. Such a boarding could not have occurred without the active complicity of Interpol. First, the electronic surveillance (metal detector) equipment at the Athens and Tel Aviv points of

entry are 99 percent effective in the case of an average passenger. In the case of such known terrorists, the successful boarding of the plane by five such persons could have only transpired through "police escort" around the standard security check point.

It is relevant that in a recent British gun running trial, an Interpol agent housed in Scotland Yard was identified as the "fixer" for precisely such bypassing of airport security personnel. In that case, the Yard Interpol officer was conducting British mercenaries destined for Angola through airport security at Heathrow Airport without even a passport check on the basis that Interpol was "in pursuit of a broader operation" and had requested that local and airport security personnel forgo normal procedures so as not to interfere.

It should be noted that airport security at both Athens and Tel Aviv airports have close working relations with both Israeli intelligence, the Shin Beth, and the Israeli military intelligence. Given the connections between these institutions and the Interpol computer and related services, it should be considered that there is strong circumstantial evidence that Israeli intelligence operatives were in on the project from the initiating moments when the terrorists boarded the plane successfully.

At least 72 hours *before* Israeli commandos launched their raid on the Entebbe Airport in Uganda, the CIA's Lieutenant General William Yarborough reported to an interviewer in the U.S. that he was aware of crucial internal details of the raid, including the planned use of Kenya as a launching point. None of this information was made public until *after* the raid had occurred.

Yarborough's own dossier represents a crucial tract for investigation. He was in attendance at an earlier spring, 1967 terrorism "conference" in Glassboro, New Jersey at which he candidly announced that "95 percent of all the terrorism in the world is conducted through the CIA." In addition to having initiated the U.S. Special Forces program at Ft. Bragg, Yarborough served in National Security Council posts simultaneously to the tenure of McGeorge Bundy and Marcus Raskin. He joined with Bundy, Ramsey Clark, Cyrus Vance and others in constituting the Operation Garden Plot project in the U.S. — modeled on a similar program that he designed and implemented in West Germany when he was serving as counterintelligence chief of the U.S. Command in Heidelberg at the time that the student radical project was getting off the ground there.

EXCLUSIVE

How The Myth Of Nuclear Terrorism Was Created

The so-called threat of nuclear terrorism popularized by the nation's press is a myth concocted by a few Rockefeller-controlled think tanks: the Rand Corporation, Mitre Corporation, and the Ford Foundation. Not surprisingly, these same think tanks authored the Carter energy program.

The nuclear terrorism scenario serves one purpose: it

provides the credible cover for Carter's ban on nuclear energy. As such it plays an integral role in forcing de-industrialization on the U.S.

It is impossible for terrorists to steal nuclear materials and build a bomb. Nor is terrorist takeover of a nuclear power plant a credible blackmail threat. These facts have been extensively documented in the following

locations among others: *Executive Intelligence Review*, Vol IV, No. 25; The U.S. Labor Party pamphlet, "Stop Ralph Nader: Nuclear Saboteur"; *New Solidarity*, August 12, 1976; and the Fusion Energy Foundation Newsletter, Vol. II, No. 3.

How then was this myth created and propagated?

The grand-daddy of this psychological warfare campaign was a nuclear terrorism feasibility study commissioned in the early 1970s by the Ford Foundation as a feature of its massive energy policy project then under the direction of David Freeman, now a top aide to Carter's energy czar James Schlesinger. The study, entitled: "Nuclear Theft: Risks and Safeguards" was prepared by Theodore Taylor, a former nuclear explosives designer-turned environmentalist, and Mason Wilrich, a former assistant general counsel to the arms Control and Disarmament Agency now a consultant to the Rand Corporation. The report, completed in 1975, is a comprehensive blueprint for building a credible "basement atomic bomb," utilizing available unclassified government and scientific documents. Although the report does not prove this can be done, it sets a standard for nuclear terrorist threats and scenarios to be used in the propaganda campaign.

Following an extensive search through the unclassified documents the authors write:

"Any group with 10 kilograms of plutonium oxide and a substantial amount of high explosives could design and build a crude fission bomb. The person, or persons, would have to be inventive, adept at using lab equipment and machine tools, and understand some essential concepts and terms used in publications, and would have to know where to get the publications. He would also have to be willing to risk serious injury or death."

The report makes this appear believable by separately detailing each aspect of the design and production of a crude bomb, the particular problems arising in each step and the solutions to those problems. Taken as a whole, however, this process adds up to a small Manhattan project, despite the authors' assertions that it does not.

To give the report additional credibility the Ford Foundation removed this list of available unclassified documents from Theodore Taylor's public version. Next, national security clearance from the Atomic Energy Commission and National Security Council was applied for, and was of course granted.

Immediately following the report's publication for mass distribution in 1974, the Ford Foundation funded Public Broadcasting System television network commissioned an MIT physics student to prepare a design for an atomic bomb using the Ford Foundation report as a reference. A year later a major psychological warfare documentary film aimed to condition the public to the threat of nuclear terrorism was ready to be aired. Titled "The Plutonium Connection" the PBS film counterposes the design of an atomic bomb by a college physics student, pronounced plausible by a panel of Swedish scientists to apparent sloppiness in security and inventory accounting at nuclear reprocessing facilities and military bases to produce the desired message: nuclear technology could be dangerous in the wrong hands. Following production of this documentary, the FBI moved to enhance the scenario's credibility by

classifying the bomb plans and destroying any evidence of the hoax.

With the crucial building block of "technical feasibility" in place, the nuclear terrorism threat was turned over to specialists and scenario designers at the Rand and Mitre Corporations.

In 1975 both of these think tanks produced studies on nuclear terrorism comparing the technical requirements with the capacities and motivation of various existing and hypothetical terrorist and criminal organizations. A profile of a nuclear terrorist group and an array of possible scenarios was developed.

Not surprisingly the Rand report was prepared for a series of Ford Foundation sponsored seminars on nuclear proliferation. Its author, Brian Jenkins, is Rand's top specialist in surrogate warfare terrorist scenarios and originated the concept of a "nuclear Pearl Harbor" in the summer of 1976.

Jenkins prefaces the Rand report by listing a series of terrorist threats and incidents which have already occurred, involving nuclear facilities or nuclear hoaxes. He justifies the report with the statement:

"Sober scientists, sensationalist journalists, imaginative novelists and perhaps a large portion of the public are inclined to agree that the threat of nuclear action by terrorists exceeds the threat of nuclear accident or nuclear attack by a hostile foreign power."

In Rand systems analysis language, Jenkins portrays the spectrum of potential nuclear terrorists as ranging from "common criminals, disgruntled employees, eco-guerillas, political extremists (anarchists, leftists, rightists, racists or separatists) and outright lunatics." The threat is immediately narrowed to the "political extremists" (Rockefeller's Institute for Policy Studies-Interpol-run groups) "the Irish Republican Army, Palestinians, Japanese terrorists, Black September, the United Red Army, Baader Meinhof, Weather Underground, and the New World Liberation Front."

Jenkins gives these terrorists an array of possible actions: a nuclear hoax; a nuclear hoax with a phony device; a low-level but well publicized sabotage of a nuclear facility; seizure of a nuclear facility control room, perhaps with a warning to "set it off" or destroy it with conventional explosives; overt theft of a nuclear weapon or plutonium; radioactive contamination of a symbolic site; detonation of a nuclear device in a remote area; and detonation of a stolen or home made bomb in a populated area. His conclusion is: "Of course the investment and skill would increase with the type of action, but all would be within the capability of a group such as the SLA."

Consequently, Jenkins creates a category of "eco-terrorists," anti-nuclear extremists who would sabotage the construction of nuclear facilities or might occupy a functioning nuclear power plant to demonstrate the inadequacy of existing security precautions. These eco-terrorists could also take covert action by stealing nuclear materials and secretly pollute a waterway, blaming a nearby nuclear facility for the contamination.

In the Spring of 1975, the Mitre Corporation simultaneously released a report with substantially the same content, authored by David Rosenbaum, a specialist in terrorism and drug smuggling now em-

ployed by the Government Accounting Office to prepare reports for Congress on energy.

Although the above reports comprise the core of comprehensive "authoritative" documents on nuclear terrorism, several of the other Rockefeller-linked think tanks have contributed additions and refinements.

In the Spring of 1976, Herman Kahn, director of the Hudson Institute, included nuclear terrorism in a study titled "Nuclear Proliferation, 1975-1995". Under the heading of "Local Munichs" he states:

Successors to the Japanese Red Army or Baader Meinhof Gang could see nuclear terrorism as suitable means of realizing their stated goal of pulling down existing bourgeois society.

Kahn does not bother to argue whether nuclear terrorism is possible but simply footnotes the Ford Foundation study. He also designs a few of his own scenarios under a heading "Bizarre Events."

A New Arcadius: In 400 A.D. Arcadius destroyed the ancient Greek temple of Apollo. His purpose was to go down in history as having done so. A future romantic in possession of nuclear weapons might use them in a spectacular fashion for a similar reason.

The Nutty Pacifist: A fanatic pacifist with nuclear weapons might set one off in an attempt to shock the world into disarmament.

Leopold and Loeb with Physics BA's: Leopold and Loeb killed boy to see what it was like to kill someone. Their successors with physics BA's might build a weapon using stolen materials and detonate it, perhaps to see what New York would look like without the World Trade Center.

Nuclear Luddites: If by the early 1990s technological constraints have eroded, poor countries might have access to nuclear weapons. They might use these to gain access to more of the global wealth, or they might launch an attack against an industrialized country in blind frustrated rage at the industrial world, their perceived source of torment.

In the Spring of 1976, the Worldwatch Institute collected all of the published material on the nuclear terrorism threat into one digest, "Nuclear Power: The Fifth Horseman." Written by Denis Hayes, it leans heavily on the yellow journalism aspects of the "nuclear threat." For example, glossing over the contradictions of the potential "homemade" nuclear bomb, Hayes emphasizes the effect of an impossibility:

"Left in a car just outside the exclusion zone around the U.S. Capitol during the State of the Union address, such a device could eliminate the Congress, Supreme Court and the entire line of succession to the Presidency."

With the Carter Administration's domestic energy program and foreign policy thrusts, a new wave of warnings on nuclear terrorism has emerged.

In the Winter of 1977 issue of International Security magazine, David Rosebaum updates his 1975 Mitre report, pointing to the Soviet Union as the most likely backers of nuclear terrorism. Similar propaganda on Soviet terrorism was then released in the national media in coordination with the Carter Administration's build-up to the unsuccessful SALT II negotiations. In line with the Carter policies toward the Mideast, Rosebaum identifies Israel as the most likely target of nuclear terrorism in the near future, naming Libya as the most likely perpetrator.

In late March the Ford Foundation released a "comprehensive" study "Nuclear Power, Issues and Choices," prepared jointly with the Mitre Corporation. James Schlesinger immediately hailed the report as identical to the Carter Administration's then unannounced energy program. In the context of calling for an end to nuclear energy and a return to primitive energy sources, the report underlines the real import of nuclear terrorism: "Whether terrorists are actually in a position to carry out their threat (nuclear terror) is probably less important than their plausibility....warn that the worldwide development of civilian nuclear power provides additional opportunities for terrorists to employ nuclear energy as a weapon."

The Military-Strategic Debate In Western Europe

SPECIAL REPORT

The inevitable hardening of the Soviet Union's political and economic policies respecting the U.S. Administration of President Carter has put Western Europe's military thinkers into a situation where they must make certain decisions they have preferred to postpone until now. By now there is general agreement in such layers on the bankruptcy and dangerousness of the poker-game bluffing associated by the "Schlesinger Doctrine;" no one, however, has yet been able to act upon the full strategic implications for NATO of the Warsaw Pact's threat of full-scale, worldwide thermonuclear war. Their day-to-day preoccupations still revolve around "substrategic" questions such as "cruise missiles," instead of NATO's central strategic question, the West's bankrupt monetary system.

In spite of this inadequacy, the "cruise missile" question has defined an absolute boundary line between the utopian scheming of Carter and Defense Secretary Harold Brown, and everyone else. At a just concluded meeting of NATO's political advisory body, the Western European Union, a call was issued to completely exclude the cruise missile from negotiations for SALT III, since it would only hinder a likely agreement. The same sentiment was echoed by the West German daily *Süddeutsche Zeitung* June 24, which advised that "Carter must think about whether it is good for further SALT talks to include these difficulties."

Hans Rühle, an advisor to the head of the West German parliamentary defense committee, while not totally excluding the use of the "cruise" as a "bargaining chip," warned in the weekly *Deutsche Zeitung* that any attempt to actually use these glorified V-2s would cause the Soviet Union "to consider a first strike indispensable, and immediately launch a thermonuclear war here."

All that Carter's few remaining supporters can throw against this is a wild-eyed hysteria. Exemplary is an editorial in the *Frankfurter Allgemeine Zeitung* June 24 by military writer Adalbert Weinstein. According to him, the cruise will introduce "a new military age," since they will be "the determining factor" in all future military policy. They are also "challenging the myth of the invincibility of the Red Army." Weinstein then rationalizes that since it would be disastrous if actually used, "we are therefore counting on the cruise missile as a weapon of non-war."

The theses of former U.S. Air Force Intelligence head Gen. George Keegan have come under attack from these same hold-outs. Both the *Frankfurter Allgemeine Zeitung* and the weekly *Die Zeit* (linked to the London Institute for Strategic Studies) have printed detailed

"refutations" of the famous *Aviation Week* article on Soviet electron beams and related Soviet military-technological capabilities. *Die Zeit* goes so far as to say that both Keegan and the editor of *Aviation Week* have "swallowed" a rumor purposely put into circulation by "secret services" in order to "steer attention away from other military-technological themes." Although *Die Zeit* does not directly identify what these "other themes" are, such "Wunderwaffen" as the cruise missiles are the obvious implication.

Forward or In-Depth Defense?

Beyond this dispute, however, confusion still reigns among those opposed to Carter's course of sure thermonuclear destruction. This is best illustrated by a problematic assertion by Christian Potyka, military correspondent for the *Süddeutsche Zeitung* and associated with nuclear physicist and think-tanker Carl Friedrich von Weizsäcker. Uneasy about returning to a full-scale arms race, Potyka wrote that "What makes a return to this course of more and more arms so difficult, is also the East's macabre military philosophy, which clings to the mistaken theory that one can *conduct* a nuclear war, and under certain circumstances even *win* it. This is documented over and over in the simple-minded writings of the East." Hence, Potyka admits that the Soviet Union has a "war-winning strategy" and will not be swayed from it by either Carter or agents of influence within the Soviet leadership such as Georgii Arbatov; but at the same time he will not acknowledge this "simple-minded" approach to be the only possible sound military policy for the Soviet Union. He still leaves a glimmer of hope that maybe the "mistaken" Soviets will see "reason" and conform to NATO's scenarios.

This problem characterizes the proposals made by all of Weizsäcker's collaborators, who include Gen. Emil Spannocchi, retired head of the Austrian Alpine Land Army, French Major Guy Brossolet, and Weizsäcker's closest collaborator Horst Afheldt. These three strategists all propose variations of a model whereby NATO's current "forward defense" posture would be replaced with "in-depth" stationing of many small, mobile, technological sophisticated "commandos." Such teams, they claim, would gradually wear down the advancing Soviet tank squadrons.

Given the reality of what Soviet strategy is, such proposals are patently absurd. They hysterically deny the fact that any Warsaw Pact attack will begin with a full-scale thermonuclear strike against the major population centers of both the United States and Western Europe, to be followed up with biological and chemical salvos in Europe in order to clear the way for the advancing Warsaw Pact forces. The simple reality is that *there is no conceivable successful military defense of the European theater* under present circumstances. The only sane course for the major "front line" country, West

Germany, is therefore to take every possible measure to reduce destruction of the country's industry and population in the event of war, while taking the necessary international financial initiatives in order to deal with the danger of war at its monetarist source.

Call for Arms Race

The absurdity of the Weizsäcker group's proposals has laid them open to attacks from all sides, causing even more confusion around the military-strategic debate. From the utopian side, the above-mentioned Adalbert Weinstein has used this vulnerability to attack Major Brossellet's theories. "We can not use the depths of our (West Germany's) territory," Weinstein argues, "since we can not plan upon giving up any territory at all. No citizen of the Federal Republic would accept a defense conception which envisions the clearing out of entire regions as the recipe for victory" — as if there were any chance for victory!

On the other side, in a recent issue of *Europäische Wehrkunde* Weizsäcker's theories were criticized by Erhard Rosenkrantz, a collaborator with Gen. Baudissen of the Institute for Peace Research and Security Policy at the University of Hamburg.

Rosenkrantz argues in favor of maintaining the discredited "flexible response" strategy, since Weizsäcker's proposals for "in-depth" defense would be no less "precarious." (The latter assertion is indeed true.) He then proceeds to say that "flexible response" must be subsumed under the higher priority of political negotiations with the Soviet Union, which could achieve "a reduction of tensions, increased economic ties and agreements on military methods, possibly also in order to keep options open." Agreements as the Mutual and Balanced Force Reduction (MBFR) talks in Vienna have a special significance in this, he asserts.

In form, this argument is similar to Henry Kissinger's call for a new arms race. The maintenance of "flexible response," can only lead to a new and more intensive rearmament, which would only postpone the danger of full-scale war for a few years, rather than prevent war. But conversely, if the "Baudissen School" were serious about the priority of economic cooperation, it would have to admit the absurdity of "flexible response" in an environment no longer dictated by the monetarist economic and utopian military policies of Carter, David Rockefeller and the International Monetary Fund.

— John Sigerson

Grunwick Strike, Test For Government's Industrial Strategy

BRITAIN

Developments around the ten-month old strike at the Grunwick film processing plant in North London have exposed the fundamental differences between the Callaghan government's industrial regeneration strategy, and Conservative Opposition leader Margaret Thatcher's Friedmanite policy of "economic growth" through austerity and union-busting.

The strike was called in support of the right to unionization; both ultra-right and ultra-left agents have tried to use it to provoke a full-fledged "class war," in order to derail the government's continued efforts to force a broad trade union-industrial coalition for domestic industrial growth. The provocations have apparently failed in the face of strong counter-pressure by the trade unions and the Callaghan government itself.

Callaghan Attempts Early Reconciliation for Industrial Strategy

Under pressure from his own party and trade unions to reaffirm the government's commitment to industrial growth as a basic part of its economic strategy, Callaghan has taken personal leadership of a series of two conferences to be held with trade unionists, industrialists and government officials this summer. This

is an attempt to push the government's outlined growth strategy into action. In the first of these meetings, June 22, Callaghan outlined a basic 10 year strategy which would use revenues from North Sea oil to boost industrial investment in key sectors such as machine tools, engineering, and high technology goods.

Thatcher's calls to send in the police against the strikers have only betrayed the implications of her no-growth economic strategy. While calling for doubling of company profits to ensure economic "expansion," Thatcher has made it understood that her government would back only "reasonable" trade unionists who accept that funds for industrial investment could only come out of continued collapse in working class living standards — the basis of the Chilean and Brazilian "economic miracles."

An editorial in the June 22 *Times* of London makes Thatcher's outlook even clearer: "The industrial revolution and the railway age provided the technological impetus for the nineteenth century. The internal combustion engine and the higher technological revolution, combined with military expenditure and more lately the exploration of space, such an impetus during this century. It is not clear what is to take their place." Maintaining that the world economy will not grow, the *Times* calls for a return to "free collective bargaining" by which the trade unions can fight out among themselves who will continue to get wage increases as the economy shrinks.

The strike at Grunwick has been used by agent circles around Thatcher and the far left to create phony "left-right" scenario, in order to bust up Callaghan's still shaky control over his coalition government. Playing an obvious provocatory role, the National Association for Freedom (NAFF) is coaching Grunwick's director on his hard line stance against the unions. The NAFF has as one of its leading members Robert Moss, who is one of Thatcher's primary foreign policy speech writers, and a known advocate of Chilean style economic and union policies as a model for Britain. Moss is being backed by Thatcher's key policy advisor Sir Keith Joseph, who charged that the labour government has been complicit in using "all means, illegal and legal, fair and foul, to coerce workers into joining organizations they do not wish to join." Employment Minister Albert Booth has already warned Keith to either substantiate his charges immediately "or provide full public retraction" of "these serious allegations" to avoid legal action.

Despite such provocation, as well as attempts by the ultra-left "rent-a-mob" minority at the strike site to provoke police, the trade unions and the government

have held firm. While Employment Minister Booth is engaged in active attempts to negotiate a settlement between the union and management at Grunwick, Attorney General Sam Silkin has backed the important right of peaceful picketing, while warning against the use of violence or provocation of violence during strikes.

More importantly, Trades Union Congress head Len Murray called for full TUC support of the strike specifically attacking the NAFF, which "by its intervention at an early stage...has protracted and exacerbated the situation." Murray affirmed that the TUC itself was "one of the national associations for freedom." He said, "I deprecate attempts by any political organization to move into an industrial relations situation. In no circumstances would I try to defend the actions of people who attempted to latch on to industrial disputes for their own purposes." The head of the trade union directly involved in the strike, Roy Grathan, warned strike supporters against violence, and pledged that his union "will be seeking ways in which to ensure that in the future there will be no violence from either side."

Will BRD Labor-Industry Alliance Finish Brandt?

WEST GERMANY

Herbert Wehner, the West German Social Democratic Party's (SPD) Parliamentary fraction chairman, has launched a campaign "to drive SPD Chairman Willy Brandt into a self-imposed resignation," according to the June 22 daily *Süddeutsche Zeitung*. The imminent demise of Brandt, who has been handpicked by World Bank president Robert McNamara to chair his bank's new Third World commission, is being looked upon with great relish by West German industrial and labor sectors.

Brandt ensured that this labor-industrial alliance would move against him when he permitted a number of SPD "leftists" in Parliament last week to vote against the Social Democratic-Free Democratic government's tax budget. These parliamentary leftists were publicly supported by the "zero-growth" oriented SPD youth organization, the Jusos, whom Brandt has always encouraged to factionalize against the SPD center around Wehner and SPD Chancellor Helmut Schmidt. Schmidt and Wehner have seized on this opportunity to put a national spotlight on both the leftist SPD parliamentarians and the Jusos, who could have caused the budget's defeat and a subsequent collapse of the Schmidt government.

Even though the Brandt left acquiesced under pressure, the attacks on them by the Schmidt and Wehner forces have expanded over the past week. The initial charges — of sabotaging SPD support for Chancellor Schmidt — have developed into a barrage of attacks against the SPD left for wanting to halt the

government's growth and trade-oriented policies in favor of zero growth.

These attacks reflect a bullish confidence in growth that is becoming increasingly dominant in export-oriented West Germany, coupled with no-nonsense intolerance of Carter Administration-type no-growth proposals. The West German press have given prominent coverage of a projected 300 percent increase in French-Soviet trade as a result of Soviet President Leonid Brezhnev's visit there June 21, and at the same time the Schmidt government has authorized a 300 percent increase in export credit guarantees this year to Third World countries. Brezhnev is expected to visit Bonn this fall, and is expected to sign a number of big contracts at that time.

Unionists Treated to Criticism of Brandt

Wehner's attacks were first publicly aired two weekends ago at the SPD's trade union organization, the "Working Group for Labor Questions," to which 300,000 SPD trade unionists, one third of party membership, belong. Brandt was accused of "failing to provide the party with information that would support Chancellor Helmut Schmidt" in last week's tax vote. Egon Bahr, a long time Brandt crony and presently SPD business leader, was also attacked by Wehner for allowing the SPD to degenerate into threatening its own government's very existence.

To make the point crystal clear, two days later the Foreign Ministry unprecedentedly refused to grant visas to two of Brandt's associates who had planned to visit Poland, leaving Brandt to travel there alone.

Industrialist Otto Wolff von Amerongen, an SPD member and a leading East-West steel trader, kept up

the attack on the entire Brandt left at the June 21 meeting of the West German Conference of Industry and Trade, which he chairs. Amerongen told the cream of West German industry that the zero-growth corporatist proposals advocated by SPD Brandt followers such as former Jusco chairman Roth and Labor Minister Herbert Ehrenberg were foolish. "As opposed to zero growth, our debate must be conducted as it was in the 1950s and in the early 1960s. Dynamic growth must be viewed as the foundation of economic distribution."

One day later, Karl Otto Schlecht, the Undersecretary in the West German Economics Ministry seconded Amerongen by stating at an economics conference in Munich, "Growth is not everything, ... but without growth, everything is nothing at all." He blasted Brandt's support for redistribution of wealth instead of increased production: "Third World radicals neglect the necessity of producing first what can be distributed later." He emphasized that only capital investment would develop the Third World.

Meanwhile in France, West German industrial growth is receiving a welcome boost from socialist and industrialist allies of Schmidt and Wehner, who are moving to destroy the myth of "German imperialism" built up over the years by French pseudo-Gaullists and "left-

ists." This was long endorsed and used by Brandt as a tactic to smear and contain his West German industrialist opponents.

But recently French Socialist Party member Jacques Huntzinger wrote in *Le Monde* that "West Germany is not a threat, as long as it is not isolated from Europe." He added that there was no reason to fear a West Germany which abandons its ties to the United States to develop its own agreements with the East Bloc: "Today, anyone who wants to has the right to be Gaullist." And the West German financial daily *Handelsblatt* quoted François Ceyrac, the president of the French Employers' Association, the Patronat, to finally bury the left "German imperialism" myth: "The strength of the German economy is not creating any anxiety among Frenchmen ... a strong Germany assures stability for the European community."

In tandem with the attack on the SPD left, *Handelsblatt* also opened an attack on the CDU Atlanticist wing headed by Kurt Biedenkopf. The paper accused Biedenkopf of conflict of interest, a charge he has hurled at the SPD Trade Union forum, and of lacking the vision of Konrad Adenauer, CDU Chancellor in the 1950s and early 1960s, who supported East-West trade even during the cold war.

Arab, European, Socialist Forces Act To Stem Mideast War Danger

Andreas Papandreou, leader of the PASOK Greek socialist party, addressed the central question of Mediterranean security in his keynote speech at the one-week conference of area socialist leaders assembled on the island of Malta on June 20 to discuss and negotiate on that issue. Identifying the strategic concept of the Mediterranean region as the kernel of advanced and developing sector cooperation, Papandreou characterized the Mediterranean as "the bridge which can join the liberation forces of the Mideast and Africa to the progressive forces of Europe."

Summarizing the aims held in common by these forces, Papandreou outlined the goals of the Malta conference: to achieve peace throughout the Mediterranean and military independence based on a foundation of economic growth "without which political and military independence is illusory." Secondly, to extend this into the broader international arena: "fight for radical change in the international economic order with our active participation in the world struggle which is euphemistically called the dialogue between North and South."

The Maltese conference, which is scheduled to last through June 26, included top representatives from the socialist parties of Libya, Malta, Cyprus, Italy, France, Greece, Spain, Tunisia, and Algeria, as well as Yasser Arafat, the head of the Palestine Liberation Organization. It takes place at a time when the pro-development forces of the cited countries are engaged in active diplomacy focused particularly on defusing the Middle East powderkeg as indispensable for the negotiations to establish the new international economic order identified by Papandreou.

Warn of Catastrophes

Speaking at Brescia, Italy, Italian Communist Party general secretary Enrico Berlinguer expressed the preoccupation which his party shares with the Italian government and the rest of progressive Europe. If the Middle East and southern Africa hot spots are not defused, he stated, "the world may go toward explosive clashes and terrible catastrophes." Similar warnings have appeared daily throughout the Italian press, in such papers as the Milan *Corriere della Sera*, and Rome's *Paese Sera*.

From Yugoslavia, the newspaper *Vjesnik* published on June 15 a major commentary laying out in detail the Middle East crisis as it is perceived by the Arab forces. Libyan president Muammar Qaddafi arrived in Yugoslavia two days ago for talks with President Tito.

As reported by high level diplomatic sources, Yugoslavia is the key link in an informal bloc shaped among Yugoslav President Marshal Tito, Italian Premier An-

dreotti and Rumanian President Ceausescu during a recent spate of diplomacy which criss-crossed the Mediterranean. In addition to hosting the follow-up meetings to the 1975 Helsinki conference on European Cooperation and Security, Belgrade is currently being visited by Syrian Prime Minister Khleifawi and Libyan President Qaddafi.

At the Belgrade conference, for which last week's meeting represent only the preliminary agenda-setting phase, Yugoslavia has committed itself together with Italy and Rumania to propose that Mediterranean security be adopted as a major topic for serious negotiations. Yugoslav Foreign Minister Minic, cited yesterday by the Cuban wire service as reporting a list of significant steps towards peace achieved since Helsinki placed the recently signed friendship and cooperation accords between NATO member Italy and her non-aligned Mediterranean neighbor Yugoslavia at the top of his list.

'Unless There Is Peace, There Will Be War'

The following is an article by Ljubo Djovic issued June 15 by Vjesnik, the Yugoslav press service on the Mideast situation:

Unless in the fall, when the two great powers have announced when the Geneva meeting is supposed to occur, a meeting of the Middle East actually does occur — and with some actual prospects for a political solution of the Middle East crisis — an Arab-Israeli war is inevitable. In that case the Arabs have no other alternative but to turn to arms again.

This is the most succinct way to put the perspective put forward by Syrian Prime Minister Khleifawi in recent days in talks with high Yugoslav officials.

An exactly identical evaluation was also delivered by Egyptian Vice President Mubarak, the Palestinian leader Arafat and then the Chief of the Political Division of the PLO Farouk Kaddoumi and Libya's number two man Jalloud, during their recent visits to Yugoslavia. The same opinion was also expressed by other Arabs contacted through various channels.

And this is especially significant, because it indicates the states of minds and the mood in the Arab world, which in this case is of the same opinion, as seldom happens, especially in recent times. The Arabs who belong to the "rejection front" as well as those who are for a political solution share the same opinion. Of course, let us not forget the fact that the former do not at all believe that a peace can be achieved without a new war, while the

latter is still ready to give diplomacy a chance, before it too will have no choice but to decide on that deadly means, war.

But even if we have before us two different viewpoints on solving the Middle East crisis, it is indicative that the two touch at the point, beyond which, if thoughtlessly passed, there is no return to peace.

But since Khleifawi belongs to that camp of politicians who do not speak before they have thought out well what they mean to say, his warning about the possible consequences of events in the Mideast must be considered in all seriousness. He is the representative of a nation who does not wave its war flags unintentionally, nor for black-mail purposes.

Let us recall the year 1973. Cairo and Damascus, for a few months persistently from day to day issued warnings that war was inevitable, in case of insistence on the state of "neither peace nor war." Events showed that those who did not heed these warnings were gravely mistaken as were those who felt that these were merely empty threats... The war began October 6.

What is worrisome today is that the Arabs are again warning as they did in 1973 that a new war is possible, but today again there are those who pretend not to hear the warnings, trusting their military superiority. Or those who live under the illusions that the number of airplanes, rockets, or tanks is worth more than the desire and the decisiveness of those whose land is occupied to free it.

Khleifawi pointed out another very significant event, over which we must not pass too lightly. This concerns the painful and long process of Arab solidarity, and its re-

newal. Damascus and Cairo have solved their problems, as have Syria and Jordan. There are certain signs that there will be a cessation of the Egypt-Libya crisis, as well as between Tripoli and Tunis. At the same time moves have occurred to put in order relations between the Palestinians and the Arab governments.

What Arabs seek from Israel was clearly stated by Khleifawi: return to the 1967 borders, the enablement of the Palestinian people to create their own state in the Transjordan and the Gaza, and the return of those Palestinians who desire it to Israel and compensation for those who are unable to return. With these measures, the conditions would be created for an end of the state of war in the Mideast and securing the borders of all nations of this region.

Tel Aviv's reply, however, lends a new weight to the warnings of Khleifawi, Jalloud, Arafat, Kaddoumi, Mubarak and others. Because for Israel withdrawal from the occupied territories, a Palestinian state, and to return or compensation for the Palestinians are "unacceptable."

Under these circumstances, unless a change occurs in the Israeli position, there will be nothing to discuss at Geneva. And without discussion there can be no political solution. And thus the circle is closed on the fifth Arab-Israeli war, which as was shown in the fourth — cannot be confined solely to the Mideast region.

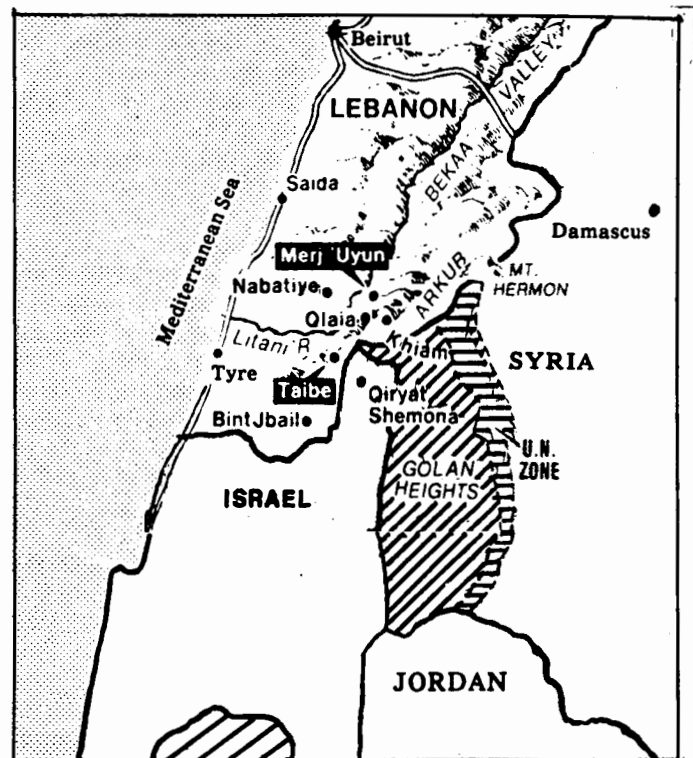
It would be good for Khleifawi's warnings to be considered seriously by the participants of the Belgrade summit on European security and cooperation, because a new war in the Mideast would have an extremely negative effect on the situation on the old continent.

Israelis Continue Lebanon Provocations

LEBANON

Warnings issued by the Soviet Union's *Pravda* on June 18 make clear that the current Israeli aggressions into southern Lebanon are putting the world on a short fuse to World War III. *Pravda* called the Israeli buildup of troops along the Lebanese border and artillery attacks on Palestinian forces "blackmail," against the Arab forces: if they do not give in to Israeli conditions, a preemptive strike will be the follow-up to Lebanon. "Reports have appeared on a plan developed by Tel Aviv for surprise strikes on oil pipelines and oil-processing enterprises in several Arab countries," warned *Pravda*. "Israeli provocations on the border with Lebanon have increased." Radio Moscow the next day reiterated the *Pravda* warning and attacked General Moshe Dayan, who was sworn in June 20 as Israel's new Foreign Minister, as a "proponent of aggression."

The Israeli buildup for war in Lebanon this week became so critical that the Lebanese government has appealed to the United States and the Soviet Union to mediate between the Palestine Liberation Organization and Israel. Lebanese Defense Minister



Butros specifically appealed to the U.S. Ambassador in Lebanon to cool down the Israelis.

Speaking in his first public address as Israeli Prime Minister, Likud party leader Menachem Begin indicated his awareness of the war danger and declared that the main task of his new government is "to avoid a new Mideast war." Begin also indicated that his regime would favor a "normalization" of relations with the Soviet Union.

But while Begin spoke, Israel continued its shelling of southern Lebanese villages. Latest reports from Beirut indicate that heavy Israeli reconnaissance flights over Lebanon have started again. Since the May 17 Israeli elections, Israel has been playing a more active role in its northern border with extensive "road carving operations." They are now completing a road going from Israel into southern Lebanon which, said the *London Times*, "could prove to be the flash point for another Mideast war." Israel also carried out a test of its emergency mobilization system this week.

On the ground in Lebanon, a major onslaught against the Palestinians is being prepared with a 2,000-man Christian force backed by the Israelis, now massed in the south for an "all out battle" that could drag both Israeli and Syrian troops into the battle. If the Palestinians respond by moving their entire strength to the southern town of Arkoub, they could, says the *Financial Times*, come into "full confrontation" with the Israelis whose "strategic road" gives easy access for their troops. Observers in Beirut now say that "time is already running out for any hopes of a peaceful settlement."

Arab Mediation

Lebanese President Sarkis is now seeking a settlement in a meeting with PLO Executive Committee member Hani Hassan. Sarkis has been trying to form a independent Lebanese army to reinstate Lebanese control

over the country, an effort sabotaged largely by the Chamounists.

From the Arab side, the primary task is to find a military force that can crush the extremist Lebanese right in the south of Lebanon which, backed by Israel, threatens to explode the area. Syrian troops, 30,000 of which are now stationed in Lebanon, cannot enter the south without giving Israel a pretext to invade Lebanon.

A head-to-head clash is shaping up in the Arab world between a bloc of states led by Libya and another bloc that is leaning toward Carter. The Libyans — backed by Iraq, Algeria, the PLO, and several small pro-British oil sheikhdoms in the Gulf — are organizing for an Arab heads of state summit to deal with the Lebanon crisis. On the other hand, Egypt has said that it opposes the idea of an Arab summit, calling it "unnecessary" and preferring to wait until after the Vance trip in July. Foreign Minister Tareiki of Libya arrived yesterday in Saudi Arabia, which holds the decisive vote, to push for an immediate summit to draw up a common Arab position.

Throughout Lebanon, Syria and Jordan, a battle is also raging in political circles over the crisis. Yasser Arafat of the PLO and his deputy Farouk Kaddoumi, and King Hussein of Jordan, arrived in Damascus for talks with President Assad of Syria, whose troops hold the balance of power in Lebanon. According to the *Financial Times* of London, the Syrians are attempting to work out a formula that will create a Lebanese national army (the original was shattered during the two-year civil war), and thus establish a ceasefire in the south along with joint Palestinian-Christian truce patrols.

But, the entire Arab East is split over this policy: evidence of how deep the fight goes is the fact that in the past month there have been attempted coups in Saudi Arabia, Syria and Jordan — all of which failed.

U.S. Mideast Policy:

'Amateur Night In Washington'

The May 17 victory of the Likud Party in Israel, which was in large part attributable to Jimmy Carter's reckless Mideast policy pronouncements during the first four months of his presidency, has created intractable policy dilemmas for the Carter Administration. Carter has been reduced to a mess of carelessly thought-out improvisations and bluffs, aimed, alternately, at Israeli and Arab leaders and supporters, as the Administration tries to cover up for the embarrassment of having to integrate the fanatical Likud into a coherent policy overview. In the words of one veteran U.S. Mideast strategist, "It's amateur night in Washington."

The Administration's impasse is like the "Scylla-Charybdis" myth of Greek mythology; whatever direction Carter now takes toward Israel threatens to be a disaster for the U.S. strategic position in the Mideast. Continuing along the path charted by National Security Council head Zbigniew Brzezinski, by which Carter is to issue emotionally-laden pronouncements, ostensibly

pleasing to manipulable Arab leaders and seeming to "pressure" Israel into concessions, will either destabilize Israel's sense of security enough to force a preemptive strike, or encourage ruling Israeli circles to seek alternative security guarantees from the Europeans and Soviets.

A Carter "pro-Israel" turn, however, will only hasten Arab moves toward the Europeans and Soviets, and will risk a nuclear war showdown with the Soviet Union which the United States will lose. Moreover, there is no guarantee that at this point, the newly installed Begin government will choose to be a sacrificial pawn for Trilateral Commission global policy.

The collapse of Carter's Mideast approach is being increasingly recognized in U.S. circles. A Midwest think-tanker affirmed this week that if clear policy formulations are not forthcoming from the Administration within two to three months, the U.S. will face a "complete disaster" in the Mideast. An aide to U.S. Senator Javits

told reporters this week that the Mideast threatens to become Carter's "third foreign policy failure" — after the boomeranging of both the Administration's recent SALT talks bluff with the Soviets and the "human rights" issue at Belgrade's European security and cooperation talks.

According to the French daily newspaper *Le Matin*, "a nightmare" haunts Washington because of Carter's "equivocation." There could be a "fifth Arab-Israeli war, which could set off a nuclear confrontation with the Soviet Union."

A key feature in the widely recognized U.S. policy collapse has been the openly bitter attacks against Brzezinski, especially from layers within the U.S. "Jewish Lobby" leadership, but also the Israelis themselves. A top Jewish lobby spokesman in Washington has complained to reporters that "Brzezinski is leading Carter astray, down the garden path" with his "academic" advice. Max Fisher, the top fundraiser for Israel in the United States, exclaimed in an interview recently: Brzezinski is a "stinking bastard" who is undermining Israeli security, distorting the Arab countries' real need for peace, and ruining U.S. influence in the Mideast.

So disturbed is the Israeli leadership by Brzezinski's formulations that a special study has been initiated by the Israeli Foreign Ministry of all of Brzezinski's Mideast policy ideas throughout the past decade; this study was denounced by the National Security Council as an "unfair" attempt to expose Brzezinski.

Throughout this month, numbers of Israeli analysts have charged the Carter Administration with responsibility for raising the war danger in the Mideast. Reporting on signs of increased Arab military movements, a right-wing Israeli paper commented June 9 that this activity "results to no small extent from Carter's statements." During his visit to the U.S. earlier this month, Begin's special envoy, Samuel Katz, warned that the policies of both Brzezinski and his predecessor, Henry Kissinger, would be relegated to the "garbage can of history." He told reporters in New York that Brzezinski's policies would force Israel to "fight for its existence in the streets of Tel Aviv" in a devastating fifth Arab-Israeli war. He informed reporters that Israel wanted "real peace . . . but not along the lines laid down by the *New York Times*."

Whether this reaction in Israel can possibly break decades of shifting tactical and strategic alliances with the reigning U.S. and British monetarist factions, provoking constructive Israeli approaches to the western Europeans, is at this point a moot question. One Washington source speculated that Israel could open up conversations with western Europe simply to "alarm the U.S."

Carter Maneuvers

Carter himself has repeatedly tried over the past ten days to "reassure" Israel's supporters that U.S. policy, is, as ever, to back up a "strong Israel," but the efforts so far have all been flops.

A June 17 San Francisco Mideast policy speech by "friend of Israel" Vice President Walter Mondale was touted before its delivery as a major attempt to win Israeli allegiance to Carter policy. Once delivered, it was

labeled "warmed-over Brzezinski" by U.S. Jews, and was also derided as the "same old formulas" in Israel. The speech in fact turned out to be a repetition of the Carter homilies that have flowed out of a 1975-76 Brookings Institute Mideast policy study in which Brzezinski participated. The *Washington Post* simply noted it was written in large part by the National Security Council staff.

Two days earlier, "pro-Israel" U.S. Senator Humphrey emerged from meetings with Carter to "reassure" American Jews that Carter supported a "strong State of Israel." According to the June 17 *New York Times*, Humphrey's words were "received coolly" by the Jewish leaders.

Carter also has held meetings with several leading U.S. Jewish leaders and with the Chief Rabbi of Israel, Shlomo Goren. In the latter case, Carter threw a bluff at the Arabs, ostensibly proclaiming the he "never supported a Palestinian state," despite his provocative proclamations in favor of a Palestinian "homeland." The words were an obvious trial balloon to the effect that Carter would veer toward Israel openly if the Arabs consolidated a post-dollar set of financial and political alliances with the Soviets and Europeans.

A second Carter bluff will come with the visit of U.S. Secretary of State Cyrus Vance to the Mideast late next month. During this visit, Vance will carry to all the Arab states and Israel a series of promises that he has no intention of fulfilling, just to keep the Arab states from bolting from Carter for a few months.

Vance is working from a position of weakness. *Le Matin* insists that "if the U.S. is to maintain its credibility in the eyes of the Arabs, he had better not return empty-handed."

Carter's "credibility" on Capitol Hill is also at stake. Leading senatorial offices are sending out the word that Carter has until the mid-July meetings with Begin in Washington to produce some concrete U.S. policy initiatives before his Mideast formulas are treated as a thorough failure.

These senators, as well as veterans of Mideast diplomacy, know that time is short. The leading advocates of a policy of "allowing Carter time to work out his policy," Egypt's Sadat and Syria's Assad, are under enormous pressure from Iraq, Libya, and nationalist forces within their countries to break with this patient attitude. Meanwhile, the volatile southern Lebanese situation is increasingly raising the spectre of an uncontrollable regional war, forcing Syria and Egypt to maintain near war mobilization. Finally, both Assad and Sadat are faced with massive economic problems of their own, and are not expected to survive long if the current Mideast impasse continues.

Javits Aide: Mideast May Be Carter's 'Third Disaster'

The following is part of an interview this week with an aide to Republican Senator Jacob Javits of New York:

Q: Are the rise to power of the Likud in Israel and the failure of the U.S. to promote a clear Middle East foreign policy precipitating a profound crisis among our European allies? A disaster in U.S. foreign policy seems to be definitely emerging.

A: A disaster? Well, obviously, Carter's top three initiatives — human rights, SALT, and the Mideast — have gone sour. Carter has spent a tremendous amount of time on Mideast questions and obviously has a big stake in bringing peace to the area. It's very serious for him. As perceived here, the problem with Carter is this: There's no firm hand on the rudder. His relations with Congress are very poor. These poor relations have been highly exacerbated by the bizarre performances coming from the White House, the goofs and the gaffes. There are no people in charge of relations with Capitol Hill. Carter, Brzezinski, Vance — all have no feel for the Hill. Mondale is, of course, different on this. The problem, then, is that as long as there's no hand at the tiller in Washington, the mice will begin to play. That is happening here now with senators and congressmen.

Jackson Aide: Brzezinski's Policy 'Bush League Stuff,' No Peace In Sight

The following is an interview with an aide to Sen. Henry Jackson of Washington.

Q: Do you think that Brzezinski's Mideast policies have been a disaster, as Joseph Kraft outlined in his article this week?

A: It's not quite a disaster. But their idea of keeping the Israeli Labour Party in power was counterproductive — this was bush league stuff. If you add this up with their hope to buy off the Arabs with promises, the whole policy is unrealistic. It's nice to get the Arabs to feel good, but if they aren't going to get anything — and they won't because Israel will not give back anything — then it could lead to disaster. What you'll get pretty soon is not an event, but a process, more of the salami tactics. You can call it a return to the step-by-step strategy of Kissinger. You won't get a comprehensive deal. No one is ready for that. No one trusts each other. And speaking as an Israel watcher, this wariness is justified on Israel's behalf. You can't trust the Arabs.

Q: Is that to mean a resumption of cold war tactics?

A: Yes, if you like. But if you have a choice between cold war and hot, at least in a cold war no one gets killed. The U.S. has had such relations with the Soviets for years and no one was killed. No, this thing can go on for years — 10, 20 years or more. Some international situations cannot be resolved.

Q: Isn't what you're saying contrary to what Begin means when he calls for face-to-face talks with the Arabs?

A: Face-to-face can lead to step-by-step. It's all part of the same thing. When Begin says he wants face-to-face talks, he doesn't mean he intends to solve the problems there and then. It doesn't mean a comprehensive deal.

Jewish Lobby: Carter and Brzezinski Going 'Down Garden Path'

The following is an interview with a spokesman close to the U.S. "Jewish Lobby."

Q: I understand that you people don't like Brzezinski?

A: It's not that we don't like Brzezinski. We don't like the line that is coming out of the National Security Council. This stuff on an Israeli withdrawal and a Palestinian homeland may be a real disaster for the U.S. So far, U.S. policy has been pure Brzezinski, and that's bad. Brzezinski has a total lack of perception of Israeli fears. He wants an imposed settlement, period! On the other hand, the State Department is more perceptive.

Q: The State Department! I was under the impression they were pro-Arab.

A: Yeah, but they're professionals. They know that it's no good for Carter to say, "There should be a return to the 1967 borders, but the parties involved should work it out," because then the Arabs know the starting point once he's said it. And that in turn creates the danger of rising expectations in the Arab world, and therefore increases the danger of violent tactics on their part.

Look, the problem is this. Carter is not responsible. It's the advice he's getting. It's bad advice from Brzezinski. And Mondale's speech today — the one that was to be so pro-Israel — is not a Mondale speech. It's warmed-over Brzezinski.

Vance and Habib in the State Department have more of a sense of how the Middle East works. Brzezinski feels he has to have a confrontation in U.S.-Israeli relations. You know, Brzezinski is taking a private sounding in the Senate on support for an imposed solution. He's an academic, who is leading Carter astray, down the garden path.

Libyan's Pan-Arab Summit Breaks Down Over Egyptian, Syrian Vacillation

Diplomatic efforts on the part of the Libyan government to convene a pan-Arab summit around the growing threat of a fifth Arab-Israeli war appear to have been rejected by the two most important "confrontation states," Egypt and Syria, thus putting the initiative in serious doubt. At stake in the Libyan proposal is whether the Arab nations can be brought together to formulate a Mideast policy independent of the Carter Administration.

Numerous press accounts and public statements from the Mideast in recent months indicate that every Arab leader recognized Carter's unwillingness to cooperate with Mideast leaders and the Soviet Union to immediately reconvene a Geneva peace conference. Nonetheless, both Egyptian president Sadat and Syrian president Assad at the last minute dismissed the summit call in order to give the U.S. "one more chance," anticipating Secretary of State Vance's visit to the Mideast next month.

Behind such vacillation is a growing Arab awareness of the increasing danger of war with Israel, a sentiment forthrightly reflected by a senior Syrian government official quoted in the *Baltimore Sun*; "There is no room for optimism...We are not giving up hope, though the outlook is rather bleak until now. Carter gave us, all the Arabs, the impression of being an honest man sincerely wanting to do something, and he may yet push for a settlement...but time is not on his side; our patience will be exhausted in a few months."

The official party newspaper in Syria *Al Ba'ath* last week editorialized that it was Carter and his ineptitude that is to blame for the provocative moves against the Arabs, principally in southern Lebanon, by Israel. The Soviet Party paper, *Pravda*, at the same time quoted other Syrian press sources that "Syria doesn't believe that the United States holds 99 percent of the cards" in negotiating a settlement, a phrase often repeated by Sadat.

The Critical Choice

Both Assad and Sadat are presently faced with either continued allegiance to the Carter Administration or heeding the warnings of their pro-Soviet neighbors Libya and Iraq which have repeatedly spelled out the imminence of war if U.S. "mediation" continued in the Mideast. A significant indication that Iraq and Libya are being taken more seriously by the more moderate Arabs is that *Ash-Shaab*, a daily published in the Israeli-occupied West Bank, earlier this month editorialized "Baghdad Knows What It's Talking About," referring to the danger of continued U.S. meddling in the region.

Wide Support for Summit

The Arab summit won the endorsement of the Persian Gulf state, Bahrain, Qatar and the United Arab Emirates as well as the Palestine Liberation Organization following a regionwide organizing tour by Libyan Foreign

Minister Al Tareiki. The summit proposal was closely coordinated with the Soviets as a forum to reach a solution to the volatile southern Lebanon stalemate, a crucial precondition for achieving a Mideast peace. Backing up the incentive for an immediate settlement are diplomatic efforts between the Europeans, the East bloc and the Arabs, most particularly Libya, to reach a Mediterranean peace and security pact, a subject presently being explored at the Helsinki talks in Belgrade.

Just prior to the Libyan summit proposal, Egyptian Foreign Minister Ismail Fahmi met with his Soviet counterpart Gromyko and Soviet Party leader Brezhnev where they called for a Geneva peace conference no later than October. Shortly thereafter Brezhnev publicly called on France to act as a co-guarantor for the Geneva conference, indicating that the Soviets are looking toward Europe for critical back up in getting the conference off the ground.

An open request by the Egyptian government this week that the EEC release its position on the Mideast, which must include support for the creation of a Palestinian state (not "homeland"), indicates that Cairo recognizes the Soviet-European option for Geneva. But Sadat and other Arab moderates, such as Saudi Arabia and Syria, continue to vacillate, thinking that the U.S. will be able to pressure Israel into negotiations. Such illusions were forthrightly dismissed last week by an editorial in the Iraqi government newspaper *Jumhuriyya* which stated: "Mondale's latest speech has defined a total collapse of the policy of those governments which try to establish a balance with Israel, hoping the U.S. will exert pressures. Years of efforts have changed nothing."

— Judy Wyer

'Baghdad Knows What It Is Talking About'

The following are excerpts from an editorial in Ash-Shaab, a daily published in the Israeli-occupied West Bank.

...Washington will find out it is helpless in bridging the gap between Arab imagination and Israeli tactics. The Arabs will find out that they are facing a new situation, namely, that the American pressure on Israel is limited by American, Israeli, Arab and international considerations....Under such circumstances Washington will resort to a substitute for the Geneva conference — in an attempt to break the stalemate and also to save face for the Arab friends of the U.S. Inasmuch as the American version of the Geneva conference excludes the Soviet Union, some Arab regimes won't be able to contain Arab reaction to a failure at Geneva or absorb it with another farcical oil embargo....

However, if some observers believe that an Arab-Israeli dispute over Geneva will lead to a military confrontation, I believe that the Geneva disappointment will eventually increase the chances for aggravating contradictions in the Arab camp. This will ultimately lead to some changes in the political arena. Furthermore, now is the right time for some Arabs, who believe that U.S.

interests in the Middle East compel the U.S. to protect and help its friends in the area, to stop exaggerating their evaluations of possible U.S. reactions to the chances for changes in the Arab arena.

Baghdad knows this very well. Why then do we not heed the Iraqi capital's words in order to avoid returning empty-handed?

Cyprus Left Seeks Ouster Of Rightist Agents

Efforts by the communist and socialist parties of Cyprus to purge right-wing reactionaries in the government, police and army have brought that country to the edge of head-on confrontation. The Communist Party has called for the ouster of the Interior-Defense Minister for refusing to prosecute collaborators of Nicos Sampson, who in 1974 overthrew Cypriot President Makarios in a NATO-choreographed coup and brought Greece and Turkey to the brink of war, according to the *Baltimore Sun*. Similar allegations have been leveled by Socialist Party leader Lyssarides, who has warned of renewed right-wing coup preparations by sympathizers of the Sampson-linked EOKA-B terrorist organization and has mobilized his personal militia to defend Makarios.

The activation of the EOKA-B terror option is geared to plunge Cyprus into civil war and block Makarios' persistent efforts to resolve the Turkish-Greek dispute over the island outside of NATO's aegis. A Cyprus resolution would not only defuse a potentially dangerous flashpoint for general war but would clear the way for the transformation of the entire Mediterranean into a zone of peace — long the goal of the Soviet Union and many Third World nations.

Following a meeting with Greek Prime Minister Karamanlis in Athens last week, Makarios emphasized the "absolute necessity" of keeping the Cyprus problem internationalized, and reiterated his support for a Soviet-backed international conference to end the dispute.

To counter Makarios, Clark Clifford, President Carter's personal emissary to the eastern Mediterranean, will arrive in Cyprus next month to "mediate" the conflict. During a similar trip by Clifford earlier this year, Makarios let it be known that Clifford's efforts to keep the Cyprus problem an "internal NATO quarrel" were unwelcome and provocative.

Rauf Denktash, leader of the Turkish region of the divided island, is likewise doing his best to keep the

situation inflamed by announcing this week that he wants to declare the Turkish-held portion an independent state. His plans are meeting strong resistance from the newly elected Turkish Prime Minister, Bulent Ecevit, who in an interview in *The Middle East* magazine categorically asserted: "No, Cyprus must be allowed to continue as an independent state."

Destabilization in Turkey

Not surprisingly, Ecevit has also been targeted for attack by the "commandos" of Col. Alparslan Turkes, a pro-U.S. deputy prime minister in the previous government. Describing the commandoes as "fanatical storm-troopers," the *Sunday Times* of London reports that the thugs intended to "obliterate left-wingers on campuses."

Ecevit, whose main task will be to mop up the Turkes network, is currently trying to form a government with independents and defectors from other parties. Such a strategy will make it unnecessary for Ecevit, who is 13 seats short of a parliamentary majority, to enter into an unstable coalition with the fascist National Salvation Party, which holds 22 parliamentary seats.

Former Prime Minister Demirel has blocked with the Salvationists and Turkes' National Action Party to form a government in the event that Ecevit is unable to do so, and has given orders to members of his Justice Party to vote against Ecevit during the upcoming vote of confidence. However, according to the Turkish daily *Cumhuriyet*, there is a faction emerging in Demirel's party that opposes all cooperation with the Salvationists and Turkes. The faction, led by Foreign Minister Caglayangil and backed by Turkish business and industrialist circles, has given signs that it may lend unofficial cross-party support to Ecevit in the interest of forming a solid government. Already, one Justice Party senator has left the party to join up with Ecevit.

— Nancy Parsons

Renewed Solidarity In North Africa

Early this month Tunisia's President Habib Bourguiba accepted Libyan leader Muammar Qaddafi's offer to shelve an ongoing water rights dispute in the interest of inter-Arab unity, thus defusing a point of confrontation between the two countries. Within one week of this show of good will, Tunisia announced to Algeria, its neighbor to the west, that it was reconsidering the heretofore moribund Algerian proposal to build a gas pipeline via Tunisia to Italy.

Behind this renewed North African solidarity is the emerging European-Soviet-Arab axis, which is currently formulating a Mediterranean economic development program, the only viable solution to the Middle East war danger. Prior to the Belgrade Conference on European Security and Cooperation, Tunisian Foreign Minister Habib Chatti issued a joint statement with Czech Foreign Minister Chnoupek calling for "new impulses for new and closer cooperation chiefly in the political sphere."

Euro-Arab Diplomacy

The ongoing feud between Tunisia and Libya, over ownership of the oil rich Gulf of Gabès region, erupted May 29, when a Tunisian naval vessel was deployed to the contested waters in order to demand the departure of an American-owned drilling rig in the employ of the Libyan government. The intervention of Arab League President Mahmoud Ryad, who met with Tunisian and Libyan Foreign Ministers on June 10, was a diplomatic success. Both parties agreed to refer the dispute to the International Court of Settlements at the Hague. Libya's Qaddafi reported that the Tunisian-Libyan dispute was no longer a problem. "In the interests of pan-Arab unity, the only solution to the problem is for Tunisia to unite with Libya. In that way, both countries can exploit the oil resources together."

The idea of a Tunisian-Libyan union was originally floated in 1974, when Tunisian Prime Minister

Mohammed Masmoudi authored the deal with the full backing of Libya's Qaddafi. Through the influence of the current Tunisian Prime Minister, Hedi Nouira, Bourguiba rejected the idea of union and Masmoudi was forced to leave the country in a classic power struggle. The authoritative London weekly *Arabia and the Gulf* has recently hinted that a rapprochement is in the making between Masmoudi, now living in exile in Paris, and Tunisia's Bourguiba.

The solution to the Gulf of Gabès dispute is apparently the key to the ongoing Algerian-Tunisian squabble. According to the June 14 issue of the *Journal of Commerce*, "There is some possibility that Tunisia's refusal on the Algerian pipeline may be tied to the offshore dispute with Libya."

The disputed gas pipeline was originally planned to cross Tunisian territory before taking to sea on its way to Italy. This billion dollar project would help to solve some of Italy's nagging energy problems. The Algerian-Tunisian dispute was apparently one of the main topics of discussion when Libya's Prime Minister Jalloud visited Italy in mid-May. Libya was asked to clean up its own dispute with Tunisia in order that the Algerian project could be renegotiated.

Algerian Stupidity

According to a spokesman for the Palestinian Liberation Organization, the remaining problem in Tuniso-Algerian relations remains Algeria's stubborn commitment to harbor and support the Polisario Liberation Movement, a synthetic guerrilla band demanding independence for the Spanish Sahara. By championing the Polisario, Algeria's role in the emerging Euro-Arab-Soviet axis is severely weakened, slowing the motion toward a Mediterranean peace agreement. So far, Tunisia has ignored the Spanish Sahara issue, which has pushed its staunch ally Morocco toward the brink of war with Algeria.

Brzezinski Cocks Djibouti Trigger Against USSR

Zbigniew Brzezinski's National Security Council has started the countdown to a shooting war between the littoral states of the Red Sea on the Horn of Africa, a countdown scheduled for ignition with the June 27 independence of the French colony and naval base of Djibouti, at the mouth of the Sea.

Djibouti contains the route to the sea of Ethiopia's only railroad, regularly blown up by the NSC's African counter gangs, but also part of the territorial claims of neighboring Somalia, whose traditional territory was carved up between Britain, Italy, France and the Ethiopian Empire during the colonial period.

The bloody destabilization of Ethiopia and Somalia over this issue is intended as a black eye for the Soviet Union which has close relations with both countries. Other African countries depending on the Soviets for economic and military support and who might otherwise be wide open to Wall Street's economic blackmail, are then expected to back away from the USSR.

In the face of panic from the inexperienced Ethiopian regime and pressure from ultra-nationalists in his own country, Somalia's socialist president, Mohammed Siad Barre is trying to counter this war scenario with a proposal for a "united anti-imperialist front" between

Ethiopia and Somalia which would shelve their territorial disputes. In two interviews granted in the last ten days, Barre rejected the notion that he was about to break with the Soviet Union because it supplies weapons to Ethiopia, although he expressed reservations about this Soviet policy. Barre then virtually pleaded with the Ethiopian ruling Military Council (the Derg) to give him some sign that they were willing to peacefully negotiate their differences. In an interview with the Paris-based magazine *Afrique-Asie* of June 13, Barre contemptuously rejected the notion prevalent in the Western press that his country's socialist policies are for sale to the Carter Administration, which has a stated policy of "challenging" Soviet "hegemony" in Somalia. "Eight years in power have sufficiently immunized us against those (Western reporters) who take their desires for reality."

Siad also challenged the Ethiopian Derg to demonstrate their new-found socialism: "Let them show that they are conscious of the fact that they could effectively constitute, with Somalia, a powerful and active anti-imperialist alliance, on the condition that this would be founded on a just and democratic settlement of the problems which separate us." Alluding to the pressure from extreme nationalists to reclaim land inhabited by ethnic Somalis but currently juridically part of southern Ethiopia, Barre said "no government, no regime, no Somali leader could survive in this country if he came to abandon the policy of reclaiming the territories which remain colonized by foreign occupation."

With Siad not only resisting, but actively countering the NSC's war scenario, the threat of a coup against him by the ultra-nationalists has been raised. Such pressure on Somalia is buttressed by a greatly escalated offensive against the Derg to drive them into a paranoid frenzy that would touch off a war, either with Somalia over Djibouti or with the Sudan, Ethiopia's western neighbor, over the secessionist movement in Ethiopia's coastal province of Eritrea.

On June 21, guerrillas blew up several bridges on the railroad near the Djibouti border putting it, and 60 percent of Ethiopia's foreign trade, out of commission for several months. A Somali-speaking guerrilla group reportedly claimed responsibility for the sabotage. Virtually at the same moment, the Sudanese government banned Ethiopian air traffic from their air space, prompting an Ethiopian government spokesman's wild charge that Somalia and Sudan were in collusion to isolate his country.

Psychologically profiled to have just this kind of reaction, Ethiopia's rulers have historically seen themselves as a Christian island in a sea of Arabs, and have primarily feared being cut off from the sea. The activities of Sudanese President Jaafar Nimeiry, bankrolled and advised by Rockefeller conduits in Saudi Arabia, are also designed to provoke the Ethiopians according to profile. Nimeiry, the Saudis, and Egyptian president Sadat have recently launched a plan to make the Red Sea their official sphere of influence — an "Arab Lake" holding one conference of littoral states with a second planned pointedly excluding Ethiopia and Israel. Additionally, Nimeiry is openly backing both the remnants of Haile Selassie's feudal landlords in the "Ethiopian Democratic Union," and the Eritrean secessionist movement, in a campaign which in the Derg's perception approaches the proportions of a jihad, a Muslim Holy War. Under the cover of a "Soviet threat" from Ethiopia, Nimeiry has his army mobilized on the border, and seeking arms from the United States, while France and China already supply them.

Brzezinski and Giscard are apparently confident that their psychological warfare against Ethiopia is going to work: "I think they (the Ethiopians) will make a grab for Djibouti," one Rockefeller-linked scenario writer told a reporter June 21, "They'll fake an incident and make a grab for it. Then the Somalis will strike." If this isn't enough, Giscard has made provisions to increase tensions over Djibouti, according to an Algerian news agency report June 23. Four days before independence, according to the report, Giscard is insisting that the unstable Foreign Legion and 4,500 other soldiers stay in Djibouti after independence, contrary to the independence agreement already worked out, which allows 3,000 French troops to stay there.

In northern Ethiopia, the Ethiopian army and the newly formed peasant and militia have soundly defeated the Ethiopian Democratic Union reports the June 22 *London Financial Times*. They are now expected to move into Eritrea to take on the better armed and better trained Eritrean Liberation Front. This Ethiopian success, however, could very well be the trigger for Nimeiry to attack: he has already warned the Derg that he will not "stand idly by" and allow Ethiopia to retake parts of Eritrea already "liberated."

— Peter Buck

S. Africa Daily Steps Up Campaign Against U.S. 'Dirty Tricks'

SOUTH AFRICA

The South Africa daily *The Citizen* began on June 13 a four-part series of articles vigorously attacking what it called the "progressive wing" of the U.S. State Department and CIA for running destabilization operations against the South African government. The series began on the same day that South African authorities preempted a group of terrorist agents-provocateur from turning the demonstrations in Soweto last week, commemorating the murderous Soweto riots of a year ago, into a massacre.

Three black terrorist agents, who are most likely part of the Institute for Policy Studies-linked Oppenheimer Anglo-American Corporation counter-insurgency networks which criss-cross southern Africa, were sighted by police in downtown Johannesburg. The agents panicked, ran into a garage, and there, murdered two whites. Although the incident was played up in the national press as the opening of a new era of much-dreaded urban terrorism, it was later admitted that the terrorists had bungled their actual assignment. They were supposed to situate themselves behind the crowd at the Soweto demonstrations, fire over the heads of the crowd at the police, and provoke police to indiscriminately shoot into the crowd. The resultant massacre would have touched off a new round of uncontrollable rioting in the country.

The abortion of these provocateurs' mission, combined with the arrest of other IPS-Oppenheimer agents now trying to incite a southern Africa race war, insured that the June 16 first anniversary of last year's racial violence was relatively quiet. There were no deaths in any of the areas where there had been rioting last year. But near Port Elizabeth, nine people were killed by police in two days of rioting, which led to more than 300 arrests. Significantly, there had been no rioting here last year, and it appears that the area was deliberately targeted by provocateurs because the authorities were not expecting trouble.

The Vorster government is being hit with the race riot scenario, embodied in the "progressive" U.S. State Department's so-called Tar Baby Option, authored by Anthony Lake. According to the same plan, Rhodesia's Ian Smith is continuing to invade Mozambique, as partly an effort to fan the fears of the South African right wing, and pressure Vorster to renege on his current behind-the-scenes effort to reorient internal and foreign policy away from war.

While informed black African diplomatic sources report that they know the Vorster government was not behind the most recent internal riots, a June 21 *Christian Science Monitor* editorial ominously warned, "It would be a serious mistake to conclude that racial turmoil is on the decline in South Africa," despite the relative calm of the last week as compared to a year ago. That editorial, without giving its sources, went on to predict that the situation "may erupt once more into violence."

Johannesburgh Daily: CIA Behind S. African Opposition Groups

Johannesburgh — A Johannesburg daily, *the Citizen*, launched a series of accusations against the Carter Administration and the Central Intelligence Agency (CIA) affirming that in the United States there is a secret war being conducted on three levels to collapse the white minority rule government of South Africa.

In a front page article the daily writes that the progressive-international wing of the State Department and its counterpart in the CIA is actively attempting to destabilize the position (of the whites) by furnishing massive assistance to the resistance movements, to the organizations of black consciousness and to black leaders!

According to *The Citizen*, the Administration of President Jimmy Carter is mobilizing public opinion in the United States against South Africa, as well as the American diplomatic delegations in other countries, exercising pressures on these countries to either pull out or greatly reduce all their investments in South Africa!

The goal of this policy, according to the daily, is to bring about the collapse of the white government, and to ensure the most rapid substitution of the white-minority rule government, by a government of the black majority. When the blacks assume power, the United States will have special and friendly relations with them, whether they are pro- or anti-Marxist!

The Citizen affirms, furthermore, that financing by the U.S. State Department and the CIA are ever increasing in South Africa; in part, the flow of funds is through the American Ambassador at Botswana, who runs a daily, intense trafficking of South African dissidents! The groups which would have received the U.S. funding would have been; the Representative Council of Soweto Students (SSRC), the Black People's Convention (BPC), and the South African Students Organization (SASO).

A spokesman for the American Embassy at Cape Town stated that the ambassador was *still* not ready to give a response to *The Citizen's* allegations.

Election Analysis:

Indian State Polls Show Janata's Weakness

INDIA

The Indian electorate took to the polls in ten states and two union territories June 10-15, in the first test for India's political parties since the March 16 Lower House elections. The Lower House election had decisively ousted the Congress Party from office after 30 years of uninterrupted government; this time, the voters put the brakes on the Congress's successor, the Janata Party, and made public many of the latter's severe limitations.

In the process, India's voters, more politicized now than at any point in the last 30 years, exploded several fantastic stories circulated by Western and local press agencies. Candidates backed and supported by Jayaprakash Narayan, whom the Western press touts as India's spokesman for "democracy and human rights," were soundly beaten. While the Congress Party was admittedly thrashed and the ruling Janata party got majorities in most states, the electorate gave third parties control of both India's agricultural and industrial heartland.

The only unifying thread in all the returns was that the great loser was Indira Gandhi. Ironically, the biggest winners were those former Congress members who broke with Indira Gandhi's emergency rule period and could evoke in the mind of the voter a sense of the Congress' own founding principles — socialism, secularism, and democracy. The Congress Party, the party of Indira Gandhi and Jawaharlal Nehru, was virtually obliterated in its northern base, but the voters demonstrated how it could make a comeback in the state of Bihar. Although it lost by a big margin (see chart), the state Congress leadership's decision to disassociate itself from the leaders in the party who are linked to Gandhi's "emergency period" policies, to organize in an alliance with the Communist Party of India (CPI) gave it respectability.

In all other state elections, however, the voter was not taken in by the cosmetic guilt and forgiveness performance by many Congress leaders after their Lok Sabha (Lower House) defeat, and it was made clear that the trust in the Congress cannot be restored by merely evoking the images of a "cleansed" party.

The Congress, if it is to continue as a national party

identified with Indian freedom and independence, is faced with some critical tasks: to purge itself in order to dispell the legacy of the emergency period (with or without the consent of Indira Gandhi), and to rebuild its organization from the base upward. Such motion has already begun in the party.

The unevenness of the returns gives away the story of the elections. In the heart of the Hindi-speaking north-eastern belt (the states of Uttar Pradesh, Rajasthan, Haryana and the Punjab), the Janata Party won huge majorities mostly on the same arguments it had swept the Lok Sabha polls — i.e, the forced sterilization program and other excesses of the emergency period which are still fresh in the memory of this region. In Uttar Pradesh in particular, the Congress fell from 215 seats (in 1972 elections) to a mere 46, while the Janata Party claimed 351 seats. In Uttar Pradesh, the Congress ran many candidates associated with the emergency rule and the "Caucus" — the name given to the small group of politicians who, along side Indira's son Sanjay, bribed, corrupted and terrorized the population to enforce the emergency atrocities.

Janata Victories

That the Janata party took majorities in eight states and two territories brought happiness to only a few. The party is torn by strife and remains an uneasy mixture of big business, rich farmer, upper caste and landlord interests. Home Minister Charan Singh, the man who violated the Indian Constitution to force the state elections to strengthen his own factional position in the party, has been eclipsed. Many of his candidates were taken off the slates on corruption allegations before the elections, and now many of the winners in his home state of Uttar Pradesh will not necessarily abide by his orders, according to reports. It is yet to be seen who inside the Janata really won the state.

A further dilemma for the Janata is the falling star of its spiritual mentor, Jayaprakash Narayan. The victory of Nandini Sathpathy, a left-wing Janata Party leader in the state of Orissa, comes as a bitter personal setback. Narayan had mobilized all his support and that of many cabinet ministers to oppose Sathpathy publicly, but Sathpathy swept the election by a spectacular 27,000-vote margin (8-to-1 advantage) over JP's candidate, M. Chaudhury. While Sathpathy's candidacy was the center of controversy in the Janata Party in the weeks prior to the election, all sides are now silent on her victory.

Similarly, in JP's home state of Bihar many of his followers and supporters were soundly defeated by Congress or Communist Party candidates. In Bihar, lower castes, aware of the Janata landlord heavyhandedness, refused to vote Janata. Reliable observers believe that this represents a vote by the Indian masses against Narayan's version of "democracy."

Of great significance as well, is the rout the Janata suffered in the southern state of Tamil Nadu where it lost by a 13-to-1 margin to the regional Anna Dravida Munnetra Kazhagam (ADMK). The Janata had hoped that it could get a southern mandate which could be followed by dissolutions of other Congress-held south Indian state assemblies. This hope has now faded.

Both the internal confusion and great political potential of the parties of the left was demonstrated in West Bengal, where voters gave the Communist Party of India-Marxist (CPM) a full majority. In 1962, the Communist Party of India (CPI) split over differences in both domestic and foreign policy. The CPI remained pro-Soviet and maintained the position that an alliance with the Congress Party was feasible and necessary for the unity of democratic forces. The CPM adopted a more Maoist line, chose a more militant path to develop an independent and sectarian base. In the recent Lok Sabha polls, the CPM allied with the Janata to bring down the Congress, while the CPI maintained its alliance with the Congress. The current upsurge of the CPM is in part its entente with the new central government, in part a product of divisions in the Congress and CPI. However, many observers feel that while the CPM's opportunism is unparalleled in the left and many of its leaders are advocates of World Bank proposed austerity schemes, this state government could turn the tables and become the centerpiece to resistance to World Bank dictates.

On the left as well as within the Janata Party and Congress, the political situation is changing, rapidly bringing new political formations into being. The CPM's trade union base, the Congress of Indian Trade Unions (CITU), has made a call to all other unions to forge a united front to defend workers' and peasants interests. Today, the CPI hailed the victory of the CPM in Bengal as being of great significance for all democratic forces.

—Leela Narayan

Total Indian Election Results

State	Congress	Janata	CPI	CPM	Independent	Other	Seats Decline
Bihar	57	214	21	4	22	5	324/323
West Bengal	20	29	2	168	9	57	295/293
Uttar Pradesh	46	351	9	1	16	—	425/423
Tamil Nadu	27	10	5	12	(DMK) 48	(ADMK) 130	234/234
Himachal Pradesh	9	53	—	—	6	—	68/68
Madhya Pradesh	84	230	—	—	6	—	320/320
Haryana	3	75	—	—	7	5	90/90
Orissa	26	110	1	1	9	—	147/147
Rajasthan	41	150	1	1	6	—	200/199
Punjab	18	24	7	8	2	Akali Dal 58	117/115
Pondicherry	2	7	1	—	3	AIADMK 14 DMK 3	30/30
Delhi	10	46	—	—	—	—	56/56

EXCLUSIVE

Ex-KCIA Director Testifies Before Congress On Korea Scandal

The Korea influence-peddling scandal was once again placed on the front pages of the nation's press with the appearance on June 22 of the former Director of the Korean Central Intelligence Agency (KCIA) Kim Hyong Wook before the Congressional Subcommittee on International Organizations of the House International Relations Committee. Kim's testimony before the committee, which is carrying out an 18-month investigation of Korea-U.S. relations, was billed in advance and played in the press afterwards as a major development in the Korea scandal. For the first time, the line goes, a major KCIA figure with personal access to KCIA activities, testified about the Korean bribery operations on Capitol Hill.

The intent of the committee, or at least its chairman Rep. Donald Fraser (D-Minn) who is a longtime and active opponent of the South Korean government of President Park Chung Hee, was clear from the start. Fraser's major objective, as he made clear in his opening statement at the hearings, was to prove that certain persons, particularly Korean businessman Tong Sun Park, who have been identified as carrying out influence-buying activities in Congress, were acting as agents of the KCIA and the Korean government. Proof of Tong Sun Park's relationship to the KCIA is absolutely essential to any attempt to carry the scandal beyond its present level; the crux of the charges is that favors on behalf of the Korean government were being bought in Congress.

No matter what the major U.S. press may have reported, any eyewitness to the hearings (as this writer was) who is at all familiar with the tortured path of the Korea scandal must conclude that the Fraser committee failed in its objective. While there is no question that KCIA ex-chief General Kim's testimony is extremely revealing and even damaging to the Korean government, nothing that he said provided absolute proof of their sponsorship of the influence-peddling scheme. On the contrary, Kim's testimony was the most revealing evidence to date that Tong Sun Park and others were largely acting on their own initiative and for their own benefit.

The Case of Tong Sun Park: Hustler Supreme

Tong Sun Park was the centerpiece of the hearings and the picture that emerged of him was consistent with other descriptions: a hustling, unscrupulous 'businessman' who attempted to parlay certain personal connections to persons of influence in both Korea and Washington, DC into a personal fortune. Fraser's intent was obvious from the beginning. After reading a prepared statement, Kim was first questioned by Fraser,

who after some preliminary questions about the nature of the KCIA's responsibilities and operations, set in to establish the basis for proving Tong Sun Park's agency.

Fraser inquired: "Does the KCIA make use of people who are not fulltime employees of the agency?"; "Are there people who perform special missions for the KCIA"; "Is there a general term for such people" — with Kim answering only "Yes" to the first two and "no" to the last. At that point the questioning was directed to Kim's knowledge of Tong Sun Park, from which emerged a fascinating and revealing story.

Kim testified that he first met Tong Sun Park in 1966. The occasion for that meeting was prompted by a letter he received from the Korean Ambassador in the U.S. at that time who wrote saying that Park was spreading rumors around Washington that he was the Ambassador and was related to President Park. The Ambassador termed this "dangerous conduct" and requested that KCIA Director Kim remedy the situation. Subsequently, Park came to Seoul and Kim had an investigation of him carried out. Park was interrogated and he denied spreading rumors he was the Ambassador but did admit to telling people "he was of the same clan" as President Park. After one day of interrogation he was released.

Kim then related his first meeting with Park. He was invited to a dinner at the house of the then-Prime Minister Chong Il Kwon and much to his surprise found Park there. It became clear Tong Sun Park had a personal relationship with Prime Minister Chong, for Kim testified that the Prime Minister talked to him after Park's release and told him Park was a "longtime acquaintance" and "not such a bad guy" and "requested my assistance" to Park.

Subsequent to this meeting, as Kim related at some length, Tong Sun Park came to him and volunteered to "perform certain tasks and services." Specifically Kim said Park told him he had "many acquaintances in the U.S." and "would perform any duties that could be given him." Kim's response at that time — 1966 — was: "I didn't see any use of him...I told him I would assist him if he needed it," an offer that obviously was a consequence of pressure placed by Prime Minister Chong.

Park's next request for assistance, one which made the headlines in the press accounts of the hearings, was for backing in starting the exclusive Georgetown Club, which became a meeting place for all sorts of Capitol Hill and other Washington bigwigs. At the request of the Prime Minister, KCIA Director Kim arranged for some \$3 million in Korean government foreign exchange deposits in U.S. banks to be made available to Park as collateral for a loan he needed to start the club. While the committee members questioned Kim about the Club in

an attempt to get him to say that it was backed specifically for the purpose of influence-peddling operations, Kim consistently denied such a connection, terming the backing a "personal favor" at the Prime Minister's request. Kim did say that Park told him that he intended to become a figure like Mrs. Anna Chennault, the famous pro-Taiwan figure in Washington social and political circles — an admission that once again says more about Park than the Korean government.

The Georgetown Club loan was followed by a request to Kim from Park, at a point his funds were running low, to exchange some \$100,000 in Korean currency he inherited

from his family into dollars. This was done on the black market in Korea and transferred through Korean government channels — the diplomatic pouch — to Park.

The highlight of Kim's revelations about Park, however, concerned his Congressional connections. The hardest evidence of this is Park's involvement with two Congressmen in securing contracts on the sale of rice from the U.S. under a U.S. government program (PL480), to Korea. Some time in the late 1960s, Park arrived in Seoul with the two Congressmen — who were unnamed in the public session but reliable sources have named as former Congressmen Richard Hanna from

' My View Of The Present Status Of Korea-U.S. Relations '

The following are excerpts from the lengthy written statement made by former KCIA Director Kim Hyung Wook before the Subcommittee on International Organizations of the House International Relations Committee on June 22, 1977. The excerpts concern his comments on Carter's Korea policy and his proposals for U.S. policy which are of interest and worthy of consideration by others:

I believe that you all know that strategically Korea is the point of decisive significance in the balance of power in North East Asia. The Korean peninsula touches the boundaries of communist China and Russia and faces Japan across the sea. It is the only place in the world where the so-called four great powers — the U.S., Japan, China and Russia — all have important interests.

Although I am in basic agreement with President Carter's concern for human rights, I do not agree with his proposals to withdraw American troops from Korea. I believe that President Carter's decision to withdraw troops from Korea is a manifestation of the American public's hatred of President Park's rule which has resulted from its movement toward dictatorship which I have discussed above.

Finally, *in my judgment the proposal to withdraw American troops was greatly influenced by the disclosure of the Tongsun Park bribery scandal.* The series of developments has at least in part been stimulated by President Park's irresponsible and arrogant assertions on several occasions that he can manage Korea's defense without United States' help. I disagree strongly with President Park's contentions. I support the position taken by Major John Singlaub that the withdrawal of United States troops from Korea will lead to a war. My position is based upon extremely reliable information and upon my own evaluation of the state of affairs as an intelligence specialist who served as the Director of the KCIA for the longest period of time of any man...

As a Korean nationalist, I do not mind the eventual withdrawal of U.S. forces from Korea but I favor the withdrawal of nuclear weapons from the Korean peninsula now. I do not feel we should take a chance on creating a great tragedy by using nuclear weapons to iron out the lesser tragedies of national division and confrontation. Any nuclear attack would undoubtedly and inevitably lead to reprisals. The South Korean population, being much larger than the North Korean population, would face far more tragic consequences from the use of nuclear weapons. This is the principal reason why I support the withdrawal of U.S. nuclear weapons from South Korea.

However, before the U.S. troops are withdrawn from Korea, I urge that the following preconditions should be fulfilled:

- (1) The ground work should be laid for the restoration of peace and stability to the region (e.g. a 4 power guarantee);
- (2) An non-aggression treaty must be signed between the South and the North;
- (3) Both North and South Korea should be admitted to the United Nations simultaneously;
- (4) For the sake of military balance between North and South Korea, the South Korean army should be modernized and should improve its training; and
- (5) South and North Korea should reopen the talks for peaceful reunification.

At this point in time I do not feel that any of the preconditions have been met. The withdrawal of American troops from Korea prior to making plans for the satisfaction of these preconditions would have the effect of making South Korea a second Vietnam.

I feel it is nonsense if the United States thinks that it will deter a North Korean attack while U.S. ground forces are in the process of withdrawal. U.S. ground forces are the most formidable deterrent to Kim Il Sung. I do not believe that Kim Il Sung would take the American warning or threat of counter-attack at its face value.

California and Cornelius Gallagher from New Jersey. They came to Kim and requested his assistance in securing a contract, with the two Congressmen offering to assist in promoting Congressional funding for the modernization of the Korean army.

Kim testified that his next contact came after he resigned as KCIA Director in 1969, in 1971 when he was then a member of the Korean National Assembly. At that time a battle royal was taking place between two different groupings for the contract on all the rice sales, then a considerable amount. On one side was Tong Sun Park and Lee Hu Rak, the Director of the KCIA at that time and a man identified in certain intelligence circles as extremely close to U.S. intelligence agencies. On the other side was President Park's Security Chief Park Chong Kyu and his associate, one Kang Sun Tae, who had managed to secure the contracts.

Kim testified that Tong Sun Park came to him and "asked my assistance in resolving this confusion." Park's request was interestingly motivated: he produced a list of some 15-20 Congressmen who, he said "I have to do favors" for and indicated that if he didn't get the contract, he couldn't do the favors. What the favors were for was never clear and Kim did not say. He did say, and this has been made much of, that he asked Park where he got the list and was told from KCIA Director Lee Hu Rak. Kim was asked if he could remember any of the names but replied that American names were "too diverse" and he couldn't tell the difference. At any rate, Kim claimed to have mediated the affair and got the contract turned over to Park.

This then was the substance of Kim's allegations. In his written testimony Kim stated categorically: "While I was Director of the KCIA, Tong Sun Park was definitely not an employee on the payroll."

Further questioning at the hearings touched on other alleged Korean lobbyists who are supposedly acting for the government, including another Korean businessman Han Cho Kim and the Unification Church of Rev. Moon and his associates. In the case of Han Cho Kim, Kim testified, on the basis of his sources within the KCIA contacted since Kim came to the U.S. in 1973, Han Cho Kim had been given some \$600,000 in two lots during 1975 to replace Tong Sun Park and that he had been in contact with the KCIA both through their agents in Washington and in Seoul. But he added significantly that Han Cho Kim had probably only spent \$100,000 of that, for unspecified purposes, and pocketed the rest for himself. All of this is also from sources and not Kim's direct knowledge.

As for the Unification Church, Kim made it clear it had nothing to do with the Korean government with the exception of certain supposed anti-communist activities aided by the government and not directly connected to the Church. As for Moon, Kim called him a "phony evangelist" of whom he had not even heard until his arrival in the U.S. in 1973. The two Republican representatives on the Committee, Derwinski and Dooling, made this question a major part of their questioning of Kim in order to clearly establish that his alleged connection did not exist.

What Was Kim Hyong Wook There For?

The question arises what Kim was appearing for. Kim, who was Director of the KCIA from 1963-69, has been

living in exile in the U.S. since 1973. He left Korea at that time because, as he stated, he was "in grave danger" for having opposed President Park's policies of consolidation of his rule in the period between 1969 and 1972, when the Constitution was revised giving him a legal basis for virtual lifetime rule of the country. Kim himself was an original member of the core group of Korean Army officers which carried out the 1961 military coup which brought President Park to power. However, Kim had been in quiet exile and not an outspoken opponent of the government until now, although it was revealed in the press that he has been cooperating with U.S. investigations of the Korean scandal for at least two years.

There is some question that Kim may be involved with elements of the U.S. Central Intelligence Agency and others — including Carter's National Security Council — in trying to force an overthrow of President Park. Informed observers believe that Kim is in touch with circles within Korea who have this objective, an hypothesis Kim inadvertently confirmed. Under questioning from Representative Rosenthal on the committee, Kim did reveal that he had been in touch with U.S. CIA officials since coming to this country although he claimed no such contact was currently going on, a doubtful claim given his own background and the importance of his present activities.

However, it is entirely possible that Kim's motivation is precisely what he publicly said — a motivation that was entirely underplayed or omitted in press coverage. Kim devoted some one-third of this written statement to an attack on President Carter's policy of withdrawal of U.S. troops from South Korea and made clear he believed that the scandal played a major role in setting that policy into motion. Hence Kim portrayed his appearance as an effort to clear up the scandal and oppose the troop withdrawal. Kim also threw in support for "human rights" in Korea but in context simply called for President Park's removal.

While Kim's motivations may be under question, certainly by the South Korean government which has previously attacked him harshly for his statements to the U.S. press, what he said is credible. Certainly there is no denying the activities of Tong Sun Park — but it is entirely another thing to portray those as part of some systematic effort at Capitol Hill bribery by the South Korean government. Rather as Kim's testimony made clear, it is a case of a completely scurrilous hustler out for himself and selling the Koreans, at least in part, on his ability to influence people in Washington.

The Koreans, who cannot be said to have been entirely naive about Tong Sun Park's activities, have in no way been proved to have encouraged some large illegal operation. Their attempts to gain a hearing for their interests is hardly more shocking than the activities of any number of other governments in Washington or for that matter other Washington lobbies and certainly is minor league compared to the efforts, including Congressional campaign contributions and so on, mounted by the Zionist lobby.

One interesting and continuous note in Kim's testimony was his corrections of various press accounts of the scandal, including an interview with him that appeared in the *New York Times*. One famous press

story is of a supposed meeting in Blue House, the Korean version of the White House, attended by President Park, Tong Sun Park, and Lee Hu Rak — a meeting which, according to which paper you read, was bugged by U.S. intelligence agencies.

At this meeting, which is supposed to have taken place in 1970, the influence-peddling scheme was discussed and authorized. Kim was asked if he had any knowledge of the meeting or if he confirmed — as the *Times* quoted him — that U.S. intelligence agencies had informers in the Blue House, or bugged it.

Kim's response was a blow, unreported, to the *New York Times*. He said that President Park "would not discuss in detail with others such an operation" nor would anyone bring that before Park. Perhaps, he said, "Tong Sun Park made a courtesy call on the President" but that would have been the only contact between the two.

As for bugging, while Kim somewhat unconvincingly

denied such things would take place, it did "conjecture" that U.S. intelligence informers may be in place around the President or in the Security Guard, whose head he previously named as a U.S. agent.

As a final note in this report perhaps the most startling thing Kim said was his testimony on the kidnaping in 1973 of South Korean opposition leader Kim Dae Jung from Japan to Korea by agents of the KCIA. While it is beyond the scope of this report to go into the detailed version of this event supplied by Kim, his allegations of Japanese police foreknowledge of a KCIA operation mounted against Kim Dae Jung are already front page news in Japan and likely to prove quite troublesome for the Liberal Democratic Party government of Premier Takeo Fukuda which is facing elections for the Upper House of the parliament on July 10. If anything Kim's statements on this may prove far more damaging than anything else he said regarding Congress and friends.

— Daniel Snider

Mexico's Vast Oil Resources: For Debt Or Development?

MEXICO

There are few places in the world — and none in Latin America — where oil discovery and production expansion are proceeding as fast as in Mexico. In the past six months, a reevaluation of Mexico's oil reserves has doubled that figure from 6.5 billion barrels to over 14 billion barrels. No doubts have been raised in international oil circles about the estimate of Petroleos Mexicanos (PEMEX) head Jorge Diaz Serrano that Mexico's probable reserves surpass 60 billion barrels. This places likely Mexican reserves at twice continental U.S. figures and among the four or five largest in the world.

PEMEX's pumping and refining plans are not lagging behind exploration. Despite the austerity program imposed on Mexico by the International Monetary Fund (IMF) since the end of 1976, PEMEX plans a hefty \$15.5 billion capital investment program in the 1977-1982 period. Crude production is slated to double, petrochemical plant capacity to triple, and refining capacity to increase 93 percent (see Table 1).

There is relatively little debate over whether PEMEX should undertake such an ambitious expansion program. But there is bitter debate — touching on the most crucial issues of Mexican development and Mexico's international alliances — over how to finance the oil development and what to do with oil export earnings.

Government projections (see Graph 1) show that the lion's share of the PEMEX expansion will go to exports — fully 1.2 billion bpd by 1982, as much as all domestic consumption. At current oil prices, Mexico's income from such exports would rise rapidly from its estimated 1977 level of \$800 million to over \$5 billion by 1982.

The crux of the issue is whether to use the oil earnings to pay Mexico's \$30 billion-plus foreign debt — one of the largest in the Third World — or for domestic develop-

ment through imports of capital goods and technology.

Rockefeller interests are heading up the drive to put debt repayment before development. As revealed in London's *Financial Times* June 16, fully 60 percent of Mexico's outstanding \$18 billion debt to private banks in the Group of Ten industrialized capitalist countries is owed to U.S. banks; 47 percent of this — some \$5 billion — is due this year.

David Rockefeller arrived in Mexico June 21 to apply maximum pressure to Mexican President José López Portillo to hand over oil for debt payment — the only thing which stands between Rockefeller interests and a devastating Mexican default which would collapse their entire \$200 billion-plus Third World debt bubble. Over the preceding months a string of Rockefeller publications and spokesmen had made the oil-for-debt demand clear, in Nelson Rockefeller's Commission on Critical Choices Report on Latin America released in March.

High-level sources in Mexico report that the U.S. has also offered to lighten demands on debt payments if Mexico agrees to keep its oil at the U.S.'s disposal in case of "emergency" — including a strategic reserve. A congressional report prepared by former Exxon executive Conant at the beginning of this year, calls for a "hemispheric" oil policy that would essentially pull Canada, Mexico, Ecuador, and Venezuela into an anti-OPEC formation controlled by the United States.

The new U.S. ambassador to Mexico, former Wisconsin governor Patrick J. Lucey, on May 22 stated that the White House is willing to "exert its influence" on Wall Street and international financing agencies to help Mexico "increase exports to the U.S." Similar pressure came several days later from Texas Senator Lloyd Bentsen when he called on Mexico to lower the price of oil exports to the U.S. "in exchange for" a reduction of tariff barriers for Mexican goods.

Bentsen's proposal was denounced and rejected by the Mexican press. An editorial in the *Diario de Mexico* noted that Bentsen was not representative of the U.S. population but rather of "the House of Rockefeller," while the official government daily *El Nacional* charac-

Table 1

Pemex' capital expenditures

(1977-1982)

Industry division	Amount budgeted, \$ billion	% of total	Main goals
Exploration	1.240	8	Survey 1 million sq km
Drilling-production	7.130	46	increase oil output to 2.2 million b/d by 1982
Refining	2.330	15	Increase crude capacity to 1.67 million b/d
Petrochemicals	2.640	17	Increase prod. to 18.6 million tons/year
Transportation	2.000	13	Expand pipeline network and terminals
Others	.185	1	—
Total	15.525	100	

Source: *The Oil and Gas Journal*

terized Bentsen's statements as "a diplomatic blunder."

Following a meeting with President López Portillo, Natural Resources and Financing Minister Andres de Oteyza declared that "Mexico is not willing to commit its oil to the U.S. in exchange for financing received through the good graces of that country." The Minister added that Mexico plans to use the development of its oil — and specifically its export revenues — for a broad development policy of the entire economy.

The Expansion Plans

PEMEX grew slowly in the period after the 1938 oil expropriation, due in large part to international reprisals organized by the Rockefeller oil companies. Then, after steady but unspectacular growth for a quarter of a century, production took off during the six-year term (1970-76) of Mexican President Luis Echeverria: crude output jumped to almost 1 million bpd, and for the first time in decades Mexico became a significant oil exporter (Graph 2). Current production levels have surpassed 1,060,000 bpd with exports divided 150,000 bpd for the U.S. and 20,000 for Israel.

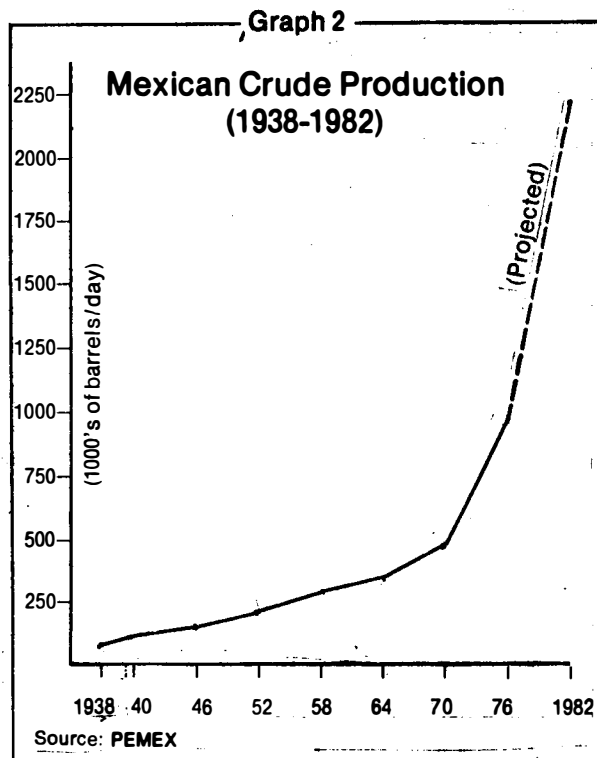
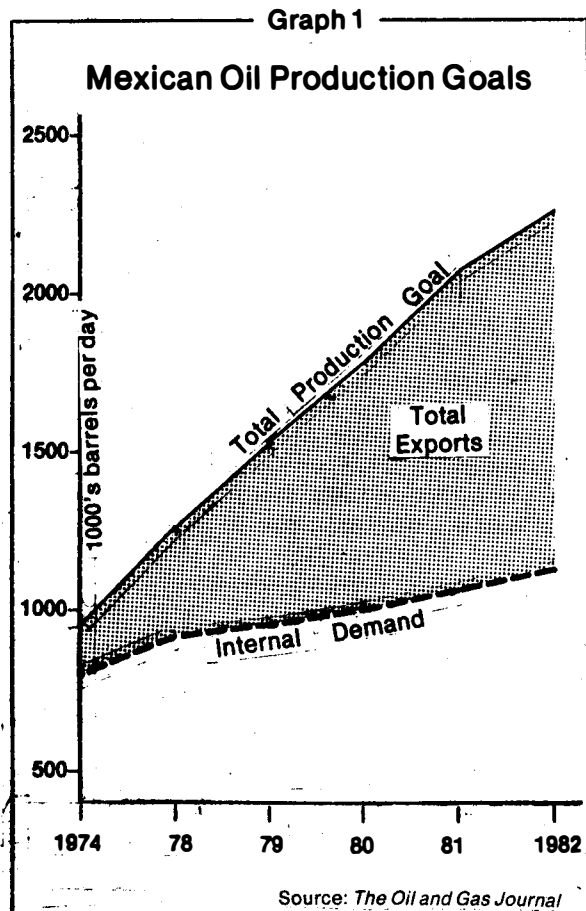
During this period PEMEX built up a cadre force of trained technicians unique in the Third World, and today Mexico is providing oil technology and expertise to Jamaica, Ecuador, Venezuela, and Nigeria.

The \$15 billion that PEMEX has budgeted for capital expenditure during the López Portillo administration (1976-1982), one third of an overall budget of \$45 billion, is five times the capital outlays of the previous six years. Seventy percent of the \$15 billion is expected to come

from domestic sources; the remaining \$5 billion from foreign ones.

The primary new area of exploration is the Reforma field in the Southeast states of Tabasco and Chiapas (Map 1) and an offshore extension. The strike rate in the area has been a phenomenal 82 percent, with three out of three strikes offshore. The new 14 billion barrel reserve figure announced last week includes only the minority of successful Reforma drill sites which have been fully developed.

The gas to oil ratio in these wells is running an extraordinary 6:1, against a standard 1:1. This has prompted PEMEX to announce plans for an 800-mile natural gas pipeline from Reforma to the U.S. border at McAllen, Texas, which will provide needed additional natural gas to the industries of Monterrey and a large surplus for export to the U.S. Current plans call for the \$1 billion pipeline to provide the U.S. with 1 billion cubic feet per day when it goes into operation in 1979 and 2 billion cfd two years later. Other natural gas deposits in Tamaulipas and Baja California are in the preliminary exploratory stage, and California governor Jerry Brown has per-



	1977	1978	1979	1980	1981	1982
	(1,000 b/d)					
Production goal	953	1,246	1,522	1,781	2,082	2,242
Internal demand	800	910	954	1,011	1,068	1,137
Available surplus						
Crude exports	153	303	354	563	779	894
Product exports		33	214	207	181	211
Total exports	153	336	568	770	960	1,105

sonally asked Lopez Portillo to speed development of the Baja discoveries.

A program for 103 new refining and petrochemical plants (Tables 2 and 3) includes all major lines of petrochemical production with particular attention on ammonia, a key ingredient in fertilizer. The planned increase in ammonia output from 7,000 tons per day to 13,000 by 1982 will make Mexico a major world fertilizer producer. PEMEX holds a monopoly over refining and primary petrochemical production; private companies have entered the secondary petrochemical field and foreign control approaches the legal limit of 50 percent and there is substantial — though not majority — foreign participation.

Vast as this total PEMEX expansion program is, it will have to be increased significantly further if full-scale domestic development is to resume and exports maintained. The projected increase in domestic consumption (Graph 1) for the next six years averages just 5 percent a year — significantly lower than the 8 percent per year during the past decade and only slightly ahead of Mexico's 3.2 percent population growth. Experts have estimated that in fact energy growth (almost synonymous with production of oil and natural gas in Mexico, where hydrocarbons account for well over 90 percent of all energy generated) will need to spurt to the 15-20 percent per year range in the 1980s to create the conditions for Mexican adoption of fusion nuclear energy technology in the 1990s.

In the expansion of Mexico's oil production for national development the questions of financing, technology and markets are properly viewed as the key fighting issues in the battle for control of oil revenues. Rockefeller interests, aided by the Carter Administration, are seeking to force Mexico to depend on U.S.-controlled sources of outside financing and technology. Once locked into this dependence, Mexico would have little alternative but to hand over its revenues for debt payment. To resist this pressure, the pro-development forces are looking for significant financing, technology, and markets from European and Arab sources.

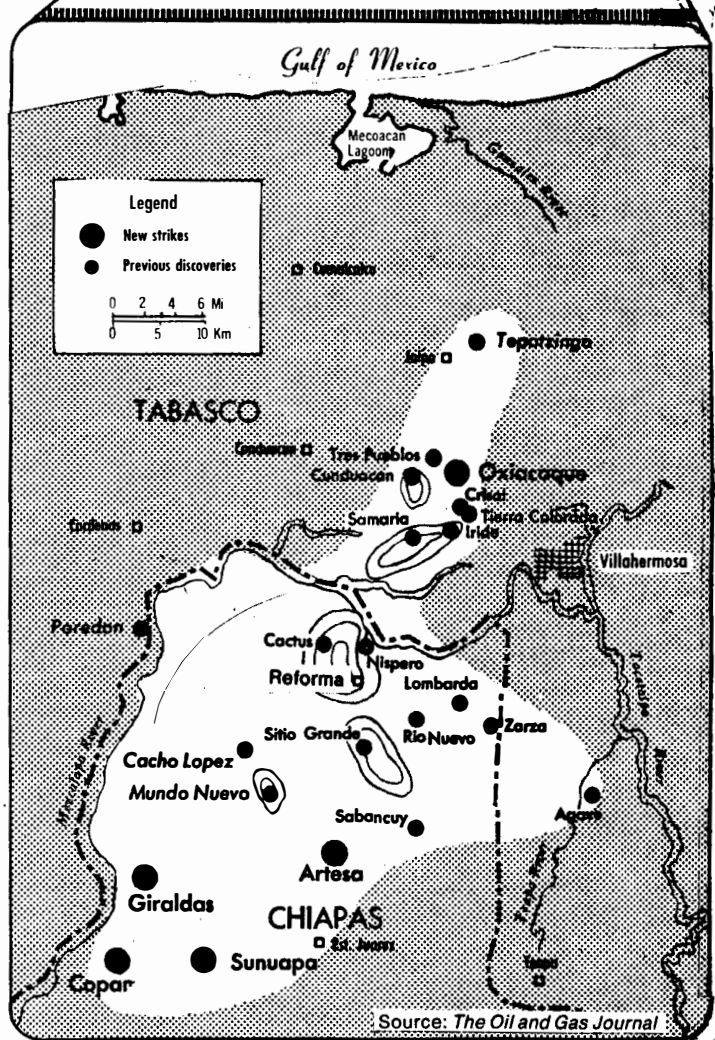
Financing: The approximately \$400 million pulled in by PEMEX so far this year has come from the Rockefeller-dominated Eurodollar market. Knowledgeable bankers and oilmen expect additional funds from the same source to be readily available to cover the rest of this year's borrowing, and thus far there is no public indication of other sources of financing. However official Mexican policy is now to consider paying foreign companies contracted by PEMEX in oil (or natural gas). To the extent non-U.S. companies would enter such deals — and the Japanese have shown interest in providing pumps and compressors for the gas pipeline to McAllen — direct U.S. control will be weakened.

Technology: Mexico produces the bulk of its technology domestically, but depends on imports in crucial areas. It is just beginning production of rigs which can drill to the 4,000 foot and deeper levels of the Reforma deposits and must essentially look outside for most drilling equipment. Refining and petrochemical expansion and certain qualities of piping likewise require heavy import levels.

For obvious reasons of geographic proximity, similar



New Pemex Chiapas-Tabasco strikes



drilling conditions (particularly offshore) and advanced production levels, the U.S. stands in the best position to provide PEMEX with this technology. However Mexico can satisfy many of its requirements without the U.S. if it wishes or is forced to do so. The Japanese pipeline offer indicates the potential; likewise, West German interest providing some lines of technology expressed during the recent extraordinary six-day Mexican visit of West German President Walter Scheel. The *Financial Times* announced last week that a British firm, the Offshore Centre, is negotiating with PEMEX to supply offshore technology — a British forte developed in the North Sea projects.

Marketing: This is the area where Mexico has greatest immediate possibilities of diversifying its international contracts. In addition to the existing contracts with the U.S. and Israel, Mexico is negotiating oil-for-technology deals with Canada and Brazil which, if broadened into a general pattern, would severely undermine Rockefeller's debt collection strategy. Every piece of technology or raw material traded for oil is that much of a contribution to domestic development and that much less hard currency available in the Central Bank for debt payment. Italy is a key country moving strongly in this direction. Italy's ambassador to Mexico, Raffaele Marras, recently declared that Italy would like to become Mexico's number one customer for oil and particularly refined petrochemical products. A current of important Italian officials and congressional spokesmen have toured Mexico since the first of the year with offers of advanced Italian technology for Mexican industry.

Table 2

Mexico's plant construction program (1977-1982)

Type and location	No. of units
Refining	
Madero, Tamps.	3
Minatitlan, Ver.	5
Salina Cruz, Oax.	14
Caderyta, N.L.	7
La Cangrejera, Ver.	3
Salamanca, Gto.	4
Petrochemical & gas processing	
Allende, Ver.	5
Cactus, Chia.	8
Cosoleacaque, Ver.	2
La Cangrejera, Ver.	12
Pajaritos, Ver.	4
Poza Rica, Ver.	4
Salina Cruz, Oax.	3
San Martin, Pue.	5
Tula, Hgo.	2
Salamanca, Gto.	1
Other locations	21

103

Source: *The Oil and Gas Journal*

What would wreck the current tilt toward U.S. dependence is indirect or direct OPEC entrance into the Mexican oil picture, and concomitant Mexican moves toward OPEC. Numerous high-level sources have privately indicated that the U.S. has exerted extreme and explicit pressure on Mexico in this regard, and Mexico has up to the present been careful to steer clear of open flirting with OPEC.

But within Mexico, the issue is far from settled. Over the past three weeks the head of PEMEX, Jorge Diaz Serrano, has gone out of his way to facilitate tight U.S.-Mexican oil relations and denounce OPEC. Mexico will not join OPEC, he said to the amusement of observers aware of the gigantic U.S. pressure involved, "because it would lose its freedom and autonomy." Mexico City daily *El Universal* promptly ran a cartoon depicting Diaz Serrano perched atop Uncle Sam's hat with a caption which read "Joining OPEC means loss of freedom and autonomy." An accompanying editorial forcefully explained that OPEC would not be a threat to, but an ally of Mexico's sovereignty.

The López Portillo administration is clearly using the OPEC option as a bargaining chip in its negotiations with the U.S. interests. Just how far it will go is not clear, but the possibility of a significant shift in response to Rockefeller pressure, particularly in the context of the current European, Arab and Comecon advances toward new monetary arrangements, cannot be underestimated.

An intermediate arrangement toward formal OPEC affiliation was proposed in mid-May by the Venezuelan ambassador to Mexico who suggested that Mexico, Venezuela, and Ecuador coordinate their policies.

There is no doubt that OPEC has looked at the Mexican developments very closely and has put out feelers for substantial indirect or direct financing packages that would pull Mexico away from U.S. dependence. In mid-February, the London-based *Sunday Telegraph* reported that "what has the Americans worried are unconfirmed but persistent reports that the Portillo government is continuing discussions with OPEC officials with an eye to Mexico joining the producers' group. The Mexicans are said to want a \$20 billion line of credit from the OPEC ministers... (to) help buy the industrial equipment Mexico needs both for industrialization and for the production of its petroleum for domestic energy needs."

Table 3

Refining: existing and new capacities

Refinery	Atm. distillation 1977-82		Vacuum dist. 1977-82		Cat cracking 1977-82	
	Existing	Construction	Existing	Construction	Existing	Construction
Azcapotzalco	100,000		48,000		23,000	
Madero	169,000		80,000		32,000	28,000
Minatitlan	258,500		58,000	25,000	45,000	
Poza Rica	27,000					
Reynosa	20,500					
Salamanca	210,000		96,200		40,000	40,000
Tula	150,000	200,000	75,000	100,000	40,000	40,000
Cadereyta		235,000		137,000		40,000
Salina Cruz		*370,000		*175,000		80,000
Total	935,000	805,000	357,200	677,000	180,000	228,000

*Includes 200,000 b/d crude distillation and 100,000 b/d vacuum distillation to be added soon after the new refinery goes on stream.

Source: *The Oil and Gas Journal*

Press accounts indicate discussions may have started as far back as two years ago and at that time included the direct participation of López Portillo, then finance minister.

The visit of the finance minister of Iran to Mexico at the end of this month is expected to bring Mexico-OPEC negotiations to a new level. If recent statements from an OPEC fund representative are any indication, OPEC

could be ready to back Mexico in a break on the debt question. In a statement at the Inter-American Development Bank meeting in Guatemala at the beginning of June, the representative of the OPEC Fund, Brahim Shihata, warned Latin America against using its natural resources, especially its oil, to pay its foreign debt in view of the "weakness of the dollar."

Brazil Made Test For Carter 'Bio-Fuel' Scheme

BRAZIL

Half the drivers in Brazil now find their gasoline adulterated with up to 20 percent ethyl alcohol, distilled from sugar cane. This measure was begun in Sao Paulo in early May and spread to Rio on June 20. This program is the first phase of a generalized policy of replacing oil, mineral coke, and other raw material imports with *ersatz* fuel products made from what proponents of the scheme call Brazil's "renewable resources," namely various forms of plant life.

Environment-oriented research institutions in the United States and Brazil consider Brazil to be a fertile "theatre" for all sorts of utopian schemes for converting the supposedly limitless vegetation of that tropical and sub-tropical country into stored chemical energy. A Brazilian Science Policy Project has been set up at George Washington University in Washington, D.C. to coordinate Brazilian efforts in this area with the Carter Administration energy planners. Dr. José Miccolis, the Director of the project, told the February meeting of the American Association for the Advancement of Science (AAAS) in Denver: "Brazil is in a very privileged position to make use of this natural energy collection process, not only because Brazil occupies a huge area where the incident average solar energy is abundant, but also . . . (because of) the labor-intensive characteristics of the related agricultural processes, coupled with the availability of relatively inexpensive and arable land..."

Dr. Miccolis reports that ERDA and Carter energy czar James Schlesinger view Brazil as a test case and are pressuring him to advise on how labor-intensive bio-conversion processes could be used in the United States.

The conclusion which can be readily drawn from the data presented below is that the "renewable" fuel program now being implemented in Brazil is at best an extremely costly and totally inefficient non-solution to the energy crisis — and at worst a catalytic force for ecological, social, and economic disaster. Delays in implementing the program until last month suggest that important sectors of the government energy and finance bureaucracies, and even the alcohol industry itself, are aware of its unviability. Then why is Brazil jumping into alcohol?

One obvious reason is that it would permit diversion of dollar income from the \$4 billion currently being spent on crude oil imports to the \$6.5 billion needed to meet the nation's 1977 debt service requirements. Yet, for all the effort involved, the savings on dollar account through the alcohol program would only amount to \$90-100 million this year, and future savings would rise at only about the same rate as debt service. While bankers may give Brazil a medal for its willingness to sacrifice, that won't pay the bills.

The real motive for Brazil committing itself to become the world's first solar-powered country is that it is being used as a model of Carter energy czar Schlesinger's global energy program. Brazil was chosen to be the laboratory for this experiment in throwing a society back to late medieval "biomass" energy collection systems explicitly as an attempt to prevent it from going ahead with a deal in which West Germany would provide Brazil with an advanced nuclear fission energy cycle.

This point was argued in an editorial in the AAAS's *Science* magazine, August 8, 1975, weeks after the nuclear deal was signed, and again in an article, "Atoms For Brazil, Dangers For All," in Zbigniew Brzezinski's *Foreign Policy* magazine last summer.

After *Foreign Policy* author Norman Gall presented lengthy arguments on why Brazil must be denied access to nuclear energy technology, he concluded: "One of the ironies paving Brazil's new nuclear road is that Brazil could easily become a theater of major technological breakthroughs in using nonconventional energy sources. . . . Brazil is in an excellent position to use photosynthetic transformation of solar energy to produce liquid and gaseous fuels, such as alcohol, methane, and hydrogen. . . ."

Coinciding with Carter's international campaign against nuclear energy development this spring, Miccolis and AAAS operative Allen L. Hammond organized a Brzezinski-style group of "dissident" physicists in Brazil as a fifth column to sabotage the nuclear program from within Brazil. They promoted the "safe option" of biomass conversion to replace "dangerous" atomic energy.

Alcohol Is Inefficient and Uneconomic

Under the *ersatz* fuel program, solar energy is converted by photosynthesis into sugar cane, various other kinds of roots, fruits, grains, bushes and trees, which are then harvested, fermented, and distilled into ethanol, also called anhydrous or ethyl alcohol. The efficiency of this process is abysmally low, with only 0.23 percent of the solar energy hitting the planted area recoverable in the best of cases.

The energy cost is extremely high, too high to be even tried on an industrial scale in a country without a Nazi-type labor system. That's why Brazil was chosen, rather than the United States — although the Ford Foundation-Carter energy program calls for it to be imposed here as soon as possible.

Even in Brazil, alcohol costs 28 percent more than the cost of importing crude oil and refining gasoline. The state oil company Petrobras pays 3.7 cruzeiros per liter or \$1 per gallon for ethanol, and the producers are demanding more. Petrobras's reported operating costs, including an ambitious worldwide oil exploration and drilling program, work out to 2.9 cruzeiros per liter of gasoline or \$0.79 per gallon. Refined gasoline sells for \$0.37 per gallon offshore in the Caribbean. The alcohol would cost far more if its production weren't based on heavy manual labor at \$3 a day. Mechanization is ruled out in advance since machine cutting of the cane costs

almost double manual cutting . . . and machines burn gasoline.

The alcohol program thus locks Brazil into a low-energy throughput labor-intensive system which guarantees the destruction of generations of its labor force in the misery and illiteracy of the cane fields. Present plans for expanding the alcohol program would need up to several million more cane slaves. Even now, sugar planters report they are unable to find sufficient labor at the meager wage levels they can afford to offer. With the programmed massive expansion, workers would have to be held in subsurvival conditions through even stricter police powers than those now employed in Brazil, to prevent cane cutters from migrating in search of more human wages.

Then there are the longer-term ecological effects the scheme will produce.

The alcohol program will engender general starvation. Sugar cane needs good lands. Already 17 percent of the cultivated lands of the state of Sao Paulo are planted with sugar cane; any expansion would be at the expense of food crops — not at the expense of the debt-paying export crops whose wide cultivation has already made food scarce and expensive in the country. Under current plans, over a million hectares more would be lost to cane during the next three years. (See Table 1)

The most ambitious option, a total replacement of gasoline by alcohol by 1985, (30 billion liters of ethanol), would require putting 40 percent of the presently cultivated land in the whole country under cane. Since that could not be done, planners instead advocate colonizing millions of families to hand-cultivate manioc roots and other hardy plants for alcohol distillation on virgin lands in the interior of Brazil. A few years of Rockefeller-ordered deforestation, accomplishing just a marginal reduction in Amazon Basin energy throughput levels, was sufficient to shift global weather patterns to cause last year's global drought and the coldest northern hemisphere winter on record. (See *EIR* Vol. IV, No. 8) This is indicative of the adverse effects on world ecology one can expect from the massive shift in deployment of human populations called for in Rockefeller's Schachtian "natural fuels" program.

Meanwhile, motorists in Rio and Sao Paulo are being told that alcohol reduces pollution from auto exhausts. That could be true, if cars were to be properly adjusted to a stable percentage of mixture — which is not now the case. But government officials have admitted that the distilleries of Sao Paulo pour as much river-killing fermentation muck into the rivers by themselves as would the *untreated* sewage of a city of 15 million people!

Brazilian labor has been so destroyed and quality control in Brazilian industry is so abysmal that motorists may be surprised by accidental "flooding" of the primitive stills, allowing some sugar to be mixed in with the alcohol fuel. If this happens, the motors of all the cars in whole towns will be destroyed in a single day!

This is the incredible waste of human and natural resources which the Carter Administration is forcing on

Brazil to prevent it from developing highly productive, capital intensive energy systems. Any two of the eight 1,300 Megawatt nuclear fission plants Brazil has ordered from West Germany would put out the energy equivalent of two million hectares of sugar and the at least 400,000 stoop laborers needed to harvest it. By comparison, only about 100 workers would be needed to operate the fission plants.

And, when all is said and done, there is no evidence that the ersatz fuel program actually produces more fuel than it consumes. The sugar process researchers at the Battelle Laboratories in Ohio reported that when one adds up all the petroleum which goes into making the fertilizer, driving machinery, and supplementing cane pulp in powering the mill and distillery, one finds that more fuel has been put into the process than is produced. Dr. Miccolis states that he "disagrees with the data" and "believes" that when 5,000 calories per day hand labor replaces machines that "a positive energy balance can be achieved."

— Mark Sonnenblick

Table 1

Labor and Land Requirements of Brazil's National Alcohol Plan

	Alcohol (billion liters)	Workers (thousands)	Hectares (thousands)
1976.....	0.8.....	80.....	400
1977.....	1.6.....	160.....	800
1978.....	2.7.....	270.....	1,350
1979.....	3.1.....	310.....	1,550
1980.....	3.4.....	340.....	1,700
1981.....	3.6.....	360.....	1,800
1982.....	3.8.....	380.....	1,900
1985.....	30.0.....	3,000.....	15,000

NOTES :

Projected alcohol production figures for 1976-82 are those of the National Alcohol Commission (CNA), as reported in *Veja*, February 2, 1977. The 1985 figure is the goal of ex-Minister of Industries Severo Gomes.

We calculate that 10,000 liters of alcohol per year can be produced per worker. CNA figures suggest 9,500. Productivity may decrease as marginal resources are utilized.

We calculate that a hectare of cane has an annual alcohol yield of 2,000 liters on the basis of actual 47 ton per hectare cane yields and grower's estimates that 60 kilos of sugar is equivalent to 30 liters of alcohol. Miccolis calculates only 1,500 liters per hectare. Severo Gomes projected yields of over 6,500 liters per hectare based on high-technology laboratory conditions, which are unrealistic.

U.S. Aims To Loot Oil, Undercut Argentina's Nuclear Program

ARGENTINA

In the last month the Carter Administration has drastically altered its political posture toward Argentina. The monetarist diagnosis had been that the country was a "lost cause" due to its unstable political situation; therefore, no one was willing to risk investment. Now, the official Carter Administration political line has taken a sudden 180 degree turn, dropping the "human rights" posture which had so aggravated Argentina's political instability.

In this connection, it has suddenly been discovered that Argentina possesses the greatest offshore oil reserves in the Western Hemisphere. According to the Mexican Daily *Excelsior*, the U.S. Geological Office estimates that 200 billion barrels of oil are located on the Argentine Atlantic coast and off the coast of the Falkland Islands.

By claiming that Argentina possesses such vast oil reserves, the Carter Administration is attempting to achieve two things. First, loot whatever oil reserves do exist, using Argentina as a "strategic reserve" against the "unstable" Arab oil countries. Second, force Argentina to abandon its advanced nuclear development program in favor of exploration, for these allegedly vast reserves, and force it to sign the nuclear Non Proliferation Treaty.

The zero growth and "energy conservation" policies behind the Carter Administration changed line were made clear by a top officer of the World Bank, who recently stated that "...Latin American experts on energy think that known reserves of crude petroleum in Latin America are enough to keep production going at its current levels (i.e. zero growth) for the next 20 years..." In other words there is no necessity to develop nuclear energy since industrial production is not to expand in the future.

In order to make its policies work the Carter Administration has been forced to bail-out "moderate" Argentine president General Jorge Videla from the constant threat of a fascist military coup. On May 25, *The New York Times* wrote: "...the regime now urgently needs some American help to block the fascist movement stirring in the wings." The Times added that if the hardliners seize power, they will "further disrupt Argentina's economy."

In the case of Argentina, the Carter advisors have gone so far as to retreat from their human rights bluff, formerly policy against all the Southern Cone countries of Latin America. On June 1, Brzezinski met for one hour in Washington with Argentine Finance Minister Jose Alfredo Martinez de Hoz, a personal friend of David Rockefeller. After the meeting, Brzezinski stated that the U.S. has a complete understanding of the Argentine

situation. He praised the success of the de Hoz-IMF program, while naming some generals killed by the guerrilla movement in the last few years to show he understood the need for right "violations" in Argentina. The Venezuelan daily *El Nacional* reported June 10 that de Hoz offered a "package deal" for joint exploitation of Argentina's oil reserves in exchange for such a "comprehensive" position of toleration from the Carter Administration. The article also pointed out that all three people with whom de Hoz held high level secret meetings were member of David Rockefeller's Trilateral Commission.

The Oil Rush

Since December 1976, when the Rockefeller forces announced through a Commission for Critical Choices report that Argentina possesses vast oil reserves, a domestic battle has been waged between nationalist forces and those who want to facilitate oil looting by the U.S. Early this year, retired general Juan Carlos Reyes, then head of the state enterprise Yacimientos Petroliferos Fiscales (YPF), made a statement opposing the government's open door policy and denouncing Exxon and Shell as the "monopolies" seeking to "take over Argentina's oil." Immediately afterward, Reyes was forced to resign, while the government issued Decree-Law 1080 transforming YPF from a state enterprise into a "mixed" corporation. The decree allows the private sector ownership in YPF for the first time since its 1923 creation, and authorized private formulation of oil policy and private development, processing, and marketing of the country's hydrocarbon resources. Reyes' post was taken over directly by de Hoz through the Finance Ministry, naming a Board of Directors formed of five people: one representative of each of the three Armed Forces branches and one representative of the Interior and Finance Ministries.

On June 1, while de Hoz met with Brzezinski a new decree to "return" gas retail services to U.S.-owned Exxon and Dutch-owned Shell was issued. In 1973 Exxon and Shell were nominally placed under YPF control but only for domestic political reasons.

From now on Exxon and Shell signs can go up at service stations, but this will be delayed 18 months for fear of nationalist protest and guerrilla attacks!

Argentina is going to open up for international bids for exploration starting in the second half of this year; and offer risk contracts for offshore exploration in the beginning of 1978. Well informed sources as well as the Argentine press however, are reporting that oil exploration and exploitation have already begun as shown by the rising trend of oil production starting in January of this year.

During the first quarter of 1977 there was an important increase in oil production. The First National Bank of Boston's newsletter reports that extraction during the first quarter reached 6,140,800 cubic meters, exceeding

last year's same period output by 10.3 percent. The country's oil imports provide 10 percent of the total oil consumption, but the president of Hughes Tool Co. of Buenos Aires stated June 13 that by 1980 Argentina will be self-sufficient in oil and could, soon after, start exporting. Sources from Nelson Rockefeller's Commission for Critical Choices estimate this will happen even sooner.

One incentive has been de Hoz's new Foreign Investment Law, approved December, 1976. One of the outstanding aspects of the law states that Argentina's oil reserves are *not* strategically vital, and are therefore open for foreign capital investments. Despite the fact that Wall Street sources labeled the law as "the most liberal" in Latin America, during the first quarter of this year absolutely no one attempted to make use of it.

Nuclear Program

By pushing this oil-looting policy toward Argentina the Carter Administration is trying to undercut Argentina's nuclear program, the most ambitious and advanced in Latin America. This year Argentina has already started to export nuclear technology within the continent, becoming the first developing country to do so. That is a slap in the face to the Non-Proliferation Treaty forces.

The country's nuclear policy was started in 1950 and is based on pushing the development of nuclear energy for peaceful industrialization uses. Currently, Argentine nuclear development is under the supervision of the Navy and the Atomic Energy Commission (CNA). The state corporation that runs the program is headed up by Captain Carlos Castro Madero, an atomic physicist strongly committed to scientific development. Castro Madero is backed by the country's nationalists, industrialists and allied military men. This group of nationalists and industrialists is linked to the Buenos Aires newspaper *Clarín*; they supported Brazil's rights to complete a nuclear deal with West Germany opposed by the Carter Administration.

The first nuclear plant, Atucha I, started operating in 1974, with a capacity of 320 megawatts. The reactor's heavy-water, supplied by the U.S., is cooled in a process fueled by natural uranium. The natural uranium comes from the country's own vast reserves, estimated at 24,000 tons, "enough to fuel six reactors for over 30 years," as Castro Madero stated recently. In February of this year, his CNA made a breakthrough when they initiated the implementation of a plan for the "examination and preventive readjustment" of the Atucha I reactor which

has been functioning for three years in a row. The Cuban news service *Prensa Latina* praised the breakthrough, stating that "this is the first time that scientists from an underdeveloped country are taking on their own readjustment of a nuclear reactor." After the readjustment takes place, the reactor capacity will increase by 8 percent to 544.5 megawatts.

Currently, CNA efforts are divided between several projects, among which the most important is the construction of a second nuclear plant to be located in the state of Cordoba. The Embalse Plant is a joint effort between Argentina, Canada and Italy. The Italian firm, Italiampianti, is in charge of the civil construction, 40 percent of which is already completed. Also, Argentina and Canada signed in 1974 a deal for the sale of a *Candu* reactor (Canadian-deuterium-uranium) at a capacity of 600 megawatts. The overall work is to be completed by 1980 and is said to be on schedule, despite attempts to create an international scandal around alleged bribe money when the deal was signed. The purpose behind the "scandal" became clear when the Canadian and U.S. press increased pressure on Argentina to sign the Non Proliferation Treaty. Canadian official sources stated that the *Candu* reactor deal was the last unless Argentina signed the treaty.

Argentina's goal is to reach self-sufficiency in nuclear energy and be able to export nuclear technology outside the continent. In this connection, the country has already started to build the first plant to domestically produce heavy water for its reactors. The plant will produce 20 tons of heavy water per year and is to be provided with water from the Pampa region, rich in deuterium.

A key advantage of the Argentina nuclear program is the fact that its nuclear reactors are fueled with heavy water and natural uranium; they do not have to depend on enriched uranium imports (primarily from the U.S.) which the Carter Administration has threatened to ban. This is obviously one of the reasons why the U.S. has put the screws on Argentina to sign the Non Proliferation Treaty.

Scientific and technical training is a key aspect of the CNA's program. Castro Madero often refers to the danger of massive "brain drain," and has demanded higher wages for the scientists and physicists now being hit hard by the IMF austerity program. Among other priorities that the extensive CNA nuclear program contemplates for the future are the construction of a "multi-national" plant, aimed at exporting enriched uranium, and, by the year 2000, producing 15 thousand megawatts.

Argentine Nuclear Plants

Nuclear Plants	Energy Capacity	Partners	Year of Completion	Located
Atucha I	320 megawatts	BRD-Canada	1974	Buenos Aires
Embalse Rio Tercero	600 megawatts	Italy-Canada	1980	Cordoba state
Atucha II	600 megawatts	BRD-Canada	1983	Buenos Aires
3 others	600 megawatts each one	90 percent Argentine	1990	Mendoza and Bahia Blanca (estimations)

New New York Post Kills Hamiltonian Journalism

The *New York Post*, once the paper of Alexander Hamilton and his Federalist collaborators, is now dead. The final executioner is the *Post's* publisher of six months, Rupert Murdoch, the one-time apprentice of British psywar masters Lords Beaverbrook and Northcliffe, who has made the *Post* the modern-day model of the Tory subversion that the original *Evening Post* and Alexander Hamilton had fought to eradicate.

Not surprisingly, the first of the changes in what Murdoch calls the "new *New York Post*" was to remove the notation "founded in 1801 by Alexander Hamilton" from the masthead.

Hamilton founded the *Evening Post*, known widely as "Hamilton's Journal," in 1801 with other leading New York Federalists as a forum for their views and as a vehicle for educating the electorate of the young American republic.

A December, 1801 *Evening Post* editorial attacked President Jefferson for formulating policy on the dictum "Good patriots must, at all events, please the people." It continued by defining what, in fact, a political leader — and a newspaper — must be:

But those whose patriotism is of the old school, who differ so widely from the disciples of the new creed that they would rather risk incurring the displeasure of the people by speaking impalatable truths, than betray their interest by fostering their prejudices, will never be deterred by an impure tide of popular opinion from honestly pointing out the mistakes or faults of weak or wicked men, who may have been selected as guardians of the public weal.

That is exactly what Hamilton's *Evening Post* did. It demanded of its readers that they think and understand the major foreign and domestic issues of the day.

* From December, 1801 to April, 1802, the *Evening Post* ran a series of eighteen articles by Hamilton on President Jefferson's first annual message. The series, reprinted throughout the country in the Federalist press, was typical of the in-depth analysis that the *Evening Post* regularly featured.

* In 1803 the paper attacked the Manhattan Bank (now Chase Manhattan), run by the supporters of Democrat DeWitt Clinton, for violating the principles of public finance.

* Despite communications limitations, the *Post* ran regular and extensive coverage and analysis of the European situation and its effects on the interests of the United States. Notable was a series by *Post* editor William Coleman in 1807 on the Napoleonic Wars.

To the contrary, the Murdoch *Post* has no intention of informing, let alone educating, its readership; its purpose is solely to induce paranoia. Murdoch, who now owns major papers in Australia, Great Britain and the United States, began his newspaper career in Britain

under the influence of the fathers of "popular journalism," Lords Northcliffe and Beaverbrook. Beginning in the 1890s with financial backing from the Rothschilds' banks, Northcliffe and later Beaverbrook began to buy out much of the British press, accumulating between them the *Mail*, *Daily Mirror*, *Daily Telegraph*, *Evening Standard* and the *London Times*. Both used their psychological warfare skills on the World War I Inter-Allied Propaganda Commission where they worked with Atlanticist apologist and Wilson advisor Walter Lippmann.

Northcliffe best described the techniques that they developed and that Murdoch now uses. Said Northcliffe:

The props of Old Journalism feel bewildered. Their task, they believe, is to enlighten the public...on political questions, on foreign policy. Their duty, they maintain, is to guide opinion concerning matters which may affect nation well-being, cause changes of Government, raise the issue of peace or war....Now the standard is set by the mass of people; the New Journalism will put in the foreground whatever is of interest to them.

What, according to Northcliffe, interested the Masses?

You could search the Victorian newspapers in vain for any reference to changing fashions, for instance....The reason why the *Mail* (Northcliffe's paper — ed.) caused such a sensation was that it dealt with these things, played them up, increased interest in them a hundred-fold.

That is Rupert Murdoch's *New York Post*; "expanded" horseracing charts, a "Page Six" of gossip à la the *National Enquirer*, and sensational coverage of gruesome murders and terrorism, such as the full page March headline, "BEHEAD THREAT: Muslims say They'll Butcher Hostages."

It would be a mistake to view Murdoch as someone who prints trash just because it sells. The leading Rockefeller lights in New York did not smooth the way for Murdoch's entry because they like to read pornography. According to one leading financier, it was generally realized that the pious, bleeding-heart liberal Fabianism that marked the *Post* under its previous owner, Dorothy Schiff, was not sufficient psywar to prepare the population for "planned shrinkage," forced relocation and other Schachtian horrors planned by the Rockefellers.

Recently, Murdoch has been giving private assurances to New York mayoral hopeful Mario Cuomo, the Jimmy Carter of the city's mayoral race, that "I'm going to make you the next mayor of New York." Despite the element of exaggeration, the statement is quite revealing. Besides Murdoch, Cuomo has but two announced supporters, New York's Big MAC Governor Hugh Carey and Nelson Rockefeller.