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EXECUTIVE INTELLIGENCE REVIEW

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IN THIS WEEK'S ISSUE

The decided chill between President Carter and Israeli Prime Minister Begin during their just-concluded talks could be the kickoff sending Israel into a "breakaway ally" detonation of all-out Mideast war — and possibly world war ... But there also signs of a happy alternative... a Carter Administration bid to enforce Israeli sanity and put the Middle East peace process back on the track of development-based regional concord, backed by U.S.-Soviet cooperation... The INTERNATIONAL section puts the outcome of the Carter-Begin talks in perspective with the internal Israeli political scene... the political goals of the U.S. Zionist Lobby... and the fact that Begin's foreign policy advisor is none other than that master of the British art of "war through diplomacy," Henry Kissinger...

* * *

With the possibility of failure looming large over their Mideast war gameplan, the strategists in the City of London are looking ever more eagerly for success on the monetary front... But forces in and around the U.S. Administration may be mounting a counter-offensive to British efforts to "dethrone the dollar" too... Also in INTERNATIONAL, a report on the real political stakes in the pro-

posals involving currency baskets and SDRs... a survey of the British press's declamations on the intentions of the City of London... and how export-oriented U.S. leaders are fighting back...

* * *

With all the games being played, many may be finding it hard to tell the pawns from the players... The sheep are separated from the gamemasters in this week's SPECIAL REPORT, an intelligence memorandum from the U.S. Labor Party's chairman Lyndon H. LaRouche titled, "Brzezinski is Only a Pawn"... and how he does it will be surprising to those who still subscribe to the run-of-the-mill "objective journalist's" view of world events... As part of his analysis, LaRouche explains the "Frankenstein principle" that is at work in the current manipulation of Israel... and the complication of the Soviets' own deluded view of the world and their role in it...

* * *

Our U.S. REPORT and ECONOMICS section back up this issue's lead stories... in

Callaghan to Carter:

'Dethrone The Dollar'

The exchange of public pleasantries between President Carter and Britain's Prime Minister Callaghan March 23 masked a broad recognition in Washington that the British official visit was a profoundly hostile act with respect to fundamental American strategic interests.

According to the British newspapers — who are superior in the hierarchy of British political life to a mere Prime Minister — the Callaghan visit's purpose was to persuade the United States to "dethrone the dollar" as a world reserve currency, and replace it with a basket of currencies. The Callaghan proposal is identical in principle to International Monetary Fund Managing Director Johannes Witteveen's revival of the "SDR substitution account," a mechanism whereby the IMF would exchange foreign-held dollars for Special Drawing Rights, tabled for the IMF's Interim Committee meeting April 30 in Mexico City.

British press coverage (see below) stated the British position starkly; the U.S. position has deteriorated both strategically and economically, U.S. policy has no sense of direction, and the dollar should be treated like the pound sterling (Hugh Stephenson in the *London Times*); whether or not the United States likes it, it will have to accept "replacing the dollar with another reserve asset" due to "financial disorder" which will break out between now and the July Summit (Anthony Harris in the *London Times*); and the United States must sell off its gold reserves to prove to the world that it is serious about gold demonetization (Hamish McRae in the *Guardian*). By itself, these statements of position would be provocative enough, since the consensus American view is that the dollar and the fundamentals of America's world role are inseparable.

Several leading commercial bankers, in private discussion with NSIPS, reacted angrily to Callaghan's "helpful suggestions," but shrugged off the idea of replacing the dollar as a world currency as ridiculous. The commercial banking view is too smug. As is indicated by the attached discussion with Consolidated Gold Fields senior officer — made available to NSIPS by confidential sources — Callaghan is not merely bearing economic proposals. He is the agent of a comprehensive military-strategic British intelligence scenario, the focal point of which is the strategic emasculation of the United States, possibly through confrontation with the Soviet Union in the Middle East. Leading British bankers are emphasizing that nothing short of a U.S. military back-down will carry their plans through. A principal element of the scenario is a final rupture of American-Saudi relations, followed by massive diversification of Saudi reserve assets out of the dollar. Several of the British press outlets already claim this to be underway, in-

cluding the *Sunday Telegraph* of March 19. Another publication making such a claim is *International Currency Review*, a semimonthly linked to the Keith Joseph-Robert Moss wing of Britain's Conservative Party.

The American-Saudi rupture, according to Consolidated Gold Fields, will emerge when it is clear that the United States cannot defend its interests in the Middle East.

The "Currency Basket" Scheme

British official, semiofficial (press), and intelligence sources have circulated any number of scenarios concerning global "monetary reform." None of these are to be taken at face value. The single strategic motive is the emasculation of the United States as a strategic and economic power, in favor of a British-organized "Third Force." The attached British bankers' suggestions of a European, British-dominated NATO core to replace the failing United States, with currency blocs emerging willy-nilly out of the wreckage of the dollar system, is fairly close to the perception of the inner circuit of the British monarchy. The scenarios are intended to have "shock" value, softening up the markets and the American government and generating the appropriate psychological state relative to an expected "payoff" in a military crisis situation.

As Anthony Harris in the March 19 *Financial Times* hints, the Callaghan five-point global economic growth program, the official version of the British plan, is pure cover story for gullible public consumption. Harris, in an article entitled "Dialogue of the Deaf," predicts that no consensus whatever on the Callaghan plan, whose motive is "desperation," is possible in the current political environment — until a major financial crisis overrides the political objections. It was the "cover story" that Chancellor of the Exchequer Denis Healey presented to the March 21 meeting of the nine European Community finance ministers in Brussels, in hope of obtaining a "European consensus" on the plan that would impress the United States. The effort failed.

Although Witteveen is canvassing votes among the IMF's Executive Directors — Belgium is already in Witteveen's camp — the SDR substitution account is not expected to make much headway at the Interim Committee meeting in April. Instead, according to State Department sources who support the plan (see *Foreign Exchange*), the mere introduction of the SDR scheme will represent a significant blow against confidence in the dollar, and encourage the private market to act accordingly. In particular, it is hoped in London that the SDR plan will, by virtue of merely being presented,

encourage OPEC countries to adopt an SDR pricing scheme for oil.

The Callaghan variant of the SDR scheme, the proposed five-nation currency basket arrangement to replace the dollar, has the same tactical intent. The Berlin economic institute DIW, in a statement released March 23, raised the basic objection: "There is no hope for the SDR in a world environment geared towards national governments. No government will give up its sovereignty to a form of artificial money." The overriding question, according to a leading London banker whose views are printed below, is whether national governments are able to make economic policy in the first place. London's perspective is to undermine national governments in the first place.

That is the subject of the British press and Treasury discussions on the gold issue (see *Foreign Exchange*). Gold reserves, now largely frozen in central bank vaults, represent the margin of power between the ragtag of the private market and the central banks. London and its supporters in the U.S., for example Richard Cooper, Undersecretary of State for Economic Affairs, Assistant Secretary of the Treasury C. Fred Bergsten, Undersecretary of the Treasury Anthony Solomon, and Treasury Secretary Michael Blumenthal, agree with the British view that gold must be sold off to the private market. The prodollar wing of the Administration wants to follow Swiss and West German advice to exchange gold among central banks only, thereby increasing the leverage of the central banks over the market.

The Situation in Washington

In large measure, the extraordinary frankness and near-hysterical tone of British press recommendations to the United States is the result of fear that the situation might get out of their hands permanently. Ambassador Robert Strauss, Assistant Secretary of Commerce Frank Weil, Eximbank Chairman John Moore, and other senior officials have persuaded the President to go ahead with an Export Task Force, aimed at massive increase of American exports and, implicitly, world trade volume as a whole (see *U.S. Report*).

The Strauss-Weil program is more far-reaching than a simple export drive in the interest of temporary dollar stabilization. On the contrary, it represents the extension of the March 9 telephone conversations between West German Chancellor Helmut Schmidt and President Carter. Those discussions were aborted by the Treasury Department's sabotage of the March 13 U.S.-West German communiqué on support operations for the dollar. By the middle of last week, when Strauss called *Washington Post* economics editor Hobart Rowen into his

office and laid out the principle that the dollar must be defended through exports, the political balance in the White House had swung in the opposite direction.

According to top officials involved in creating the Export Task Force, expected to be announced officially within the next few days, "everything is now on track for the dollar." There are strong indications that this is the view in Western Europe as well. On March 21, U.S.-European Community Joint Business Council Chairman William Eberle, a former senior Ford Administration official, called for a coordinated effort among the leading industrial countries to expand total world trade volume — an important political statement from a key institution. On March 22, the West German economic institute RWI, called on the United States to support the dollar through "massive expansion of foreign assistance to promote exports." This prompt response to the Strauss initiative in Washington strongly indicates a high degree of international collaboration between a public sector/private sector group on both sides of the Atlantic and possibly in Japan. That is what the British fear most.

The Cooper-Bergsten-Brzezinski wing of the Administration — on the other side — is acting in complete coordination with Callaghan, according to senior Administration and congressional staffers. The Joint Economic Committee's Executive Director, in an interview made available to this publication by another journalist, stated that the "anti-inflation" drive of Miller, Schultze, and Blumenthal, the Miller-Blumenthal proposal for Executive imposition of oil tariffs, and the Callaghan currency basket and SDR schemes are elements of the same package. The aim is to soften up the Administration through internecine warfare and war with Congress over the "inflation" issue.

Although the Treasury has been constrained to avoid taking a position on the SDR issue or the Callaghan variant of it, State Department officials acknowledge that Undersecretary Cooper is supporting the SDR proposal, albeit cautiously. Cooper, Brzezinski, and Bergsten were among the key policy men at the Trilateral Commission before joining the government. They authored policy documents for the Trilateral Commission proposing exactly what Callaghan is proposing now*. The Trilateral Group represents a British "inside operation" in Washington that intentionally seeks to undermine fundamental American interests.

—David Goldman

*"Towards a Renovated International Monetary System" by Richard Cooper, et al.; The Trilateral Commission, New York, 1977.

British Press Cheers 'Rising Sun' Of The British Empire

The entire British strategy — from economics to military policy — was laid out in stark detail in a series of articles in this week's British press. Below are excerpts from the key articles, arranged by topic.

International Monetary Reform And The Dollar

Sunday Telegraph, March 19: James Callaghan will attempt to persuade President Carter to adopt a major change of policy designed to counteract the effect of the falling dollar when he flies to Washington... (he will propose) a five nation basket of currencies including Sterling, Deutschmarks, French francs and Japanese yen, which will support one another.... The White House was jolted out of its torpor at the weekend by accounts that James Callaghan will urge the Americans to allow the dollar to be dethroned from the centre of world monetary order." In a second article, "Dollar Squeezes OPEC surplus," the Telegraph suggests that major Arab flights from the dollar are in the offing: "The Saudis are now reported to have asked the U.S. to release some of their dollar denominated reserves... switching to other currencies... Last autumn, SDR's were seriously discussed at OPEC... The line is that SDRs would only be a serious alternative if the position of the dollar became critical. That point may soon be reached. Mr. Callaghan's initiative in Washington proposing a five currency basket to replace the central position of the dollar could be seized on enthusiastically by the Arabs..."

Financial Times, March 18:

A growing number of bankers and officials are now beginning to argue that what is urgently required now is not the coordination of growth and trade policy, but of monetary and credit policy; and for the first time since the collapse of the Group of 20 in the oil crisis, the International Monetary Fund has been trying to launch a new initiative for international monetary reform, based on replacing currencies with a slightly rest led IMF reserve asset. A very simple version of the monetarist analysis of our problems run like this: it is no good worrying about growth policy while our finances are in chaos. Events may carry this point at the economic summit.

London Times, March 20:

In a financial oped entitled "Facing the truth about the dollar": "The problem for major industrial countries is that under President Carter there has been a marked change in the style of American leadership. This applies as much in the financial and economic fields as with political and military issues.... If this analysis is right, however, it clearly implies that the rest of the world cannot forever continue to rely on the dollar as the central part of the international liquidity system. The difficulty for the political leaders arises from the fact that the growth and prosperity of the postwar period has been based on the acceptance of the international dollar

credit system. Now, in contrast, it is the weakness of the dollar as a reserve currency that is reinforcing the disintegration of our fairly open system of trade and payments. It is difficult for America's friends to suggest that the position of the dollar must rapidly be demoted without seeming to attack American leadership. It is difficult for an American President to embark on a course which appears to throw away a natural national advantage. But Mr. Callaghan knows, as well as anyone, that the seeming advantages of a reserve currency role are an almost total illusion. If he can begin to convince President Carter that this applies to the dollar just as much as it did to sterling his journey will have been to useful purpose."

Daily Telegraph, March 22:

Arguing that possible U.S. gold auctions would "really have very little to do with propping up the dollar," the *Daily Telegraph* advises that the U.S. gold stocks "should be disposed of... Small monthly sales of gold would not really bother the gold market... and would improve the dollar's desirability as a currency without pegging the dollar to any fixed priced or re-monetizing gold's role in the exchange system."

Guardian, March 22:

Warns that any "resistance" in the U.S. to gold sales "must be overcome."

Military And Foreign Policy

Daily Telegraph, March 20:

Oped by Tory MP Stephen Hastings charges Carter's soft policies in Africa as being "a direct threat to the survival of the West." "Is this unfair?... The only other identifiable objective seems to be a wish to avoid conflict with the Russians at almost any cost. Dress this policy how you like, it still amounts to running away, and if we run and abandon the African continent to the Men of the Kremlin we shall have suffered a catastrophe from which the free world may no longer have the resources or the will to recover."

On the same day, the *Daily Telegraph* editorial praises Carter's Wake Forest speech, as a major turn — but says words must be turned into action: "Historic defense statements by President Carter over the weekend mark a striking change in his attitude to Russian military expansion... (but) Mr. Carter still holds the door open. He has ordered rapid development of the MX mobile missile and the Trident 2 submarine, although he says he will not hesitate to order full-scale development and deployment of both. In reply to an abusive retort from Moscow he firmly stood his ground. From now on, he must turn words into actions."

Times of London, March 20:

Former British negotiator for the Test Ban Treaty and *London Times* defense analyst Lord Chalfont attacks the

“gradual response” policy of the U.S. and Soviets, and implicitly calls for a unified European military effort which would be more “realistic” than the U.S., attacking U.S. strategists in particular, for proposing the cruise and other “tactical” weapons. “It is necessary to point out that the ‘low-yield’ nuclear weapons to which the academic strategists refer in this context are generally speaking as powerful as the bombs which incinerated Hiroshima and Nagasaki... this kind of fantasy takes on the appearance of reality only in the fevered minds of academic strategists, so preoccupied with thinking about the unthinkable that they are prepared to believe the

incredible. It cannot be pointed out too often in the hope that both Russian and American planners will understand it, that an exchange of nuclear weapons on a European battlefield, however accurate the missiles, however ‘selective’ the targets and however ‘sophisticated’ the warheads, is likely to leave behind it a radioactive wasteland; and anyone who believes that such a conflict can, with any degree of certainty, be limited to Western Europe, is living in a world which has no reality outside the scenarios of the academic strategist.”

British Say: U.S. Finished As World Strategic Power

Sources in the New York banking community report an unusually high number of visits this quarter from representatives of British merchant banks and related raw materials firms, who are touring the U.S. ostensibly for “fact-finding” purposes. The United Kingdom financiers’ actual objective, however, is to sow demoralization and panic among their American hosts concerning the future of the dollar and the strength of the U.S. economy. The following is an interchange with two representatives of the U.K. mining company, Consolidated Gold Fields — Christopher Glynn, who heads the Mergers and Acquisitions Department and Peter Fels, just returned from a trip to Kuwait:

Q: What if the Administration went for an incomes policy? Would this stabilize the dollar?

Glynn: No, I don’t think that would do it. It might have a short-term psychological impact. But the reality is that you’ve got hundreds of billions of dollars built up overseas — and only the slightest movement of those funds will trigger a new run on the dollar. It’s like a giant inverted pyramid balanced on one small nation — Saudi Arabia. The Saudis are sticking with the dollar now, but their only real tie to the U.S. is *military*. Look at the Horn of Africa — Carter isn’t doing a thing! If the U.S. doesn’t move to stop Soviet expansionism in the Middle East, what good is it to the Saudis?

Q: You place a lot of emphasis on the Saudis. But what about the Germans and the Japanese, aren’t they just as important?

Glynn: Schmidt is disgusted with Carter. The Germans don’t believe that the U.S. will really defend them should the Soviets attack — look at the Horn of Africa. Carter comes out of a populist background; he’s basically isolationist. The U.S. is turning in on itself — it’s a declining power in the world. As I see it, the Germans — and the Japanese as well — will rearm. This will solve their economic problem — declining export orders — and they’ll see it as the only way to defend themselves against Soviet expansionism. Regional currency blocs will be formed — in Europe, and in the Far East centered on the yen — based on this recovery through rearmament.

Q: Isn’t it likely the Swiss and Germans will simply

demand that the U.S. pay off its swaps in gold at some point?

Glynn: Oh yes. I understand a European government has already asked that of the U.S. The answer was NO.

Q: Couldn’t the Europeans and Arabs move unilaterally to set up their own monetary arrangement using gold to settle imbalances?

Fels: Yes, that will happen. It all relates back to this military question. The Soviets could invade Germany easily at any time and the Germans don’t believe the U.S. would do anything to stop them. What we will see is the formation of a British-Dutch-German military alliance and German rearmament...

Q: How does this relate to the monetary question?

Fels: Well, no one currency is strong enough to function as the reserve currency, the dollar can’t, nor can the deutschemark. They will have to use gold to settle their imbalances. There will be a European monetary union, centered around Britain, Germany and Holland — but France will probably, as always, remain aloof.

Q: Are you talking about a single European currency, like the Europa?

Fels: These formal monetary mechanics can be worked out later. The main thing is the military question, rearmament.

Q: I just can’t see Schmidt going for rearmament.

Fels: Yes, I know it’s a socialist government, and so forth. But he’ll be forced into it...

Healey Says U.S.-German Economic Plan Is Piecemeal

The following is taken from an Associated Press dispatch on March 20:

British Chancellor of the Exchequer Denis Healey criticized the West German-American agreement to support the dollar as failing to appear as part of a general plan.

"So far it has had little effect," he told reporters.

He added that this had also happened with a similar accord in January.

It is important, Healey said, that economic measures should not dribble out one by one. Britain wants to see action in five areas "contemporaneously": growth, currency, capital flows, energy, and trade.

If actions are seen as a contribution to a general concept, he said, because they are linked together, they will have more influence than they would have separately.

Healey spoke after attending a meeting of ministers of finance from the Common Market countries.

Brookings Institution on SDRs Proposal

A colleague of Undersecretary of the Treasury C. Fred Bergsten was not optimistic about the future of Special Drawing Rights.

Q: How does it look for the Special Drawing Rights substitution plan in Washington as proposed by United Kingdom Prime Minister Callaghan?

A: It's a non-starter. Sure, I helped draft the plan but it was theoretical — you could never do it now. Do you know who is pushing this? It's old Harold Lever, the Bob Roosa (partner of the Wall Street investment house, Brown Brothers and Harriman-ed.) of Britain. He's a schmuck; Callaghan thinks he can come here and lord it over us; he's really enjoying himself, isn't he, telling the poor Americans how to bandage their mighty dollar after all these years as the sick man....

Q: But the proposal is dead serious on their part....

A: Doesn't matter. I think the dollar has stabilized, will rise in fact.

Q: Suppose while Callaghan is here discussing this there is a blow up in Lebanon and a U.S.-Soviet confrontation results. Wouldn't that cause the kind of dollar crisis the British press is talking about, calling the SDR question?

A: No, nothing of the sort will happen. The dollar is fine.

Salomon Brothers Expert on the IMF...

Q: In a recent article you published, you advocated the transfer of less-developed countries' debt obligations to the International Monetary Fund in exchange for IMF bonds to be given to the U.S. commercial banks. Do you support the wholesale substitution of SDRs for dollars?

A: Certainly not. My suggestion is the opposite; to deal with the worst monetary problem, LDC debt, to stave off the need to go all the way to SDRs. The Bergsten program would be a destruction of U.S. national sovereignty; imagine if we had to go to the IMF for all credit — they could legislate the Schlesinger energy program by refusing to give us the SDRs to continue our oil deficit. You think the Panama canal vote was a fight, this would be an uproar, all Congress would be in arms against the demise of the U.S. as a world power.

Q: But Blumenthal and Bergsten are quite serious about it, with Callaghan...

A: Blumenthal may have a shorter term than he thinks if he tries this one.

U.S.-Israel Crisis: Breakaway Ally Or Step Toward Regional Peace?

Meetings this week in Washington between U.S. President Jimmy Carter and Israeli Prime Minister Menachem Begin have brought the crucial U.S.-Israel relationship to a crossroads: in the next days and weeks, the Carter Administration will find the ways and means to exert positive levers of pressure on the Israelis and bring that country's leadership finally into line with regional Middle East efforts, or the extremist Begin and the U.S. Zionist Lobby will exploit a tense atmosphere of U.S.-Israeli "confrontation" to unleash an Israeli Frankenstein against the Arab countries and against U.S. efforts to push development policies at home and abroad.

The Carter-Begin talks themselves were extremely tense, if not hostile, and the two countries failed to issue any final communiqués after the meetings since mutual differences were so profound. Veteran White House

reporters described the Carter-Begin interaction as "chilling" and "the most unfriendly exchange between leaders of the two countries in the thirty years since Israel's independence."

During the private talks on March 21 and 22, Begin rejected every attempt on Carter's part to arrange a formula that could unblock regional peace negotiations, including formulas that went to great lengths to recognize Israel's security fears in the occupied West Bank area. Whether it was an offer for formal U.S. security guarantees, the stationing of United Nations troops in the West Bank, the signing of an Israel-U.S. mutual defense pact, or variations on these, Begin simply said, "No deal," and reiterated his claim that Israel has an absolute right to control affairs in the West Bank area — forever.

Despite tough treatment even from pro-Israel mem-

bers of Congress and pro-Israel U.S. press — “the first time an Israeli Prime Minister has encountered a hostile atmosphere” in the U.S., according to Agence France Presse March 22 — Begin remained unyielding in a series of public appearances March 23. Aside from reiterating that “Israel’s security” precluded any territorial compromise whatsoever on the West Bank as well as any recognition of Palestinian rights to self-determination, Begin charged the U.S. with “pulling back” from its earlier positive response to his “self-rule” plan for the West Bank. Begin strongly implied that he would make a major issue over U.S. violation of secret commitments made to Israel during the Egypt-Israel negotiations of 1975 leading to the “Sinai Pact” concretized by Henry Kissinger in September of that year.

Kissinger is in fact openly abetting Begin’s assault on the U.S., introducing an element of treason to the Israeli government’s destabilization of Carter. According to the *New York Post* March 22, Kissinger is threatening to release to the public the private papers outlining secret pledges the U.S. made to Israel in 1975. Earlier in the week, according to the March 20 *Post*, Kissinger had conferred with Israeli Foreign Minister Dayan to offer advice on how to stand up to the Carter Administration! In an article headlined “Kissinger Huddles with Begin on Facing up to U.S. Demands,” the *Post* reported that Kissinger had presented the Israelis with “an assessment of the present complex situation.” Kissinger, the paper noted, is “increasingly a friend and counsellor to the now-embattled Begin government” and has “advised Dayan from the outset of the Carter Administration: ‘They are going to be tough.’”

The Begin-Kissinger destabilization campaign can only be expected to escalate in the next days. Speaking before U.S. Jewish leaders March 23, a tearful, emotional Begin — “these have been the three most difficult days of my life” — called for a full-scale mobilization of the American Jewish community in defense of his policies. Begin claimed that “95 percent of American Jews” support “my peace plan” and that this force was the “most valuable” to Israel in its regional diplomatic efforts.

EGGING BEGIN ON, U.S. Jewish Lobby chieftain Rabbi Alexander Schindler, head of the Conference of Presidents of Major American Jewish Organizations, said that the U.S. had traded “idealism for petrodollars.”

On the day after this get-together, the *Wall Street Journal* warned of an escalating U.S. Jewish Lobby campaign against Carter. “There’s a lot of interest in Jerry Brown (the Zen Buddhist zero-growth Governor of California — ed.) in the Jewish Community,” the *Journal* reported.

In an even more sober assessment, a high-level U.S. Middle East diplomatic source warned this week that “the Zionists will try to defeat Carter with all the means

at their disposal, and an assassination attempt cannot be precluded.”

The “Oust Begin” Campaign

Right following the Carter-Begin talks, a wave of provocative rumors — leaked by Begin’s close advisors with his consent — emanated from Jerusalem that Carter wants Begin out of office and Weizman in his place. The rumors are part of a deliberate effort by Begin to preempt the tentative efforts of the Carter Administration to enunciate a U.S. policy for the Mideast that will effectively get Israel in line and stabilize the entire region.

Fanning the flames of the crisis, the March 24 *New York Post* blared on its front-page: “U.S. Presses for Ouster of Begin.” “Carter,” wrote the *Post*, may come out publicly against Begin in the next week or two...to force his replacement by moderate Defense Minister Ezer Weizman.”

The rumors were immediately and publicly denied by the White House. However, Begin and Dayan wasted no time in calling upon the Israeli population to “stand up to the U.S.” Even Weizman fell into line, denouncing “American efforts to replace Begin,” and calling for the formation of a “National Peace Government” including the Israeli Labour Party to “show” Washington Israel can’t be “bullied.” According to the *Baltimore Sun*, the talk of the “Dump Begin” campaign is in large part Begin’s way of shielding himself from growing domestic criticism and disenchantment over his intransigence and brinkmanship invasion of Lebanon, which many Israelis see as “disastrous.”

While the Carter Administration sees Begin as a liability to be neutralized, the efforts of the press to play off Begin against Weizman are viewed by Secretary of State Vance as a dangerous game that could easily backfire and trigger Israel into a breakaway ally action. According to one Washington-based Mideast analyst, U.S. strategy is to “let the dynamics of the situation develop” without exacerbating tensions dangerously.

However, unless the Administration puts forth a Mideast peace policy whose centerpiece is regional development to fill the current vacuum, the confrontationalists linked to Kissinger and Brzezinski will continue to manipulate the weak governmental situation in Israel to their own ends. According to Washington observers, Carter is reportedly considering going on national television to win support for a policy of defending U.S. national interests as opposed to catering to Israel’s unrealistic demands whose fulfillment would endanger the continued existence of the U.S. Vance has also indicated his receptivity to opting for a regional development perspective as the basis for a peace settlement. However, the initiatives of the Administration remain dangerously inadequate and weak at this point in time and do little to defuse the Mideast tinderbox.

Brzezinski Is Only A Pawn

This analysis was released on March 22, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

The following memorandum was written as a background evaluation for the information of friends in the U.S. intelligence community. The nature of the point made is such that the evaluation ought to be circulated publicly in that form. The report is as follows.

If there is one short slogan which is to be selected to be placed on the office wall of every U.S. intelligence and Pentagon staff officer, I would propose Erasmus of Rotterdam's "existence is not a predicate," Erasmus's aphoristic, devastating summary disproof of the Scholastics' "ontological paradox."

Naturally, in order to understand Erasmus's aphorism, the officer would have to master Plato's dialogue, *Parmenides*. Alternatively, I trust that my own writings on the significance of the Platonic dialogue would have proven to be an efficient means for communicating the same essential conception.

From the standpoint of political intelligence work, as distinct from implications for the so-called physical sciences, Erasmus's aphorism signifies that the present world is composed, in first approximation, of sheep and shepherds, and, in the finer discriminations, the shepherds are assorted into mere players and gamemasters. We are gamemasters, and the Soviet leadership, the Israeli government, the Arab governments, most European governments, and Zbigniew Brzezinski, are merely players. The gamemasters directly opposed to us are the inner circles of the British secret service. To complete the picture, we should add the happy information that the inner circles of the Freemasonic and Vatican factions are operating on the level of knowledge appropriate to gamemasters.

My immediate point of reference for this background is twofold. I refer first to the British proposal for a set of currency-military zones dominated by the International Monetary Fund's Special Drawing Rights (SDRs). I refer also to Lord Chalfont's interesting denunciation of the Kissinger strategic doctrine published in this week's press. Both have a certain significance on the immediate level of explicit references for practice. The danger is that evaluation might conclude on that level, and overlook the determining implications of those matters, implications adduced from a literal reading of the developments. This, as I shall make clear, is an illustration of Erasmus's "existence is not a predicate."

The essential method of British Secret Intelligence Service (e.g., the inner British secret-intelligence circles associated with Oxford, Cambridge, and Sussex Universities) is not accidentally very similar to the method of what is called

players, each with certain individual dispositions enriched by the director's motivating proposals concerning the scenario, is launched upon a stage. There is no script, but rather the largely predictable unfolding of the scenario embedded in the conflicts among the players.

In world and national politics, the players are governments, heads of parties, and so forth. The audience, the rooters for and supporters of this or that player, are merely sheep, who follow, sheeplike those players they select as their particular shepherds.

This conduct of national and global history was not invented by the British. We can date conscious employment of such methods from the Ionian period, and, most notably the conflict between the Platonic Academy and the Persian (Delphic) intelligence service associated with Aristotle and the Peripatetics. The modern British Secret Intelligence Service is genetically and consciously a neo-Aristotelean continuation of the ancient oligarchical faction. The problem is that masses of people, together with most of their leaders, are ruled by mythologies, including today's Soviet mythologies. Thus, political processes of governments are not motivated by perception of reality, but by a pseudo-reality determined by the interplay of superstitious mythologies.

Over thousands of years to date, the gamemasters, seeking a certain result in reality, motivated the players and sheep to that effect by playing upon prevailing mythologies. The players and sheep are given pseudo-goals ("Prove to the Soviets that we are truly tough.") which coincide with prevailing mythologies. In reality, as the players and sheep drive toward such pseudo-goals, they cause a rather different result than they seek in the domain of reality.

This distinction between witting gamemasters and mere players is applicable not only to President Carter and confused and duped ex-President Gerald Ford. It applies also to the player-ranking of key British agents-of-influence, such as Brzezinski, Schlesinger, Blumenthal, Mondale, Turner, and Kissinger.

Brzezinski is obviously a mere pawn of SIS. We know a sufficient number of the inner circles of SIS's command to know that they would never regard a miserable, semi-psychotic wretch such as Brzezinski as one of their "crowd." To them, Brzezinski is merely a junior executive of the SIS networks' colonial division, a pathetic kook whose efforts to work his way up in status happen to be more or less a convenient feature of Brzezinski's profile at the moment. (One is reminded of a hypothetical case in which a Soviet KGB captain promotes himself to major-general for purposes of discussions with the agent he is controlling.) Brzezinski's

notion that he is part of the "inner circle" is a delusion, but, from SIS's standpoint it is more or less convenient to encourage Brzezinski in that paranoid delusion.

Brzezinski is merely a predicate of SIS. SIS's "existence" is not embodied in its mere predicates.

Henry Kissinger has worked his way up to a significantly higher status within the SIS's colonial division. He ranks significantly higher than Brzezinski, whose usefulness begins and ends with his ability to maintain a margin of controlling influence over President James E. Carter. (Brzezinski pinned down the appointment because pill-popper Walter F. Mondale, one of the boys' first choices for Democratic presidential nomination, fell apart emotionally during his pre-nomination campaign.) Kissinger, although on a qualitatively higher level of the hierarchy than Brzezinski, is not truly an "insider" of SIS's inner circles, but rather a kind of inflated "sorcerer's apprentice" of his British masters.

The importance of the U.S. SIS agents-of-influence lies not in themselves, but in the power of the United States. A British agent-of-influence of the same rank as Kissinger in West Germany, France, Italy, Japan, and so forth is qualitatively less important on the global scale than a Kissinger.

Kissinger himself consistently reflects an appropriate awareness of his stooge status through his own fascination with the images of former British stooges, Metternich and Bismarck. He is, for all the power he has gained, merely a stooge, part of the political "Foreign Legion" of SIS. Not a part of the inner circles of the oligarchy.

The two current items noted, the "military-currency zones" and the Chalfont item, reflect two principal problems of evaluation confronting us at this juncture. Let us consider the Chalfont item first.

The Frankenstein Principle

In general, British SIS does not wish a thermonuclear war at this juncture. Rather, they are prepared to risk thermonuclear war in a confrontation whose British aims stop short of shooting-war between NATO and Warsaw Pact forces. The British objective at the moment is clear: they intend a kind of repeat of the 1962 Missiles Crisis in which the United States visibly backs down, in which key British circles aid its back-down by repeating the role of Bertrand Russell et al. during the 1962 crisis to aid that consequence.

The British scheme involves a period of deep humiliation of the United States, accompanied by a neo-Schachtian mode of massive military build-up in the U.S. This is directed toward a U.S.-China military alliance, together with other Pacific and Asian nations for a war against the Soviet Union from that side at a later phase.

This is London's third try at the implementation of its "Eurasian land-mass" geopolitical strategy during this century. In both preceding world wars of this century, the British strategy to send Germany eastward went awry, as Germany's strategic-military self-interests impelled it not to move eastward without first smashing through the western barrier. In both previous instances, the British manipulation of Germany created in an unleashed Germany, a kind of "Frankenstein's monster" out of its manipulator's control. Also, in 1917, the

deployment of Lenin as part of the Russian scenario backfired against the Anglo-Dutch in a well-known fashion.

As Britain becomes weaker as a nation, the mass and energy of its controlled players increases relative to British sovereign economic and military power itself. This feature of the process means that the tendency of the players set into motion by SIS to repeat the "Frankenstein's monster principle" in some new fashion becomes increasingly, not less, a problem for London.

Lord Chalfont's warning against the NATO delusion concerning "theater-limited" wars has a double significance. It prepares the way for British peacemaking intervention in an impending U.S.-Soviet confrontation. Yet, at the same time, it echoes my own repeated public criticism of NATO doctrine in a manner suggesting genuine concern emerging among some sections of the British inner circles. If this concern actually exists, and I have good reason to believe that it exists at least among some in that quarter, then the point of reference is the awareness among some British inner circles of the danger of the danger of the "Frankenstein monster principle."

By setting into motion a psychotic Israeli government, a certifiably lunatic Brzezinski, a dangerously, neurotically egoistical Henry Kissinger, a marijuana-smoke-flavored James R. Schlesinger, certain nuts in the Federal Republic of Germany, and so forth, the British have set into motion forces which they may find themselves unable to control at a critical juncture. The link between a psychotic Israel government and the so-called U.S. Jewish Lobby, whose sanity as well as morality is also devoutly to be doubted, could become Britain's post-1939 "Hitler problem" of the late 1970s.

As you know, my own approach to the current strategic problem has been twofold in emphasis. On the capitalist side of the world, my duty, together with my immediate associates, is to catalyze a revival of consciousness of the essential principles among those nations, aiming both to catalyze feasible alternatives to the current world depression and shift the world's political geometry into one in which effective war-avoidance follows. At the same time, my duty has been to use my special insights into the Warsaw Pact nations, to help awaken the leaders of those nations to the fact that they are, in the final analysis, acting as mere pawns in an SIS-rigged game, hoping to cause the Soviets to swerve from the course of confrontation to more sophisticated approaches.

However, I have never given up entirely on Britain. Since the British inner circles are gamemasters, they are advantaged to recognize the correctness of my strategic assessments more quickly than most. Until the Spring of 1977 I had hoped, not entirely without reason, that my own and my associates' articulation of desirable alternatives favoring the United Kingdom's own vital industrial interests would convince the British inner circles of the need to abandon the oligarchically centered policies of the past, and to adopt the policies of the American Revolution as the proven principles of historical experience to date. During Spring (May-June) 1977, the dominant British forces went over fully to their present insane course of action. At that point, I gave up on convincing the British to adopt a morally viable

perception of world affairs, but I have not yet given up on making clear to them the folly of their manifest current ambitions and policies.

The British inner circles, unlike the mere players and credulous sheep of other nations and their governments, know that my characterization of their role over the 19th and present century is correct. Therefore, although ignorant, credulous persons, such as the majority of the Republican National Committee and so forth, may profess to ridicule our warnings, the British inner circles are not such fools. They may ridicule what we say — in their conversations with the sheep of the world — but within their own ranks they take our analysis seriously, because they know at least in certain crucial respects, that our analysis is competently grounded in historical facts, and possibly correct in at least certain of its adductions.

Lord Chalfont's warning against the sort of idiocy credulously spouted by West Germany's Adalbert Weinstein has the outward form of concurrence with crucial features of my warnings. Since such warnings also have the useful function, from British standpoints, of preparing the way for Britain's peacemaking efforts in a Brzezinski-Kissinger-launched confrontation, I do not conclude on the basis of evidence in hand that Chalfont's warning is entirely sincere. Nonetheless, it is probable that at least one section of the SIS inner circles is aware that players such as Dayan, Weizman and Brzezinski are now verging close to an eruption of the same "Frankenstein monster principle" that SIS-sponsored Adolf Hitler represented to the British beginning the Spring of 1940.

The Monetary-Military Zones

I cannot accept the proposition that the scenario of monetary-military zones being circulated by SIS channels represents the centerpiece of actual British intention. Rather, I classify this, like the SIS-sponsored "novel" *The Crash of '79*, as merely the gamemaster's motivation of the players being sent on stage for the "living theater" performance.

We know that the British SIS operative is a modernized version of the same "Persian model" adopted by the court of Philip of Macedon during the mid-fourth century, BC. We have the corroborating evidence, through contacts with leading representatives of SIS's inner circles and other evidence, that the world outlook and intermediate and long-term objectives of SIS inner circles does in fact correspond to that "Persian" or "oligarchical" model.

After all, it was British SIS which created the world's "environmentalists" as well as the "international terrorist" mass-phenomena. The SIS created the Maoist organizations, launched the "post-industrial society," fostered marijuana usage, "methadone maintenance," and now "heroin maintenance," as well as cocaine usage and the general rock-drug counterculture to the purpose and effect of moral and mental destruction of whole broad layers of the youth of the United States and Western Europe. This deep commitment, since the mid-1950s Suez crisis, to the fostering of antiindustrialization, antitechnology phenomena, and the developing of suppurating Phrygian cults among our youth, represent a massive commitment to only one goal, the development of a capability which leads to only one consequence.

It should not be imagined that, on a dime so to speak, the British SIS will drop that deployed commitment in favor of some abrupt new gimmick. They will either play out the utopian oligarchical fantasy to the limit, or abandon that fantasy in favor of the direction we propose.

British policy — the SDR policy Prime Minister James Callaghan has been instructed to carry to Washington and Bonn — is clear, and conforms to the reality of British policy. British policy is currently the following:

(1) Manipulate the U.S. into a confrontation with the Soviet Union from which the U.S. is compelled to back down.

(2) This humiliation of the U.S. probably forces the resignations of Carter and Brzezinski, and puts Walter F. Mondale into the Presidency.

(3) Under a neo-Fabian Administration of Mondale, Blumenthal, Schlesinger et al., the U.S. dollar is destroyed as a world reserve currency, a result forced by U.S. humiliation.

(4) The world is placed under the rule of the International Monetary Fund and World Bank, with the creation of the Kissinger-proposed International Resources Bank and "Common Fund" as complementary elements of British imperialist world rule. Any government or other faction which pushes these proposals must be considered an instrument of British imperialism.

(5) The Special Drawing Rights (SDR) are made into an imitation of Nazi Finance Minister Hjalmar Schacht's Rentenmark and Mefo-bill structures. "SDR bailout" of the collapsing U.S. dollar places the U.S. under an IMF fascist dictatorship, a financial colony of London.

(6) A humiliated U.S. undergoes a neo-Schachtian internal reorganization. Much U.S. industry is triaged, with aid of trained "asset-stripper" G. William Miller of the Federal Reserve. A residue of industry is cartelized under control of Manhattan-centered private banks acting as agents and correspondents of the City of London and the IMF. A mixture of Humphrey-Hawkins-type fascist programs (e.g., the Nazi *Arbeitsdienst*) is combined with a Nazi-like military economy buildup around the cartelized residue of U.S. industry.

(7) This brutalized U.S., transformed into a fascist state under President Mondale, develops a Pacific alliance against the Soviet Union centering on an alliance with Peking. A Pacific thermonuclear war reduces the United States and Soviet Union as world powers, leaving the British oligarchy in rule of a somewhat radioactive Pax Britannica in the remaining sectors.

(8) Accompanying this process, a combination of permanent regional wars in the developing sector intersects the effects of IMF and World Bank "conditions" to cause a wave of epidemics and other fatalities reducing the population in those nations in the aggregate order of millions during the remainder of this century.

(9) By this means, Lord Milner's old policy is brought to realization, and a world population reduced to the order of between one and two billions by the close of this century lives under a Pax Britannica reflecting the gist of the utopian thinking of H.G. Wells, George Orwell, and "Clockwork Orange."

That is the clear intention of those controlling the behavior of such pawns as Henry Kissinger and Zbigniew

Brzezinski. From the standpoint of British inner circles, the only thing which would deter them from carrying out this policy is the concern that the "Frankenstein monster principle" would intervene to send the whole game awry, to cause the destruction of Britain itself.

The Soviet Complication

The Soviet complication is that although the Soviet leadership is, like Kissinger and Brzezinski, merely a group of players in the pathetic "Living Theater" directed by British SIS, the foolish, Oblomovist Soviets are so euphorically intoxicated with their own deluded view of the current process that they falsely imagine themselves to be gamemasters. Through Blumenthal and Schlesinger's wrecking of the value of the U.S. dollar, the Soviets view themselves as in the process of picking up clients by the baker's dozens in the Islamic world, Africa, and elsewhere, and as accomplishing the "Finlandization" of Europe — which the British induce the Soviets to aspire to and which the same British, through traitors such as Henry Kissinger, induce the Republican National Committee and Carter Administration to fear. The Soviets see only the stage of the SIS-directed "Living Theater" and see themselves as predestined winners of the crisis-ridden first act. They are so obsessively seized by that aspect of the global scenario that they do not see the game as a whole, refuse to look beyond the first act's glorious Soviet triumph, to the ensuing denouement of the second and third acts of the game.

The delusions ruling Moscow are hybrid of two intersecting influences within the Soviet leadership. In the Russian character itself, there is the problem of peasant-rooted Oblomovism. Hence, on this count, the present Soviet leadership are by no means Leninists, and are intellectually and strategically inferior in judgment to Josef Stalin. They are not sensuously involved in the real processes of the world outside the Warsaw Pact alliances — they do not "feel" outer-world reality, and thus live predominantly in a world of their own fantasies in such references. This Oblomovism is aggravated by 60 years of containment and "Cold War." The outer world is made the more strange, the more alien, the more hateful, to them. They are essentially narrow, nationalist *realpolitikers*, and by no means the tribunes of global humanity they sometimes depict themselves to be both in print and rhetorical self-adulation festive occasions.

This fault is re-enforced by their extrapolation from a fundamental methodological error in the work of Karl Marx, a twofold error. Their deformed version of Marx's own error, their "objectivist" notion of a "materialist principle of history," prevents them from even considering the kinds of evidence showing how history is *subjectively* determined.

First, Marx erred absolutely in his conception of British industrial-capitalist development, ignorantly, obsessively, and incompetently refusing to acknowledge

that Britain was not a model of lawful industrial-capitalist development, but of a "feudal" state in which the oligarchical-monetarist ruling forces contained and deformed industrial-capitalist development away from the natural form of industrial-capitalist republican development best exemplified by the Federalist and Whig policies flowing from the U.S. Constitutional order.

Second, Marx adapted to the error of Immanuel Kant, the error also embedded in a different but otherwise essential form in Hegel and Feuerbach. Marx argued that existing objective social-economic developments, the existing objective conditions of life as they affected different social classes, predominantly determined the dominant, conflicting currents of ideas and political-social issues. The Soviets have extirpated the contrary, *voluntarist* neoplatonic elements from Marx's thinking (e.g., as the "young" versus "mature" Marx nonsense illustrates), and produced a hideous parody of Marx's reductionist-mechanistic error of epistemology as "official Marxism-Leninism."

Thus, the Soviets render themselves incapable of understanding how and why SIS created Adolf Hitler, the significance of the "Parvus Plan" in both World War I and Nazi policy since Haushofer and Hess wrote that plan into *Mein Kampf*. They are incapable of understanding the nature, objectives, and methods of SIS — which is why the British have run circles around the Soviets, most emphatically since the 1962 Missiles Crisis.

The ponderously obsessive, self-righteously ignorant Soviet spokesman reiterates: "The essential struggle is the class struggle between the proletariat and the imperialist form of industrial-capitalist development." They recite that pathetic nonsense over and over again. "Therefore," they continue the threnody, "it is the struggle between Soviet-led proletarian forces and the main bastions of imperialist-industrial capitalism that is strategically decisive. Therefore, since the United States is the main bastion of the imperialist power, weakening the industrial-capitalist forces centered in U.S. industry is the proper historic-strategic objective governing Soviet Policy."

What about the oligarchical effort to end technological-industrial-centered progress? "Ah", says the foolish, but self-righteously pompous Soviet spokesman, "I see you are an idealist. We are materialists. I see you do not yet understand the science of Marxism-Leninism."

The British SIS operative, overhearing the Soviet pompously reciting once again that foolish litany, quietly laughs his ass off.

So, the British, tongue-in-cheek, manipulate the stupid, myth-ridden giants of the world, the United States and Soviet Union, into the confrontation by which the relatively weak but more clever British aim to accomplish world rule under the fascist utopia, the utopia of Pax Britannica. Tell the Soviets that, and like Primo Carnera, they retort impatiently, "Don't you see how big we are? Who are you to tell us about politics?"

Counterattack Against Israel Lobby Begins In Congress

Labeling last week's British-inspired Israeli invasion of Lebanon "open aggression," "institutionalized terrorism," and "a direct threat to prospects for peace," Sen. James Abourezk (D.-N.D.) yesterday called on the Carter Administration to emulate the strategy of Gen. Dwight D. Eisenhower and preempt further Israeli "breakaway ally" actions jeopardizing U.S. national security interests in the Middle East.

Abourezk proposed a Senate resolution to demand "immediate implementation" by all parties concerned of the United Nations' Security Council decision that Israeli occupying troops be replaced by a UN peacekeeping force. Abourezk stated, "As I see it, Israel will refuse to give up the fruits of its aggression unless it is convinced it has more to lose than to gain. In 1956, when Israel joined France and England in attacking Egypt and attempted to keep the Sinai desert, President Eisenhower was successful in threatening Israel to the extent that Israel withdrew."

To complete his history lesson, Abourezk might have added that the Eisenhower Administration, keenly aware of the role of British intelligence in stage-managing Middle East wars, also coupled its ultimatum to Israel with a telephone threat from U.S. Treasury Secretary George Humphrey to British officials promising to "break the British pound" unless they cooperated.

Provided the present U. S. government adopts the Eisenhower strategy, — no to British economic warfare, yes to U.S.-Israeli-Arab economic development — the power of that much-feared Trojan horse in U.S. politics known as the "Israel Lobby" can now be broken almost overnight.

Evidence of mobilization behind such a policy surfaced yesterday in Chicago at a conference on Mideast trade and development sponsored by the Mid-America Arab Chamber of Commerce, attended by representatives of regional banking and industrial interests and the U.S. State Department. The president of the Chamber warned American business that if it did not rally around a program for expanded Mideast trade now, committing itself to sweeping away all obstacles erected by the Israel Lobby, Arab support for the dollar as a reserve currency would collapse and U.S. trade with it.

Backlash in Congress

A significant backlash is sweeping through Congress in response to the Begin government's recent attempts to impose a "unilateral final solution to the Palestinian problem" by armed force, risking war with Syria and a U.S.-U.S.S.R. thermonuclear confrontation. Although Israel Lobby forces have so far succeeded in pigeonholing the Abourezk resolution in the Senate Foreign Relations Committee, where they are heavily represented by Sens. Clifford Case, (R.-N.S.) Frank Church (D.-Idaho), Jacob Javits (R.-N.Y.), and others, the Israel Lobby has never been more vulnerable.

U.S. Labor Party Capitol Hill staff actively mobilizing support for the Abourezk initiative during the past 48 hours have found some two dozen Senators and Representatives, including ranking members on key committees, "fed up" with the Israel Lobby's arrogant assumption that the President of the United States ought, as a matter of course, to accept its views on the U.S. interest in the Middle East as the foundation of all policy.

If the Israel Lobby isn't broken, "we could be dragged into thermonuclear war" one Republican senator from an Eastern state commented privately. "Our policy is to pressure Israel heavily," said the office of an influential midwestern Democratic Senator. Israeli Prime Minister Menachem Begin's performance before the Senate Foreign Relations committee yesterday produced sharp questioning even from members traditionally very sympathetic to Israel. Sen. Charles Percy (R.-Ill.) told Begin his insistence on retaining civilian settlements in Arab territories occupied by Israel since the 1976 war "has divided Israel, divided the American Jewish community, and caused an erosion of support for Israel." According to one Capitol Hill source, Begin so discredited himself that Sen. Daniel Moynihan (D.-N.Y.), a die-hard Israel Lobby member, commented afterwards, "the only one smiling was Jim Abourezk."

Adding to the climate of mistrust for the Israel Lobby is the well-founded suspicion in Washington circles that the Israeli invasion of Lebanon was pre-planned before the staged Palestinian terror raid which supposedly precipitated it. The *Money Manager*, a leading financial publication, has attributed this view to sources in the State and Defense Departments, and it is beginning to be shared in Congress.

Rep. Paul Findley (R.-Ill.) has already demanded in a written communication to the State Department that the Administration investigate whether or not Israel's Lebanon invasion violated the U.S. Foreign Military Sales Act which forbids use of U.S. arms supplies except for defensive purposes.

The Carter Administration is expected to take advantage of the backlash on this particular question to mobilize support for its plan for a "package deal," of military aircraft sales to Israel, Saudi Arabia and Egypt, a package which the Israel Lobby, in the person of Sen. Henry Jackson, has already vowed to block. Israel Lobby threats to unveil a years-old letter from former Secretary of State Henry Kissinger, purporting to guarantee Israel its aircraft with "no strings attached," do not appear to have intimidated the White House so far.

Press Criticizes Genocide

Leading U.S. press have begun a campaign of open criticism against the Israeli invasion. The *Chicago Tribune* today concluded in an editorial entitled "Has Retaliation Helped?" that Israeli military operations in Lebanon had not contributed substantial benefits for Israeli security. Yesterday's *Baltimore Sun* criticized Begin for attempting to block swift UN peacekeeping

action in the Security Council, characterizing the UN resolution as "a large American favor" preventing a war of attrition between the Palestinians and Israel which would "complicate Israel's relations with an increasingly unsympathetic world." The *Sun* added, "It is Mr. Begin's style, unfortunately, to respond ungenerously to large favors."

The brutal atrocities suffered by the Palestinian and Lebanese population under Israeli attacks have contributed to the depth of the backlash against the Israel Lobby. Blasting "the propagandists for Israel," in the U.S. press Abourezk accused them of "dehumanizing Arabs because such dehumanization enable Israelis to engage with impunity in the savagery of killing. That is a tragic lesson in racism committed by people who have suffered the most throughout history from racism."

Syndicated columnist Nicholas von Hoffman has directly compared Israeli actions in Lebanon to the treatment of the Jewish population under Hitler. Although few have spoken out so bluntly, there is a dawning realization in the U.S. that exactly this Israeli "Bettelheim syndrome" — identification with one's own Nazi persecutors — is dangerous to Israel, and indeed, to the whole world.

—Don Baier

U.S. Press Opposes Israeli 'Retaliation'

Amid the justifications provided by the Washington Post and the Boston Globe for Israel's "retaliation" raid of southern Lebanon, a clear pattern of U.S. press criticism of that action emerged. Both the East Coast and regional press joined in questioning the motives of the Israeli government in taking action that is so definitively damaging to recent peace initiatives.

We excerpt here portions of U.S. press criticism of the Begin government.

The *Chicago Tribune*, "Has Retaliation Helped?" (editorial), March 22:

Israel's willingness to accept an immediate ceasefire in Southern Lebanon is welcome news...

That force (United Nations — ed.) may not succeed in bringing peace but inaction would have been morally repugnant and irresponsible. It would only have confirmed the notion in some quarters that the United States is committed to an "Israel right or wrong" position...

Once again we hear about secure and defensible borders. Where are they? ... Israel's real security lies only in genuine peace with the established Arab governments and removing the cause of conflict: the homelessness of millions of displaced Palestinians. Staying in occupied Arab territories on the other hand breeds resentment on the part of the very governments which have the power to contain the Palestinian liberationists ... (the Begin government) has been insisting on expand-

ing rather than removing their settlements ... (Israel's) best course now is to withdraw its troops and get on with the peace talks.

The *Pittsburgh Post-Gazette*, "Sparks in a Tinder Box," (editorial), March 16:

...The takeover of southern Lebanon by the Israeli armed forces, no matter how understandable from the viewpoint of a beleaguered Israeli government, is also deplorable ... It is a dangerous business ... It involves an invasion across international boundaries ... The invasion risks involving Lebanese forces in the conflict, but most importantly, it risks conflict with the Syrian forces which are keeping the peace in Lebanon.

Talk about tossing matches about in a dynamite warehouse!

Suppose the surgical operation did not work out as planned...(and) there was escalation and the world had a Sarajevo on its hands?

The *Seattle Times*, "Critical Juncture in Mideast Peace Efforts," (editorial) March 22:

...Begin says the resolution does not require Israel to withdraw from the occupied West Bank of the Jordan River.

That view is at odds not only with the position of every other government involved, but also with that of the

Israeli government in power at the time the resolution was adopted.

Yigal Allon, foreign minister in the Labor Party government that was succeeded by Begin's government last spring, charges the Begin Administration with impeding peace negotiations by its position on resolution 242.

If the peace initiative ... is now allowed to die for want of sufficient flexibility and reasonableness in either Jerusalem or Cairo, those responsible will encounter a world-wide sense of disappointment and disillusionment...

The Israeli incursion into Lebanon was one answer to that terrorist outrage. An even more necessary response is to take steps to keep the peace initiative alive.

The Gary Post-Tribune, "*Does an Eye for an Eye Pay Off Internationally?*" (editorial), March 16, 1978:

We were braced for Israeli retaliation to last weekend's brutally tragic raid by Palestinian guerrillas, yet we were surprised by its intensity.

At this writing, with the Israeli incursion into Palestine Liberation Organization camps in Southern Lebanon confused, we remain unconvinced of its effectiveness from the long term viewpoint...

Massive raids into Lebanon may well forestall immediate Palestinian counterterror, but might they not also serve to heighten the resistance movement from other bases?

The New York Daily News, "*Women and Children Pawns in a Deadly Game,*" by Jimmy Breslin, March 19:

...It is chilling to be in New York and see people automatically arise and laud the Israelis for their counter-attack. No mention was made that the counterattack included the bombing of women and children.

Apparently, a dead woman in Lebanon is not worth as much as a dead woman in Israel...

When Begin arrives at Kennedy Airport today on his way to see President Carter, he is at best a questionable talent, a killer turned bureaucrat.

On the night Begin was elected Prime Minister of Israel, there was such unanimous concern about him in the American foreign policy establishment that I had to like him right away. And when hopes for peace in the Middle East broke out so dramatically with the visit of Egypt's Anwar Sadat to Jerusalem, Begin seemed to have an opportunity given to few men: a clean, clear shot at greatness...

So as he arrives today, Menachem Begin no longer is a hero of oppression. He appears to have lost his chance for greatness. He has become just a stubborn old bureaucrat

who has no difficulty in having expensive tools used to kill back some women and children living in huts...

The New York Times, "*The Triumph of Hate?*" by Anthony Lewis, March 20:

Prime Minister Begin comes to Washington this week with an emotional mantle of approval for his response to Palestinian terrorists...

But it does not follow that Israel was wise to occupy a big strip of southern Lebanon, or to carry out heavy bombing raids there and elsewhere. Still less does it follow that retaliation of that kind is in Israel's true long-term interest: in peace and security. I think the action, with its inevitable political and human implications, courts disaster for Israel...

Then think about the scale of this retaliation in human terms. What message does it send to those Arabs who have been coming around to the idea of peace with Israel?

At least 700 people were killed by the Israeli military operation, according to United Nations officials, and 160,000 made homeless. Is that a "justified" reprisal for 35 deaths? ... Are there true friends of Israel here — Senators Ribicoff or Moynihan or Jackson, say — who will speak the truth to Menachem Begin? Unless someone does, and persuades him, I think history will see this as a fateful moment for Israel.

Money Manager, "*News Briefs*" column, March 20:

State Department and Pentagon officials are three-quarters persuaded that the Israeli incursion into Lebanon last week was scheduled whether or not Palestinian terrorists had staged their murderous raid on Israeli civilians. So far as the State Department experts are concerned the retaliatory raid, the biggest ever, was "too pat."

Pentagon officials, more specific than their diplomatic peers, claim that an operation as large as the attack on southern Lebanon — involving the largest number of troops ever, a wide range of mechanized equipment and armament, and continuous coordinated air strikes — could not have been planned and executed in the 17 hours the Israeli leaders claim.

President Carter will probably let the issue slide when he meets this week with Prime Minister Begin since to raise it deliberately would serve only to exacerbate relations that are tenuous now at best, between Israel and the United States, and accomplish nothing that United Nations and other condemnations haven't already. But it's better than a safe bet, aides say, "the President will not forget the episode."

Soviet Union's Answer To The Wake Forest Speech

TASS, Moscow (March 17) — President James Carter of the United States in an address spoke about “a major reassessment” by the current Administration of the United States’s military strategy.

In his speech he repeated some past remarks to the effect that the U.S. seeks to avert nuclear war, strives for cooperation with the Soviet Union and other countries in the matter of reducing tensions. At the same time, Jimmy Carter’s speech contained a number of elements which cause apprehension for they are obviously incompatible with those remarks.

From the essence of the President’s speech it follows that the speech actually means a shift of emphasis in American foreign policy from the earlier proclaimed course towards ensuring the national security of the United States through negotiations, through limiting the arms race and deepening detente, to a course of threats and a buildup of tension.

President Carter spoke of deploying a whole number of the latest systems of strategic and conventional armaments. We have under construction, the President said, new trident submarines equipped with ballistic missiles. He stated that he had ordered rapid development and deployment of cruise missiles to reinforce the strategic value of American bombers. At the same time work is underway on the intercontinental ballistic missile and the Trident 2 submarine-launched ballistic missile. “I shall not hesitate to take actions for full scale development and deployment of these systems,” Carter stated.

To justify this course the President resorted to the

worn out thesis about a “Soviet military threat” and alleged also that the USSR interferes in local conflicts. Grossly distorting the Soviet Union’s policy James Carter said that the USSR shows “an inclination to interfere in African countries.”

It is well known that the Soviet Union does not seek unilateral advantages. In its policy it does not seek any benefits for itself anywhere either in Africa or in the Middle East where Israel with U.S. encouragement has occupied part of the territory of still another sovereign Arab state.

The USSR upholds the sovereignty, national independence and freedom of the peoples, strives for the hotbeds of tensions to be quenched by peaceful means on the basis of observing the principles of non-interference in the internal affairs of other countries and the renunciation of the recarving of already existing borders.

Attempts are being made to distort this principled position of the Soviet Union in order to cover up imperialist interference in these and other parts of the world.

The maturity of a political course is determined by how much it corresponds to the real interests of the countries and peoples, to the needs of ensuring security and peace. These interests demand an end to the arms race and the elimination of hotbeds of tension and deepening of the detente process, the creation of peaceful conditions for the life of the people.

Unfortunately James Carter’s speech is testimony to a departure from the solution of these real and vital problems.

Soviets On Salt: Our Patience Is Limited

The Soviet statement on the Strategic Arms Limitations Talks reprinted here — an authoritative unsigned March 17 piece in Pravda titled “A Rejoinder” — was blacked out of most major U.S. newspapers:

As the Soviet press has already reported, a rapprochement of the positions of the USSR and USA on questions of strategic offensive weapons limitation was known to have been achieved at the end of last year.

However, during the recent period, statements have been made by official persons in the United States, and a great many commentaries have appeared in the press, which definitely indicate that there are some who would like to complicate — if not wreck outright — the conclusion of a corresponding Soviet-American agreement. Whatever reasons and distracting maneuvers may be used, it is evident that all this plays into the hands of the opponents of an agreement, who seek only one thing — to

begin a new spiral in the arms race — and who care nothing about the prospects of peace, the fate of the peoples, including their own people.

Under these conditions the question lawfully arises: do they not want to repeat in this way what was done after the Vladivostok meeting? (1975 summit meeting between President Ford and Soviet leader Brezhnev during which a basic SALT II agreement was reached — ed.) It has long been a generally-known fact that it was precisely the obstructionist position of the USA that blocked at that time the process of practical realization of the clear and concrete agreement reached in Vladivostok on the conclusion of a new longterm strategic arms limitation agreement, on the basis of the principle of equality and equal security of the sides. It is also known what great efforts were required to bring the agreement back onto a practical track.

Such a question — is it not raised again by events of the

recent past — naturally suggests itself if one thinks of the florid and contradictory statements recently issuing from Washington, including from the White House.

On the one hand, the American and the world's public says that the strategic arms limitation talks are making good progress, that, they say, only some strictly technical questions remain to be solved; hopes are expressed for the possible conclusion of an agreement in the very near future.

On the other hand, some sort of link is continually suggested between the prospects for reaching an agreement and other unrelated questions, for example the events in the Horn of Africa. Can it already be forgotten how a couple of years ago the USA tried to resort to the exact same tactic, to make a strategic arms limitation agreement into change in a political bargain, and how negatively this affected the negotiations?

Some American officials have been forced to recognize the untenability of such a line, reasonably stating that the working out of an agreement is not some kind of "reward" to the Soviet Union, but a means for insuring the USA's own interests. However, judging from everything, such admissions are not determining the present mood in Washington.

This is also shown by the way questions of the content of an agreement are being treated. Characterizing the remaining problems as purely technical, representatives of the Administration at the same time assert that supposedly their resolution demands some sort of act of

"political will" on the part of the Soviet Union, while the United States, they say, has no need to make the slightest concessions. Not coincidentally, even the American press has not been ready to swallow that. As various observers have remarked, the indicated statements show that rather than defending an agreement extremely important for the USA itself, representatives of the Administration are playing into the hands of the opponents of an accord with the USSR. It could hardly be put any more clearly.

If, behind such lines from American officials, there stands a desire to acquire one-sided advantages for the USA to the detriment of the interests of the USSR, then it is high time they realized that this is simply a waste of time. If they are simply making it seem that the USA is for an agreement, while in reality it is for something quite different, then such a position cannot long be maintained — the truth will come to light in any case.

There must be no place for falsehood here. The Soviet side has always patiently conducted the negotiations so as to keep the essence of the strategic arms limitation problem free of any extraneous features and to find mutually acceptable solutions; it has the patience for this. However such patience is not at all unlimited. It is time that the questions arising in connection with strategic arms limitation be pondered more seriously in Washington, and that it be genuinely realized how much is at stake.

Campaign For Exports Underway In And Out Of White House

With Special Trade Negotiator Robert Strauss in the lead, a core grouping in the Carter Administration is about to embark on a major trade-and-export expansion strategy. This puts them in direct defiance of plans by Treasury Secretary W. Michael Blumenthal, Council of Economic Advisor chieftain Charlie Schulze, and energy czar James Schlesinger to put the U.S. economy through a deflationary wringer under the guise of "fighting inflation."

ADMINISTRATION

News of Strauss's intentions first surfaced in a March 22 article by *Washington Post* columnist Hobart Rowen describing the full-fledged battle now underway in the White House over the direction of U.S. economic policy. Placing the fight in the context of the declining value of the U.S. dollar, Rowen reported that, counterposed to those presidential advisers who favored a strong "anti-inflation" approach (i.e., wage-price controls, restrictions on oil imports, etc.), was the Strauss faction, which sees beefed-up U.S. exports as the key to getting the U.S. dollar and economy back on its feet. In an interview with Rowen, Strauss said bluntly: "The

answer to this nation's problems is not in restricting imports, and making the buying public pay more money when they're already choked by inflation, but the answer is a tremendous thrust from an export program." (For the full text of Rowen's article, see below.)

According to various sources, Strauss has already succeeded in setting up an interdepartmental task force, with representatives of the State Department, Commerce, the Export-Import Bank, et al., to plan a strategy for boosting American export trade. An aide to Frank Weill, head of the Commerce Department's International Business Section and a collaborator of Strauss, told a reporter that the task force is intended to be part of "a major new international economic thrust which will be announced in the next few days."

A major feature of that thrust, the aide indicated, will be a move to judo British protectionist perspectives for the GATT agreement by pushing for an early consolidation of that agreement based on the expanded trade policy. Furthermore, he reported, Strauss will move to set the stage for the GATT offensive in talks scheduled to open in Geneva in April, aiming for agreement on political perspective no later than July.

The Strauss initiative is receiving important backup from other forces, both within and outside the Administration. In an address to a Houston seminar on trade,

W.D. Eberle, who was Special Trade Negotiator in the Ford Administration and currently president of the U.S. Council of the International Chamber of Commerce, declared that the present economic crisis requires a policy of expanding the total volume of world trade — a direct counter to British-fostered “trade war” scenarios.

—Kate Murphy

The State Department, The Mideast, and Export

The major theme of a meeting of the Mid-American Arab-American Chamber of Commerce, held in Chicago March 21, was the need for a strong U.S. effort to shore up U.S. exports, especially to the Mideast, and a bitter attack against those who are seeking to sabotage such a campaign. State Department representative John Palmer told the meeting, “Increasing U.S. exports to the Mideast is our policy. This is the program we want.” However, he continued, “We are pessimistic about the prospects for the Saudi arms deal. Certain forces want to cut the Saudis out.” Palmer then reported that “Several Congressmen have recently been approached on a regional Mideast economic development program which is now being worked on. The problem that we and people at State are having is that the OMB (Office of Management and the Budget — ed.) is cutting back on various groups involved in setting up U.S.-Mideast trade deals.”

The head of the Mid-America group, Mr. Bassiouni, was even more straightforward. Blasting the Israeli lobby for deliberately sabotaging U.S.-Arab trade via the “Arab boycott” operation, Bassiouni warned that if these forces succeeded in defeating the U.S.-proposed sale of American F-15 jet fighters to Saudi Arabia, then the Saudis “will dump the dollar, pull money out of the U.S., and decrease oil, production, and U.S. exports to the Mideast will decrease overall.”

Bassiouni singled out Stanley Marcus, formerly an aide to Senator Adlai Stevenson (D.-Ill.) and now head of the Administration’s Arab boycott compliance section, as the key saboteur of U.S.-Arab commerce.

In response to a question from this news service, regarding the role of Treasury Secretary Blumenthal and Energy Secretary Schlesinger in coordinating the attack on U.S. trade expansions, Bassiouni replied: “Most Europeans I have spoken to feel that Blumenthal is incompetent. The real problem is the stupidity of the Administration and the policy vacuum in Washington.”

Support For Exim Expansion

In the three months since the U.S. Labor Party first proposed expansion of the financing capabilities of the Export-Import Bank of the United States to bolster lagging U.S. exports, that idea has gained the support of legislators, trade unionists, and the business community in several states. Already a resolution memorializing Congress and the President to “go bullish” on America by supporting the dollar has been passed by the Georgia state legislature. Similar measures have been intro-

duced both in the New York and Maryland legislatures.

The U.S. Labor Party has mobilized business leaders, trade unionists, and others to play the critical role in catalyzing legislative action. In Washington state, the 5,000-member boilermakers Local 104 passed such a resolution March 18. In Delaware, successful lobbying efforts have led several state representatives to become committed to the idea of a memorial bill.

State legislative interest in expansion of the Export-Import Bank coincides with hearings by both the House and Senate Banking Committees on the topic. Several supporters of the Eximbank at these Washington hearings, in fact, went to Maryland to speak before that state’s legislature, where a bill similar to the Georgia one is now being considered.

Will Congress Get the Hint?

That Congress might do well to take a cue from state legislatures was the theme of an editorial in the *Sunday Chronicle-Herald* of Augusta Ga. Here is that editorial as it appeared March 12, 1978.

Bill ‘Must’ Reading

During the closing hours of the Georgia General Assembly Tuesday night, the House passed a bill which should be “must” reading for President Carter and the Democratic leadership in Congress.

Cosponsored by Rep. Robert Beckham (R-Augusta) and Rep. Dorsey Matthews (D-Moultrie), it is labelled “A resolution urging the government of the United States to take certain actions to support the dollar and to adopt policies and programs to insure industrial, agricultural, technological and economic progress...”

What are the “certain actions” that the government should take? They are actions based on a philosophy long advocated by the *Sunday Chronicle-Herald* and other media segments and politicians concerned about the nation’s economic well-being.

The Beckham-Matthews bill underscores that: “1) the dollar is falling daily to record lows; 2) this weakness is a concern for all concerned about the security and well-being of the United States...3) the current crisis is the result of the ambiguous and contradictory statements of the administration, in particular the Treasury Department.”

Reflect on what Messrs. Beckham and Matthews mean by “contradictory” — especially with regard to the Treasury Department and the Export-Import Bank (Exim).

The Exim Bank goes to the Congress soon to virtually justify its existence, since its present congressional mandate runs out in September. Liberals in the Administration, however, are fighting the Administration’s fiscal conservatives in opposing any increase in the bank’s \$25 million ceiling. And, at first blush, we would oppose such an increase too. But we don’t believe one has to look far to view the Exim’s role in a more sympathetic light.

The head of the Exim bank, John L. Moore, has earned the enmity of some liberals in the Treasury Department because he is considering, among other probusiness steps, insuring private lenders against losses due to changes in interest rates.

This option must be examined because longer-term fixed-rate financing must be made available if the United States is to compete for billion dollar projects against the British, French, Russians and Japanese. So this is why the Beckham-Matthews resolution calls for "the early rechartering of the Exim bank" and for the adoption of "economic and credit policies which convert the outstanding dollar liquidity into capital investment in hard commodity, high technology exports which will insure high levels of capital formation in the private sector."

Ever since Georgia Rep. Vinson Wall introduced his anti-Panama Canal treaties bill early in the just-concluded legislative session, some capital wags have joked about the General Assembly having a "foreign affairs concern." Yet, in the instance of the Beckham-Matthews bill, we wish the economic principles the two legislators enunciate were the guiding basis for the U.S. foreign and domestic policy.

Would it be asking too much if the U.S. Congress were to adopt similar legislation?

Strauss: "The Answer Is A Tremendous Export Thrust"

Washington Post, "Saudis Link Oil Prices To a Stable Dollar," by Hobart Rowen, March 22:

King Khalid of Saudi Arabia has told President Carter that oil prices may have to be raised if the U.S. dollar continues its decline in world markets....

The declining dollar, which contributes to inflationary pressures here by boosting the cost of imported goods, also has had an adverse impact on the oil cartel. For OPEC, which sells its oil for dollars around the world, a cheaper dollar amounts to a cut in their prices, and a loss of real revenues....

Carter has been urged to take stronger anti-inflation steps by Federal Reserve Chairman G. William Miller, and by both Republican and Democratic members of the Joint Economic Committee. Additional anti-inflation measures have also been urged by the Government's own wage-price watch-dog, Barry Bosworth, director of the Council on Wage and Price Stability.

As part of a new basket of actions dealing with inflation, the Administration reportedly is considering a Government task force to see how American exports might be stimulated....

An intensified export drive, some Administration officials believe, would cut down the U.S. trade deficit, which is one of the sources of pressure on the dollar....

White House officials have been working on various anti-inflation options with the hope of making something public by Thursday. But officials cautioned yesterday that that date might "slip," because final decisions have not been made by the President.

The idea of an export task force has been pushed by the Commerce Department, and endorsed by Special Trade Representative Robert S. Strauss.

"The answer to this nation's problems," Strauss said in an interview, "is not in restricting imports, and making the buying public pay more money when they're already choked by inflation, but the answer is a tremendous thrust from an export program."

But other officials, who concede that it would be useful to sweep away any artificial impediments to exports, caution that any benefits would not be gained in the short run, and certainly not quickly enough to ease current pressure on the dollar.

High on the list of potential actions to stimulate exports, according to informed sources, are tax incentives, even though the Carter Administration has rejected continuation of one form of export tax incentive, the DISC program, in its own tax bill now before Congress.

Other possible steps include beefed-up export financing, bolstered export promotion drive, and an effort to persuade private businessmen that great export opportunities exist if they would put more effort into it. "We may have to act more like the Japanese do," one official said.

Not all Administration officials are sold on this approach, especially if it includes a politically embarrassing reversal on tax-incentives for exports. "Besides," says one unconvinced official, "if the United States tries to pay its oil bills by pushing exports into the less developed countries with the help of subsidies, that's hardly a contribution to global strategy."

Less Is Not Moore

In the February issue of Finance, The Magazine of Money and Business, William J. Anthony, Executive Vice-President of Philadelphia's Fidelity Bank reported on the dramatic reversal which President Carter has made with the selection of John L. Moore as chairman and president of the Export-Import Bank of the United States. The cover article featured a drawing of the United States pictured as a cornucopia, spilling forth nuclear power, agriculture, steel, forest products, and tourists. The following are excerpts from the article:

...The counter-revolution is a positive development, not only for the United States, but also for the world economy. For Mr. Moore has made clear that Eximbank no longer would be merely a "lender of last resort," but would take an aggressive posture in promoting U.S. exports...

Mr. Moore, a close associate of President Carter, and a lawyer with no experience in international finance, brings a totally different philosophy to Eximbank. To him, it is one of the weapons available to the Administration to achieve overall policy objectives. But while he began last year by speaking out strongly for policies ranging from "human rights" to support of minority-owned small enterprises — as guides to

Eximbank lending programs — he has made plain now that the major thrust will be aimed at Exim's counterparts in Europe and Japan.

In short, he is concentrating on how foreign financing programs affect U.S. exports — *which we believe is the proper focus for Eximbank's chairman* — and how these may be offset by programs which can make American firms competitive in overseas markets....

"We're going to give these negotiations everything we've got, because only then will we be able to convince the Treasury, and the American people, that we need the means to compete," Mr. Moore said in a recent interview. So great is this concern about competition that he does not rule out some very unorthodox approaches — unorthodox, at least, for the U.S. He is particularly irritated by European programs that insure against losses due to exchange-rate fluctuations, and against inflation-induced cost rises, which have cost countries such as France and Italy hundreds of million of dollars a year....

One of Eximbank's responsibilities at this time is to help restore confidence in the world economy, he feels, since many countries are holding back on projects out of concern about the world recession. "It is incumbent on this agency to encourage capital projects and to make sure that potential borrowers know we're open for business. Korea, Taiwan, Mexico and Algeria are some of the countries with good potential."

The new chairman said Exim would not turn down a credit merely because the current price of the product was depressed. As long as the plan is well thought out, and as long as "we're not concerned about adverse impact on competitors in the United States," the project would be eligible for Exim funds. "Everyone loses if a major project somewhere gets in trouble," Mr. Moore said. "This is not to say, though, that we should avoid taking risks in commodity production, where there are long lead times and cyclical prices. I think we should even look at copper projects, even though the price is terrible right now." Eximbank has no "artificial country limit," and each request for credit will be determined on a project-by-project basis.

At this point, Mr. Moore estimates that by fiscal 1979, Eximbank will be extending between \$5 billion and \$5.5 billion in direct loans all told. He said that the agency's medium and short-term programs had not declined, although if inflation were taken into account, the real amounts expended might have dropped. But this may be corrected as a result of a review by Exim's current pricing structure on guarantee and insurance programs.

"This Administration should take a very positive stance for this Bank," he stressed, because such a posture "is needed to encourage the exporting community in this country. Above all, when I go around the world, I need to be able to say to planning ministers and others that we can move ahead, and that we've got the capacity at Eximbank to do whatever they want."

John Moore believes his experience as a lawyer and negotiator has prepared him well for the new role. "I feel comfortable in a negotiating framework wherever I am," he stated. The counter-revolution that he has brought to Eximbank should be warmly welcomed. As we have often argued, the United States cannot ignore its balance of trade, and Eximbank is an important tool in making American industry competitive.

At a meeting of the Arab-American Association for Commerce and Industry last month, Eximbank Chairman Moore revealed the extent to which Exim already has moved to implement his newly "aggressive posture."....

...He said Exim's particular interest would be in opening up new markets in the Middle East, through expanded U.S. exports. Exim negotiators, he added, have been talking joint-financing, with both Kuwait and Saudi Arabia, of projects in such underdeveloped Arab states as Oman, Sudan and Yemen.

The agency's biggest Arab market to date is Algeria, Mr. Moore pointed out — which ranks seventh among all national markets on Exim's lending list, with \$893 million committed. Several huge gas-processing projects are in the works, designed and equipped by American firms. "We are prepared to provide additional broad-based support for Algeria energy resources development projects," he said, "(including) essential infrastructure projects such as power and transportation facilities."

Besides Algeria, other Arab countries soon to benefit from Exim-supported energy projects include Morocco, with a power-distribution system; Tunisia, developing an offshore gas field, and Oman, where the U.S. agency is sponsoring a refinery and LPG plant.

Miners Vote On New Coal Pact

As we go to press, 160,000 members of the United Mineworkers (UMW) union are voting on the terms of a contract with the Bituminous Coal Operators Association (BCOA) that could end the 109-day old national coal strike. While sources in the union report that the contract "should pass," the vote is expected to be extremely close. *Executive Intelligence Review* will present a full analysis of this crucial vote and its implications for the country in our next issue, as well as exclusive reports on the plans of Institute for Policy Studies-linked coal field terrorists for continued disruption of coal production regardless of the outcome of the ratification process.

Behind The U.S. Economic Collapse

The various proposals that have been advanced in recent days by Federal Reserve Chairman G. William Miller, the Joint Economic Committee of Congress, and other City of London allies as measures for combatting inflation and defending the dollar amount to one thing: formulas for collapsing the U.S. economy.

The proposals that are being touted — alternately the “fiscal conservative” solution of cutting money supply growth, or the British-modeled incomes policy approach of the New York Federal Reserve Bank, the JEC, and company — are intended to salvage the U.S. economy’s rotten financial structure and put the real economy out of business for good. As the following survey will detail, the key dynamic at work in the U.S. economy is the simultaneous stagnation of all the indices of real economic growth and the unprecedented expansion of debt associated with nonproductive investment. Under these conditions, an indiscriminate clamping down on monetary growth or government controls on wages and prices will simply cripple the productive sectors of the economy.

The U.S. economy is essentially in the same condition as many bankrupt corporations. It has been badly managed and its financial structure is untenable. However, its assets — its productive plant and equipment and its labor force — are fundamentally sound. The job is to salvage these assets and redirect all credit flows to this productive sector and away from speculative investments.

In 1977, the U.S. economy took two directions: stagnation of industrial production, capital spending, real spendable earnings, and other indices of real economic growth; and an explosion of practically all categories of domestic debt.

Total funds raised in the credit markets last year amounted to a record \$398.6 billion (Flow of Funds Accounts, Fourth Quarter 1977), compared with \$296.5 billion in 1976 — a 34 percent increase — and \$219.5 billion in the official recession year of 1975. The increased demand for credit came from households (auto and mortgage loans), nonfinancial corporations, the financial sector (including federal agencies), and state and local governments. The only areas of decline were foreign borrowing, largely as a result of Canada and other customary borrowers seeking more favorable rates in the Eurobond market, and U.S. Treasury borrowing.

This year the most conservative estimates show total government borrowing (by the Treasury and off-budget and federally sponsored agencies) easily approaching \$100 billion and possibly running as high as \$140-150 billion if projected revenues and other assumptions fall short of the government’s optimistic expectations. All projections show credit demand from other sectors at least holding firm at 1977 levels, pushing total demand

for credit easily to \$406 billion (estimate of Manufacturers Hanover Trust, see Chart 1). These projections may be left far behind, however. Through mid-March, total short-term borrowing by U.S. business (commercial and industrial loans, finance company loans, and commercial paper) was running well ahead of the level of the last three years. Nationally banks have had to issue more CDs (certificates of deposit) over this period than at any time since 1973 to meet the loan demand.

There is nothing inherently unsound about an increase in credit extensions of this order of magnitude — despite what most fiscal conservatives might think — provided that the new debt created is backed up by expanded hard commodity production. In 1977, however, this was clearly not the case. The record \$398.6 billion in new credit flowed into such nonproductive areas as the refinancing of mortgages based on speculatively inflated property values, financing of corporate takeovers, and short-term investments — better characterized as gambling — in currency arbitrage and the like by nonfinancial corporations. The continuing flow of credit into either pure debt refinancing or other speculative investments, while productivity-boosting investment in new plant and equipment and research and development is languishing, is the real source of the elusive “underlying” inflation everyone is talking about.

There is another alarming trend in the economy which became more evident over the course of 1977: since 1975

Chart 1

Funds Raised in U.S. Credit Markets

	1974	1975	1976	1977 (e)	1978 (p)
Nonfinancial Sectors	189.7	205.7	268.2	331.5	354.0
U.S. Treasury	11.8	85.4	69.0	55.0	73.0
State & Local Governments	16.2	11.2	14.6	27.0	23.0
Foreigners	15.4	13.2	20.3	10.5	11.0
Households	49.2	48.6	89.8	133.0	135.0
Business	97.1	47.3	74.5	106.0	112.0
Nonfinancial Corporations	81.8	36.6	58.3	81.0	94.0
Farm	7.9	8.7	11.2	16.0	10.0
Noncorp. Nonfarm	7.4	2.0	5.2	9.0	8.0
Financial Sectors	39.4	14.0	28.6	58.0	52.0
Federal Agencies	23.1	13.5	18.6	26.0	29.0
Commercial Banks	- 1.1	1.7	7.4	14.0	12.5
Finance Companies	4.5	0.5	6.4	12.0	10.0
All Other	8.4	- 1.7	- 3.8	6.0	0.5
Total Funds Raised	<u>229.1</u>	<u>219.7</u>	<u>296.8</u>	<u>389.5</u>	<u>406.0</u>
Memo:					
Gross National Product	1412.0	1528.8	1706.5	1889.0	2083.2
Funds Raised as % of GNP	16.2	14.3	17.4	20.6	19.5

Source: Manufacturers Trust

and the start of the "recovery," the level of real corporate profits (profits adjusted for inflation) has improved at the expense of total employee compensation. This trend entered a new phase in 1977 with developments in the steel industry. Analysts are looking for an eventual improvement in the profitability of the industry as a result of the write-off of high-cost, underutilized capacity, and a significant drop in "unit labor costs." Since the summer of 1977, levels of steel production have remained more or less constant despite the fact that thousands — more than 20,000 — of steelworkers were laid off over the same period. This is the kind of "efficiency" that will lead to the irreversible destruction of the U.S. workforce.

The Debt Explosion

Nonfinancial corporations.

The most noteworthy point about the \$85 billion raised by nonfinancial corporations last year (\$77 billion in debt, \$8 billion in equity) is that virtually none of it went into the type of long-term capital investments that guarantee future profitability. The whole \$85 billion in new liabilities, heavily weighted to the short-term side, were incurred merely to: 1) make up the shortfall of

internally generated funds for replacing dysfunctional plant and equipment and replenishing inventories; 2) build up corporate cash funds for "overnight" investments; and 3) finance acquisitions and mergers.

With the effects of inflation — specifically the inflated cost of replacing the plant and equipment and inventories that are "used up" in a given business quarter — the internal funds available to nonfinancial corporations from retained earnings and depreciation fell short of fixed investment (plant and equipment, etc.) and inventory financing by \$35 billion in 1977, more than double the \$15 billion shortfall in 1976. The shortfall is expected to grow in 1978, because of the eroding effects of inflation on internal funds, further increasing corporations' debt-dependence.

Inflation, in turn, is being fueled by the mounting interest costs on this expanding short-term indebtedness of the corporations, the propensity for short-term speculative investments, and the efforts to artificially boost prices through cartelization of industry (see accompanying article). The U.S. economy had entered a dangerous self-feeding inflationary spiral where high rates of inflation are discouraging corporations from making long-term capital investments and impelling them into "high profit" speculative investments, which breed more inflation, further discouraging long-term investments, and so forth. In the process, corporations are forced to become more and more debt-dependent, merely to offset the eroding effects of inflation on internal cash flow.

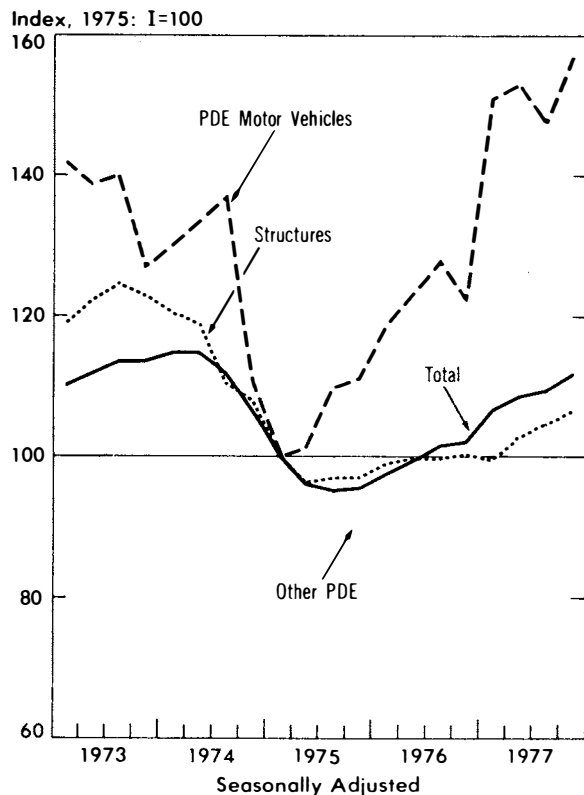
According to *Business Week's* estimate March 13, the top 400 corporations in the country are sitting on top of some \$60 billion in cash — almost triple the amount they had at the beginning of the 1970s — as a result of their bypassing investment in new plant and equipment and research and development. Leading the list of cash-rich companies, IBM had \$5.4 billion in cash and short-term securities to play around with at the end of 1977. Exxon was second with \$4.2 billion, while Ford and General Motors followed with \$3.3 billion and \$3.2 billion respectively. Some fairly large corporations are holding as much as 30 percent of their assets in cash.

What are they doing with this money? Corporate treasurers are investing in everything from 90-day Treasury bills which now yield around 6.5 percent to riskier investments such as the CDs issued by the London and Cayman Islands branches of U.S. banks (which yield around 7.5 percent) to 180-day Mexican bank time deposits (11 percent)! As *Business Week* commented, "The growing willingness of companies to shift funds from one country to another in search of the highest return is putting still more strains on an international monetary system that is already under intense pressure — to say nothing of the effect of these operations on the real economy.

Additionally, some corporations are using their large cash reserves to acquire other companies. Why invest in new capacity when somebody else's company is selling below book value?

Corporations with large amounts of cash are, on the other hand, also prime candidates to be taken over. One reason why J. Ray McDermott and United Technologies fought over Babcock and Wilcox last summer was probably B and W's \$145 million in cash. Kennecott, with over \$1 billion in cash after it was forced to sell Peabody

Graph 1
Components of Real Nonresidential Fixed Investment



Source: U.S. Department of Commerce,
Bureau of Economic Analysis

Coal last year, rushed to purchase Carborundum to dispose of some of the cash that was making it a vulnerable takeover candidate. This game is known as "asset stripping." You acquire a company for its cash, and then liquidate the rest of its assets. Curtiss-Wright, the aerospace company, recently filed a disclosure notice with the Securities and Exchange Commission revealing that it had acquired 9.9 percent of Kennecott's stock and intends to wage a proxy fight against the present management and then sell off some or all of the leading copper producer's assets!

The improvement in corporate liquidity (if one can call it that) is by no means evenly distributed among industries. Between the last quarter of 1974 (the nadir) and the second quarter of 1977, the ratio of cash and government securities to short-term debt seriously deteriorated in the following basic industries: coal and petroleum, iron and steel, nonferrous metals, and mining — precisely those industries which are exerting the greatest inflation push on the rest of the economy — as well as the wholesale trade.

Households

Home mortgage debt increased by close to \$100 billion in 1977 (\$90 billion in home mortgages, \$7 billion in multi-family residence mortgages). Various analysts estimate that roughly half of this expansion reflected second

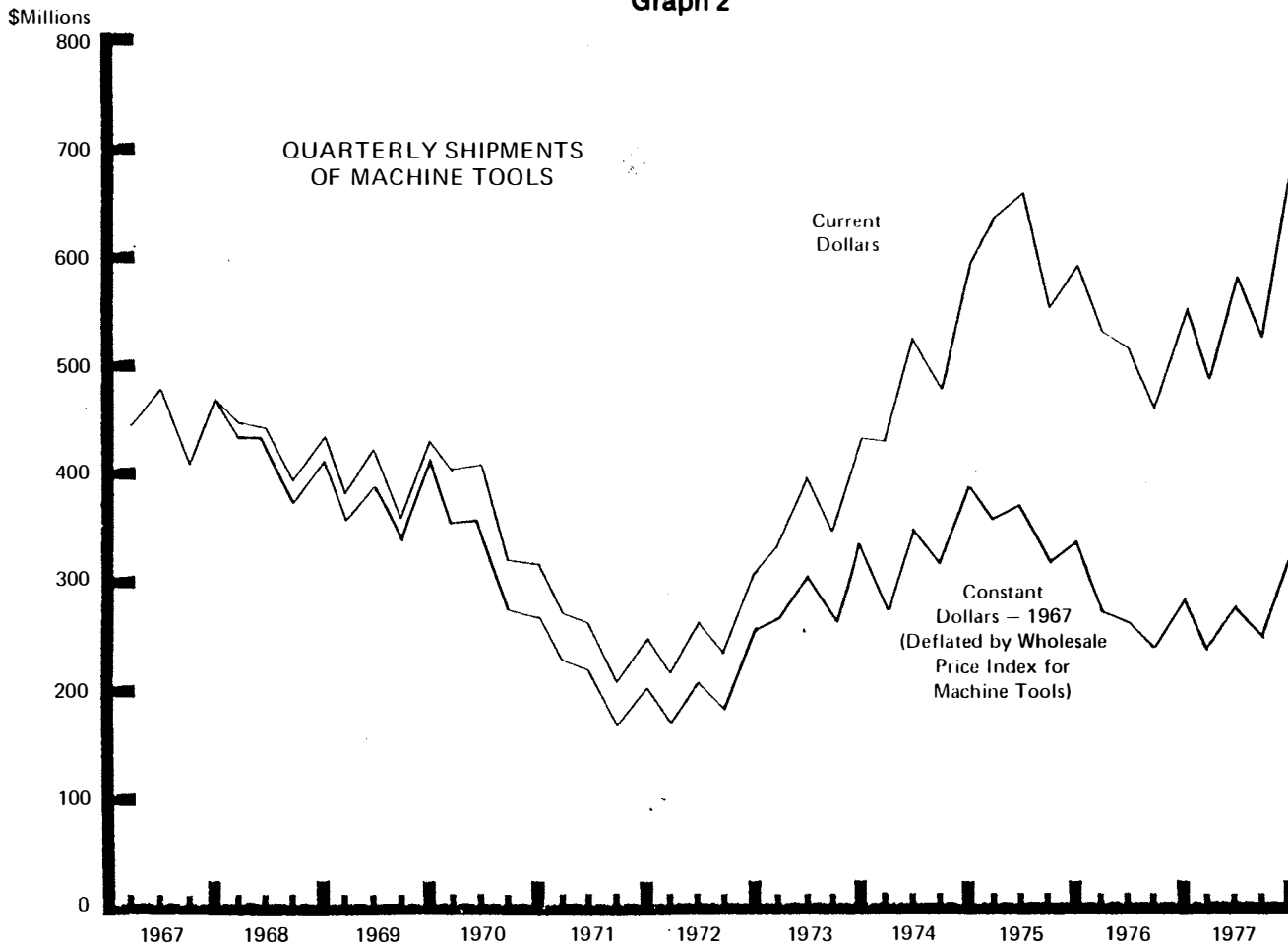
mortgages or the refinancing of existing mortgages on the basis of higher property equities — property values that had been bid up by wild speculation which has pushed the average price of the single-family home above \$55,000.

Consumers took out second mortgages or refinanced old mortgages for everything from buying new more expensive homes to making tuition payments. At the end of 1977 total mortgage debt outstanding in the U.S. stood at \$1 trillion or almost one-third of total debt outstanding, making it by far the largest category of debt in the whole economy.

The cost of supporting this real estate bubble has spilled over into the government sector, where the entire projected margin of increase in borrowing in 1978 is attributable to three government sponsored agencies which support the housing market: the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan banks, and the Federal Home Loan Mortgage Corporation. With those agencies accounting for the total increase, borrowing by government-sponsored agencies is expected to surge to \$17.2 billion in 1978, from \$7.0 billion in 1977.

In the case of Fannie Mae and the FHLMC, the increase follows the expected jumps in mortgage purchases, and in the case of the Federal home loan banks, it is due to the expected sharp decreases in repayment of

Graph 2



Source: National Machine Tool Builders' Association

past advances by savings banks and the FHLMC — both trends are a function of disintermediation.

Other types of consumer borrowing increased by \$35.6 billion in 1977, from \$23.6 billion in 1976 and \$9.4 billion in 1975. With the ratio of installment debt to income heading toward the historic high, most analysts expect the increase in consumer debt to moderate over the next year — pulling the plug on the “consumer-based recovery.”

The Real Economy

As the accompanying charts and graphs illustrate, the real economy has been stagnating under the enormous growth of debt. The two key measures of the future profitability of the economy, the condition of the labor force and the economy's plant and equipment, continued to deteriorate over last year. Bureau of Labor Statistics figures show that the spendable average weekly earnings (wages after Social Security and Federal taxes) of a married worker with three dependents stood at a mere \$92.30 in 1967 dollars in January 1978. Average weekly earnings in constant dollars were below their 1972-73 prerecession level.

The latest survey of expected plant and equipment expenditures by the Commerce Department in November-December 1977 showed that businesses planned to increase their expenditures by 10.1 percent in 1978. Respondents also estimated that they expected the prices of capital goods purchased by them to rise 8 percent, leaving only a 2 percent margin of real increase.

The 6 percent real increase in 1977 was preponderantly spent on motor vehicles used by businesses and replacement of worn out equipment; new real investment in plants was negative.

The Solutions

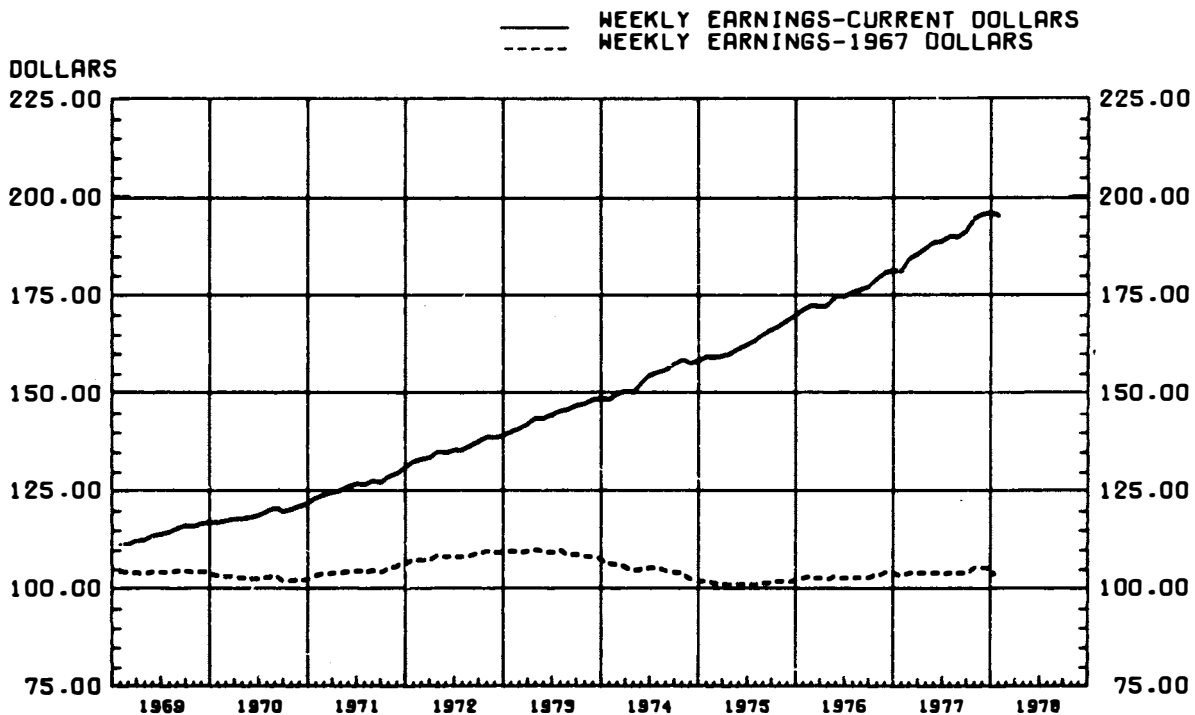
The solutions that are being advanced to deal with the so-called “underlying” rate of inflation which is eating away at real profits and undermining capital investment — alternately the income policy approach of the Anglophilic *New York Times*, Federal Reserve Bank of New York, and others, or the “cut the money supply growth” credo of the “conservatives” at the *Wall Street Journal* and other haunts of the followers of Milton Friedman — will actually aggravate the tendency for inflation by further crippling the productive sector.

In spite of the *Wall Street Journal* editors' thoughts to the contrary, the only way to reverse the tendency for inflation and get capital formation going is through the dirigist intervention of the Federal government. The government has to create the right environment, through opening up export markets via the Export-Import Bank and ensuring favorable credit terms and tax treatment for high-technology production, to redirect private credit flows away from speculative investments and debt roll-overs into expanded production and research and development.

The Federal Reserve system has the power to create a “two-tier” credit system which would make a supply of

GRAPH 3

PRIVATE NONFARM AVERAGE EARNINGS SEASONALLY ADJUSTED



SOURCE: BUREAU OF LABOR STATISTICS

low-interest credit available to business for productive investment and dry out speculative markets, such as the secondary real estate market, with prohibitively high rates. A credit policy of this type would have to be implemented in conjunction with measures redirecting the activities of "Fannie Mae" and the other housing-related

- Chart 2 -

Real Spending on Plant and Equipment

	current \$	1972 \$
1972	\$ 88.44 bil.	88.44
1973	99.74	96.05
1974	112.40	97.45
1975	112.78	85.26
1976	120.49	86.87
1977	137.02	93.86
1978	150.90 est.	

Source: Department of Commerce

agencies toward providing funds for new housing only, as well as measures to protect savings banks from any repercussions in the markets and keep them supplied with funds for issuing mortgages for new construction.

Secondly, the Executive and legislative branches of government must immediately open up expanded export markets for U.S. producers through the expansion of the Export-Import Bank. They must also support a freeze on outstanding indebtedness of Third World countries, which are the potential markets for U.S. capital goods and technology. An export policy is not merely an adjunct to U.S. economic policy.

The lack of the appropriate export-orientation has been a prime cause of the recurrent recessions of the postwar U.S. economic history. The economy has gone through a succession of "recoveries" based on consumer credit expansion or military production, followed by recessions. The key to the unimpeded expansion of the U.S. economy is making export policy the very centerpiece of U.S. economic policy.

—Lydia Dittler

A Case Study: Industrial Materials' Inflation

A major source of the inflationary pressures in the U.S. economy are various schemes for cartelizing and rationalizing world production and trade. The general belief, fostered by the press and most economists, that inflation is the result of some mysterious underlying pressures, or bad weather, or any number of other generally accepted excuses, serves merely to divert attention from the actual causes.

In the most recent monthly survey conducted by the National Association of Purchasing Managers, the majority of purchasing managers interviewed stated that the prices they paid for raw materials rose in February for the third consecutive month. Materials most often mentioned included steel, sugar, aluminum, paper, and chemicals.

Look at Steel

The increases in steel and sugar prices are no mystery, but the direct result of policies initiated by the "British" faction within the Carter Administration. The steel price increases, which are expected to total 11.6 percent over the course of the year, are the result of the Solomon Plan, named after Blumenthal's Undersecretary of the Treasury, Anthony Solomon. This plan is in the early stages of implementation, and combines the rationalization already taking place in the U.S. steel industry with protectionist measures in the form of reference (or floor) prices on a wide range of steel imports. Under the plan, any steel brought into this country below the reference price is subject to an immediate Treasury investigation for dumping.

By forcing up the price of imports and reducing capacity, U.S. steel producers have already been able to raise prices on the average of 5.5 percent with another increase expected later in the year. During 1977

Bethlehem Steel, the nation's second largest steel producer, closed down its Lackawanna, N.Y. plant and greatly curtailed production at its Johnstown, Pa. facilities. And Lykes Corporation, which owns Youngstown Sheet and Tube announced the closing of Youngstown's Campbell Works, while the Allan Wood Steel Company was forced into bankruptcy by its creditors. Additional closings of "marginal" facilities are expected this year.

The Solomon Plan and its European counterpart, the Davignon Plan, are paving the way for the rationalization of the world steel industry.

In the mode of what the Solomon Plan has done to steel, the recently enacted International Sugar Agreement has already artificially raised sugar prices, through increased tariffs and quotas. Prices are also up in the aluminum industry as a result of a shortage of production capacity brought about by the industry's failure to expand over recent years.

The Impact

The inflationary impact of these price increases is already being felt throughout the economy. In January the consumer price index rose 0.8 percent, double the rate of the previous two months. In February food prices rose 3 percent, largely due to the increase in the cost of sugar. Also in February, the wholesale prices of finished goods, a key indicator, surged ahead 1.1 percent, its biggest jump in over three years.

This 1.1 percent increase, equal to a 13.2 percent annual rate, represents the cost of goods at the final stage of manufacture, and therefore strongly reflects the rise of raw material costs. It is also an important indicator of what direction the consumer price index will move several months down the road, when the finished goods

eventually find their way to the retail level.

This could be only the beginning. The next area slated for cartelization, rationalization, and protectionism is the metals industry, a sector which cannot even boast a paper recovery from the 1974 recession.

In the U.S. all the leading copper producers have sent a petition to President Carter requesting relief from imports under section 201 of the 1974 Trade Act. The petition calls for an increase of 10 cents per pound in the copper duty. These producers are also pressuring the Administration for renewed stockpile purchases. Under this threat of protectionism from the U.S., Peru, Zaire, and Zambia (all members of the copper producing country's answer to OPEC, CIPEC) announced a 15 percent reduction in copper production. Moreover, a recent survey by the United States's number two copper producer, Phelps Dodge, includes capacity reductions of 204,000 tons from the permanent shutdown of existing mines in the U.S. and Canada.

Still, the low levels of copper consumption due to the continuing industrial recession, and the large worldwide stockpiles — in excess of 2 million tons — means that quite a bit of manipulation and some more time will be needed before the British can significantly increase copper prices.

While a situation similar to that of copper in terms of weak demand and relatively large stockpiles exists in the nickel market, Le Nickel, a branch of the Rothschilds'

raw materials empire, has just announced a price increase. The reason for the increase is rationalization. Inco, the world's largest nickel producer, is currently cutting production, eliminating some 3,450 Canadian jobs in the process. Inco also plans to cut capital spending in 1978 from the \$433 million spent last year, down to \$220 million. As to why price increases will work, Inco chairman J. Edwin Carter said, "While we haven't yet seen evidence of a resurgence in demand, we have noted substantial curtailments of production of other primary nickel producers."

Zinc producers in the U.S. are also seeking help in the form of protectionist measures under the same section of the 1974 Trade Act cited by the copper producers. Among them are AMAX, Asarco, and the Anaconda Company which produces both copper and zinc. The zinc producers want to increase the tariff on imported zinc by 7 cents on every pound above a limit of 350,000 tons in the first year. In 1976 the U.S. imported 714,000 tons of zinc, 63 percent of U.S. consumption of 1,134,000 tons.

The rise in prices of these and many other raw materials will have a serious impact on the U.S. economy, and not only because of their inflationary impact. Due to other problems within the economy, industry will be unable to pass along the full brunt of the price increases to consumers and will have to bear much of the burden itself.

— Joseph Stein

London Currency Warriors On The Defensive

"Everything is on track for the dollar — the dollar is going to remain the reserve currency, period!" declared a senior Washington economic official on March 23 to *New Solidarity International Press Service*, he made his judgment on the basis of a dispassionate, if not uninvolved, reading of the political strength of U.S. export-drive advocates and Western European opposition to United Kingdom proposals for knocking out the dollar's international role. As British Prime Minister James Callaghan arrived at the White House for his March 20-23 visit, market developments added up to a bear stroke against Callaghan's pound sterling; a fragile stabilization of the dollar against everything but the Japanese yen; and a continued fight over whether the U.S. will sell its gold reserves or "remonetize" them.

FOREIGN EXCHANGE

On Thursday, March 23, sterling was sold so emphatically by Swiss and West German private institutions that its spot price dropped from \$1.89 to \$1.87 in London and New York, with lower levels in between — the cheapest pound in a year. London bank traders like Lloyds and Perreira said that this was a mere adjustment of a speculatively overbought pound in a thin market, or suggested that the Bank of England, whom they claimed had not intervened, wanted a cheaper pound to help out the UK's ill-omened exports. Citibank and other New York-based dealers, however, said that "the Old Lady" had given up defending the pound against concerted commercial selling.

The raid coincided with suggestions in the West German business daily *Handelsblatt* and the Italian Communist Party newspaper *L'Unità* that sterling cross-rates ought to reflect Britain's decrepit economic state rather than what they both referred to as the "bluff" of North Sea oil revenues. *Handelsblatt* unkindly inquired when Mr. Callaghan will concentrate on repaying his country's \$21 billion foreign debt.

The volatile two-month-and-over-sterling forward purchase rates dropped to a discount. Apparently the Swiss, who do not officially participate in such meetings as the March 20 European Community finance ministers' session, decided to add a little market support to their continental allies' rebuff to the UK at that meeting.

Vis-à-vis the deutschemark, the dollar was relatively steady during the pre-Easter week. On March 23, the markets performed their usual dollar sales, at news of

West German trade surpluses (for February, a \$300 million monthly increase, though the edge was below February 1977). Nothing major happened to the Swiss franc either. The yen, however, reached new postwar appreciation levels: In Tokyo on Good Friday, it took only 228.25 to buy a dollar. Specialists confirm that the official estimate of a \$4.5 billion Bank of Japan dollar-boosting market intervention since the beginning of the year is far too low, not to mention auxiliary efforts by private Japanese banks.

Signals began to come, not only from West German think-tanks like the Rhein-Westfälische Institut of Essen, but from Bundesbank circles proper, that the West German central bank may ease off its own dollar-support interventions to curb the inflationary effects of dollar absorption. Bonn may also wish to pressure Washington into following a policy of export promotion.

The Bank of Japan will in any case have to modify its own intervention policy soon. One of London's propaganda points currently is that by intervening to actively buy up the dollars dumped by speculators, the central banks have fed the dollar's decline — making it possible for dollar holders, "including central banks" (this could only mean the Bank of England) to find an otherwise nonexistent purchaser for their dollar offerings.

Intervene and get stuck, or don't intervene and watch the dollar depreciation wreck world trade, has been London's message for the central banks for some time.

Gold Battle Continues

As outlined in a series of recent *EIR* articles, world monetary authorities have another choice: to revalue their gold bullion reserves to the market price, induce the U.S. to do the same, and thus ultimately avail themselves of state financial resources sufficient to outweigh any speculative operations in the spot currency markets or Eurodollar markets. The London objective is for the U.S. to sell off gold reserves in the open market, draining away precisely this potential.

To Gold, Or Not To Gold

Sources in Washington, at key regional Federal Reserve Boards, and in a European-linked southwestern brokerage house, all indicated that the fight between the two options is still very much alive, despite persistent New York financial press reports that the Treasury is ready to go with gold sales. As of March 23, insiders affirmed that the presidential authorization for gold sales had not been obtained. The London *Economist's* financial pundit, Hamish Macrae, was worried enough to

write that unless the Treasury rushes to dump some gold in open-market auctions at once, it will be difficult to counter "a growing belief in the U.S. that gold may get its monetary role back again." A monetary role, it should be added, does not mean the restoration of a "gold window" where any panicked Frenchman or City of London operative can present a bundle of dollars for a brick of bullion. Macrae knows this so well that he doesn't dare suggest it, though certain GOP leaders are still a bit muddled on the subject.

The gold markets meanwhile were plagued by rumors. Following a report on March 22 that the Treasury was ready to dump 25 percent of its gold reserves — at market prices, \$12 billion worth — London brokers started spreading the word that the U.S. had already entered the market, a patent lie which, however, sank the gold price from \$182 at the morning dealers' fixing in London to \$179 at the afternoon fix. The Treasury issued a feeble official denial that did nothing to scotch expectations of future sales.

Secondarily, rumors also percolated of the Japanese central bank selling off its scant gold holdings — variously interpreted to mean central bank gold swaps or mere intragovernmental gold transfers. More interesting is the heightened strength of gold spot prices in Paris, although the jumpy small investor has presumably been calmed after the elections: this may reflect ongoing discussions of a Franco-West German-based "supersnake" currency pegged to gold and aimed at drawing in the U.S. administration.

The biggest rumor of all, floated by the London *Daily Telegraph* on March 22, has a firm foundation, however: that two of the Carter Administration's most degenerate

tacticians, C. Fred Bergsten and Anthony Solomon of the Treasury, spent the previous day in a strategy session pushing the gold-sale policy. Their counterparts at the State Department's monetary affairs enclave under Brookings Institution fellow Richard Cooper were equally clear in advocating an SDR reserve switch that is intended to follow the feckless gold sales. Says State Department, Jr.: We will only allow a few SDRs to be sold to central banks to replace dollars. Says State Department, Sr.: Making SDRs a partial reserve will precipitate a market crisis against the dollar, and this will pave the way for the IMF to control world credit.

Rothschild Rumors

American bankers, businessmen, politicians and government officials and other citizens who do not read the *Daily Telegraph* or *Financial Times* were given a propaganda dose from the same source by Emma Rothschild's March 22 op-ed column in the *New York Times*, which alerted them to the "painful crisis" ahead as the dollar "empire" sinks into deserved oblivion. The message that the dollar's reserve role has ended is as firm as Lord Evelyn's in the *Economist*.

As for the coming week: London has held off on an attempt at another all-out bear raid against the dollar, apart from such gambits as a City rumor on March 22 that Sadat had been assassinated, which queered the dollar for a spell. Part of any new international monetary crisis in the coming days, however, will obviously be a new attempt to use a new bear raid to stampede the administration and U.S. policy-guiding strata as a whole into some variant of the gold sales-SDR-energy-cut package.

Third World Debt: IMF Bludgeon Against U.S. Banks

The International Monetary Fund (IMF), acting on behalf of British interests, is now working to exercise a variety of hideous options, all of which point toward an intentional collapse of the U.S. banking system and the imposition of Schachtian fascist economies throughout the developing sector.

With the acquiescence of commercial banks, the IMF is currently leading negotiations to refinance some \$300 billion in technically defaulted loans for the Third World's poorest nations, including Peru (\$330 million), Zambia (\$350), and Turkey (at least \$2 billion), with private banks separately negotiating with Zaire for a \$210 million credit.

The case of Peru points out how the IMF negotiations are proceeding. The Fund last week refused to extend to Peru an already agreed-upon second quarter credit of a mere \$12 million, charging that country with "faulty accounting methods" — i.e., unwillingness to destroy the economy in the face of a working-class residence which would necessitate a fascist coup à la Chile 1973.

This loan cancellation has stalled the efforts of a banking syndicate, led by Manufacturers Hanover Trust, to arrange a \$260 million loan, as the banks wait passively for the IMF's conditions to be met. In conjunction, any further delays could give Treasury Secretary Blumen-

thal and Comptroller of the Currency John Heimann a wide opening to move in on the U.S. banks with a horde of bank examiners and restrictive regulations.

Trying to provoke the spectre of imminent Third World default, the British *Financial Times* and the *Economist* immediately manufactured stories of a breakdown in negotiations and disbanding of the bank steering committee — both of which are outright lies, according to several of the banks involved. In fact, negotiations are continuing, with the banks becoming increasingly irritated at the IMF's shenanigans, but still steadfastly following its lead.

Similar situations apply in Zambia, Turkey, and Jamaica. An IMF team in Zambia recently returned to Washington, where it will be decided at the end of the month whether to extend a \$350 loan, most of which would go to overdue import payments and debt service. Jamaica is seeking a \$300 million loan and was \$34 million in arrears last month. Turkey, with around \$4 billion overdue, is the most critical case. Since the IMF negotiations have been tied up for months, and without a large new loan, the country has no prospect for paying its import bills let alone its overdue debt service.

If the IMF stalls much longer, the banks will be faced with at least \$3 billion in default from these countries, a

situation that would make worthless their entire debt of around \$25 billion. This could blow out the major U.S. banks, sink the Eurodollar market, and trigger a run on the dollar that would drive it into the ground. With the international banking system completely overextended, a far smaller amount would do the job.

As one top British investment banker told this newspaper last week, "Look at the size of the Eurodollar market. We're not talking about the \$375 to \$400 billion it used to be, but \$500 or \$600 billion. None of the central banks can handle this... a 1 percent swing out of dollars (or a slightly greater percentage for defaults — SP) — just one percent, my friend — is \$5 billion, and no one can handle that. It's completely out of their control."

British Trumpet Bank Reorganization

This scheme was echoed in a major article by Lord Thomas Balogh in the latest issue of *Development Forum*, the journal of the United Nations Economic and Social Information Center. In reviewing this piece, the British newspaper *The Guardian* cackled, "We shall be hearing a lot more about it (Third World debt), not least if it becomes the trigger to a new-style global financial collapse." Writes Balogh in *Development Forum*, "Any default (on Third World debt) might precipitate a serious monetary and banking crisis. The bankers have guaranteed the debt of the Third World....Heaven help us if this guarantee were to be called."

But the British are not merely shooting for a financial collapse — they are gunning for total control of what's left. Balogh proposes that "What must be done is a full-scale reorganization of the IMF into a world central bank with the power to create substantial liquidity (i.e., the IMF's worthless paper SDRs — SP) which can allow for the full reorganization of the debt structures."

What this "reorganization" means is spelled out in bloody detail in a series of articles on the Third World in the spring issue of *Foreign Policy*, a journal of the Fabian Carnegie Endowment for International Peace. Albert Fishlow of Yale University, a British agent deployed into Latin America, declares that "perhaps the IMF should consider some rules for international bankruptcy that more equitably allocates profits and risk." Fishlow urges that the IMF issue its own bonds to commercial banks and pick up the bulk of Third World debt, thereby dictating British "conditions" to less-developed countries with no outside interference.

Fishlow and his *Foreign Policy* editors explain what they have in mind. The international economic collapse will mean a drop in Third World trade and exports, thereby stifling growth and the ability of developing nations to garner foreign exchange to pay their debts and augment imports. Third World nations must move toward "import substitution," i.e., virtually abandon any attempt at high-technology capital imports, institute labor-intensive methods of raw materials extraction, and reduce already pitiful wages so as to have competitive exports. "Conditionality of a conventional kind...is not the preferred solution....Developing countries cannot expect to escape without sacrifice."

British agents in the U.S. Administration and Congress are actively considering giving the IMF such power. House Banking Committee Chairman Reuss is "not unsympathetic" to substituting Special Drawing Rights

(SDRs) for dollars and dollar-denominated debt and is openly in favor of the IMF extending its own bonds to raise capital for Third World nations. The State and Treasury Departments, spurred on by agents Richard Cooper and C. Fred Bergsten, are considering endorsement of a limited version of these ideas at the IMF interim committee meeting at the end of April, while Treasury Secretary Blumenthal has already offered West Germany 600 million SDRs in exchange for deutsche-marks.

—Steve Parsons

Snared In The Debt Trap

"*Snared in the Debt Trap*" by Lord Thomas Balogh, economic advisor to the British National Oil Corporation, Development Forum, Jan.-Feb. 1978:

The bankers of this world... have guaranteed the debt of the Third World to the oil countries. Heaven help us if this guarantee were to be called. It is essential, therefore, to shift some considerable part of these liabilities onto international agencies and central banks....

What needs to be done is to transform the IMF into a world central bank with powers to create reserve liquidity accepted by all states as a valid discharge of debt. Such powers could be limited to, say, Special Drawing Rights (SDRs) of \$100 billion, but facilities must be established to increase them quickly in case of need. This should smother the kind of speculative follies we have witnessed in the last few years.

We have not much time. It is the vast extent of the indebtedness which is so worrying. Any default might precipitate a serious monetary and banking crisis.... We shall see whether this generation will follow the 1931 to 1933 path to catastrophe....

"Jamaica Fears Collapse"

Daily Telegraph, "Jamaica Fears Collapse," March 20:

Jamaica's economy is under great strain and the island's business and financial communities fear an imminent collapse. Talks on obtaining a massive International Monetary Fund loan are beginning to drag.

Businesses are closing daily, unemployment is rising steadily and the cost of living is spiralling.

With the economic situation so serious, Mr. Edward Seaga, Parliamentary Jamaica Labour Party Opposition leader, has urgently appealed to Mr. Michael Manley's Social Democratic left-leaning government to change its political direction... (and) warned that the lack of financial leadership in the country was resulting in "bankruptcy, lack of solvency, chaos,... mistrust, misconduct, mistakes and misdirection."

...Until the talks with the IMF were completed, short-term loans would have to be found, "so that we can carry on from day to day," he (Eric Bell, the new Finance Minister) declared.

...In January, a further devaluation of the already-weakened Jamaican dollar....was the third devaluation within 12 months, and it completed a full 50 percent slice off the local currency during the current financial year.

The January devaluation was a stipulation by the IMF.

“Peru’s Debts: The IMF Refuses to Ease the Burden”

Financial Times, March 17:

The immediate cause of the crisis was the International Monetary Fund (IMF) refusal last week to authorize a second draw-down of loan funds under a stand-by agreement signed four months ago. The IMF, according to New York bankers, says that Peru has failed to meet virtually all of the targets of the stabilization programme agreed to under the stand-by arrangement. The Fund’s assessment of the Government’s financial efforts has had an immediate effect on the international banking community which was in the process of arranging a \$260 million loan to prop up Peru’s debt payments this year.

A meeting of the steering committee in New York which was putting the loan together concluded last week that the loan could not proceed following the Fund’s decision. The committee has in effect been disbanded.

...The decision of the Fund to deny Peru a second draw-down under the stand-by agreement was almost entirely unexpected both by the Government and by most independent bankers here...it was thought that the banks putting the \$260 million loan together would not be able to openly and consciously pull the plug on a country which owes them so much money.

...The decisions are sure to have a traumatic effect on Peruvian financial — and perhaps political — affairs... Bankers think that President Morales Bermudez will have to put into effect an even fiercer austerity programme than at present and this may bring a strong reaction by the trade unions.

The following interview was made with a staffer on the House Banking Committee this week.

Q: Articles in the Financial Times and Economist indicated that negotiations over refinancing Peru’s debt have broken down. There are also a number of other Third World countries that are in arrears on debt payments who are also engaged in similar negotiations. If new loans aren’t made, or if these economies aren’t put in better shape, it could cause major problems for big U.S. banks. Do you see any moves on the part of Congress or Federal authorities to clamp down on the banks in this situation, such as more stringent regulations by the Comptroller of the Currency or the Federal Reserve?

A: This is very tricky, because the fact of the matter is that the only way the debt can be paid is through rollovers or bailouts. The means and purposes test resurrected by the Comptroller is designed not to be

punitive, but to put future bank loans on the right footing. I don’t see more controls necessarily coming from there, it could be counterproductive.

Q: What about the recent proposal of the New York Fed, which advocated that the IMF in effect set the conditions under which U.S. banks could then go in and make loans?

A: I don’t see any mandatory IMF control. But as you know, the banks already do go in with the IMF, which is the recognized authority for setting conditions on countries. Such a formal proposal would never be accepted by the banks or Congress, nor is it really necessary.

Q: What of Witteveen’s recent proposal to take the pressure off the dollar by substituting the SDR as the international reserve currency rather than the dollar?

A: Congressman Reuss is not unsympathetic to that approach, but it is a very sophisticated proposal and has not sunk in yet. What is more current is the idea of having the IMF float its own bonds, like the World Bank. This is essentially the plan Robert Solomon at Brookings, Peter Kenen (formerly at the IMF—ed.), and Marina Whitman (Council on Foreign Relations—ed.) are advocating. This proposal has a fair amount of support outside the IMF.

Q: But this still doesn’t really deal with the problem of bank exposure and Third World debt?

A: Look, the situation is very difficult, we are very worried about the situation of these banks. You must remember, though, Reuss made a proposal last December, submitted to Arthur Burns at the Federal Reserve, calling for international reserve requirements similar to what we have here in the domestic banking system. That is not a panacea, but it will give some back-up to the monetary situation the banks have found themselves in, and, furthermore, would stimulate investments in the domestic economy, especially with spreads falling on the international markets, which makes domestic lending more attractive.

Burns did not exactly go for the plan, and would not, but Miller is a different guy. We’re not sure how he will react, but we have high hopes, and don’t forget, he is a Democrat and someone appointed by this very Administration. Sure, as you say, this would cut down on the amount of funds available for Euromarket lending, but there is too much liquidity out there anyway, one reason why the dollar is in trouble. We’re proposing to bring the money back home. It will cause certain problems in this debt situation of some Third World countries, but this would only mean that economic stringencies must be firmly enacted.

What Kind Of 'National Unity' Government For France?

A factional battle has already begun over the formation of the next French government following the March 19 legislative elections which renewed the present majority coalition's mandate. At issue are two fundamentally opposed conceptions of "national unity."

In the second-round voting, the majority coalition composed of Gaullists and followers of President Giscard d'Estaing handily defeated the left electoral pact of Communists and Socialists.

President Giscard announced in a March 22 nationally televised speech that he will proceed with a series of consultations with the defeated parties of the "Union of the Left" and all the trade unions. The trade unions and party leaders have already accepted the invitation. Giscard announced that only after these consultations will he elaborate his future government's policy and composition, on the basis of some consensus he hopes will emerge for social reforms, to prepare for "a broad national unity."

Although there are no direct indications that President Giscard would attempt to change the basic foreign policy orientations of the Fifth Republic established by de Gaulle, the Gaullists, led by Gaullist party (RPR) President Jacques Chirac and former Prime Minister Michel Debré, are vehemently contesting his initiative as an attempt to return to the impotent Fourth Republic politics of "consultations." The Gaullists argue that instead the President, as the incarnation of national sovereignty, must first lay out a program for economic and energy development, as the urgent tasks facing the nation, around which to mobilize the population and obtain the cooperation of key political figures of stature across the spectrum of French politics.

Michel Debré, writing on the front page of the daily *Le Monde* March 23, stated "there is no future for the French if we do not put forward, in priority, the need for a strong currency, the necessity of a new thrust in favor of national energy sources, and a policy warmly favorable to savings and productive investment." Or, as Chirac bluntly put it, what the country needs is "great national reforms" (in the sense of the Gaullist "grand design"), not little "reformettes."

What the Gaullists suspect is that, left to himself and his coterie of Fabian advisers, Giscard will try to remove the Gaullists from effective power by instituting a new "center-left" government. The British and U.S. press especially has been clamoring for this for the past several weeks. At issue is no mere question of political "bossism," but whether France will remain a leading

industrial force committed to the development of national resources and industry, and to a policy of productive East-West detente, or whether it will flounder amid a myriad of calls for ecologism, zero-growth, decentralization and so forth as the basis for Giscard's "consensus."

The model for the latter form of government is explicitly a British one, as explained by Jean-Raymond Tournoux in an article in *Le Figaro* March 23, entitled "Giscard d'Estaing and 'the English card'," which reports that secret consultations have already been taking place.

These designs, however, pose major problems when placed in the context of the reality of politics. The Union for French Democracy (UDF), a coalition of parties including Giscard's Republicans, Lecanuet's Centrists and the Radical Party, formed as a tactical counterweight to the Gaullist RPR in the pre-election period, has a weak and untested political base. The Socialist Party, the linchpin in this entire plan, is threatened with major splits. Having built itself back up from the 5 percent of the electorate it commanded during the early 1960s on the basis of its alliance with the French Communist Party, the Socialist Party would shatter in factional chaos if it made any move in the direction of a Fourth Republic-type alliance with the UDF.

The Gaullists are gearing up for the battle ahead. The dismissal of RPR General Secretary Jean Monod from his post is symbolic of this. Monod, a proponent of decentralization and deindustrialization, will be replaced by Alain Devaquet, a professor at the Polytechnique, who is Chirac's advisor on energy problems and the man behind Chirac's strong pro-nuclear stand.

The policy orientation of the next government, the cabinet of which has not yet been formed, will to a large extent depend on the Gaullists' continuing their vigorous preelection campaign for industrial growth and energy development. The model for a positive national industry policy and the kind of political alliance needed to carry it out has already been set in Paris. Gaullist Party President and Mayor of Paris Chirac, Communist elected officials from the "Red belt" suburbs, municipal unions, and the Chambers of Commerce have collaborated in creating a "Fund for Industrial Investments." This new agency will attempt to reverse five years of deindustrialization, carried out by the decentralization agency known as DATAR under the guidance of its former head Monod, now eliminated from the RPR leadership.

—D. Sloan

U.S. And British Press Threaten France With Italian Terrorism . . .

Sunday Express, "*Red Bombs Terror Looms Over France*," London, March 19:

A bomb exploding under his car killed a French right-wing leader, François Duprat, and wounded his wife today following a threat by guerrillas of the Red Brigades to subject France to the terror which has plunged Italy into bloodshed and chaos....Immediately, the Government assigned squads of steel-helmeted and heavily armed police to guard the leaders of the three main political parties....The Red Brigades...made their threat to impose similar terror on France in a phone call to a Paris news agency...

New York Times, "*France, Italy: Much is the Same, More is Different*," by Flora Lewis, March 19:

...Prolonging the Fifth Republic's 20 years without transfer of power would still leave the question of how to break through the political barriers to reform...The Socialist leader, Gaston Deferre,...argued that Italy showed the dangers of waiting too long for reform. In such a case, he said, "the situation risks degeneration so badly that it is difficult to turn it around."...Some of the bulwarks which strengthen France against an Italian type of creeping paralysis are the very rigidities which the reformers want to bend...

...Set Communists Up For Confrontation...

Sunday Times, London, "*French Unions Set For War*" by Antony Terry, March 19:

The leaders of France's Communist -controlled trade unions were putting the finishing touches to their long-

term plans for causing industrial strife as a political weapon if the Socialist-Communist coalition fails to win a majority today. The country's most powerful trade union, the CGT, led by 50-year-old Georges Seguy, a militant member of the French Communists' Politburo intends to use all weapons up to a general strike...

Baltimore Sun, "*Nibbling at the Nation's Institutions*," guest editorial by Stanley Karnow, March 20:

The Communists...need not respect the parliamentary system if it ceases to suit their purposes. They can mobilize millions of militants to stage strikes, disrupt communications, provoke ferment in the schools and even subvert the government bureaucracy, many of whose officials share their views. The Communists dominate an impressive array of labor, youth, veteran and other so-called "mass" associations...The Communist movement here is a kind of subculture...

...And Urge Center-Left Alliance

Baltimore Sun, "*Giscard is only clear winner in French elections*," by Frederic Hill, March 21:

...The results confirmed the president's view that there is an emerging moderate majority in France that would like to hem in the constraining forces of Gaullism and communism and find the kind of social-democratic consensus common in most advanced Western European countries...Dependence on the Gaullist vote in the previous Assembly shackled Mr. Giscard d'Estaing...

New York Times, "*French Elections: A Rebuff and Many Ambiguities*," by Flora Lewis, March 21:

...There are unavowed common interests between Socialists and Giscardists in developing a center-left dominion which might push the other two parties to the impotent fringes. And there are common interests between the Communists and neo-Gaullists in maintaining the existing confrontation of blocs that leaves scant maneuvering room between them.

British Influence Behind Soviet Antidollar Line

Recently, a number of Soviet commentators have issued articles both attacking the U.S. dollar as the world's reserve currency, and commenting favorably on "multi-currency" schemes being proposed as replacements for the dollar. Among these commentaries, whose policy thrust points straight to the City of London, were a piece in a late February edition of Soviet *New Times*, a March 19 *New York Times* guest article by Soviet economist Stanislav Menshikov, and an article in the March 17 official Communist Party daily *Pravda*.

The articles are appearing in response to pressure from British-penetrated circles within the Soviet bloc—typified by the USA-Canada Institute—which have been attempting to convince the Soviets leadership to link up with the British drive to reduce the United States to a third-rate world power.

In a recent interview made available to this news service, Council on Foreign Relations spokesman Zygmunt Nagorski revealed the ugly fact that the British have gone so far as to offer the Soviets "a cut" in the monetary spoils expected at the point of collapse of the U.S. economy. British hopes are that, in return for a piddling inflow of "hot dollars" into Eastern Europe and the promise of a short-term uplift in East-West trade, the Soviets would be willing to include East Bloc currencies in a new monetary order based on regional currency zones. In short, the British think they are close to getting their hands on a convertible ruble, to be used as a decisive super-weapon against the dollar.

In his March 19 *New York Times* article, Menshikov wrote: "A steady return of the dollar to where it belongs—to the nonpreferential position of just another national currency—is a necessity to be kept in mind." In place of the dollar, Menshikov suggests that "some countries with temporary trade deficits but with steady growth and high financial credibility could offer their currencies as a new means of short-term, low-interest foreign investment, readily convertible into gold at a fixed parity."

Commenting on the Menshikov piece, Nagorski insisted that the multi-currency model outlined above was both "official Soviet policy" and "the flitter of an idea...pushed mostly by the U.S. Labor Party." Nagorski's citing of U.S. Labor Party influence in the emergence of this policy is strong indication that British attempts to use Soviet currencies as a super-weapon against the dollar began in mid-1977, as an important feature of London's preparations for the January 1978

"bear raid" against the dollar that has now brought the U.S. currency to record lows.

During 1977, the U.S. Labor Party proposed that the Soviets offer the transferable ruble as the leading international reserve currency, strictly in the framework of government-to-government treaties creating an International Development Bank for financing long-term, low-interest development loans, especially in the Third World. In August, British networks intervened into the motion generated especially in Western Europe around this concept, and launched a counterproposal to convince the Soviets to degrade their currencies into new speculative instruments.

The reemergence of discussion of the convertible ruble by British-linked forces at this time demonstrates that this British counterproposal was originally forwarded in connection with a concerted move to destroy the U.S. as a world economic power — and to convince the Soviets that a U.S. collapse would work to their benefit.

At the same time, Menshikov's enticing description of currency zones as "a new means of short-term...investment" reveals the nature of the rotten deal being offered. In short, the British have told the Soviets that if they join in on the antidollar raid, when the collapse hits the British will give them a cut in "hot dollar" foreign currency reserves.

In a private interview, Menshikov further explained that his article was "an extension" of the August 1977 proposal forwarded by Hungarian Central Bank head Janos Fekete, that the dollar, deutschemark, ruble and yen be organized into convertible East-West "currency blocs" linked to gold. In turn, British-linked Fekete's proposal was consciously forwarded as an East bloc complement to plans pushed by top-level Briton Roy Jenkins, the European Economic Community commissioner, to organize the West European economies under a single European currency (for example, the Europa) to be circulated under British control.

What do the Soviets Think?

Of course, the Soviets would never tolerate British control over Soviet bloc currencies. The Soviets are allowing these articles to appear to cast up a "smokescreen" around their steady preparations to wage a thermonuclear war, should they be forced to. In contrast to the smokescreen, however, as recently as last month, hard line Soviet spokesmen in the Czechoslovak Communist Party daily *Rude Pravo* defended the dollar system on the grounds that "the U.S. remains by far the

greatest capitalist economic power." There is every indication that foreign trade and monetary policy, including the line on the dollar, remains a focus of intense debate in Moscow.

There is, nevertheless, one point of genuine intersection between what the British are doing to the U.S. and Soviet war preparations. The Soviets are ready to allow the British to destroy the U.S. economy—they are presently playing along with the "antidollar" propaganda of this attack, based on the assessment that an economically devastated U.S. will be more efficiently defeated in thermonuclear confrontation.

The strategic stupidity of Soviet delusions of this type is that they serve to weaken exactly those U.S. industrial forces who could defeat the British gameplan and in so doing, guarantee a resotation of stable, nonaggressive economic relations with the Warsaw Pact. But the game has gone so far that on March 17, *Pravda* gloated over the failure of President Carter and West German Chancellor Schmidt to consolidate a firm U.S.-West German dollar support policy, characterizing their attempt as "a hopeless prospect." *Pravda* also commented: "The oil exporting countries...just last year lost about \$14 billion (from dollar depreciation). It is no surprise that more and more of these countries are demanding the liquidation of the privileges of the dollar as the leading reserve currency... After the announcement of the American-West German plan, the dollar again plummeted, reaching its lowest level in 25 years on the Tokyo exchanges."

Once again, Moscow has taken the bait. For it is known that the March 13 agreement on West German-U.S. support measures was written to the British prescription by U.S. Treasury Secretary W. Michael Blumenthal, who doctored the contents agreed upon by Carter and Schmidt to prevent the dollar from being put on a gold-backed, trade-financing standard.

—Renee Sigerson

The Anti-Dollar Line

New York Times, "A Marxist Look at the Dollar Crisis," by Stanislav M. Menshikov, March 19:

The currency crisis may die out because the world may find itself, for the time being, locked into a compulsory use of the proliferated dollar. However, it is not unrealistic to expect that in the future alternative forms of reserve currencies may be found.

For example, some countries with temporary trade deficits but with steady growth and high financial credibility could offer their currencies as a new means of short-term, low-interest foreign investment, readily convertible into gold at a fixed parity.

The danger remains that the currency dollar crisis may help precipitate a new international economic recession.... It is good to remember that no paper money can serve as a stable measure or store of value. A steady return of the dollar to where it belongs — to the non-preferential position of just another national currency — is a necessity to be kept in mind.

And Who Is Mr. Menshikov?

Interview with Chase Manhattan Bank's East-West Trade Department:

Q: Did you read Menshikov's article in the Sunday Times?

A: No, but I know him very well. He's one of those very valuable people who floats around in the East and floats around in the West. He's sort of a 'link.'

Interview with Mr. Robert Mundell, Professor of Soviet and International Affairs at Columbia University:

Q: Did you see Menshikov's article in the Times?

A: No, but I met him once at the Council on Foreign Relations.... On the ruble, there are discussions in Switzerland going on all the time on the Ruble. I'm sure such discussions have gone on recently.

"Just the Flitter of an Idea"

Zygmunt Nagorski had this to say to an inquiring journalist last week:

Q: You recently attended the Houston conference on European trade. What was the general sentiment there about the recent discussions on monetary policy?

A: The participants were mainly echoing their national governments, especially Schultz's position. They felt that the U.S. is too dynamic for world markets, that an increasing dynamic of the German market is necessary.

Q: What was the attitude toward the (Callaghan) proposal on replacing the dollar with a basket of currencies?

A: A basket of currencies is taboo for the Fed.

Q: Even for Miller?

A: Especially Miller. But we need to put more oomph behind the dollar.

Q: How?

A: We must lower the cost of U.S. goods and services.

Q: Wage-price controls?

A: Yes, wage and price controls. I can't imagine what the OPEC countries' reaction would be to a basket of currencies. Then, of course, there is this other proposal, to bring the Eastern European currencies in.

Q: Oh, would that be linked to yesterday's article in the New York Times?

A: Definitely. Menshikov is a mouthpiece of official Soviet policy.

Q: I thought it must have been representative of one faction.

A: Oh, no, he is very much in the swing. Very much on the tie line with Moscow. But of course, it would be absurd to bring the Eastern currencies in. The Soviet economy is weak. Really, I'm sorry I mentioned this. It is really only a proposal floated by left-wing groups here.

Q: Nevertheless, it is very strange to see this, considering the confrontation atmosphere building between Moscow and the U.S. around the Mideast. I really didn't think the Soviets would want to get involved in western monetary discussions.

A: Oh, no, Moscow makes a very firm difference between politics and economics. The confrontation would have nothing to do with it. The Soviets are very much interested in continuing economic relations. But, really, I shouldn't have mentioned convertibility. It is a very marginal proposal. The flitter of an idea. Mostly from the U.S. Labor Party.

Goading the Oil-\$ Split

New Times, "Tangle of Interests," by Ruben Andreasyan, March 1978:

(Ruben Andreasyan is a long-term associate of IMEMO, and a specialist on oil and currency questions — ed.)

Nor should it be forgotten that the Common Market countries and Japan would like to be free of dollar dependence, at least in footing their oil bills....

...OPEC's refusal to calculate oil prices in dollars and acceptance of other currencies or the "basket" of West European currencies and the yen would create a qualitatively new alignment of monetary and financial forces in the capitalist world. Washington is aware, of course, that such a decision would greatly undermine the

prestige of the dollar. It would lessen the domination of the Wall Street banks.... Small wonder, then, that the U.S. Administration seeks to assure its "friends" among the OPEC countries that dollar stability will be maintained. However, these assurances do not sound very convincing for the oil-producing nations.

Behind the Smokescreen?

Rude Pravo, Czech Communist Party daily, article by Ladislav Alster, Feb. 2:

The weakness and the decline of the dollar are no domestic affair of the United States, but a question of worldwide dimension.... Can the U.S. do anything for the international position of the dollar? Most likely it could ... (for) the U.S. remains by far the greatest capitalist economic power.... Some of the phenomena (of the dollar collapse) ... are indeed alarming, and signal that the partially structural crisis of the capitalist world could easily turn into a high gear crisis, with unpredictable consequences, which to a certain extent would also have an unfavorable influence on the economy of the socialist countries.

(In a follow-up article Alster warned of the danger that:)

Secret groups of insatiable adventurers can turn the economy into a huge roulette wheel.

Asia Defense Policy Fight Brews At White House

A heated dispute is being battled out inside the Carter Administration over United States defense policy in Asia. The major issue is the future of U.S. relations with the People's Republic of China, a question at the very heart of America's basic strategic defense posture.

The most immediate topic of controversy is the proposal most often associated with Henry Kissinger and the Brookings Institution for the United States to openly engage in a working military relationship with China as a strategic "counterweight" to the Soviet Union. Secondary but related issues in the debate are the U.S. defense relationship with Japan and the Administration's much-publicized plan to withdraw U.S. ground troops from South Korea.

A highly respected Asian scholar in the U.S. with extensive ties to the State Department has informed this news service of the outlines of the debate, which breaks down into three basic points of view.

The first group, led by National Security Advisor Zbigniew Brzezinski, is arguing for a full-scale "united front" with China against the Soviet Union and favors withdrawal of U.S. troops from South Korea and arms sales to China, both designed to aid the "united front" policy. A close ally of this group is Senator Henry Jackson (D-Wash.) who returned from Peking two weeks ago openly advocating that the United States use China as a "lever" against the Soviet Union in the Strategic Arms Limitation Talks.

Immediately opposed to this is a second faction, which includes Secretary of State Cyrus Vance and, to a lesser extent, Defense Secretary Harold Brown, and operates under tremendous pressure from the powerful bureaucracies of the Pentagon and Department of State. This second group is vehemently opposed to a "united front" with China and, while not against the troop withdrawal from Korea, has argued for maintaining the traditional "equilibrium" power balance in North Asia involving the United States, the Soviet Union, China, and Japan.

A third group, represented by Sen. George McGovern (D-S.D.), advocates total American withdrawal from Asia. This policy is widely regarded as "unserious, and totally unviable" as one observer put it, with little chance of gaining the upper hand in the White House policy struggle. However, it has proved useful as a flanking ploy against the Vance grouping.

The present debate was sparked by the growing possibility that Congress will refuse to ratify Administration requests for some \$800 million in military aid for South Korea as compensation for the withdrawal of U.S. troops as a result of the Korean influence-buying scandal on Capitol Hill. The compensation program was the basis on which the many outspoken critics of with-

drawal accepted the plan, in hopes that the compensation would serve to maintain the delicate power balance surrounding the highly explosive Korean Peninsula. Once again, with Congressional go-ahead for the compensation program in question, the withdrawal plan has become a focal point for debate of the basic U.S. strategic posture in Asia.

Intelligence community sources known to oppose the withdrawal emphasize that the policy has strategic implications far beyond Korea. "The only possible rationale for a withdrawal from Korea at this time is an attempt to intensify the Sino-Soviet split," one such source said. He explained that a Korean peninsula under the sphere of influence of China—something that could result from U.S. withdrawal — "would lead to a confrontation between China and Russia," and put the whole region on a hair-trigger for world war.

The Strategy of Korean Withdrawal

A Sino-Soviet conflict, with the United States allied with China, was precisely what Henry Kissinger had in mind when he designed the original U.S. troop withdrawal from Asia — the so-called Nixon Doctrine — in 1969. His plan, the devious "Washington-Peking-Tokyo Axis," was to redeploy U.S. troops from Asia to Europe and consolidate a "second front" against the Soviet Union in cooperation with a China allied to NATO.

For Kissinger, the Korean peninsula remained a thorny problem. It is the one place in the world where there is a direct possibility that China and the U.S. could line up on different sides in the event of conflict. Both the Soviet Union and China border North Korea and are allied to that country, while the United States presently has 30,000 troops in South Korea under the provisions of a wide-ranging defense treaty. Moreover, China's ties to the North were deepened by the Korea war, when the two countries were allies against the United States. Clearly, if a full alliance with China was to be struck, some arrangement had to be reached regarding Korea, so that the U.S. and China could end up on the same side of the fence.

Although Kissinger's efforts toward this goal were suspended as a result of the communist victory in Vietnam, the Carter Administration, under the influence of Brzezinski, quickly picked up where Kissinger left off. Not accidentally, the chief adviser to Carter in developing the withdrawal policy was Barry Blechman, who, as a Brookings Institution "specialist," became known as the chief theorist of the pro-Peking "second front" strategy against the Soviet Union.

But the announcement early last year of the withdrawal plan, the "balance of forces" in the Ad-

ministration has changed, chiefly as a result of the widespread opposition from the Pentagon and the State Department, as well as from South Korea and Japan. Under primarily the influence of Vance, the Administration has gone to great lengths to emphasize that the withdrawal policy in no way signals a change in U.S. defense commitments in Asia, and in South Korea in particular. This has included the commissioning this week of U.S. troop participation in the largest military maneuvers on the peninsula since the Korean war. Moreover, the same theme has been repeated numerous times in the last two weeks by Administration officials as several Congressional committees have opened hearings on the withdrawal policy.

Defense Secretary Brown went so far as to indicate to the House International Relations Committee two weeks ago that U.S. troops might be redeployed to Korea in the event of war. In addition, the *Far Eastern Economic Review* reported last week that Mike Mansfield, U.S. Ambassador in Tokyo, and Leonard Woodcock, the U.S. envoy in Peking, have both added their usually liberal voices to those who oppose the Korean withdrawal.

Brzezinski has not given up the fight, however. With the Panama Canal issue almost out of the way, it is expected he will make a major push for placing renewed negotiations with the People's Republic of China high on the Administration's priority list. Leading Sinophiles in the Senate, such as Edward Kennedy (D-Mass.) and Alan Cranston (D-Calif.), have long questioned the placing of such issues as the Panama Canal, or even the Strategic Arms Limitation Talks, ahead of the negotiations for normalization of relations with China.

The activities of the House Subcommittee on International Organizations, which opened public hearings last week as part of its 18-month "investigation" into all aspects of U.S.-Korean relations, are expected to be helpful to Brzezinski. Known as the "Fraser Committee" after its Chairman, Rep. Donald Fraser (D-Minn.), the committee has staged highly publicized "exposés" throughout the hearings on the "origins" of the Korean influence-buying scandal on Capitol Hill, with heavy emphasis on "proving" that Korean President Park Chung Hee directed the lobbying efforts. High officials of the Nixon and Ford Administrations, together with officials in the intelligence community are implicated as having shut their eyes to these efforts.

For Fraser, a member of the Trilateral Commission who is heavily influenced by the "McGovern faction," the ongoing hearings return his years-long campaign to destabilize the Park government to the front pages. The Park regime is viewed by the McGovern crowd and Brzezinski alike as a major obstacle to resolving the Korean controversy with a pro-Peking tilt, as both the PRC and its North Korean allies refuse to negotiate with the South as long as Park is at the helm. Moreover, the attacks by Fraser, who according to all accounts dominates the course of the committee's work, on the intelligence community are expected to help Brzezinski quiet the opposition to the "united front" with China within the Pentagon, the State Department, and the CIA.

The Japan Connection

Informed sources report that the severe criticisms of

the Carter troop withdrawal policy from Japan have, like U.S. domestic pressure to the same effect, served to force the Administration to moderate the policy. For Japan, the Korean withdrawal, as designed by Kissinger, has meant increased pressure to build up its defense in cooperation with China "to take up the slack." Thus far, Japanese Prime Minister Takeo Fukuda has steered away from this policy, opting instead to maintain Japan's traditional policy of "equidistance" between China and the Soviet Union.

In recent weeks Fukuda has been sending the United States unmistakable messages to the effect that if the United States withdraws from Korea and tries to force a realignment of forces in Asia along anti-Soviet lines, Japan may have to abandon its traditional defense relationship with the U.S.

The most dramatic of these messages was Fukuda's endorsement in a speech to the Diet (Parliament) last week of the idea that it would not be a violation of the Japanese constitution for Japan to possess "defensive" nuclear weapons. Fukuda clarified this statement by saying that such possession of nuclear weapons would violate the Nonproliferation Treaty, which Japan has signed, and that his government has no intention of acquiring nuclear arms, but the statement was shocking nonetheless because it is the first time a postwar Japanese Prime Minister has endorsed this view. For Washington, the message could not have been clearer, since Japan is known to have angrily threatened to amend the U.S.-Japan Security Treaty and acquire nuclear weapons several times during the Kissinger era.

Moreover, Fukuda's statement followed shortly his public embrace with one of his top political rivals within the ruling Liberal Democratic Party, Yasuhiro Nakasone, shortly after the latter gave a speech questioning U.S. defense commitments in Asia. Nakasone has long been known as a proponent of moderate Japanese rearmament combined with a Japanese defense policy more independent of the U.S. Fukuda, who echoed Nakasone's questions toward the U.S. in a speech two weeks ago, plans to question President Carter on U.S. Korean policy when he visits Washington in early May. It is believed that a speech by Defense Secretary Brown in California two weeks ago concerning U.S. defense policy in Asia was designed to allay Japanese fears that the U.S. is changing its policy towards the region. Brown stressed that the Administration plans to build up U.S. air and naval forces in the region while maintaining, except for the Korean withdrawal, all U.S. combat troop deployments.

Perhaps the irony in the Administration's Asia debate in the frequently voiced myth that China wants U.S. troops to stay in South Korea as a bulwark against the Soviet Union. Intelligence sources report that it is in fact the Soviets who want the troops to remain, so as to preserve the existing power balance. The Soviet Union, distrustful of their nominal North Korean ally Kim Il-sung, fear that removing the stabilizing force of U.S. troops in Korea could easily lead to an outbreak of hostilities on the explosive peninsula, and embroil the U.S. and USSR in a nuclear showdown that neither wants.

—Peter Ennis

We Must Give Asia Its Due

Defense Secretary Harold Brown to the Los Angeles World Affairs Council, Feb. 20, 1978

I have just returned from several days visiting the Pacific Fleet and reviewing our defense posture in the Pacific and East Asia with our senior military commanders there. Like them, I am concerned with what can only be termed a misconception about our policy — that is the belief, expressed sometimes at home and sometimes abroad, that the United States is withdrawing from Asia.

That perception is, quite simply, wrong....

Clearly our defense posture in Asia must be based on protecting these interests and those of our friends and allies and on helping preserve peace and stability. Our military forces in Asia make a vital contribution to these ends....

The President has decided that, except for the planned withdrawals from Korea, the United States will maintain this current level of combat forces in Asia....

There are major uncertainties in Asia which could threaten future peace in Asia and Europe. The equilibrium that has emerged in East Asia during this decade — in which the United States, the USSR, the People's Republic of China and Japan are the principal players — is not only beneficial to Asia but helps maintain the balance in Europe.

That equilibrium, however, is not necessarily permanent.... If we don't give Asia its due — if we don't maintain the necessary military forces, as well as enough economic and political strength in the region to hedge against these uncertainties — the favorable political balance we now find in Asia could deteriorate rapidly.

A Treaty Is A Treaty...

Associated Press report of U.S. Ambassador to Japan Mike Mansfield's press conference March 1:

U.S. Ambassador to Japan Mike Mansfield said Wednesday he assumes U.S. ground troops would become involved if a war broke out in Korea.

This view differs from long-stated U.S. policy, dating from the Nixon Doctrine of 1969, which stressed that American allies in Asia would be aided with arms and advice but be expected to fight for themselves.

Mansfield, speaking to reporters, said the purpose of joint America-South Korean maneuvers next week was to demonstrate American flexibility in responding with fighting men to a possible North Korean invasion of the Republic of Korea.

Asked to elaborate, Mansfield said the security treaty between the two countries stipulates the United States will go to South Korea's defense in case of attack.

"A treaty is a treaty," he said. "As long as it is in

force, we will uphold the commitments in that treaty." ...

Mansfield said it was no contradiction that he fully approved U.S. President Carter's decision to gradually withdraw 33,000 U.S. ground troops from South Korea.

Withdrawal Doesn't Mean U.S. Troops Won't Fight

The Hapdong News Agency reported the testimony of Deputy Assistant Secretary of Defense Morton Abramowitz and Gen. John Vessey, Commander of U.S. forces in Korea before the Senate Armed Services Committee Feb. 24:

The withdrawal of U.S. ground forces from South Korea will not prevent immediate and automatic involvement of U.S. forces in a new Korean war, a high ranking Pentagon official and a commander said Friday.

In their testimony, Deputy Assistant Secretary of Defense Morton Abramowitz and Gen. John Vessey, commander of U.S. forces in Korea, disclosed that even following the pullout of U.S. combat troops from South Korea, the United States could not help being involved immediately in any new war on the Korean peninsula as long as U.S. air and naval forces, and units of logistics, communications and intelligence remain there.

Gen. Vessey indirectly expressed his opposition to the withdrawal by saying that the proposed withdrawal timetable is too tight and the pullout should be carried out slowly and it should not upset the military balance on the Korean peninsula.

Our Position Is Clear

Testimony delivered by Secretary of Defense Harold Brown before the House International Relations Committee Feb. 22:

Committee Chairman Rep. C. Zablocki: You said in your statement that neither the Soviets nor the Chinese should have any doubts that we would meet North Korean aggression with overwhelming force. What conversations have we had with the Soviets and the Chinese on this matter?

Brown: The Soviets, I know, are made aware of our commitments to the South Koreans directly. With the Chinese, it has been discussed peripherally. But in fact what counts is not what we say but how we behave. Our commitments are demonstrated by continuing joint exercises like the upcoming large-scale exercise early next month with the South Koreans, by our upgrading our own air equipment and our own forces in Korea, and by our improving the Korean armed forces. And perhaps, the most important of all is the arms transfer program and security assistance the administration asked for.

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Terrorists Plant Hoax On Wall Street Journal

The following analysis was released on March 21, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Yesterday, the *Wall Street Journal* ran a fraudulent account, based on anonymous sources, that the Soviet secret political intelligence services (KGB) is the primary controller of international terrorism. Investigations prove that the source of the hoax planted in the *Journal* was the British Secret Intelligence Service (SIS). *SIS is the controlling agency behind international terrorism.*

A similar hoax has been run through the pages of the leading conservative Italian daily, *Il Giornale*, as well as various other duped conduits.

Key to understanding the leaking of this hoax into the *Wall Street Journal* itself is an article published in the March 20 issue of the London *Daily Telegraph* by key SIS operative Robert Moss. The article is entitled "The Soviet Stake in Fatah Terror" and carries the accompanying slug "Israel Hits Back."

Robert Moss is an SIS operative most closely associated with fellow SIS operative Winston Churchill III. Moss, like Churchill, publicly profiled as a spokesman for British Conservative circles linked with Edward Heath and Margaret Thatcher, is in fact principally assigned to subversion of the United States, and unfortunately has accumulated ill-deserved credibility among conservative business and financial circles around Manhattan and elsewhere. Moss is assigned by SIS to the Canada-linked task-force responsible for the subversion of the United States, a member of the network earlier associated with such key anti-USA SIS operatives as John Wheeler-Bennet and Harvard's William Yandell Elliot.

The source to which Moss attributes the principal elements of his hoax is a principal subdivision of SIS named the Institute for the Study of Conflicts (ISC). The ISC is the division of British secret intelligence chiefly responsible for planning "scenarios" or "programmed destabilization" of targeted nations through aid of such actions as strike waves, riots, and international terrorism. ISC's principal bases outside Britain include Scandinavia and "respected institutions" inside the United States, with many branches in numerous countries, frequently operating under the cover of trade-studies such as "peace studies," "conflict resolution" studies, or simply "peace and conflict studies."

In pedigree, ISC was developed under the left, pacifist cover of the late Bertrand Russell, continuously a leading SIS operative since the World War I period up to the moment of his belated death. ISC and its networks are otherwise closely interfaced with the Sussex University branch of SIS, the London Tavistock Institute. The London Tavistock Institute was the division of

British Secret Intelligence under which Henry Kissinger directly received his advanced training as a British agent-of-influence during the mid-1950s. Kissinger's SIS advanced training was sponsored by his Harvard patron, William Yandell Elliot, and by Elliot's close associate and superior John Wheeler-Bennett.

It is notable in connection with today's international terrorism, that Wheeler-Bennett, together with professor Hugh Trevor-Roper, were top controllers of the Wilton Park division of SIS, the agency responsible for coordinated SIS operations against post-war Germany. The unit at Harvard under Professor Elliot in which Kissinger was trained was a part of the Wilton Park network. That apparent coincidence is a result of the fact that it was Henry Kissinger's assignment in post-war occupied Germany which brought him under the control of British Intelligence networks penetrating the U.S. Intelligence operations in occupied Germany. Exemplary of those late 1940s connections is the newspaper, *Die Neue Zeitung*, which, while nominally a production of the USA occupation forces in Germany was in fact run top-down by a combination of British, German, and American nationals who were members of SIS.

Although the Moss article and the hoax planted in the credulous editors of the *Wall Street Journal* is a fraud, there is an element of not half-truth, but quarter-truth in the Moss assertion that the Soviet KGB is involved in British terrorist networks. To provide an accurate picture of the counterintelligence and security problems international terrorism represents today, it is necessary to be most exact concerning the nature and purposes of such Soviet KGB involvement.

British International Terrorism

British SIS set up the international illegal drug traffic during the early decades of the nineteenth century, with the original principal motive of unloading opium produced in India on China. This was used first principally as a way of correcting the unfavorable balance of payments the City of London suffered in its purchase of Chinese tea. However, from the start, circles of SIS linked to Jeremy Bentham and James Mill rapidly developed the concept of using mass-addiction to opiates as a major correlative arm of political demoralization of targeted nations.

The British created organized crime in the United States during the 1920 prohibition period through covert SIS channels operating in conjunction with scotch whiskey interests working through Canada and the British West Indies. At the close of the Prohibition period, the channels used for illegal scotch whiskey smuggling through Canada and the British West Indies ("the silver triangle") were used to launch the mass illegal traffic in heroin and other opiates into the United

States. The major British-controlled sources of opium and heroin, the "golden triangle" centered around Singapore and Hong Kong, also joined this marketing project, operating through British Columbia and other Canadian points.

Later, Latin American drug sources were developed to supply the illegal-drug market inside the USA. Opium growing was developed by British SIS in Mexico, and growing illegal traffic in marijuana and cocaine was also conducted from Latin America, with income from this traffic laundered chiefly through British financial operations in the Caribbean and Canada. Today, British SIS is running a virtual 'opium war' against the United States around the campaigns to "decriminalize" the use of marijuana and to use the 'decriminalization of marijuana' and 'methadone maintenance' as a political foot-in-the-door for wide-scale decriminalization of heroin itself. The political object of this evil SIS operation is the crippling of the United States politically through induced moral degeneration of large sections of the youth.

Similarly, although various forms of terrorism were used by various secret services earlier, the network of organized international terrorism leading into today's horror shows was launched at the end of the 1860s with the SIS creation of the international anarchist movement of Bakunin.

Bakunin, himself a Metternichian police provocateur from the 1840s, was launched as an anarchist leader through Rothschild funds laundered through SIS agents, the Russian national Alexander Herzen. An 'instant' international organization was created around Bakunin through Rothschild and other SIS financial conduits into various parts of Europe; most notably, France, Italy, the Jura region of Switzerland, and Spain. Also, a major division of the international anarchist movement was set up as a joint project of British and Dutch secret intelligence services in the Netherlands. The Bakuninite anarchist international and its offshoots assassinated British target Alexander II in 1881, assassinated President William McKinley, and generally ran most of the political assassination under this cover into World War I. McKinley's assassin was an anarchist run into the United States for that deed through a safehouse run by Emma Goldman and others in lower Manhattan, the British SIS safehouse then known as the Henry Street Settlement House. The use of anarchists and anarchist 'nationalist' offshoots in the Balkans was key to British SIS organization of World War I.

Throughout this past century, to the present day, the Jura district of Switzerland operates as the largest single safehouse area for international terrorism.

The role of Geneva as a continental financial center for international terrorism actually dates from the sixteenth century. The Black Guelph bankers (the Grimaldi, the Spinoles, and others) who ran the bear market against Antwerp during the sixteenth century, established an axis of financial and secret intelligence running from Rome, by way of Genoa, into Geneva, then Amsterdam, and finally London. As the center of gravity of Black-Guelph international power shifted from Genoa to Amsterdam to London during the seventeenth and eighteenth centuries, the networks previously created were taken under the auspices of British SIS. The essential feature remained constant through all the various institutional evolutions of SIS. Although the broader political base of the forces behind SIS has

remained aristocratic 'old families' zealous to return society to a kind of feudal utopia with a cartelized industrial kernel, it is the monetarist banking houses which have been directly interfaced with SIS networks and operations.

It is for that reason that London private banks such as N.M. Rothschild and sons, Lazard Brothers, Blair and Company, Barings, Hill-Samuel, Hambros, and Lloyd's Insurance turn up as the leading institutions associated with control of SIS as well as the principal financial conduits for funding terrorist and other SIS operations.

The following well known terrorist organizations are exemplary of this, under direct SIS control. In the United States, the Weathermen and the FALN. In Europe, the Baader Meinhof and the Red Brigades. In Japan, the 'Japanese Red Army', in the Arab sector the elements of Al Fatah associated with Wadi Haddad and Dr. George Habash, as well as the notorious "Carlos."

The difficulty in intelligence and security investigations of terrorism is that if the terrorist groups are each examined only from the standpoint of their ostensible principal backers, half-truths or worse usually result.

To this point, a 1972 report by a top Italian intelligence executive reported that most of the coordination of terrorism in the Mediterranean and continental Western Europe was under Israeli intelligence. That report is massively corroborated by other leading intelligence and security agencies.

The plausible, immediate but inadequate, explanation for Israeli intelligence coordination of international terrorism is given by the fact that Moshe Dayan and others have used Arab terrorism against Israeli targets as a way of controlling both the attitudes of a majority of Israelis and Israel's policy on the Arab question. In the recent Al Fatah incident, in which Israel's intelligence dropped the security screen against an intrusion of which it was forewarned at least 24 hours in advance, in order to generate the "incident" used as a pretext for launching the previously prepared and waiting invasion of Lebanon. The real reason for the invasion of Lebanon was not the Fatah incident, but Begin's impending flight to the United States. The forces around Dayan "let in" the Fatah special-operations unit in order to gain the pretext for the Lebanese war, to prevent the U.S. Carter administration from pressuring Begin on the West Bank Palestinian Arab issue.

However, Israeli motives and control are not determining. Through such SIS operatives as Nahum Goldman, Chaim Weizman, and Ord Wingate, major elements of the Israeli leadership, centered in the Socialist International-linked Mapai leadership, but also other parties, have themselves been de jure or de facto British SIS agents since before the independence of Israel, in the manner first clearly underlined by the Israeli puppet-government role in the British-led Suez-crisis invasion of Egypt. This connection does not constitute an alliance between SIS and Israeli Intelligence, but the status of Israel as a de facto puppet of SIS. SIS-linked Israelis such as Moshe Dayan operate inside Israel to create the climate of fear and hysteria through which anti-British elements, such as Menachem Begin, are repeatedly manipulated into a state of near-psychosis or actual psychosis on the Arab question.

The arrangements on the Arab side are similar. Since the days of Shelburne, Pitt, and Bentham, SIS has maintained and developed a complex of networks

throughout the Islamic world, complexes centering around so-designated Sunni and Shi'ite networks — the latter most relevant to British operations in Pakistan and against Iran. Every Arab government is massively penetrated by SIS through these networks. In "desert Arab" nations, the defenders of Al-Ghazali are the chief center of British SIS influence. Thus, the fact that Dr. George Habash and Wasi Haddad are nominally protégés of certain Arab governments signifies chiefly that those governments are dupes of SIS network-operations.

There is a close liaison among terrorist groups from MI-5's "Ira Provos" in the British Isles, including the Moluccan terrorists of the Netherlands, Baader Meinhof, the Red Brigades, Al Fatah, the Japanese Red Army, and USA offshoots of the neo-Fabian Weathermen organization. Through the auspices of British Intelligence networks operating at highest levels within the Socialist International, and also involving Trotskyist and Maoist organizations coordinated by the Socialist International, there has been training of European and other terrorists in Fatah training camps, and there is today a general traffic in arms — especially captured Soviet arms — among all these terrorist groups.

The fact that the coordination among the terrorist groups is British is known to principal intelligence services in Western Europe and other nations, as well as to Warsaw Pact intelligence services. This coordination is conducted significantly through the Socialist International, and through such SIS-created and controlled cover-conduits as Amnesty International and World Federalists. The names of training camps, the sources of funds to these training camps, the names of major public figures proven to be directly responsible, and so forth are massively documented by leading intelligence services. *The control is entirely British.*

The principal international deployment center for terrorism is the Jura district of Switzerland, for which the most important connection is certain financial organizations based in Geneva. These financial organizations and associated accomplices in neighboring France and Italy are identical with the complex of networks working as the SIS-SOE networks in the Jura-Geneva-centered region during World War II. This is not guess, deduction, or speculation, but hard fact.

Once the intelligence and security executive shift the focus of their investigation from a one-at-a-time pursuit of isolated leads on particular terrorist groups to the coordination of training, supply, escape routes of the terrorists networks, the Jura district of Switzerland and known top-level SIS operatives turn up in nearly every instance of a terrorist deployment.

Moscow's Role

The KGB involvement with British terrorist networks is complex. We shall first identify the secondary reasons for this involvement and then focus on the ugliest and most dangerous aspects of this involvement.

First, Warsaw Pact penetration of terrorist and terrorist-sympathizer networks is motivated by purposes of intelligence and counterintelligence.

From the standpoint of the Soviet intelligence officer concerned to penetrate NATO and other nations, the attraction of the terrorist and related networks is this. International terrorism and related "environmentalist" and "countercultural" strata represent a highly

protected covert operation against NATO countries and France within the NATO countries themselves. There, a successful KGB penetration operation of those networks represents the best existing opportunity for planting KGB espionage operatives and networks into those countries — with the aid of the intelligence services of those countries themselves! The opportunity is too attractive and fruitful for any ordinary intelligence executive to resist.

The British SIS, generally well aware of this KGB penetration, condone it with a smile. It aids them in passing the blame to the KGB at any time they find that expedient.

From the standpoint of the KGB counterintelligence officers, the same SIS-controlled networks which run international terrorism and environmentalism are integral to the same command-structure which operates most of the "dissident" and related operations against the Warsaw Pact nations. Such "retargeting" penetration operations as those indicated are, of course, a standard technique of the counterintelligence repertoire.

A third cause of involvement of KGB and related circles in ostensible support of SIS terrorist and related operations is Soviet political adaptation to the policies of nations and other political forces toward which it has an existing or projected patron-client relationship.

This involvement of the KGB and other agencies has principally a three-fold character. First, it is standard communist organizing technique to adapt to the coloration of a political ferment it seeks to influence and possibly either take over or split. Second, Soviet hostility, even rage on account of what it and its political allies have suffered (e.g. Chile 1973) at the hands of NATO and allied forces produces in KGB and other circles a degree of moral indifference toward NATO nations "receiving a taste of their own medicine." This sometimes makes them tolerant of practices of international terrorism and environmentalism which they privately abhor. Third, for certain circumstances the Soviets — like USA leaders — regard terrorism (e.g. special forces' operations) as a proper political aspect of warfare and political armed conflict in general.

This latter is most significant currently in the matter of the Al Fatah incident in Israel of Saturday, March 11. The Soviets are aware in detail of the horror show Henry Kissinger and Israel launched in Lebanon in April 1975, and of the history of Israel's actions against the Arabs since the Suez crisis. From this vantage-point they reach two principal conclusions. First, that Arab terrorism against Israel is morally a politically justified form of special operations warfare against an oppressor engaged continuously in far more hideous atrocities against the innocent. They, thus, take a qualitatively different view of Arab special operations against Israel than they do of blind terrorism in continental Western Europe. Second, with regard to the psychotic condition and other complicating features of the Al Fatah terrorist forces themselves, the KGB et al. take the "objective" view that the instruments of warfare are not consistently the sort of thing one would wish to take to one's family embrace.

Where the Soviets regard Al Fatah's special-forces deployments as morally justified as a condition of continuing war between Israel and the Arabs, they, like any

commanders of agencies of major powers, do not consider the moral tolerability of such auxiliary methods of warfare as necessarily prudent under each and every circumstance. The imprudent use of such auxiliary methods of warfare *is immoral*, just as shooting down adversary troops who might be induced to surrender — although still fighting — is a grave political as well as moral error. (Unless there is an overriding strategic or battle-tactical reason for acting to the contrary, the objective of occupying adversary populations successfully at the earliest opportunity dictates the most generous attitude toward imminently defeatable adversary forces as persons, even such forces as may be engaged in continuing battle.)

Assuming that the Soviet command wishes to avoid a thermonuclear confrontation with the United States, they would have regarded the notable recent Al Fatah incident as deadly political folly by Arab forces. However, their public attitude toward the matter would be strongly colored both by the view that the confrontation is inevitable, and by their presently developing relations to Arab and other developing sector nations — a circumstance in which lunatic Zbigniew Brzezinski, aided by Schlesinger, Kissinger, Blumenthal, and Vice-President Mondale is pushing much of Asia and Africa into very close relations to the Soviet Union.

The final point to be considered, to which we have referred repeatedly publicly before this time, is massive SIS contamination of the Warsaw Pact Command and command perceptions. Significant portions of the Warsaw Pact Command are either outright SIS agents or British agents-of-influence. On this, our judgment cannot be conceivably in error. It would be folly to attribute the echoing of the British line in the Moscow press entirely to Soviet deception tactics. Soviet publications pushing the ideology of J.B.S. Haldane and other manifestations of British ideology irrelevant to a deception operation — indeed, contrary to its effective execution — show that the pro-Bukharinite, Arbatovian networks are pure SIS agents and agents-of-influence.

This contamination of the Soviet command by SIS networks intersects the Soviet strategic approach to the present circumstance of “inter-imperialist rivalry,” as they would define it. Between a weak Britain and a powerful United States, the Soviets prefer to aid the relative success of the British, since that weakens the overall strategic capabilities of the combined NATO forces.

So, the important link of Hambros’s banking circles to top Soviet and Comecon circles on monetary policies is both a reflection of channels of SIS subversive influence on the top Warsaw Pact Command and a Soviet adaptation to what it views as the current options of “inter-imperialist conflicts.”

This contamination of the Soviet security enables SIS to return the favor of KGB penetration of SIS terrorist networks. SIS agents within the KGB has indulged in such practices, in every case the KGB involvement *is in support of an SIS operation*. The KGB has not developed any *independent* terrorist networks within the industrialized capitalist nations. KGB involvement in each case is a subsumed complication of an SIS-controlled network.

Foolish Il Giornale

During the past week the leading Italian press has been

divided into three schools of thought on the issue of terrorism.

The Italian intelligence services know that the current wave of terrorism in Italy is British-controlled, aided by Israeli Secret intelligence and part of a scenario coordinated by Henry A. Kissinger. This fact has been leaked prominently into major portions of the Italian press.

A second school of journalism, in each case directly tied to British intelligence operatives in Italy, insists that terrorism is “merely a sociological phenomenon.” A variation of the second school of journalism is offered by *La Repubblica*, voice of Italy’s London-allied “black nobility.” *La Repubblica* concedes that international terrorism is probably indeed controlled and deployed by certain foreign secret services, but *La Repubblica* insists that the problem should be approached by treating the Italian terrorists’ connection to those foreign services as a “sociological phenomenon.”

The third school is represented by the foolish editors of the conservative *Il Giornale*, who insist that the Red Brigades are of Czech origin.

Every leading figure in Italy now concedes that the Red Brigades were created under the supervision of Alberoni at the University of Trento, an institution associated with British SIS agent Riccardo Lombardi of the Socialist Party of Italy. However, the current, involuted story out of London into *Il Giornale* runs: in the Spring of 1968, the Red Brigades were trained in Czechoslovakia. Q.E.D., insists SIS and its *Il Giornale* dupes, the Red Brigades are now “KGB.”

One of the key figures in the development of international terrorism in Europe was the late publisher Feltrinelli. Feltrinelli was directly involved in the Red Brigades, in the Hamburg “chic set” links into the Baader Meinhof gang, and so forth. Feltrinelli was also a very rich dissident Communist Party ex-member who played a key role in the Solzhenitzyn affair. Feltrinelli, like Riccardo Lombardi of the Socialist Party, deployed principally in coordination with SIS networks in the leadership of the Socialist International. In this association, he was involved not only in the Solzhenitzyn case, but also with the joint operation featuring Zbigniew Brzezinski and the Socialist International leadership in the SIS’s 1968 Dubcek project in Czechoslovakia.

What traps *Il Giornale*’s editors is their own obsessive mythologies concerning the Soviet actions in Czechoslovakia in 1968. They cling to the myth that the Dubcek regime was some “noble democratizing” experiment, crushed by cruel Soviet tanks. Dubcek was in fact a British agent and his entire regime a nest of SIS agents. This is not to suggest there were not real issues which caused many duped Czechs to support Dubcek. No successful operation of that sort can be run by agents alone; there must be popular issues on which the SIS agents can successfully play. While this writer does not generally applaud crude “Russian methods,” the Soviet action in ousting Dubcek et al. was entirely a proper action.

If *Il Giornale* were not blinded by its mythical obsessions concerning 1968 Czechoslovakia events, the fact that the Red Brigades were created by Socialist International-linked elements of SID, and were popular in Czechoslovakia *only under the Dubcek regime*, and later linked to anti-Soviet Feltrinelli, would tell them the truth of the business. Nearly everyone in leading positions in Italy knows these facts, except one group of foolish Italian conservatives who shout “political science-

fiction" at those who point to British SIS control of terrorism, but who foolishly and wildly insist that Moscow is behind it. These persons are under direct influence of both British networks and have a credulous attitude toward the British agent-of-influence otherwise known as Richard Gardner, nominally U.S. Ambassador to Rome.

We, for our part, have used every channel available to us to impress upon the Warsaw Pact leadership the folly of their opportunist games with the British. Moscow smiles knowingly, obsessively deluded with the notion that it knows what it is doing, including presumably outwitting the British in this business. The fact that they refuse to use their resources to help NATO countries clean out British terrorism does contribute monstrously to the donkey's belief in the sort of lies spread to the credulous by such SIS terrorist backers as Robert Moss.

The 'KGB Runs Terrorism' Hoax

Wall Street Journal, Review and Outlook: "The Roots of Terror," March 20:

...This is not to say that terrorism has no political importance. Terrorists may have little on their minds beyond some deep-seated hatred and their next adventures, but they often are supported by politicians who have a great deal on their minds.

Terrorists of any stripe are useful to the imperialistic designs of the Soviet Union, for example. They disrupt liberal societies, spreading fear and uncertainty and raising a demand for a stronger hand by the state. It is not insignificant that one of the first persons Premier Andreotti of Italy turned to after the Moro kidnaping was Enrico Berlinguer, the head of the Italian Communist Party. The Communists are now partners in the Italian government in all but an official sense. And Communists, by long training, are skillful at dealing with disorder and dissent.

Thus, the Russians and their allies in the Third World have no reluctance at all to encourage terrorism in the liberal democracies and to even train terrorists in more effective forms of murder and destruction. Somehow it never occurs to the terrorists themselves that should the Russians succeed in subverting liberal democracy and installing communism in its place the terrorists who helped them in the task will be marked first for liquidation. Thinking ahead is not one of the strong points of fanatics.

Daily Telegraph, London, "The Soviet Stake in Fatah Terror," by Robert Moss, March 20:

Mr. Menachem Begin has demonstrated that you can't butcher Israeli civilians and get away with it....

The Russians who condemned the Israelis as "bandits" for their strike into Lebanon are up to their necks in the murky web of Palestinian terror.

The trail of the Fatah killers leads straight back to East Berlin and Moscow where in secret meetings in-

volving PLO leaders, the details of a new terror campaign had been worked out over the past month.

The danger for the Israelis was that, by seizing on this moment to try to wipe out the terrorist sanctuaries over the Lebanese border, they would swoop straight into a carefully laid trap.

The PLO and its Soviet backers may have calculated that, by provoking the Israelis, they would suck the Syrians into the fighting, sabotage any remaining hope for an Israeli-Egyptian peace settlement, and cut the ground from under President Sadat....

The Israelis have identified the man behind the Fatah raid as one Kalil al-Wazir, better known under his alias "Abu Jihad." He runs Black September, the secret terrorist arm of Fatah.

The Egyptian intelligence service, the Mukhabarat believes that Abu Jihad was directly involved in the shoot-out at Larnaca airport in Cyprus last month between Palestinian commandos, mixed up with the Cypriot National Guard, and the Egyptian troops sent in by Sadat.

For Abu Jihad and his Soviet patrons, Sadat is as much a target as Israel. Western intelligence sources say that Abu Jihad has spent a great deal of time in Moscow, East Berlin, Aden and Tripoli in recent months, helping to organise a vast expansion of terrorist training facilities, and also the arrangements for a big increase in the flow of Soviet bloc arms to Palestinian bases in Cyprus and Lebanon....

Last week, Mr. Begin was pictured waving a document showing that a member of Jibril, a fringe Palestinian group, has been trained in Russia. The schools for terrorism that exist in the Soviet Union and its satellites offer the clearest proof of the Soviet stake in international terror. This is of direct concern to every Western government as well as to the Israelis and the conservative Arab states.

The best brief account of these training facilities that is readily available is a recent publication of the Institute for the Study of Conflict, entitled "The Surrogate Forces of the Soviet Union."

Terrorist leaders from all over the world receive training in Russia, East Germany, Bulgaria, Czechoslovakia, North Korea, North Vietnam and Cuba, as well as in camps in Libya, Iraq and South Yemen to which Cuban and East German instructors are attached.

Under the watchful eye of the Eleventh Department of the KGB's First Chief Directorate which assigns KGB controllers and liaison officers to satellite intelligence services, Cuba's General Directorate of Intelligence (DGI) and, increasingly, East Germany's Ministry of State Security (MfS) give covert backing to West European terrorist groups.

An important principle for the Russians is that such involvements should be deniable — at any rate by them. It would not help them in their efforts to promote unilateral disarmament and non-violent subversion by "agents of influence" under the smoke-screen of detente if it leaked out that the KGB was directly embroiled in terrorist operations in Western countries....

But the potential for Soviet exploitation of international terrorism should never be underrated. Terrorism may be the work of criminals, psychotics or a confused minority choosing the wrong way to send up a

howl of protest, like those South Moluccans in Holland last week. But it can also be a rational instrument of policy.

Sources within the Italian Communist Party (PCI) have told me that they believe that the KGB is involved in "Red Brigade" terrorism by the ultra-left. If this is true, a possible motive would be to reinforce the PCI in its newly-acquired image as a responsible party of law and order.

In the Middle East, a middle-range Soviet objective is the overthrow of the conservative Arab monarchies.

In their broader strategy against the West, the Russians have adopted what would, in President Nixon's day, have been styled a "two-track" approach.

Track One is Russia's unpausing military build-up, aimed at achieving outright strategic superiority over the West and, with it, the power to apply military blackmail.

Track Two is subversion, terrorism and other attempts to erode the fabric of Western Societies, which are most likely to succeed if they can be kept secret or, at any rate, non-attributable.

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The Stakes Are High

In F-15 Sale To Saudi Arabia

The Saudi Arabian government is waging an uncharacteristically vigorous and public fight in Washington to gain congressional approval of the sale of 60 F-15 jet fighters. Both the Saudis and the anti-sale forces, led by the Jewish Lobby and its supporters in Congress, recognize that what is at stake here is the longstanding political alliance between Washington and Riyadh — an alliance on which depends the health of the U.S. dollar.

Following a turbulent meeting with Israeli Premier Menachem Begin yesterday, President James Carter demonstrated his commitment to the sale by meeting with a number of members of the House International Committee and later the Senate Foreign Relations Committee. Earlier this week the Saudi Arabian head of Intelligence, Prince Turki ben Faisal, and the son of Saudi Defense Minister Prince Sultan consulted in Washington with 20 Senators, pressing Riyadh's case on the sale. At the same time the Saudi Arabian Ambassador in Washington along with the Saudi Information Office have waged an information campaign to ensure Congressional approval.

A number of well-placed sources indicate that the unusual lobbying effort on the part of Riyadh underscores the emphasis the Saudis are putting on the sale as a litmus test of the reliability of U.S.-Saudi relations. Particularly in the wake of the Israeli invasion into Lebanon, if the Jewish Lobby succeeds in blocking the sale, the Saudis may be forced to heed pressure from less adamantly pro-U.S. elements in Riyadh and within the oil producing cartel to raise the price of oil and (most likely) lower Saudi oil production.

Saudi Oil Minister Sheikh Ahmed Zaki Yamani announced from Riyadh on March 22 that the Saudi royal family is not interested in playing along with such games. He declared that the April 3 extraordinary meeting of the Organization of Petroleum Exporting Countries (OPEC) will not discuss the issue of a price rise. Over the recent weeks, the Kuwaitis have been agitating for OPEC to either raise the price of crude or break with the dollar as a means of pricing oil in favor of the City of London's Special Drawing Right (SDR). They have gained substantial support from a number of producers with the key exception of the powerful Iranians.

Fighting Dirtier

The day after Carter's meeting with Begin, the Senate Foreign Relations Committee leaked a report to the *New*

York Times concluding that the arms sales would make Saudi Arabia a target for an Israeli preemptive strike in the event of renewed warfare in the Mideast. Such a conclusion suspiciously complements various scenarios emanating from the offices of Energy Secretary James Schlesinger and National Security Council director Zbigniew Brzezinski threatening either a U.S. or "surrogate" Israeli invasion into the Persian Gulf to secure oil resources. An aide to a Senator also noted that there are rumors circulating on Capitol Hill that the Israelis will make Saudi Arabia a target in the case of war whether or not the F-15s are based at the Tabuq base — the nearest Saudi base to the Israeli border.

Furthermore, a spokesman for the committee boasted of another tactic to block the sale's approval: "investigation" in Saudi funding of PLO terrorist activities, in particular the raid into Israel which was followed by the massive Lebanese raid by Israel. The Committee spokesman admitted that the "Saudi-U.S. alliance will be finished" if these tactics succeed.

Attacks Against Lance

Paralleling the campaigning to shoot down the F-15 sale, a press campaign is being renewed against former Office of Budget and Management director Bert Lance, who is working out joint banking ventures with a number of prominent Arab financiers, primarily Saudi Arabians. Lance is part of a faction of American industrial and banking interests which see Saudi Arabian oil and petrodollars as crucial for economic growth. In this connection the City of London and the Jewish Lobby have repeatedly attacked the Arabian-American Oil Company — which services nearly all of Saudi Arabia's massive oil output. The *New York Times'* leak on March 22 notes that one option the Saudis could exercise against the U.S. in the event that the F-15 sale is not passed is to nationalize Aramco.

And the nationalization of Aramco is, in fact, the centerpiece of plans being promoted by London's allies in Washington to break up OPEC and take over the world oil markets at the expense of the Aramco partners, Exxon, Mobil, Texaco, and Socal. There is a fight over this throughout Washington: A debate has opened up between the State Department and the Treasury Department over whether OPEC will remain the predominant source of oil in the 1980s. C. Fred Bergston, a close collaborator of Treasury Secretary W. Michael Blumenthal is proposing that President Carter authorize

more World Bank investment in non-OPEC Third World oil development, a policy which would greatly enhance British Petroleum's status in the world oil markets. Presently BP is known to control more non-OPEC oil resources than even Exxon. A State Department spokesman earlier this month issued a statement denying the forecast that non-OPEC sources could meet the growing demand for oil in the 1980s.

By London's calculation, the destruction of Aramco would signal a decisive political defeat to the U.S. industrial interests for which Bert Lance has been

working. Numerous analysts of the Mideast agree that the present Saudi triumvirate, King Khalid, Yamani, and Crown Prince Fahd, will remain loyal to Aramco and the U.S. even if the F-15 deal does not go through. However, it will weaken their defense of a staunch alliance to Washington in the eyes of such Saudis as Planning Minister Hisham Nazir, and the head of the Royal Guard Prince Abdulla, who lean much more in the direction of a loyalty to the City of London.

—Judy Wyer

Saudi Arabian Ambassador: We Cannot Tolerate Delay

Saudi Arabian Ambassador to Washington H.E. Ali A. Alireza responded in a press conference this week to both accusations from the Senate Foreign Relations Committee that Saudi Arabia supports Palestinian terrorism, and a call for the postponement of the arms sale from Jewish Lobby supporter Senator Jackson.

A delay is just as bad as a rejection...a delay would mean postponement of a year....Saudi Arabia cannot tolerate such a delay.

Saudi Arabia condemns terrorism in all its forms and those who have committed it against any peoples.

Israelis on Saudis: "Luckily, Roosevelt Died..."

Davar, Israeli daily, March 13:

Saudi involvement and the fact that Saudi Arabia is the closest ally of the United States by virtue of the oil and the millions of petrodollars, is our gravest Achilles' heel in our relations with the Administration in Washington. In fact, this is not new. At the beginning of 1945 after the Yalta Conference, President Franklin Delano Roosevelt claimed, after his meeting with the founder of the dynasty, King Ibn Saud, that he had in five minutes

learned more from him about Jewish and Arab relations than he had learned on any previous occasion.

Roosevelt was not mistaken: At that same summit meeting, which was a continuation of the visit by Colonel Hopkins and other envoys, he learned of the abyss-like hatred of the ruler of the "purest" Arab country for the nationalist struggles of the Jewish nation and this only increased his doubts as to whether it was indeed worth giving establishment of a Jewish state following World War II, which brought the holocaust down on us.

Luckily for us, Roosevelt died a short time after that meeting with Ibn Saud and the new constellation during President Truman's time nevertheless permitted the realization of the Zionist objective, despite the warnings of the political and military establishments that the establishment of a Jewish state would endanger the supplies of oil and the U.S. national, strategic, and economic interests and despite the warnings of the U.S. Embassy in Moscow to the effect that this would increase Soviet influence among the Arab countries.

New York Post, by Evans and Novak, March 20:

"Israel wants the U.S. all to itself," one Mideast authority told us. "The Saudi connection drives it up the wall." If true, that means the pro-Israel block in Congress and the American-Jewish community will pressure Carter to void the F-15 aircraft deal, thereby creating trouble between Washington and Riyadh.

Southern Lebanon: Israel's Vietnam?

Military analysts agreed this week that Israel's invasion of southern Lebanon has fallen far short of its original goals, and, as a result, has put Israel in the untenable position of having to fight a protracted Vietnam-style war of attrition with Palestinian guerrilla forces.

Israel's prime aim has been to provoke Syria to respond militarily. With Syria's refusal to fall for Israel's gameplan, Israeli troops continued their drive north. Having siezed the entire area south of the Litani River with the exception of the port city of Tyre, Israel was on the verge of launching the fourth phase of its operation: moving beyond the Litani and occupying a 200-square mile area including the strategic Palestinian stronghold of Nabatiye. The move was not made, though U.S. military intelligence sources assert that the option may yet be activated.

As a result of Israel's failure to provoke Syria, Syrian President Hafez Assad has predicted that "Israel will bleed." Israel's sweep into southern Lebanon did not succeed in wiping out the Palestinian fighting forces, confirming charges that the invasion was, in fact, a political-military disaster for Israel rather than the great victory that the Israeli press has made it out to be.

According to Michael Parks in the *Baltimore Sun* March 23:

The Israeli Army, long regarded as one of the world's best, was little better prepared for its invasion of southern Lebanon and the guerrilla warfare it entailed than the American armed forces were for the conflict in Indochina, according to military analysts now assessing the seven-day operation.

The Israelis' three brigades seized virtually all southern Lebanon below the Litani River...but failed to destroy the combat potential of the Palestinian commandos, who have regrouped north of the river after retreating from the south.

Israeli military planners originally proposed a much bigger operation designed to sweep all the commandos south of the Litani, perhaps 5,000 men, into an ever-tightening box in which they would be killed or captured, according to these sources.

But the government, wanting to limit the inevitable Israeli casualties, left the box open-ended, so most of the guerrillas escaped across the river with their heavy equipment.

The Israelis' massive use of firepower and other tactics reflected the need to minimize their forces' casualties and avoid domestic political repercussions, military analysts observed, but violated one of the basic rules of anti-guerrilla warfare.

"Six, 8 and 10-hour bombardments like those the Israelis used to saturate an area before they moved in generally only kill civilians," argued an officer with a number of years of varied experience in counterinsurgency warfare, "and they make enemies of the people, the Muslims of southern Lebanon in this case, whose friendship you want to win.

"The guerrillas usually get out without many casualties."

The Palestinian commandos are understood to have lost about 350 dead and about three times that number wounded. By contrast, 1,379 civilians were killed, a preliminary figure that Lebanese government officials believe will probably triple to

about 4,000 when a final count is made....This means the Israelis failed to destroy the commando units as an effective fighting force....

Conversations with both Palestinian commanders and guerrillas in the field also made it clear that the Israeli operation did not destroy their morale.

Their ability to withstand for a week one of the largest operations the Israelis have mounted seems, in fact, to have bolstered their morale, as has the prospect of continuing guerrilla raids on Israeli lines in Lebanon.

Elias Shoufani, a member of the Palestinian National Council, talked of the consequences for Israel of a protracted war of attrition:

For the first time, we are in direct combat with the Israelis across a large front, but soon we will be fighting on our terms....Begin has trapped himself by invading Lebanon. If he stays, he faces a guerrilla war that will give Israel no peace, that will tie down 20,000 soldiers indefinitely and will exact continuing casualties. If he pulls out, then his government could fall.

Israel, writes the *Daily Telegraph*, is now "bogged down" in Lebanon, paralyzed by the continuing supplies coming in from Syria to the PLO. At the same time, the *BBC* is speculating on Israel's ability to sustain a long war economically — the basic argument inside the Israeli high command for getting something started *now* with Syria.

Syria, Soviets Push International Intervention To Stabilize Mideast

Immediately after Israel's March 15 invasion of southern Lebanon, Syrian President Assad issued a stern denunciation of Israel's violation of Lebanon's sovereignty and called for the world community to exercise its power in halting Israeli aggression. Syria's call for an international offensive to stabilize the Middle East tinderbox contributed to the speedy passage of a UN resolution calling for immediate Israeli withdrawal from southern Lebanon and the placement of a UN peacekeeping force there. In addition to coordinating this global intervention, Syria is exercising an important stabilizing role within the Palestine Liberation Organization (PLO) by keeping close tabs on certain British-controlled "rejectionist" elements whose primary aim is to break the fragile ceasefire in southern Lebanon by conducting more terrorist raids inside Israel like the recent "Fatah" attack which Israel used as a pretext for its pre-planned lightning occupation of southern Lebanon.

Syrian restraint in the face of extreme internal pressures to confront Israel head on reflects the powerful

Soviet-Saudi-French axis which is supporting competent elements in Syria and the PLO, and is using its political muscle to pressure the U.S. to terminate Israel's outlaw behavior.

Soviets, Syria Stand Firm

It is clear that Israel intended a confrontation with Syria from the outset of their intervention into Lebanon. That confrontation is still an operational policy in the event that the situation deteriorates further. In an exclusive interview in the March 27 issue of *Newsweek*, Assad revealed that he was cognizant of Israel's intentions. In response to a question as to why Syria did not intervene into Southern Lebanon, Assad said, "That was precisely what Israel wanted us to do. Their plans will not draw us into adventurism. There will be no impetuous reaction." Instead, Syrian activity in defusing the crisis centered around the organization of the Arab "steadfastness front" into full support of the UN intervention. At the March 19 meeting of the "hardline" countries of Algeria, Syria, Libya, and the PLO, Syria

and Algeria blocked together to caution against any hasty confrontation with Israel and argued for compliance with an international solution to the crisis. Simultaneously Syrian Foreign Minister Khaddam sent a letter of support to PLO head Yasser Arafat and officially declared that Syria would offer the Palestinians air support.

The Soviet Union's commitment to Syria and the PLO remains firm. According to *Le Figaro* March 21, Assad received a message from Soviet President Brezhnev assuring the Syrians of "unlimited military support in the event of conflict, but recommended if they refused a military confrontation, to support the resolution in preparation at the UN, if only to limit further damages and to wait for a more auspicious occasion for reprisal! Thus, Assad chose the more diplomatic approach." This totally debunks the recent press speculation that Syria has been exposed as a "paper tiger" as a result of the Lebanon situation and will now bend to the Israelis' plans to force Syria to suppress the Palestinian resistance.

The role of France is also key in the current situation. Besides working feverishly behind the scenes to push for the quick passage of the UN Security Council resolution, France has deployed a contingent of troops to ensure that there are no violations of the Lebanon ceasefire from either side. In addition, the French ambassador to Lebanon met with high-ranking PLO officials two days ago in order to brief them on the need to abide by the ceasefire and to assure them of France's continued support for the Palestinian resistance.

Syria's Internal Pressure

Assad's ability to maintain his international approach

to a resolution to the Mideast crisis and to maintain Syria's strong relationship with the Soviet Union, is under severe internal attack. On March 18, Assad's relative and the treasurer of the Syrian-Soviet Friendship Association was assassinated in what appears to be another instance of the feud between rival Baath Party factions. This internecine warfare has been going on ever since 1970, when Assad purged the Baath Party in Syria of its "Iraqi" elements and set up his own machine. Prior to this murder, several Syrian officials close to Assad and to the Soviet Union have been assassination targets.

Exclusive information received by *Executive Intelligence Review* indicates that Assad is under heavy internal pressure to make some suicidal show of force in Lebanon at the present time. According to this information, Assad is in danger of a coup within two to three weeks if Israel is still operating in south Lebanon. This coup will be conducted in conjunction with the Iraqis through their two Syrian agents, Sabah Jadid and Nour Atashi. Jadid, who is believed to be living in Beirut or Iraq, and Atashi, who is currently living in Syria, supposedly exert a strong influence on Syrian politics. Both figures were responsible for forming the Al Fatah guerrilla groups as the dominant faction of the PLO. Jadid is credited with having masterminded the March 13 Al Fatah terrorist raid in Israel which resulted in a bus-hijacking and subsequent death of 33 Israelis. According to this source, both Atashi and Jadid were key figures pushing PLO terrorist attacks immediately prior to the 1967 war, and are pushing for the same terrorist activities today.

At The UN Discussion Of Rhodesia

Britain's Set-Up Threatened With Exposure

Action in the United Nations Security Council last week, traceable to U.S. State Department initiatives, has blighted British hopes of making Rhodesia the scene of a U.S.-Soviet confrontation, by making sure that the penalty would be a politically devastating exposure of London's instigating role.

Early last week, the Security Council passed without dissent a resolution condemning Rhodesian Prime Minister Smith's British-scripted "internal" settlement to Rhodesia's governmental crisis, a scheme that excludes the political arm of the anti-Smith guerrilla forces, the Patriotic Front. The British were pressured not to veto under U.S. threat of isolation, and the appearance of Anglo-American solidarity was maintained through the abstention of all "Big Five" powers.

On March 17 the Security Council went further, and unanimously passed a Zambian resolution condemning the recent Rhodesian raids into Zambia as flagrant violations of sovereignty. The resolution also called on the British to bring a speedy end to Rhodesia's illegal Smith

regime, singling out Britain as the party that must implement a transfer to genuine majority rule — essential for durable peace in the region.

The resolutions put an end to the pretense that the Smith government and the Patriotic Front are forces of equal standing in the dispute over how Rhodesia will be governed, and that both are equally obliged to make concessions. U.S. support for the resolution rests on the recognition that an attempted confrontation with the Soviets in this issue would fail, being based only on U.S. bluff, and would hand Africa over to East bloc influence. As in Angola and Ethiopia, the U.S. would once again find itself on the losing side.

Not only did the U.S. refuse to play, but spokesmen from several African nations and the Patriotic Front have begun attacking the British for their role in the Rhodesia crisis. It could be that the exposure the British so fear could come even as their plans for a U.S.-Soviet showdown evaporate.

The British On The Firing Line In Security Council

At the same time that the U.S. was threatening to break publicly with the British on policy toward the Rhodesia crisis and Smith's internal solution, African nations and Patriotic Front spokesmen began targeting British complicity in the prolongation of the crisis. This African attack came to a head at the UN the week of March 13-17, when two resolutions were passed condemning both Smith's internal settlement, and the Rhodesian military raids into Zambia.

Rhodesia Resolution

United Nations Security Council Resolution 423 (1978)
Adopted by the Security Council at its 2067th meeting
on 14 March 1978

The Security Council...

1. *Condemns* all attempts and manoeuvres by the illegal régime aimed at the retention of power by a racist minority and at preventing the achievement of independence by Zimbabwe;

2. *Declares* as illegal and unacceptable any internal settlement under the auspices of the illegal regime and

calls upon all States not to accord any recognition to such settlement;

3. *Further declares* that the speedy termination of the illegal regime and the replacement of its military and police forces is the first prerequisite for the restoration of legality in Southern Rhodesia so that arrangements may be made for a peaceful and democratic transition to genuine majority rule and independence in 1978;

4. *Declares* also that such arrangements as envisaged in paragraph 3 include the holding of free and fair elections on the basis of universal adult suffrage under United Nations supervision;

5. *Calls upon* the United Kingdom of Great Britain and Northern Ireland to take all measures necessary to bring to an end the illegal racist minority régime in Southern Rhodesia and to effect the genuine decolonization of the territory in accordance with General Assembly resolution 1514 (XV) and other United Nations resolutions;

6. *Considers* that, with the assistance of the Secretary-General of the United Nations, the United Kingdom as the administering Power should enter into immediate consultations with the parties concerned in order to attain the objectives of genuine decolonization of the

territory through the implementation of paragraphs 3, 4 and 5 above;

7. *Requests* the Secretary-General to report, not later than 15 April 1978, on the results of the implementation of this resolution.

Zambia Resolution

United Nations Security Council Resolution 424
Adopted by the Security Council at its 2070th meeting
on 17 March 1978

The Security Council...

1. *Strongly condemns* the recent armed invasion perpetrated by the illegal racist minority régime in the British colony of Southern Rhodesia against the Republic of Zambia, which constitutes a flagrant violation of the sovereignty and territorial integrity of Zambia;

2. *Commends* the Republic of Zambia and other front-line States for their continued support of the people of Zimbabwe in their just and legitimate struggle for the attainment of freedom and independence and for their scrupulous restraint in the face of provocations by the Rhodesian rebels;

3. *Reaffirms* that the liberation of Namibia and Zimbabwe and the elimination of *apartheid* in South Africa are necessary for the attainment of justice and lasting peace in the region;

4. *Calls upon* the Government of the United Kingdom of Great Britain and Northern Ireland, as the Administering Authority, to take prompt effective measures to bring to a speedy end the existence of the illegal racist minority régime in the rebel colony of Southern Rhodesia, thereby ensuring the speedy attainment of independence under genuine majority rule and thus contributing to the promotion of durable peace and security in the region;

5. *Decides* that in the event of further acts of violation of the sovereignty and territorial integrity of Zambia by the illegal racist minority régime of Southern Rhodesia, the Security Council will meet again to consider the adoption of more effective measures, in accordance with the appropriate provisions of the Charter of the United Nations, including Chapter VII thereof.

Andrew Young Says: Why Trust Smith?

Excerpts from a statement by Ambassador Andrew Young, United States Representative to the United Nations, in the Security Council on Rhodesia March 14, 1978:

— Smith's signature has been obtained on a commitment eventually to step down. There is still no iron-clad assurance, however, that he will do so....

That being said, Mr. President, there is much in the Salisbury agreement which raises questions regarding the ability to withstand the political pressures which have built up over the past few years....

Second, the Anglo-American proposals *recognize that transitional political institutions must not be subject to control by the existing illegal regime or any one of the parties to the conflict*. The Salisbury plan would intro-

duce a transitional arrangement of shared responsibility subject to the rule of unanimity and the ultimate authority of the present parliament. *This would allow Smith to hold effective power and to wield a veto...*

The Salisbury agreement would rely on the existing Rhodesian army, absorbing into it those guerrillas capable of passing a screening process. We cannot but conclude that such a provision fails to take into account the history of bloodshed which makes the Rhodesian army, as now constituted, an unsatisfactory guarantor of the rights of all Zimbabweans, black and white.... However, for a period of approximately ten years changes in all entrenched aspects of the constitution could come about only with the concurrence of all the black members and six of the white members of the parliament. Indeed, there is no guarantee that this system will not carry over after the initial ten-year period. This limitation of the ability of the new government to bring about necessary change and meet the aspirations of the majority appear inconsistent with the full exercise of sovereignty (sic) by an independent government representing all the people of Zimbabwe.

Nigeria Says British Must Reject Internal Solution

Excerpts from a statement delivered in the Security Council, on the question of Southern Rhodesia by Brigadier J.N. Garba, Commissioner for External Affairs of the Federal Republic of Nigeria on Friday, March 10, 1978.

...When we in Nigeria heard about the questionable actions of Bishop Muzorewa, Reverend Sithole and Chief Chirau in joining the illegal minority racist regime, we brushed the news aside, considering it an exercise in self-deception and futility. We took for granted that the British Government would immediately reject the so-called Salisbury settlement and so inform the Security Council and Member States of the United Nations....

I wish to express here the disappointment of my delegation at the fact that this meeting of the Security Council was called at the initiative of the African Group rather than by the administering Power in Southern Rhodesia. My disappointment is even greater at news reports that the British Foreign Secretary ran away from attending this meeting, apparently because of a remark made by the representative of the United States. I wish to associate my delegation with that statement because it is a true description of the behaviour of the United Kingdom, which, for 12 years, has been running away from a just and fair solution to the Rhodesian question. It has, however, always managed to create the impression of taking action when, in reality, all it has done all this time has been to wring its hands helplessly. We had thought that the present Administration in the United States would provide the British with much needed spine. We still hope that the United States will not allow the British Government to run away from its responsibilities to the international community....

...we believe that this present meeting should discuss the deteriorating situation in Southern Rhodesia and the continued aggression by the racist

regime against independent African countries.

The Security Council should also be informed by the United Kingdom and by the Secretary-General of what they have done since September, when this matter was last brought before this Council. We should then consider further action in view of the gravity of the situation in Rhodesia, and in Southern Africa in general, and the apparent paralysis and inability, real or feigned, of the United Kingdom to force Ian Smith to surrender. For example, we already have before us the reports of the Sanctions Committee which the Security Council must now consider and take action on. We hope, therefore, that the United States will not be taken in by the British Government in its present despicable manoeuvres designed to frustrate the genuine interests and aspirations of Africa. We have warned again and again against the belief that anyone can replace the true nationalist leaders with puppets in the name of moderation or can foist on us a new breed of individuals created by the West to foster external interests in Southern Africa. This will only postpone the evil day and will merely nurture and bolster the very reactionary forces that should be neutralized.

We thought that by now the Western Powers would have learnt their lesson from the failure of their policies in other parts of the world and most recently in Angola. But it appears that the British are again in the process of subordinating human values in Rhodesia to short-sighted political and economic considerations and of trying to find what they think is an easy way out....

...my government cannot but recall with intense displeasure, the British hesitations that have frustrated all meaningful efforts at a just and lasting settlement....

The Nigerian Government, like other well-meaning Governments, accepted the Anglo-American package as one that provided a reasonable basis for negotiation, in spite of its many inherent imperfections....

We refuse to accept that a simpleton like Smith should continue to defy the world and be allowed to commit this most heinous crime, the worst since Britain turned over power, in political and material terms, to racist minorities in Southern Africa. We still say categorically, for the umpteenth time, that Britain, as the colonial Power, has the primary responsibility to end the Smith rebellion. But it would appear that it has decided, for reasons other than those of acceptable moral standards and legality, not to discharge its duty in the matter in accordance with international law and practice and the recorded decisions of successive British Governments....

The talks were by no means a failure because of the far-reaching concessions that were made by the Patriotic Front vis-a-vis the anglo-American proposals. There is hardly a precedent in the history of liberation struggles of freedom fighters having taken the tremendous risk of agreeing to lay down their arms in favour of the political process of free and fair elections, as envisaged for the transformation of Rhodesia into Zimbabwe. This was the crux of the problem. The Patriotic Front conceded this in Malta. We did not take advantage of the good tide. Probably the British were overwhelmed by this concession....

It is becoming clearer to us that the administering Power does not intend to accept its colonial responsibilities and obligations. We would be more comfortable

if Britain would make it clear to the world that it is unable to discharge its responsibility genuinely to decolonize Rhodesia.

We are similarly baffled by the rather evasive statement issued by the United States Department (sic). Both statements from the very two parties sponsoring a negotiated settlement have been a terrible disappointment to us. It is therefore hardly surprising that the illegal regime feels encouraged by these statements and has proceeded at full steam to try to sell the internal settlement. These statements have created the impression that the principal authors of the Anglo-American proposals have to all intents and purposes abandoned their own proposals and left the matter to the fraudulent *apartheid* Parliament in Salisbury. What Smith has done is a new challenge to and an act of blatant defiance of the Security Council....

Africa has demonstrated at all times that it is prepared to work for a peaceful solution to this problem. But if we fail, the armed struggle will continue with renewed intensity. We have always worked against internationalizing African problems. We have always preferred to be left alone to chart our destiny. But Africa has friends who are reliable and committed to our liberation. We hope that we shall not be forced to call on those friends to help to push the armed struggle to its logical conclusion.

Zambia Says British Lack The Will

Excerpt from a statement delivered in the UN Security Council by Zambian Foreign Minister Siteke Mwale on March 15, 1978.

...Britain has lacked the will. Paradoxically, even recent American attempts to complement British power have not yielded the desired results. The colonial Power continues to shun its full responsibilities over Rhodesia. The British must remember that it is they who colonized Southern Rhodesia in their zest for imperial grandeur, their action spearheaded by that arch-imperialist-capitalist Cecil John Rhodes. Surely, the British were never invited by Africans to colonize the country now called Southern Rhodesia. After exploiting Zimbabwe, today the British have a duty to the people of Zimbabwe and the world to decolonize Rhodesia in the interests of the majority....

Patriotic Front Spokesmen Attack British In British Press

The Guardian, *March 15*

Mr. Nkomo said, The British seem to have shifted from the Anglo-American proposals. They want a proximity conference starting on March 20. To that we say No — a big No. We say resume the conference, with the Americans taking part, which you (British) adjourned in Malta six weeks ago.

Mr. Mugabe said, The Americans have been clear and forthright. But they must support those who hold the responsibility as the colonial power. It is David Owen who is giving us all the trouble now.

If it were only up to the Americans we would have no problem. They are ready to proceed, on the basis of the Anglo-American proposals, where things were adjourned in Malta.

The Times, London. March 13:

A sharp division of opinion between Dr. David Owen, the Foreign Secretary, and the leaders of the Patriotic Front, Mr. Joshua Nkomo and Mr. Robert Mugabe, caused their talks on Rhodesia to end in failure yesterday.

Mugabe said, We asked him to think again. Apparently he is going to think again now.

We are trying to press Dr. Owen to keep to the (Anglo-American) plan but it appears we are not succeeding.

The front was not opposed to others, whom Mr. Nkomo terms "the Salisbury talkers", joining in. It was not prepared, however, to move towards the Salisbury talks, which they regard as totally unacceptable, because they proceed from the rebel regime.

A Reuters wire, datelined Lusaka, March 14:

Mr. Mainza Chona, the Zambian Prime Minister, says Britain was indirectly responsible for Rhodesian raids into the country and should compensate it for the losses suffered.

Briefing Parliament here yesterday on last week's raid, Mr. Chona said Britain was "indirectly responsible for the brutal murder of innocent Zambians and destruction of Zambia's property." The British Foreign Office was propping up the Rhodesian government, both economically and militarily.

Pressure For The Internal Solution

A press campaign in Britain and the U.S. portraying Smith's internal solution" as a viable transfer to majority rule is aiding efforts to transform the situation into a Soviet-U.S. confrontation: the Carter Administration is being attacked for not adopting a hardline posture in defense of the internal solution. In the words of a Republican Party report released March 22, the Administration is giving "Soviet-supported totalitarian Marxists a veto over the future political order in Rhodesia," instead of supporting the "prowestern black majority," Smith's "internal solution" puppets are euphemistically called.

The Daily Telegraph (London) March 21, "Council End White Rule In Rhodesia" :

Exclusive White rule in Rhodesia will end today with the first meeting of the Executive Council, the four-man group which will guide the country to Black majority rule at the end of this year... The Executive Council will

become the supreme policy and decisionmaking body in Rhodesia.

The New York Times, March 22 :

The swearing in ceremony introduced the black leaders into a government structure that retains ultimate constitutional power in white hands. For example, Mr. Smith will retain the title of Prime Minister and the statutory powers that accompany it... Another problem for the black leaders will be control of the white-led Government forces. up to now, the forces have been directed by a 10-member War Council... but sources disclosed today that a smaller body was established recently under the same name, chaired by Lieut. Gen. Peter Walls, commander of the Government forces: When questioned on the topic, Mr. Smith was evasive, saying that the conduct of the war would rest, as before, with the military commanders.

James J. Kilpatrick, syndicated column, March 22:

By their refusal to embrace the Rhodesian settlement, Britain and the United States are demonstrating to the whole world how the West will be lost....How can these interests be defined? Unless reason has fled our temples altogether, we are interested in halting the spread of Soviet-Cuban adventuring in Africa; we are interested in having an anti-Communist, as distinguished from a pro-Communist, regime in this part of the world. We are interested in seeing in Rhodesia a peaceful, multi-racial, more or less democratic society...The settlement reached between Prime Minister Ian Smith and three moderate black leaders provides all these things....All that is required is for Britain and the United States publicly to welcome the compact, and to throw their influence, their money and their arms behind its acceptance....These are times when great powers must act as great powers....Britain and the United States need only to act decisively, promptly and fearlessly. So far as we are concerned, they might say, the U.N. sanctions no longer will be honored; we will support the new government with credits, loans, diplomatic recognition and with whatever military aid may be required to smash the guerillas and their Communist Cuban allies.

Public and Private

The South African Digest for the week ending March 10 reports the public reaction to the Rhodesian internal settlement by the South African Government:

His Government welcomed the fact that Whites and Blacks in Rhodesia had reached an acceptable agreement, the Prime Minister, Mr. B.J. Vorster, said in Cape Town.

Mr. Vorster added that the success of the agreement would depend on the good faith of the parties concerned and whether they would be allowed to arrange and determine their affairs according to their own wishes.

Mr. R.F. Botha, Minister of Foreign Affairs, said: "We welcome it. The leaders of Rhodesia have a right to work out their own future, just as it is the prerogative of the people of South West Africa to work out their own future."

Private discussions with South African diplomats reveal a more pragmatic attitude. Said one:

"South Africa doesn't want to get involved in supporting the internal solution. The internal solution is extremely fragile, and the only way it could have a chance of working is if South Africa went in militarily and supported it. However, the minute South Africa leaves, it will collapse."

...And Pressure Against It

New York Times, March 18:

To the chagrin of British officials, the thinking behind their diplomacy was revealed with unusual clarity in confidential documents released in Salisbury . . . The documents purported to be minutes of talks held in London last month by Mr. Sithole (one of the signatories to the internal solution — ed.) and the British Foreign Secretary Dr. David Owen.

The documents, made available by Mr. Sithole's organization, showed Dr. Owen arguing that the parties to the Salisbury accord could resolve their difficulties if they could make an offer to Joshua Nkomo that could cause a break between him and Robert Mugabe. . . .

"You know that the Patriotic Front is not united," Dr. Owen was quoted as having said . . . The minutes quoted Dr. Owen as having said that Britain might accept the Salisbury accord if a genuine effort had been made to include at least Mr. Nkomo. . . .

Dr. Owen was quoted as having said that Mr. Nkomo could not "be seen to break with Robert Mugabe before he gets a concrete offer." . . .

"We are at your disposal, what can we do to help in this?" Dr. Owen was said to have asked. "This holds the key to Zimbabwe," . . .

Ambassador Andrew Young, on "Meet the Press" (NBC) March 12, 1978

(On the acceptability or otherwise of the Rhodesian internal settlement:) ". . . the way things are set up, we won't really know even whether Ian Smith is serious for ten months, and Mr. Smith has had a 12-year period of deviousness in relationship to the British. He has made promises after promises, you know, which he has broken, and they (the British) have a lot more leverage against him than Bishop Muzorewa and Reverend Sithole (signatories to the internal settlement — ed.) . . .

". . . Most Americans think that the internal solution is good, well-worked-out, democratic agreement, approved of by the majority of the citizens of Rhodesia, and yet, there is no proposal at all to put this proposal to a vote of the six million black citizens in Rhodesia. . . . It is a white plan that does not require black approval.

Victor Zorza, syndicated column, March 16:

The West would again find itself on the wrong side if it gave support to the Smith formula, because the "internal settlement" is a transparent device to ensure that the real decisions in Rhodesia will continue to be made by the whites.

That is what Moscow Radio has been telling the Africans, and the analysis cannot be easily controverted. It has also said, more ominously, that the new situation creates "a serious threat to peace" that could be made

an excuse for the introduction of Cuban and Soviet military forces. . . . That is one threat to peace.

The other . . . is that the Rhodesian security forces will seek to preempt the stepped-up attacks by Patriotic Front guerrillas based in neighboring Mozambique and Zambia . . . and thus give both Zambia and Mozambique a reason for requesting Soviet-Cuban military aid. . . .

If the West allows itself to be maneuvered once again into the position of supporting the wrong side, then it will also find itself on the losing side — and the Kremlin will have made another gain in the steady unfolding of its African strategy.

'U.S. Should Call For Geneva'

A U.S. specialist in African and Soviet Affairs commented:

"The problem with Carter Administration policy is that no one has said anything realistic about including the Patriotic Front in the settlement of the Rhodesia question. The U.S. should call for a Geneva conference in participation with the Soviets to settle the question, on the basis of the joint economic development of Rhodesia."

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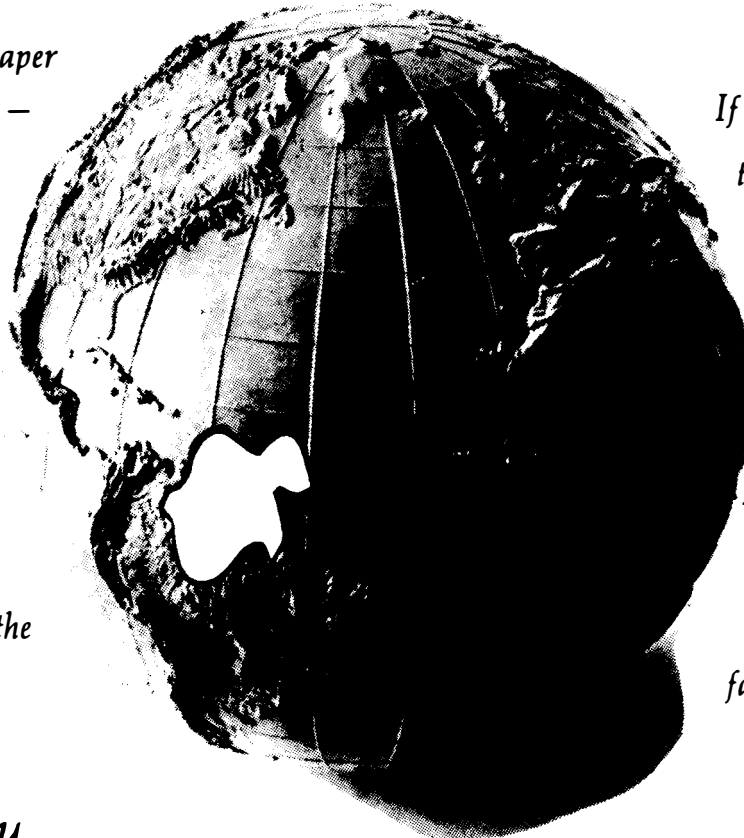
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EXECUTIVE INTELLIGENCE REVIEW SPECIAL REPORT
DAILY ENERGY INTELLIGENCE BULLETIN
THURSDAY, JANUARY 11, 1978

LEADING U.S. BUSINESS DAILY CALLS FOR CUTOFF OF NUCLEAR COOPERATION WITH INDIA

JAN. 11 - THE WALL STREET JOURNAL, A LEADING U.S. BUSINESS DAILY, DENOUNCED A MAJOR EDITORIAL TODAY CALLING ON THE CARTER ADMINISTRATION TO RENUNCIATE ON THE COOPERATION RELATIONS WITH INDIA. IN A SCATHING INCIDENT AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD AUTHORIZE AND ABOVE ALL HIS COSMETIC CONCESSION THAT HE WOULD FOR FUELING NUCLEAR COOPERATION. THE JOURNAL CONCLUDES: "IT IS DID AFTER THE INDIAN EXPLOSION. THE JOURNAL CONCLUDES: "IT IS EASY ENOUGH TO BELIEVE THAT MR. CARTER DOESN'T NOTICE MINES AND POLICY IN CONTACT DESPITE THE HEAVY WATER SHIPMENT. BUT ON THE OTHER HAND, PERHAPS IT WAS NOT THE INDIANS WHO WERE INTENDED TO OVERHEAR TO TELL US A LIE WAS USING THE PLOT TO MISLEAD THE AMERICAN PEOPLE."

WHAT IS REALLY GOING ON?

WHILE THE DUST HAS NOT YET SETTLED ON THE CARTER TRIP, BRITISH PRIME MINISTER JAMES CALLAGHAN HAS ARRIVED IN INDIA TO SUPPOSEDLY SOLVE THE COMPROMISE FORMULA TO BRING INDIA INTO AN ACCEPTABLE STATUS ON THE NON-PROLIFERATION QUESTION. WHILE THE U.S. STATE DEPARTMENT TODAY ADAMANTLY DENIED ANY TRUTH TO THE STORY THAT CALLAGHAN HAS SUCCEEDED WHERE CARTER HAS FAILED, AS PRESENTED IN THE LONDON TIMES, THE CALLAGHAN TRIP HAS OBTAINABLE TWO GOALS. ONE, IS TO ARRIVE AT A COMPROMISE AGREEMENT WITHOUT TOTALLY DIS- CLOSING DETAILS AT THIS TIME. TODAY'S LONDON DAILY TELEGRAPH ADDS THAT CALLAGHAN HOPES TO TAKE DESAI'S SECRET PROMISES AND CONTRACTED FRENCH NUCLEAR REPROCESSING PLANT. CALLAGHAN ARRIVED IN PAKISTAN JAN. 11, ONE DAY AFTER THE NEW YORK TIMES ANNOUNCED THAT FRANCE HAS REQUESTED THE PAKISTANIS CONSIDER ALTERATIONS IN CURRENT CONTRACTS.

MIDWEST COLD FREEZES OHIO COAL STOCKPILES

JAN. 11 - AS THE NATIONAL STRIKE OF U.S. COAL MINERS AND COAL-HANDLING MACHINERY, A SPOKESMAN FOR THE ELECTRIC UTILITY TOLD THIS NEWS SERVICE THAT INDUSTRY CUSTOMERS HAVE BEEN ASKED TO VOLUNTARILY CUT BACK FACILITY IN SHIPPINGPORT, PA. HAS BEEN SHUT A DAY. HOWEVER A SECOND COLD FREEZE IS PRE- WENEND. THE ONGOING MINERS' STRIKE ALTERNATIVE USED TO REPLACE FROZEN COAL IN FRESH COAL TO REPLACE FROZEN COAL. THE OHIO STATE ENERGY OFFICE DURING COAL DELIVERIES TO RESIDENTIAL USERS

A SPOKESMAN FOR THE U.S. DEPT. WILL DO NOTHING IN THE PRESENT SITUATION. HE ADDED THAT THE STATEMENT HE MADE WAS PRODUCED BY THE ONGOING STRIKE AND UNTIL THEN THE GOVERNMENT CONSERVATIVE BRIT. FIRING OPPOSITION TOM KING, BRIT. GOVERNMENT HIS D. OF

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