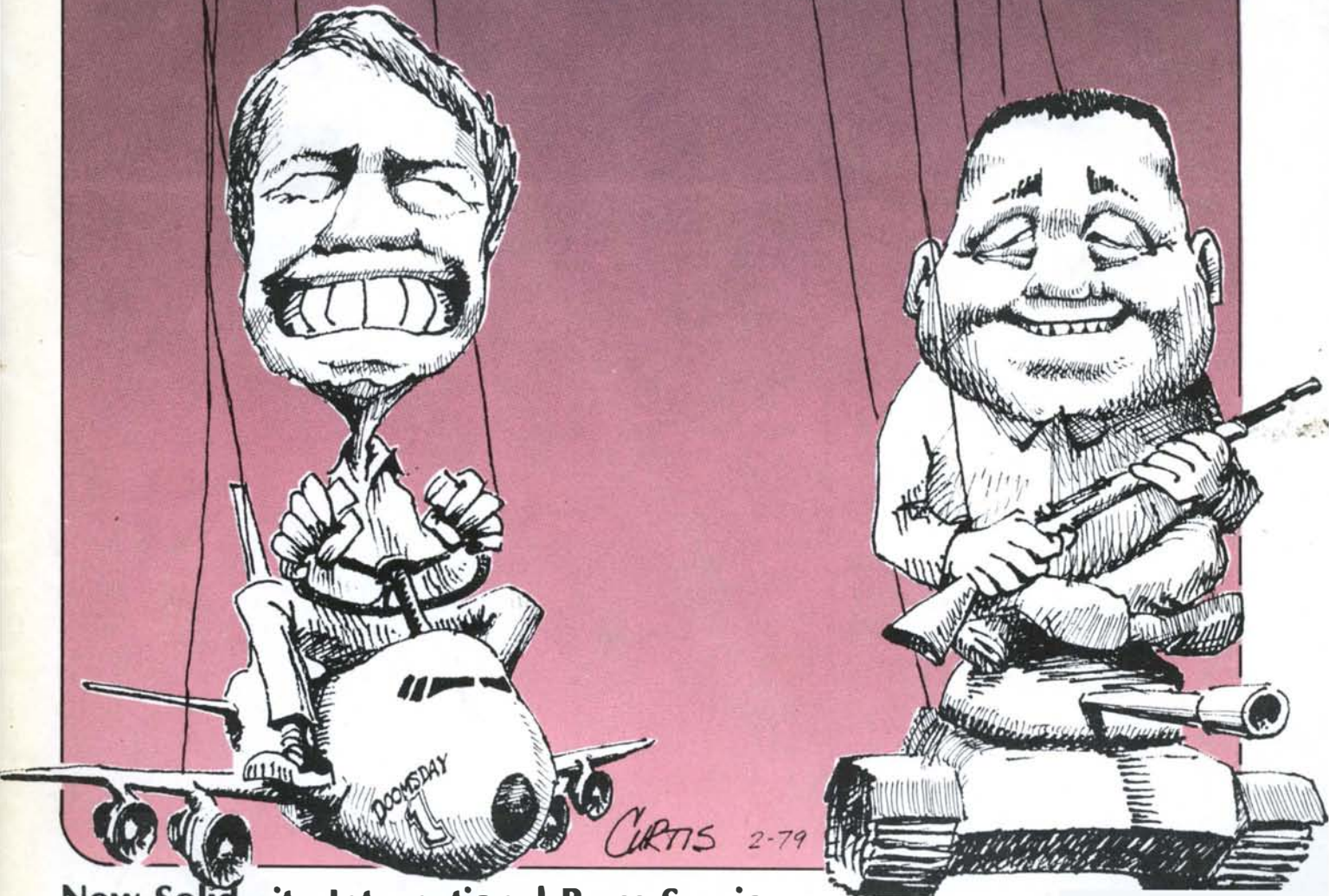


# EXECUTIVE INTELLIGENCE REVIEW

How the China-Viet  
War will go nuclear

February 27-  
March 5, 1979

British puppets  
prepare Armageddon



New Solidarity International Press Service

[ THIS PAGE IS INTENTIONALLY BLANK ]

**Editor-in-Chief:** Fernando Quijano  
**Editor:** Paul Arnest  
**Associate Editor:** Kathy Stevens

**Contributing Editors:**  
Lyndon H. LaRouche, Jr.,  
Criton Zoakos, Christopher White,  
Costas Kalimtgis, Nancy Spannaus,

**NEW YORK BUREAU:**  
Nora Hamerman, bureau chief  
**Africa:** Douglas DeGroot  
**Asia:** Daniel Sneider  
**Counterintelligence and Terrorism:**  
Paul Goldstein and Jeffrey Steinberg  
**Economics:** David Goldman  
**Europe:** Vivian Zoakos  
**Latin America:** Dennis Small  
**Law:** Felice Gelman  
**Middle East:** Robert Dreyfuss  
**Soviet Sector:** Rachel Berthoff  
**United States:** Konstantin George  
and Stephen Pepper  
**United Nations:** Leif Johnson

**INTERNATIONAL BUREAUS:**  
**Bogota:** Carlos Cota Meza  
**Bonn:** George Gregory  
**Brussels:** Christine Juarez  
**Chicago:** Mitchell Hirsch  
**Copenhagen:** Vincent Robson  
**Mexico City:** Robyn Quijano  
**Milan:** Muriel Mirak  
**Paris:** Catherine Kantor  
**Rome:** Marco Fanini  
**Stockholm:** Clifford Gaddy  
**Washington D.C.:** Laura Chasen  
and Ron Kokinda  
**Wiesbaden** (European Economics):  
Mark Tritsch

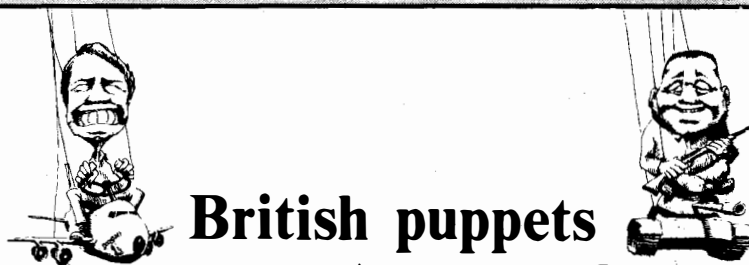
**Executive Intelligence Review** is  
published by New Solidarity  
International Press Service  
304 W. 58th Street  
New York City, N.Y. 10001

© 1979 New Solidarity  
International Press Service

Subscription by mail for the U.S.:  
**3 months** — \$65, **6 months** — \$225,  
**1 year** — \$400

ISSN 0 146-9614

# EXECUTIVE INTELLIGENCE REVIEW



## British puppets prepare Armageddon

Forget their pious intonations about “liberating Cambodia” or “punishing Vietnam”: both the Carter Administration and the Chinese invaders of Vietnam are marching to the tune of London’s “arc of crisis” scenario to inflame the entire southern border of the Soviet Union. As we predicted last week, the world is heading rapidly toward a Cuban Missile Crisis-style showdown in which London and the Carter Administration believe — wrongly in our view — that they can force the Soviet Union to back down in the face of extraordinary Anglo-Sino-Anglo-American provocations. In our INTERNATIONAL section this week: how the Soviet Union views China’s invasion as part of a broader international deployment against them, Soviet attacks on Britain and the Carter Administration for encouraging the invasion, outrage in India, which experienced an invasion by China in 1962, but a strangely muted response in Europe. Plus: Harold Brown opens a dangerous “second front” against the USSR in the Middle East, and the battlefield analysis you haven’t read anywhere else: the strategic considerations impelling the Soviets toward a nuclear counterforce strike against China.

page 8

# EXECUTIVE INTELLIGENCE REVIEW

---

## IN THIS ISSUE

### **Missile Crisis-style "Excom" takes charge of Carter**

As in the opening days of the Cuban Missile Crisis in 1962, Carter Administration policy — and the hapless President himself — is being dictated by a self-constituted crisis management team determined to force a confrontation. In our U.S. REPORT: who's in it, and a review of their pro-British and geopoliticians' pedigrees. Together with evidence that the State Department has been deployed for a confrontation for more than a month, a strategic analysis of the Administration's newly adopted "counterforce" doctrine, and a look at the domestic opposition to the Carter policy. Plus: regular new coverage of the Labor Movement. **page 19**

### **Banking confab turns into fight**

When the London Financial Times organized last week's seminar in Frankfurt to promote the interests of the International Monetary Fund vis-a-vis the new European Monetary System; it apparently had no idea of the donnybrook it was getting into. Our man was there, and reports on the IMF vs. the EMF fight that forced the meeting's premature adjournment. Plus, in ECONOMICS, a preview of the banking world's hottest story: the attempted British takeover of several leading U.S. banks. **page 31**

## THIS WEEK

- Behind Camp David .....5  
*Britain's 'bust OPEC' caper*
- Oil hoaxsters lure OPEC into price-rise tactics .....6
- Lopez delivers shock of reality to Carter .....7

## INTERNATIONAL

- British puppets prepare Armageddon .....8  
*Includes Soviet warnings, statements from Hanoi and Peking, what Europe is thinking, plus Germany's stake in detente*
- The strategic parameters of World War III .....16  
*LaRouche on how the China-Vietnam war will go nuclear*
- Egypt-Israel pact: the second front .....18

## U.S. REPORT

- Who's running the government? .....19  
*Missile Crisis-style EXCOM takes charge of Carter*
- State acting like it's preparing for conflict .....20
- U.S. counterforce posture: calculated madness .....21
- GOP, Dems turn to LaRouche leadership .....23  
*Republicans call for an American foreign policy*
- The Teamsters grope for a bargaining strategy .....24
- Labor Periscope .....26

## ENERGY

- Strategic reserve plan hits EMS .....27  
*Oil grab would prepare U.S., British Commonwealth for war — secret memo to President Carter tells the story*
- The reserve: Who's pushing it? .....29  
*Quotes from Kennedy's speech on Mexican oil and an exclusive interview with energy consultant Goldmuntz*

**ECONOMICS**

Banking confab turns into fight .....31  
*IMF credit rationing versus EMF lending  
the issue in conference debate on  
the future of the world economy*

Rough going for bank takeovers .....34

**ECONOMIC OUTLOOK**

Credit Markets ..... 35	Commodities ..... 38
Foreign Exchange ..... 36	Trade ..... 38
Gold ..... 36	From our competition .. 39
Corporate Strategy ... 37	Britain ..... 40

China trade or China swindle? .....41  
*Limited oil reserves, bureaucracy, and domestic  
political uncertainty all combine to cloud  
the outlook for business*

**SCIENCE AND TECHNOLOGY**

Dr. Press and U.S. science policy .....45  
*'I'm an advisor, not an advocate of science'*

Sending Third World technology to the U.S. ....46

Ibero-American conference meets .....47  
*Pledges to strengthen science and technology*

A university to foster development .....48

**EUROPE**

France, in Africa, the Mideast .....49  
*A common front for peace  
and economic progress*

Giscard defines foreign policy .....50  
*With a political map of French diplomacy*

**COUNTERINTELLIGENCE**

Gardner, State Dept. defend Red Brigades .....52  
*Publication of U.S. report may provoke  
ambassador's recall; coverage includes  
what the Perrone report said, and what  
the press and PCI are saying about it*

**China trade or  
China swindle?**

Is there anything to the touted prospects for trade with China following U.S. normalization? Not much, was the business consensus at a high-level management seminar last week, held before the Chinese invasion of Vietnam. Our report, in **ECONOMICS**, reviews such topics as the real anticipated output of China's oil fields, the expense and difficulty of securing a Chinese order, and China's uncertain domestic political outlook, and raises the question: is the trade talk a hype to cover the Carter Administration's playing of the "China card" against the USSR? **page 41**

**COMING NEXT WEEK**

The full story behind the possibility of a repeat of the 1973-74 "oil shortage" hoax; and the Vatican's world diplomacy. Coming in future issues: a new method of measuring economic growth, a report on the resurgence of Otto von Hapsburg in Europe, and the economic program of the coalition behind France's President Giscard d'Estaing.

**EXECUTIVE INTELLIGENCE REVIEW**  
September 10-23, 1978

*The Economic Outlook  
Come of Age*

**Why the World Bank Pushes Drugs**

Podding heroin, marijuana and cocaine as the Third World's main cash export crop.

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
November 7-21, 1978

**Saving the dollar —**

**—without a recession**

London plans U.S. financial pact  
The new world monetary system: pendulum coop

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
November 12-26, 1978

**Japan exports the A...**

will...  
any...  
in the

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
November 28-December 4, 1978

**The oil giant next door**

New Solidarity International Press Service \$10

**Don't miss another opportunity —  
subscribe to the EIR now!**

**EXECUTIVE INTELLIGENCE REVIEW**  
December 12-18, 1978

**The new monetary system —  
it's official!**

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
December 26-January 9, 1979

**China plays the 'America card'**

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
January 9-15, 1979

**Europe races to stop**

**the Crash of '79**

New Solidarity International Press Service \$10

**EXECUTIVE INTELLIGENCE REVIEW**  
January 22-February 5, 1979

**The Presidency 1980**

Who's the man to lead America into the EMS?

New Solidarity International Press Service \$10

# EXECUTIVE INTELLIGENCE REVIEW

The U.S. can get in on the boom which the new European Monetary System will create. But where are the opportunities and how do you get in on them?

Read the **Executive Intelligence Review** and see the facts that your newspaper, stock broker, or economic analyst doesn't know or doesn't tell you.

Find out about the battle between the International Monetary Fund and the European Monetary System.

## THE EIR GIVES YOU THE FACTS

**Subscribe Now!**  
**Don't miss another opportunity!**  
Special **3 month** introductory  
half-price subscription offer— **\$65**  
• (regularly \$125)

<b>6 months</b>	<b>1 year</b>
<b>\$225</b>	<b>\$400</b>

Central America, West Indies, Venezuela, and Colombia:  
**3mo.-\$135 6 mo.-\$245 1 yr.-\$450**

Western Europe, South America, Mediterranean, and North Africa:  
**3mo.-\$140 6 mo.-\$255 1 yr.-\$470**

All other countries:  
**3 mo.-\$145 6 mo.-\$265 1 yr.-\$490**

- To qualify for the special 3 month subscription offer, your order must be received by April 30, 1979. Special offer good in U.S., Canada, and Mexico only.

I would like to subscribe to the **Executive Intelligence Review** for  
 3 months  6 months  1 year

Please charge to my  
 Mastercharge No. \_\_\_\_\_  
 Interbank No. \_\_\_\_\_  
 VISA No. \_\_\_\_\_

Signature \_\_\_\_\_ Expiration Date \_\_\_\_\_

I enclose \$\_\_\_\_\_ check or money order.

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_  
 State \_\_\_\_\_ Zip \_\_\_\_\_

Make checks payable to **Campaigner Publications, Inc.** distributing agents for New Solidarity International Press Service, and mail to Campaigner Publications G.P.O. Box 1920, New York, N.Y. 10001  
 Credit card holders call toll free 800-621-5809. 24 hrs. a day—7 days a week. In Illinois call 800-972-5858.

# Behind Camp David: Britain's 'bust OPEC' caper

In case Britain's surrogate, Vice-Premier Teng Hsiao-ping, does not trigger World War III through the invasion of Vietnam, London has prepared several additional incentives for general thermonuclear war. Among these is the project scheduled to be negotiated at the current Camp David meeting: *the assignment of the Egyptian Army to conquer Libya by March 1979*.

The projected Egyptian invasion of Libya is coordinate with the British orchestration of the destabilization of Iran. Both these, and the Queen's recent visit to Saudi Arabia, are part of the "bust OPEC" project publicly embraced by such U.S. figures as Senator Jake Javits and ex-Senator William Fulbright's former protégé Senator Frank Church. This is also the policy adopted by James R. Schlesinger and by Henry A. Kissinger.

Against this background, it should not be difficult to understand why the Israeli intelligence service should have ordered its puppet, Ayatollah Khomeini, to embrace the PLO's Yasser Arafat, and to cut off Iranian oil shipments to Israel.

## The British strategy

The element of desperation in the current British policy is prompted by the successful institutionalization of the European Monetary System. If the combined East-West, North-South economic development cooperation develops, Britain would face the same kind of threat it faced at the hands of France's Hanotaux and Russia's Count Witte at the time of U.S. President William McKinley's election on an

anti-British election campaign platform. The emergence of a proindustrialization entente of economic cooperation across the Eurasian continent, to the Pacific shores of Japan, means an end to the kind of monetary domination of most of the world which London has enjoyed for approximately two centuries.

That was the "danger" which prompted Lord Alfred Milner's group to plot World War I during their 1902 sessions; that is the immediate motive for British desperation at this moment. That was the motive for putting Adolf Hitler into power in 1933 — to block General von Schleicher's plan to revive Rapallo. The British view the European Monetary System as the same issue for today.

It is not the role of Britain's Israeli puppet in the Middle East that pushes the world to the brink of general war. It is not simply the Peking puppet regime's massive genocide in Cambodia that triggers such a danger. It is not the British-Israeli-Kissinger-Brzezinski destabilization of Iran which threatens such a war. The danger of war arises from the fact that all these and related developments occur in the context of development of a London-Washington-Jerusalem-Peking axis-power combination, a combination of axis powers profoundly dedicated to a new implementation of Britain's geopolitical policy.

## A new dark ages

I am saddened that the PLO's Yasser Arafat should have shown himself so manipulable as to be

duped by the "anti-Israel" posturing of Israeli Mossad agent Ayatollah Khomeini. Yet I have personal compassion for the numerous Arabs and others who are duped in that way. They do not yet understand the ABCs of British intelligence methods of "deception warfare."

I know that if the PLO leadership, the Libyan government and others can be duped for a brief period into the delusion that Khomeini is an "Islamic patriot" that this delusion will provide the British and Israelis a political maneuvering room required for the destruction of the entire Arab world. If the Saudi leadership is also duped, then the British plot to cut off Saudi, like Iranian, oil supplies will probably succeed. The planned Egyptian March conquest of Libya will succeed. An Egyptian (Coptic)-dominated "New Persian Empire" — from Afghanistan to Morocco — will share the Middle East with a Greater Israel ally and master of Egyptian military forces.

The axis powers' concentration on the Middle East for wars and destabilizations is directed not so much against the Soviet Union as against continental Western Europe and Japan, and also against the developing sector nations dependent on Middle East petroleum.

If this policy were to succeed, the European and Japanese economies would be wrecked, and the developing nations would be generally plunged into genocidal famine, epidemics, and regional warfare — accomplishing thus the mass geno-

cidal policies proposed by the Club of Rome.

The effect of such an operation would be to plunge most of the world into a genocidal "New Dark Age" — a kind of depopulated world forecast in H.G. Wells's futurologist *The Time Machine* or a kind of nightmare forecast by

Aldous Huxley, George Orwell, and other leading apostles of the Bertrand Russell faction. *The obvious is intentional.*

To ally with or to tolerate the British in any enterprise is a far worse crime against humanity than to have supported Adolf Hitler.

— Lyndon H. LaRouche, Jr.

## Oil hoaxsters lure OPEC into price-rise tactics

A statement from OPEC's Vienna headquarters on the threats of a world oil crisis has warned that "speculative traders are taking advantage of the situation." A number of OPEC's members, however, are displaying their dissatisfaction with the huge scale of speculation by the oil companies and traders by themselves imposing retaliatory premiums on their oil.

Now there is talk of a new price-setting meeting on March 26 that would boost OPEC's official price still higher, in further retaliation against the speculators. If such a move comes off, the British-led oil hoaxsters will have succeeded in taunting OPEC into joining in their contrived oil crisis — with results that could quickly devastate both the U.S. and European economies. Aimed most immediately at the new European Monetary System and associated plans to divert billions in Euro- and petrodollars out of the City of London's control and into global development projects, the British strategy will also destroy OPEC itself.

To date, Saudi Arabia, Iraq, Kuwait, Abu Dhabi, Qatar and most recently Libya have imposed premiums — additional costs — of various values on all or portions of their crude oil production. Last week Abu Dhabi and Qatar, two Persian Gulf producers, announced

a joint decision to attach a 7 percent premium, the highest thus far announced within OPEC, to their high-demand light crude, on top of the 14.5 percent OPEC price hike for 1979. This means that the 1.9 million barrels a day (mbd) that these two countries produce will now sell for over \$15.00 a barrel, and over \$16.00 at the end of the year. At present the OPEC official posted price for crude following the Jan. 1 increase is \$13.34 a barrel, but because of a combination of individual price hikes plus an inflated spot market, a sizeable percentage of OPEC's petroleum is selling for far more.

Mana Saeed Oteiba, the Oil Minister from Abu Dhabi, castigated the oil companies for speculating with OPEC crude, and shortly thereafter announced the 7 percent premium to reprimand the speculators, whose biggest market has been in the light crude category. A few days later Libya announced a 5 percent premium on its 2 mbd production, adding another dollar to its posted price.

### Who are the speculators?

The current pricing bubble in the oil markets began with the shutdown of Iran's 4 to 5 mbd exports in late December. Shortly thereafter under tight market conditions producers of North Sea crude began to bid up

prices on the spot market. Numerous press sources and public officials, including the head of the International Energy Agency, have named the Anglo-Dutch-run Royal Dutch Shell and London's British Petroleum as the instigators of the speculative spiral, and have noted that for all their cries of shortage, these and allied companies are sitting on billions of barrels of stockpiled oil. Petroleum Intelligence Weekly of Feb. 19, reports that European sources are accusing Shell and Esso of starting a speculative run on the Rotterdam petroleum products spot market, in some instances doubling the cost of spot heating oil in the European markets.

Both the oil companies and governments of oil consuming countries are charging the big petroleum trading houses with rigging the skyrocketing spot trade prices. The French newspaper *Les Echos* and *L'Express* this week cited the trading firm Philippes Brothers as having cornered the heating fuel market in Rotterdam and driven up the price of spot crude cargoes to over \$18.00 a barrel. Philippes is affiliated with the raw mater trading firm Engelhard, which is controlled by South African diamond magnate Harry Oppenheimer. Engelhard is in turn associated with Royal Dutch Shell and its sister company British Petroleum through the Lord Cowdrey-Lazard Freres financial interests.

### Playing on OPEC militancy

Presently many of the price hawks within OPEC — notably Algeria with discreet backing from Kuwait — are pushing for an additional across-the-board OPEC price hike of 15 percent. At the same time, many of these producing nations are feeding the spot market pricing bubble by auctioning their crude at prices nearing \$20.00 a barrel, in order to make quick profits while the markets are tight.

So far only an unofficial "con-



sultative" OPEC meeting has been organized for March 26 to discuss the market situation. The New York Times reports that, if the current pattern continues, a decision may be taken in March to hold a price setting meeting in response to the Anglo-Dutch speculative gambit. But officials in both Venezuela and Nigeria have openly attacked moves to get a new OPEC price hike, reflecting the Saudi position.

The Saudis, however, are themselves under heavy pressure to bend to the oil crisis scenario. Saudi Arabia is being threatened with the "Iran treatment" — rumors of terrorists in the oil fields, "Islamic fundamentalist" unrest spreading from Iran, and so forth — in terms that reveal hopes that an Iran-style cutback of oil production can be imposed on the Saudis, too.

Simultaneously, U.S. Defense Secretary Harold Brown, the Queen of England, and others are pressuring the Saudis to join the Camp David axis against the rest of the Arab states, thus making the threats of terror in the oil fields all the more real.

Should OPEC be lured into a new price hike, the effects on the world economy will be disastrous, as is obvious from the plans for rationing, cutbacks, and shutdowns eagerly being made public by Energy Secretary Schlesinger and others. The cartel would do far better to begin singling out the culprits who are using OPEC crude as an instrument of economic war. OPEC would assuredly find plentiful allies among the oil-consuming nations if it adopted such a strategy.

— Judith Weyer

## Lopez delivers shock of reality to Carter

Reports in the U.S. press this week that President Carter's visit to Mexico was a "fiasco" are very misleading. From the U.S.'s standpoint, it would be more accurate to say that the visit was a fiasco for the policies of confrontation promoted by National Security Advisor Zbigniew Brzezinski and Energy Secretary James Schlesinger, but a success for those forces in the U.S. committed to progress and industrial development.

This can be clearly seen from the final communiqué issued at the conclusion of the three-day visit (under the insistence of the Mexican government) which emphasizes the need to establish a "new international system" to insure that resources are used "for the economic and social development of a nation's population" and to "encourage the industrialization" of the Third World.

This clear invitation for the U.S. to join in the development of the Third World — a potential market of hundreds of billions of dollars for U.S. industry — was coupled with the firm rejection of Brzezinski and Schlesinger's efforts to secure Mexico's enormous oil resources as a "strategic reserve for war." Mexican President Jose Lopez Portillo was adamant that energy questions could only be negotiated within the context of a "new world order of production, distribution and consumption of energy resources" based on the higher interest of humanity and not on deformations or bilateral demand." And on other key issues, such as the construction of a gas pipeline to the U.S. and the immigration of unemployed Mexican workers to the U.S., the Mexican President was equally insistent that they could not be solved in an isolated way but only within the

context of a global outlook.

This effort to deliver a strong shock of reality to the bungling Carter Administration was made very explicit by the Mexican government. Before Carter's arrival, President Lopez Portillo had conveyed his nation's preoccupation with the current trend in U.S. foreign policy during a press conference at which he warned that further U.S. errors in international politics would be "madness or violence." Foreign Minister Santiago Roel had driven the point home one day later when he denounced the "paranoid mysticism" and "territorial ambitions" from which certain "other countries" suffer. Roel had concluded his remarks with a direct message to the American people: "I think the best thing you can do is wake up."

But the Carter Administration has shown no signs of waking up. Before even leaving Mexico, Carter and his officials made it clear that they would continue threatening Mexico with sealing the border — a move which would undermine Mexico's industrialization efforts and could potentially foment social turmoil. In the final communiqué, President Carter insisted on including a paragraph announcing the intention to enforce his proposed legislation against "illegal aliens." To carry this out, Carter announced the creation of a blue ribbon commission on immigration — a proposal made by Senator Edward Kennedy — which will be chaired by former governor of Florida, Reuben Askew.

A more blatant indication of the course that U.S. policy towards Mexico will take in the months ahead was provided by columnist James Reston, Secretary of State Vance's man at the *New York Times* who, perturbed by Mexico's insistence that the U.S. adopt a positive role in world affairs, called for the U.S. to "shout out against this free and easy advice from abroad about what the U.S. should do in the world."

# British puppets prepare Armageddon

At dawn on Feb. 17, the entire world entered a new strategic geometry whose end point is full-scale thermonuclear war between the United States of America and the Union of Soviet Socialist Republics. As the morning sun rose on that day last week, the armed forces of the People's Republic of China crossed the northern border of the Socialist Republic of Vietnam in what has since shown itself to be a massive full-scale invasion of that nation. From that point on, despite the wave of disinformation flowing from Peking and from Western sources characterizing this incredible adventure as "limited in time and space," the only relevant issue before the world is whether the Soviet Union will intervene in support of its Vietnamese allies and whether the U.S. in turn will act in support of its newfound "allies" in Peking.

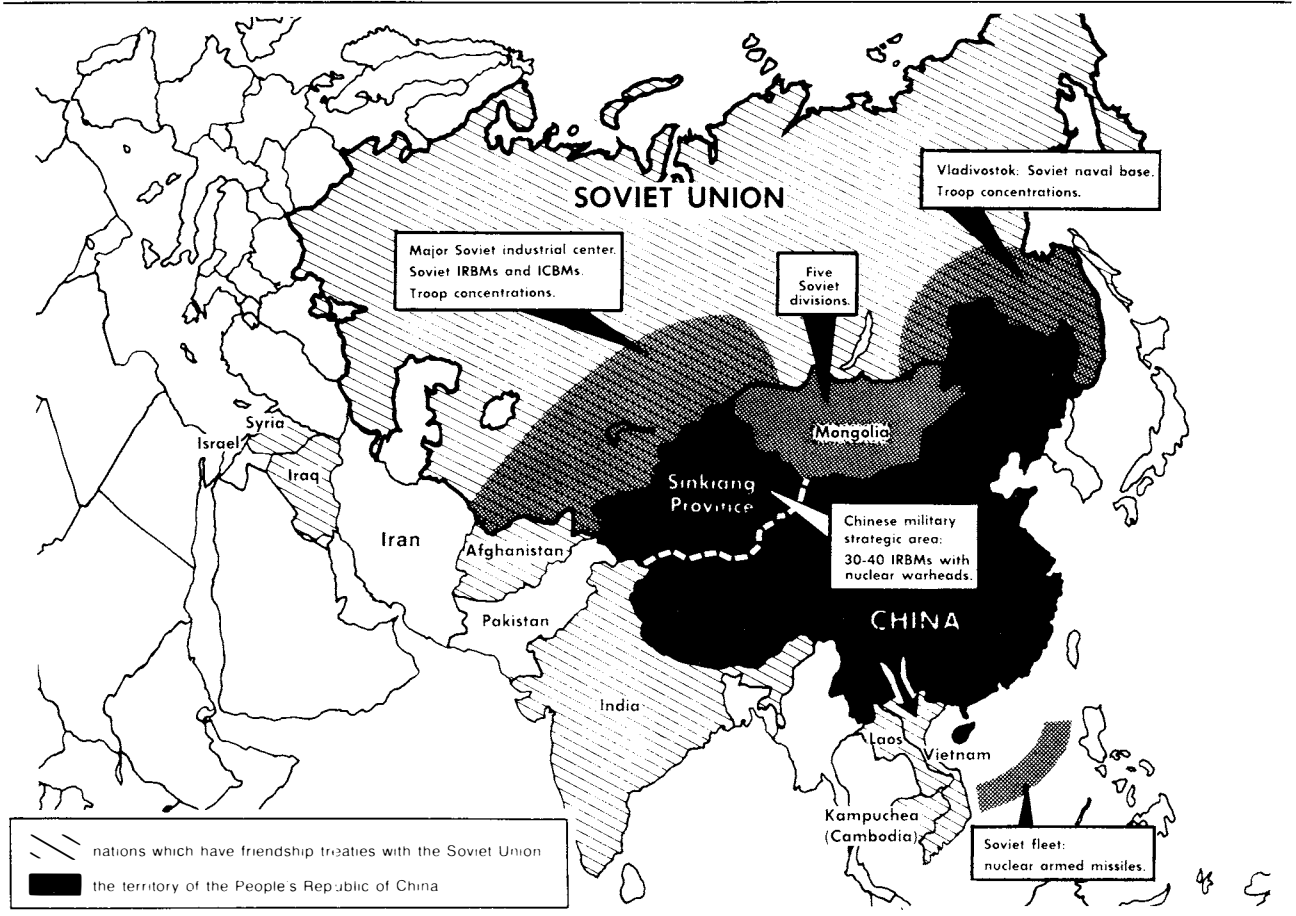
The illusions of the State Department and the National Security Council to the contrary, the Chinese invasion can only result in a complete defeat of the Chinese and the total determination of Vietnam and the Soviet Union to ensure that outcome. As our accompanying strategic assessment details, the Soviets and Vietnamese will not commit the Truman mistake of the Korean War and hold their MacArthurs back from the military necessity of striking at the staging areas of the Chinese troops behind the border. The use of Soviet tactical nuclear weapons is not unlikely, including preemptive destruction of the 30-40 Chinese Intermediate Range Ballistic Missile (IRBM) sites scattered in the border areas of Sinkiang, Inner Mongolia, Manchuria and Northern Tibet.

Confronted by the hostile and war-seeking encirclement represented by the active alliance of Peking with Washington and London, the Soviet response to that threat is best indicated by the consistent Soviet reference to the present situation as a replay of the Nazi invasion

of Poland, with China playing the role of the Nazis and the British playing the same role as they did then in urging the Nazis to "go East." Should the West choose to act again as Chamberlain did at Munich, and in particular should Western Europe and Japan choose to capitulate to Anglo-American pressure, then Moscow will have virtually no political room in which to continue a war-avoidance course.

As we go to press on Feb. 23, the battlefield situation in Vietnam is rapidly developing into a major engagement of Chinese and Vietnamese forces at several key points, with Chinese forces regrouping and being reinforced for a major drive into Vietnam. The main Chinese assaults are focussed at Lang Son, the provincial capital which sits astride the route through Friendship Pass from China into Vietnam; at Mong Kai, the town along the coastal plain of the Tonkin Gulf; and at Cao Bang, another provincial capital west of Lang Son and some 18 miles deep into Vietnam. The Chinese are suffering heavy casualties with Radio Hanoi reporting 20,000 Chinese killed or wounded, 150 armored vehicles destroyed, and 14 Chinese battalions put out of action. The Chinese casualty level reflects the use of the semi-"human wave" tactics of the Korean War era, utilizing the Chinese manpower advantage to compensate for the vast technological and command superiority of the Vietnamese Army. So far the main divisions of the Vietnamese Army have not been heavily deployed; local and regional forces are still taking the brunt of the Chinese attack.

The battlefield situation is complemented by the open signals of Soviet readiness to intervene militarily should the Vietnamese require their assistance. A reinforced Soviet naval squadron is now in the Gulf of Tonkin. The latest addition is a heavy Soviet cruiser, the "Admiral Senyavin," whose weaponry includes nuclear warheads.



## How the Vietnam-China war will go nuclear

See article page 16.

On board the cruiser, the largest in the Soviet fleet according to Japanese sources, is the commander of the Soviet Pacific Fleet who has also command of all Soviet forces in the Eastern region. Japanese sources simultaneously report that Soviet forces have been mobilized along the Chinese border, in Sinkiang in the west, in Manchuria in the north, and in Mongolia, with accompanying troop movements. This follows earlier reports coming from Soviet journalist Victor Louis, known to be a Soviet "leak," that their forces have been placed on "No. 1 alert status" and all leaves cancelled for Soviet forces. The latest news includes reports that four Soviet air transports, presumably carrying materiel supplies, are on their way to Vietnam.

The latest Chinese escalation, a bombing raid on Soviet supply depots near Haiphong harbor, may make open Sino-Soviet conflict imminent. Soviet sources indicate that if a bombing raid should strike a Soviet ship in the harbor the response will be "all hell breaks loose." The airstrike of the Chinese at the least indicates that the

major battle is now to be joined and within 24-48 hours the entire military situation will undergo a dramatic shift, probably in the form of a Vietnamese counterthrust.

### Why have the Chinese done this?

The question that obviously presents itself is why have the Chinese risked the destruction of their country in this risky adventure in Vietnam? While there are internal Chinese dimensions to this, and regional considerations, the only real answer that fits the facts is that China is acting as part of Zbigniew Brzezinski's global "Arc of Crisis." The Chinese in this situation are the trigger on a global confrontation that promises to wipe out the last vestiges of detente.

The geopolitics of the Chinese invasion rest in the determination of the strategic planners of Washington and London who calculated that they could set Peking into motion in a "Pacific War" march that would lead

to a Sino-Soviet war, which, accompanied by the destabilization of the Middle East (Iran, Persian Gulf, etc.), would totally wipe out the last bastions of political forces working for a North-South development and East-West cooperation based solution to the world monetary and economic crisis.

Two parallel processes have been underway since the spring of 1978 (themselves products of a longer process): one is the above war avoidance-economic development course which was embodied in the Euro-Japanese alliance to create the European Monetary System as the axis of a new world monetary system, which had its immediate springpoint in the May 1978 visit of Soviet President Brezhnev to Bonn and the conclusion of a 25-year economic pact with West German Chancellor Schmidt. The second process is that of the "China card," or its flip-side variant the American card, which escalated into high profile with the visit in April 1978 of British Chief of Staff Neil Cameron to China where he so blatantly pointed north and proclaimed to his Chinese hosts that there lay their "common enemy." National Security Advisor Brzezinski made his famous visit in May, proclaiming equally fervently the desire to join forces against the "Russian bear" and opening up the negotiations which culminated in the December normalization announcement and the January visit of Vice Premier Teng Hsiao-ping to the U.S.

The Soviets, as the accompanying spread of their official statements in the last days makes abundantly clear, are perfectly aware of the linkage (to use a favorite Washington term) between the Teng visit and the Chinese invasion. Even if Teng had not so openly proclaimed while in the USA his intention to "punish the Vietnamese" and "teach them a lesson" for their overthrow of Peking's murderous clients in Kampuchea, it is obvious that U.S.-Chinese collusion is on the highest level. Teng sought and gained some form of U.S. assurances of support against the Soviet Union, and the word in well informed circles is that, de facto, a U.S. nuclear umbrella now extends over China. Brzezinski and London (British Industries Minister Varley is at this moment on his way to Peking to finalize British delivery of Harrier war jets and other military equipment) have guided the Chinese carefully to this point with their expressed readiness to move the West into confrontation rather than "appeasement" of the "Soviet menace."

At the point when the Carter Administration stood by silently and approvingly while Teng proclaimed that a "united front against the polar bear" was being formed, the die was cast. The response of the Administration, expressed by State Department spokesman Hodding Carter III and by the President in his Georgia Tech speech, openly excused the Chinese aggression as a response to the "Vietnamese invasion of Kampuchea."

The "linkage" formula of "Vietnamese withdrawal from Kampuchea" and "Chinese withdrawal from Vietnam" does not conceal in the slightest the active pro-Peking policy of Washington. Linkage does indeed exist in that the Vietnamese action in support of the Kampuchean rebels who overthrew the Pol Pot genocide regime was based in part on a clear Vietnamese perception that they were faced with a Chinese two-front assault aimed at the destruction of Vietnam, a powerful nation that stands in the way of Chinese domination and control of the entire Southeast Asian region.

The Pol Pot regime, with its 20,000 Chinese "advisors," was carrying out over at least a year and a half period an escalating border war against Vietnam, while exterminating a major portion of the Kampuchean population itself. It is likely that the overthrow of the Pol Pot regime preceded by days or weeks a combined Chinese assault from both fronts and that the rapid fall of the Pol Pot regime forced Peking to attempt to move rapidly and precipitously to try to salvage its war plans against Vietnam through the present invasion.

According to very well informed sources the Vietnamese had anticipated in precise detail the Chinese attack including the expected invasion routes and points of major attack.

The Vietnamese anticipation was shared by the Soviet Union not only in the immediate period, but certainly as far back as the spring-summer of this past year the Soviet Union perceived that an alliance was being structured with Peking by the Anglo-Americans which threatened to encircle the Soviet Union. Soviet efforts to preserve the structure of detente, particularly through cooperation with France and West Germany, were a direct response to this effort.

The Teng leadership in China has been prompted to this action on the basis of two key factors: the internal instability of the regime and the belief that they could score a quick victory under U.S. protection and that playing their American card would result in complete U.S.-Soviet confrontation, leaving China on the side.

According to Japanese sources, Teng is in extreme difficulty inside China, facing domestic opposition on economic and political fronts. Recent mass demonstrations and riots of youth in Shanghai are indicative of this tension within China. The most revealing fact is that the Peking authorities have banned all wall posters and public discussion of the invasion, have reported almost nothing of the details of the events to their population beyond the first official statement, and done nothing to mobilize their population. An interesting sign of unrest resulted from the first wall poster to appear since the invasion, a six page poster signed "A state employee" which condemned the invasion stressing that China had

isolated itself from the international community. Crowds were reported gathered around the poster.

Teng's personal future now rests on the success of the invasion and the America card policy. The failure of these ventures may mean his immediate downfall at the hands of opponents within leading Chinese circles. The Teng role shows itself even in the command structure of the Chinese forces. *Agence France Presse* reports that overall command is in the hands of Hsu Shih-yu, the

commander of the Canton military region, a top People's Liberation Army commander and a close political ally who protected Teng when he was out of power. The deputy commander is General Yang Teh-chih, head of the Kunming Military Region and a Korean War veteran, also close to Teng. As if to demonstrate the nature of the Teng connection, late reports are that Teng himself is at the scene of the fighting.

— Daniel Snieder

## Soviets warn: hands off Vietnam

*Accompanying their deliberate military preparations in the face of the Chinese invasion, the Soviet government has made clear — in both its official statement and in radio and press commentaries — that it will not permit the Chinese to gain their sought-after hegemony in Southeast Asia, and, more important, that it is fully cognizant of the combined London-Peking-Washington "arc of crisis" deployment along its entire southern border. Soviet action — if and when it comes — will be gauged from that strategic standpoint.*

### Official Soviet government statement

*The following are excerpts of a Soviet government statement broadcast Feb. 18 on Radio Moscow:*

On Feb. 17, the armed forces of China invaded the territory of the Socialist Republic of Vietnam. Peking's aggression against socialist Vietnam comes as the direct result of the policy of blackmail and pressure conducted by Chinese authorities over a number of years, with regard to Southeast Asia in general and with regard to Vietnam in particular. The Peking leaders declare openly that they want to punish Vietnam, which pursues an independent policy and not only refuses to assist China's expansion in Southeast Asia, but has become a serious obstacle to the implementation of Peking's hegemonistic designs. The top leadership of China does not wish to reconcile itself to the fact that the people of Kampuchea toppled the bloody regime of the Pol Pot hangmen and restored friendly relations with neighboring Vietnam. Using this as a pretext for aggression is a road which, as history has proved, leads the aggressor to an infamous and shameful end . . . .

The heroic Vietnamese people, who have become the victim of a new aggression, are able to stand up for themselves this time as they did before—all the more so, because they have reliable friends. The Soviet Union will carry out the obligations assumed under the Treaty of

Friendship and Cooperation between the USSR and the Socialist Republic of Vietnam. Those who shape Peking's policy must stop before it is too late. The Chinese people, like other people, need peace, not war. Responsibility for the consequences of Peking's continuing aggression against the Socialist Republic of Vietnam will rest squarely with China's present leadership. The Soviet Union resolutely demands that the aggression be stopped and that Chinese troops be withdrawn from the territory of the Socialist Republic of Vietnam immediately. Hands off socialist Vietnam!

### Pravda: U.S. encouraged invasion

*In a Feb. 20 article, the Soviet Communist Party daily Pravda said that the Chinese invasion of Vietnam was encouraged by "American friends." The article excerpted below was distributed in advance translation by the news agency TASS. The author's signature, Alexei Petrov, is a pseudonym that usually indicates high-level authorship.*

China had been preparing its aggression for a long time. The timing of the incursion into Vietnam was determined by the position taken by some Western powers and Japan. During Teng Hsiao-ping's recent trip to Washington and Tokyo, he bluntly revealed plans to teach Vietnam a bloody lesson. In talks with some of his American friends, Teng went even further and divulged details of these plans. According to the New York Times, the United States was informed about China's forthcoming attack on Vietnam. Official Washington sources reacted to Teng Hsiao-ping's probe the same way the United States is reacting to China's aggression now. Hence, the Chinese could conclude that the Americans would not stand in their way, would go no further than expressing regrets. It could well be the case that Teng Hsiao-ping's American friends decided to be as frank as Teng Hsiao-ping was himself. Some of them too would like to teach the Vietnamese a lesson and punish them for the shameful defeat the American mili-

tary suffered in Vietnam. Teng Hsiao-ping declared in Washington that China was contemplating an armed attack on Vietnam. The United States declared that for its part, it wished to see a strong China and had nothing against arms deliveries from the West. The two sides reached the conclusion that their strategic interests and many of their objectives coincide.

In the context of China's treacherous aggression against the socialist country, American calls to all sides to show restraint look more than ambiguous, since this call should be directly addressed to China. The aggression has come from China. That aggression is a lesson to those who only yesterday tried to justify China's interference in the affairs of Kampuchea, and who shed tears over Pol Pot and other associates of the Chinese leadership. The aggressor stands exposed. The Chinese adventurers are acting now against Vietnam just as they did against India in 1962 when they captured part of her territory, which they still occupy.

## **Radio Moscow: China to plunge world into war**

*Radio Moscow issued this statement on the Chinese invasion of Vietnam on the evening of Feb. 19 for broadcast into North America.*

The Chinese action came shortly after Teng's visit to the United States. It is not clear whether or not Teng informed the United States government of this military action, but he announced in public a punitive strike. The United States attitude seemed to be benevolent. The Chinese read into the U.S. silence a carte blanche for China to do whatever it wants against Vietnam. But in these days you simply cannot invade another country and hope to get away with it, whatever motives that you put forward.

As the Soviet government statement pointed out, any connivance with this act is connivance with the attempts by the Chinese leaders to plunge the world into a war.

## **Radio Moscow scores Britain**

*On Feb. 20 and 21, Radio Moscow commented on China's invasion of Vietnam and Great Britain's role in supporting it. This news service believes these statements should be widely distributed.*

### **Commentary by political observer Yevgenyi Babenko, Feb. 20:**

... World public opinion regards Peking's impudent aggression against independent socialist Vietnam as an open challenge to the peoples and as a crude flouting of the fundamental principles of international law and the United Nations charter. This attack had not left indif-

ferent a single honest person in the world.

A sharply discordant note was struck against the background of world public protests against Peking's aggression by a Reuters report from London quoting official sources there as saying on Feb. 19 that in two days, after the start of the Chinese attack, Britain was still ready, despite China's invasion of Vietnam, to sell advanced Harrier war planes to Peking. This statement was made immediately after British Secretary of State for Industry Varley had left for a 14-day visit to China. Varley is to sign what is "an important trade pact in the Chinese capital." What can be said in this connection?

Democratic circles, including Britain itself, repeatedly warned about the great danger to the cause of universal peace stemming from the encouragement of Peking's militaristic ambitions. It was also said more than once what lessons should be drawn by some western figures from the Munich deal when Chamberlain and Daladier tried to channel the Nazi aggression in a direction advantageous to them. But the outcome is known to be quite different. Can the lessons of history be forgotten so soon? And at what distance from the British Isles have the Chinese weapons to thunder so that London could understand at last that putting modern weapons into the hands of the Peking aggressors is an extremely dangerous thing.

### **Comment by Victor Victorov on Feb. 21:**

Millions of people everywhere have seen how irresponsibly Peking regards the destiny of the world. Peking is trying to turn countries of Southeast Asia into its domain ...

The United Socialist Vietnam became a serious obstacle on the path of the Chinese expansionist aims. It refused to obey Peking's dictat.

The Chinese aggression against Vietnam was undertaken practically right after Mr. Teng's visit to the United States. Washington knew that China was preparing to attack a neighboring country .... The United States is conniving with the aggression directly or indirectly....

Yet not only the United States but Britain too is conniving with the great power ambitions of Peking. It is notable that at present when there is Chinese aggression against Vietnam the British Secretary of State for Industry Eric Varley has gone to Peking to sign an agreement for the sales to the Chinese militarists of a large consignment of Harrier aircraft.

As shortsighted politicians in NATO countries supply arms to the Chinese leaders they purposely shut their eyes to the true goals of Peking's provocations. And the Peking rulers have plans not only for the conquest of Southeast Asia. Back in 1958, Chairman Mao Tse-tung declared that in a few years we are certain to build a large empire and will be able to land in Japan, the Philippines, and San Francisco.

# Statements from Hanoi and Peking

*Here are excerpts from the government of the People's Republic of China's explanation of its invasion of the Socialist Republic of Vietnam Feb. 17.*

Ignoring China's repeated warnings, the Vietnamese authorities have of late continually sent armed forces to encroach on Chinese territory and attack Chinese frontier guards and inhabitants, causing a rapid deterioration of the peace and seriously threatening the peace and security of China's frontiers. Driven beyond forbearance, Chinese frontier troops have been forced to rise in counterattack.

While recklessly pushing an anti-Chinese policy, the Vietnamese have in the past two years carried out incessant armed provocations and hostile activities in China's border areas. Treasuring the friendship between the Chinese and Vietnamese peoples and exercising restraint and forbearance, the Chinese side has repeatedly given advice and served warning to the Vietnamese authorities with a view to avoiding a worsening of the situation. But the Vietnamese authorities, emboldened by the support of the Soviet Union and mistaking China's restraint and desire for peace as a sign of weakness, have become more and more unscrupulous and kept escalating their armed incursions into China's border areas.

They have concentrated massive armed forces along the Sino-Vietnamese border and repeatedly encroached on China's military territory. They have flagrantly laid mines and built defense works on Chinese territory, willfully opened up with rifles and guns to destroy Chinese villages and kill Chinese soldiers and civilians, plundered Chinese properties and attacked Chinese trains, thus causing grave incidents of bloodshed. In the past six months alone, the Vietnamese have made armed provocations on more than 700 occasions and killed or wounded more than 300 Chinese frontier guards. . . .

It is the consistent position of the Chinese government and people that we will not attack unless we are attacked — "if we are attacked we will certainly counter-attack." The Chinese frontier troops are fully justified to rise in counterattack when they are driven beyond forbearance . . . . After counterattacking the Vietnamese aggressors as they deserve, the Chinese frontier troops will strickly keep to defending the border of their own country . . . . We believe this Chinese position will enjoy the sympathy and support of all the countries and people who love peace and uphold justice . . . .

## Vietnam's statement

*Following are excerpts of a statement the U.S. government monitored and translated from Radio Hanoi.*

China has launched an aggressive war all along the border of our country. Early in the morning of Feb. 17 the Chinese powerholders mobilized a large armed force composed of infantry, artillery and armored forces to launch an aggressive offensive on our territory all along the frontier from Phong Thos and Lai Chau to Mong Cai town in Quang Ninh Province. They used long-range artillery pieces to wantonly fire on these cities, towns, densely populated areas and villages in order to launch attacks deep inside our territory.

The local armed forces fiercely counterattacked annihilating many of the enemy and setting afire and destroying many enemy tanks.

The struggle against the Chinese aggressors in the northern border of the fatherland has begun. The armed forces and people of various nationalities in border areas are upholding the heroic determined-to-fight-and-win tradition, resolutely dealing punitive blows to the Chinese aggressors right in the initial battle on the front line of the country.

## Europe silent on Chinese invasion

Apart from India — which suffered a Chinese invasion itself in 1962 — world condemnation of the Chinese invasion has been largely limited to the Warsaw Pact nations, and western Communist Parties. Elsewhere, even European nations which are known to fear the consequences of the Chinese action have kept silent or meekly reiterated the London line retailed by U.S. spokesman Hodding Carter and by President Carter himself: The Vietnamese must withdraw from Cambodia, and the Chinese must withdraw from Vietnam.

### 1. India

The entire Indian nation, from the government to the man-in-the-street, has thoroughly condemned the Chinese aggression against Vietnam. On Feb. 17, the

day China launched its attack, Prime Minister Morarji Desai recalled Foreign Minister A.B. Vajpayee from Peking and released a statement expressing "profound shock and distress" over the Chinese action. Desai called for immediate withdrawal of Chinese troops from the Vietnamese territory adding that the Peking leadership's action "has created a situation endangering international peace and security" . . . .

Solidarity for the Vietnamese population on a mass level is evident throughout India. The ruling Janata Party, its parliamentary opposition, the Congress Parties (representing both Indira Gandhi's Congress and other Congress factions), the Communist Party of India, and many independents pulled in their supporters for mass demonstrations before the Chinese Embassy in New Delhi. Reports from India also indicate that demonstrations are scheduled before the British Embassy. Indians are acutely aware that British sales of Harrier military planes and the numerous high-level political delegations to Peking by Britain reflect Britain's backing for China's expansionist designs.

## 2. The EEC

*The European Economic Community issued this statement on Feb. 18.*

"The nine nations of the European Economic Community are of the view that the development of the situation in Southeast Asia could have consequences for international relations. The EEC asserts its concern. It calls for the establishment of an order in which the territorial integrity and independence of all nations, including especially those of Kampuchea and Vietnam, are secured."

## 3. Great Britain

Asked if he would condemn the Chinese invasion of Vietnam, Lord Goronwy-Roberts, Minister of State at the British Foreign Office, told Vietnam's Ambassador to London, Mr. Tran Hoan, that Vietnam's invasion of Kampuchea had been a violation of international law and human rights and that her troops should be withdrawn immediately.

A British Foreign Office spokesman announced last week that there had been "no change" in Britain's policy of defense sales to Peking following the Chinese invasion of Vietnam. The two-week visit of British Industry Minister Eric Varley is proceeding as scheduled, and it "remained British policy to consider requests for defense equipment from China on a case-by-case basis."

# What Europe is thinking —but not saying

*While European leaders have so far been noncommittal in their public reactions to the Chinese invasion of Vietnam, there are indications that they are deeply disquieted by the war threat. Leaders of both France and West Germany, which suffered heavily in the last two world wars and will do so again in the event of a third, last week warned against the "China card" policy and reaffirmed their commitment to détente last week — a policy impulse which may gain more open expression as the world situation worsens.*

*Following, we reprint excerpts from statements by French President Giscard d'Estaing and West German Defense Minister Hans Apel, now in Washington for consultations. Notably, just two days after Apel's statements Feb. 18, the West German daily Die Welt reported that Chancellor Helmut Schmidt has refused to allow the United States to update warheads on U.S. missiles in West Germany, citing the historic trade agreement between the USSR and the Federal Republic concluded in May 1978. Apel also referenced the agreement as the basis for Europe to benefit from détente in the future.*

## BRD: We recognize no China card

*The following excerpts are from a speech given by the Defense Minister of the Federal Republic of Germany, Hans Apel, at the Feb. 18-19 conference of the Wehrkunde Association in Munich.*

... Today we live in a world with a manifold of competing claims and conflicts ...

This means a two-fold challenge.

First of all, the Western countries must maintain their balance of power with the East, even in the future....

Second, the Western nations must deal with the tasks of global interdependency. This means the construction of a global order of cooperation between industrial nations and the Third World, so that hunger and poverty can be fought together and so that the future of us all can be secured.

... We are against the division of the world into zones of influence according to the East-West conflict ... and do not (agree with) those people who promise that something good will come out of the present rivalry between the Peoples Republic of China and the Soviet Union, either for Europe or for Asia. On the contrary, we

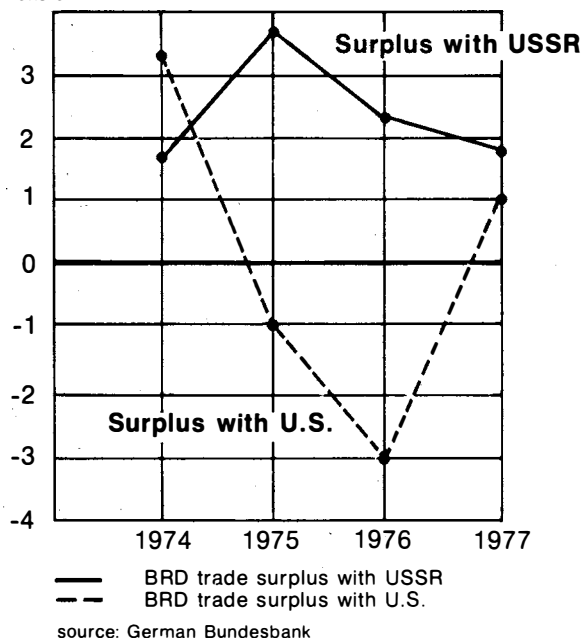


## Germany's stake in detente

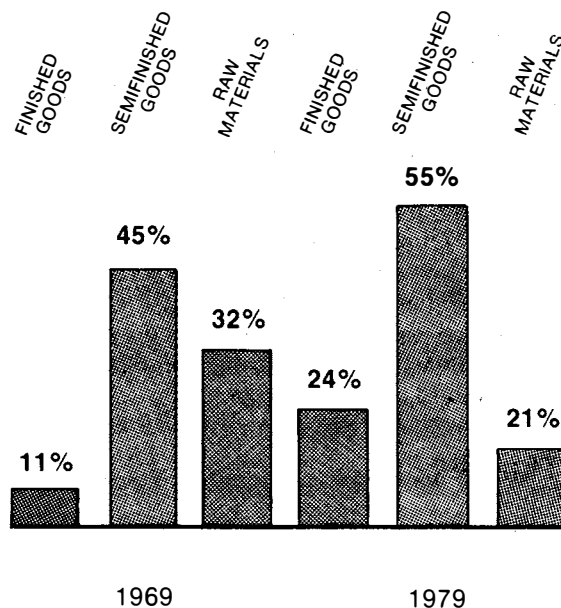
One factor underlying German commitment to detente, and increasingly open mootings that NATO may be outdated, is growing West German-Soviet economic ties. The German trade surplus with the Soviets now exceeds its surplus from trade with

the U.S. (Chart I), and the technological composition of that trade is increasingly shifting toward more sophisticated manufactured products that imply longterm economic relations (Chart II).

Surplus in  
Billions of DM



**Chart I: Comparison of West Germany Trade Surplus with USSR and U.S., 1974-1977**



**Chart II: Changing face of German Soviet Trade**  
Soviet Exports to West Germany (by category)

Germans have an urgent interest in having détente make progress throughout the entire world ...

The policy of the Federal Republic of Germany recognizes no China card.

We will not send any weapons to China. Our position on this question is very clear ... We are not carrying out a policy to postpone a Third World War, but to *prevent* one ...

### Giscard states responsibility to détente

*In a wide-ranging press conference on Feb. 15, French President Giscard d'Estaing clarified his country's relationship to the Soviet Union and China. Excerpts from that press conference follow.*

The policy of détente forms part of the basic framework of France's foreign policy ...

The only alternative to the policy of détente is acceptance of the risk of war, along with its corollary, the resumption of the arms race ...

... I believe the Soviet leaders consider the cause of peace to be important and do not have any intention of undertaking or triggering any military action likely to affect Western Europe. I might add that this is their attitude, for I know them. It is, moreover, one of the reasons why we are observing a policy of détente with them....

I think that in general, everyone acknowledges that the development of relations with China has to be conducted in a way that does not produce tension or risk in relations with the Soviet Union. In my opinion, we should be more explicit than this, however. We have to show very clearly that the establishment of a new relationship must be conducted in a manner that avoids making it a destabilizing factor in international relations. It should indeed be compatible with the quest for détente and security.

---

---

# The strategic parameters of WWII

*LaRouche on how the China-Vietnam war will go nuclear*

During the recent period I have been aided by my associates in piecing together a qualified picture of the strategic implications of the present war in Vietnam. It is established that this picture is far more accurate than that being generally supplied by U.S. and other military experts within NATO countries. Therefore, I publish our findings, knowing that qualified military professionals will be able to recognize the accuracy of my report, and to verify independently the general conclusions I outlined.

## First, the bare facts

**Fact No. 1, Vietnamese Strength:** Not including air forces, the Vietnamese regular forces are in the order of excess of one million troops, including approximately 500,000 former ARVN (Army of the Republic Vietnam) units assimilated into the NVA (North Vietnamese Army) (according to a 1977 RAND estimate). Excepting the Israeli airforce capability, the NVA is the third most effective land war military force in the world today. In any *conventional* form of land warfare, the Chinese Communist forces could not defeat a Vietnamese force. Only one important qualification needs to be made, to which I shall turn attention below.

**Fact No. 2, Vietnamese Deployment:** Most reports assert that Vietnam has only an estimated 50,000 crack NVA units available for fighting in the zone of warfare defined by the Chinese invasion. This is based on the presumption that (a) "Crack NVA units" are pinned down in Cambodia, (b) that Vietnam cannot redeploy these to the North "in time." In fact, it is principally the former ARVN units using original U.S.-supplied equipment which are deployed in support of the present de facto government in Phnom Penh — which places between 400,000-500,000 regular NVA in the North.

In addition, an authoritative source in India received a detailed DRVN (Democratic Republic of Viet Nam) outline of the projected Peking invasion of Vietnam weeks prior to the Feb. 17 invasion. DRVN deployments in preparation for Peking's invasion must therefore be dated to no later than approximately Feb. 1, 1979, and not the Feb. 15-17 period.

**Fact No. 3, Peking Deployment:** Following an initial "bloody nose" administered to Peking forces by secondary DRVN defense forces, the Peking forces regrouped for a new assault featuring the "human wave" tactic em-

ployed against U.S. and allied forces in Korea — and under the same general who commanded those Chinese forces in Korea.

Militarily this represents an effort to compensate for the inferior quality of limited regular Peking land forces by massive deployment of militia-grade auxiliaries conscripted from the populations of the China provinces in the invasion's staging area. In short-hand: Send wave after wave of conscripts of marginal combat quality, each armed with the proverbial one old rifle, a bayonet and ten cartridges. Through massive sacrifice of such auxiliaries the Peking commanders seek to inundate the regular forces defenders with minimal relative losses to regular Chinese army units deployed under the screen of human wave deployments.

The military treatment of such human wave tactics is obvious — *as it was obvious to Gen. Douglas MacArthur*. The point of maximum vulnerability of human wave deployments is defined in the staging areas used for assembling assault forces. General Giap, moreover, is free of MacArthur's Harry S. Truman problem, as are the relevant Soviet commanders. If the indicated course of counteraction is taken, the present Chinese invasion is transformed into military disaster for Peking.

**Fact No. 4, Countermeasures:** Although the two Soviet naval taskforces in the regions do have included 30-kilometer range "katusha-type" naval high-explosive bombardment capabilities, it is to be doubted most strongly that those units would be risked within Chinese land-based counterforce range. Therefore, the Soviet naval capability centers on surface-to-surface nuclear capabilities. If Peking masses sufficient force to threaten successfully Northern Vietnam population centers, it is probable that Soviet nuclear counterforce will be deployed.

However, since Peking possesses an estimated 30-40 IRBMs in the ICBM range, a Soviet commander would be obliged to employ nuclear counterforce measures of assault and defense against IRBM Peking capabilities as an adjunct and accompaniment to a counterforce against Peking staging areas near the Vietnam borders. For numerous reasons, Soviet political-military strategy specifies "counterforce" against Peking, *whereas no such policy applies to strategic action against the NATO powers proper*.

Soviet strategic policy toward China centers around enhancing the action of a revolt against the combined forces of the Hua-Teng-"Gang of Four" factions.

Whereas, against U.S. or NATO forces generally, World War III begins with a total, in-depth strategic strike against U.S. and other logistical (population) centers, as well as against military force concentration.

Hence, an approximation of "theater-limited nuclear escalation" is probable for Soviet action against Peking, *whereas this constrained policy would not be Soviet doctrine for general warfare against NATO forces.*

Continuing warfare against Peking's forces would be tactical nuclear-(thermonuclear) plus BC measures.

### The threshold of World War III

If Soviet action reaches the threshold for the indicated counterforce actions the only condition separating the world from WW III is whether the Carter Administration is then committed to a U.S. nuclear umbrella for China. Any U.S.-NATO "counterforce" deployment against the Soviet forces portends a total ABC strategic barrage, in consequence of which between 50 and 60 percent of the U.S. population dies from effects of the first hour bombardment.

It is for this reason that Sen. Jacob Javits' statements in a Feb. 18 televised broadcast are widely regarded as criminal lunacy.

If Western continental Europe and Japan submit to combined British-Carter pressures in the issues of this present crisis, that in and of itself would require the Soviet command to lower the "deterrent threshold" to zero for any counterforce action by the USA forces. It must be emphasized that Soviet command expects to lose about the same proportion of its population as it lost through all of World War II in consequence of strategic bombardment. Soviet policies toward nations generally, will inevitably tend to be determined by the position those nations' governments have taken in the issues of the crisis leading into a general thermonuclear war.

Crucial in determining Soviet command policy must be the fact that the development of the U.S.'s China policy was pressed, from Spring 1978 as a London revival of "geopolitical themes." Since 1902 decisions by the Lord Milner group, the very name "geopolitics" has meant the destruction of the "Eurasian heartland." The fact that the U.S. government is committed to a geopolitical premise for its Middle East and China policies is sufficient to prompt Soviet commanders to regard U.S. support of a China or Israeli military adventure as an act of war against the Soviet Union itself.

If similar developments had occurred under the circumstance of Carter Administration policy postures of late 1977, or policy postures of the Ford or Nixon Administrations, during a crisis it is probable that Moscow would have gone to the greatest lengths in seeking to maintain detente with the governments of NATO countries.

Moscow would assume that there was no intent to go to war by those governments, and that therefore the issues of conflict were negotiable in principle.

Under the condition that a London-Washington-Jerusalem-Peking combination of axis powers is dedicated to a successful geopolitical confrontation with the Soviet Union the issues which might be negotiable under circumstances of Nixon or Ford Administrations become non-negotiable, and border on acts of war.

### The Cambodia hoax

Some persons who ought to have more sense argue that (a) Peking is reacting to Vietnam's military support to the present government of Phnom Penh, and (b) that Vietnam must simply withdraw forces from Cambodia and recognize a Sihanouk government. This quid pro quo formulation included in a diluted compromise form in the recent statement of the European community's nine, is in fact, a piece of strategic imbecility which increases the probability of general thermonuclear war.

**Fact A:** The Peking invasion of Vietnam is not caused by the Vietnam military action in Cambodia. Analogous to Hitler's invasion of Poland, the Cambodia issue is simply a Goebbels-modelled pretext for an action which Peking intended to take prior to the fall of the Pol Pot regime. *The plans for the Peking invasion of Vietnam existed prior to the fall of Pol Pot.* Peking was previously engaged in building up the scenarios for its invasion of Vietnam.

**Fact B:** The Peking puppet government of Cambodia, the Pol Pot regime, killed an estimated half of the Cambodian population over less than four years of its rule — the worst case of genocide in modern history. Prince Sihanouk patiently contemplated this genocide against his own people. The condemnation of Vietnam's action, against the regime which had already initiated undeclared warfare against Vietnam, is a piece of diplomatic moral imbecility, which has been tolerated only because frightened governments have capitulated to British and Carter Administration pressure to continue recognition of Pol Pot force.

The issue is not that the condemnation of the Vietnamese actions in Cambodia is immoral. The issue is that issuance of such condemnation shows the governments endorsing that, to be operating under overreaching influence of the combined force of London and London's Carter administration puppet. If governments of continental Western Europe, Japan and the developing sector, continue to tolerate this support of Peking's Cambodia policy, those governments define themselves as complicit with declared adversary of Vietnam and the Soviet ally. Therefore, such endorsements contribute significantly to increasing the probability of general thermonuclear war.

**Fact C:** There will be no compromise by the Vietnamese

or their Soviet allies on the simple issue of immediate Peking withdrawal from Vietnamese territory. To pretend otherwise is worse than a waste of breath — it is to contribute to the probability of thermonuclear war.

The crucial issue is the London-Carter-Jerusalem-Peking axis and the geopolitical policies of that axis. That is the issue which defines imminent World War III. That policy of that axis is the issue of war. Unless the Carter Administration backs off from and repudiates that Peking and related policies, general war is probable whenever war is triggered by the mere fact of push coming to shove on any subsumed developments.

“Incidents” do not cause wars. “Incidents” merely

trigger a pre-existing state of virtual warfare.

The United States must break away from its special alliance with London, immediately break off President Carter's too intimate relationship to the household of British ambassador Peter Jay.

We are at the brink of a war which means the immediate death of between 50 and 60 percent of our nation's citizens. Admittedly numerous so-called and actual experts think the danger is not so immediate. Their arguments in each case show that they are considering wishfully only an isolated selection of the facts and not the facts as a whole.

## Egypt-Israel pact — the second front

The meeting at Camp David today of Secretary of State Cyrus Vance, Prime Minister Mustafa Khalil of Egypt, and Foreign Minister Moshe Dayan of Israel is slated to set up an operational command for a military “second front” against the Soviet Union to complement the Chinese invasion of Vietnam.

Egyptian President Anwar Sadat has reportedly told the United States that he has a shopping list for arms that includes 300 F-15 fighter-bombers, 500 tanks, and over 40,000 military vehicles. Such a huge buildup, which Arab sources expect Saudi Arabia to finance, is meant to help Sadat act as the policeman for what the Egyptian president called “an arc of crisis from Algeria to Afghanistan.”

In alliance with Israel, the Egyptians intend to act as the cornerstone of a Middle East Treaty Organization (METO). METO was the goal of the recent swing through the area by Secretary of Defense Harold Brown, the first ever by a Pentagon chief, who visited Saudi Arabia, Jordan, Israel, and Egypt. Iran, which is almost without any government and on the verge of disintegration, might be expected to enter the METO pact following a coup d'état by the Air Force.

During his visit to Egypt, Brown stated that the U.S. and Egypt should “act in concert with each other and with other nations in the region,” calling for “new patterns of security cooperation.” In an interview later with the *New York Times*, Brown said that he was looking forward to the increase of U.S. presence in the Middle East, including more frequent naval visits, possible U.S. bases, stepped up arms sales, and periodic meetings of Ministers of Defense. He also hinted that the Diego Garcia base in the Indian Ocean would be expanded for a Middle East role.

The *London Observer* reported on Feb. 18 that Brown's visit to Saudi Arabia has been coordinated closely with the current tour of the Arabian Gulf states by Her Majesty, Queen Elizabeth of England, who is

giving her “assurances” to the nervous Arab sheikhs that Britain and the U.S. will stand behind them. Reportedly, Britain is pressuring the U.S. to set up a joint Persian Gulf command for the defense of the Gulf — an intolerable provocation to the Soviet Union.

According to the *Christian Science Monitor*, Brown intends to include Saudi Arabia, Turkey, Somalia, Jordan, Iran, and other states along with Egypt and Israel in his proposed METO pact. But, many observers say, drastic political earthquakes would have to shake Saudi Arabia, Turkey, and Iran for those countries to consider joining a NATO-like bloc in the Middle East.

Reports are already in that in Iran and Turkey, NATO is planning for a bloody coup d'état to establish a junta, like that in Pakistan, that could resist the tendency toward nonalignment that is current Turkish policy and was, until his overthrow, increasingly that of the Shah of Iran.

At the same time, Saudi Arabia is being blackmailed by the U.S. and Britain into support for the Camp David policy, although so far there are few signs that the Saudis are willing to play the role assigned to them.

Critical to this strategy is NATO's use of the festering crisis in Iran to destabilize and weaken all surrounding governments.

Iran itself has begun to disintegrate, with Kurdish, Baluchi, Arab, Azerbaijani, and other minority tribesmen beginning to demand independence from Iran. Without an Army — which fell apart after the fall of the Shah — Iran is unable to keep the unruly tribesmen under control, with British and Israeli intelligence conduits supplying arms and support to the rebels. This process, should it continue, will spark an explosion in Turkey, Iraq, and Pakistan — and possibly Saudi Arabia itself.

—Robert Dreyfuss

# Who's running the government?

*Missile Crisis-style EXCOM takes charge of Carter*

In the midst of a grave international crisis in 1962, the Kennedy Administration was essentially sidestepped and an extraordinary committee — called EXCOM — took over policymaking. That was during the fall of 1962, when the Cuban Missile Crisis and the Chinese invasion of India threatened to hurl the world toward war.

Last week, that same pattern again unfolded as a group of would-be technocrats gathered at the White House for three days of meetings. While President Carter was in Mexico, a group including CIA director Stansfield Turner, National Security Advisor Zbigniew Brzezinski, Defense Secretary Harold Brown, and the Joint Chiefs of Staff was chaired by Vice-President Walter Mondale. During Friday, Saturday and Sunday — Feb. 16 to 18 — these gentlemen met and — most probably decided — how the United States would deal with the Chinese invasion of Vietnam, the disorder in Iran, and the United States' rapidly deteriorating relationship with the Soviet Union.

On Feb. 19 they reportedly summoned President Carter and informed him of their deliberations. While the discussion of their meetings has not been disclosed, President Carter's speech in Atlanta, Ga. Feb. 20 — linking SALT to Soviet restraint and virtually pledging a U.S. arms buildup — indicates their content.

There is little surprise in the fact that Jimmy Carter does not make Presidential policy. But, there is an irony in the fact that the current extraordinary committee is virtually the political heir of the one convened in 1962. Both were the brainchildren of British intelligence-directed institutions in the U.S.

The affiliations of the committee members indicate that:

- **Stansfield Turner** was schooled in geopolitics by the Council on Foreign Relations and the London-based International Institute of Strategic Studies.
- **Harold Brown** is a former board member of the Schroeder Bank, the same bank which placed Hitler in power.
- **Cyrus Vance** is a member of the British-dominated Council on Foreign Relations and the United Nations Association. He is also a member of the Ditchley Foundation, a high-level, British-dominated group formed to promote Anglo-American friendship.

- **Zbigniew Brzezinski's** background as a member of the Council on Foreign Relations and the former Executive Director to the Trilateral Commission is common knowledge.

- **Walter Mondale** was described by the *New York Times* in a 1977 feature as a Fabian Socialist who learned political theory at the London School of Economics. He is also a member of the CFR.

Revealingly, the man closest to the pliable President is Peter Jay, the British Ambassador to the United States.

Although the press has recently made much of supposed policy differences between Vance and Brzezinski there was reportedly no conflict during last week's meeting. Says a top Asia specialist at the Brookings Institution: "There is no difference whatsoever between Zbig and Vance. They have a coordinated style."

Unreality continues to prevail in the Carter Administration. Reports from Marshall D. Shulman, special assistant on Soviet Affairs to Secretary Vance, that the Soviet Union would not strike out at China for its invasion of Vietnam are receiving wide circulation. While these remarks contradict official commentary from Radio Moscow and the Soviet daily Pravda (see INTERNATIONAL section) it is similar to the President's Feb. 21 speech.

## What Carter said

*Following are excerpts of a speech made by U.S. President Carter in Atlanta Feb. 20:*

With our strong allies, we have succeeded in preventing a global war for more than a third of a century — the longest period of general peace in the modern times....

In short, we provide the bedrock of global security and economic advance in a world of unprecedented change and conflict. In such a world, America has four fundamental security responsibilities:

- To provide for our nation's strength and security safety.
- To stand by our allies and our friends.
- To support national independence and integrity.
- To work diligently for peace. ...

The independence of Iran is also in our own vital interest and that of our closest allies — and we will support it....

If others interfere (in Iran), directly or indirectly, they are on notice that this will have serious consequences and will affect our broader relationship with them.

We will not get involved in conflict between Asian Communist states. Our national interests are not directly threatened, although we are concerned at the wider implications of what has been happening....

Many nations are troubled — even threatened — by the turmoil in Southeast and Southwest Asia. To stand by our friends and help meet their security needs in these difficult times, I will consult with the Congress to determine what additional military assistance will be required. This added measure of support is crucial for stability throughout the Indian Ocean area.

And let me repeat: In the Middle East, in Southeast

Asia and elsewhere in the world, we will stand by our friends — we will honor our commitments — and we will protect the vital interests of the United States....

Finally, let me put this agreement in the context of our overall relations with the Soviet Union and the turbulence that exists in many parts of the world. The question is not whether SALT can be divorced from this context. It cannot. As I have often said, our relationship with the Soviet Union is a mixture of cooperation and competition, and as President of the United States, I have no more difficult and delicate task than to balance the two. I cannot and I will not let the pressures of inevitable competition overwhelm possibilities for cooperation — anymore than I will let cooperation blind us to the realities of competition....

It is precisely because we have fundamental differences with the Soviet Union that we are determined to bring this most dangerous dimension of our military competition under control....

## State acts like it's preparing for conflict

Further indication that the Carter Administration is consciously pursuing a policy of confrontation with the Soviet Union comes from deployments by the United States State Department over the past two months. During that period, the State Department has employed an extraordinary gamut of dirty tricks both to provoke the Soviets and, equally significant — to silence voices opposing a confrontationist course. Particularly significant, State has intervened vigorously to block contacts between European forces and the U.S. Labor Party, headed by Lyndon H. LaRouche, Jr., the leading — and sole nationally prominent — U.S. figure opposing the Carter Administration's confrontation course.

Notable cases include:

**Italy:** U.S. Ambassador Richard Gardner is heavily involved in the collapse of the Andreotti government. In an interview on Italian television Dec. 29, Gardner announced his intention to force a collapse over the issue of Communist participation in the government. "There will be a government collapse within January," said Gardner, "the PCI cannot join the government.... That is Brzezinski's foreign policy." To show the extent of his influence, Gardner further suggested that he and President Carter engineered the 1978 Italian government crisis over the same issue. Since then, Gardner has become involved in a public scandal involving U.S. demands

that Italy stop hunting terrorists and devote more attention to spying on the Soviet Union (see COUNTERINTELLIGENCE).

**Afghanistan:** Warren Christopher, the Assistant Secretary of State, second only to Cyrus Vance, last week openly spread misinformation about the assassination of the U.S. Ambassador to Afghanistan. Christopher accused the Soviet Union of substantial responsibility for the murder of U.S. Ambassador Dobs in a meeting with Soviet Ambassador Dobrynin.

Christopher's accusation was later exposed as false by the reports of the U.S. embassy in Afghanistan itself. The Afghani government had clearly indicated that the Soviets played no role in the tragedy, it was later revealed. But this did not stop Christopher from using the false report to further the deteriorating relations between the U.S. and USSR.

At the same time, the State Department is illegally harassing the European Labor Party and the U.S. Labor Party. Both parties have led international organizing in support of the European Monetary System of West German Chancellor Helmut Schmidt and French President Giscard d'Estaing. This is the proper context for the State Department's part in disseminating lies that both organizations are "KGB agents," "Russians," or "crazy cults" to West German, Italian, and Arab officials.

# U.S. counterforce posture: calculated madness

Anyway you cut it, U.S. Defense Secretary Harold Brown's newly adopted military doctrine — the counterforce doctrine — is sheer lunacy. The change in the Carter Administration's policy was leaked by British journalist Richard Burt in the New York Times Feb. 10, just as Brown had arrived for his provocative tour of the Middle East.

The doctrine — which targets Soviet missile silos, military installations, and other military targets and concentrated forces — is, in reality, a nuclear-war-losing strategy. It would be wrong, however, not to recognize that there is an evil method to Brown's madness.

## West Germany

- A close collaborator of the ELP within the Christian Democratic Party (CDU) reported that the U.S. Embassy in Bonn was calling CDU members to demand that they stop conferring with the party.
- A member of the CDU used a Russian name to refer to an Executive Intelligence Review correspondent when approached for comments.

## Brussels

- An Arab official gave the ELP a copy of a slanderous report given to him by the International Documentation Center, in Washington, D.C.

## Italy

- Leading Christian Democratic Party members have informed the ELP that they have been approached by the U.S. Embassy to warn them against collaborating with the ELP.
- A caller to the U.S. consulate in Milan got the following information from then vice-consul Mr. Whiteman Jan 25: "(the ELP) is a cult, like every cult, they recruit from the petit bourgeoisie in Italy and Europe" . . . The U.S. embassy in Rome claimed the ELP was a "bunch of crazies" and referred questioners to the Israeli embassy for more information.

The real purpose of Brown's sudden adoption of counterforce doctrine in the present world crisis is not the actual preparation for a first strike against the Soviet Union or a refined deterrent in anticipation of a Soviet attack. Counterforce has nothing to do with a traditional military posture at all. The shift to counterforce is a signal to the Soviet Union that the United States has fully embarked on Henry Kissinger's political madness doctrine of psychological warfare, a doctrine devised at Harvard with Daniel Ellsberg in the 1950s. The object is to throw the opponent into a frenzied state of fear and passive nonaction.

## "We're crazier than you are"

The question is why is the Carter Administration adopting this nuclear policy posture of madness and brinkmanship unpredictability? Because the central thrust of the British monarchy's International Monetary Fund and World Bank dictates that the United States be enabled to launch — with impunity — regional wars fought by surrogates and-or mercenaries and simultaneously break the back of the forces behind the European Monetary System. This is to be done in behalf of the looting rights of the IMF and Robert McNamara's World Bank.

According to the insane British geopolitical doctrine, of which the counterforce doctrine is merely an extension, any framework for world peace and development established through a series of agreements among France, West Germany, and the Soviet Union must be crushed if the British colonial, IMF-World Bank mechanisms and depopulation policies are to survive. The combination of Britain's genocidal policies and the British Round Table doctrines for a geopolitical encirclement of the Soviet Union would turn the entire developing sector and, shortly thereafter, the more advanced industrial nations into permanent regions of destabilization, where coups, riots, terrorism, and bloodbaths reign supreme.

In short, Brown and his Anglophile supporters — Kissinger, Brzezinski, Schlesinger, and Turner — expect that the counterforce big-bluff madness — "we are crazier than you are and will do anything" — will enable them to pull off their plans to return the world to the Dark Ages. Counterforce, in the minds of these berzerkers, equals economic warfare against industrial and scientific progress.

In reality, as events are demonstrating daily, these goals contain an inherent miscalculation that leads to thermo-nuclear confrontation and a disastrous defeat for the

United States in a nuclear war. Furthermore, the West European allies of the United States are making clear that they will not sacrifice their nations' existence to such insanity. The West German government of Helmut Schmidt, officially informed of the switch to counterforce in a note from the U.S. government, immediately held a series of extraordinary cabinet meetings on the Persian Gulf crisis, the oil flow problem, and the danger of Germany's being reduced to a *Trummerfeld* (field of rubble) as a result of the change from a nuclear deterrence policy to a counterforce doctrine. Social Democratic parliamentary leader Herbert Wehner, speaking for the West German government, warned that the counterforce doctrine would provoke nuclear war.

Undeterred, the British and their American puppets are proceeding with a policy to unleash regional wars throughout the globe. The Third World is rapidly being turned into the flashpoint for nuclear war. The most dangerous points of provocations include: Southeast Asia, the Persian Gulf, the Middle East, Africa, Central America, South America, and Korea.

The accumulated effect of the regional destabilizations is to lower the threshold for nuclear war. Given the fact that this policy will lead to a nuclear showdown and actual nuclear war-fighting, what does the counterforce doctrine mean for a U.S. nuclear war-fighting capability?

Particularly under today's exacerbated conditions, counterforce is a suicidal doctrine that ensures the devastation of the U.S. in an all-out war.

### **A game of chicken**

In the most insane version of counterforce associated with such utopian war fanatics as Herman Kahn (see his book, *On Thermonuclear War*), counterforce is a strategy for fighting a controlled or "limited" nuclear war. This is a ludicrous impossibility.

Kahn, his cothinkers at the Rand Corporation, and including Energy Secretary James Schlesinger, present their scenarios for nuclear missile exchanges as taking place in a ladder-rung escalation, with the potential of each side agreeing to stop short of all-out nuclear war. The objective is to score a political psychological war victory in a game of nuclear chicken.

The absurd unreality of this chicken posture is demonstrated in Defense Secretary Brown's announcement that as part of the counterforce policy Soviet missile silos have been targeted. As any competent military strategist knows, the silos would be emptied before the U.S. missiles hit. All-out nuclear war would already be underway.

### **The objectives of war**

This being the case, what if the United States were to launch an all-out counterforce first strike? In addition, what would be the political-military objective of such an action? War is not a case of simple destruction; if one is willing to fight an all-out war, the following objectives must be realized:

- 1) Destruction of the enemy's ability to continue to wage war after the initial fighting has begun;
- 2) Occupation of the enemy's territory;
- 3) Securing of the peace by winning the population of the defeated adversary over to a viable policy for future industrial and scientific development — the only rational purpose for which war is fought.

Since none of these necessary objectives could be obtained, or even more significantly, are even seriously contemplated by the utopian madmen who conform with McNamara's "cost benefit methods" for measuring military effectiveness, the U.S. has been placed into an impossible predicament. This predicament involves: a U.S. armed forces drugged and demoralized; the lack of an adequate civil defense system; the gutting of industrial capacity; the fact that a majority of the population in the United States does not support this lunacy; and, most significantly, an inferior nuclear war-fighting capability on air, land, and sea.

What would happen to the U.S. in a nuclear war? Unlike the Soviet Union, which has been forced to prepare to fight and win a nuclear war despite the horrible cost, within the first hours of full-scale ABC warfare, 160 million Americans would die. Given the remnants of a once-proud, progressive, but defeated population, the Soviet army would face little resistance when their troops land on the shores of the U.S. to occupy and reorganize the country.

As the Europeans acutely realize, the lunatic incompetence of "counterforce" is modeled on the Nazi Blitzkrieg doctrine of warfare. The Nazis lacked an in-depth, war-fighting capability for winning a sustained war, and their military policy was a quick one-punch effort in the false belief that the enemy could be subdued. However, after the Soviets absorbed the first lightning-quick attack, the in-depth war-fighting reserves and industrial capacity enabled the Soviets to overcome their initial temporary defeats. Eventually, the Nazi SS elite troops and the Wehrmacht were ground up by Marshal Zhukov's military machine. Today, the Soviets are more prepared and more capable of doing the same to any adversary. They have not forgotten the lessons of World War II — unlike the U.S. leadership.

—Robert Cohen and Paul Goldstein



# GOP, Dems turn to LaRouche leadership

A survey of local newspaper editorials, coupled with opinions of state and local leaders of the Democratic and Republican parties, demonstrates the overwhelming agreement of the American people to be against the "China card" lunacy of the Carter Administration and the destabilization being run against the Middle East. In response to the nationwide, around-the-clock mobilization by the U.S. Labor Party to put their national chairman, Lyndon H. LaRouche, Jr. on national television to discuss how to survive and eliminate the Carter lunacy, support is coming from regulars of the other two parties.

Republican support for the LaRouche television broadcast was clinched with the performance by Senator Jake Javits on "Face the Nation" last week, where he demanded that Congress use the War Powers Act to threaten nuclear war against the Soviet Union. Reached

for comment on the Javits war cry, dozens of state and local GOPers concurred: "Javits scared the hell out of me... Nothing Javits says surprises me, but he doesn't speak for the party."

But, in fact, mainstream Republicans, including every announced GOP presidential candidate, have like Javits pursued a confrontationist posture against the Soviets. Capitulating to the geopolitical warmongering of Henry Kissinger and Javits's Zionist lobby networks will run aground the leadership potential of the Republican Party. It was capitulation to Kissinger, the Mont Pelerin Society, and others by those who initially collaborated with the U.S. Labor Party in 1976 to overturn the massive electoral fraud which allowed Jimmy Carter and the lunatics around him into the White House in the first place.

The reaction among Democrats to the war danger is, so far, more muted. The thread of sanity among Democrats runs through industrial labor leaders — steelworkers, building trades, longshoremen, and the Teamsters — who all agree that Carter is behaving like a madman. But out of false deference to "party unity," there exists a dangerous silence from these layers.

The immediate question is how long the world will

---

## Republicans call for an American foreign policy

*We reprint below a statement issued two weeks ago by Peter Fletcher, a Michigan member of the Republican National Committee.*

The recent disastrous downturn in American foreign policy demands a public response. President Carter's "jumping through the hoop" at People's Republic of China Vice-Premier Teng Hsiao-ping's command, and the U.S. actions in effectively destabilizing an American-allied Iran, are perilously dangerous. This perception is shared by our allies in continental Europe and Japan.

President Carter allowed Teng to take every possible occasion to attack the Soviet Union without response. Carter put the nation's signature behind a Chinese-authored communiqué directly attacking the Soviet Union, implying our nation's joining an anti-Soviet military alliance with the Chinese.

In Iran, our actions have been to undermine the stability of a prodevelopment government which is supported by our European allies. Instead, we are effectively backing the installation of the anti-progress, anti-Western fanatic Khomeini.

American foreign policy ought to be based on American principles and interests: a world community

of republics peacefully cooperating in the economic and scientific development of the globe. This is why our allies in West Germany and France created the European Monetary System. This is the necessary basis for all American foreign policy.

The possibility of our pursuing this policy is seriously endangered by President Carter's recent actions. I urge those American leaders who know this to come forward and state their views before it is too late. If such a warning is not delivered, we face the possibility of war.

*Peter Fletcher, Michigan member of the Republican National Committee*

*Seven Bergen County Republican Committee members, New Jersey*

*Ed Bivens, former National Head of the National Black Republican Council, Inkster, Michigan*

*Thomas C. Waldren, former Councilman, Roseland, New Jersey*

*State Representative George Klicka (R.), Wawautosa, Wisconsin*

*State Representative James Lewis (R.), West Bend, Wisconsin*

*Carl Shipley, former Republican Party National Committee member, Washington, D.C.*

*State Representative Davis Hopkins (R.), Wisconsin*

*Stella Nichols, District Central Committee head, Republican Party, Washington, D.C.*

survive without a national voice of opposition to Carter's policies.

The following is a selection of local press opinion which represents American patriotic opposition to war-mongering as a national policy, distinct from the usual Kissinger-type "loyal opposition" flight forward into thermonuclear war. The statements and signatures presented here, are a sampling of a building public mandate for peace — a mobilization that national network media has refused to report.

**Seattle Post-Intelligencer editorial, Feb. 20:** ... Peking's claim that its "punitive" military strike against Vietnam is retaliation for Vietnamese border provocations is patently false. It is the classic excuse for aggression .... By playing the American card, the Chinese communist leaders undoubtedly hoped it would deter Russia from attacking China when Peking invaded Vietnam .... This situation carries in it the germs of a world conflict.

**Buffalo Evening News editorial, Feb. 20:** ... Indeed, if one were sitting suspiciously in Taiwan, it would not be difficult to conclude, as an official government spokesman does, that everything that has happened in Southeast Asia in the past two months is part of a chain reaction touched off by the U.S. recognition of China .... yesterday's inconceivable pipedream; today's ominous reality.

**Philadelphia Inquirer editorial, Feb. 19:** The Chinese took a calculated risk that the Soviets would not intervene militarily ... but starting a fight is easier than stopping it — considering the immediate stakes in the struggle .... The Chinese leaders should withdraw their troops without delay. There has already been too much bloodshed and the lesson should be for the Chinese, the Soviets, the Vietnamese and for all people that armed invasion, for whatever reason, carries no guarantee that the fighting will not spread and escalate with the danger of the ultimate horror — nuclear war — ever present.

**Baltimore Evening Sun editorial, Feb. 20:** ... One American embarrassment so far is nevertheless troublesome. This is the fact that the Chinese attack, well advertised while Teng Hsiao-ping visited the U.S., shot forward within days after his return to China — suggesting Teng carried home in his pocket a U.S. go ahead card ....

In addition, the Philadelphia Inquirer, the Philadelphia Bulletin, and the Scranton Times all ran a letter to the editor from U.S. Labor Party Chairman Lyndon H. LaRouche Jr. urging the concerned citizens of the United States to extricate the nation from "the war danger created by the abandonment of the principles of the Founding Fathers" by reorienting U.S. policy toward the European Monetary System.

---

## Teamsters grope for

The negotiations between the trucking industry and the International Brotherhood of Teamsters for a new national master freight agreement are reportedly going "nowhere fast." Sources close to the talks in Washington indicate that there have been almost no substantive discussions of basic issues in over three months of negotiations.

Trucking industry officials are said to be sitting back, waiting for the Teamsters to make the first move. They are supremely confident that the combination of pressure from the Carter Administration and their own "tough" bargaining position will eventually wear the Teamsters down and force them to agree to a contract somewhere within the Administration's "7 percent wage-price guidelines."

With the media and Administration figures like "inflation czar" Alfred Kahn rightly terming the MFA the key "pacesetter" contract for 1979, a Teamster capitulation to the wage-price guidelines would severely cripple labor's ability to resist new austerity demands.

Such a capitulation would also set into motion internal destabilization scenarios gravitating around the activities of the two small countergangs within the Union, PROD, Inc. and the Teamsters for a Democratic Union. Wildcat strikes and the disintegration of the centralized national leadership would quickly follow, breaking the over 2 million member union into semiautonomous local fiefdoms.

TDU-PROD leaders, many of whom experienced major setbacks in recent local union elections, are known to be counting on the Teamster national leadership to stumble into this trap; so are their controllers in the Kennedy machine.

In recent weeks the media has gone overboard to portray the Teamsters as "ready to deal." Many of these claims are leaks from Carter Administration sources. The normal form of these leaks has the Teamsters trading off any number of things — from trucking deregulation to criminal prosecutions of Teamster leaders by the Justice Department — in exchange for a contract that Kahn could say "falls within the guidelines." The media has seized upon Teamster President Frank Fitzsimmons' recent cautious approval of the Administration's "wage insurance" program as further evidence that the Teamsters will "deal."

### Faction fight

Contrary to this noise and wishful thinking, the Teamsters leadership has not yet decided on an actual

---

# a bargaining strategy

bargaining strategy. Our sources close to the Teamster leadership report that a debate is raging within the Executive Board. The austerity enforced within the Carter Administration such as Kahn and Barry Bosworth of the Council on Wage and Price Stability, have consciously opened up flanking operations against the Teamsters to box them in. The timing of moves to deregulate the trucking industry, the TDU-PROD campaigns, the threats of renewed criminal witchhunts against Teamster leaders, and the "unsolved" Hoffa murder, are all intended to deflect the Teamster leadership from their responsibility: to prepare a strategy capable of defending their membership from the austerity onslaught and to take aggressive responsibility for the health of the national economy. Kahn and Bosworth have succeeded, thus far, in preventing a coherent strategy from emerging.

## The possibilities

Without a strategy, the Teamsters can be defeated.

There are three principal strategies under discussion. One, indeed, involves back-room, real-politiking to reach a compromise with "enemy forces" in the Carter Administration and the industry. Some top Teamster leaders are perfectly willing to "play ball" in exchange for favors. What represents a principal brake on such weak-kneed leaders is their own sense of survival within the union. They know that Teamster members would hold them personally responsible for such a policy. Their fear is that they could not sell it to the membership and, failing that, would be discredited. Such leaders fail to realize that the Administration's commitment to increasing levels of austerity means that "you can't make deals." It may be possible to sign a contract and have a handshake that Carter and company will go easy on deregulation. But as Carter's policies continue to destroy the economy, yet new austerity demands will be made.

A second bargaining position identifies the Carter Administration as weak and unreliable. This grouping thinks that with appropriate bluff and bluster it is possible to force the Administration and the trucking industry to back down. This group is recklessly threatening a strike which they know will shut down the U.S. economy. These individuals are feeding into the hands of their enemies — who are using a strike threat to mobilize public opinion against the union. The Teamsters' enemies who are headquartered in the City of London are at this moment planning a scenario to use

a Teamster strike to help promote a "Crash of '79" which would have among its effects the chaotic collapse of the U.S. economy and the U.S. dollar. The Teamsters would then become the perfect scapegoats.

The same elements inside the Teamsters who are promoting this "strike strategy" are cuddling up with the union's arch enemy, Sen. Edward Kennedy (D-Mass). When confronted, such individuals say they are merely recognizing "political reality" that Kennedy will likely be President in 1981. Saner elements within the union leadership, who know the history of the pro-British, anti-Teamster Kennedy family know precisely what a Kennedy presidency would mean for their union — and shudder at the thought.

If these were the only alternatives under discussion the Teamsters would have lost. But there is a third grouping of Teamster leaders who have increasingly come to recognize the need to formulate an actual winning strategy.

These leaders are coming to recognize the need to mobilize both the membership of their own union and the American population behind policies recommended by the U.S. Labor Party, calling for expanded trade and high-technology economic growth if the Teamsters are to win a decent contract. This policy recognizes the political reality.

At the moment, this is clearly a minority position within the Teamster executive. But it is important to note that several months ago, this position and group of leaders hardly existed. The Carter Administration's austerity policies have had a shattering effect on many of the old guard Teamster leaders, who were, until very recently, clinging to their ideas about horse-trading.

Our sources report that Teamster President Frank Fitzsimmons has stood on the sidelines while this debate rages. They say that Fitzsimmons is trying to straddle all three positions. He is reportedly afraid to alienate any of the participants. The Carter Administration is clearly counting on Fitzsimmons's profile as an able "horse-trader" to keep him within the austerity framework. However, Fitzsimmons is reportedly growing tired of being known as everybody's patsy.

From the Teamsters' standpoint, it is getting late. The master freight agreements expires March 31 and sources indicate that it will take several weeks to nail down an agreement, even if basic points are agreed to. The pressure on Fitzsimmons to take decisive action is expected to increase.

—L. Wolfe and M. Moriarty

### AFL-CIO leaders upset by Carter China policy

Sources close to the AFL-CIO Executive Board, now meeting in Florida, report that several top leaders are worried that the Carter Administration's China policy will lead to global war. Some leaders of the steelworkers, longshore and building trades are dubious of Carter Administration officials' private assurances that "everything is under control."

Chinese Vice Premier Teng "made an ass out of all of Carter's people," said one AFL-CIO leader. The Chinese "want the U.S. and Russia to destroy each other ... that's their game," said another. The whole Federation is upset with the abandonment of Taiwan in favor of the PRC.

Senile AFL-CIO President George Meany and Secretary Treasurer Lane Kirkland however, have reportedly bought the briefing line coming from Washington that the Chinese invasion of Vietnam is "punitive and limited." They are expected to back Carter's denunciation of "Vietnamese and Chinese aggression," call for the pullout of Vietnamese from Cambodia, and Chinese from Vietnam. More sensible leaders fear a "wider war" and "hope" that Carter and National Security advisor Brzezinski haven't already committed the U.S. to back China against the USSR.

Some leaders say they will back a resolution condemning Chinese aggression and say that the U.S. should not back China — even if the Soviets are forced to support Vietnam.

Teamster President Frank Fitzsimmons is reportedly very worried about the course of developments in Indochina. He is said to have warned a meeting of the Teamsters Central Conference that the Chinese invasion of Vietnam could "lead to World War III."

\* \* \*

**PROD falling apart:** PROD, Inc., the Kennedy-machine controlled "dissident" grouplet in the Teamsters, is falling apart. PROD national leaders are trying to hush up the news that the group has split into two, with a new "PROD" holding an organizational meeting in St. Louis last week. Many less committed members have left the group totally.

PROD fell apart, sources report, because the group couldn't dispute charges by the U.S. Labor Party, which were circulated by Teamster leaders, that PROD was part of an anti-Teamster conspiracy. "Truth squads" organized by both the Teamsters and the USLP destroyed PROD morale and produced devastating defeats in recent local elections.

A faction of the PROD executive board demanded that key PROD controllers Arthur Fox, a member of Ralph Nader's legal network, and Steve Early, a veteran of Joseph Rauh-directed insurgencies in the mineworkers and steelworkers unions, refute the Labor Party charges or step down. They refused, and PROD split.

The new group attacks Early and Fox and spurns foundation money. It stays committed to PROD's anti-teamster tactics. Early and Fox keep the national staff, keep control over the newspaper "Dispatch," and move toward a merger-alliance with the more radical, Teamsters for a Democratic Union (TDU) around the upcoming master freight contract.

\* \* \*

**Not so strange bedfellows:** Separate contract negotiations began last week between Cesar Chavez's United Farmworkers and the Imperial Valley-based lettuce grower, Sun Harvest Inc., in what UFW organizers hailed as their first "major break" in the four week old lettuce strike.

Sun Harvest is a wholly owned subsidiary of the United Brands Corp., and it seems that Chavez and United Brands share a great number of common concerns and friends. United Brands is headed by the Detroit-based Max Fisher, a top man in the same Anti-Defamation League, Zionist lobby circles who regularly pump money into Chavez's UFW.

Chavez's cohorts in California recently filed suit in State Court to block funding of research and development of new machinery that would do away with much back-breaking stoop labor. Chavez says he wants to protect the "right" of his workers to their stoop labor jobs.

United Brands shares his "concern": they are among the most vigorous supporters of labor-intensive, 'appropriate' agricultural technologies for the developing sector of the kind advocated by the World Bank, the International Monetary Fund, and Sen. Edward Kennedy (D-Mass).

United Brands was one of the first outfits to recognize the anti-technology UFW several years back. It seems they still think Chavez a loyal field hand.

# Strategic reserve plan hits EMS

*Oil grab would prepare U.S., British Commonwealth for war*

The proposal for a Western Hemisphere strategic oil reserve has been around for some 20 years. During that time, it has been firmly rejected by two Venezuelan governments, by the Mexican government, and by the U.S. Eisenhower Administration, during whose tenure in office the plan was first circulated.

Today, however, the reserve proposal is being vigorously revived by forces in and around the Carter Administration. It was a major goal of Carter's Mexico trip, and, in the world strategic circumstances, it is taking on a new and dangerous significance. With the Middle East under continuing pressure of destabilization from British-centered intelligence networks, the Western Hemispheric reserve is seen by geopolitical strategists as nothing less than an attempt to grab a secure Anglo-American oil supply in the event the supply of Middle East oil dries up entirely: it is a plan to break up the Organization of Petroleum Exporting Countries and, in effect and in the eyes of its architects, an Anglo-American deployment for world war.

The target is clear: the emerging European Monetary

System. With the U.S. turning to Latin American supplies and the United Kingdom relying as well on the North Sea, as the scenario prescribes, the collapse of Mideast flows could be used for total economic warfare directed against West Germany, France, and Japan — the pillars of the EMS. Knock out the EMS, and reverse the strategic anti-London policy orientations of these governments, and general nuclear war with the Warsaw Pact — as the Reserve's proponents know — becomes imminent.

The move to turn Mexico into Washington's "backyard" supplier is being run by the highest circles of Anglo-American policymaking, with Zbigniew Brzezinski and James Schlesinger as the inside players in the cabinet and Edward Kennedy serving as the primary political spokesman and control point for the project. Playing a key role are also elements of the Anglophile "Zionist lobby."

The geopolitical thinking behind the Mexico-Latin American shift was made starkly clear in an address to the executive board of the Anti-Defamation League of

## Council of the Americas' secret memo to Carter

*The Council of the Americas, the business organization representing the 200 leading U.S. corporations doing business in Latin America, presented President Carter with a confidential memorandum outlining a series of "policy approaches" for relations with Mexico just prior to his visit there. The Council's memorandum, obtained by this journal, presents proposals for making the U.S. the mediator for oil deals between Latin America and such nations as Japan, and makes it bluntly clear that the goal is to place control of Mexican and Venezuelan oil marketing in U.S. hands. Both Japan and Mexico have already rejected several features of the memo, excerpted below.*

... Mexico has increasing commitments to export oil to Japan. If an arrangement could be made for

Mexico to ship Alaskan oil from Valdez to Tokyo and swap Mexican oil on the East Coast for delivery to the U.S., there could be a savings for both parties of up to \$5.00 a barrel.

... For strategic and economic reasons, it is most important for the U.S. to reconsider the purchase of Mexican gas and to make long term commitments to Mexico for its petroleum products.

... Creation of a Binational Energy Authority... (to take charge) of long term joint planning and coordination of energy interchanges between the U.S. and Mexico.

the B'nai B'rith in Miami last week by a Kennedy energy consultant. The Administration, said Lawrence Goldmuntz, must force Mexico to build a pipeline to the U.S. for "military" as well as economic reasons. "In the case of a conflict, even a limited one," he explained, "the Navy cannot guarantee supply from the Persian Gulf, Africa or Indonesia." The capacity of the proposed pipeline: eight million barrels per day — *almost the equivalent of total Saudi Arabian exports.*

### **Mexican resistance**

Mexican is saying no to the entire scheme with a vehemence that only the fantasy-ridden Carter Administration could ignore. In an address to his nation celebrating its republican institutions, President José Lopez Portillo said Feb. 5: "Mexico will use its (oil) resources as it sees fit and exclusively as it sees fit... for its national interests." Mexico will "never deviate in response to bilateral greed." He clarified that his country is more than willing to sell oil to the U.S. provided Washington decides to join in building a new world economic order (such as embodied in the EMS), in which Mexico's resources would be seen as what Lopez Portillo called "patrimony of humanity." The point is clear: not a drop of Mexican oil for war plans.

Sources in another Washington lobbying firm, with ties to the offices of both Kennedy and Schlesinger, have

revealed that Kennedy is launching a parallel bid for control over Venezuelan oil as well, and is expected to issue a policy statement soon calling for the same sort of "special relationship" he seeks with Mexico. Schlesinger deployed high-level DOE official James O'Leary to Caracas only two weeks ago to do initial scouting for this angle of the overall project (see below).

According to the outlines of the Carter-Kennedy policy proposals, key Latin American oil producers — particularly Mexico and Venezuela — would become locked into long-term purchasing arrangements with Washington on a "preferred" basis. "Preferred" does not necessarily mean the U.S. would get a bargain price; the key consideration is guaranteed supply in exceptional circumstances—such as war. In fact, the general expectation is that a cutoff of Middle East oil supplies through Iran-style destabilizations will drive world prices into the \$25 per barrel range.

The hemispheric scheme would mean limited sovereignty for Latin American suppliers. The Council of the Americas, a business organization linked to the Council on Foreign Relations, has prepared a study for the White House laying out precisely how this would be put into effect. The memo (see below) calls for Mexican oil production and marketing to be placed under the control of "a Binational Energy Authority" under de facto U.S. domination.

---

## **We must get Mexico's oil — Kennedy**

*Senator Edward Kennedy unveiled his most recent campaign to define Mexican oil as part of the U.S. strategic reserve in a speech delivered Oct. 12, 1978 to the Inter-American Press Association in Miami. Notably, Kennedy called for such IMF-linked institutions as the World Bank and the Inter-American Development Bank to finance hemispheric oil exploration as further means of shifting U.S. dependence away from the Mideast. His aides told reporters this was the most important policy thrust of the speech.*

The wonder is why Mexican oil and gas resources have been given so little attention and priority by the

Administration. Although some estimates indicate that Mexico could both meet its own vital development needs and supply 25 percent of United States imports by 1990, Mexico appears not to have been taken seriously into account by the United States.... We have failed to accord Mexico the same attention and respect offered countries such as Iran and Saudi Arabia.... I believe we can formulate arrangements of long term mutual benefit to both Mexico and the United States, arrangements which address our respective interests and concerns in a balanced and long term manner. And I believe we can do so in the context of steadily shifting our

dependence on imported oil from the Middle East to the Western Hemisphere....

I believe that the governments of this Hemisphere should establish a much larger fund to finance drilling activities, both by state-owned enterprises and private companies. In addition to the World Bank, the Inter-American Development Bank should finance both exploration and drilling efforts....

### **'Kennedy should cut rhetoric'**

In the following interview, a top Washington energy lobbyist long associated with the "strategic reserve" project and also connected to Senator Edward Kennedy's office, outlines the current status of the Venezuelan aspect of the hemispheric operation. After describing

# The reserve: who's pushing it

The oil crisis in 1973 gave renewed impetus to the hemispheric reserve policy, which was first floated in 1959. But the biggest boost came with the inauguration of Jimmy Carter and his appointment of James Schlesinger as Energy Secretary in early 1977.

Under Schlesinger the hemispheric reserve policy advanced on two levels. First, the strategic reserve, an anti-OPEC stockpile stored in Louisiana salt domes, became law. Second, efforts to nail down Mexico and Venezuela as U.S. "preferred" suppliers were intensified.

The outlines for the stockpile legislation were presented to Henry Jackson's Senate Energy Committee in January 1977 by national security and oil consultant Melvin Conant — before Carter was even officially in office. It was Conant's testimony, applauded by Senators Jackson, Kennedy, and Jacob Javits, plus his lengthy memo to the Pentagon that provided the groundwork for the plan.

The legislation itself is an expansion of pre-existing Pentagon authority to purchase oil on world markets for

defense stockpiles. The same Pentagon office that makes these procurements, in fact, would run the logistics of the reserve. Moreover, there is existing "stand-by" legislation that would empower the Pentagon, in coordination with the Department of Energy, to enter into direct purchasing contracts with world suppliers for general U.S. consumption. This is the authorization that would be used to launch "preferred" contracts with Mexico and Venezuela, putting their oil in a category of *de facto* strategic reserves almost as secure as the Louisiana salt domes. As one source close to Schlesinger commented this week, "All the President has to do is sign it. You don't need any emergency or crisis."

By the summer of 1978 the decision was made by Schlesinger, Kennedy, et al. to reappraise Mexico as an alternative supplier to the Mideast. Consultant Lawrence Goldmuntz placed a July call to arms in the Wall Street Journal urging the Administration to use Mexican oil as a tool to bust OPEC. Goldmuntz's piece was followed by a major feature on the same theme in the August 19 issue of the New Republic. Not only did Kennedy have both of these articles entered into the Congressional Record, but the New Republic feature was written in coordination with his Capitol Hill staff.

By late August, according to the Montreal Gazette, the B'nai B'rith was "lobbying on an international scale" to "coordinate the role of American and Mexican

how the Administration is seeking some form of long-term "privileged" agreement regarding both conventional and extra-heavy Venezuelan crudes, our interviewer noted that this has been a long-standing goal of Kennedy and Schlesinger.

*Q: This has never washed with the Venezuelans. What makes the Administration think they'll buy it now?*

*A: Well, Herrera Campins (Venezuela's president-elect—ed.) has hinted that he will be more open to the idea of foreign participation in the Orinoco.... But this is not the main point. The key thing is to guarantee a market for it (the Orinoco heavy oil—ed.).*

I'll tell you who is *very* interested in this problem: Senator Kennedy. He may soon put out a public statement on this. You know, he believes strongly in this hemispheric system

idea. The problem is that he's been blasting OPEC lately in this context.

*Q: That's exactly what the Venezuelans have always denounced. They've always said the U.S. "hemispheric" approach is just a move to bust OPEC and therefore they want no part of it.*

*A: That's exactly what we've been trying to tell him. He's got to cut that out if this thing's going to go anywhere. The terrible thing is that people here (in the U.S.—ed.) think that because of all this concern for Mexico and Venezuela, they believe we'll get a price break. That has nothing to do with it. The key thing is the *market*. What we should do is walk in there (Venezuela—ed.) and say, OK, we'll guarantee 80 percent of your exports with long-term contracts, including the Orinoco oil. The (U.S.) government has the authority to do this. It's standby,*

but all you have to do is have the President sign it. No emergency or crisis is needed.

*Q: But isn't this the strategic reserve authority?*

*A: Well, it's part of the same legislation.*

*Q: You said the U.S. should guarantee a market for the Orinoco. The cost of producing Orinoco heavy crude is prohibitive at this point. Aren't you saying that with Iran knocked out and as chaos spreads in the Mideast, the world price for oil will skyrocket, thus making the Orinoco profitable?*

*A: Right. Everything has changed since Iran. If I were the Venezuelans, I'd invest heavily in the development of the Orinoco rather than put money into nuclear.*

B'nai B'rith members in the development of Mexico's oil resources." A full-scale pressure campaign was worked out in a week-long B'nai B'rith conference in New Orleans Sept. 17-25. During this same period, Bernard Lewis, the British academic based at Princeton University and architect of detailed plans for returning the Middle East to warring tribal sects, paid a sudden and secret visit to Mexico.

National Security advisor Zbigniew Brzezinski began to transform the Kennedy-B'nai B'rith lobbying effort into official White House policy in October, when he began drafting Presidential Review Memorandum 41, which calls for using Mexico to break OPEC and for the creation of a North American Common Market as a means of securing Mexican oil supplies.

### In their own words

*Two architects of the "strategic reserve policy are the New York Council on Foreign Relations, in its 1977 book Contemporary Venezuela and Its Role in International Affairs, and oil specialist Melvin Conant, who broached the idea in January 1977 testimony before Senator Henry Jackson's Senate Energy Committee, and, prior to that, in a report for the Pentagon. Below are their views of the policy.*

**Melvin Conant (testifying before the Senate Energy Committee):** The U.S. can embark on an unprecedented effort to expand supply sources outside the Persian Gulf, to three highly prospective areas in this hemisphere ... Canada, Mexico (and the Caribbean basins) and the Orinoco Belt of Venezuela. Success in developing oil resources in these three ... should give solid assurance that the U.S. can withstand contrived supply shortages.

**Council on Foreign Relations:** The United States should accept the need to devise a comprehensive oil import plan, a plan which would, on the one hand, take into account a "profile" of preferred import sources, and would on the other, involve the exercise of authority over import decisions rather than leaving these largely to private companies.... It would seem advisable to form a regional system of consultation involving both consumers and producers — a kind of Western Hemisphere Energy Institute — to exchange information and try to coordinate regional supply decisions, especially between the United States and such countries as Canada, Mexico and Venezuela.

## The Goldmuntz way

*In the following interview, Lawrence Goldmuntz, a Washington energy consultant who recently briefed the executive board of the B'nai B'rith Anti-Defamation League on his proposals, outlines his plans for replacing Middle East oil by a Latin American strategic reserve.*

*Q: How do you see bringing Western Hemisphere oil production into play as an alternative to dependence on Mideast supply?*

*A: Basically, the idea is that the U.S. should write purchase orders to Venezuela and Mexico, for the long-term — 20-25 years — at world prices. Take the example of Venezuela. Venezuela's heavy oil is produceable at today's prices.... If we give them a purchase order, that can be discounted at banks and gives Venezuela the means to develop their more expensive oil.*

*We should give the same purchase orders to Mexico — this must not be an opportunity for bilateral tension. And it should be an arms-length transaction, government to government.*

*We face an international oil cartel which is unstable. We need to attack that problem.*

*What are the advantages to the Latin American approach? One, it satisfies our military requirements. Two, it can be an element in North-South negotiations. Three, it can lead to lower prices.*

*Q: But won't it mean raising prices if high-cost Venezuelan crude is produced?*

*A: God gave Mexico low-cost oil, Venezuela, high. Tough for Venezuela. Let them fight it out. We can take from them both, at world market prices.*

*Q: All signs from Lopez Portillo in Mexico are that he will keep Mexican production pegged to Mexican oil and revenue needs, and only open up more in the context of new world economic arrangements. Getting locked into contracts with the U.S. doesn't seem to be what he's talking about.*

*A: You never know how cold the water is until you stick your feet into it. Of course, collaterally, we must discuss immigration, tomatoes, and all those other fine things.*

*Q: So the purchase contracts would be discountable by Mexico or Venezuela?*

*A: That's right. They are fungible instruments. The whole thing came out of a talk with Schlesinger. He was saying, "I can't compete with the Japanese." They're offering development aid in return for the contracts. I said, "You don't have to." With these purchase contracts, we get long-term supply and the producing country can exchange the contracts for whatever they need on the international markets to develop the oil. This is how the Japanese are buying coal from Australia. Schlesinger said, "write it up."*



# Banking confab turns into fight

*IMF credit rationing versus EMF lending the issue*

*Exclusive to Executive Intelligence Review*

International bankers at the Feb. 14-15 London *Financial Times* world business conference in Frankfurt witnessed a remarkable open clash among central bankers and other senior officials.

On one side were British spokesmen and others — including Italian Confindustria president Guido Carli and Robert Solomon of the Brookings Institution — who identified themselves with the British position. This group warned the leaders of the new European Monetary System (EMS) against expanding into a new credit channel outside Europe, and sketched their own policies of credit rationing and International Monetary Fund (IMF) surveillance for the 1980s.

On the other side, Otmar Emminger, president of the West German central bank, the Bundesbank, opened the conference by flatly informing the audience that, despite delays in formal EMS inauguration early this year, “we have already been living for some months in a de facto EMS” which has proven its ability to introduce virtual fixed rates among the eight members — the European Community (EC) minus Great Britain — without large central bank interventions.

In response to a question from this publication, Emminger also gave a low-keyed public confirmation of the EIR’s report last month about the way in which the EMS’s European Currency Unit clearing system will serve to draw increasing proportions of participants’ total gold reserves into activation at a three-month average of the market price, beyond the initial 20 percent of gold and dollars to be pooled in the European Monetary Fund (EMF), effectively remonetizing gold as backup for EMS credits.

Bank of England Governor Gordon Richardson responded to Emminger by stating that the UK intends to participate in future rounds of talks on the EMS, from which Britain and its bargaining demands for concessions were excluded at the end of last year. He went on to insinuate that London hopes to disrupt EMS parities by fostering what he called “differential flows” into member currencies. Richardson stated that currency rates are less important than “policy coordination,” by which is meant cutbacks of continental industry; then he threatened to undercut “the integration

that has been achieved” by forcing an EC budget crisis.

Senior Brookings fellow Solomon put this string of positions in a more coherent light by clarifying that there are two opposed policies of “coordination” at stake. Having predicted that the EMS currency stabilization will “break down,” he stressed his vain hope that “the creators of the EMS would have employed the Special Drawing Right” instead of the ECU, and “avoided competition with the IMF.” He voiced his fear that the poorer European nations will no longer seek to borrow from the IMF and urged the EMF to “lend only to EMS members” and thus “confine the damage to the IMF.” To the audience, the contrast was unusually clear between the IMF’s trickle of credit to past and present clients like Italy under destabilizing conditionality, and the potential multiplier of credits based on the EMF’s \$35 billion-plus gold-dollar reserves.

Solomon’s efforts to present these views as “American” were questioned by an *Executive Intelligence Review* correspondent who requested him to justify the record of declining industrial exports and deteriorating capital formation logged by the Brookings-dominated Carter Administration. Solomon replied that “Europeans wouldn’t mind the U.S. running a trade deficit if only the dollar would stop falling.” He looked around for applause, which did not materialize.

In fact, most West German bankers and industrial delegates simply left the room during the Richardson-Solomon interlude, especially after Richardson referred to Emminger as “a snake in the snakepit.”

## **Hoffmeyer on the EMF**

The most notable sequel to this fight was a speech by Danish central banker Hoffmeyer, who began by criticizing Solomon and affirming that he “strongly disagreed with the British view.” He spoke more forcefully, if still somewhat obliquely, than most of his EMS colleagues about the new system’s intention of gradually implementing a two-tiered world credit structure slanted to favor long-term, low-cost lending for industrial development and related purposes.

Hoffmeyer cited the “unwritten rules” of the EMS, including “less doctrinaire” attitudes toward interest

rates. This jab at the IMF and London's Euromarket suzerainty was followed by a reply to Solomon: there are numerous ways, he said, in which the EMF "can operate in the market for both EMS and nonmembers." This includes acceptance of nonmember deposits at rates "competitive with" rates on deposits in the strongest currency in the system — i.e., with the 4-5 percent West German levels.

Hoffmeyer did not draw out the lending side of the equation, but EMS potential to centralize liquidity and recast flows and costs of credit was made so plain that British merchant banker Edmund Dell, the former trade minister, prematurely dissolved the conference, announcing "We're all so confused now by the opposing views put forward that I'm sure you don't want to hear my closing remarks — so I shall just close the conference."

Earlier, Dell had presented the view that trade protectionism is inevitable and no deliberate net expansion of world markets along EMS lines can be created. EC vice-president Francois-Xavier Ortoli, who with Roy Jenkins has made the Brussels European Commission an outpost of British hostility to the EMS, retreated the London Economist's call for the EMS to be made into a sub-organ of the IMF, with "supervisory responsibility" over all domestic economics policies, but drew scant response with this effort to appeal to West German "conservatism." Sir Eric Roll of the Warburg bank, for decades a Bank of England-IMF-OECD strategist, was the most spectacular on the credit question with his formulation of what to do with the \$600 billion in Euromarket liquidity — this, he said, is precisely the magnitude of the borrowing needs of the People's Republic of China, and "I don't think we are overshooting."

What brought these scenarios home to the less attentive listeners was the British admission during the question periods that a substantial precondition for their contractive policies is a large increase in the price of oil. Guido Carli went so far as to propose a new "petrodollar recycling bond" which in effect would be used by British Petroleum, Royal Dutch Shell and whichever American majors joined them, to regulate world credit through "advance payment purchase" securities drawing on "unused oil revenues."

Combined with Roll's announced intention to arrange the deposit of hundreds of billions in Eurodollars with the Bank of China in London, the policy of an astounding supertax on the world economy for the account of Peking and the City was briskly articulated. What also became clear in the course of the speeches was that none of the British or British-allied speakers — including Fiat chief Gianni Agnelli, who polemicized against the idea of advanced-technology exports to the Third World, regarded American policymaking at present as anything but a useful convenience.

—Mark Tritsch, Frankfurt  
with Susan Johnson, New York

## Bankers' conference

*Following is a series of excerpts of presentations by participants in the London Financial Times world business conference. The portions here highlight the polarization of opinion between the bankers and officials present as to whether to continue to accept the domination of the austerity promoting International Monetary Fund or the opportunities for growth available through the European Monetary System.*

### "The EMS functions..."

*An excerpt from the conference speech by Bundesbank President Otmar Emminger is followed by his comment during a question session.*

The present exchange rates of the Italian and French currencies seem to be entirely credible in the marketplace and appear well suited as entry rates for the EMS. In the "snake" the Deutschemerk has over the past four months been persistently in the lower band against the other currencies. Since last December, indeed, the currencies of the EMS have moved continuously inside the margins which would have been obtained had the EMS entered into force at the start of this year. Thus, as concerns the exchange-rate structure, we have already

---

### British banker: I hope LaRouche

*Following, with minor deletions, is the transcript of an Executive Intelligence Review interview with Henry Tiarks at the London Financial Times "Finance and Trade in the 1980s" conference in Frankfurt. Tiarks is a retired international banker, father-in-law of the Marquis of Tavistock, associate of the Devonshire family, and currently a Swiss resident.*

*Q: Mr. Tiarks, U.S. Labor Party presidential candidate Lyndon LaRouche is working to create an American national leadership capable of breaking the "special relationship" to England and linking with France and Germany to...*

*A: I hope he breaks his neck.*

*Q: Can I quote you?*

*A: I'd rather not, old boy, you know I'm just a retired banker, no influence at all, what I say isn't that important, I'm very old.*

---

# debates future of world economy

been living for some months in a de facto EMS, and have been doing so without any particular support by central banks (except for some intervention to prevent undesired appreciation by the Danish crown)....

*Q: Lord Roll introduced your speech with some remarks about gold. Could you tell us about the role gold will have in the future monetary system?*

*A: Gold has been phased out as an official basis for the monetary system — in fact that happened last April (referring to the IMF conference in Mexico). That's firstly — but secondly gold does still have an important monetary role. The Bundesbank has the second largest gold reserves of all central banks, so we are not completely disinterested in the question. So, we must have ways of using the gold reserves for, for example, official purposes like settling balance of payments, et cetera.*

There is the example of the Italian case, where some years ago Italian reserves were used as a pledge for a loan, partly provided by the Bundesbank.... But now we have developed a new way of doing that — we are going to use the gold in the EMS as a new kind of pledge against the settlement of balances of payments between EMS member countries. As you know, 20 percent of dollar reserves and gold will be deposited as a pledge in

the EMS, and in return members will get a means of settlement for balance of payments purposes. In this respect, gold can continue to play a further monetary role.

## How the fund will operate

*Erik Hoffmeyer, head of the Danish central bank, phrased his outline of EMF operations in terms of currency defense. The broader potential was stressed the next day even by the Feb. 15 Financial Times coverage of the conference as the EMF absorbing global flow of funds it would then be in a position to redirect. He also signaled how the U.S. could be brought into gold-backed ECU clearing operations. Excerpts from Hoffmeyer's speech follow.*

The ambition of the initiators of the EMS has clearly been to lay the foundation for a more far-reaching change in the international exchange rate system.... We have moved from the idea of a clean float to a more and more managed float, and the logical outcome could be some kind of negotiated floating. Target zones have already been proposed, but are hardly feasible. On the

---

## breaks his neck

*Q: Yes, you must be, since the Dulleses were buddies of yours.*

*A: Oh, yes, but Allen went nuts in the end....*

*Q: But what do you think about the U.S. picture now?*

*A: Terrible, terrible, there are people saying the Trilateral Commission runs everything; do you think they do? I really don't know, I personally was one of the founders of the Bilderberger group, I'm a close friend of Prince Bernhard, of course we both run the World Wildlife Fund and, I don't know, they say there is a world conspiracy between the Trilateral Commission, the CFT, the Bilderberger and so on. What do you think about the Trilateral Commission?*

*Q: It's no longer the central institution....*

*A: What do you mean, not important? The whole U.S. government is run by them. That's how Carter was put in! You know; really I think Carter's election*

is only explicable by the Trilateral having engineered the whole thing because he is so stupid that they could completely manipulate and control the government once he was in.

And anyway, David Rockefeller is so stupid — he's a good friend of mine but he's really stupid.... Terrible situation now with Carter. Europe will leave NATO soon. Only way to stop it would be to put MX missiles in Europe....

*Q: ... With that kind of policy we'd be heading directly for nuclear war.*

*A: Oh, yes, it's 50-50. There could quite easily be a war. Kissinger has some debatable points. I'll tell you who I'd like to see president of the USA ... that's General Haig.*

*Q He's a creature of Kissinger's....*

*A. That speaks very well for him.*

other hand, one has to think about how such a system might work.

Instead of fixed zones it would be possible to have systems that were activated ad hoc if the participants agreed on intervention. In this respect the proposed European Fund might play an important role. If funds were moving away from the dollar toward the Deutschemark, the Fund might intervene, both buying dollars and debiting the U.S. in ECUs and selling short-term paper in Germany in order to offset the liquidity effects in Germany, which would be credited in ECUs by a similar amount. The essence would of course be that the Fund bought dollars for Deutschemarks ... but the U.S. debt to the Fund and the German credit balance would be expressed in ECUs.

In this way the Fund could operate in the system for the European currencies and ... it would have obvious advantages compared with the present system, first, because the liquidity effects in Germany would be offset automatically, which is not the case at present, and secondly because the question of exchange risk would become less extreme....

## Survival of the fittest

*Former U.K. Trade Minister Edmund Dell's speech at the Financial Times conference was titled "Pressures for Protectionism — Mercantilism and Free Trade in the 1980s."*

In the last few years of economic depression it has been discovered by some, confirmed by others whose view of human history was not distorted optimistically by the exceptional growth and prosperity of the first 25 years after World War II, that there is in fact no single key, ... no system of world economic management that reconciles the interests of all nations. On the contrary there is conflict. This is a highly competitive, Hobbesian world. ... In every nation and in every government there is a basic protectionist instinct. ...

## Don't invest in technology

*Fiat owner Gianni Agnelli, whose ties to international terrorism are receiving increasing attention in the European press, called for labor intensive "appropriate technologies" for the Third World in contradistinction to industrial exports:*

... The continuing U.S. payments deficit has created a vast, self-multiplying pool of nearly \$800 billion. Ensuring that these sums are invested according to rational economic criteria poses an enormous challenge to the financial community.... We in Italy have our own catalogue of cathedrals in the desert. But it gives us no pleasure to see investments wasted in a similar fashion in other parts of the globe.

# Rough going for bank takeovers

Ongoing efforts by the City of London clearing banks to take over American banking institutions with aggregate assets of over \$20 billion have run into severe trouble with the U.S. regulatory authorities and financial public.

The real opposition to the return of the British fleet to American waters began with the U.S. Labor Party's Oct. 4, 1978 appeal to the Federal Reserve Board of Governors that Hong Kong and Shanghai Banking Corporation not be allowed to purchase Marine Midland on grounds that HongShang and Standard Chartered finance the world drug trade. The Labor Party's subsequent publication of the paperback *Dope, Inc.*, which has sold over 15,000 copies, has set off a popular backlash.

## Stock falls

For example, widespread rumors the week of Feb. 9 that the Fed was about to reject Standard Chartered's bid for control of Union Bank in Los Angeles brought Union's stock down sharply. After SCB announced its bid for \$33 per share last June, Union's stock jumped to \$30 per share but tumbled below \$25 on the February rumors.

N.Y. State Superintendent of Banks Muriel Siebert in fact astounded the market when she told the press in late January that "I would expect a decision by the middle of the year ... I hoped to have a decision earlier ... (but) we still have a lot of material to sift through."

Sources say the NYSBD has three major objections:

**1. Accounting:** As HongShang's auditors Peat, Marwick Mitchell & Co. and Price Waterhouse & Co. have told the Fed, "The Financial statements of HSBC are not required to (under the Hong Kong Companies Ordinance), and do not, comply with either United States generally accepted accounting principles or regulation S-X of the U.S. Securities and Exchange Commission." HongShang, for example, never reports its real sources of income of profits — much of which could be drug-related.

**2. Reciprocity:** "We don't imagine the British authorities would let Citibank purchase Barclays or National Westminster," NYSBD officials are reported to have said, "and until they clarify that position we don't feel we have reciprocity."

**3. Public Reaction:** The U.S. financial community is said to have begun to complain at the "cheap fire sale" nature of the wave of British takeovers more generally; they don't feel that the U.S. banking system should be up for grabs just because the dollar is temporarily weak.

—Kathy Burdman

### Miller hints at recession, signs of credit tightening

David Rockefeller, chairman of Chase Manhattan Bank, announced in a Feb. 22 *Wall Street Journal* interview that he foresaw U.S. interest rates reversing direction and shooting upward again, indicating that the push for upward interest rates of Federal Reserve Board chairman G. William Miller had indeed won out as U.S. policy.

Rockefeller's announcement came as Miller was busy selling the U.S. a Bank of England-authored package deal. In exchange for higher U.S. interest rates, Miller and his understudies have assured the capital markets, the U.S. dollar will for the moment remain a stable currency because the economies and therefore currencies of Europe and Japan will be crippled by the "oil shortage" (see Foreign Exchange).

In exchange for this deal, Chase and other money center banks have abandoned their fight to lower interest rates — Chase had lowered its prime to 11.5 percent just three weeks ago — and instead turned over the management of the economy into Miller's eager hands.

#### Moving toward recession

In testimony before the Senate Banking Committee Feb. 19, Miller stated that the availability of credit to industry and agriculture must be cut back if the U.S. is to halt inflation. This, he emphasized, means slashing U.S. money supply growth.

Miller projected that U.S.

monetary aggregates must be brought within much more narrow bands than previously this year, forecasting increases in money supply for 1979 of the following magnitudes: M1, 1.5 to 4.5 percent; M2, 5.0 to 8.0 percent; and M3, 6.0 to 9.0 percent.

Of particular importance, Miller laid stress on limiting the growth of M3. In order to slow M3 growth, a number of economists, such as Fidelity Bank's Lacey Hunt, have demanded a sharp increase in the reserve requirements on large Certificates of Deposit (CDs), which make up a large portion of M3 money supply. This would not only force a new regime of higher CD rates, but would force U.S. banks into competitive bidding for large CDs with each other and European banks. Such competition was a major source of the run-up in interest rates during 1978.

While Miller assured the Senate Committee that, by moving toward a credit crunch, he was not trying to trigger a recession, he did admit that his policies may knock out the props of the consumer sector — which is the single force holding up the U.S. economy. "Higher costs of credit," Miller testified, "will cause land developers and builders to put aside marginally profitable projects and the combination of higher house prices and mortgage rates will lead some families to defer home purchases."

As Miller spoke, it was announced that U.S. housing starts in January had fallen 20 percent from the level of the month before. Some of this fall was due to bad weather. But most was caused by the catch-up effect that higher interest rates are having on the real estate and housing market bubble.

Within hours of Miller's announcement, interest rates were being triggered upward on the domestic credit market. For example, the latest 13 week U.S. Treasury bill auction closed Feb. 20 at 9.39, up 10 basis points from the previous offering. Also on Feb. 20, the General Motors Acceptance Corporation (GMAC), the largest trader of commercial paper, raised the rate on its 90 to 179 day paper from 9 5/8 percent to 9 3/4 percent.

The financial press has predicted worse to come. On Feb. 21, Lawrence Kudlow, vice-president of Paine Webber Jackson & Curtis, predicted a steep run-up in American consumer prices in the range of 10 to 12 percent over the next six months on an annual basis, because of "continuing Middle East turmoil." This, stated Kudlow, would lead U.S. interest rates to move up by a percentage point.

Some of the press even went so far as to report a possible repeat of 1929. Leonard Silk, the *New York Times* economics writer, wrote in that newspaper Feb. 21, "President Carter faces a plight similar to that of Herbert Hoover, the one-term Republican President who had the misfortune to arrive in the White House just before the Depression."

Yet, there are still some signs of healthy resistance to Miller's Bank of England-authored package deal. U.S. corporations were back in the Eurobond market in full force, with almost \$400 million of new offerings scheduled last week. The Eurodollar bond market was booming, reported the Feb. 21 *Financial Times*, because the Europeans continue to keep rates attractively low there, part of a larger European strategy to lower world lending rates for high-technology trade.

—Richard Freeman

---

---

## FOREIGN EXCHANGE

---

---

### Dollar's stability is deceptive

"It makes no sense whatsoever," remarked several West German and New York foreign exchange traders on the puzzling stability of the U.S. dollar at roughly 1.86 deutsche-marks for the week of February 19-23. Events much less disheartening than any one of the week's news developments — seizure of the U.S. Embassy in Iran, the murder of the U.S. envoy to Afghanistan, a 7 per cent plus rise in the price of oil — have laid the dollar low periodically for over two years.

The simple explanation is that the gnomes of London, who, as we reported last issue, have been systematically selling the dollar, opted during the week of February 19 to calm the markets for the short term. Their objective was political. First, the British desire to give critical support to Federal Reserve Chairman G. W. Miller's insistence that his 19th century-style high-interest rate program can stabilize the dollar. (see "Credit Markets")

Second, the British govern-

ment's strategy to disband the new Franco-German European Monetary System, which formerly centered on destabilizing the dollar to prevent its linkage to the EMS, is now more broadly "geopolitical." Britain reserves the right, as Bank of England Governor Sir George Boulton told the Institute of Bankers Jan. 17, to stop the EMS by such Iranian-modeled turmoil in Europe's trading partners that France and the Federal Republic are themselves weakened.

In Sir George's words:

"The Moslem world is rapidly moving into a condition of religious civil war, and no matter who controls the Gulf, the supply of oil, not only from Iran, will probably shrink. In these circumstances, business over most of Africa and the Middle Eastern countries will suffer and consequential defaults and bankruptcies will multiply. Western Europe will be affected by the rising price of oil exacerbated by shor-

---

---

## GOLD

---

---

### A pause in the gold rush

With the Chinese-Vietnamese war placing the world on the brink of World War III, one would expect the price of gold bullion to go through the roof. Instead, the price has oscillated in the \$240 to \$250 an ounce range during the last week and has failed to retain the \$254 record peak reached on Feb. 8. Why?

First, and most important, a political decision was made in London and New York during the last couple of weeks to permit a temporary stabilization of the U.S.

dollar on world currency markets (see Foreign Exchange). The dollar's relative strength is based on the rigged oil price rise and supply shortages to which the economies of Western Europe and Japan are much more vulnerable than that of the U.S.

Second, London sources report that the Soviet Union, the world's second largest gold producer, sold small amounts of gold on the Swiss market in the last few days. This was reportedly the first time that the Soviets have sold any gold since Oc-

tober 1978. The USSR is known to be an extraordinarily adept trader and generally manages its gold sales so as not to lower the market price. However, the occurrence of new Soviet sales just before the U.S. Treasury auction (scheduled originally for Feb. 20 but postponed due to weather) has caused traders to be somewhat cautious. The Treasury is auctioning 1.5 million ounces each month as part of the Nov. 1 dollar-support package compared to only 300,000 ounces earlier in 1978.

Third, other precious and industrial metals have advanced sharply, diverting investor attention from gold (see Commodities). February-delivery silver, for example, rose over 35 cents to a record high of \$7.9870 on the Chicago Board of Trade on Feb. 21. At the beginning of February, silver was trading for less than \$7.00.

—Alice Shepard

tages. Europe has no immediate alternative source of energy and will have to adapt economies to energy austerity and the abandonment of cherished social reforms, and governments will have to get used to electoral unpopularity....” That is, the Giscard and Schmidt governments will fall, and the EMS with them.

Bolton then pointed out that this will effectively destroy French and German currencies — and not just as “competitors” of the dollar. Only oil- and agricultural-rich countries will have financial standing — Mexico, Britain, Canada, and the U.S. “It may seem paradoxical, but the general forecast that the dollar is a doomed currency as the price of oil rises is probably wrong ... I can think of only one European country that has real possibilities of growth, and the name may surprise you. It is Great Britain. We are the only European country with surplus coal and oil resources.”

Of course, Boulton and the Bank have no desire to see the dollar stabilized for good. Boulton himself was the author of the confidential Bank of England report, published by *Executive Intelligence Review* last August, which was circulated among European central banks predicting a total end to the dollar’s role as the international reserve currency. In fact, by deadline, Boulton’s office at the Bank of England was reportedly again predicting a sharp fall in the U.S. dollar based on the general “collapse of foreign credibility in the U.S.” following the exposure of President Carter’s strategic weaknesses in handling the hot Chinese invasion of Vietnam.

The point is, the City has put the central banks of the world on notice that they can raise and lower the dollar at will — as long as the American, continental European, and Japanese monetary authorities do not openly protest.

One of the most useful results for London of the Feb. 19-23 dollar stabilization was to lull Washington. Consider the tremendous pressure from Bonn and Paris on the Carter Administration for a U.S. denunciation of Chinese depredations. Consider the Europeans’ insistence that in the interests of world peace “Moscow” (i.e. detente) “comes first” before the China card. British Ambassador Peter Jay is behind the in fact diametrically-opposed U.S. encouragement of China; his job of insisting Washington ignore European calls for sanity would have been made much harder if the U.S. had had last week to call on the EMS central banks for dollar support.

—Susan Johnson

---

---

## CORPORATE STRATEGY

---

---

### Question mark over Chrysler

The big question mark hanging over Chrysler Corporation in Detroit is whether the current temporary closings at two of its five domestic auto plants are just the beginning of the end for the nation’s “No. 3” automaker. According to insider sources, unless Chrysler gets an immediate bailout from the Federal government, either in the form of a loan or a special dispensation on environmental regulations, the entire firm will go bankrupt.

The first option has already been scotched. Because of an obscure and unpublicized decision taken by President Carter in January to limit

federal credit assistance to any single company to \$50 million, Chrysler was denied its request for \$250 million in federal loan guarantees in early February. Chrysler has reapplied for \$50 million worth.

The domestic auto industry entered February with the second biggest inventory of new cars since the sluggish days of the late 1950s, when industry observers began keeping track of them. Chrysler at that time had a 113 1/2 day supply, with all but its subcompact cars in heavy oversupply. A 60 day supply is considered normal by the auto industry. Chrysler’s bulging inven-

tories and the record loss it reported for 1978 prompted the current closings at Chrysler’s Lynch Road assembly plant in Detroit and at a St. Louis plant, which together employ 7,900 auto workers. In line with the current trend in auto sales — only General Motors is doing well by taking over an increasingly large share of the domestic market — both Ford and American Motor Corporation also scheduled large temporary closings beginning Monday, Feb. 19.

In December the New England-based Harbridge thinktank issued a report to the Federal government asserting that “even a mild recession” might finish off Chrysler and AMC.

The one other out that has been mooted for Chrysler was ominously suggested by the recent report that Chrysler has just won a \$125 million contract to build tanks for the Department of Defense.

—Lydia Schulman

---

---

## COMMODITIES

---

---

### Commodity speculation based on war economy drive

Massive speculation in strategic raw materials is now underway based on the expectation that detente can be scuttled and a war economy made permanent:

\*Copper prices have jumped to their highest levels in five years, despite the fact that there is at least a year's supply of copper stockpiled for non-wartime uses.

\*Tin, lead, zinc, and silver have also moved sharply higher.

\*Tallow prices have skyrocketed on reports of Soviet purchases. (Tallow is a raw material in the manufacture of high explosives.)

\*Demand for aluminum — the principal component in fighter planes — is so strong that Alcoa is restarting one plant, bringing another up to full production, and is launching the expansion of a third. Speculation in strategic

materials centers on the London commodity exchanges. It can therefore hardly be coincidental that (1) it was the British press and its U.S. outposts which first began oracularly predicting weeks ago that there would be a strategic-metals price run-up; (2) that the principal areas of current warfare and revolution are those with strong British input, such as the People's Republic of China (with promised British Harrier jets), Iran (destabilized by Royal Dutch Shell, British Petroleum, the BBC, and their U.S. allies), and Rhodesia, a "former" British colony.

A review of some of the more candid moments of the British press is instructive.

\*The Feb. 20 *Daily Telegraph* of London headlines its commodity coverage, "Commodities Upsurge Reflects Fortune of War," noting that "A crisis does far more for commodities than even a strong underlying level of demand. If the two coincide there is real money to

---

---

## TRADE

---

---

### U.S. protectionism aimed at derailing Tokyo summit

Is it simply the inability of U.S. industry to compete with high-technology Japan that propelled the Carter Administration into a new round of protectionism this month? Shocking as that would be, a staffer of the Charles Vanik (D-Ohio)-led House subcommittee on trade revealed an even more shocking reason why the current round of trade talks has been so protracted and so fruitless.

The staffer told an interviewer that the Administration was not conducting the discussions in order to reach a mutually acceptable compromise on trade frictions, but as a political lever aimed at derailing the upcoming heads of state economic summit in Tokyo.

Japan's Prime Minister Masayoshi Ohira had announced two weeks ago that the agenda for the six-nation summit would include

monetary reform, north-south issues, energy, and trade. To handle the summit, Ohira assigned T. Hosomi, an adviser to the Industrial Bank of Japan who had been instrumental in the coordination between Japan and Germany that led last year to the creation of the European Monetary System.

The appointment of Hosomi, a close intellectual collaborator of West German Chancellor Schmidt and French President Giscard, signifies that Japan's leading humanists intend to make the Tokyo summit into an historic forum for "a new world monetary system based on the EMS," as Germany's *Frankfurter Allgemeine Zeitung* reported in early February. If successful, such a summit would mean the implementation of a two-tier interest rate structure on the international dollar market under which the EMS, Bank of Japan, and U.S. institutions would make avail-



be made. So the possibility of a new war in Vietnam which could involve Russia and China sent prices soaring yesterday. Not the soft commodities which have no strategic uses, but the hard commodities, the metals which can be needed in a conflict.

\*On the same day, the London *Guardian's* commodity column, headlined "Metal Prices Soar on Chinese Attack," observes that "Strategic materials, such as metals, came in for most attention and record prices were reached on the London Metal Exchange.... Leading the way was copper.... Support for the metal was further prompted by news that Rhodesian forces had attacked the Patriotic Front bases in Zambia. This immediately raised fears of a conflict in Africa which could threaten supplies from the African copper belt. The rise in copper dragged up other base metal prices."

—Richard Schulman

---

---

## FROM OUR COMPETITION

---

---

### The Economist on spot oil pricing

*Our regular check on the accuracy of the London Economist turned up the following in the publication's Feb. 17 issue:*

#### The Economist:

"The world oil market is inherently unstable.... Round the fringes (of the OPEC countries and the huge oil companies—ed) run a growing band of small independent traders, powerful enough collectively to dictate the pricing structures of the giants and ultimately to influence the listed prices of the producing countries."

#### The facts:

Spot-oil-price-determining trading companies like Philipp Brothers are controlled by the same British oligarchs who control Royal Dutch Shell and British Petroleum, a fact well known in the oil industry. The *Economist's* Rothschild family owners, significant investors in Royal Dutch Shell, know this.

able billions of hard dollars for a Third World industrial development boom. No one would have to fight over markets.

It is the City of London, fearing such an EMS-Tokyo-Dollar link-up, which has used all its influence in Washington to create instead a U.S.-Japan conflict. The staffer for the House subcommittee, a center of Britain's Brookings Institution thought, said as much directly:

"It will be the U.S., Canada and Britain pushing for making trade issues the focus...The summit is going to be embarrassing for Japan." The subcommittee has just advocated consideration of import surcharges against Japanese goods.

Japan's trade negotiator, International Trade and Industry Vice-Minister Toshikazu Hashimoto, faced a complete "stonewalling" when he arrived in the U.S. for talks with Special Trade Ambassador Robert Strauss earlier this month.

Hashimoto had expected a "short round" of talks clearing up the final details since the two countries had just agreed on terms for the Multilateral Trade Negotiations (GATT). Instead, according to an individual privy to the talks, Strauss presided imperiously while his staff of young Harvard Business Graduates, former International Monetary Fund officials, and former members of such consulting firms as London-linked McKinseys did the talking for him. "They refused to give an inch. We used all our ammunition, made concessions, but they refused to budge." At points Strauss interjected that his hands were tied by pressure from a Congress itself under unbearable pressure from labor unions, steel firms and shoemakers back home.

Insiders remarked that while Strauss often does act in such a "horse-trading" manner vis-à-vis Congress, at present he is simply

going along with new instructions to "stonewall" by the Blumenthal-Solomon-Brookings Institution group in the Treasury Department. This explains why the protectionist threats, dropped for six months, have suddenly resumed. "There is a group in Treasury around Bergsten and Solomon working very closely with the House subcommittee on this. This group is hot to get Japan on the trade issue," explained the Vanik staffer. At the top level, Japanese officials are not taken in by the "pressure from Congress" pretext. Special emissary Nobohiko Ushiba — a former ambassador to the U.S. who was in Washington earlier this month — is said to believe that on trade and protectionism, the Administration sets the tone for Congress and not the other way around.

—Richard Katz

## British steel on downward slide

After World War II, Britain fought tooth and nail to constrain the expansion of the French and West German iron and steel industries and keep them from outdistancing Britain's vintage 19th century plant. The British failed then, and a recent survey by a British government body documents that today Britain's share of the shrinking European steel market is continuing to dwindle. The only thing nationalized British Steel has going for it, in fact, is the British-supported EEC's "anti-crisis" steel plan, which is collapsing the Continental steel industry faster than Britain's.

This year's report by the iron and steel sector of the National Economic Development Council reveals that in 1978 British steelmakers' share of their own home market fell below 80 percent for the first time ever, from 95 percent in 1970. "Some parts of the industry" are reported by the working party to be suffering from "problems over delivery performance and reliability of products," the *Financial Times* reported Feb. 14. British steel users have simply been forced by the inadequacy of the British industry to buy from overseas suppliers.

A statement issued to the NEDC industrial strategy meeting in early February by the British Iron and Steel Consumers' Council complained about the inconsistent quality of British Steel's strip and mill products, the complete absence

of facilities producing good quality heavy plate and certain other products, and high prices — the highest in the EEC, despite the fact that British Steel pays the lowest hourly wages in the EEC.

Steel production in Britain has now fallen 25 percent below 1970 levels, capacity utilization in the industry is running, on average, below 70 percent, and the BSC is running an estimated 350 million pounds loss in the current financial year.

The only solution to BSC's problems offered by the steel consumers is more shutdowns. According to Sir Richard Marsh, chairman of the consumers' council, faster rationalization of Britain's old, high-cost steel facilities will produce a streamlined, more competitive industry. In reality, the call for faster rationalization is in line with the recent scrapping of the Labour Government's 1975 strategy for the "Regeneration of British Industry" — the last facade of commitment to industrial growth in Britain — and the attainment of the condition lauded by Bernard Nossiter in his recent book *Britain, The Future That Works*: an economy which has dropped the last baggage of industrial capitalism in favor of the information industry, management services, etc.

Under the direction of its chairman, Sir Charles Villiers, the BSC has begun carrying out this futuristic policy with a vengeance,

laying off 17,000 British steelworkers over the past year. Sir Charles is currently in China with British Secretary of State for Industry Eric Varley to discuss arms sales. To the extent that any upgrading of the British steel industry occurs, it will be for the purpose of supplying Harrier jets and the like for Britain's Peking and other allies.

Britain is simultaneously seeking to cripple its European competitors by pressuring them to rationalize their steel sectors out of existence. Under the ominous title "200,000 Must Go," the London *Economist* of Feb. 10 assailed Europe for preserving an "oversized" steel industry, and defended the "anti-crisis" steel plan authored by Vicomte Etienne Davignon, EEC Commissioner for Industry. Under the Davignon plan, France is slated to lay off a further 30,000 steelworkers by 1982-83, principally in Lorraine, the news of which provoked labor strife across France earlier this winter. According to a well-informed source, shutdowns are planned for modern steel facilities built in the 1960s, not just for crumbling mills. By the mid-1980s France's steel workforce will be cut by one-third from early 1976, if the Davignon plan is fully implemented.

British spokesmen are at the same time freely admitting that the minimum steel prices set by the Davignon plan have greatly benefited BSC by limiting imports into Britain. Likewise, they are openly defending the Davignon plan for allowing the flow of subsidies to BSC to continue, against criticism by West German steelmakers. "Without massive state aid, British Steel would soon shut," wrote the *Economist*. Subsidies have also been used in Britain to help relocate laid-off British steelworkers in new industries — like the 20 BSC employees who were reemployed last year in Irving New Town, Scotland making golf clubs.

—Lydia Schulman

# China trade or China swindle?

*AMA meeting throws cold water on much trade talk*

China trade or China swindle was the uppermost question for many who attended the American Management Association's "Briefing Session" on "Doing Business with the People's Republic of China," held Feb. 15-16 at New York's Statler Hilton — even before news of China's invasion of Vietnam cast deep new questions over China trade prospects the next day. Despite efforts of spokesmen from the National Council on U.S.-China Trade (NCUSCT), the Commerce Department, and several companies successful in China to sell the more than 300 in attendance from 200 companies, the response demonstrates that few were buying.

By the end of the second morning session, one China analyst noted his suspicion that the audience was not being told the whole story when he catalogued the reasons for questioning the optimism of China trade enthusiasts.

The discrepancy between facts and the pre-presentation ballyhoo during Vice-Premier Teng Hsiao-ping's visit here is bound to fuel fears that the "China trade boom" is a hype which is being used as a cover for the U.S. "China card" policy — including even covert support for China's Vietnam invasion. Compounding such fears is the Administration's decision to proceed with Treasury Secretary Blumenthal's mission to Peking — officially a trade mission — despite the invasion.

## **Chinese industrial hype**

President of the NCUSCT, Christopher Phillips, opened the meeting by stating that he believes we "can be more bullish than bearish" about the potentials of the China market for U.S. business, painting a picture of rapid economic growth and political stability. He reported that China hopes to complete 120 major projects by 1985 with a total domestic and foreign exchange investment cost of \$600 billion, according to figures given Phillips by Chinese official Li Hsien-nien.

Phillips laid out areas of U.S. export to China, without quantifying expected markets but leaving the impression that China's grandiose development plans imply large markets. He said that if China's foreign trade continued to grow at 20 percent per year until 1985 — a debatable guess — then China's two-way trade would amount to \$80 billion worldwide, compared to \$316 billion for the U.S. today.

The key questions — China's ability to pay for imports, service debts incurred, and internal stability — Phillips in effect brushed off. On China's ability to generate loans, he said, "China has an excellent credit rating," although China has no credit history, "and they have an excellent record for prudence" — a statement contradicted dramatically 36 hours later when China launched an invasion into Vietnam.

On the subject of Teng's rule, he offered, "Teng looks to be pretty secure. The policies being formulated are outward looking policies."

Phillips's conclusion was clear: ignore the problems and dive in.

## **The invasion: what does it mean for trade prospects?**

China's invasion of Vietnam, if it doesn't lead to world war, does seem likely to shatter existing projections for China's development and import potential, and to make the prospect of Western investment risky to the point of being prohibitive. Analysts almost universally characterize Teng Hsiao-ping's decision to go to war against Vietnam as "reckless," dispelling the prevailing belief in China's extreme prudence. If China loses militarily in Vietnam, or if the Soviet Union moves militarily against China, the result is almost certain to topple Teng — the very symbol of China's "stability" to most Western businessmen.

Major shakeups may occur in any event, including the possible return to positions of real power by more "Maoist" leaders presently shunted to the side by Teng. Any such development would completely unhinge all present expectations for trade based on present development plans, which would certainly be modified significantly. Finally, the odds presently are very good that the Soviet Union will inflict serious economic as well as military damage on China — which would have incalculable negative effects on China's economic performance.

Bohdan Szuprowicz, head of 21st Century Research and an expert on socialist bloc economies, followed Phillips with as detailed economic picture of China as recorded statistics allow. Most striking was Szuprowicz's evaluation of China's energy needs. He reported that China intends to develop 10 oil fields on the scale of the existing Taching oil field which currently supplies one third of China's oil needs. China also plans to increase hydroelectric power from 1 percent consumption to a 50-fold increase in consumption with the completion of many ongoing projects.

But by Szuprowicz's estimate, China does not have 10 exploitable oil fields the size of Taching, and he seriously questions whether China's oil production target can be realized. He also cast doubt on hydroelectric power plans, given the huge expense for infrastructure and power transmission from the remote areas of generation to areas of use.

In summary, he noted the interest with which the Chinese are examining the possibilities for solar, geothermal, wind, tidal, bone coal, oil shale, and marsh gas, providing a strong indication that Chinese oil-production projections may be wildly kited. "If their oil reserves are as large as they say, why are they giving so much attention to these other sources?" he asked.

Mr. Szuprowicz refrained from spelling out the obvious conclusion, but given China's soaring demand for energy, any shortfall of on-shore production will have to be made up from China's offshore oil, which China

seems intent on having foreign oil companies develop. But this is the oil that foreign lenders and exporters universally count on to pay for China's imports and projected debt service. If that oil is needed entirely, or nearly so, for domestic use, projections for China's ability to pay must be slashed.

Thus, Szuprowicz presented very conservative figures for export trade to China. Pointing out that Mexico's oil reserves are twice China's, he said, "You may be swayed to go to Mexico tomorrow rather than to China."

### Chinese investment puzzle

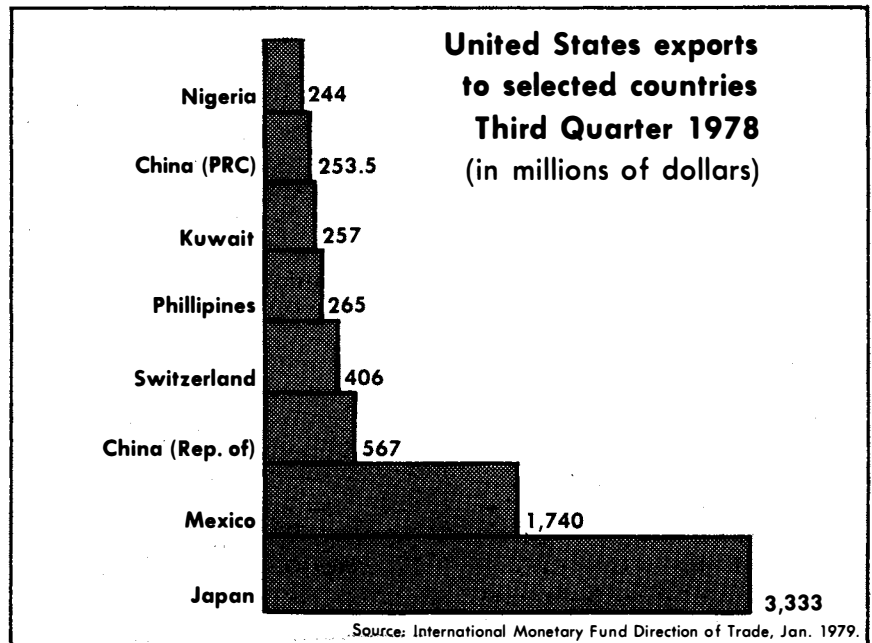
Following an introductory reference to sizable U.S. business community interest in China trade, William Clarke, Director of PRC Affairs for the Commerce Department, proceeded to deliver a down-to-earth account of the extraordinary effort required to land Chinese business deals. Nonetheless, he created the impression that the rewards are worth the not inconsiderable pain.

According to Clarke, China in general submits no tenders and solicits no bids: "market research is an intelligence operation." Clarke recommends that U.S. companies offer, at their own expense, technical state-of-the-art seminars in China in their respective fields — as a way of doing marketing research currently impossible to carry out.

The next step is to submit a bid, which in the past,

## The China market— what the figures say

China's imports from the U.S. are a relatively small portion of the overall U.S. export mix, and in fact have expanded rapidly to their present levels from much tinier levels of a few years ago. The message: neither China nor U.S. exporters have the developed infrastructure to enable China to make a "quantum leap" in basic industrial imports from the U.S. at the present time. U.S. exporters should look to established trade partners such as Mexico — with developed industrialization programs and proven ability to pay — for the greatest immediate gains. The outlook for China: incremental import increases over the longer term. In any case, Japan, currently with \$800 plus millions per year in exports to China, is situated to grab the lion's share of increased Chinese import orders.



China has waited as long as four years to consider. Then, a team of high-level executives are expected to visit China to answer questions.

Clarke failed to address the question what makes this process more economically attractive than other possibilities such as Mexico, a neighbor with much more oil, established markets, and a strong desire for U.S. capital goods.

### Bursting the bubble

Voicing the general reaction to these trade prospects on the second day, an independent analyst warned the group against "herd psychology," referencing the Jan. 9 meeting at the State Department where "getting in first" overshadowed hard-nosed evaluation of economic merits on the matter of China trade.

He reported that his own expert sources have determined that China's domestic oil consumption needs virtually rule out the possibility of financing imports for other sectors of the economy. He further questioned the grade of Chinese oil, which is low, waxy, and undesirable for many markets.

China's internal stability is also questionable, he said. Far from creating a nation of happy supporters, he noted, Vice-Premier Teng Hsiao-ping has actually alienated large segments of the Chinese population. For example, China has just revised agricultural policies to favor limited rural areas near cities, cutting out large-scale investments in the majority of China's agricultural

areas. Given that 80 percent of China's population still consists of peasants, this policy condemns a majority of the population to continued poverty, a situation that active dissenting political factions could make use of.

More to the point, he asserted that the U.S.-China rapprochement is mainly a political move to use China as a counter against the Soviet Union. In concluding, he asked rhetorically if the assembled business representatives thought the Administration would continue to support and encourage trade with China if China were to become friendly with the Soviet Union once more.

— Peter Rush

## The lure of the Orient: it's a risky business

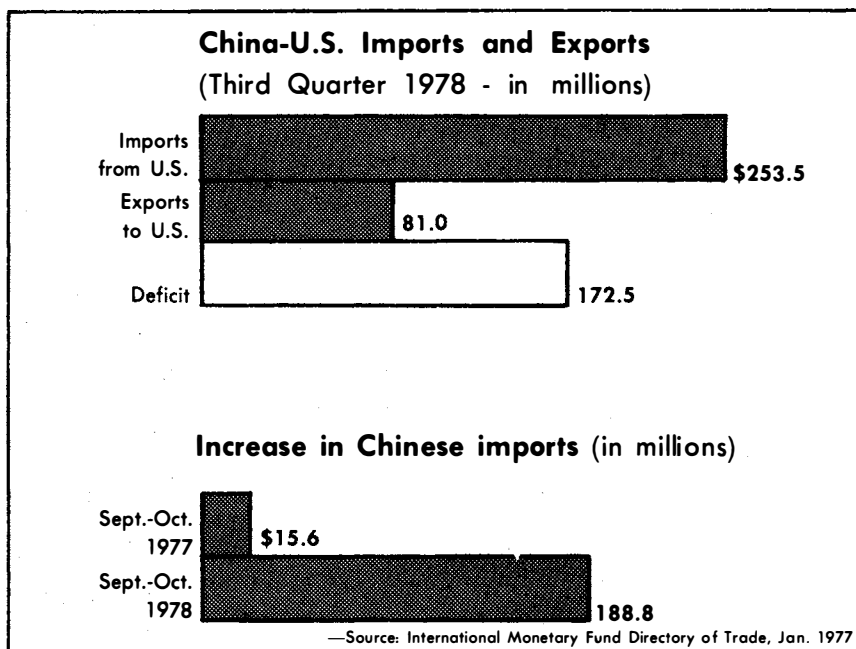
*Excerpted here are portions of addresses given at the American Management Association's "Briefing Session" on "Doing Business with the People's Republic of China," held Feb. 15-16 at New York's Statler Hilton Hotel:*

**Christopher Phillips, President, National Council for U.S.-China Trade, Feb. 15:**

"Are we about to enter on a modern version of the 18th century clipper ship days, or are we facing a much bleaker prospect .... Based on our experience, I think we can be more bullish than bearish. There will be an

## China's import boom—can they pay?

The recent, large-scale expansion in Chinese imports, from the U.S. and other countries, has not been matched by a commensurate increase in Chinese exports to pay for them. Apart from the drug trade — and heavily saturated markets in baskets, printed cotton and dinnerware — experts see few major new sources of Chinese foreign exchange revenue in the short term. The conclusion: over the immediate few years, Chinese ability to pay for their expanding imports depends on large scale, government-guaranteed credit programs.



unprecedented expansion of China's economy. There will be \$70 bil. worth of foreign technology imported in the next seven years. We're faced with a prospect, unthinkable a few years ago, of plants dotting the countryside with names like Armco, Boeing, Coca Cola, PanAm, U.S. Steel, Westinghouse.... There will be skyscrapers, mechanized farms .... The ambitious targets set are indeed impressive. So too are the pitfalls and problems to be overcome .... In the next seven years, the Chinese want to complete 120 major projects. Li Hsien-nien (number four in Peking's hierarchy — ed.) told me that the cost of this investment program, in dollar terms, will be \$600 billion through 1985 ....

There are no guarantees (on prospects for U.S. sales). Other countries have a very considerable head-start. They haven't laid a golden egg for all of us. The Chinese demand the best .... There must be an effective effort to sell our technology.... (Despite many problems) it is my advice that American companies should act now rather than waiting for all problems to clear up ....

How will the balance of China's foreign exchange be raised? Tourism, oil, foreign investment (are the main ones). When all is said and done, China will still have to get major financing. China has an excellent credit rating, and they have an excellent record for prudence. Li Hsien-nien said to me that 'we must not borrow more than we can repay. Other nations have done this, but we cannot'.... The longer-term outlook is very encouraging. Whether China achieves 100 percent, 75 percent or 50 percent of its development goals is less important than their momentum to move forward .... China's currency is among the world's most stable. Doing business there is a prospect few corporate managers will

want to ignore, but you will need thorough research and patience .... In brief, there are no easy answers here .... The most hazardous game is to speculate on China's future leadership. I am more interested in what the future holds for the policies being formulated. The policies are basically outward looking attitudes. Teng looks to be pretty secure.... If the policies of this leadership continue for another 2-3 years, they will become very hard to change after that.

**William Clarke, director, PRC Affairs, Commerce Department:**

Since Dec. 15, we have had 350 calls a day coming in, 100 letters a day, our staff has doubled to eight, and the number of seminars has soared. I'm scheduled for about 20 between now and June .... Factors to consider on the Chinese economy are: 80 percent of the population is in agriculture; per capita power consumption is at the same level as in Bolivia; 70 percent of their locomotives run on steam; there is no center city truck traffic; they ration domestic cotton cloth. There's a unique economy which must be analyzed on its own ....

How are import requirements generated? It is similar to the Soviet Union, but the details are lacking.... The process used to make their import decisions is not always clear. China's trade corporations preselect several firms, invite them to Peking, conduct protracted negotiations, and often make them compete against each other. This makes it difficult for market researchers. As one American put it, 'It's very hard for researchers to know when they will need things,' ... It's a difficult market. You need to allocate very senior technical personnel.

# Dr. Press and U.S. science policy

*'I'm an advisor, not an advocate of science'*

Dr. Frank Press, President Carter's science advisor and director of the Office of Science and Technology Policy (OSTP), gave an interview in January to the *National Journal*. Amid great fanfare on the part of the Administration that OSTP, which had been abolished by President Nixon, was going to play an important role in national policymaking, Dr. Press described his function as follows:

"My job is different from those of earlier science advisors. While science used to be associated with high technology, it now also concerns some other, more fundamental things like the environment, or nuclear waste management. In earlier days, science was fancy, military, space-aged stuff. Here it's much broader than that."

Under Dr. Press's guidance, the very definition of basic science has been distorted to function as an H.G. Wells-type of science fiction, "space-aged stuff" as versus a "science is at best unnecessary, and at worst dangerous" policy developed by Bertrand Russell.

Under the present advisor, science has also become a tool of international geopolitical intrigue, where the "China card" policy of Zbigniew Brzezinski and James Schlesinger, under the guise of "science and technology" agreements, means allowing the Chinese to circumvent U.S. trade restrictions for the import of advanced technology. OSTP scientists have been put in the position of trying to convince a justifiably skeptical White House press corps that the U.S. will benefit from "scientific" exchange with the Chinese — citing "advanced" methods of earthquake prediction such as sending Chinese peasants into the countryside to listen to the ground. OSTP officials have also pointed to Chinese methods of "bug picking" to replace energy-intensive pesticides.

## Press and the scientific community

Dr. Press has publicly refused to allow current scientific and technological advances made in the U.S. to be known as putting the "best foot forward" for leading scientific research in the world.

In late summer, before the breakthrough achieved at the Princeton Large Torus tokamak fusion experiment

was made public, the Fusion Energy Foundation advised the White House to announce the achievement as a source of national pride and confidence in U.S. science. The subsequent decision to not only ignore, but try to squelch the news of the breakthrough made clear the Administration's policy toward work on the frontiers of scientific research.

Frank Press has made clear why advances in U.S. science have been so studiously ignored by the Administration. According to a consultant to OSTP, quoted in the *National Journal* article, Press "is very much trying to serve as the White House science advisor . . . not as an advocate of science, as was the case during some previous administrations." Press confirmed this shift in the role of the science advisor himself: "I can't become a sounding board for the scientific community. I work for the President. A lot of things I do on his behalf they may like or they may not like. You can't have among the President's advisors constituency representatives."

In his presentation at the American Association for the Advancement of Science Colloquium on research and development policy held in Washington on June 20, 1978, Press said again: "It may be time to recognize that it is not possible, or even necessary, to be first or number one in everything as long as our overall primacy is not threatened."

He also put forward what was to become the hue and cry of the Department of Energy's Schlesinger, John Deutch, and the President's domestic advisors: government support of advanced research and development in industry, where the private sector cannot commit large sums of capital to a technology down the road, is simply a boondoggle to "special interest groups." Said Press, "Often projects or programs tend to take on a life of their own. They build a constituency and a momentum that is difficult to deal with." The budget for the Department of Energy, now before Congress, makes government-supported energy research and development a complete guessing game, by suddenly cancelling projects that industry had already made large financial commitments to build.

## Energy and space policy

On Jan. 22, 1979, Frank Press presented to the press the FY 1980 budget for federal support of research and

development. The energy research and development strategy, as laid out by Press, is to de-emphasize nearer-term technologies and focus support to "longer term research and development, where there is less incentive for private investment." In keeping with this strategy, Press announced, the Department of Energy will "increase support for solar research and development by 24 percent and longer-term solar-related technology development and applied research by 40 percent."

In keeping with the Administration's late 1978 pro-solar scramble, nuclear research and development will decline in absolute dollars and magnetic fusion will increase by only 2 percent. Over \$800 million will be poured into the solar program, barring congressional alteration, in FY 1980.

Second to the Department of Defense in basic civilian research and development funding is the National Aeronautics and Space Administration. Over the decade of the 1960s, the nation's space program was the leading edge of basic scientific research and advanced technological innovation. Under its program for eventual deep-space exploration and near-space colonization, NASA was a critical funder of developmental work in fusion, magnetohydrodynamics (MHD), thermionics, and advanced nuclear technology.

After years of no substantive national policy, the Carter Administration, through Frank Press, has revised the mission of the U.S. space effort. No new project starts will be initiated in the next two to three years. NASA officials describe the program as in a "holding pattern" with all attention directed to the space shuttle and "earthly" applications of space technology.

A White House fact sheet on the U.S. Civil Space Policy, prepared by Frank Press and released on Oct. 11, 1978 by the President, states that space science and exploration will take place in a manner that "provides short-term flexibility to impose fiscal constraints when conditions warrant."

The fact sheet poses the goal of "increasing the return on the \$100 billion investment in space to the benefit of the American people ... it is neither *feasible nor necessary* to commit the United States to a high-challenge space engineering initiative comparable to Apollo."

In a presentation before the National Space Club on Jan. 16, 1979, Senator Adlai Stevenson, as chairman of the Senate Commerce Committee's Subcommittee on Science, Technology and Space, voiced his concern about the Administration's space policy. "We must not restrict our vision by relying excessively on the grim calculus of cost/benefit ratios and zero-based budgets," Stevenson said. "We need to recapture an earlier spirit — a willingness to run risks, try new ideas, compete, test the unknown and excel."

—Marsha Freeman

## "Reverse" technology transfer

*The Carter Administration's science and technology policy does not end with Science Advisor Dr. Frank Press advocating a greater emphasis on solar power, environmental concerns, and the views of the uninformed layman. Legislation will be presented to the U.S. Congress this month to establish a Foundation for International Technological Cooperation that will not only sponsor a program for industrialized nations like the United States to foist labor-intensive "appropriate technologies" on the developing sector, but will do a big public relations push for bringing Third World technologies to the United States.*

*The following interview with the proposed director of the foundation, Dr. Ralph Smuckler, was provided to Executive Intelligence Review by Fusion magazine.*

**Q:** *Dr. Smuckler, what is the goal of the new institute?*

**A:** The goal is to close the gap between the advanced sector and the developing countries. This may require balancing of the standards of living between the U.S. and developing countries. The institute will help the developing countries choose technology more effectively rather than simply taking it from the West.

**Q:** *What kind of joint research and development projects will the U.S. formulate for energy development in the Third World?*

**A:** Not enough work has been done in the area of disaggregated energy systems. Though they have seemed less cost-effective (than large, central power station technology — ed.), their economics have not really been looked into. We will also be trying to encourage the development of local resources.

**Q:** *In the section of the draft report dealing with agriculture it is suggested that low-energy farming and agricultural methods which the new institute wants to help develop for the Third World would be applicable to advanced farming in the U.S. It is certainly a novel idea to transfer "appropriate technology" back from the Third World to the advanced sector. Could you comment?*

**A:** We were not the first ones to propose this in agriculture. A few years ago, Bill Stout from Michigan State University did a report for the United Nations making the same point. More recently, *Science* magazine has also said that the future of agriculture is in energy-saving activity. I think that in areas of urban problems and the environment, this "reverse flow" of technique and information is also possible.

**Q:** *What about political opposition from Third World countries, like Mexico, that have made clear they aren't interested in "appropriate technology," but want to build nuclear plants and advanced agriculture and industry?*

**A:** Lopez Portillo's program sounds to me a lot like that of the Shah of Iran.



# Ibero-American Conference meets

## *Pledges to strengthen science and technology*

At the first Ibero-American Conference on Science and Technology, held in Madrid, Spain from Jan. 29-31, representatives from Latin America, the Philippines, Portugal, and Spain agreed to establish a permanent General Financing Fund to aid in the "development of investigations in Latin America" and to "promote joint research between Latin America, Spain, Portugal, and the Philippines by strengthening the scientific and technological capacity of each individual country and the group as a whole."

The conference, organized by the Ibero-American Cooperation Center, was convened to define what are the technological and scientific needs of Latin American countries and to outline "concrete programs" to meet those needs. Top on the agenda was the state of labor power in the respective nations and what measures should be taken to increase the potentialities of labor power.

This initiative is another step by Spain to become the "bridge" between Latin America and the Europe of the European Monetary System. Manuel del Prado, president of the Ibero-American Cooperation Center, made this clear in a statement to the press one day before the conference convened: "The conference will allow for a definition of a new dimension in relations between the participant countries.... If Spain joins the Common

Market, it would be the main spokesman of Ibero-American rights in that institution."

Opening the conference, the Spanish Minister of Industry Rodríguez Sahagún pointed to the direction that Spanish efforts could take in the future. It is very important to bring together scientists and investigators, he said, but there is also the need to gather together those who "apply science," that is, industrialists and technicians.

At the conference were research and development ministers from 17 Latin American countries, Portugal, Spain, and the Philippines and delegations from the Organization of American States, the Inter-American Development Bank, the Andean Pact, and the Inter-American Commission on Nuclear Energy.

### **Applying technological know-how**

The research and development ministers reported on the state of scientific investigations in their respective countries. A seminar was then held on "programs of joint actions in scientific and technological investigations." It was as a result of these discussions that the Financing Fund was proposed and approved. The research programs to be financed by the fund include nuclear energy, raw materials, human resource development, agriculture, and food-growing techniques. In the future,

## **The conference**

**When:** Jan. 29-31, 1979.

**Where:** Madrid, Spain.

**Who attended:** representatives from Argentina, Mexico, Philippines, Portugal, Spain, Bolivia, Cuba, Ecuador, Honduras, Peru, Guatemala, Haiti, Panama, Nicaragua, Dominican Republic, El Salvador, Chile, Venezuela, Brazil, and Colombia.

**What was discussed:** 1) the state of scientific investigations in each country, 2) the scientific and technological needs of the Ibero-American countries, 3) the global priorities to be tackled, 4) the possibilities for joint bilateral investigations, 5) the problems to be solved in the administrative, juridical, and financing field before engaging in bilateral investigations, and 6) the education and training of labor power.

**What was decided:** to establish a General Financing Fund with an initial \$4 million per year to promote scientific and technological investigations and, in the future, the transfer of technology; and to present a common position at the United Nations Conference for Science and Technology to be held in Vienna next August.

**What is in the future:** additional bilateral or group meetings by representatives of the participating nations after the delegates report back; other ministerial level meetings have been suggested as have meetings of Ibero-American industrialists and technicians; an Ibero-American heads of state meeting in Madrid being mooted by the Spanish press; and more in the series of conferences on science and technology.

the fund's role will be expanded to include the transfer of technology. Its board of directors will be made up of scientists, technicians, and industrialists.

In his speech to the conference, the Spanish Minister of Science and Education, Inigo Cavero, announced that Spain has a three-year plan to invest \$900 million in a scientific program. "We must raise general consciousness to the fact that scientific investigation is, in itself, a cultural value which no country can ignore and that this value undoubtedly has an economic expression which cannot be overlooked."

The scientific program, the Minister added, will "increase investigations both in the universities and in the Superior Council of Scientific Investigations (CSIC)." The CSIC, one of the main operational centers of the Opus Dei organization in postwar Spain for the promotion of scientific investigations and application, made a public request on Jan. 25 for a reorganization "within the frame of a general plan for scientific investigations, including all the sectors involved in Spanish investigations. The CSIC Board of Directors made three proposals: (1) to release information about future plans by government officials involved in investigations, (2) that a parliamentary debate be initiated on present and future investigations to clarify the position of every political party, and (3) that a law of investigation be drafted as a departure point for new investigation efforts.

### **The role of the universities**

Peruvian delegate Antonio Pinilla delivered probably the most well received presentation. One of the main problems faced by Latin America, he said, is the state of its universities because of the "negative influence of the French Encyclopedia which continues to this day and which teaches to repeat but not to think." He stressed the importance of redefining the concept of a university as a "center for critical thinking and scientific investigation.... The countries that have given more importance to science are the ones that have achieved more important development."

Dr. Heriberto Herrera, Science Attaché from the Mexican Embassy in Spain, concurred. His speech highlighted the importance which Mexico has given in its present development plans to "the formation of personnel prepared to properly apply science and technology."

Spanish scientist Luis Arizmendi explained that Spain has been able to assimilate advanced technology precisely because it has a broad layer of technicians and scientific cadre as well as many research units.

The ministers in attendance also pointed to the "brain drain" or "inverse transference of technology" as a problem. The best professional cadre formed by the Third World have to emigrate because the "developing countries do not have the conditions and infrastructure to keep them," the Venezuelan daily *el Nacional*

editorialized on Feb. 5. "The Ibero-American community," continued the daily, "will present a common position at the United Nations conference on Science and Technology to be held in Vienna next August; but regardless of the results obtained at that international conference, Spain, Portugal and Latin America have already decided... to prevent emigration of its scientists" by creating a "network of investigation centers and also bases for the training and formation of personnel."

—R.D. Cedeno

## **A university to foster development**

*Last October, the Venezuelan Ambassador to Spain, Ernesto Santander, proposed the creation of an Ibero-Arab-American University on Spanish soil to be backed with OPEC funds and to help create the technical and scientific cadre needed for Third World development plans. The following are excerpts of Santander's proposal published in the Spanish weekly Cambio 16 last October.*

We launch the idea of creating an Ibero-Arab-American University especially dedicated to the search for new energies that could guarantee the industrial development of humanity.... The search for a new world demands a university that can facilitate cooperation between the developed and developing worlds, a university that would fundamentally study the energy problems of the world.... This university, made possible by an Ibero-Arab-American agreement, should be specifically promoted by the Organization of Petroleum Exporting Countries (OPEC), the important international instrument of the Third World which has prevented confrontation and conflict between the industrialized countries and the producers of raw materials. This organization (OPEC) would assume an active role in areas that go beyond the mere oil problem and would express its concrete support for structuring the new mentality which must be at the service of a new international economic order, thus acquiring plausible moral standards.... We are conscious that this is a high and demanding idea which demands an initial strategy in agreement with the final aims, as well as permanent fighters to achieve such a formidable goal. We are equally conscious that there is no ethnic superiority, but an evident technological superiority; however, it is possible and necessary to gain that technological superiority in universities of real learning and in centers demanding high standards of investigation. Our strength lies in unity and modernization, our power in the gradual conquest of technical and scientific knowledge.

# France in Africa, the Mideast

## *A common front for peace and economic progress*

France's policy in the Middle East and Africa centers around two major concerns: to prevent destabilizations by squelching "hot spots" as soon as they occur, and to foster a dialogue on the ways and means to bring those regions out of underdevelopment altogether. This outlook, running counter to the savage policies of London's International Monetary Fund (IMF), has just been reiterated by French President Valéry Giscard d'Estaing at his Feb. 15 press conference (see below). Giscard proposed to seek an accord to "strengthen solidarity between Europe, Africa, and the Arab states in terms of security (at least in the tensions that could be avoided) and development." The French leader added that he wanted to discuss organizing such a tripartite summit with Sudanese President Numeiry when he visits Khartoum.

It was during a recent visit to Sudan that France's State Secretary Olivier Stirn proclaimed: "The objective of France's policy is the harmonious development of the totality of the continent." As head of the Organization of African Unity (OAU), Numeiry's alliance with France is key to the stability of the continent, as underscored by the joint mapping of tours and deployments to resolve conflicts in the Horn of Africa and the Sahara.

There is an irony to what the French daily *Le Figaro* called "the Common Front" between France and Sudan: the latter is a former British ally and the shift to France as its principal friend and partner in the West coincides with similar shifts in other Anglophile nations of Africa, notably Kenya and Guinea.

The international community watched with a certain amazement when, following the death of Jomo Kenyatta, Kenya's new leader Arap Moi chose Paris and not London as his first stop to make in the West. Last fall also saw the spectacular conversion of Guinea's Sékou Touré to Gaullism, a brilliant demonstration that Giscard's soft-spoken but determined policy of dialogue and trade with all nations can make many converts. A former French colony, Guinea had practically assumed leadership of the anti-Gaullist, pro-British faction in Africa when it delivered a spectacular "no" to then French President de Gaulle's 1960 proposal for a Francophone Community. Sékou Touré's attacks on Great Britain and praise for his former enemy last fall, and then the spectacular reception in Conakry for

Giscard d'Estaing from Dec. 20-22 marked a decisive advance of French diplomacy against the once-great British Empire.

The smaller African countries — both the former Portuguese and British colonies such as the Cape Verde Islands, Liberia, Guinea Bissau or Sierra Leone — are also considering attending for the first time the yearly French-African summit. This year the summit will take place during May in Rwanda.

Significantly, the Soviet outlook on Franco-African policy has shifted from one of hostility to one of critical collaboration, notably in the French effort to pull together a conference on the Horn of Africa. The net result of the French deployment is that British influence is on the wane — save perhaps in the backward tribes manipulated to undermine national governments. African leaders now turn either to Moscow or to Paris for aid in strengthening their governments and their nations politically and economically.

### **Calming the Mideast**

In the Mideast too, French policy is meeting the approbation of the populations and leaders concerned. Palestine Liberation Organization (PLO) Foreign Minister Khaddoumi visited with his French counterpart Francois-Poncet in Paris on Feb. 21 and stated that he "fully agrees" with what Giscard laid out at his press conference, especially with the French President's suggestion to use the United Nations to foster the cause of a global solution to the Mideast crisis. During the press conference, the French leader clearly rejected the Camp David separate peace approach for the first time, as the Anglophile French weekly *Le Nouvel Observateur* pointedly noted. At present, there is a broad agreement between France, Jordan, and the PLO around the strategy of proposing a comprehensive settlement at the UN Security Council — most likely at Geneva and under the auspices of both the United States and Soviet Union.

### **\$100 billion ECUs?**

But France's vigorous diplomacy is not without its detractors. There is still a fight going on between the proponents of economic growth in the developing sector and Anglophile advisors and politicians who argue in

favor of giving free rein to "free enterprise."

The central point of debate is the economic development program put together by Foreign Trade Minister Jean-Francois Deniau for the presidential political coalition, the Union for French Democracy (UDF).

Deniau's plan exemplifies what the European Monetary System can mean for the developing sector in reversing years of IMF genocide, austerity, and famine in the Third World. It calls for \$100 billion in loans for investment in the developing sector, loans to be denominated in the new European currency, the ECU.

—Garance Phau

## Giscard defines foreign policy

*Below are excerpts from the text of a press conference given by French President Valery Giscard d'Estaing in Paris on Feb. 15*

### **European Monetary System**

I believe that the installation of a European Monetary System (EMS) — allowing for the creation of a zone of monetary stability in Europe — is a basic element in the organization of Europe....

At the Brussels meeting, we agreed upon a number of principles concerning the organization of the EMS....

The system has not been able to go into effect on account of a problem of a different kind: the existence of what are called "monetary compensation amounts" (MCAs). The problem is quite separate from the question of the EMS....

I should like to confirm that we agree on the arrangements arrived at in December for the EMS. We favor the implementation of the EMS as soon as the current difficulties surrounding the MCAs have been cleared up....

### **Nature of future energy crisis**

Iran will not be able to bring its production back to its former level very quickly. In the interests of its own national affairs, it will of course be constrained to resume extracting and selling oil, but before this happens, it is important for the oil-producing countries to try as hard as they can to maintain the level of quantities sold on the market.

It is necessary on this occasion to avoid a confrontation situation. That is why France, by making use of the relations it has maintained and strengthened with the main Arab oil-producing countries, will be in contact

with them over the coming weeks. It will strive to ensure that there is a concerted approach to the problem of oil supplies....

### **The Middle East and Camp David**

The successive events occurring in the Mideast conflict, that is to say, President Sadat's visit to Jerusalem over a year ago and then the Camp David meeting, have constituted a sort of psychological approach to the facts of the problem....

We believe that only an overall solution can solve the problems of the Middle East, that is, a solution that is accepted by all the countries of the region and approved by the international community, and one that provides an answer to all the issues raised, in particular the situation of the Palestinians and the exercise of their rights....

We have to look further ahead. If these talks do not lead to an overall solution, I think it would be better to return to another forum in order to proceed with a careful evaluation of what has been achieved in the different stages of the negotiations....

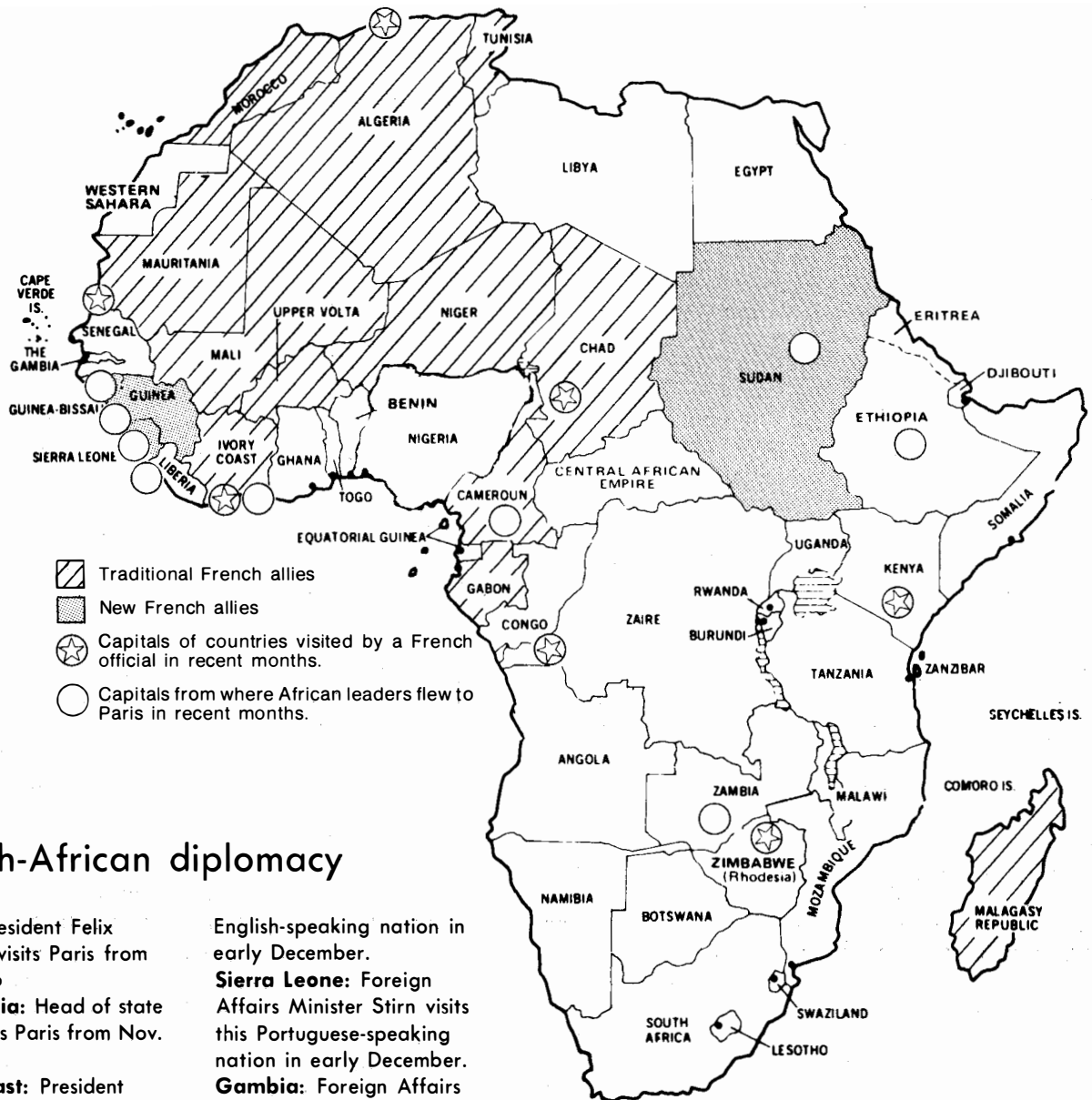
Where might this assessment take place if not in the United Nations Security Council? I should like to remind you that it was agreed at Camp David that the accords, if reached, would be laid before the Security Council so as to have international endorsement. If this is planned in the event of success, it should also be planned in the event of a failure or an impasse....

### **Europe and Africa**

Now that we're in a new period, a new framework must be sought for relations between Europe, Africa, and, I might say, the Arab states. When I think of the Arab states I'm referring to the members of the Arab League. If you look at a map of the world, you will see that there is a large zone around the Mediterranean which brings together Europe, the Arab states, and Africa.

I think it would be useful for the leaders of these states to meet one day, as others have done.... It would be useful to have an agreement that would strengthen the ties of solidarity between Europe, Africa, and the Arab states both in regard to their security or in any case what they can do to avoid tension between them, and in regard to their contribution to their common problems of development....

I was mindful of this when I accepted the invitation from President Numeiri to go to Khartoum so that there could be a meeting between the president in office of the European Economic Community and the president of the Organization of African Unity. I hope that we will exchange views on the possibility of preparing for a meeting between the states of Europe, Africa, and the Arab League to strengthen their solidarity and contribute to their mutual development....



## French-African diplomacy

**Chad:** President Felix Malloum visits Paris from Nov. 9-16

**Mauritania:** Head of state Salek visits Paris from Nov. 8-16.

**Ivory Coast:** President Houphouet-Boigny visits Paris on Nov. 14. France's Minister of Cooperation Robert Galley travels there on Dec. 19.

**Ethiopia:** Colonel Bayeh, representing President Mengistu, visits Paris on Nov. 4.

**Kenya:** Head of state Daniel arap Moi makes his first trip to Paris, rather than London from Nov. 13-16.

**Liberia:** French Minister of State for Foreign Affairs Olivier Stirn visits this

English-speaking nation in early December.

**Sierra Leone:** Foreign Affairs Minister Stirn visits this Portuguese-speaking nation in early December.

**Gambia:** Foreign Affairs Minister Stirn visits this Portuguese-speaking nation in early December.

**Guinea-Bissau:** Foreign Affairs Minister Stirn visits this Portuguese-speaking nation in early December.

**Cape Verde:** Foreign Affairs Minister Stirn visits this Portuguese-speaking nation in early December.

**Mali:** French Cooperation Minister Galley visits this West African country on Dec. 18.

**Upper Volta:** Cooperation Minister Galley visits this

country on Dec. 19.

**Guinea:** French President Giscard d'Estaing visits this West African state from Dec. 20-22.

**Zaire:** President Mobutu makes a mid-January trip to Paris.

**Sudan:** French Foreign Affairs Minister Stirn visits with Sudanese President Jaafar Numiery, head of the OAU, from Jan. 31-Feb. 4. Said Stirn: "The objective

of French-Africa policy is the harmonious development of the totality of the continent."

**Cameroon:** French President Giscard makes a state visit. President Ahidjo, Cameroon's head of state since 1960, is, according to the French daily *Le Figaro*, now one of Giscard's principal advisors on African affairs.

# Gardner, State Dept. defend

*Publication of U.S. report may provoke ambassador's recall*

A scandal that may result in the expulsion of the United States Ambassador to Italy, Richard Gardner, has been grabbing Italian headlines and generating accusations of a U.S. inspired destabilization plot for the past week. The scandal surfaced when *Repubblica*, the Rome daily owned by Gianni Agnelli, printed excerpts from a report prepared by a Rome U.S. Embassy official blasting the Italian antiterrorist command as ruthless, corrupt and power-hungry. Furthermore, the report urged that the Italian secret services should spend more time hunting Soviet spies, and less time cracking down on the terrorists who have bedeviled Italy, and it indicated that the U.S. has been spying on Italian security officials.

On Feb. 12, the government of Prime Minister Giulio Andreotti took a step that is unprecedented in peacetime relations between allied nations: it expelled U.S. Rome Embassy official Dominic Perrone, a Department of Defense analyst who authored the document printed in *Repubblica*. At a State Department press briefing the day after the expulsion, administration spokesman Hodding Carter III sidestepped questions concerning the affair and retorted to two separate questioners, "No one can question the position of our government on terrorism."

The principal target of the Embassy document is General Carlo Alberto Dalla Chiesa, a close personal colleague of former Prime Minister Giulio Andreotti. Dalla Chiesa was appointed last year to head up the Italian government's special antiterror campaign. Since his appointment, a significant percentage of Red Brigades terrorists have been captured, tried and jailed. Even more significantly, Dalla Chiesa has carried his investigations through to the point of establishing the chain of command *behind* the political destabilization of his country — even at the point that the investigations lead directly to the doorsteps of the Houses of Savoy and Pallavicini (the leading "black oligarchy" families of Italy), and to the headquarters of Lloyds of London and the Israeli government's foreign intelligence service, the Mossad.

Following the assassination last month of Milan magistrate Alessandrini, a prosecutor of the Red Brigades whose investigation into the Aldo Moro assassination opened the initial chain of evidence poin-

ting to Lloyds complicity, Dalla Chiesa redoubled the crackdown against the terrorist networks. As a result, since the assassination of Alessandrini on Jan. 30, over 40 terrorists have been arrested and no successful terrorist incidents have been executed.

The leaking of the Perrone report (see excerpts page 54) has been identified by representatives of both the Christian Democracy and the Communist Party of Italy as one significant component of a broader political destabilization, engineered in part through the offices of Ambassador Gardner, and directed at destroying the potential for Andreotti to reconstitute a government based on a Christian Democracy-Italian Communist Party alliance. The issue of successfully defeating the wave of bloody terrorism has been perhaps the central issue around which that alliance has developed.

The Communist daily *L'Unita* ran a front-page story on Feb. 13, informing the State Department that "this country is not in Latin America," and insisting that any self-respecting government would eject the Ambassador as *persona non grata* as a result of his role in preparing and circulating the report. The following day, under the banner headline "U.S. Spy Thrown Out of Italy," *L'Unita* warned that Perrone's expulsion "cannot be considered the conclusion of the affair ..." Ugo Pecchioli a PCI member and the vice-president of the Parliamentary Committee on the Security and Information Services, was quoted as demanding "the expulsion from our territory of those American citizens who turn out to be involved in this espionage operation."

Information printed in a subsequent *Repubblica* article provided further evidence that the complicity extended beyond Perrone. Perrone's document was transmitted through official coded channels back to the Pentagon which in turn forwarded the decoded copy on to the relevant location in the State Department. It was apparently through the State Department that the report found its way into the Agnelli press.

The Perrone report was composed primarily of synopses of interviews with various unnamed Italian and intelligence officials, all of whom were highly critical of the effort to date against the terrorist networks. However, the contents of the criticisms centered principally around the fact that Dalla Chiesa had

# Red Brigades

bypassed traditional Interior Ministry-centered command chains in his effort to maintain high security around his operations. Last year, Italian Interior Minister Cossiga had been forced to resign in the wake of evidence that his Ministry had been heavily penetrated by elements involved in supporting and deploying the Red Brigades; and that Cossiga himself was one complicit figure.

Within days of the *Repubblica* story, which was intended to aggravate bitter factional rivalries and political conflicts within the intelligence services and the military and thereby further undercut the antiterror campaign, a second attack was made against General Dalla Chiesa. On Feb. 14, members of a Red Brigades spinoff group stole a car frequently used by Dalla Chiesa and blew it up in front of his home.

Days later, a pamphlet was widely circulated in Rome under the pen of Francesco Berardi, a protegee of Jean-Paul Sartre involved in organizing "liberal" support for the Red Brigades. The pamphlet charged that Dalla Chiesa was himself involved in plotting terrorist operations in Bologna directed against local police and magistrates. Berardi claimed that the objective was to place blame on the Autonomi, a mass anarchist group itself involved in terrorist operations. Berardi is a leader of the Autonomi.

Following this sequence of attacks against the anti-terror efforts from elements ranging from hardcore Red Brigades terrorists to left-radical umbrella gangs advocating violence to ranking officials of the U.S. Embassy, the Christian Democracy joined the PCI in calling for a Parliamentary investigation of the Perrone affair, labeling it in an official party statement as an action that "must be seen in the context of an overall destabilization of the country."

At the same time, the Communist Party has exposed links between the Red Brigades and the fascist De Carolis wing of the Christian Democracy. An article in the Feb. 16 issue of *L'Unità*, titled "The DC Paid the Dissident Red Brigader," revealed that jailed Radio Monte Carlo journalist Ernesto Viglione had acted as an intermediary and fund conduit between members of the Christian Democracy and a Red Brigades "dissident." According to *L'Unità*, nearly 18 million lira had been

## Italy terror crackdown

General Carlo Alberto Dalla Chiesa has led a crackdown against Italian terrorists over the past three weeks. A chronology:

**JAN 30:** Judge Alessandrini murdered by a Red Brigade splinter group, Prima Linea, as he crosses a street in Milan.

**JAN 30:** Eight members of the Red Brigades and Prima Linea are arrested in Turin. Four days later, *Repubblica* reports the arrests and identifies Dalla Chiesa as the responsible official.

**JAN 31:** A Red Brigades safehouse is shut down in Turin. No arrests are made; the matter remains confidential until an official announcement is issued following full investigation of leads uncovered in the raid.

**FEB 2:** In Cremona, two Red Brigades members are captured following the shooting of two members of the Carabinieri. A third terrorist escapes.

**FEB 2:** In Turin, Dalla Chiesa uncovers a printing press-underground newspaper office run by the Red Brigades.

**FEB 3:** In Milan, two more Red Brigade members are arrested as a safehouse is raided.

**FEB 3:** In Rome, one terrorist is arrested by Dalla Chiesa in the course of investigating a Red Brigades safehouse.

**FEB 5:** Two female terrorists shoot a prison guard in the knees. The incident occurs near a women's prison in Turin.

**FEB 6:** A raid on Radio Proletario results in 27 arrests.

**FEB 7:** In Turin, a magistrate orders Red Brigades founder Curcio to serve a one-year jail sentence. He is still on trial for an early case involving Red Brigades founder and financial backer Feltrinelli — a close associate of Bertrand Russell until his murder in the early 1970s.

**FEB 8:** Viglione is arrested on the basis of an article printed in *L'Espresso*.

**FEB 10:** Two safehouses in Como being used by Prima Linea are raided. Two terrorists are arrested by Dalla Chiesa and charged with supporting criminal activities.

**FEB 10:** In Bologna, another terrorist supporter is arrested.

conducted through Viglione to this terrorist to arrange his escape from Italy. Viglione, who was arrested following the reprinting of the story in the weekly *L'Espresso*, told investigating judges that one of the DC sources of funds was a member of Parliament named Carenini. Viglione's association with Red Brigades elements was subsequently further corroborated by the appearance of his name in a personal telephone book belonging to the Sobregondi brothers, both of whom are known to have participated in the Aldo Moro assassination and related recent terrorist actions. The Sobregondi brothers are part of the Pallavicini family, one of the leading oligarchical families in Italy and one of the families identified in the Dalla Chiesa investigations as linking the ostensibly "right-wing" monarchist faction of the DC to the Red Brigades. Carenini—the conduit implicated by Viglione, is himself part of this extreme right wing element within the DC, associated with Senator Massimo De Carolis. In recent articles printed in the daily Paese Sera, De Carolis was identified as part of the neofascist Pan European movement associated with Otto von Hapsburg.

## Vita Sera publicizes

*In its Feb. 9 edition, the daily Vita Sera carried a feature article outlining the contents of the European Labor Party's dossier linking the murder of former Prime Minister Aldo Moro to Britain and British-linked intelligence networks in Italy. The article also reported on the efforts of the U.S. Labor Party — the ELP's cothinker organization — to fund a nationwide television broadcast by USLP Chairman Lyndon H. LaRouche, Jr. on the war danger embodied in the present policy-course of the Carter Administration. Following, with minor deletions, is the text of the Vita Sera article, titled "The Moro Tragedy: There Are Even Those Who Accuse Queen Elizabeth."*

"But the most complete investigation of the Moro case is that written by the information service of the ELP (European Labor Party, Italy — ed.), a strange group with lots of money, which defines itself as extreme left. One hundred and ten pages distributed to journalists last autumn to demon-

---

## The Perrone report

*Following are excerpts from U.S. State Department official Dominic Perrone's report attacking Italian anti-terrorist chief General Dalla Chiesa, as it appeared in the daily Repubblica on Feb. 13. Based mostly on statements from identified sources, the report was titled by Repubblica "Dossier: Secret State Department Report on Italian Security Services."*

### **A senior Carabinieri official and head of the counterespionage center of SISMI (the secret police of the Defense Ministry):**

"The failure of the SISDE (Interior Ministry security service), however, cannot be attributed completely to Gen. Grassini (head of SISDE —ed.). It is certain that he lacked the governmental cooperation and assistance necessary to successfully complete SISDE's operations.

"The operations of Gen. Dalla Chiesa completely obscure the SISDE. Gen. Dalla Chiesa makes assignments directly to his counterespionage center for assistance in antiterrorism..."

### **A source in a position that permits access to CESIS (coordinating body of all the various services):**

"The failure of SISDE to become an effective organization cannot be attributed to Gen. Grassini, in view of the fact that he is not given full cooperation by the government, and personnel are denied to him and go to Gen. Dalla Chiesa instead."

### **A senior Carabinieri official:**

"General Dalla Chiesa is oriented towards action and interested in getting results, but he doesn't worry too much about how to get them. If he were ordered to eliminate the Red Brigades, he would go to work immediately using any method available, with the sole object of increasing his chances to bring the action to fruition. The delicate question of the illegality or legality of his actions would not interest him; he would rather tend to act first, leaving to others to worry about whether the action were entirely legal or not. He has under his own control the special prisons for the Red Brigades, and it can be expected that he uses whatever methods possible to get information from the prisoners about the Red Brigades.

"...He is a person in the limelight, who is also desirous of public recognition of his efforts... Gen. Dalla Chiesa is very ambitious..."

### **Perrone himself comments:**

"To further clarify the personality of Gen. Dalla Chiesa, it is added: on Jan. 28, 1979, two senior officials assigned to SISMI confirmed involuntarily that Gen. Dalla Chiesa is in the habit of evading the normal channels of command... Unfortunately the counterespionage operations, once the first object of the First Division, now occupy a position of secondary importance, after terrorism."



# ELP dossier on Moro murder

strate that at the head of the plot against Moro was the Queen of England. Helping her were the Israeli Secret Service, the Sovereign Military Order of Malta, Henry Kissinger, the Mafia, the Socialist International and the aristocracy in general."

This is the conclusion of a front-page article appearing yesterday, (in the Milan *Corriere della Sera* — ed.) commenting on the arrest of the journalist who was the go-between for the meeting between the "dissident Red Brigader" and Hon. Cervone. Thus, for the first time is discussed the first (and only) political dossier produced by the ELP — an offshoot in Italy of a movement present throughout Europe and linked to the U.S. Labor Party of the American LaRouche. However, these organizations are not new to the newspapers. In an article in the authoritative *Newsweek* (*Businessweek* actually published the article — ed.) of last Jan. 22, for example, this group was credited with the failure of a com-

mercial agreement between the Hong Kong and Shanghai Banking Corporation and the American Marine Midland. ... The U.S. Federal Reserve, in fact, has blocked the merger on the basis of accusations of "drug exporting" made by LaRouche's men against the Anglo-Chinese bank.

... But let's take a look at last at the characteristics of this political group, defined at different times by the mass media as an organism of the Russian KGB, financed by the American CIA and so on.

(The ELP supports the European Monetary System), which is defined as a "rethinking" of the development bank already proposed by their leader LaRouche. ... The ELP fights for technological progress, for a policy of interdependence between the developed countries and the Third World. ... For the ELP, for example, the crisis in Iran is the work of the forces promoting a new Middle Ages, and they attack Khomeini as a "puppet of Kissinger" — the advisor of Carter and of Ar-

---

## Gardner's ouster urged by PCI

*Responding to the publication of the Perrone report in Repubblica on Feb. 13, the Communist daily Unità the same day blasted the United States for preparing such a report, and urged the Italian government to declare Ambassador Richard Gardner persona non grata. The text of the page 1 Unità article, titled "American Espionage in Italy: This Country Is Not in South America," follows.*

*La Repubblica* this morning published a "report" of high American military circles on the Italian secret services. At the moment we don't know the entire contents of it, but on the basis of preliminary information furnished by the daily, it is possible to establish: 1) that the U.S. general staff requested from their Embassy in Rome an investigation of the situation of the security services of our country; 2) that the said embassy executed its task by obtaining information from "internal sources" in the services, sources cited widely in the "report;" 3) that extremely derogatory judgements are made concerning persons and institutions, to the point of referring to the failure of the reform of the security services.

Apart from ruling out that such an investigation — which some would call espionage — would have final authority, it seems evident that the supreme military hierarchy of our allied general staff consider it normal to

ascertain the state of our services, which, by irony of fate, are called secret, in order to establish how far they can trust us (obviously from the point of view of U.S. strategic-political interests). One must ask whether their worried conclusions would induce them to introduce concrete measures to rectify the unsatisfactory Italian situation. What measures? Political, military, undercover, economic? Which of our generals will be fired by Washington?

Let's try to imagine, not that such an investigation would be conducted by the Italian ambassador in the U.S. on the CIA, but simply that an analogous event were discovered in Paris or Bonn. The least that would happen would be the summoning of Mr. Ambassador to the president's or chancellor's office, to hear himself declared persona non grata. A protest would be fired off to Washington, and there would be an equally fiery NATO meeting. Then one would find out that a certain number of administrators and functionaries of the secret service had been relieved of their jobs.

What will happen instead, in Italy, in this country where on any given day one can see with what sense of the State certain men of the governing party operate when faced with extremely delicate problems of democratic security? This country is not located in South America, and we Communists will do everything we can to prevent it from ending up there.

batov, and therefore of the two people who maneuver behind the international political scenes against U.S.-Soviet detente, and in favor of a nuclear war between the two superpowers.

That's not all. The ELP fights, above all, against the conspiracy organized a long time ago by the colonial empire of Her Britannic Majesty. According to the brains of the organization, the English Crown, backed up by the Black International and the Socialist International, by the Rothschild and the Warburg Banks, and by Israeli, English as well as American Zionist agents, is responsible for the strategy of destabilization and terrorism in Europe and in the world.

The men of the ELP and the U.S. Labor Party are so convinced of this thesis that they are at this moment raising \$200,000 for air time on a U.S. TV network to permit their charismatic leader LaRouche to "explain to the world the treachery of the British agents and their terrorist policy in the European countries and the Third World."

It is also said that he will take the opportunity to discuss the Moro case in this context.

The first Italian calling card of substance is certainly the famous dossier on the kidnapping and assassination of Moro, presented to the press with 2-3,000 copies circulated around the country. We will make a brief resumé of the 110 pages complete with organizational charts of terrorism, drawn up by the information service of the group. Meanwhile the cover is already indicative: the British flag hangs over the photograph of Moro as a prisoner put out by the Red Brigades. Then the title, "Who Killed Aldo Moro?" The first chapter begins by accusing the guilty parties of being the "Guelph conspirators against the Grand Design." These are Henry Kissinger, former Secretary of State of the U.S.; (Moshe) Dayan, Israeli Foreign Minister; Richard Gardner, "agent of Her Britannic Majesty who passes himself off as U.S. Ambassador to Rome." Then their Italian allies: Craxi, La Malfa, Lombardi, Cracciolo, Pallavicini, Agnelli, Carli, Amintore Fanfani ... all these maneuvering to bring Italy into "the 90-day destabilization scenario." The real objective of the conspiracy is to explode the Grand Design of East-West cooperation: the imminent economic and monetary accords of Bremen and Bonn, built in the spirit of Charlemagne, the project for interdependent development of the economies of the advanced sector countries and the Third World.

'Phase 1: Destabilization of the State' — describes the operation to end the mediating work of Moro — "architect of the labor-industry alliance." Working against the Italian state are, in particular, Giorgio Benvenuto and Gianni Agnelli, Interior Minister Cossiga and his English colleague Rees.

'Phase 2: Kidnap and murder' — makes a profile of the "professional wild beast," that is the Red Brigades

terrorists recruited by the terrorist brain trusts that work in Italy. We list them in the order reported in the dossier: The Royal Institute for International Affairs of London, linked to the Italian Institute for International Affairs which includes Agnelli, Spinelli (founder of L'Espresso), the Communist Sergio Segre, Amendola, Riccardo Lombardi, Bonanni. Then the Agnelli Foundation with the Cattaneo Institute (members are, among others, the sociologist Alberoni and Interior Minister Prodi), with the University of Trento with Alberoni, "creator of the Red Brigades" and others.

There is finally the British Crown, linked to the House of Savoy and the Sovereign Military Order of Malta indicated as the crucial element of the strategy of tension of 1968 to 1978; the Socialist International of Brandt, the Zionist lobby of Seniga, Piperno, De Benedetti, the coupists Miceli, Maletti, Henke and the Black International of Otto von Hapsburg, Colonna, Pallavicini, Guido Colonna di Palliano.

## Who funds terrorists

*In an article in its Feb. 16 edition, titled "The DC paid the 'Dissident Red Brigader,'" the Communist paper Unita revealed that money had been transferred to the terrorist Red Brigades from a member of the Christian Democratic faction of right-wing Senator Massimo Di Carolis through a Radio Monte Carlo journalist. Excerpts from the article appear below:*

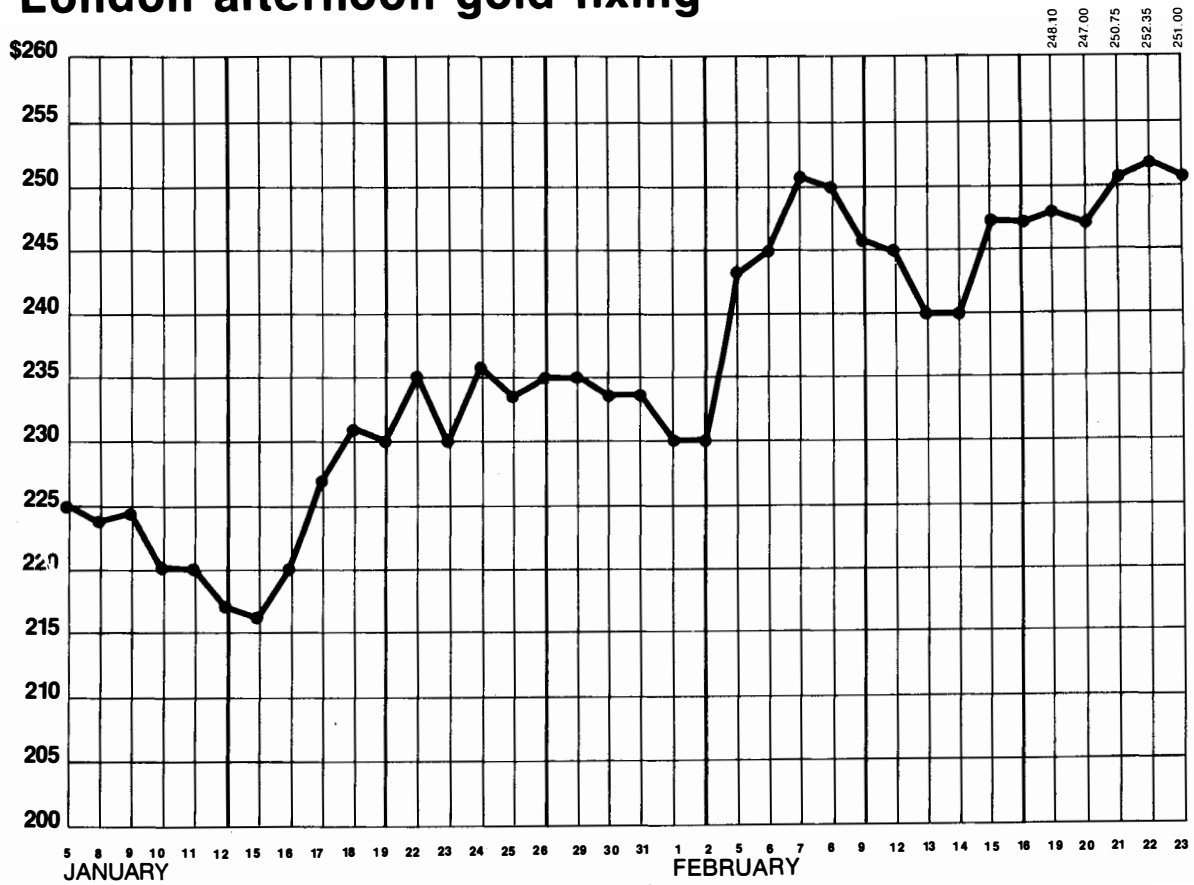
... The journalist Viglione continues to spill the beans... last year about 18 million lire landed in Viglione's hands, by means of the DC member, destined for the self-styled Red Brigade member in exchange for "revelations," details revealed by the same journalist during an interrogation....

Another chapter (still very obscure) concerns the presumed contacts of Viglione with "real" Red Brigades circles. The investigators still have to clarify, indeed, how it happened that on a list found in the house of the Sebregondi brothers (one is in jail, accused of the Patrica massacre; the other is sought for the Moro case), there is the phone number of the Radio Montecarlo journalist, next to the name "Ciccio"....

Even now it is not what use was made... of the information that Viglione passed on. And then: who decided to allow so much money to end up in the hands of a self-declared terrorist? What type of guarantees were requested and obtained? Why was the magistracy not completely informed about this affair? Those questions have been waiting for an answer for too long.

[ THIS PAGE IS INTENTIONALLY BLANK ]

# London afternoon gold fixing



# New York foreign exchange closings

