

EXECUTIVE INTELLIGENCE REVIEW

*Britain
turns fascist*

June 12-18, 1979

EUROPE ATTACKS



THE OIL SPECULATORS

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW



Europe attacks the oil speculators

Having created an oil "shortage" in the United States, Energy Secretary James Schlesinger has turned around and moved to create one in Europe—by granting U.S. oil companies a \$5 "entitlement" subsidy to speculate on the Rotterdam spot oil markets. The move has infuriated Europeans, who thought they had Schlesinger's promise that the U.S. would absorb two-thirds of an overall IEA energy consumption cutback. In our INTERNATIONAL REPORT this week, we look at Europe's angry response to the Schlesinger moves—highlighted by French Foreign Minister François-Poncet's abrupt trip to Washington, and renewed threats by Europe to break the Seven Sisters' oil distribution monopoly. Also in our package: what the effects of the latest oil hoax will be—contrasted with what forecasting services are saying—and indications that Anglo-American policymakers are gearing up a shutdown of Middle East oil production. **Page 16**

EXECUTIVE INTELLIGENCE REVIEW

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Britain turns fascist

The Queen's new Tory government has a plan for Great Britain—and the world. If carried out, Britain will become the first fascist country in the postwar advanced sector. This week's SPECIAL REPORT dissects Margaret Thatcher's program and the Lords and Ladies whom the royal household has provided to administer it. Also: a case study of the same program through its application by Tory Home Secretary William Whitlaw in Northern Ireland. **Page 26**

The disenfranchisement of Europe

To everybody's shock, the Christian Democrats and the Communists both lost ground in this week's Italian elections, and the nation which was moving toward stability now moves back toward ungovernability. This week's EUROPE report leads with what happened in the Italian vote, and why it couldn't have happened except through fraud. Included is a profile of the big gainers—the Italian Socialist Party—whom every voter in Italy knew was running the terrorists who murdered Aldo Moro, men like Political Science professor Tony Negri. Also: a prominent magazine's slander of the European Labor Party's leading candidate for European Parliament suggests that the fraud carried out in Italy will be exported for use in those June 10 continent-wide elections. **Page 39**

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Genocide in Nicaragua

As half a dozen Central American nations put their armies on alert, the Jimmy Carter Administration is funneling massive military aide—and according to some reports, even Marines—into the beleaguered dictatorship of General Anastasio Somoza, whose National Guard is a machine of mass murder wherever they can regain control from the Sandinista liberation forces. As this week's LATIN AMERICA report explains, both the International Monetary Fund and Mexico are watching the situation closely—and simply keeping Somoza in power is not what the U.S. really is up to. **Page 33**

The unravelling of Jimmy Carter

Jimmy Carter is out, the New York Council on Foreign Relations has decided—they can dump him just as fast as they put him in three years ago. Or can they? Arranging for "Ted" Kennedy to run, and lose, to Alexander Haig in 1980 seemed simply enough when the decision was made—but a wildcard, the independent candidacy of Lyndon LaRouche, could make a quick Kennedy effort to split the Democratic Party very costly for the CFR. Included in this week's U.S. REPORT is an interview with the directors of the CFR's "1980s Project," and a profile of the problems besetting Sen. Frank Church. **Pge 51**

<p>EXECUTIVE INTELLIGENCE REVIEW September 23, 1978</p> <p>Why the World Bank Pushes Drugs</p> <p>Richard Brown examines the impact of the World Bank's drug control program.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 7, 1978</p> <p>Saving the dollar—</p> <p>—without a recession</p> <p>Leadership in international trade and investment in the world market.</p> <p>New Solidarity International Press Service \$10</p>	<p>EXECUTIVE INTELLIGENCE REVIEW November 14, 1978</p> <p>Japan exports the EMS</p> <p>Will any other country be able to do this?</p> <p>New Solidarity International Press Service \$10</p>
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Parson Malthus goes to Tokyo

Two weeks ago in these pages we published a secret memorandum prepared in the U.S. Treasury and State Departments under Treasury Secretary Blumenthal's direction. The memo outlined the U.S. position for the June 25 Tokyo economic summit, calling on the United States and other industrialized nations to surrender themselves to the International Monetary Fund's "surveillance" powers—such as those used to reduce Turkey to a strife-torn hellhole (see MIDDLE EAST).

Since that incriminating "leak," the pro-IMF conspirators in the Administration have come out openly with the strategy of forcing a global energy shortage and a slowdown with the Organization of Petroleum Exporting Countries that they will use to force IMF demands on Japan, West Germany, France and the United States when the heads of those governments and the United Kingdom meet in Tokyo next week. Moreover, through U.S. Energy Secretary James R. Schlesinger, the IMF clique in the Administration has voiced the theoretical model upon which that strategy is based: Parson Malthus of early 19th century Britain.

In a speech to the International Association of Energy Economists in Washington, June 5, Schlesinger declared: "Neoclassical models of economics no longer work. . . . The neo-Malthusian model is more relevant to the problems we face today."

In its theoretical garb, Malthusianism says that growth of population will always outrun the growth of food and other needed resources. In practice, Malthusianism means suppressing the scientific advances that have historically invalidated Malthus's position. It means eliminating people—by famines, epidemics, and wars.

The irony is that, indeed, the "neoclassical" models of Lord Keynes, Milton Friedman, and all other approaches employing the incompetent measuring-stick of Gross National Product, do not work. GNP fails to distinguish between productive economic activity and revenues from gambling and prostitution. For this reason *Executive Intelligence Review* has presented, and will over the coming weeks be publishing key applications of a "Riemannian" economic model developed by presidential candidate Lyndon H. LaRouche, Jr.—a model uniquely based on criteria of technologically-advancing economic growth.

Adoption of the LaRouche model is crucial both for those forces in the United States committed to recapturing the White House for the progress-oriented American System, and for the Western European leadership that has thus far stopped short of a potent intervention into the Washington debacle.

It is true that the leaders of

France and West Germany, with the likely support of Japan, will arrive in Tokyo with an alternate agenda in hand. The West European press reports all-out "war" between the Franco-German partnership and Washington, a war that erupted into the open with visiting French Foreign Minister François Mitterrand's attacks on the Carter Administration's \$5 per barrel oil subsidy and "Camp David" war policy for the Middle East.

As our INTERNATIONAL report details, the European strategy has the backing of Mexico's Lopez Portillo government and the Saudi leadership. Yet, both Chancellor Schmidt and France's President Giscard have undermined their negotiating position by giving lip service to the "energy conservation" line that ultimately traces back to the theories of Parson Malthus. If they are to succeed in reversing the Tokyo agenda, there is no choice but to take up the only competent alternative model—ours.

—Nora Hamerman

The Week in Brief

Which way for Italy now? Last week, this column reported **promising initiatives** from Italian Prime Minister **Giulio Andreotti** and his collaborators in the **Italian Communist Party**, whose informal ruling alliance has made Italy a focus of a potential **independent European policy** against a London-Washington-Peking Jerusalem war axis. **But the fraud-tainted elections** June 3-4 delivered a heavy blow to the prodevelopment Italian forces by delivering substantially **diminished returns to the Communists**, shifting the balance in the Christian Democracy away from Andreotti's

faction, and giving a **larger voice** to the marginal small parties such as NATO-run "**Social Democrats**" and the openly fascist Radical Party of Marco Pannella. The European Labor Party is mounting a national campaign to **demand new elections** and latest reports are that a number of Christian Democrats may join the drive. Moreover, **Andreotti surprised everyone** June 6 by demanding a **continuation of his mandate** until at least September, as well as of the **antiterrorism program** which was the mainstay of the Catholic-Communist alliance. This could work—if the ELP

exposure of election tampering continues to gain ground. See EUROPE report.

* * *

Apparently seeking a distraction from the growing reaction against the mismanagement of Iran's economy, (see INTERNATIONAL) Iran's Ayatollah Khomeini has added a dangerous new element of instability in the Persian Gulf region by launching provocations against Iran's neighbors and against internal opponents of his regime.

On June 5, Khomeini's newspaper, "The Islamic Republic," issued a call for the overthrow of the Iraqi regime, supposedly in response to alleged Iraqi support for anti-Khomeini groups among Iran's Arab populations. "Islamic Republic" accused the Iraqi government of trying to "open a path for their (Soviet) masters to warm water ports in the Persian Gulf" and to "prevent their suppressed peoples from encountering Iran's Islamic ideology.... Such provocations and conspiracies will cause a deep distress among our Muslim brothers over the border which, in turn, will lead to the overthrow of the regime."

Simultaneously, Khomeini issued a scathing diatribe against those Iranian republicans and leftists who oppose his "Islamic" dictatorship. Khomeini exhorted his faithful hordes to "deal with them as we dealt with the Shah."

The impetus behind these adventures comes in large part from the devastated state of the Iranian economy. Sources have labeled Iran "an industrial cemetery," with nearly \$75 billion in civil and defense contracts now on the chopping block. Unemployment is reaching alarming proportions, a fact which may encourage Khomeini's forces to begin shipping the population out to the countryside, in the style of Cambodia's Pol Pot.

* * *

One week after the Organization for Economic Cooperation and Development (OECD) slapped Turkish

Prime Minister Bülent Ecevit with an offer of \$1.45 billion in aid conditional on his compliance with an IMF austerity program which he has resisted for months (see MIDDLE EAST), the Soviet Union has reached agreement with the Turks on a wide-ranging program of 20 major development projects with the whopping price tag of \$8 billion. The first: a Soviet-built nuclear fission power plant.

What's more, the Soviets are backing up the program with \$4 billion in credits. The tab for the other \$4 billion in the package remains to be spoken for; if the Europeans pick it up, they will deliver a blow to the IMF, and give Turkey badly needed maneuvering room to repair its beleaguered economy.

* * *

Mexico has placed itself firmly on the side of those nations opposed to spot market speculation being carried out by the major oil companies with the support of U.S. Energy Secretary James Schlesinger. Minister of Natural Resources and Industry Jose Andres de Oteyza told Textile industry executives May 31 that "our country made a firm commitment, and it has held to it, not to speculate with our oil on the international market.... Speculative practices are risky and damaging, even immoral."

Oteyza indicated that Mexico would take action against oil majors who speculate with Mexican oil. "Just as we sell our oil to international companies under specified conditions... with periodic revision and within well-defined rules of the game, so they must supply us petrochemical products under the same conditions. And if this does not happen we will take appropriate countermeasures."

* * *

Drug-peddling is treason, says a national group called "Stop Drugs at the Source." The group has a goal of collecting 150 million petition signatures to demand a federal action charging dope pushers with treason,

and has also proposed that those financing, transporting and politically aiding them be considered coconspirators.

"Stop Drugs at the Source" organized hearings in the State Legislature of Georgia—where the group has gathered 1.2 million signatures so far—where they were sponsored by State Senator Culver Kidd. Kidd, a Democrat, called on the United States to re-implement in Colombia and Jamaica the "Mexican model" for collaboration in cleaning up drugs, by offering agricultural production instead. "The whole social structure is now in jeopardy," Kidd said. "An international conspiracy is involved in undermining the welfare of an entire generation. The perpetrators are traitors to our nation and to our people." For those found guilty of pushing illegal drugs, Kidd proposed (1) a minimum \$250,000 bail bond; and (2) a change in the method of sentencing, starting with a five year minimum sentence for pushers.

* * *

Attendees at the National Conference of Energy Economists in Washington, D.C. were greeted with a memorandum circulated by U.S. Labor Party team outlining USLP Chairman Lyndon H. LaRouche's Riemannian economic model, titled: "LaRouche Model Discovers New Unemployment Problem: You"

The memorandum was circulated following Energy Secretary James Schlesinger's call for "Neo-Malthusian" economics, and came at a conference dominated by Gross National Product"-based thinking which regards oil price increases as beneficial—or at least not detrimental—to the economy, because they contribute to a larger GNP (see INTERNATIONAL REPORT).

Circulation of the Labor Party memorandum to the "energy economists" is part of a drive to demolish quack economic theories.

* * *

End to dollar reflow means interest rates have not peaked

In an atmosphere one trader described as "panicky," institutional investors rushed into the bond market en masse last week, gobbling up new issues and pushing up prices on older bonds a half to a full point on June 6 alone.

It would be hasty to conclude that smart portfolio managers think U.S. interest rates have peaked, however. Institutions have build up enormous cash reserves over the last couple of years of stagnant capital formation. Merrill Lynch estimated last fall that the cash reserves of pension funds alone were approaching \$50 billion or enough to supply the taxable long-term

DOMESTIC CREDIT

bond market for an entire year, and they are currently committing only a small portion of their accumulated cash to the fixed-income market. Moreover, unlike individual investors, institutions are continuing to select higher-yielding short term investments, issues maturing in less than a year, presumably so that their funds will be available for reinvestment later on at yields even higher than the 9.37 to 11.16 percent recent industrial offerings have garnered.

At the present juncture a myriad of factors are working together to put renewed pressure on domestic interest rates in the months ahead, even if the economy slides into a recession first. They include the growing illiquidity of the corporate sector—and growing reliance on short-term borrowed funds; steeply rising energy costs and unabating inflation, which are prompting corporations to stockpile goods that consume a lot of energy in production; and a hefty calendar of borrowing by the U.S. Treasury in the second half of the year. The Treasury will be in the market for some \$23 billion compared with \$12 billion in the January through June period, according to Bankers Trust estimates, at the same time that corporate demand for credit is rising.

Probably the most important element to factor into

U.S. interest rate projections at this time is an international one—the dollar reflow situation. For the last several months domestic interest rates have been kept artificially low—compared to where they would have been otherwise—by the reflow of international funds into U.S. dollars. Despite the fact that the only change in U.S. economic "fundamentals"—productivity, exports, capital investments, etc.—has been for the worse, the hike in U.S. interest rates last Nov. 1 and more recently the escalating world oil bill, which is largely paid for in dollars, have had their intended effect of strengthening the dollar. The extent of the demand for dollars abroad has forced foreign central banks to liquidate their holdings of nonmarketable Treasury securities, where they had previously invested dollars purchased in support operations, to the tune of \$17 billion over the last few months to supply the foreign exchange markets with dollars.

Once in the hands of private banks and investors, the dollars were rechanneled into the Eurodollar market, where they eased the upward pressure of certificate of deposit (C.D.) interest rates and made borrowing in that market more attractive. The plans by General Motors Acceptance Corp.'s foreign unit to float \$100 million of seven-year notes in the Euromarket, the first time a GMAC unit has ever borrowed Eurodollars, typifies the exodus of U.S. corporations and banks into the Euromarket for cheaper funds that began late last year.

The dollar reflow has also had a spillover effect in the domestic credit markets, however, where short-term interest rates have been lower than one would expect them to be, given the magnitude of short-term credit demand. Various money market analysts have pointed out that interest rates on domestic C.D.s are only a shade higher than rates on U.S. Treasury bills, which is extremely unusual given the high volume of credit demand by corporations.

The situation which prevailed through the first five months of this year may be up, however. Market observers report that there has been no further

liquidation of Treasuries by the foreign central banks over the last three weeks, and that the bulk of the reflow into the dollar appears to have run its course. If true, this means there will be no cushioning of the sizeable future credit demand.

The main debate over where U.S. interest rates are now headed revolves around when the high interest rate-oil price-induced recession will kill demand for credit—immediately or after a lag of some months. The second scenario, which is the more likely, entails an imminent run up in short-term rates, as corporations scramble to get funds to finance a voluntary and involuntary increase in inventories. Manufacturers Hanover economist Irving Kellner said last week that although the economy may have already entered a recession, he expects demand for commercial and industrial loans to continue to increase for at least the next several months because of the erosion of corporate profits and liquidity and their increasing dependence on external funds. On top of that, the sharp escalation of energy prices this year, beside being a major added cost of doing business, has prompted corporations to begin to stockpile goods such as plastics, chemicals and other products that have a high energy content as a hedge against further energy price increase. This, of course, increases the demand for short-term borrowed funds.

The administration, whose economic, energy, and foreign policy are responsible for the impending economic catastrophe, is holding in reserve various tools for “dealing with” the problem of inflation. Council on Wage and Price Stability chief Barry Bosworth became the first administration official last week to broach the subject of mandatory wage and price controls. And at hearings of the Senate Banking Committee on May 24 on a bill to repeal the Credit Control Act of 1969, Treasury Secretary Blumenthal argued for preserving the president’s standby authority to selectively ration credit in the economy. “This is not because we see a need to exercise such authority now or in the foreseeable future,” Blumenthal maintained. “But the economic situation can change rapidly. It is only prudent, therefore, that the president retain the authority to respond promptly, and if need be selectively, to disruptive changes in the composition of credit demand.” Federal Reserve Governor Nancy Teeters backed him up with a speech on the impracticality and free-market undesirability of controls—which ended by advocating them in case of “emergency.”

—Lydia Schulman

OPEC- Third World split

In a series of editorials and news commentaries on the fifth conference of the United Nations Conference on Trade and Development (UNCTAD), the British and American press have advertised the following strategy: pit the oil-producing countries and the rest of the Third World against each other and institutionalize the Third World’s “dashed hopes” and “changed assumptions” about industrialization prospects. On the eve of the U.N.’s Third Development Decade, the intention is to make the developing sector safe for “appropriate technologies” and, “collective self-reliance” genocide.

Detailed evaluation of the proceedings of the Manila conference that ended June 2, one day behind schedule after seemingly endless deadlocks, awaits further information and cross-checking of on-the-scene reports. As we have reported, the “North” positions were set by the International Monetary Fund and Organization for Economic Cooperation and Development to prevent any discussion of a new world economic order and aggravate Third World divisions by manipulating the oil-price issue.

This was and is designed to sabotage the negotiations for an international conference of energy producers and consumers, a proposal fielded by Mexican President Lopez Portillo with the support of French President Giscard and other Western and East bloc leaders. The agenda would include overhauling the world system of energy production, distribution, and consumption as the practical kernel of a program for global high-technology investment.

The Portillo proposal will be formally presented at the fall United Nations General Assembly session launching the Third Development Decade, and Cuban President Fidel Castro has also requested that Portillo, whose country is not a member of the non-aligned group, present the proposal to the non-aligned summit that will meet to prepare for the U.N. General Assembly in Havana this fall.

A World Bank mercenary

The most elaborate statement of the current Anglo-American tack was featured in the New York *Journal of Commerce* editorial of June 5, pompously titled “The Third World Shifts.” “Mahub Ul Haq has changed his mind,” begins the Journal, introducing the Cambridge-Yale product whose promotion as “the most articulate and persuasive spokesman of the Third World” is based on the facility and conviction with which he now relays the formulas of Milton Friedman’s Mont Pelerin Society.

Central to World Bank planner Haq’s new pose is his assertion that, contrary to what he once believed,

touted in UNCTAD's wake

OPEC will not take the lead in bringing the Third World into the modern age—instead it will pillage the underdeveloped sector. “The Manila meeting,” he said, “was the beginning of a rift between OPEC and the Third World.” More credit will not help the latter industrialize and prosper; Haq advocates autarky and austerity—“development, like charity, begins at home” with “saving, investment and productivity.”

Instead of “debt forgiveness,” Haq says, the talk was now of “monetary reform.” “No longer, it was said. [at UNCTAD], should the United States be permitted to export inflation by foisting added dollars upon the world...a signal that the Third World is being told that to get aid and credit, it must support Special Drawing Right substitution for the dollar.

The *New York Times* wrote that “fissures in Third-World solidarity were more apparent than ever” as “poor nations began to speak out on the problems they are having with petroleum ... United States officials strongly denied influencing the energy debate to try to divide the Third World, but they privately applauded the divergence among the developing nations.”

The June 2 London *Economist* chose to play up another divisive event—the UNCTAD resolution scolding the Soviet bloc for stinginess on aid—while smirking, with an eye toward “self-help” and further radical-fundamentalist upheavals on the Iran model, that “the meagre results expected from UNCTAD this week may strengthen the ‘radicals’ in the Third World group who say that dialogue with the West to rejig the world capitalist system is a waste of time.”

The London *Financial Times* of June 4, for its part, indulges in a royal tantrum over American actions against seven transatlantic shipping groups for price-fixing, chastising its faithful today for breaking rank at a time when “Western”—and largely British—control of shipping is under attack by UNCTAD. Since UNCTAD is hardly fearsome, we must surmise that the *Times* is responding to the fact that France has become very active in alliance with both the developing sector countries, the Arabs and with the Soviet Union on the pivotal shipping issue.

—Susan Cohen

TRADE

Comecon takes major initiatives

The Soviet-Eastern European sector is presently the principal source of new global trade and industrial development deals, pending results from French and Mexican initiatives for joint producer-consumer energy investment. In the past week, the following major Comecon-linked trade deals were announced:

- An \$8 billion trade agreement between the USSR and Turkey, including \$4 billion in Soviet develop-

ment credits to Turkey for projects including the construction of nuclear reactors. The Soviets are concerned that its IMF-beleaguered neighbor does not go the route of Iran into Dark Ages chaos;

- A commitment by the Soviets to build a \$2.75 billion steel plant in India at Vishakapatnam. The plant, to be financed through Soviet credits, will reach an output of 3.5 million tons per year by completion. Procar-

telization circles typified by European Commission Industry Minister Count Davignon are known to be furious at the Soviets for thus expanding world steel production;

- Polish-government-signed final-purchase contracts worth \$260 million for four container ships to be filled by two French shipyards, Chantiers Navals de la Ciotat and Chantiers de l'Atlantique. Each of the yards will build two of the 24,000-gross-registered-ton ships. The French government is providing overall a \$70 million subsidy. According to newspaper reports, the shipyards will be filling the order at a loss even with the subsidy. This was deemed preferable, however, to massive layoffs and shutdowns at the yards.

—Richard Schulman

INTERNATIONAL CREDIT

Behind the Eurocontrol push: who will get the 'big potato'?

When the Federal Reserve this April put together its secret proposal for reserve requirements on the Eurocurrency lending markets, *Executive Intelligence Review* was the first to report the U.S. plan's existence—and to relay Fed and State Department comments that the plan, among other things, is designed to crimp European and Japanese banks' deposit bases for lending to underdeveloped countries.

Since that exposé, there has

emerged what the June 4 *Business Week* describes as "storm over Euromarket controls." The discussions of how and whether controls should be introduced actually reflect the down-to-the-wire issue of who will recycle OPEC's swelling dollar surplus.

The London press keeps complaining that a "borrowers' market" persists in Eurolending: this is a code term for the continued lending by Japanese and West German banks to

the less-developed countries and other borrowers whom the U.S. administration wants to put under the control of the International Monetary Fund and its conditional shut-down-your-economy credit rationing. A key item at the Tokyo summit of Western leaders June 28 will be U.S. insistence that Japan and Western Europe agree to drastically restrict this private-market "over-recycling," to cite the term used by the Fed's allies at the West German Bundesbank.

Assume that something like the conjuncture outlined in our Domestic Credit column occurs. The early-1979 dollar reflows to the U.S. taper off, and the resulting hike in American short-term rates then pushes up rates on Euromarket certificates of deposit and the London interbank rate (LIBOR). Spreads on Euromarket loans—the difference between a lender's cost of funds and the rate charged—become even thinner.

FOREIGN EXCHANGE

EMS currency realignment: France bolstered or grid dismantled

European bankers have been saying that within two weeks or so they expect an official realignment of the currency rates within the European Monetary System (EMS). The time frame reflects the planned meeting of the Organization of Petroleum Exporting Countries on oil prices. The question is whether a Belgian-led effort will succeed in disrupting the entire system—which includes France, West Germany, Holland, Denmark, Ireland and Italy as well as Belgium—or whether the French, on the basis of producer-consumer arrangements for adequate, tolera-

bly priced petroleum supplies, will be able to hold the "zone of monetary stability" together, discipline the Belgians and Dutch, and keep their currency in line with the deutsche-mark.

As featured in the London press, the Dutch and Belgians have been complaining about the strength of the mark vis-à-vis their currencies, and protesting the increase in West German interest rates which tends to reinforce the gap. Dutch and Belgian bankers say they really don't believe the currency weakness is a big problem—but they would like to use it as

a pretext for devaluing the French franc and dismantling the EMS. If France's still-shaky economy is subjected to oil catastrophe, and the French franc is devalued, costlier exports from West Germany and financial destabilizations would follow. Danish bankers, meanwhile, have commented that there is no urgent need for a realignment at this point, although the kroner, formerly knocking its divergence ceiling, has now joined the Belgian franc and Dutch guilder on the floor.

Senior Frankfurt bankers are discussing something far more consequential for the economy—a renewed push to export nuclear power facilities to the Third World, along with certain political measures to ensure the nonproliferation of Iranian-style "revolutions." Dresdner Bank had proposed a multibillion-dollar fund for nuclear exports in the wake of the last oil hoax, but the West German Credit Oversight Board plus U.S. pressures blocked the plan.

West German and Japanese banks, unless clamped down on by their central banks and governments, will, unlike the New York banks who have already drawn in their horns, keep lending.

Throw into this situation a big jump in OPEC revenue, a dollar flow basically deducted from advanced-sector working capital, and intermediated by—whom? This is the question of “the big potato,” as New York bankers in 1974 referred to the OPEC surplus. Rimmer de Vries of Morgan Guaranty estimates that an increase of 25 percent in oil prices this year will add almost \$30 billion to OPEC’s oil receipts, resulting in a \$25 billion current account surplus. The Treasury Department’s projection is a \$30 billion surplus, from \$12 billion in 1978.

Since 1974, the largest portion of Eurodeposits has come from OPEC and, since under present political circumstances OPEC is unlikely to in-

crease its holdings of U.S. Treasury paper, the issue becomes which banks and which currencies get what amount of deposits. The May 21 London *Financial Times* banking survey, article entitled “Borrowers’ market prolonged,” which states that “monetary growth will remain quite restrained in nominal terms, and possibly again negative in real terms; but this does not necessarily mean that the Euromarket growth will slow down. That depends much more on the investment preferences of depositors and the denomination of borrowing demand.”

Most unsettling to the IMF strategists, the “investment preferences” of OPEC or of a very wealthy subgroup could include placements with Japanese and European banks to finance large-scale advanced energy development projects, in the context of the producer-consumer cooperation advocated by France, Mexico, Czechoslovakia and Saudi

Foreign Minister Prince Fahd. Financing instruments, moreover, could include the issuance of long-term gold-backed bonds, as discussed by Lyndon LaRouche, author of the International Development Bank proposal, and the founder of the European Monetary System starting last year. *Business Week* notes that reserve imposition is only “part of a strategy to alter radically the shape of the international financial system for the 1980s,” based on “swapping new SDRs for excess dollars.” The June 2 London *Economist* proposes lending limits, along with tight money and far higher interest rates, while the *Financial Times* emphasizes qualitative controls on the direction of lending in addition to quantitative ceilings.

—Susan Johnson

GOLD

Gold conforms to Dresdner’s projection

The gold bullion price achieved a new record high of \$280.75 an ounce in London trading on June 6, confirming Dresdner Bank Managing Director Hans-Joachim Schreiber’s May 15 prediction that gold will reach between \$280 and \$300 before the end of the year. Dresdner Bank and its Saudi clients have in effect “fixed” the gold market at a new higher level in order to offset the oil price effect on European current accounts by increasing the value of government-held gold reserves and expanding the credit potentially available for financing Third World development.

A distorted version of the above analysis has begun to make its way into the U.S. press. Conti Commodity’s research director, Paul Sarnoff, told the *New York Times*’ H. J. Maidentberg, in an interview appearing on June 4, that “in recent weeks, the price of oil has replaced the dollar as the barometer of gold’s market value.... As oil-fueled inflation worsens, many countries will have to print more paper money and to make it more acceptable to the public, they may have to back it with revalued gold reserves. Thus, higher values on gold reserves held by governments may be set.”

Some analysts now predict that gold will shortly undergo a sharp downward “correction” based on the unfolding world recession, which will ostensibly reduce industrial demand for the metal and enhance the attractiveness of interest-bearing paper instruments. Such forecasts ignore the fact that gold is not just any commodity but a *political* instrument.

Precious metals trader James Sinclair reports that Dresdner Bank halted gold purchases in the open market last week. Sinclair suggests that Dresdner may have decided to permit a temporary market correction which could push gold down to as low as \$250; the bank will then buy heavily and run the price back up to \$300—the entire operation taking place within two months. If Sinclair is correct, forecasters of a long-term gold collapse may be stepping into a big bear trap.

—Alice Roth

COMMODITIES

Coal policy furor starts resource policy debate

Secretary of the Interior Cecil Andrus's announcement on June 4 of a new federal coal leasing policy has provoked an unprecedented anti-environmentalist backlash on Capitol Hill. The hostile reaction to Andrus's offer of leases on 1.5 billion tons of coal on federally held land from 1980-82 is a continuation of the ruckus which erupted last month over Administration efforts to push

through a Natural Resources Department; and of disgruntlement over the new Alaska lands bill.

Many nonfuel minerals producers and processors in the U.S., as well as commodity investors, are presently taking the attitude that the fight in Washington over coal policy will only affect them insofar as increased use of coal for energy production may affect energy costs. In the words

of one New York area minerals firm executive, "this Administration is so bad we wouldn't go anywhere near those coal leases."

We warn though that the fight in Washington now breaking out over coal will have lasting effect on national resources as a whole, especially in terms of environmental legislation and valuation of capital investments in land development for industrial uses.

Who's opposing environmentalists

Andrus announced the new coal policy as part of a "public relations" effort to back up the Administration's intention, announced at the International Energy Agency conference two weeks ago, to decrease U.S. oil import dependency.

Sources on Capitol Hill, though, are decrying his offer to open more federal land to coal development as a ploy. One subcommittee aide

AGRICULTURE

National Grain Board bill presses cartel plan

Knowledgeable Washington sources assert that Rep. Jim Weaver's (D-Ore.) H.R. 4237 "hasn't got a chance" of getting through, "this year, at least." But there is a concerted "use the food weapon" push behind the bill to establish a "National Grain Board" as sole marketing agent for U.S. grain export, an institution which, in the words of its author, would jack up American grain prices in the same way the OPEC oil cartel has raised petroleum prices.

At the press conference Rep. Weaver held last month to present the bill, American Agriculture Movement (AAM) spokesman Bill Bitner announced that the AAM would form a "National Barrel-for-a-Bushel Committee" to rally support for the proposed grain board through offices to be set up in every major grain-producing state by early June.

A week ago, moreover, Senator George McGovern railroaded

through the Senate a mandate to President Carter to create an international cartel with Canada, Australia and Argentina to control the production and trade of wheat worldwide. The mandate specifically directs the President to require that OPEC pay a higher price for American wheat because of the high price of oil.

Food Weapon À La Kissinger

The McGovern resolution was a significant step in the campaign to use the "food weapon," à la Henry Kissinger, against OPEC. Now the move to set up a National Grain Board is meant to break down opposition to the cartel scheme and food weapon approach among farm producers, agribusinessmen and grain traders, and to prepare the infrastructure for the international cartel apparatus at the same time. As an aide to Rep. Weaver told *Executive Intelligence Review* this week, creation of the grain board will naturally

reported that the Department of Interior will now have to spend a quarter billion dollars simply to process the leases over the next year with the required seven types of Environmental Impact Statements.

"A proper analysis" of federal coal leasing offers, the source underlined, "should look to what those lands *could* produce if we didn't have environmental obstructions." The 1.5 billion ton "cap" on the new leasing program is an arbitrary, drop-in-the-bucket figure when compared to the many tens of billions of tons in reserves known to exist under those federal lands.

Interior's policy is one of "control of low growth," he added. This is dramatically shown by the Alaska bill, passed last week, through which the Administration will clamp down on any further oil and gas leasing on tens of millions of acres.

The mood on Capitol Hill is

shifting so fast in favor of coal production, the source concluded, that the Justice Department has just issued a Coal Leasing Amendment statement which accuses Interior of constraining coal production.

Although these attacks on Andrus and environmentalism are long overdue, if their only purpose is to feed the coal fad, then the policies they will produce will be just as disastrous as those presently in effect.

For example: for nonfuel minerals producers, the proposed massive push into coal will enormously increase the value of mineral-bearing land, encouraging pyramiding of land speculation. Under such conditions, the cost of investing in or maintaining capital equipment for mining development will rise with diminishing returns, a situation which will encourage cartelization of minerals production. Only the

very large producers—such as the oil companies which are not only diversifying into coal, but are determined to get their hands on copper and other nonfuel minerals as well—will be in a position to foot the costs of maintaining such land-related investments.

Some "smart" investment houses, it should be noted, are acutely aware of the fast-moving effect which shifts in U.S. energy supplies can have on nonfuel minerals prices. This week, the commodities division of one leading New York investment house boasted that they were pushing the line that copper prices will reach an astronomical \$1.60-1.80 per pound this year, as a result of the oil price crunch.

—Renée Sigerson

lead to U.S. cooperation with the Canadian and Australian Wheat Boards.

Highest Possible Prices

H.R. 4237 would amend the U.S. Department of Agriculture's Commodity Credit Corporation charter to create a National Grain Board within that body to "provide the highest possible prices in foreign markets for American agricultural producers, to provide price and supply stability in domestic markets ..." among other things. Spokesmen for Rep. Weaver have proposed \$4.00 as the bottom line for a bushel of wheat.

The board would have sole jurisdiction over all grain that is exported (unlike the Canadian Wheat Board, its jurisdiction would allegedly not extend to the domestic trade). Commercial grain traders would have to purchase grain from the board at a price not lower than the established target price (or, in the case of soy-

beans, a newly established floor.) Not only would it be illegal to sell abroad any grain at less than the target price, but it would be illegal to sell for export any grain that was to be purchased from the grain board, or to sell already-owned grain without the board's approval of pricing and conditions.

Hearings on the bill were held starting June 5 at a joint session of the House Agriculture Committee's Subcommittee on Livestock and Grains and Subcommittee on Department Investigations, Oversight and Research. If the bill becomes law it would go into effect on Oct. 1.

While the bill has 32 sponsors, its announcement brought a flood of requests to testify against the proposal from amongst grain producers, traders and agribusinessmen generally. The USDA itself nominally opposes the bill. In part, this is the result of tenacious progrowth pressure from within the Department.

The USDA will justify its oppo-

sition on the principle of "noninterference" in the "free market"—the slogans by which administration forces hope to rope these same layers into a compromise formulation.

The American Soybean Association explicitly opposed the "food weapon" at the hearings, with a statement that a world food cartel would be immoral in its effort to hold the hungry hostage.

Spokesmen for the American Farm Bureau Federation emphasized their opposition to the proposal, insisting that it just plain won't work, and proposing that OPEC give more food aid to the Third World and the the U.S. promote capital intensive agricultural development, such as the promising poultry industry, in the developing sector.

—Susan Cohen

BANKING

Albany fight continues on HongShang takeover

Moves continued this week in Albany around the U.S. Labor Party-led drive to deny the Hongkong and Shanghai Bank permission to purchase New York's Marine Midland on the New York State level. New York State Senate Banking Committee Chairman Rolison sent Senate Bill 3333, the Takeover Bill of 1979, back to Governor Carey for signing,

leaving in the outspokenly pro-HongShang governor's lap the decision as to whether he would veto the overwhelmingly popular bill.

The Labor Party has charged that HongShang controls the \$200 billion illicit international narcotics trade and seeks Marine Midland to further that trade and to extend British government influence over the

U.S. banking system. S.3333 was written by New York State Banking Superintendent Muriel Siebert because of her opposition, reflecting the party's charges, to the HongShang takeover. The bill, which was passed by the New York State legislature in early May, would give Siebert the authority to deny foreign banks the right to actually purchase stock in New York banks. Currently the Superintendent may only deny them the right to vote the stock once purchased.

New York Governor Carey, who is widely reported to be in receipt of over \$300,000 in campaign funding from the Canadian Bronfman family, close business associates of the HongShang, last month denounced Siebert's efforts and threatened her job. As part of this overt political intervention into New York banking regulation, Carey sent her bill back to the state legislature in mid-May to be "reworked."

Now Senator Rolison has re-

BRITAIN

Britain: a gloomy assessment

"In the immediate aftermath of the war, we continued to rank as one of the great powers.... A quarter of the world's population did after all still belong to the British Commonwealth and the Empire.... We were the second most important power in the Far East with all the influence that that carried.... We were the predominant power in the Middle East from Iran to Libya, from Iraq to Aden.... We had every Western government ready to eat out of our

hands.... For several years our prestige and influence were paramount and we could have stamped Europe as we wished...."

Harking back to a bygone era when Britain was still at the height of its imperial powers, these nostalgic remarks were penned on March 31 by Britain's newly appointed Ambassador to Washington, Sir Nicholas Henderson, just before he left his post as envoy to Paris and "retired" from the diplomatic service. The

memo, addressed to former Foreign Secretary David Owen, was meant to be a confidential document, but when Henderson was suddenly plucked from retirement by the new Thatcher government to serve as Her Majesty's Ambassador to Washington, the memo was "leaked" to the London *Economist* and became front page news in all the national press. Presumably, it was meant to serve notice on the U.S. and Europe that Britain intends to recapture its former imperial glory under the Thatcher regime. As former Prime Minister Sir Harold Wilson is quoted in the document as saying, "our frontiers are on the Himalayas."

It may be a long climb back, however. Henderson's dispatch, filled with facts and figures, is a gloomy assessment of Britain's economic and political decline since the war. Both Tory and Labour governments come under fire for missing repeated opportunities to shape post-war Europe and particularly for under-esti-

turned the bill unchanged. "Carey will be taking an awfully big political step to veto it," a New York source said, "it's on his head."

If Carey doesn't veto the bill, sources close to Rolison say that the Federal Reserve and Comptroller of the Currency, who in March rubber-stamped the HongShang takeover, have threatened to sue the New York State Banking Department and put Siebert and the New York State legislature "through three years of litigation" to hobble New York State's right to oppose British bank takeovers.

Farrell backs Carey

New York State Assembly Banking Committee Chairman Herman Farrell meanwhile this week was exposed as a Carey collaborator when it was revealed that his bill for a ban on all foreign banking takeovers was being negotiated closely with Carey. Earlier in May, Carey had convinced Farrell to water the total ban formu-

lation down to a four-month moratorium. Farrell's aides now say that they are unwilling to go with any bill at all except with the prior approval and cooperation of the governor, who "promised us some new proposals for a bill" but hasn't even made them yet.

Farrell is reported to be destabilized by a resolution about to be introduced into both banking committees by State Assemblymen John R. Flack and Robert Schmidt, authored on the basis of the Labor Party's analysis of the HongShang takeover, calling on the legislature to go on record opposing the takeover. The resolution will reiterate the objections of Superintendent Siebert on the intentions of the foreign governments behind the HongShang—Hong Kong and Britain—to "control U.S. capital assets" and will call for an investigation, importantly, into the narcotics charges lodged by the Labor Party for the first time in New York State.

Another twist in the takeover situation came when the National Bank of North America announced June 6 that it is "actively considering" buying a parcel of Bankers Trust branches. Bankers Trust, one of New York's largest commercial banks, had planned until last April to sell all 89 of its retail branches to the Bank of Montreal, a key Dope Incorporated institution. The kicker in the new announcement is that the National Bank of North America itself was recently taken over by National Westminster, a member of the British financial command center that actually set up and directs the drug traffic. It would be a remarkable loophole if, as a nationally chartered bank, National Bank of North America were able to conduct takeover operations even in the event of prohibitory legislation.

—Kathy Burdman

mating Franco-German economic and political potential. In the mid-1950s, Britain was "still the strongest European power, both militarily and economically," writes Sir Nicholas. "It is our decline since then in relation to our European partners that has been so marked so that today we are not only no longer a world power, but we are not in the first rank even as a European one."

Income per head in Britain is now below that of France for the first time in over 300 years, moans Sir Nicholas. "We are scarcely in the same economic league as the Germans or the French.... If present trends continue we shall be overtaken in gdp (gross domestic product) per head by Italy and Spain well before the end of the century. Britain's economic decline," complains the new Ambassador, "has sapped the very foundations of our diplomacy."

Thatcher's cabinet ministers, attending the first meeting of the National Economic Development

Council, were presented with a view of Britain's industrial future which cohered in all essential features to Sir Nicholas' assessment. According to the director general of the NEDC, "every indicator—without exception—shows the U.K.'s performance worse than that of its main competitors in the EEC." Britain's growth rate was far worse than Japan's and only slightly better than that of the U.S., according to the NEDC paper which points out that most of these trends have been apparent for the last 10 years, and many of them go back 30 years or more. For this reason, the U.K. now had a "problem of adjustment" of quite different magnitude than the rest of industrial Europe.

Although this view of Britain's decline was endorsed at the meeting by all of Thatcher's cabinet, including Industry Minister Keith Joseph and Chancellor of the Exchequer Geoffrey Howe, from all indications Sir Nicholas and his faction in the

Foreign Office intend to pursue a vigorous diplomatic policy which will seek to reestablish Britain's voice in the corridors of European political power, despite the fact that it has shriveled to nothing as an economic entity.

The 60-year-old Sir Nicholas has been brought out of retirement specifically for this purpose. His first task will be to convey to the U.S. Britain's intentions to recolonize its former possessions in the Middle East and elsewhere—using "gunboat diplomacy" if necessary. His pedigree, as one of the aristocratic "old boys" who determined policy in the heyday of British colonialism, qualifies him supremely for the job. Besides stints in Greece and Cairo, "Nico" as he is fondly called, was second secretary at the British Embassy in Washington during the Truman Administration when the U.S. was taking its cue directly from Churchill's Cold War policy.

—Marla Minnicio

Europe attacks the oil

Tells Carter: the choice is

Either the Western industrialized nations collaborate with the oil producers to organize a global energy development and consumption plan, or else energy war will sweep the world into economic recession and political confrontations. These are "the only two possible scenarios," said French Industry Minister Andre Giraud at a press conference in Washington, D.C. June 5. "The trouble is that we are presently living scenario number two and we must switch to number one."

Giraud was in Washington along with French Foreign Affairs Minister Jean Francois-Poncet, for talks with President Carter and Energy Secretary James Schlesinger, where the two officials delivered Europe's angry response to the revelation that the United States, after coercing Europe into adopting a formula for international oil consumption cutbacks, had launched a "secret" subsidy of the Rotterdam spot market swindle by handing U.S. oil companies a \$5 per barrel "entitlement" subsidies to compete with energy-short Europe for Rotterdam purchases. As the Rothschild daily *Le Matin* put it, this is a measure to "dry up Europe."

This Schlesingerian swindle may also become the proverbial straw that finally prompts Europe to break forcefully with the Anglo-American austerity recipes to which they have pandered in varying degrees since the 1979 oil hoax was launched at the beginning of this year. When EC Commissioner Guido Brunner revealed the existence of this secret subsidy May 31, the Europeans were absolutely shocked, and Schlesinger's reputation in European circles as a "reputable,"

reasonable man proposing energy savings in the interest of the West went through the floor. Importantly, the affair has destroyed some of the Europeans' illusions in regard to the necessity of energy savings in general, and it certainly propelled the best European thinkers and leaders into moving aggressively for the kind of energy development—particularly nuclear energy development—which they know to be necessary.

The European move also comes against a backdrop of manic Anglo-American moves toward direct seizure of the Arab oil fields which could produce an energy—and political—crisis dwarfing that of 1973-74.

Signs of a turnaround in Germany

Take the case of West Germany: a week prior to the outbreak of the scandal, West German Economics Minister Graf von Lambsdorff had defied the best interests of his country (which imports 30 percent of its oil from the inflated Rotterdam market—France is not dependent on it directly) by blocking with London and the U.S. against an Italian-backed French proposal to shut down Rotterdam as a speculative pit which had unilaterally imposed an energy tax on the world which had unilaterally imposed an energy tax on the world which was taxing the world for the sole benefit of the "Seven Sisters" oil cartel.

But after the shock of Schlesinger's \$5-per-barrel entitlements, the BRD's Foreign Minister Hans Genscher delivered an official protest to the U.S. ambassador, placing his country in the French camp. Chancellor Schmidt declared that the U.S. move was "traitorous to the Western alliance."

speculators

energy development or war

West German Chancellor Helmut Schmidt arrived in Washington in the footsteps of François-Poncet and Giraud, reportedly with an attache case full of documents to present the European position on energy to President Carter. Carter refused the Chancellor time to present his case, and, according to the French daily *France-Soir* today, "he got an even sharper rebuff from Carter than François-Poncet. The radio reports that Schmidt is displeased at the way the "second industrial power in the West" is being treated in Washington.

The Chancellor had prepared for his visit by granting an interview in *Time* magazine in which he warned that the energy crisis would aggravate the danger of war.

European countermeasures

French radio is reporting that French President Giscard d'Estaing will present a "detailed and tough" plan to end the speculation by major oil companies to the June 21 Strassbourg summit. The plan essentially comes down to the following three points:

- Shut down the Rotterdam spot market, forcing oil cargos to carry published purchase prices, and, of course, immediately terminate the \$5 U.S. entitlement subsidy that only increases world inflation;
- Secure a world pricing agreement that will stabilize the flow of oil, prevent an oil hoax, and establish a reasonable consumer agreement with OPEC;
- Determine a world energy platform to be taken up at the Tokyo economic meeting the following week—the platform to address in particular the problems faced by the developing sector in the face of

Kennedy, Schlesinger push speculative subsidies

According to highly placed Washington, D.C. sources, the U.S. entitlement subsidies which have infuriated Europe were worked out in closed door meetings on May 25 between Senators Ted Kennedy (D-Mass) and Claiborne Pell (D-RI), and John O'Leary, the number two man in the Department of Energy. According to information confirmed by Kennedy's office, it was at these meetings that Kennedy and the DOE prepared a plan to grant the \$5 per barrel government subsidy to oil companies to purchase oil on the London-controlled spot market. Under the "entitlement" program, the government subsidizes purchase of foreign oil from a fund paid for by refiners who use lower priced domestic oil.

The move, a complete repudiation of the solemn assurances given by Schlesinger to the Europeans only days before at the Paris meeting of the International Energy Agency, drove the prices of oil on the Rotterdam market up by more than \$6 per barrel in one day as Europeans scrambled to get oil at any price before U.S. majors grabbed it.

Particularly galling to the Europeans was the fact that the move was clearly designed to disrupt the world oil markets on the eve of the Tokyo economic summit and the Vienna meeting of OPEC June 26.

According to the sources, the politically suicidal policy was imposed on President Carter under the threat that Kennedy would make a campaign issue of Carter's inability to ensure heating oil supplies in New England next winter—on the eve of the New Hampshire presidential primary.

A Kennedy ally, Rep. Richard Ottinger, underscored the real policy of the populist-posturing Kennedy when he told the press last week, "I want to see more crises. We need continual crises to maintain popular awareness of the energy shortage ..." Ottinger then repeated Kennedy's call for a "national oil purchasing agency" which would completely sever U.S. relations with the OPEC oil producing nations.

the oil tax on their economies. The French and West Germans favor nuclear energy in the developing as well as the advanced sector, and Schlesinger has already been put on notice that the U.S. sabotage of the fast breeder and recycling technologies "is organizing tomorrow's shortages" in the words of *Le Figaro* energy editor Christian Guery.

Breaking the power of the Seven Sisters

The French have let it be known—through the pen of *Les Echos* energy specialist Ralph Back on June 5—that if the U.S. refuses to agree at least to points two and three of the proposal, they are ready to set up a "European consortium dealing directly with the oil producers in state to state fashion"—a warning that the Europeans will move to break the Seven Sisters' control of world oil distribution if the U.S. does not assume the "proper leadership of the West," as Schmidt put it.

At present, the U.S. administration is reacting by upping the ante in provocations. Carter is answering the European demands on energy by demanding that the French, et al. endorse Carter's "Camp David" Middle East strategy—the oil field occupation scenario. But François-Poncet was very clear in Washington that the French will continue organizing for a general settlement to the Middle East crisis, since "a separate agreement brings divisions to the Arab world. You cannot claim," he stated, "you don't have a separate treaty when there is no solution to the West Bank and Palestinian problem that is accepted by the Arab world. ... It is not useful to isolate the Arab world ... to have them facing a Western world... and there will not be a lasting peace unless the Soviet Union is brought into the picture."

By insisting that endorsement of the Camp David pact is a *sine qua non* for ending the energy blackmail of the world, the Carter Administration is further angering the Europeans—and jeopardizing world peace. Indeed, the Anglo-American nexus is viewed with disgust not only by Europe but by the Middle East and the developing sector as well. The Saudi royal family, which experienced an attempted coup d'état at the hands of British-linked Khomeini backers last month, is in complete agreement with the French government on the need for a comprehensive Middle East settlement, as well as a global energy plan, and Saudi oil minister Sheik Zaki Yamani will meet, as he has frequently in recent weeks, with France's Giraud at the end of the week. And Mexico, a leading force for producer-consumer cooperation on oil, warned through Industry Minister Oteyza that Mexico will break its contracts with oil companies which use Mexican crude to speculate on the prices of oil as has occurred in Rotterdam.

—Garance Phau

What the Europeans

Giraud: two different scenarios

French Minister of Industry Andre Giraud assessed his meetings with Energy Secretary Schlesinger at a press conference June 5.

"The essential purpose of our visit was to exchange views on energy. I can summarize the problem. We think there are two different possible scenarios. One, consumer and producer countries cooperate in a coherent frame. In that scenario there is enough energy so that the world goes on with development ... Two, producing and consuming countries do not act in a coherent complementary way. In that case we face a tremendous world economic crisis, possible recession, shortages of energy and maybe deeper political affairs. The trouble is we are currently living in scenario number two and must switch to number one. The most immediate need is to fight against any speculation, which does not benefit either producer or consumer countries.

Q: *Was there anything in your talks that would lead you to believe that Schlesinger will announce a change in the entitlements policy?*

A: I don't think so. We feel this measure was unilateral, inefficient, counterproductive. Mr. Schlesinger expressed regrets that it was taken unilaterally. It was inefficient because it did not increase the available petroleum products. Mr. Schlesinger said there was no intention to divert petroleum products. Mr. Schlesinger said there was no intention to divert supply of oil from Europe to the U.S., and that it was an old mechanism that was used. Mr. Schlesinger said that other available supplies are not going to the U.S. ... We did not find Mr. Schlesinger's arguments and figures convincing and asked him to explain this decision to the European Community....

NSIPS: *In a somewhat low-key fashion, you have just dropped a bombshell insofar as what you have outlined as scenario one undermines the entire basis of the Carter administration's foreign policy.*

A: I have no opinion on the internal policy of the U.S.

are saying

and no judgment to bear on the U.S. administration. I am just expressing my view that from an analysis of forecasts of supply and demand, we must have an energy policy that gives enough supply. The only way to do that—even if we have a very strong conservation policy—would be through the development of nuclear and coal. That is the only thing I am saying.

François-Poncet: 'An effort of concertation'

French Foreign Minister Jean François-Poncet issued a one page statement titled "An Unprecedented effort of concertation" (concerted action—ed.) after meetings June 4 with President Carter.

The energy crisis was central to my talks with President Carter. As President of the Council of Ministers of the European Communities, I told him of the serious concern felt in Europe regarding the decisions of the American authorities to grant a subsidy for oil imports into the United States. This decision tends to divert toward the U.S. a larger share of the oil sold on the world market.

Over and above this problem, which Mr. Giraud will be discussing with Mr. Schlesinger, I told President Carter that the President of the French Republic as well as the French government are convinced that the present situation and further outlook in the field of energy must be subject to an unprecedented effort of concertation. First, a concertation of the oil consuming countries with each other in order to apply effective measures to combat speculation, to encourage energy savings, and to develop alternate sources of energy; and second, a concertation with the oil-producing countries in order to ensure the mutual compatibility of future guidelines and decisions.

The stability of the world's economy and therefore the common interests of both consumers and producers depends on this effort of concertation. It was agreed with President Carter that this whole problem would be at the forefront of the Tokyo summit.

... U.S. and France disagree

In an informal talk with press also on June 4, French Foreign Affairs Minister François-Poncet had this exchange with the Executive Intelligence Review's Washington, D.C. correspondent Laura Chasen. Her question referenced Energy Secretary Schlesinger's earlier remarks that Europe must reduce oil consumption as the U.S. is.

Q: Mr. Foreign Minister, Energy Secretary Schlesinger said today that the U.S. must be in the position of "hardballing" Europe to make it cut energy consumption. He also placed the blame for higher oil prices on members of the International Energy Agency other than the U.S.? Will you comment?

A: I think our basic attitude is that there has to be a concerted action. This implies that the consumer countries are prepared to take decisions concerning speculation which we must halt.

Q: Was there an agreement reached at Bonn?

A: It is not in the interests of anyone to behave unilaterally.

Q: Did you discuss that the Carter administration's basic policy has been defined by the New York Council on Foreign Relations' 1980s Project for "controlled disintegration" of the U.S. economy?

A: I did not get the impression from my talks that there is a large disagreement in principle to what we are looking for, for which there is a large measure of agreement in goals. The question is how to get there.

Speculation must be fought—François-Poncet

The French Foreign Affairs Minister Jean François-Poncet opened a June 5 press conference with this statement. Following, we record his interchange with the press.

The time has come for concerted action among consumers in order to fight speculation, in order to reduce consumption of oil, and—in order to develop alternate sources of energy—the consumers, having taken such steps could meet with producers countries to promote a harmonious international economic growth and balance... binding decisions have to be taken at Tokyo.

Q: *Is there any chance that France will join the IEA to develop this concertation you speak of?*

A: We did not join the IEA because we had the feeling that this was inspired by a confrontationist spirit and we very much believe that what has to be done is concerted action with oil-producing countries.

Q: *What kind of general understanding with the producers is possible?*

A: The oil-consuming countries must understand... that the oil-producing countries react negatively when they see that a portion of oil being sold is twice as high as the OPEC price. If we want to open a dialogue, we must come up with effective action in such fields as the spot market, and then we see how the dialogue develops. I think there is a growing understanding that we are all in the same boat.

NSIPS: *Twice yesterday, Schlesinger stated that he didn't consider speculation to be the problem, but blames Europe for not imposing austerity on itself. None of the Carter administration's public statements are in line with your calls for concerted action. Why do you insist on giving the administration credibility, when the Mexican President responded in much harsher terms?*

A: I quite frankly think that this approach is not a good one. It is not helpful if we really want to reach what is necessary—a mutual common constructive reaction—to try to place the blame on the other fellow. Also we are developing nuclear energy at the fastest pace. Few people realize it, but 50 percent of our electricity will be from nuclear energy in 1985. That will be the highest

proportion in the world. I got very positive reactions in my talks, and am encouraged.

Q: *There are projections that by 1985 world oil supply may be so tight that it would heighten conflict between the U.S. and its allies. Has 1985 arrived? Vance is reported to be considering contingency plans involving the U.S. military. Do you support this contingency?*

A: What is happening now is that factors not linked with supply, but which are political factors, are creating a peculiar situation. I would say that 1985 is not now but it is a very tight situation... But if we react positively now we may overcome 1985 before it happens... My opinion is that the Middle East is a political problem and we do not think it should be approached in a military way.

Q: *What do you think the objectives of the Tokyo summit should be?*

A: We must look into the spot market. We have a clear objective. We must come to a system by which the prices at which the oil-producer countries sell is the price at which oil is purchased by the consumers... Otherwise, the West commits economic suicide.

Q: *The U.S. government thinks the Egypt-Israel treaty is perhaps the most positive achievement, why do you find it so faulty?*

A: ... A separate agreement brings division to the Arab world. You can say that you do not have a separate treaty when there is a solution to the West Bank and related Palestinian problem that is accepted by the Arab world... It is not useful to isolate the whole Arab world—to have them facing a Western wall... There will not be a lasting peace unless the Soviet Union is brought into the picture.

NSIPS: *Schlesinger also said yesterday that the only appropriate economic policy is a Malthusian one, that we must cut consumption and "stop ranting about the consequences." This comes straight from Hitler's Finance Minister Hjalmar Schacht's policies. This is the perspective that the EMS was explicitly set up to fight. Do you agree with Schmidt that the alternatives are energy development or wars. Why do you think that it is useful to insist that*

this fundamental disagreement with the U.S. does not exist?

A: What I heard in my conversations with the administration did not have this Malthusianism that you are referring to.

From the French press ...

"Five discreet dollars"

This article by Charles Lambroschini was published in *Le Figaro* June 1.

Not one word in the American press concerning the \$5 per barrel subsidy which is making European governments holler so loud. In diplomatic circles in Washington, some assert that this discretion is not the fruit of coincidence. According to them, the White House did its best to hide its decision....

According to one expert, "the White House has just artificially created in the United States what is occurring spontaneously on the Rotterdam market."

... Carter is leaving himself open to discovering soon that the remedy he is proposing is worse than the disease. A specialist affirms: "Now, nothing prevents OPEC from declaring that the "natural" price of its crude, is the world market-price, plus five dollars.

"The nuclear challenge"

Energy specialist Christian Guery, commented on Carter's policy in *Le Figaro*, June 1.

... Nuclear problems demand rapid decisions: it takes at least seven years to build a Fessenheim-type reactor. Any temporizing thus compromises the medium-term future....

Two series of figures are particularly significant. Presently, more than 69 percent of the world's "reasonably assured" uranium supplies are in North America and in Africa, south of the Sahel. Seventy-nine percent of the "additional, reasonably probable" resources ... are located in North America, of which more than half in the United States.

In other words, if there is one day an OPEC for uranium, this cartel will be limited to one country: the United States.

The latter, by rejecting the fast-breeder and reprocessing for "official" security motives, are organizing tomorrow's shortages....

The energy crisis should deserve other strategies than these byzantine games.

Schlesinger: 'a neo-Malthusian model'

The following is an excerpt from a June 4 luncheon presentation by Energy Secretary James Schlesinger to the first annual meeting of the International Association of Energy Economists in Washington, D.C.

Energy is now the quintessential economic problem. The solution to the energy problem will determine the survivability of the political institutions in the Western democracies. The fundamental problem is the ability to produce petroleum from traditional sources matching market demand with full employment. Worldwide expansion of oil capacity is not occurring. We have a limited resource base.... Oil is under the domination of governments, not the U.S. oil companies....

Economics has never had a good theory for depleting resources. Constraining demand is the only way to hold prices down with stable supplies.... I am impressed by Milton Friedman's theory of administered pricing which can delay increases.

The only way to deal with shortages is to constrain demand and not rant about the consequences. The market can make small adjustments over long periods of time. In this energy problem, we need substantial adjustments over a relatively brief period of time.

Neoclassical models of the economy don't work in this situation. *A Neo-Malthusian model is more relevant to problems we face in the short run* [emphasis added]:... The problems won't be solved by going back to economic models based on the depletion of what oil and they won't be solved by the use of snake oil.... We face a massive shift in the requirements of society. We had hoped in 1977 when we introduced the National Energy Plan that we had seven to eight years to make these adjustments. We were not able to achieve a national consensus or stability in the Middle East and have had a substantial delay.... We have to abandon the marketplace as an idol and adopt the theory of early 19th century German economists to protect "infant industries," like syncrude, gasified coal. We have to compress the time normally taken by the market process. The government will have to support R&D and subsidies to bring the substitute fuels on line before the marketplace would bring them into play.... Even the American Enterprise Institute is impressed by the magnitude of the energy problem and said some deviation from the market principle is permissible.... The transition will be exceedingly difficult. The

economists have to get the problem across to a skeptical U.S. public. I will end with a quote from George Allen: "The future is now," so let's get cracking....

EIR: *I am very disturbed by the assumption that has been made throughout this conference in terms of the relationship between energy and economic growth. It would seem to me that GNP does not measure economic growth. For example, if you legalized gambling, prostitution and narcotics there would be a dramatic increase in the GNP, with very little input [laughter]. In that light, I have never seen any study which actually shows no relationship between energy and economic growth. Therefore, it sounds to me as if your program is the same as the Council on Foreign Relations Project 1980s program for controlled disintegration.*

Schlesinger: The question is, "Is there a hidden potential that this program may have the seeds of its own destruction?" Energy conservation has been a great success. The coefficient of energy growth to GNP growth has declined from 1.0 to .5. This will not lead to disintegration beyond our present programs. That's what we are worried about and trying to avoid, by limiting demand and making sure we can meet energy demand with full employment.

Oil hoax: how it could

So far, as this publication has repeatedly documented, there has been no world oil "shortage" in the present crisis. But some Anglo-American moves are being readied in the Persian Gulf area that could not only change that, but plunge the world into a nasty political confrontation as well.

Following policy guidelines laid down by British planners, the U.S. National Security Council will be holding a series of meetings this month to discuss activating contingency plans for an Anglo-American military incursion into the oil-rich Arabian Gulf region. As is well known to experts throughout the energy industry, any such move will *guarantee* the stoppage of the flow of oil from the Middle East.

The military moves will be made to stem destabilization which the British themselves are planning, in areas where British intelligence has played a predominant role historically and to the present. These destabilizations include:

Cost of speculation: don't be fooled by forecasters

Businessmen and investors are going to receive not one but two shocks in the wake of the latest round of speculative oil price increases: the first, the impact of the increases themselves on business and industrial activity, the second, how far off the mark are the forecasts of the "Big Three" economic modeling services, Data Resources, Inc., the Wharton School, and Chase Econometrics, regarding those effects. Indeed, the sanguine prognostications of these services seem almost tailored to conceal the purpose of Schlesinger's oil hoax—the savaging of U.S. industry and living standards—and may, according to some observers, lay them open to action by customers who incur losses as a result of misleading predictions to recover subscription fees and possibly actual damages.

"It ain't that bad"

Chase Econometrics estimated June 6 that the price of oil will be 38 percent above 1978 levels by the end of 1979. "This increase will be "inflationary, harm consumer confidence and hasten the recession," the Chase spokesman said. But just how bad will the effect of the oil price increase be? Well, said Chase, "our computer model projects no growth for the second

quarter of 1979, then declines of 1 to 2 percent in the last two quarters of this year and the first two quarters of next, with an upturn in the third quarter of 1980."

A spokesman for Otto Eckstein's Data Resources International was more tight-lipped: "let's just say, that we will lose one year's growth over the next decade." Further prompting brought the prediction that GNP will fall 3.3 percent."

The Wharton School spokesperson allowed as how they simply took "the Wharton Annual projection, and overlaid the Carter decontrol program on it, without the windfall tax." Wharton's projections would hardly lead anyone to lose much sleep. "We think GNP will fall 0.3 percent for 1980 and 0.7 percent for 1981," the Wharton expert said. "Inflation will increase because of the oil situation by 112 percent in 1980 and another 0.6 percent in 1981. Nonresidential fixed investment will fall by 0.7 percent by 1982."

In a manner totally contemptuous of their clients, then, the Big Three are predicting a mild downward bump in the economy, which business will prepare for by making minor adjustments in inventory, investment, and so forth. In fact, as any one could intuit if they lived through 1973-75, the economy is going to be

get worse

- use of the British drug-running and “dirty money” base of Dubai as a launching point for “centrifugal” tendencies in the United Arab Emirates. Tension has recently been reported between Dubai and other members of the Emirates;

- crises in the Saudi oilfields manipulated by the fundamentalist Prince Abdullah and his National Guard to create a “state of emergency” in Saudi Arabia;

- exacerbation of the internal crisis in Oman, the strongest bastion of British special operations units in the Middle East. In a series of reports from Oman, *New York Times* Anglophile military columnist Drew Middleton has been quoting Oman’s Sultan Qaboos calling for increased American intervention in Oman and in neighboring countries to “stop Soviet aggression.”

Since Oman, Dubai and contiguous areas provide several critical “choke-points” where the British could

stop a flow of Gulf oil which amounts to approximately 20 million barrels per day of the world’s oil supply, it is ominous that Middleton, in a June 7 *Times* article datelined Khasab, Oman on the strategically vital Straits of Hormuz, writes that “the Strait of Hormuz is the greatest economic choke point in the world.... The strait could be blocked in a number of ways.... The result would be that the economy of the U.S., which gets an increasing percentage of its oil from the Persian Gulf, would be significantly damaged.”

Nor is it coincidental that the same day’s *New York Times*, reporting on the Schlesinger “Strategic Petroleum Reserve,” quotes Energy Department Deputy Secretary saying that the Reserve “is intended to be used in case of a severe petroleum interruption as defined by the President. That would be something like a total loss of oil imports from the Middle East.”

A fourth option that can be used to provoke an oil shutdown depends on keeping Iran in a state of worse

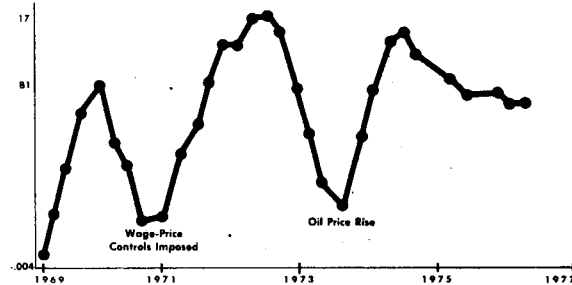
clobbered, and badly, by the latest round of price hikes.

Using the increasingly respected Riemannian Economic Model developed under the direction of U.S. Labor Party Chairman Lyndon H. LaRouche, Jr., *Executive Intelligence Review* is preparing an analysis of the 1979 oil hoax, to appear shortly, whose preliminary considerations indicate that the impact of the 1979 hoax will be every bit as severe as in the aftermath of the 1973-74 round of prices (see graph).

The basic consideration: Oil price increases cannot be represented simply as a projection of GNP. As everyone knows—or should know—an oil price increase has a *multiplier effect*, forcing factory shutdowns, spiralling inflation, cuts in the export market (because the Third World cannot afford to import capital goods due to their increased bill for oil, and so forth).

Taking an extremely conservative estimate of a 1979 increase in the U.S. oil bill of 70 percent or \$52.5 billion, based on \$16.00 OPEC and domestic oil prices, and comparing it to the \$27.3 1973-4 increase, one can see that the magnitude of the increase is nearly twice the size that in 1973-74. But *the economy has not doubled*—not GNP, and even less so the industrial sector. Therefore, the effects of this crunch will be for worse. The \$52.5 billion is larger than total U.S. industrial profits when the latter are deflated and corrected for capital replacement costs.

Oil hoax—the consequences could be economic collapse



The present shortage of oil and gas—and the concomitant rise in price—contrived by Energy Secretary James Schlesinger could have a devastating impact on the U.S. economy. That is the conclusion indicated by the Riemannian model for economic analysis and forecasting developed for the *Executive Intelligence Review*.

The accompanying graph summarizes the results produced by the model from an historical analysis of the U.S. economy through the period of the 1973-1974 oil price hike. What the researchers found was that the ratio of available reinvestable profit (S') to the sum of constant capital (C) needed to maintain plant and equipment and variable capital (V) needed to maintain the labor force dropped dramatically in 1973-74. This ratio, $S'/C+V$, is determined by the model as the most sensitive indicator of the potential for economic growth.

and worse internal chaos and anarchy. At a certain point, as outlined by British Tory journalist Robert Moss June 4, this anarchy could expedite a move by "disciplined commandos" working with Egypt and Israel to seize power in Teheran—what would amount to a "Pinochet" coup linked into the general militarization of the region. This Moss policy is tied to aggravating the chaos in oil-rich Khuzistan, or Arabistan, triggering possible regional crises embroiling several Arab oil-producing countries while enable the British to build a "Reichstag fire" climate around a supposed "Communist" interruption of oil supplies to the U.S.

"Recolonization"

The U.S. NSC's strategy around the Gulf was analyzed June 3 in a *Washington Post* op-ed entitled, "A Carter Doctrine for Mideast Oil?" Post reporter Jim Hoagland identified NSC chief Zbigniew Brzezinski as the author of a policy for the Administration to play a more "assertive" role in the Gulf area, including a "more direct" U.S. military doctrine, now that the so-called "Nixon Doctrine" of relying on such policing surrogates as Iran have collapsed.

On the same day as Hoagland's piece, the London *Sunday Telegraph*, Tory propagandist and psychological warfare specialist Peregrine Worsthorpe laid out the Tory marching orders for the Carter administration in terms of a renewal of 19th century colonialism and gunboat diplomacy (see below).

Worsthorpe's piece was followed by a *Financial Times* of London feature, "Some Clouds Gathering over the Gulf," which concluded by affirming:

"The need now is for a new balance in the relationship between the West and its natural allies in the Middle East which gives the Gulf stability and the West sufficient oil. It involves, among other things, a reassessment of U.S. Middle East policy, ... and a Gulf Security pact."

Battle for Iran

Whether or not the gunboat diplomacy policy becomes operational depends in large part on a resolution of the chaotic situation in Iran.

As outlined by Moss and other *Daily Telegraph* theorists, the British are counting on the disintegration of Iran into mayhem to create the precondition for military intervention. This depends on pitting various of the country's religious mullahs, or ayatollahs, against each other, the mullahs against the Left, various "autonomy"-oriented separatist movements against the central government, and so on.

The economic collapse being *consciously engineered* by the feudalist clique around the maniacal Ayatollah Khomeini is anticipated to drive Iran further into chaos. The London *Financial Times* reported June 4 that Iran has shelved \$75 billion in civil and defense

contracts and that the country is becoming an "industrial cemetery."

According to informed Iranian sources, "unemployment is becoming near universal" in many cities and villages. This is caused, one source reported, by the fact that "the leading ayatollahs of the country are pocketing the oil revenues—which are actually higher than under the Shah's regime because of the rise in oil prices—in an unprecedented outbreak of corruption. The ayatollahs are acting like a bunch of feuding petty mafioso chiefs," he added.

Confrontation

Fueling the mood of confrontation, Khomeini yesterday blasted all "enemies of Islam" as "worse than the Shah," and called for repression of these forces. Khomeini has also demanded heavy-handed clamp-downs against protesting groups in oil-rich Khuzistan, creating preconditions for drawing neighboring Arab regimes into war with Iran in support of Iran's Arab population.

Khomeini's provocations have been so outrageous that the Iranian republican movement has been able to gain increased support throughout the country. The republican forces are organized in the National Democratic Front party of Hedayatollah Matine-Daftary, a grandson of Iran's 1950s nationalist leader Mohammed Mossadegh. The NDF is closely allied to the heads of Iran's National Oil Company (NIOC), whose Board of Directors resigned this week in solidarity with NIOC head Hassan Nazih. Nazih had come under fire from the Dark Age mullahs as a "traitor" for his blistering attacks in the past days on Khomeini's "dictatorship."

The key problem the republican parties face is that in order to build up support, they have made a series of Byzantine deals with anti-Khomeini ayatollahs which now may prove difficult to abrogate. According to a source close to Matine-Daftary, "the republicans have not effectively tried to build support from *outside* their cause. Without that, and without support for them from outside, their situation is not very good at all."

An Israeli-backed coup in Iran?

The following are excerpts from the June 4 Daily Telegraph of London column by British Tory intelligence coordinator Robert Moss. Following elaboration of his scenario for an Egyptian-Israeli backed coup in Iran, Moss concluded by analyzing the many splits internally in Iran which create greater opportunities for chaos and raising the spectre of a "PLO-KGB" plot to overthrow Khomeini, which evolves from twenty years of ostensible

close relations between top levels of the KGB and PLO chief Arafat.

"It would only take 1,000 disciplined commandos to take back Teheran."

The man speaking is one of the leaders of an underground resistance movement in Iran who recently escaped from Ayatollah Khomeini's revolutionary tribunals and is now hiding in a European capital.

He asked me not to identify him by name, since he still has family inside Iran. So I will refer to him simply as "Ali."

Ali claims to speak for a movement composed of surviving elements of the Imperial Guard, the Paramilitary and other pro-Shah loyalists who are waiting for the right time to stage an armed uprising against the present authorities in Iran....

They believe, according to Ali, that the deep rift that has now opened up between the coalition of forces that briefly united to depose the Shah has created an opportunity for pro-Western elements to hit back.... "The Revolution is beginning to devour itself. Even Khomeini is worried that his Leftist friends, with the aid of the Palestinians, are plotting to remove him and install an openly Marxist regime."

Above all, according to Ali, the opposition forces in Iran can now count on greater outside support....

President Sadat's recent offer of a permanent exile to the Shah ... pointed to a deeper Egyptian commitment.

There is now a sizable colony of former Iranian army officers in Egypt, and they maintain regular contact with some of the commanders of the (much-reduced) Iranian Armed Forces.

Western intelligence sources report that the Egyptians have offered to provide asylum and generous pensions to Iran's military commanders if they attempt a coup against Khomeini and fail—providing only that they try....

At the same time, the Israelis have a key role to play. Because of the intimate relationship maintained in the past between the Iranian and Israeli defense and intelligence establishments, the Israelis know the local situation like the back of their hand. ... The Israelis can only gain by assisting the opposition to the revolutionary regime today.

Peregrine Worsthorne on gunboat diplomacy in the Middle East

Daily Telegraph columnist Peregrine Worsthorne argued in a June 3 article that the world is headed for a return of 19th-century colonialism and gunboat diplomacy. Following are excerpts:

Western public opinion is beginning to undergo what is called a swing to the Right. Not only has there been the return of a tough-minded Tory Government in Britain, followed by the same result in Canada.... but there is now talk of Governor Reagan, the arch-reactionary, standing a very good chance of becoming the next American President, and of Franz Joseph Strauss, the bugbear of the Left, becoming the next German Chancellor....

What has not yet been considered is the possibility that this swing to the Right could reflect a comparable hardening of popular attitudes toward foreign affairs. ... Might there not be [a] return to 19th-century ideas about diplomatic management in favour of imperialism, gunboat diplomacy and Realpolitik? ... Might not Western public opinion start throwing off the ... inhibiting moral shackles in respect of conduct overseas? ...

Could not a perfectly reasonable case be made for re-colonisation of an area in which the West has such an overwhelmingly vital interest [as the Middle East oil-producing area]?...

In other words, if the West decided, for example, to reoccupy the Persian Gulf, or set up a base in Saudi Arabia, there would be no popular outcry, no anti-colonialist sense of outrage. Prudent Westerners might hold their breath; but, unlike at the time of Suez in 1956, they would no longer feel compelled to search their souls....

Perhaps the 19th-century imperialists—no less than the 19th-century economists—had a point after all....

All sorts of intriguing interventionist scenarios begin to look realistic, as soon as the miasma of anti-colonialism is swept aside. ... Freed from the post-Vietnam inhibitions, is it seriously to be supposed that the American public will tolerate dramatic reductions in its standard of living, even mass unemployment, at the hands of some blood-stained, crazed mullah?...

To those who say that it is impracticable militarily to reoccupy the Persian Gulf, or to introduce bases into Saudi Arabia, the answer must be that it will soon become impracticable politically not to. Where there is a political will, there will shortly be found a military way. The Emperor will be seen to have lots of clothes, once the West decides to open its eyes, as the oil crisis is forcing it to do.

Britain turns fascist

New Tory government has plans to gut British industry

All eyes will be on British Chancellor of the Exchequer Geoffrey Howe when he unveils the Tory government's first Budget on June 12. Thatcher-watchers take note: the Budget will outline for the first time in concrete detail the fiscal and economic policies which Her Majesty's Government intends to use for the transformation of Britain into a fascist state.

This is neither an exaggeration nor an understatement: the policies of monetary practice which the Thatcher government has already adopted as its own are based on a mixture of Mont Pelerin Society "free enterprise" and International Monetary Fund austerity which provided the model for the butchery of Chile. In the advanced sector these policies will be indistinguishable in consequence from those of Nazi-occupation practices in Eastern Europe. Heavy industry, except those high technology enterprises useful to bolstering a war machine, will be summarily dismantled, the unproductive labor force will be "sacrificed" while the elite aristocratic faction pulls a dark curtain down on the future of scientific progress except as befits their own, peculiarly British aims.

As in Hitler's Germany, the fascist transformation will be carried out from the top down—by the right wing Tories who hold dual membership in the Mont Pelerin Society and the top Conservative think tanks (which are in turn linked to the British Crown), and the faction of hard-core "Empire loyalists" who stoutly believe in maintaining the institutional parameters of British aristocratic pomp bolstered by as much military show as can be mustered. In traditions of the present century, this is what "futurist" H. G. Wells, British geopolitical "experts" like Lord Milner, and other members of the Round Table crowd viewed as the essential trappings of oligarchical policy.

The gathering of ghouls this week at a memorial service for German-born Heinz Koeppler—founder and "warden" of the British "de-Nazification" camp known as Wilton Park—clearly reflects the preoccupation of London's top policymaking circles with the Schachtian experiment they themselves foisted on the German population and intend to replay—this time in Britain. The Lords and Ladies present intermingled appropri-

ately with representatives of the International Institute for Strategic Studies, the Royal Institute for International Affairs, the major oil companies and the diplomatic and political community (such as Lord Chalfont, Enoch Powell, the newly appointed British Ambassador to the U.S., and members of the Ormsby-Gore family) who will be implementing the nuts and bolts of the oligarchy's fascist transformation.

Labour government prepared the way

Although the Tory government will have the honor of systematically gutting the British economy, the way has been prepared by successive Labour governments under Harold Wilson (who was knighted for his services) and "Uncle Jim" Callaghan. During the era of "social contracts" and "voluntary" wage restraint, the British labor force and its organized trade union leadership was tamed, swindled, and demoralized to the point that there is now no significant obstacle from within Britain to the implementation of full-scale fascist policies. This is the sort of service the British crown is accustomed to receiving from "Labour" governments.

Tory commentator Peregrine Worsthorne announced triumphantly in the *Sunday Telegraph* May 25 that the British trade unions had lost their "moral legitimacy" over the last few years, and with only brute strength to offer would be no match for the "Iron Lady" herself. Warning of what is to come, the *Financial Times* editorial of May 24 charged that the unions had been "spoiled" under the Labour government which sought their agreement on practically everything. Under the Tories, the tables would be turned: the trade unions would be relegated to their proper role which most emphatically would not include a say in economic policy.

Although the British trade unions have been duly incensed by initial Tory promises to rip up labor's rights and destroy employment opportunities, they will find little sympathy from the British Labour Party. Callaghan formalized his complicity with Thatcher's fascist program this week when he told a meeting of trade unionists and party representatives that the Labour Party would not support "politically inspired

action" by the trade unions to thwart the policies of the elected Tory government.

It was under Labour that Britain's road to deindustrialization began. The steel sector was the first to be dismantled. Under British Steel's rationalization plans—approved by the Labour Government—steel production in Britain has fallen below 1970 levels and is now the lowest in Europe; new layoffs by the thousands are announced every month. During the last phase of Labour rule, economic growth came to a halt and the last pretext of commitment to industrial capitalism was dropped. Between the last quarter of 1978 and the first quarter of 1979—just before the Tories took over—the Central Statistical Office recorded the largest single drop in manufacturing investment since 1975.

Let them eat chips

Tory economic policy begins where Labour left off. Initial leads from the press and the Conservative Party Central Office suggest that Howe's Budget will begin "at once" to cut public expenditure to the bone. After shuffling through Labour's unpaid bills, the Tories have announced that they will seek even deeper cuts in government spending than originally thought necessary—beginning with the Departments of Industry, Employment, Health, Education and Environment (Local Government). A freeze on hiring for government jobs has already begun. Employment subsidies, regional development aid and other capital spending programs are slated to be phased out and the National Enterprise Board (NEB)—set up under Labour to bail out ailing manufacturing plants with government aid—will be dismantled.

The basic policy toward the economy—as outlined May 15 in the Queen's Speech—will be to triage large sectors of Britain's remaining civilian manufacturing capacity and to defend only a narrowed base of militarily relevant high technology industry useful to furthering Britain's war drive. The rest of the British economy and the population it supports will be set adrift to rot.

This delicate surgical exercise has been entrusted to

Industry Minister Sir Keith Joseph—who like Howe, is a member of the Mont Pelerin Society. Sir Keith, already dubbed the "Dr. Strangelove of the economic world," will attempt to balance the books by cutting thousands of pounds in subsidies to "lame duck" industries which have no role to play in a "postindustrial" society.

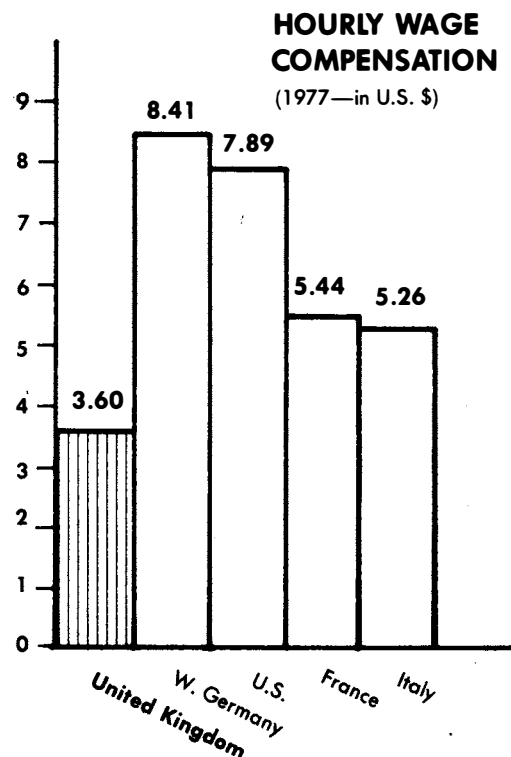
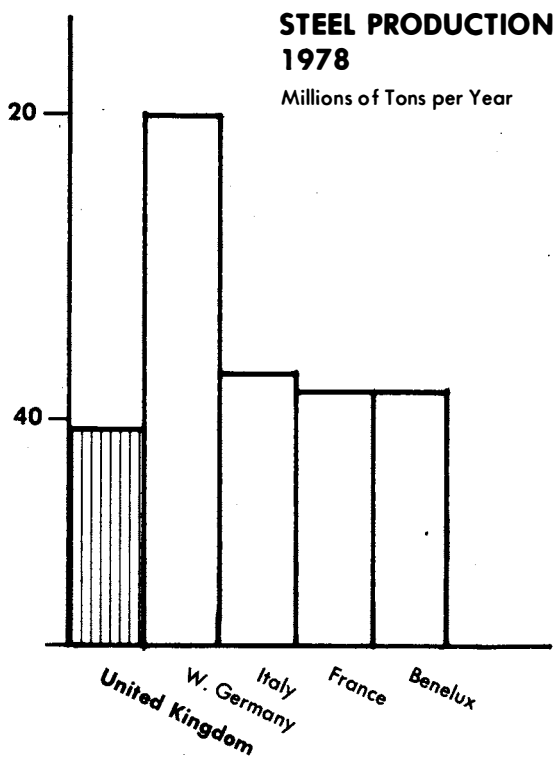
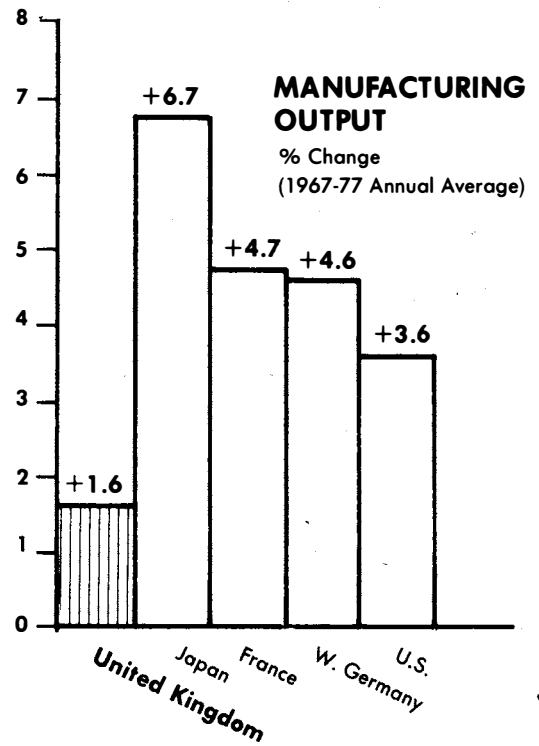
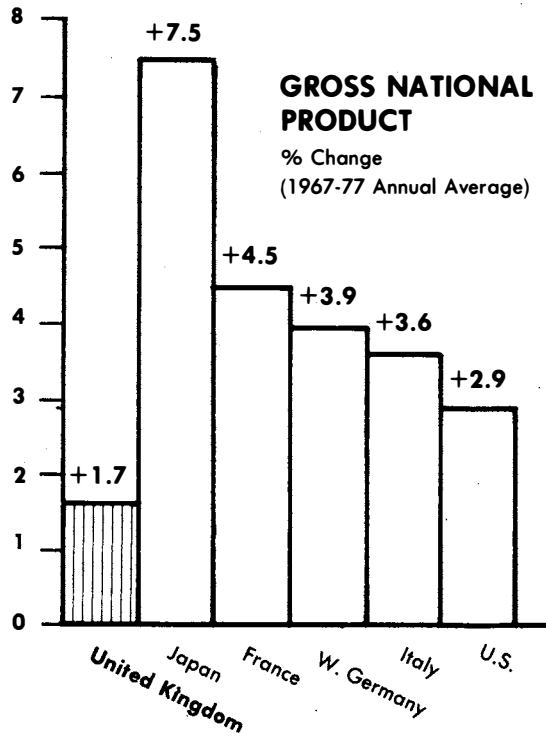
The money "saved" by shutting down rather than upgrading older industries and auctioning off "unprofitable" chunks of the state sector such as aerospace and shipbuilding has already been budgeted for increased defense spending: raising the pay levels of Britain's top military brass, buttressing the Royal Air Force and financing a new generation of nuclear weapons. This was implicit in the Queen's Speech which pledged the Tory government to "strengthening our contribution to NATO" and "maintaining the effectiveness of Britain's nuclear deterrent." Weapons for export will continue to be manufactured. In fact, the Duke of Kent (first cousin to the Queen) is expected to personally smooth the way for an early signing of the Harrier jet sale to China during his visit to Peking this week.

In the meantime, Thatcher's advisors are already paving the way for a British society run by a class of managerial elite: experts in terrorism and military strategy who will dominate the "postindustrial society" after the productive labor force has been sacrificed. This theme was spelled out in *Washington Post* London correspondent Bernard Nossiter's new book, "Britain, the Future That Works." Appropriately enough, a computer software expert has been selected to head up the government's private think tank, the Central Policy Review Staff. Reports suggest that he will recommend scrapping the National Enterprise Board, but will urge the retaining of its microchip division, INMOS, to give the government an edge in the "high technology" enterprises of the future.

Although the new "silicon chip" technology which the Tories are now investigating could easily be used to advance the productive powers of the workforce and develop sophisticated industrial processes, for Britain the "future that works" does not include scientific or technological progress for the population at large; this is meant to be the preserve of the aristocratic elite. As the Earl of Gowrie (a member of Thatcher's new Cabinet who traces his heritage back to the family of Ruthven which was plundering the English countryside before people started writing history) announced last weekend, the oil crisis should not cause any real problems for Britain, even if Emergency Powers have to be invoked, as long as consumers take action to reduce demand and industry curtails its energy needs. "Only such a reduction will bring about the effect we want," Lord Gowrie added.

—Marla Minnicino

Britain's economy: 'sick man' of advanced sector



Britain under Thatcher

It has now been one month since Britain's Margaret Thatcher was summoned by Her Majesty the Queen to form her new government. Within that short time frame all the rhetoric that provided the public relations camouflage for the incoming Conservative Party combination has been dropped. The coalition of crude butchers, aristocratic eccentrics and sycophantic retainers that has been assembled as the present government of the United Kingdom has begun to reveal the real features of Britain's ruling circles. Under Thatcher Britain is slated to be transformed from the top into the first fascist nation to emerge from the advanced sector in the present world political crisis.

There is one principal parameter which distinguishes the present Thatcher combination from that assembled by previous British Conservative Prime Minister Edward Heath during the period from June 1970 to March of 1974. In almost all key respects the outlooks and policy commitments of the two governments are the same, both in terms of foreign and domestic policy as well as personnel. It was, after all, under Heath that Britain's oligarchs began to shift world policy configurations rapidly toward their standing commitment of this century to usher in a virtual new dark age in human history. The rigged oil crisis and Mideast war of 1973, which plunged most of the world's Third World population into conditions verging rapidly on genocide and holocaust, and the British-orchestrated Watergate coup against the United States, are exemplary features of the effort.

That notwithstanding, the Heath government failed, and among the reasons for its failure, including opposition from Pompidou's France and the Arab world, was the fact that the embittered British population was still capable of minimal rear-guard obstructionism in defense of its corrupt institutions such as the trade union movement. Now, after four more years of Labour Party rule, that is no longer the case. The British population has been ground up to the point that it will almost certainly accept the forced march imposition of fascism from above. Already James Callaghan, reconfirmed as leader of the Labour Party after the transfer of power, has made it clear that his party will support Thatcher against trade union political opposition. Meanwhile British policy think tanks such as the Henley Forecasting Unit have begun

to publish the blueprints on which the government will act.

A basic four point program has been established for coercing the population into slave labor modes within the period immediately ahead:

- the introduction of conscription programs for the work-force;
- the elimination of academic training programs, emphasis to be placed on industrial vocational training for defense-related industries, the rest to be scrapped;
- transformation of trade unions along the lines of Ley's Arbeitsdienst to supervise conscription programs;
- further massive austerity against household income levels and social service programs, through transforming national pay scale legislation and expenditure cuts.

The work force will be coerced into a state-backed weapons build-up program modeled on Asquith and Balfour's early twentieth-century naval construction program.

A Dark Ages cabinet

There is no doubt that Britain's ruling circles consider that their psychotically fragmented subject population will impotently accept such a program without resistance, thereby leaving the Thatcher government with its hands free to pursue the oligarchy's New Dark Age policy throughout the world as a whole. Thatcher's government has certainly been shaped with that objective in mind. The bulk of the Conservative Party's blueblood heavyweights have been concentrated into the Foreign Office and Defence Departments. The relevant officials include such intimates and relatives of the reigning House of Windsor as Lord Carrington and Sir Ian Gilmour at the Foreign Office, and Francis Pym and Lord Strathcona and Mountroyal at the Defence Department.

The Northern Ireland treatment

Such a concentration of aristocratic talent in international relations-connected positions in fact obfuscates the crude realities of this new British government. If anyone encapsulates the character of the cabinet as a whole it is William Whitelaw, the head of Thatcher's Home Office. Whitelaw is otherwise known as the Butcher of Northern Ireland.

Whitelaw, a farmer from Northern England and in-

law of the Scots lowland aristocracy, has been assigned to the Home Office to fulfill the same quality of political operations he executed as the head of the Northern Ireland Office during the previous government of Edward Heath.

Whitelaw's tenure in that office overlapped briefly with the deployment of Frank Kitson, an army counterinsurgency specialist from Malaya and Kenya, as commander of the British Army's Belfast garrison.

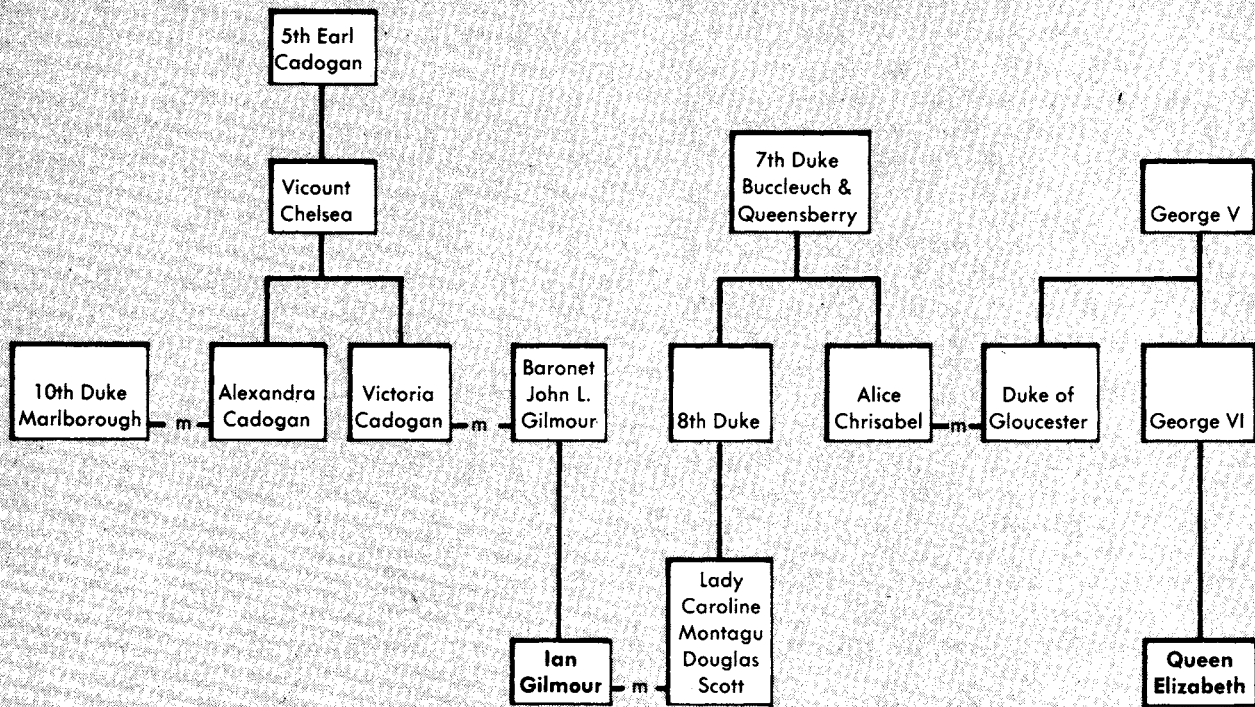
Not even present-day ravaged Italy or Spain can be compared to what Whitelaw did to Northern Ireland's population. He presided over the largest scale blood-bath in modern European history outside of a declared

war. In 1972 and 1973 under Whitelaw's rule, more than 200 people were assassinated in cold blood primarily in the city of Belfast—not to mention bombings, the practice later adopted by Italian Red Brigade members known as "knee-capping," and so forth, which resulted in over 800 other casualties to the civilian population in the same time frame.

Such operations were conducted by special forces teams of the British army under Whitelaw's political operational command who had been introduced to the area by Kitson and his superior the later Field Marshal Carver.

Northern Ireland was a test laboratory for studying

Mr. Gilmour's cousin, the Queen



When it became clear that the new Foreign Secretary, who must deliver a report to the British House of Commons, would be a member of the nobility, Lord Carrington, the minor problem was encountered that no person of the peerage is permitted to address the Lower House. Fortunately, the number two position at the Foreign Office was occupied by a commoner, Ian Gilmour. Ian Gilmour shall henceforth speak for Lord Carrington in the House of Commons.

The odd thing about this "commoner," who happens to be Lord Privy Seal, is that he is actually more closely related to Queen Elizabeth than Lord Carrington himself. Ian Gilmour's father, John Little Gilmour, was the second Baronet of Liberton and Craigmuller; his mother was Victoria Cadogan, offspring of the Viscount Chelsea; her brother married the Duke of Marlborough, making Ian Gilmour's father an in-law of the royalty-related Marlborough line.

To cement matters, Ian Gilmour was married off to Lady Caroline Montagu Douglas Scott, offspring of the 8th Duke of Buccleuch and Queensberry whose sister married the Duke of Gloucester, brother of the king, all of which makes Ian Gilmour a pretty close cousin of the Queen.

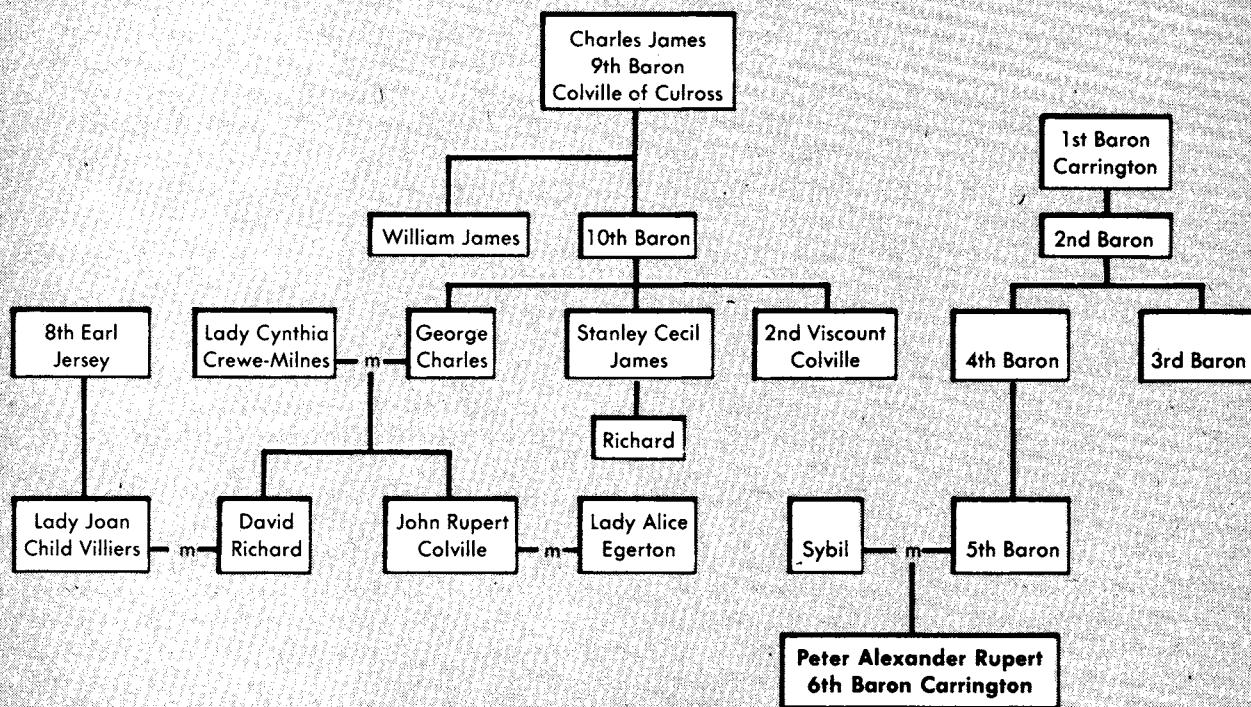
the effects of what are now, five years later, known as fundamentalist religious movements. Ulster's manipulated atavistic Protestant versus Catholic bloodbath was the test tube for Iran, and elsewhere. Whitelaw's butchery was the pretext for the total transformation of Northern Ireland's population into the equivalent of shell-shocked zombies under the gruesome rule of British military authorities. Concentration camps were established at Long Kesh and on board ships in Belfast harbor. Torture has been systematized in such camps, and has been the subject for broad but ineffective international protest.

Throughout the entire process British newspapers

such as the *Financial Times* and *London Times* would gloat at the productivity of Northern Ireland's workforce, and at the economic boom that was possible under martial law—the lack of strikes, the discipline of the work force—with assassination and bombings directed against the population, Catholic or Protestant, and internment camps ready for the recalcitrant. Northern Ireland is now a major producer for the British defence industry's electronics and naval capabilities.

Whitelaw has been deployed into the Thatcher Home Office now to do the same job inside Britain. And the British population has been sufficiently

Carrington pedigree: a palace affair



The particular line of breeding that produced the 6th Baron Carrington, current British Foreign Secretary, emphasized keeping the litters of royal household officials as much as possible within the palace. The 3rd Baron, a great uncle, was Lord Privy Seal. On his mother's side, he is descended from a long line of thoroughbred courtiers, the Colvilles of Culross, who have provided ladies-in-waiting, advisors, aides and policy makers to the royal family for centuries.

The 10th Baron Colville was Chief Equerry Clerk Marshal to Queen Victoria; his brother, William James, was comptroller of the Household to His Royal Highness Duke Saxe-Coburg Gotha (a.k.a. Prince Albert). The 10th Baron's son George Charles was married to a Woman of the Bedchamber to Mary, the Queen Mother. George Charles' son, John Rupert Colville, was a Page of Honour to George V (a dangerous occupation for a young boy), Private Secretary to Princess Elizabeth, and Principal Private Secretary to Winston Churchill (of the Royalty-related Marlborough line). John Rupert Colville was married to Lady Alice Egerton, a Lady-in-Waiting to Princess Elizabeth and Lady of the Bedchamber to Queen Elizabeth. Another of the 10th Baron's sons, Stanley Cecil James, was an Aide-de-Camp to George V, his son Richard becoming Press Secretary to George VI and to Queen Elizabeth. Another 10th Baron offspring, the Second Viscount Colville, sired a daughter Sybil, who became a Lady-in-Waiting to Princess Elizabeth, winding up in foal to the 5th Baron Carrington, thus begetting the new Foreign Secretary.

Thus, the 6th Baron Carrington is the outcome of many a palace affair, the blood credential that won him the Foreign Office in a new Thatcher government that the Queen's household will control directly.

conditioned to accept that.

For those of us outside Britain who still retain the freedom to act it is vital that the lessons of Thatcher's Britain be learned as rapidly as possible. To deal with the Thatcher government now, to accord the Thatcher government legitimacy or credibility, is to perpetuate the same kind of blundering that kept Adolf Hitler in power in Germany in the 1930s.

The measures and methods that are now to be directed full force against the embittered, forelock-tugging British population must become the weapon with which the criminal follies of the British oligarchy are rooted out of world political thinking for good.

The Adam Smith cult

There are still those ignorant or foolish enough to propose that Adam Smith's *Wealth of Nations* contains a doctrine that is plausible as an economic theory. Such people should look closely, very closely at Northern Ireland, or England, Scotland and Wales today. Neither the monetarist, nor the physiocratic raw-materials-as-the-source-of-all-wealth variants of Smith's theories work. Ask William Whitelaw if hired assassins or terror bomb squads contracted on laundered funds from Her Majesty's Exchequer are contributors to the growth and productivity of an economy. Have Northern Ireland's undertakers contributed to the British Isles' economic growth?

In point of fact Adam Smith's doctrines, and those of his epigones including Friedrich von Hayek, the mentor of Thatcher and her Industry Minister Keith Joseph, bear as much relationship to actual economics as the manipulated Catholic versus Protestant blood-bath in Northern Ireland does to actual religion. Both instead function as the synthetic belief structure of cult formations which can then be deployed, including formations either "for" or "against" whatever the cult-rallying doctrines on behalf of broader British policy objectives. Brigadier Kitson wrote up his military

applications version of this doctrine at Oxford University in the late 1960s in his book *Low Intensity Operations*. He described the creation for counterinsurgency purposes of "pseudo-gangs," which could be deployed in what he called "gang/countergang" fashion on behalf of objectives beyond the knowledge of "gang" members themselves. Kitson then organized the "IRA" and "Ulster Volunteer Force" gangs for Whitelaw.

In principle the supporters or opponents of Adam Smith's doctrines as such are the legacy of the last two hundred years of such cult manipulating operations by the oligarchic families grouped around the British monarchy whose latest whelps now find themselves kenneled in Thatcher's cabinet.

The doctrines deny the existence of the higher creative faculties of the human mind which fundamentally distinguish mankind as a species from the lower beasts, and leave populations fit only to be milked, clipped, sheared or butchered under an oligarchic elite.

Heath's government, under Whitelaw's direction, was allowed to turn Northern Ireland into a living hell-hole, its population subjected to measures which made the activities of Himmler's SS seem amateurish. Official statistics on suicide, nervous breakdowns, and consumption of tranquilizing drugs, the effect on the mental development of children, tell the story of the results of the toleration of such activities as well as body-counts, torture victims, random "Nacht und Nebel" arrests, widespread arbitrary search and seal operations by the military in pursuit of its own undercover operatives, and so forth.

Thatcher's government was self-convicted of crimes against humanity by the standards defined by U.S. Justice Jackson at Nuremberg, before these butchers returned to office one month ago.

They knew or should have known what they had done in Northern Ireland.

—Christopher R. White

Carter in covert support for Somoza

U.S. gunboat diplomacy toward Nicaragua backs IMF policy in Central America

Charges that the U.S. is coordinating a multi-nation military intervention into Nicaragua on behalf of the brutal Somoza dynasty portends one of the biggest scandals of an American administration since the Bay of Pigs fiasco of the Kennedy days. Reliable reports of American involvement in Central America include direct logistical participation by the U.S. Army Southern Command headquarters in the Panama Canal Zone, infiltration of U.S. Special Forces men into leadership of Somoza's troops, and "looking the other way" on Somoza's weapons procurement and recruitment of mercenaries in the United States itself.

Regular troops from Guatemala, El Salvador and Honduras, the Central American nations which, along with Nicaragua, form the Central American defense pact known as Condeca, have entered Nicaragua in recent days in support of Somoza. Condeca, founded, equipped, and trained by the U.S. Southern Command at the end of 1963, is still directed out of Fort Howard in the Panama Canal Zone today. Official denials from those countries of their involvement were belied by late reports of the capture of a Guatemalan colonel by the forces of the Sandinista National Liberation Front, the group that heads the popular insurrection now battling to overthrow Somoza. The U.S., Condeca, and mercenary support for Somoza's National Guard follows months of Israeli military aid and advice, including the massive restocking of military equipment after the last outbreak of civil war in Nicaragua last September.

Reports of U.S. military involvement are being issued daily from Sandinista General Command. The charges, reported extensively in the Mexican daily press, have been virtually blacked out of the U.S. media, pointing to a top-down security clamp on any information, similar to the massive cover-up employed by the CIA-National Security Council to cover up the 1961 Bay of Pigs invasion of Cuba.

U.S. military commitment to Somoza follows less than a month upon Carter Administration support for an International Monetary Fund loan of \$66 million to bail out the Somoza government, money that is now

being used for weapons purchases, according to the anti-Somoza spokesmen. Carter's abandonment of the "human rights" line and return to 19th-century gunboat diplomacy on behalf of the International Monetary Fund in the Nicaraguan case signals a dangerous escalation on the part of the Administration in its plans for direct deployment of U.S. troops across the globe to enforce Malthusian austerity.

Genocide, not "Reds," the issue

The issue in Nicaragua is not a battle of "communists" and "anti-communists," as most of the major press in the United States is claiming, but the question of IMF genocide in the developing sector as a whole. The Somoza regime, which has served as a paradigm for decades for the imposition of brutal austerity and backwardness on the Third World, is battling to suppress a nation-wide popular uprising that has unfolded into full-scale conventional war since May 31.

On that date, the Sandinista Front General Command called on the population to join in a "final offensive" against Somoza. Thus far, the scarce battle reports indicate the population has responded fully. A general strike beginning June 4 is reported by international news agencies to be 90 to 100 percent successful, and has even paralyzed the capital city of Managua. A spokesman for the Group of 12 civilian anti-Somoza front reported that as of June 5th, Sandinista forces were controlling the city of Leon in the north, and significant territory in the southern area near Rivas.

High-level desertions from Somoza's National Guard have also begun to occur, and various cabinet ministers have fled the country.

The response of the dictatorship was to order that anyone who participated in the general strike be treated as a "Sandinista sympathizer" and be shot! The National Guard has launched an "Operation Mop-up" against most of the major cities in the country, and are using tactics applied by the U.S. during the Vietnam War, including the bombardment of the cities with

nerve gas, fragmentation bombs, and napalm, along with airborne machine-gun strafing.

Children, women and the elderly have been cut down without mercy in the churches, schools, and streets. All men between the ages of 18 and 25 have been sought out and shot for being "Sandinista sympathizers." Anyone with blood stains on their person or dirt under their nails is shot summarily for "having been in combat." In one instance, two surgeons who had been treating the wounded on a round-the-clock basis were pulled out of the operating room by National Guardsmen and shot on the street in full daylight as "subversives."

U.S. role

On May 20, the Mexican government of President Jose Lopez Portillo broke all relations with the Somoza regime for carrying out "horrendous genocide" against the population, and called on all Latin American nations to follow Mexico's lead in declaring that government an outlaw nation. Mexican Foreign Minister Jorge Castaneda then called on the U.S. to consider similar action.

The Carter Administration is instead carrying out one of the most outrageously hypocritical charades in modern history. While the U.S. delegation to the

Organization of American States shed crocodile tears of concern for "human rights" in Nicaragua, the U.S. not only refused to join Mexico—even on the basis of genocide, an internationally recognized crime against humanity under the Nuremberg Statutes—but has employed every diplomatic pressure to blackmail other Latin American nations into continuing relations with Somoza. The capitulation of Latin America to that Carter pressure set the immediate preconditions for the current crisis in the area, by maintaining even the thin veneer of legitimacy for Somoza's government. While still trying to maintain a cover of "neutrality," U.S. military aid is now being escalated.

Propping up the drug networks

The Carter Administration's strategic concern in maintaining "Somocismo" is to ensure that the countries in the area do not break with IMF austerity policies and follow Mexico's lead toward sovereign industrial development. Central America has for decades been deliberately kept in the most vicious backwardness by U.S.-controlled military puppets. If Somoza and the National Guard fall, it will be a tremendous blow to IMF dictatorships throughout the continent, putting Carter Administration pro-IMF policy on the line.

U.S. military involvement in Nicaragua detailed

Despite "categorical" denials issued by the Carter Administration and a virtual blackout in the national press, solid and specific evidence of U.S. military involvement in Nicaragua continues to mount.

On June 5, the Sandinista National Liberation Front issued the serial number—62-10—of the Hercules transport which delivered weapons from Fort Howard in the Panama Canal Zone at Bluefields Airfields and Puerto Cabezas in Nicaragua on May 30 and 31.

Other charges of U.S. military involvement—both direct and indirect—on the side of Somoza include:

- Sandinista officials charged that Somoza's son Tachito completed a deal for 10 T-28 planes last week in the U.S. to be delivered from Fort Lauderdale to Puerto Cabezas at a future date. T-28s, an older model training plane, have been frequently refitted for use in counter-guerrilla operations in Latin America. Tachito's visit also included

the recruitment of mercenaries to fight with Somoza's troops, according to reports appearing June 1 in the Mexican daily *Uno Mas Uno*. Over 2,500 foreign mercenaries, primarily U.S. Vietnam veterans recruited through New Mexico and Florida, are already in Nicaragua, according to the same report.

- Spokesmen for the Group of 12, a civilian opposition group, have accused Somoza of using the IMF money to buy nerve gas, 500-lb. bombs, and "pac-pac" anti-personnel bombs, as well as the military aircraft, in the U.S.

- 100 U.S. military Special Forces personnel have infiltrated Nicaraguan territory under cover of "jungle training exercises," according to sources tied to the U.S. intelligence community. More are reported being deployed as fast as possible without becoming exposed.

- The charges of U.S. military intervention on behalf of Somoza were also corroborated by a Nicaraguan official now seeking political asylum in

The "banana republics" of Central America in particular also serve as a central deployment center for the international drug running networks such as those linked to the United Fruit Company. Any development program, like that of Mexico with its emphasis on sovereignty, immediately jeopardizes decades of control, destabilizing the nexus of international drug networks.

Circles around Henry Kissinger and Alexander Haig in the United States, as well as people around General Somoza himself, are now bluntly stating that Mexico is the ultimate target of the bloodbath they have let loose in Central America. Luis Pallais Deballe, a relative of Somoza and vice president of the Nicaraguan Senate, has been openly organizing support for Somoza in Washington. He told the Washington National Press Club last week that not only the future of Nicaragua was at stake in the current battle, but all of Central America, including "democracy and Mexican oil."

That same line dominated discussion at a conference on Central America held May 30 on Capital Hill by the Council on Interamerican Security (CIS), a Washington-based think tank which collaborates closely with Kissinger's British intelligence-run Georgetown Center for Strategic and International Studies. The CIS had

held an earlier conference two months ago entitled "Mexico 2000" which had discussed Mexico as a "strategic threat" to the United States, in which the possibility of an invasion of Mexico was aired. (On-the-spot reports also indicated that the conference became a virtual campaign rally for NATO Commander Alexander Haig.)

This time, CIS spokesmen declared that their "biggest problem" on the continent was Mexico, in fury at Mexico's break in relations with Nicaragua last month. Mexico's action was criticized for opening the way to "Cuban" penetration throughout the area, and Mexican President Lopez Portillo was described as "now a part of the whole Central American strategy" of the Cubans and Soviets. CIS officials like Francis Bouchey, executive vice-president of the CIS whose wife is employed at Somoza's Nicaraguan Information Service in Washington, have also become hysterical over the role of the Mexican press in breaking the National Security Council blackout on news from Nicaragua, the source for many of the charges of U.S. involvement in the area.

Regional war?

Maintaining IMF rule and knocking out Mexican influence in the area may not be so easy, despite

San Francisco. The official, formerly in charge of the nation's airports, stated that "Somoza told us that he had orders from the Pentagon to put an end to the Sandinistas and that he would obey those orders even if it meant destroying all the cities and killing all the Nicaraguan people. ... I am deserting the personal guard of Somoza since I have realized that the national guard is composed of traitors and (anti-Castro—ed.) Cuban and U.S. mercenaries, who are committing horrendous genocide against the defenseless Nicaraguan people."

In response to the mounting evidence of U.S. involvement and Carter Administration cover-up, Lyndon LaRouche, U.S. presidential candidate and chairman of the U.S. Labor Party, issued a call on June 5 for the U.S. Congress to launch an immediate investigation into the Carter administration's Bay of Pigs operation. LaRouche, deploring the genocide on behalf of which this U.S. military aid is occurring, called on other political leaders and the American press to join him in this call.

Carter Administration denies U.S. role

On June 5, Carter Administration spokesman Hodding Carter issued a "categorical denial" of "any U.S. military involvement, direct or indirect" with the government of General Somoza in Nicaragua when questioned by New Solidarity International Press Service correspondents at the State Department briefing. He specifically denied, as well, charges that a U.S. Hercules transport plane landed in Nicaragua on May 30 and 31 and unloaded arms and ammunition. And Carter denied any knowledge of the involvement by Condeca troops or equipment in the Nicaraguan civil war and any knowledge of the whereabouts of "Tachito" Somoza, the head of Nicaraguan National Guard Training School, reported to be in Kansas and other areas of the U.S. last week. Defense Department spokesmen have also denied reports of U.S. involvement.

Somoza's superior weaponry. Somoza and his U.S. backers know that their only hope is to "internationalize" the conflict, thus providing a cover for sending U.S. troops into the area. A U.S. military strike against Mexico would then become an immediate danger.

That this is a very live option was made clear by none other than U.S. Energy Secretary Schlesinger in a Paris press conference on May 22. In response to a question on reports that he and Defense Secretary Brown are engaged in planning a military invasion of Mexico under the pretext of securing U.S. oil supplies, Schlesinger stated:

"Given the correlation of forces in Latin America, it is not possible to make a military intervention in Latin America."

But given last week's developments in Central America, political observers are wondering how that "correlation of forces" will be affected if U.S. troops move into Central America under any guise.

Moving quickly in the direction of regional war, Somoza charged last week that Costa Rica aided and abetted a Sandinista invasion of Nicaragua from inside their territory, and that Nicaragua was considering invading Costa Rica in retaliation. The Costa Rican security minister announced in response that Costa Rica, which has no military of its own, will call on Venezuela, Panama, and Mexico for defense aid should

his country be attacked, presaging a broad regional conflict between Costa Rica's allies and Somoza's military allies in Condeca.

IMF "conditionality" means genocide

Nothing demonstrates more clearly than the example of Nicaragua, that the content of the International Monetary Fund's "conditionality"—which Undersecretary of the Treasury Anthony Solomon last month demanded be extended to all nations alike—is mass murder in Latin America and the Third World.

Every developing sector nation which has desperately tried to obtain funds from the International Monetary Fund for industrial development projects or even just basic import needs for consumption, can testify to the months or years of crawling, begging and political "accommodations" they have been forced to go through to get similar, or lesser, amounts of money. Somoza, whose National Guard is napalming entire cities and who has ordered all males between 18 and 25 shot for suspicion of being "Sandinistas," has received his IMF grant with no questions asked.

A review of a few cases of IMF "conditionality" are striking in contrast:

- *Peru*—In contrast to its speedy service to Somoza, the IMF withheld funds from bankrupt Peru for three years as blackmail to force the elimination from the

The Central American Defense Council

Nicaraguan dictator Anastasio Somoza has announced plans to convoke Condeca, the Central American Defense Council, to aid him in his battle against the Sandinista-led uprising and for a possible invasion of Costa Rica. Condeca is an integrated command and control body of the military forces of Nicaragua, Honduras, El Salvador and Guatemala. Although the United States formally is not a member of Condeca and functions only in an "advisory" capacity, the fact is that Condeca from the beginning has been run out of the U.S. Southern Command in the Panama Canal Zone. Practically every officer in the Central American armies was trained on U.S. bases in the Canal Zone, and the local militaries have been standardized under U.S. procedures, equipment, and even uniforms. Condeca also deploys a significant number of U.S. and South American mercenaries, who are dressed in uniforms of the Central American armies.

Condeca conducts "joint training operations" an average of twice yearly, which have generally served as the cover under which "live" counterinsurgency operations are run. In the 1976 Eagle IV maneuvers, for example, the Guatemalan EGP guerrillas were tracked down and massacred. And in 1977, Condeca used Eagle VI maneuvers to launch combined napalming runs against the Sandinista liberation forces in the north of Nicaragua.

Regional security force

Although the U.S. managed to establish a Latin America-wide security body in 1947 under Organization of American States auspices, this body (known as TIAR), had never had the political flexibility to function as the kind of unified task force that Anglo-American monetarist interests were looking for. Condeca was conceived as a solution to this problem. As General George Mather, ex-commander in chief

cabinet of several ministers opposed to the IMF's genocidal conditions. Since Peru has yielded to the IMF, living standards have been drastically reduced as steady devaluations, budget, credit and import cuts have brought the economy to a standstill; meat consumption is practically nonexistent; and 54 percent of the population is unemployed. A team, from Warburg, Kuhn Loeb and Lazard investment houses has been invited in to rewrite Peru's nationalist mining laws to permit speculators to grab up mineral reserves, and the government is now considering Dope, Inc.'s suggestion of legalized casino gambling.

• *Jamaica*—The IMF's official press release announcing the loan—delayed until Jamaica was completely bankrupt—states that a “reduction in consumption levels of the population” is the key condition for the loan. During the past 12 months of direct, on-the-spot IMF control of the Jamaican economy, wage increases have been held to 15 percent, 45 percent currency devaluations have led to an equal increase in living costs, food rationing is under discussion, and basic goods are scarce throughout the island. Hospitals even lack soap and alcohol. This year will be worse: the new government budget is 60 percent less than last year's when inflation is considered.

• *Africa*—Food production on the entire continent has collapsed, due to an IMF-mandated return to

primitive farming methods. The IMF has refused Sudan access to credits needed to complete its ambitious agricultural development program, which could, if adequately capitalized, feed all of Africa. In Zaire, food is so scarce that one newspaper report warned that “three million Zaireans may turn on the 30,000 well-fed Europeans.” Once a thriving food-producing nation, Zaire has been blocked by IMF “conditionalities” from importing the gasoline needed to truck seed to the countryside for planting.

Yet, endorsing the IMF's aid to Nicaragua, U.S. Treasury Secretary Werner Blumenthal, a supporter of the extension of IMF “conditionality” over the U.S. economy, sent a telegram to a Nicaraguan Solidarity Committee explaining the U.S. decision to not block the IMF loan. “The IMF is not the appropriate instrument for those considerations” of genocide, he wrote, adding that he was personally opposed to any attempt to “politicize the IMF, an institution which has remained remarkably free of political interference, and whose continued success demands that it remain that way.”

—Gretchen Small

of the U.S. Southern Command, explained to a Congressional Committee in 1969, “To improve the effectiveness of the area (Latin America), we have continued to encourage interservice and regional cooperation, assisted in establishing integrated command and control centers with common operating procedures, and have supported the conduct of joint and combined exercises [security deletion].... I would think that the permanent establishment of a (TIAR/OAS) peacekeeping force is perhaps not attainable ... (but) the Central American Defense Council (Condeca) is continuing to show promise as a regional organization.”

Condeca, according to the popular view, was formed after the Cuban Revolution in order to stop “Cuban-Communist expansionism” in the Central American area. But this is a myth. Although Condeca was not officially established until 1963, four years after Fidel Castro took power, it was actually conceived and made operational a decade earlier.

The first occasion on which a Condeca-style force was actually put into motion, was around the 1954 military coup against the progressive Arbenz government in Guatemala, which was trying to carry out moderate, Mexican-style reforms. This coup, orchestrated by United Fruit Co. and its erstwhile lawyer and Secretary of State John Foster Dulles, relied on military personnel and supplies from Honduras, El Salvador, Nicaragua, the U.S. and Guatemala—i.e. the Condeca nations.

From 1954 forward, the Guatemalans became the most vociferous advocates of formally establishing an alliance among the armed forces of the countries that had participated in the 1954 coup. The target of such an alliance was to be Mexican-style commitment to industrial development.

It is the same story with Condeca's activation today.

The power behind Anastasio Somoza

That the Somoza dynasty in Nicaragua, as with many dictatorships in Central America, has been and is a "banana republic" is no joke. The history of the Somoza government is inseparable from that of the United Fruit Company, which has ruled Central America as a feudal kingdom for the last half-century.

The same political-financial networks that ran, and still run, United Fruit Co.—now United Brands—are the supranational political networks behind Anglo-American imperialism, the forces that control organized crime, that run the international drug traffic, and that put the Somoza clan into power in Nicaragua with the aid of U.S. marines in the mid-1920s.

An empire

United Fruit Company has exercised effective political control over most of Central America since the 1920s when it established a monopoly on production and export of bananas in Nicaragua, Panama, Costa Rica, and Guatemala. An empire unto itself, United Fruit owned the largest private navy in the world, controlled all communications and transportation to and from the Caribbean coast of Central America, and installed or felled governments at will. Its domination over Central America, particularly Guatemala, epitomizes what is now International Monetary Fund and U.S. State Department policy toward the Third World: the British colonial looting policy of enforced backwardness, oligarchical political control, and labor-intensive agricultural export economies.

The case of Guatemala

United Fruit held over a million acres of land in Guatemala, controlled the country's entire transportation infrastructure, and exercised sovereign political control over its territories. Until it was challenged by the 1952-54 Arbenz government, which attempted to develop Guatemala as a sovereign nation, United Fruit operated totally outside Guatemalan national law. In 1952, Arbenz introduced an agrarian reform bill to congress which would appropriate—with compensa-

tion—all land holdings above 223 acres. The bill was aimed at United Fruit, which had only 15 percent of its land under cultivation.

Arbenz was deposed two years later, in a June 1954 military coup orchestrated by United Fruit and its former company lawyer, U.S. Secretary of State John Foster Dulles, a leading British agent-of-influence in the Eisenhower Administration. Over 30,000 people were massacred in the wave of repression that followed.

Who runs United Brands?

United Fruit was set up in the first decade of this century by the New Orleans mafia of Joe Macheca and his successor Charles Matrenga, with financing from "Our Crowd" Zionist banking houses in Boston and New York. Both Macheca and Matrenga were protégés of the Italian "godfather" of today's Mafia, anarcho-terrorist Giuseppe Mazzini. When Charles Matrenga died in 1943, the entire board of United Fruit attended his funeral.

United Brands, which took over United Fruit in 1970, is now run by Max Fisher, a protégé of Edmond de Rothschild, and an agent of Israeli foreign intelligence, Mossad, in the United States. A top Zionist lobby figure, Fisher is right at the center of the British-run "Dope, Inc." network that controls the world drug trade, organized crime, and much of international terrorism. Fisher's United Brands is believed to be a major source of the illegal cocaine smuggled into the United States, hiding the deadly drug in its regular banana shipments.

This is the political network that has kept the Somozas in power in Nicaragua since 1933, providing ample injections of financial and military aid. When the United States was forced to suspend military aid at the height of the civil war last fall, Max Fisher's Zionist allies picked up the slack. In flagrant support of Somoza's genocide against the population, Israeli ships and air transports delivered shipment after shipment of weapons to Somoza's National Guard.

—Mary Goldstein

Fraud mars the Italian elections

European Labor Party demands results be overturned, warns of chaos

The outcome of the June 3-4 Italian national elections is such that the country will be plunged into full-scale destabilization and eventually death as a viable republic if the situation is not reversed immediately. Evidence has been compiled by the European Labor Party, which ran slates in various regions, demonstrating the use of massive vote fraud to achieve this result.

The results of the Italian election portend a similar disaster in the elections to the European Parliament. Running in West Germany for the June 10 elections is Otto von Hapsburg, the heir apparent to the dismembered Austro-Hungarian empire. Hapsburg's explicitly fascist oligarchic network links into Italy's "black nobility," which by all indications engineered the electoral setback of the "historical compromise" factions within the Christian Democracy and the Communist Party.

The European Labor Party has fielded a slate of candidates in West Germany and Belgium for the parliamentary elections. An end of May slander piece printed in *Der Spiegel* against the party and its chairman, Helga Zepp-LaRouche, raises the threat that the party will be defrauded of the seats it is expected to win by the associates of von Hapsburg and of Social Democratic Party Chairman Willy Brandt.

The Executive Committee of the European Labor Party issued an urgent press release on June 5 charging "that the just concluded national elections need to be immediately invalidated, leading to new elections in the shortest possible time. The evidence of fraud so massive as to make the election results as they stand a general disenfranchisement of all voters demands such actions by the government, announced the ELP spokesmen. The declaration and appended evidence is being submitted to the government and parliamentary commission in charge of examining the election results.

"Nationwide evidence indicates massive fraud and preorganized nationwide rigging against both the European Labor Party and the Italian Communist Party, along with selective frauds conducted against Christian Democratic candidates favoring the so-called historical compromise.

Pattern of fraud

"ELP spokesmen pointed out that the ELP vote was made uniform in all regions where the ELP presented candidates, including instances of computerized-like uniform voting patterns in electoral districts in Brescia. In contrast, in areas where the party was less visible in the elections, the ELP gathered significant breaks from the national pattern, receiving substantial votes in noncontrolled areas. Minimal estimates by competent observers of the Christian Democracy, other parties and individuals working with the ELP before the election predicted 2 to 5 Assembly seats for the party in a vote of tens of thousands....

"Nationally, if the results of the elections are not overturned, the ELP stated, the Italian Republic will undergo further destabilization. The losses of the Italian Communist Party, reaching in some regions an unbelievable 14 percent, nationally of 4 percent, and the poor showing of the DC are designed to destroy the 'historical compromise,' the alliance worked out between the Italian Communist Party and the Andreotti wing of the Christian Democracy over the past years. A center-left government with the terrorist Socialist Party would weaken Italy to the point of 'ungovernability'...."

Printout for chaos

Over the past period the country has maintained a measure of stability despite massive terrorist deployments against politicians and the population. This has been achieved through the alliance between factions of the ruling Christian Democracy (DC) associated with Prime Minister Andreotti and the Communist Party (PCI) faction under party General Secretary Enrico Berlinguer.

A game plan was launched in March of 1978 to plunge the country into chaos when the architect of this "historical compromise," former Premier Aldo Moro, was kidnapped by the Red Brigades terrorist gang. The alliance not only managed to survive that experience, but three months ago began to fight back effectively through the launching of an antiterrorist

campaign which targeted the layers of terrorist controllers associated and in many cases created by the Italian Socialist Party (PSI).

PCI member Judge Calogero and DC member General Dalla Chiesa (in charge of antiterrorist operations for the military police, the carabinieri) had adopted the political method of the European Labor Party over the summer. Using this method they had not only rounded up over 60 top terrorist controllers, but were beginning to zero in on the role of Italy's "third party"—the Second International's Italian Socialist Party—as the source of terrorism.

The ELP meanwhile was playing a guiding role in the conduct of the antiterrorist operations and, particularly in the course of the election campaign, had taken the lead in exposing the PSI. This focused political attack was balanced by the party's uncompromising work in behalf of nuclear energy and an international role for Italy which would put it in the forefront of developing not only its own industrial capacity but also that of the Third World.

As a result, the ELP was receiving extensive favorable daily coverage in dozens of newspapers throughout the country, while its candidates appeared daily in major television and radio broadcasts. Predictions by knowledgeable observers were thus that the ELP would gain between 2 to 5 seats in Parliament, with the discredited Socialist Party losing heavily together with its adjunct organizations such as the fascist-liberal Radical Party of Marco Pannella—leader of the antinuclear environmentalist movement, the League of Homosexuals, and similar operations.

PSI General Secretary "Benito" Craxi had, days before the election, voiced his fears in a public debate that his party might "lose as heavily as Pannella's Radical Party."

The returns

Instead, the rigged elections resulted in an unbelievable loss of 4 percent nationally for the PCI, with a 14 percent loss in some regions and a personally humiliating 6 percent vote collapse in the home territory of party chief Berlinguer in Sardinia. The DC lost less than 1 percent, selectively limited to those of its leaders best known for supporting the Moro policy of national growth and stability through cooperation with the PCI. Every one of the "third" parties gained significantly in votes, completely overturning every knowledgeable prediction, including those of their own leaders. Pannella's fascist Radical Party gained an unbelievable 18 seats in the Parliamentary Assembly, compared to the 4 seats it held previously. Its ally the PSI gained 5 seats; the tiny Liberal Party, which hardly campaigned, gained 5 seats; the Social Democratic Party (a splitoff from the PSI) gained 5 seats; and the so-called Republican Party set up in the post-war period by British intelligence gained 2 seats, overturning all polls.

The European Labor Party received a national total of 7516 votes. There were 0 votes tallied in polling areas where party members themselves had voted. In some regions the vote was nearly identical with the vote received by the party in the 1976 elections, when its visibility was limited, and where the party had this time around received major support from voters who had participated—sometimes 5,000 strong—at rallies after seeing party candidates on television and reading press accounts of the party program.

What will happen now?

If new elections are not called, held through strictly controlled fair voting means, Italy will rapidly become another Chile or Iran, fulfilling the scenario of the Council on Foreign Relations which has "predicted" that Italy will have a Mussolini-style fascist government. With the "historical compromise" labor-industry alliance of PCI chief Berlinguer now "discredited" by the election results, enormous pressure will be exerted by the known British agents within the party to shift into a "hard-line" "non-collaborationist" policy on the left. The DC meanwhile, having been gutted of many of the leading supporters of the historical compromise, will have little political muscle available to oppose the "center-left" alliance between the DC and PSI proposed before the elections by such as former Premier Amintore Fanfani—trumpet of the black nobility Pallavicini family intimately involved in the murder of Aldo Moro and terrorism generally.

Whether or not a Fanfani-PSI government of terrorists comes into power now or not in itself matters little. What is major is that no power or combination of factions opposed to terrorism and supporting economic development will be able to pull together a government. Instead, as the ELP press statement indicated, a fascist movement is being regrouped by the Anglo-American interlopers into Italy's internal affairs who have made clear that they will not tolerate a Communist Party presence inside the government. This is being done by amalgamating the forces of the Socialists, the Mussolini-modeled Radical Party, and sundry other fascist groupings across the political spectrum.

Add to this the fact that the PCI will almost certainly be pushed into a "class warfare" mode, and we have the precise combination feared by Berlinguer and Moro following the September 1973 Chile debacle.

As has happened before in 20th century history, Italy will be used as the base for launching operations against the rest of Europe, particularly France. Foremost in this will be the attempted exportation of the class warfare line of a British-reconverted PCI across the border into the French Communist Party and its allied trade union movement.

—Vivian Zoakos

The PSI—Italy's party of terrorism

One of the most outrageous results of the fraudulent Italian elections of June 3 and 4 is that the Italian Socialist Party still exists. After being exposed from top to bottom by the European Labor Party's (ELP) candidates as the mother of Italian terrorism, the PSI not only still exists, but actually registered a slight gain in its percentage of the national vote.

The PSI is really the pathetic remnant of what was once a real political party; as we shall show, it now consists of a crew of completely manipulated British puppets and collaborators of the oligarchical backers of international terrorism.

The history of Professor Antonio (Toni) Negri is a case in point. The formerly respectable left theoretician and political science professor at Padua University, is now behind bars in Rome, accused of masterminding the Red Brigades' kidnapping and murder of former Prime Minister Aldo Moro. Throughout his career, Negri has been nurtured, protected and in some cases paid, by ranking members of the PSI.

In 1955, Negri entered the University of Padua, where he became the protégé of Norberto Bobbio.

Bobbio, who entered the PSI through the postwar Action Party, is one of the best-known terrorist apologists in the country. He was among the first (1966) to accuse Italian government institutions of being "violent" and "repressive," thus creating a foundation for future terrorist belief-structures. He was also the patron of Francesco Alberoni, the sociology professor at Trento University—birthplace of the Red Brigades under Alberoni's tutelage.

In 1958 Negri left the Christian Democracy (DC) and joined the PSI after being promised a city council seat, which he took in 1960.

But Negri's real plunge into the morass of left "revolutionary" theorizing began in 1960 with the appearance of *Quaderni Rossi* (Red Notebooks—QR).

QR's editorial board was crowded with PSI members and held meetings in the offices of the PSI daily, *Avanti*. It was founded by the PSI's number two man, Raniero Panzieri.

During July of 1962 in Turin, QR was accused of having organized the provocations during a union demonstration that led to police violence. However, Panzieri and QR were also denounced by the PCI, not only for being the provocateurs during these events, but as being linked to the fascist group Pace e Libertà (Peace and Liberty), led by the monarchist Edgardo Sogno.

QR in 1965 began to use the "sociological" approach to class struggle. The April 1965 issue is called "The Socialist Intervention into the Workers'

Struggle," and revolves around a seminar held in Turin in September 1964 by Panzieri and others. The seminar was concerned with the creation of files and questionnaires that would shed light on the real "feelings" of the working class. The procedure followed was a series of "interviews with workers" in which, in addition to demographic information such as age, sex, family conditions etc., the workers were asked to comment on their jobs, their workplaces, their bosses, their unions, their political parties, international issues and working class struggle. The final question was: Is technological development bad for employment; if yes, then can technology ever be useful?

The real aim of such "Marxist sociology" was to develop "personality profiles" of the industrial workers in order to break them out of the actual working-class institutions, the Italian Communist Party (PCI) and its allied union, the CGIL, which had long dominated the northern industrial belt.

The Socialists' QR paved the way for the radicalization of Toni Negri and others who were then deployed on a string of such rags, each more radical than the last. The PSI sent Negri on to form—with Oreste Scalzone (now jailed for involvement in the Red Brigades) and Franco Piperno (fugitive wanted in the Moro case)—the political group Potere Operaio on a national scale in 1968. This group was put through an engineered split in 1973 over the question of how to organize working class violence. Scalzone and Piperno were in favor of immediate insurrection. Negri's alleged belief was that the time for revolution was not yet ripe, that what was needed was a period of "spontaneous" mass violence that would then spread and the revolution would be born.

Negri was deployed to found the so-called "Workers' Autonomy"—Autonomia Operaia—and used his classes to recruit future terrorists. Some of them were Sandro Serafini, Guido Bianchini, Alisa del Re—all now under arrest.

The PSI defends terrorists

The PSI and its press organs are among the primary outlets for the poisonous ideological defense of terrorism as an inevitable "sociological phenomenon" that must simply be understood and put up with. That is the premise behind PSI Secretary General Bettino Craxi's espousal of a capitulation to the Red Brigades during the Moro kidnap. Craxi at first appealed to the government to negotiate with the terrorists to save Moro's life; then he backed off to a simple one-for-one prisoner exchange, and finally in view of the storm of outrage directed against him by the DC and PCI, he

switched to advocating a "unilateral humanitarian gesture" on the part of the government: that of simply releasing one of the incarcerated Red Brigaders and hoping Moro would be released in return.

Meanwhile, Craxi assigned leading PSler Luigi Ferrari Bravo to research the juridical means of justifying an "exchange of political prisoners." Luigi is the brother of Luciano Ferrari Bravo, a professor of political science at Padua University who was arrested April 7 along with Negri.

After the arrest of Negri et al., the statements of leading PSI members revealed their purpose of creating adverse conditions for such a cleanup. Craxi demanded that the arresting judges produce "concrete proof" of Negri's guilt; PSI member Landolfi lamented that the arrests would only "exacerbate street fights"; Giacomo Mancini, a major PSI leader and former general secretary, expressed his "incredulity" and "alarm" that the arrests may have a political purpose behind them.

Most incredible of all is the response of Norberto

Bobbio—the epitome of the howls of outrage from the ideological apologists for the Red Brigades in defense of "freedom of thought." Said Bobbio, "Among the theoreticians of the new left, he (Negri) is one of the most culturally advanced. He is a serious and profound scholar. It is very difficult, if not absurd, to try to establish a connection between thought and praxis. . .t. If one were to try to do this, no one could any longer maintain any revolutionary theories; and furthermore, it is not only Negri who supports such theories."

Exactly. Bobbio's own son Luigi is one of the founders of the ultraleft Lotta Continua. Bobbio Sr. Was a collaborator of the review *Telos*, which in turn gave rise to both Potere Operaio and Lotta Continua, and has published the works of every terrorist apologist from Jean-Paul Sartre to Noam Chomsky to Lucio Colletti, the PSI "philosopher."

PSI terrorist mafia

The PSI being little more than a loose collection of

The terrorist career of Toni Negri

- 1933: Negri is born in Padua. His mother is Aldina Malvezzi. The Malvezzi are a Black Guelph family tracing their ancestry back to the times of the Roman emperor Vespasian. During the Renaissance, the Malvezzi were among the most bloodthirsty of the Guelph faction in exterminating the humanist Ghibellines.
- 1955: Negri enters the University of Padua, where he enjoys the patronage of Norberto Bobbio, a PSI Central Committee member, having migrated to the PSI from the Action Party. Bobbio later acquires for Negri a university chair, despite the opposition of then Education Minister Luigi Gui.
- 1958: Negri joins the PSI, where he meets many of his future collaborators, among them Mario Isneghi, now deputy secretary of the PSI federation and professor of the history of journalism at Padua University. Isneghi employed Negri as an "advisor."
- 1960: Negri is elected to the city council on the PSI slate. He also holds stock in the Marsilio publishing house, which is owned by PSI member G. De Michelis. Marsilio publishes terrorist literature such as the history of anarchism. Negri marries Paola Meo of another noble family, an ancient Venetian Guelph family.
- 1960: Negri begins work with *Quaderni Rossi* which was founded by the number two man in the PSI, Raniero Panzieri. *QR*'s editorial board meets at

the offices of *Avanti*, the newspaper of the PSI. *QR* and a string of other magazines create a milieu for terrorist recruitment.

- 1963: Negri founds Potere Operaio of the Veneto-Emilia area, a "Marxist" group mostly concerned with creating confrontations between FIAT workers and management.
- 1964: Negri helps found *Classe Operaia*, organ of Veneto-Emilia Potere Operaio.
- 1967: Negri wins a university chair with Bobbio's help.
- 1968: Potere Operaio goes national, founded by Negri, Oreste Scalzone and Franco Piperno (now a fugitive wanted in the Moro case).
- 1973: Potere Operaio "splits" over an "organizational question:" Negri prefers the spontaneous mass violence, while Scalzone and Piperno are for a more "elitist, Leninist" organized violence.
- 1973-79: Negri turns the Political Science Department of the University of Padua into a stronghold of the "organized autonomy" and uses his university post to "theorize" on the armed overthrow of the state.
- 1977: Negri is sent to Paris to avoid being jailed for his part in the Bologna riots.
- 1979: Negri is arrested for his role in the kidnapping and assassination of former Italian Premier Aldo Moro.

regional "padroni" and their Mafia organizations, it is natural that these dirty networks should connect up with organized terrorism. The connections are quite concrete: terrorism is funded by receipts from drug-running and pushing, and from the kidnapping industry, both of which are enterprises that are under the control of the PSI in two regions at least.

One of these is Calabria in southern Italy, the domain of the ancient Giacomo Mancini. Mancini was a teacher of Franco Piperno, the now-wanted fugitive in the Moro case. Mancini got him his chair of physics at the University of Cosenza. Mancini was one of the protesters against the PCI's attempts to "criminalize dissent" after the PCI organ *L'Unità* attacked Piperno and the autonomy; and *L'Unità's* response was to bring up the links between terrorism and the mafia (Nov. 5, 1978). In fact, Mancini's Mafia links go back to 1958, when he aided U.S. Mafioso Joe Adonis in uniting the Sicilian and Calabrian Mafias to organize precisely the drug and kidnapping trades for terrorist support.

Bettino Craxi, the secretary general of the party, consolidated a great deal of Mafioso power into the PSI in the early 1960s, when together with "left" PSI leader Riccardo Lombardi he took over the city of Milan and proceeded to make a fortune in real estate speculation. Meanwhile, every Socialist mayor of the city of Milan including Craxi has been a member of the Democratic Union of the Friends of Israel, the Italian branch of the Israeli secret service, the Mossad.

Finally there is the case of the "Lombardian" socialist Michele Achille, who was accused by the police of heading up the kidnap enterprise "Anonima Sequestri." The story was carried in the Italian press for one day, then disappeared.

—Mary Sonnenblick

Toni Negri's supporters in the U.S.

On April 7, 1979, Italian authorities arrested over 20 intellectuals and professors on the charge of complicity in the Red Brigade assassination of former Italian Premier Aldo Moro. Since then the Italian authorities have broadened their investigation and two weeks ago, in an effort to aid American authorities, they published a list of those academics in various sociology, history and other university departments who are at the core of

the environmentalist and terrorist "New Left" in the United States.

Also since April 7, the American collaborators of those arrested—like Toni Negri of the University of Padua—have panicked. Scrambling to win international support for the Italian terrorist controllers, they have formed a "Committee Against Repression in Italy," pushing the myth that Italian terrorism is a "sociological phenomenon."

Among the primary supporters of the committee are:

The staff of *Zero Work* magazine, a splitoff of *Telos* magazine which listed as contributing authors Toni Negri and others arrested. *Telos* played an important role in developing the ideas and personnel that went into creating the American New Left project, especially Students for a Democratic Society (SDS).

On the editorial board of *Zero Work* is Ferruccio Gambino, sought by Italian police and hiding underground, and John Merrington, who cosponsored a conference in Italy with Negri during the summer of 1976. When Negri visited New York this past summer for what he described as a social visit, he stayed at the home of editorial members of *Zero Work*.

Stanley Aronowitz, lately of the New American Movement (NAM), one of the major organizations promoting antinuclear and other environmental causes. Aronowitz was behind the formation of the Institute for Policy Studies terrorist grouping, the People's Bicentennial Coalition. The Institute, through its paper, *In These Times*, has tried to distance itself from support for Negri and Company; it would make all too public the Institute's connection to terrorist organizations in the United States.

Splitoffs from the "Trotskyist" Fourth International. The Center for Marxist Studies, for instance, has sponsored meetings in support of Negri with New York University Professor Bertell Ollman acting as spokesman. Fourth Internationalist splitoff Martin Glaberman is leading a pack of Detroit-based left groups in defense of his friend Negri.

Paul Sweezy, a former officer in the Office of Strategic Services.

Harry Magdoff, an associate of Sweezy's at *Monthly Review*.

Howard Zinn, the Boston-based New Left intellectual and friend of "linguist" Noam Chomsky.

George Wald, Harvard University environmentalist and defender of terrorist operations in the East bloc.

Victor Rabinowitz, a member of the National Lawyer's Guild. Rabinowitz and his law partners have served as attorneys for many terrorists. He has the added distinction of being president of the Rabinowitz Foundation which, with the Stern Foundation, is a major funder of environmentalism and the New Left.

Der Spiegel's boomerang

Days before European Parliament election, BRD weekly reacts to ELP campaign

The influential campaign of the European Labor Party for seats in the European Parliament has so stirred West German politics that *Der Spiegel* stepped to the fore with an unbridled attack on the party and Helga Zepp-LaRouche, its chairman, in the magazine's end-of-May issue (see below).

Mrs. Zepp-LaRouche, who is given a chance of winning a seat in the June 10 elections, has delivered several moving and well-received national television addresses in support of nuclear power, industrial development, and expanding the scope of Chancellor Helmut Schmidt's European Monetary System policy. *Der Spiegel* itself was prompted to report the party's program and spreading influence as news, only to rush to press with its slander piece in the very next issue.

Because Chancellor Schmidt's own faction has left the European Parliament field to Social Democratic Chairman Willy Brandt, an antinuclear spokesman when sober, the ELP is the only party campaign in the elections representing an industrial policy.

A notable feature of the *Der Spiegel* slander, prepared at the direction of publisher Herr Augstein, is the awkward insertion of an honorable-mention attack on the "Riemannian economic model" of computerized forecasting and development planning, developed by U.S. Labor Party Chairman Lyndon LaRouche, the American presidential candidate who is the ELP chairman's husband. Only weeks old, the LaRouche model's use is already the subject of discussion among several governments, and is indicative of the fact that he, as the world's leading economist in fact, represents an essential added ingredient of policy-making otherwise lacking in the anti-British policy thrusts of Schmidt, of Giscard in France and others.

Der Spiegel, for reasons of a British pedigree outlined by Helga Zepp-LaRouche in her reply (reprinted below), could not refrain from a nervous swipe at the Riemannian-model breakthrough in economic science.

Confused and chaotic

The "European Labor Party" is waging their European Parliament campaign—for nuclear energy and against "dark forces"—with curious revelations.

Right after the Tagesschau show Monday last week, the lady on Channel One programmatically announced: "This excellent nuclear power plant here in Biblis is a symbol of the economic strength of the Federal Republic of Germany...vote for me, so that Europe gets many of these nuclear power plants."

What sounded a little like PR words from nuclear power plant builders and utilities were the campaign spots for the "European Labor Party" (ELP) which is campaigning in the Federal Republic and Belgium for the European parliament elections on June 10.

In four segments of two-and-a-half minutes each, which is the TV stations' guaranteed minimum for campaign advertisements, a political grouping that has just as many members as a tennis club in a small town

presented itself to millions of TV viewers. ... ELP Chairman Helga Zepp-LaRouche, 30, promised the West German citizens that with nuclear energy "there will be a new Age of Schiller" from the reactor.

This is the enticement from a political association which according to argumentation, self-conception, and structure is unique in the West German political landscape. The ELP activists, who are organized into 11 state groups, call on Dante and Beethoven, praise Chancellor Schmidt and France's Giscard, and fight against "dark forces"—a front composed of secret service agents, greenies, terrorists and the rock scene that threatens the world and that is allegedly controlled by long distance from England. ...Mrs. Zepp-LaRouche announced via TV that "international networks" are directed under London control, together with banks and "Zionist circles"—terrorists as well as the environmentalists. The ELP weekly paper *Neue Solidarität* (circulation: 5,000) writes that the English hold the threads of the "American puppet government" in their hands, which has recently determined "to bring

Der Spiegel has lost its nerve

Helga Zepp-LaRouche, chairman of the European Labor Party in the Federal Republic, issued the following reply to Der Spiegel from her campaign headquarters in Wiesbaden.

about the collapse of Helmut Schmidt." Date: "Before the end of June...."

The British, according to the ELP view of the world, which, like the manner of thinking of religious sects, is self-contained and has an answer for every question, "have the reconquest of the United States through political subversion" in mind and with this, the worst for everyone: "the end of humanity."

The West German ELP leader has taken over a fantastic fear of the "blackest oligarchs of England" and of Queen "Elizabeth, the witch of Windsor," from her husband, the American Lyndon Hermyle LaRouche, whose activities as head of the "U.S. Labor Party" the *New York Times* numbers among the "most extraordinary episodes in the history of the American left...."

Just how the LaRouche group finances itself lies in darkness. SPD Federal Parliament deputy Ernst Waltemathe presumes that the Central Intelligence Agency has its hand in the game. According to a confidential paper by the Bonn Interior Ministry the budget, which even in 1974, the ELP's first year, reached about 800,000 marks, "is allegedly financed to a great part by payments from the USA...."

...And just like the young followers of a new religious leader, the LaRouche followers also pawn their possessions: this is what Bischofsheim insurance agent Karl Heinz Holz did, who switched from a Mercedes to an Opel, sold his house, and increased the party's finances from the profits. ...

This extraordinary engagement is worthy of their mentor LaRouche, to whom they attribute prophetic gifts. *Neue Solidarität* announced in May that the founder of the party devised a computer program that predicts, "with almost 100 percent accurate prognosis, what economic consequences economic decisions and decisions taken by individual firms will have on the world and on the economy."

June 10 will show just what is to be made of the ELP's mathematical prophesies. Hamburg Deputy State Chairman Werner Zuse supposed that "we'll get five percent very easily." Three years ago in the Federal Parliament elections it was 0.0180077.

Der Spiegel, and to be more precise, Herr Augstein, have lost their nerve over the ELP's potent election campaign. After my four campaign broadcasts on the European parliament campaign which made people extremely enthusiastic about the ELP's program, and after *Der Spiegel*, though one must say inadvertently, reproduced the content of our campaign without falsification, Herr Augstein blew his stack. At the editorial conference on Tuesday he ordered a second article on the ELP, and this time the line was to be: finish off the ELP!

Now Herr Augstein, as you well know, anger makes you blind. First of all, *Der Spiegel* has a miserable reputation in the population, and most people only read it to find out what the opponents of the Federal Republic of Germany are really planning. And with your permission I would like to say that I would really be worried if *Der Spiegel* were to write something exclusively positive about the ELP, because then this would at best create a false impression among the right people. Second, readers are also going to wonder why *Der Spiegel* has reported on the ELP in two successive issues, and then almost goes head over heels to emphasize how unimportant the ELP is.

No, Herr Augstein, you won't have much luck with the overwhelming majority of citizens of the Federal Republic, who believe in the necessity of technological progress, or with the innumerable citizens who said to us after our TV broadcasts that "Mrs. Zepp-LaRouche is right, the ELP is the only party that has the courage to speak out loudly and clearly for nuclear energy and economic growth along with it, and that wants to fight terrorism effectively."

The single effect that your article has is to give marching orders to the greenies, the terrorist sympathizers, and the anglophile liberals: the ELP is the opponent.

And this will also prove itself to be a boomerang.

What was it about the ELP's election campaign that put *Der Spiegel* in such a panic?

1. In my first campaign broadcast on May 14 on the Second Network, in which I called out for a fight against terrorism, in no way at all did I speak of "dark forces" hiding behind terrorism, as *Der Spiegel* wrote. Instead, I explained in detail that the reason why the

Italian government was so successful in the fight against terrorism lies in that not only did they carry out the investigation on just a criminological level, but that they correctly understood the political background. And in Italy the people who belong to this background, besides "left" professors, leading politicians and banks which finance terrorism, are journalists and various newspapers and magazines, who over the years have helped to build up the credibility of terrorism. And then I simply demanded that one must draw the consequences for the Federal Republic out of the arrests in Italy.

2. In two other campaign broadcasts, I explained that not only our well-being, but world peace itself depended on a massive increase in nuclear energy and the industrialization of the Third World. If people didn't know what *Der Spiegel* is they could almost believe that *Der Spiegel's* scribblers are just intellectually too simple-minded to understand this connection. Of course, this may be true, but the real reason for *Der Spiegel's* outbreak of hysteria becomes clear when people consider the third and most essential aspect over which *Der Spiegel* lost all self-control.

3. The ELP's attacks on the policies of the leading circles in Great Britain, and on the British-dominated oligarchs the world over, who want to plunge the world, with the aid of the International Monetary Fund, into a new Dark Ages; this above all is what hits Herr Augstein right on the target, as if someone were attacking his mother.

It is not just that Herr Augstein received his license for printing *Der Spiegel* from the British occupation authorities when he was 22 years old, and has laid down, right up to the present day, British editorial policy, but that *Der Spiegel* today, along with Radio Free Berlin, the Second Network, the newspapers *Die Welt* and *Die Zeit*, belong to the corporate members of the British International Institute for Strategic Studies (IISS), a branch of the Royal Institute for International Affairs (RIIA). The RIIA itself is composed of the highest circles of the British monarchy, the British foreign ministry, the financial interests of the City of London, the British press and the British secret services. When people further realize that *Spiegel* reporters Boerris Gallasch (London correspondent) and Ruediger Lentz (chief of the foreign desk) are members of the IISS, they will no longer wonder why *Der Spiegel* never publishes articles that reflect the national interest of the Federal Republic of Germany.

Herr Augstein himself once said that *Der Spiegel* is a child of the occupation. There is another word for that in the German language: British bastard.

4. In typical British tradition, *Der Spiegel* gets angry because the ELP has a cohesive and coherent view of the world. This must make it angry indeed, for, true to British philosophy from Hobbes to Sir Karl

Popper, *Der Spiegel* believes in mankind's irrationality and when the followers of this school are confronted with reason they react just as irrationally as a spoiled two-year-old, and stamp their feet and begin to cry out of sheer malice.

Herr Augstein cannot stand reason, and in a 1966 interview with the *Rheinische Post* he said: "Man today can no longer promote enlightenment in the philosophical and historical sense for this presupposes belief in human reason. This presupposes the assumption that man can be educated and improved, that under favorable conditions a noble community can develop. We no longer believe in all of that today."

It is precisely because of this conviction that mankind is just as bad as Herr Augstein himself, that it can be neither educated nor improved, that *Der Spiegel* believes it has permission to drag every value through the mud, to do the same to mankind, and to public affairs, in this case, to our Federal Republic. It is precisely because of this that *Der Spiegel* lost its temper when the ELP announced a new Age of Schiller for the Europe of the future.

We have chosen the campaign slogan "Bring on the Age of Schiller" (Nun kommt die Schillerzeit) because it was precisely Friedrich Schiller who fought for mankind's education for reason; for the education and ennoblement of mankind, for the establishment of "a noble commonwealth," and for the foundation of humanist republics in which citizens do not totally and cynically concern themselves with the gratification of their self-seeking desires, but in which they seize responsibility for the formation of the future of their state.

One last item. The Federal Constitutional Court has repeatedly referred *Der Spiegel* to the press's duty to report the truth, and that it is not tolerable when the image of a person or an event is distorted by keeping silent about important details. Considered from this standpoint of the duty to report the truth, then not a single sentence in the *Der Spiegel* article about the ELP is true. The article is a characteristic example of the so-called "*Spiegel* style." However, the *Spiegel* style is nothing other than wretched German, in which what is attempted, through false causality, is to produce definite associations in the reader's mind.

The *Spiegel* style is not only the worst printed German there is to read, but in reading *Der Spiegel* the question is raised as to whether the *Spiegel* journalists are familiar at all with the German language.

It is precisely because of such abuses as *Der Spiegel* that we need a new Age of Schiller so that the citizens of the Federal Republic can despise the *Spiegel* journalists with the same contempt that Schiller had for the greasy poets of his period, so that they can finally draw the consequences and leave the British bastard Herr Augstein to his reward.

Will Turkey get the 'Iran treatment'?

NATO, IMF already mounting a 'dump Ecevit' drive

If NATO intelligence planners and the International Monetary Fund have their way, Turkey and the government of Prime Minister Bülent Ecevit will be the next casualties of the "Islamic fundamentalist" chaos that has destroyed the national fabric of Iran.

Ecevit has run afoul of the IMF and NATO on several counts: his government has staunchly refused to adopt a stringent IMF austerity program which is a paradigm of the genocidal "conditionalities" which the IMF has imposed throughout the Third World and is now seeking to extend to the advanced sector. If Turkey is successful in resisting the conditionalities, other countries will be encouraged to do likewise. As well, Turkey, whose troops were once the pride of NATO, has all but withdrawn from the alliance in recent years, and has resisted pressures to strengthen its

NATO ties. Most recently, Turkey has rebuffed a U.S. bid to allow overflights by U-2 spy planes seeking to verify Soviet compliance with the SALT II treaty, and Turkish government policy for the past several years, in contrast to NATO, has been to cultivate better economic relations with the Soviets.

Moreover, the Turkish situation is a key test case for the projected European Monetary System policy of development lending. In January, West German Chancellor Schmidt forced through a pledge that the West would supply Turkey with credits to stay afloat; however, that pledge has been held up under a combination of pressure by the IMF and the Organization for Economic Cooperation and Development, and vacillation by the Europeans.

Now, a full-scale drive is underway to topple Ecevit, plunge Turkey into a morass of IMF conditionalities and Islamic fundamentalist chaos, and involve the nation in geopolitical provocations against the Soviet Union.

Leading the operation against Turkey from the inside is a self-avowed fascist, former Colonel Alparslan Türkeş, leader of Turkey's Nationalist Action Party. Türkeş's political mentor is Franz Josef Strauss, head of Bavaria's Christian Social Union, with whom Türkeş met last week in Munich. Through Strauss, Türkeş has links as well to oligarchist Otto von Hapsburg, the Bavarian-based coordinator of the worldwide Muslim Brotherhood networks responsible for the chaos in Iran, the execution of Pakistan's former Prime Minister Bhutto, and now for the campaign to primitivize Turkey.

Terror toll: 34 deaths in one week

Violent assaults by both right- and left-wing terrorists are daily fare throughout Turkey, making terror-plagued countries like Italy seem placid in comparison. Gunmen open fire in restaurants, classrooms, movie houses, and other public places, murdering at will. Last year, 1,400 people—most of them students—lost their lives in terrorist incidents. In the third week of May alone, 34 people were murdered.

The terrorism has split the country down the

Soviets issue \$4 billion in development aid to Turkey

In what could be a boost to the beleaguered government of Prime Minister Bülent Ecevit, the annual meeting of the Turkish-Soviet Mixed Commission on Economic Cooperation concluded June 5 with the announcement that the Soviet Union will build a nuclear power plant in Turkey and guarantee its fuel supply.

Part of an \$8 billion package of deals which will include a projected \$4 billion in Soviet credits, the nuclear plant deal is part of a package signed which also includes the import by Turkey of 3 million tons of Soviet oil, and \$400 million in Soviet credit for the expansion of several Turkish industrial facilities. The Soviets will also increase the amount of electricity they supply to Turkey.

Financial Times correspondent Metin Munir commented that "The signing of a \$400 million deal yesterday—and the prospect of a \$4 billion package—indicate that the Russians are pressing ahead with generous project credits, focused on infrastructure, energy and basic industries."

middle, pitting sectors of the population—students and factory workers in particular—against each other. Newspapers are filled daily with obituary notices of victims gunned down in terrorist assaults. Fearful of their lives, Turks think twice about venturing into the streets, in view of the risks of being cut down. Police are everywhere on university campuses to discourage shooting melees among extremist student factions. Because of the frequent disruptions and school closures, students have lost at least one year in their studies.

Although the imposition of martial law in the worst-hit provinces succeeded in quelling the violence for a while, a marked escalation has occurred in recent weeks, with U.S. citizens being targeted for the first time. On June 2, an American teacher was gunned down in southern Turkey. Several weeks earlier, two U.S. servicemen were also fatally shot, one in Izmir, the other in Istanbul. Claiming responsibility for the latter incidents was the synthetic "Marxist-Leninist Armed Propaganda Unit," a creation of the underground Turkish People's Liberation Army, whose kidnappings and murders led to a military takeover in 1971.

Fomenting terror from the extreme right is Alparslan Türkeş and his neo-Nazi Nationalist Action Party. Recruiting his followers from among Turkey's impoverished rural youth, Türkeş runs a chain of camps throughout the country for training paramilitary shock troops and terrorist squads. Turkish opposition leader and former Prime Minister Süleyman Demirel—the IMF's choice to return as Turkey's next Prime Minister—is known to be working closely with Türkeş. In his push to regain the premiership, Demirel is preaching righteously of "the need to restore law and order" and is attacking Ecevit for being soft on the left.

Kurds rebel

In addition to the left-right terror, Turkey's large Kurdish population—for decades a tool of British intelligence—is once again being deliberately stirred up for separatist insurrection against the central government. The Kurdish rebellion is not being taken lightly by Turkish government officials, who are out to squelch any possibility of a breakaway Kurdish "state" being set up in the sensitive Turkey-Iraq-Iran border region.

In a closed session of his party's parliamentary group on April 25, Prime Minister Ecevit blamed "capitalist forces" for deliberately provoking differences and divisions in Turkey and elsewhere as part of an attempt to fragment the Islamic world and take the pressure off Israel. Noting the boost that has been given to the various ethnic separatist movements throughout the Middle East by the wave of Islamic fundamentalism sweeping outward from Iran, Ecevit focused on the Kurdish insurrection. "Although the [Kurdish] movement ... tries carefully to put forth a

radical leftist image and collaborates with other radical leftist forces, this movement at root is a product of provocations emanating from capitalist forces," stated Ecevit. Alluding to the British "Bernard Lewis Plan," Ecevit continued: "The movement is part of a plot designed to weaken Arab and Islamic countries in the oil-producing region, to insert buffer states between those countries, and also to divide some countries of the region within themselves or create divisions among them in order to reduce the pressure on Israel."

IMF blackmail

With ethnic unrest and virtual civil war eroding the very foundation of the Turkish Republic, the IMF is moving in for the kill.

A \$1.45 billion emergency economic aid package was offered to the financially strapped Turkish government by 14 industrialized nations meeting at the end of May under the auspices of the Organization for Economic Cooperation and Development (OECD). The offer includes \$661 million in loans from the U.S., West Germany, France, and Great Britain; \$245 million in trade credits from Japan, the U.S., and others; \$150 million from the World Bank; and \$400 million in commercial credits from a consortium of 34 banks headed by Citibank.

Billed by the *New York Times* as "unexpectedly generous," the aid offer is in fact a hoax, an attempt to blackmail Ecevit into implementing the IMF's austerity demands, which include tight domestic credit controls, cuts in government spending, opening up Turkey to foreign investment, and yet another currency devaluation. The aid is conditional on Turkey's acceptance of these measures, and unless Ecevit agrees to them, no money will be disbursed.

Ecevit has his back to the wall. As a result of the austerity measures already implemented in Turkey over the past year, the Turkish population and economy is in no shape to endure further insults. Inflation is running at 70 percent, unemployment is 20 percent, and industry is operating at less than 50 percent capacity. Turkey is so short of foreign exchange that vitally needed fuel and parts cannot be imported. Ecevit describes the situation as "the gravest economic crisis in the history of the republic."

Both Ecevit and the IMF know that any further austerity will mean straight genocide. The IMF knows this too, and for this reason Turkey is being set up for the Iran treatment—the installation of a government capable of carrying out wholesale murder and deindustrialization Khomeini-style.

Picking up on this scenario, the June 4 *Daily Telegraph* of London admitted that the OECD aid package may very well "fell Ecevit." Correspondent John Bulloch writes: "Western aid worth [41.45 billion] could bring down Mr. Ecevit's moderate Government by forcing on him terms he knows his country will not

Ecevit: 'foreign interference' behind terror

The following are excerpts from an interview with Turkish Prime Minister Bülent Ecevit conducted by Jean-Pierre Clerc and printed May 10 in the French daily LeMonde.

Question: Terrorism has claimed more than 1,000 victims in Turkey in recent years. Why?

Ecevit: Terrorism has escalated in Turkey in the past 12 years. Right-wing movements, including a legal party (Nationalist Action Party—ed.), have openly supported members of extreme right-wing groups. They have had training camps for years. The conservative Justice Party (of Süleyman Demirel—ed.) has tried to take advantage of that. ... Under the coalition that preceded my government, right-wing terrorism enjoyed official protection. ...

Question: What are the deep-seated causes of this terrorism?

Ecevit: Our economic and social problems obviously provide a favorable climate. What country with an annual inflation rate of 50 percent and an unemployment rate of 20 percent would be exempt from terrorism? There is certainly foreign interference.

Terrorism is international. Turkey is just one target among many. However, that does not explain everything. If our society were sound, the danger from outside would not be very great.

Question: Can Turkey contemplate diplomatic alternatives?

Ecevit: As I have said on many occasions, we do not intend to leave NATO; we have never attempted to blackmail our allies....

Nonetheless, it would not be accurate to think that Turkey is going to remain an anachronistic remnant of the cold war. Detente is progressing. We want to make a contribution to detente too, and our geostrategic position enables us to do so. We can take part in collective defense by helping the establishment of an atmosphere of mutual understanding in the region....

If there is a tendency to move away from the West, it is because we are forced to do so by the attitude of some Western countries and by their failure to understand our economic problems. If, for example, our trade relations with the West are strained, it is not our fault.

accept. ... Mr. Ecevit has been fighting the IMF austerity measures for months as he knows the proposed package would give the Opposition Justice party of Mr. Demirel the final leverage to obtain a vote of no confidence in Parliament."

Several other stringent conditions are being forced upon Ankara, according to the Turkish press: 1) Turkey must surrender its national economic planning prerogatives to the OECD—a clear infringement of Turkey's national sovereignty; 2) the Turkish government must announce that it has no differences with NATO and will work with the alliance to "check Soviet expansionism"; and 3) Turkey must back the Camp David accords and withdraw support of those Arab countries opposed to the Egypt-Israel war pact.

To strongarm the Turks into line, Alexander Haig, the just-retired commander of NATO, visited Turkey June 1 on his first civilian deployment. Both Haig and NATO Secretary General Joseph Luns have been loudly sounding the alarm about Turkey in recent weeks, declaring Turkey to be the most critical security problem facing the West today because of its economic problems and related political instability.

That Haig's British sponsors are coordinating the

"break Turkey" operation is clear. According to the London *Financial Times*, "the new British Government [is] reportedly prepared to play a more active role than its predecessor" in getting Turkey to resume its post-World War II commitment to "stand up to the Soviets." In particular, wrote the *Financial Times*, "the Conservatives put more emphasis on the importance of Turkey to NATO." As a result, the British have suddenly become "more willing to contribute to an aid package for Turkey," the *Financial Times* article concluded.

In a speech last month before the Council of Europe, Ecevit charged "certain Western allies" with trying to exploit Turkey's economic difficulties by imposing disastrous economic and political policies. "The West is trying for further detente," he added. "But when Turkey tries to do the same, they ask suspiciously, 'Is Turkey trying to break with the West?'"

Domestic desertions

Adding to Ecevit's problems is the fact that the Turkish business community has abandoned him. The Association of Turkish Industrialists and Businessmen (TUS-

IAD) recently launched a propaganda campaign, publicly attacking Ecevit for being "completely out of touch with reality" for not accepting the IMF's "corrective measures." Defending free enterprise, TUSIAD, like the IMF, is vociferously calling for the dismantling of Turkey's state sector industries. Ecevit has angrily charged TUSIAD with attempting to bring down the government. TUSIAD's attacks, said Ecevit recently, are tantamount to "a call for foreigners to dictate policy to Turkey."

Challenges to Ecevit's leadership are also coming from within his own Republican People's Party. The party's left faction accuses Ecevit of being too repressive; the right accuses him of moving too close to the Soviet Union. However, despite attempts by these factions at last month's party congress to restructure

the party's decision-making body and dilute Ecevit's leadership role, Ecevit succeeded in being reelected as party chairman.

In parliament, the slim majority held by the Republican People's Party has been reduced, through defections, to merely six. Although Demirel does not have the parliamentary clout to topple Ecevit, the *New York Times*, like the *Daily Telegraph*, is eagerly forecasting a Demirel return to power. According to the *Times*, Ecevit will be forced to call new elections in the fall if his party does badly in the October Senate elections and more defections occur. "And Mr. Demirel would almost certainly scurry back through the political revolving door," the *New York Times* concluded.

—Nancy Parsons

Turkey nixes U-2 spy replay

The government of Turkey has informed the United States that unless Moscow agrees, American U-2 reconnaissance planes will not be allowed to fly over Turkish territory to monitor Soviet compliance with the Strategic Arms Limitation Treaty (SALT II).

In the well-known 1960 incident, a U-2 that had taken off from a U.S. base in Turkey was shot down while inside Soviet territory, leading to a U.S.-Soviet crisis and the breakdown of a planned Eisenhower-Khrushchev summit.

In response to a three-page letter from President Carter to Turkish Prime Minister Bulent Ecevit asking for the use of Turkish air space for checking on the Soviets, the Turkish Foreign Ministry issued a communiqué indicating considerable reluctance to grant this privilege.

"Since Turkey is not a party to this treaty between the United States and the Soviet Union," stated the Turkish Foreign Ministry communiqué, "and as the text is not fully known to its Government, the subject could be taken up in the authoritative Turkish governmental bodies only if it is determined by Turkey that the requested contribution advances the objectives and concurs with the understanding of the parties to the treaty."

The statement emphasized Turkey's desire not to upset relations with Moscow, noting that "it is only natural that Turkey takes into consideration its own security and relations with its neighbors and takes care to base its relations with its neighbors on mutual trust."

British complicity

Carter's U-2 ploy is a provocation worked out with Great Britain against the Soviets and SALT II. According to the plan, the United States would station U-2 planes at Akrotiri, one of Britain's two bases in Cyprus, and dispatch them from there for overflights in Turkey near the Soviet border.

The problem for Turkey—and the Soviets—is that the planes may be carrying out espionage above and beyond monitoring compliance with SALT. The Turks are wary of getting involved, having been caught in the middle in the 1960 affair when Gary Powers's U-2 plane was shot down while carrying out a spying mission into Soviet territory. Early this year, it was reported in the press that British intelligence had staged the entire incident.

According to Washington sources, Turkey's attitude is causing considerable consternation in the Carter Administration. In a meeting last month with Deputy Secretary of State Warren Christopher, who was dispatched to Ankara from Washington to force Ecevit's hand on the U-2 issue, the Turkish leader reportedly exploded with anger when Christopher threatened to link U.S. economic aid for Turkey to whether or not the U-2 flights were permitted. According to one diplomatic source, Ecevit was "the angriest I've seen him since he became Premier."

The Soviet Union has indicated that it would "receive positively" any decision by Turkey not to allow the U-2 flights.

The unraveling of Jimmy Carter

Cartergate threatens to split Democratic Party, GOP, opens way for LaRouche

The impact of the LaRouche presidential campaign on a U.S. political environment shaped by hatred of the bankrupt Carter White House has forced the Council on Foreign Relations to inaugurate the complete unraveling of Carter's administration.

Unparalleled in U.S. history, this situation is producing, through bloc splits in the Democratic and Republican Parties, the early demise of the two-party system just as Lyndon LaRouche predicted Jan. 15, 1979, when he announced his presidential candidacy. LaRouche forecast on that occasion—and subsequent events have more than borne him out—that the United States would be in the Republic's gravest crisis, creating the political preconditions for a LaRouche presidency in 1981.

Since the beginning of June, the White House has been hit with one blow after another:

- A U.S. District Court judge ruled that Carter's voluntary wage-price guidelines and sanctions are unconstitutional.
- House Democratic leaders turned down Carter's invitation to a Camp David "summit" between Carter and the House Democratic leadership. Declaring themselves "too busy," Majority Leader Jim Wright and House Speaker Tip O'Neill instead convened a series of meetings among top House Democrats to discuss relations with the White House. O'Neill went so far in humiliating Carter as to hold two meetings with Senator Edward Kennedy after turning down Carter's invitation.
- O'Neill and Wright then issued a statement declaring, "There's just no support... Congress has turned a deaf ear to Carter's energy policy."
- Carter's request that Rep. Morris Udall, chairman of the House Interior Committee, endorse him for reelection, was turned down. Udall, a well-known environmentalist fanatic and protégé of Averell Harriman, who funded Udall's 1976 bid for the Democratic nomination, also refused to attend the Camp David meeting.

Plus, the CFR-controlled media were flooded with Carter obituaries. Two examples suffice: wrote Joseph Harsch in the *Christian Science Monitor*, "The time is not in sight when the American population will heed him ... A Kennedy, however, would improve relations with Congress ... and with his cabinet." The *Baltimore Sun* editorially called Carter what everyone knows him to be, a "lame duck."

These series of stinging, humiliating snubs are occurring in tandem with the burgeoning Cartergate, as—phase-by-phase—Lancegate unfolds in preparation for Carter's preconvention demise.

The "two floodgates" question, in a thinly disguised form, has become a major topic of commentary throughout the CFR-connected media, as the excerpts which follow illustrate.

But, it is more than the subject of commentaries. Democratic Party National Chairman, John White, in three press conferences in 10 days, denounced the draft Kennedy momentum on precisely the fear of the collapse of the party. White did not mention LaRouche directly, but, from his own words, no other explanation for his fear is plausible:

"Kennedy would not approve of a third party or an independent candidacy, or of some folks taking advantage of Carter's unpopularity to build opposition to Carter...." The *Washington Post* was no less direct in summing up the implications of dumping Carter, "too fast," and splitting the Democratic Party now. "Democratic National Chairman John C. White warned June 6 that the movement to draft Senator Edward Kennedy for the 1980 nomination might lead to an independent presidential candidacy that could cost the Democrats the White House."

Leading Kennedy backers and controllers are now issuing statements demanding that Kennedy issue a formal statement now declaring himself not to be a candidate, and stop the anti-Carter momentum, threatening to go out of control in opening the floodgates.

The *Baltimore Sun* urged Kennedy to declare

himself not a candidate now, but noted that Kennedy would definitely get the nomination by draft in 1980, once it is clear that Carter cannot be renominated: "Let the mavericks like Ayatollah Jerry Brown ... run as candidates," and knock out Carter.

Douglas Fraser, United Auto Workers President, told the press in Detroit he will have no part of a draft Kennedy movement "unless and until Kennedy makes his plans clear." Alexander Barkan, the director of the ALF-CIO committee on Political Education, echoed Fraser.

This seeming indecision indicates the CFR's general fear of dumping Carter too fast, and allowing the LaRouche campaign to weld the disaffected elements of labor, industry and the major parties into an electoral machine that could win.

The labor question

The demise of Carter opens two floodgates at once. Despite the intentions of the CFR directors of Cartergate to pave the way for the presidential candidacies of Alexander Haig and Edward Kennedy, it also opens a floodgate for the LaRouche presidential campaign—as the CFR is well aware.

An examination of the context of the court decision throwing Carter's wage guidelines out the window illustrates the point. That decision, signaling the relaunching of Cartergate, happened in the midst of a national pattern of trade union officials polarizing around the LaRouche question.

Since the formation of the Teamster Committee To Elect LaRouche, and the endorsement of LaRouche by Teamster Central States General Organizer Rolland McMasters, more than 1,000 workers have been involved in the distribution of bulletins by the Teamster Committee, and the bulletins have already reached nearly 200,000 more. The bulletins were also widely distributed at AFL-CIO headquarters, the White House, and the halls of Congress.

This is already having a powerful impact on the Teamsters and the whole labor movement around the LaRouche candidacy. Around the country, meetings have been set up with local union representatives to discuss endorsing LaRouche.

The CFR networks responded by jettisoning the wage guidelines, if only for the time being, at Carter's humiliating expense. The CFR media, typified by the *New York Times*, suddenly embarked on a big publicity campaign, "informing" one and all that Meany, Kirkland, et al. of the Zionist lobby in the AFL-CIO national bureaucracy were responsible for a "big victory for labor."

Looking behind the rhetoric of the *Times's* coverage reveals that the court decision declaring Carter's plan "unconstitutional" without congressional consent" will be used by Meany and company for congressional

imposed mandatory controls on the "equality of sacrifice" plank. However, if the LaRouche campaign becomes the determinant in the labor movement, the old rules and tricks no longer apply.

The CFR's dilemma

The internal convulsions within the CFR camp on the Cartergate question epitomize the dilemma. By accelerating the unraveling of the administration, the CFP crowd has been forced in less than a week to overrule their own hesitations about going too far, too fast. The CFR forces are now gambling, taking what they know to be a tremendous risk that the very process identified and warned against by the *Christian Science Monitor* and the *New York Times* is now beginning—namely, a split in the Democratic Party provoked by destroying Carter and launching Kennedy now, a split which in turn will fragment the GOP, as Republican layers move to make deals with "breakaway" anti-Kennedy Democratic machines.

And Cartergate has only begun. Sources close to both the National Security Council and Haig are getting the word out: "Expect a wave of resignations, not only from the NSC, but from the cabinet as well." As one such source put it, "Usually, at about this time in an administration's life, it's the President who makes the changes in the cabinet, and fires people. In this administration, you're going to see cabinet officers quitting."

—Konstantin George

Warning against panic

The Christian Science Monitor editorialized on May 25 to slow the pace of Cartergate. Here are excerpts.

No one ought to be tempted or be amused by the disarray now evident in the Democratic Party. This is symptomatic of a crisis of government following the tortured years of Vietnam and Watergate. LBJ left office ... Nixon was forced out, Ford lasted two years and now Carter is being challenged from the Democratic Party ... and this is occurring while the GOPers have yet to pull themselves together...

Are we no longer operating within the traditional two-party system? How do Americans replace it? With what? Everyone is disenchanted with the President... A contagion of criticism is rampant across the land ... there is a tendency to get carried away with hypercriticism and make the President the scapegoat. A presidential panic is being caused. It is sufficient perhaps to deny warranting him a second term, but ... not to destroy the President's ability to act ... and further unsettle an already strained situation...

'What Mr. Carter could do'

Again on May 31, the Christian Science Monitor urged restraint, but nonetheless betraying a bias for a Kennedy presidency. Excerpts follow.

The two main causes of President Carter's difficulties in Washington are things he cannot do anything about effectively. Yes. He can make speeches in which he can carry on the slow and painful process of educating the Congress and the American public in the causes of inflation and of declining supply of cheap gasoline.

... None of those activities is going to solve the inflation or gasoline problems. If Mr. Kennedy were to replace Mr. Carter in the White House tomorrow the inflation would go right on and gasoline would continue to be in short supply at rising prices. Mr. Kennedy could not solve those problems overnight anymore than Mr. Carter can.

But there is one thing a Kennedy in the White House would certainly do and Mr. Carter himself could do which would produce an appearance of improved effectiveness. A Kennedy would act at once to improve relations between the White House and the people on Capitol Hill.

More than that. A Kennedy would surround himself with people who would be personalities and centers of power in themselves. And so at least in theory, could Mr. Carter.... I have watched and reported on every President beginning with Herbert Hoover. None of the administrations from that one down to this one was so overshadowed by a single personality as is this one headed by Mr. Carter.

... What names stand out in the Carter Administration?... There is James Schlesinger at Energy, taking some of the abuse for gasoline shortages off the President, but doing nothing else the public knows about.

... By and large it is a lackluster bunch. Either they lack power in themselves, or are not allowed by Mr. Carter to take the initiatives which would allow them to show what they might be able to do if given a chance. As for the White House staff itself, except for Zbigniew Brzezinski at the National Security Council, most of them are Georgians who seem never to have quite risen to the national level as Real Washingtonians....

The May 26 issue of the *Economist* (London) notes an "intellectual narrowness and a lack of historical sense in President Carter's White House, which produces on occasion an effect resembling stone deafness."

... Style, tone and performance, particularly in foreign policy, could surely be improved by bringing to the White House more people who know more about

the world, and even the United States itself. It would reduce the appearance of the country being run by people who are still mentally in Atlanta.

'If all this sounds familiar ...'

Syndicated columnist Richard Strout, writing under his pseudonym of TRB, praised Sen. Edward Kennedy at the expense of the Carter Administration but warned of his moving too fast in the Washington Post June 4. Here are excerpts of the article.

"We are heading toward the most acute shortages of energy since World War II," he said, "it will affect the lives of each and every one of us. It will require some sacrifice by all Americans...."

Yes, it was Richard Nixon speaking on the evening of Nov. 7, 1973. ... I took the Nixon speech home to read after Carter's press conference last week. They were almost interchangeable. Three presidents for six years have made the same appeal....

America elects presidents as father figures, praises them if things go well, denounces them if they go ill; ignores the fact that they often don't control the result. In prosperity, Harding and Coolidge were immensely popular; the unfortunate Hoover was ruined by the sequel to their acts. Now Mr. Carter has three extraordinary intertwined problems: energy, inflation and the strategic arms limitation....

Senator Edward Kennedy is an enigmatic figure in all this. He is one of the best political speakers in the country; I have found him again in Congress articulating the liberal sentiments I like. He has the name, the flamboyance, the allure that Mr. Carter lacks as the President struggles with his intractable problems. Mr. Kennedy constantly says he's not a candidate, and he laughs about it: he will tell any group he's not running, he says—as large a group as you can get together.

I think Mr. Kennedy currently is on the wrong track on two issues and is doing harm to Mr. Carter, himself and his party. He favors universal mandatory health insurance.... The other problem of decontrol of oil is a more difficult issue.

My own guess is that Mr. Kennedy doesn't want to run; in fact won't run. Not in 1980 anyway.... Do the Democrats realize what kind of a campaign it would be? They would first repudiate President Carter, then replace him with a vulnerable substitute. Ten years ago Sen. Kennedy conceded his "indefensible" behavior. The whole sorry story would be out again if he ran. What a gift to the GOP.

Frank Church: the product of 'outsiders'

Frank Church, the often erratic chairman of the Senate Foreign Relations Committee, is already facing a tough fight for reelection in 1980. But adding to his problems is the fact that reports are beginning to circulate throughout his home state of Idaho and in Washington, D.C. that Senator Church has longstanding connections to organized crime and the international drug trade.

These troubling allegations stem from scrutiny of the Senator's rise to prominence, his controversial electoral victory in 1956, his activity as chairman of various Senate committees, and his personal association with some of the leading anglophiles of the day, including Henry Kissinger's lawyer Myer Feldman and the family of Sir Isaac Wolfson.

The Senate career of Frank Church

From the moment that Church entered the Senate, he has advocated policies and backed legislation more in the interest of Britain and Israel than in the United States.

- As head of the subcommittee on multinationals of the Senate Foreign Relations Committee following the 1973 Middle East War and oil hoax, Church opened an investigation into the activities of the oil companies. The aim of this investigation was to force U.S. oil companies and interests out of the Middle East, an area long fought over by U.S. and British interests. Church's investigation helped to establish key British-controlled nexus points within U.S. companies. Since those investigations, Church has used his influential Senate position to destabilize the government of Saudi Arabia and to break U.S. ties to this key oil-producing state.

- As chairman of the Senate Foreign Relations Committee Church has denounced the Saudi government for refusing to join the "separate peace" treaty arranged between Israel and Egypt. The Camp David accords have, since their signing, put the Middle East on a war footing. Church has demanded that the U.S. cancel military sales to Saudi Arabia unless they join in the "peace" accords. Church's work on the Foreign Relations Committee has been aided by such former committee staffers as Steve Bryant, who has been investigated by the Justice Department for giving American security secrets to the Israeli government.

- Church's Energy Research Subcommittee of the Senate Energy Committee has recently issued a report on Saudi oil production, which claims that there are major production problems in Saudi Arabia, forecasting that they will not be able to meet demands. Their lie is aimed at bolstering the claim of the Carter Administration that there is an oil supply shortage.

- As chairman of the Senate Select Committee on Intelligence, beginning in 1975, Church was charged with investigating and ensuring the demise of any U.S. intelligence capability that was independent of British intelligence domination. It was Church who introduced legislation in 1976 to establish a permanent committee for this purpose. The committee's job was to dismantle U.S. intelligence capability in particularly the Middle East region, which was critical to U.S. interests there. The investigations into the intelligence community were also aimed at the intelligence capability to destroy the international drug networks that were then under investigation by the Nixon-Ford administrations. Church was aided in this investigation by the staff director of the committee, William G. Miller, who was trained at Oxford College in England. Miller is a member of the Council on Foreign Relations Committee and the Middle East Institute, an Anglo-American policy center on Middle East affairs.

- The Senator has recently become an avid supporter of U.S. relations with China, a nexus point of the international drug trade. On his way back from China in April, Church followed in the footsteps of Henry Kissinger by stopping off in Tokyo to call for massive Japanese rearmament and establishing a new Asian defense network of China and Japan against the Soviet Union.

- Throughout the late 1960's, Frank Church and Senators McGovern (D-SD) and Cooper (D-Ky) played a leading role in using their opposition to the Vietnam war, a war run through British intelligence networks to destroy U.S. prestige in the world, as a flank to Watergate President Nixon. Their activities helped to build the counter-culture, pot-smoking anti-war movement.

The creation of Frank Church

The men who brought Church into the Senate and

have directed his activities since then are committed now to the New York Council on Foreign Relations Project 1980's programs—specifically those detailed in the project's books for the "controlled disintegration" of the developed economies. These are the people whose support the senator is relying on to win the 1980 election race. As Church stated in a March interview to the *Lewiston Times* of Idaho, he will need an extraordinary infusion of funds from the men such as Myer Feldman and the same Zionist lobby officials who funded his abortive try for the presidency in 1976. As Church is now well aware, his constituents are beginning to realize that he is the product of "outsiders."

Church was first picked up by British intelligence during World War II, when he served in China with the Office of Strategic Services, the predecessor to the CIA. It was from this time on that Church was

groomed to represent the drug mafia, whose base of supply is the China-Burmese triangle.

After the war Church spent time at Stanford University, where he was student body president and received his law degree from this leading training center of the Anglo-American establishment. He was greatly influenced by one professor, Tom Barclay, who spent time at the British-run think tank the Brookings Institute.

Church had married into the most prominent "liberal" family in Idaho, the Clark family. His wife's father, Chase Clark, had been governor of the state in 1940 and was a friend of the Roosevelts. His wife's uncle D. Worth Clark was Idaho senator from 1944-50. In 1956, when Church was told to run for the Senate, he had held no political office and had no visibility in the state, except through his family connections.

Senator Church a security risk?

The role that unscrupulous doctors and other professionals can play in manipulating the deliberations of leading figures in official Washington—possibly for the benefit of foreign powers—has long been a source of concern to security planners. The recent case of President Carter's drug advisor and confidant, Dr. Peter Bourne, who resigned after it was discovered he had prescribed a powerful and frequently abused psychotropic drug to a staff assistant, is a recent example of such a case; earlier instances include the fact that President John Kennedy and his family were treated by a "pep pill" specialist, and that the wives of Anwar Sadat, Jordan's King Hussein, and President Gerald Ford shared a common psychiatrist. The growing plethora of religious cultists and astrologers catering to official Washington is a similar area of concern.

In Senator Church's case, concern centers on the fact that the Senate Foreign Relations Committee chairman depends, since a bout with cancer years

ago caused him to lose one testicle and crippled the functioning of the one that remained, on regular doses of testosterone, a hormone, to preserve his masculine physical attributes. Used properly, medical sources emphasize, the hormones are a safe and routine remedy. But, if someone were to manipulate Senator Church's dosage, they warn, the result could produce erratic and sudden mood changes similar to those sometimes associated with menopause. Thus, a heavy dosage could help induce a testy, macho Senator Church to take an outspoken and militant position in opposition to Arab nations opposed to Israel on one day, while a more pliant Senator operating on sharply reduced hormone intake might take a softer view of Chinese involvement in Vietnam and Cambodia the next.

Normally, our sources emphasize, such questions would never arise. In Senator Church's case, his performance at the helm of the Foreign Relations Committee has made them virtually inevitable.

So how did he win the senate seat of Herman Welker?

Church's 1956 Senate race was financed and run by the Committee for an Effective Congress—whose founder Robert Sherwood was a war-time member of the British Security Coordination, the official name of British intelligence. Sherwood was a close associate of its director, Sir William Stephenson (known as Intrepid) and was the liaison between British intelligence and President Roosevelt. In 1948, Sherwood established the committee along with such leading Anglo-American figures as Eleanor Roosevelt, to finance and run political candidates that could take control over the U.S. Congress. The committee today is run by such public advocates of "controlled disintegration" as environmentalist leader Barry Commoner, and Barbara Tuchman, daughter of Hans Morgenthau, an intimate of the Sassoon family, the major Jewish banking family that controlled much of the Chinese drug traffic.

The committee launched a major drive to put Church in the Senate and destroy the career of conservative incumbent Herman Welker. They funded his race and ran ads to raise more money. And according to the chairman of the committee at that time, Sidney Scheuer, "some of our people counselled him on organizing method."

By 1960, Church was well on his way to becoming a spokesman for the Council on Foreign Relations. In 1960, this newcomer to the Senate was asked to give the keynote address to the Democratic convention which nominated John Kennedy. Then to give this unknown further visibility and clout in the Senate, Church was sent around the country by the head of the Democratic Party to address local Democratic party conventions. The man who launched Church on this tour was then Democratic National Committee Chairman Henry Jackson, whose own Senate campaigns have been financed by the Jacobs family, owner of Emprise and leading figures in the U.S. side of the international drug trade. A close relationship between Jackson and Church exists today; the two work closely on the Energy Committee, headed by Jackson, which has targeted the Organization of Petroleum Exporting Countries.

The men behind Frank Church

From 1960 on, the men who groomed Church, politically educated and ran him and his election campaigns were the inner elite of organized crime. They include:

Myer Feldman: the White House counsel for John F. Kennedy, along with CFR member Ted Sorenson. In the words of one of his friends, Feldman was "one of the five top men in the White House"—a White House that included such men as Averell Harriman,

Clark Clifford, McGeorge Bundy, Douglas Dillon, and Eugene and Walt Rostow.

Feldman is a law partner in the firm Ginsburg, Feldman and Bress, whose clients include the corporate nexus of the international drug trade. Feldman was the Washington D.C. counsel for Investors Overseas Services (IOS) which is a laundering channel for illegal drug money. IOS's business agent is Sylvain Ferdman, who has been identified by law enforcement officials as the bagman for the Meyer Lansky crime syndicate.

Feldman is a director for Flying Tigers Airlines, which has been pinpointed as a major drug running operation into Southeast Asia. The firm has also provided legal counsel for Henry Kissinger, the protégé of such top inner circle British strategists as William Yandell Elliott.

Feldman was involved in the political career of Bobby Kennedy and later of George McGovern, and was, in fact, president of the McGovern for President campaign committee, whose aim it was to destroy independent political machines that remained in the Democratic Party such as Chicago's Daley machine.

When Feldman was counsel to John Kennedy he began meeting frequently with Church, as part of his function was political coordination with Congress. It was Feldman who was one of the major policy advisors to Church and who has shaped his political career.

Feldman was in close contact with Church as he led his investigation into the oil multinationals. And it was Feldman who has directed Church's anti-OPEC drive. In 1972, Feldman began to orient Church to the Middle East situation, which until that time had not been a focus of his work. In 1973, Feldman took Church to Israel and it was this trip which retooled Church to be a leading "anti-OPEC" Zionist supporter. In Israel, Feldman, a governor of the Weizmann Institute, introduced Church to Golda Meir, Pinhas Sapir, Moshe Dayan, Yigal Allon and other leaders of the Zionist state. Feldman credits this trip with having shifted Church's thinking in regard to Israel. "His thinking developed after this, to concentrate on the area and issue," Feldman recently told a reporter.

The Sir Isaac Wolfson family: Sir Isaac Wolfson, the honorary president of the Weizmann Institute, is one of the international heads of Britain's international drug trade. It is well known that he launched the career of Michigan Republican power broker Max Fisher who, during Prohibition, was suspected of running bootleg liquor across the U.S.-Canadian border. Wolfson's family, based in London, is now involved in running the Margaret Thatcher government. His son is Thatcher's personal secretary.

Wolfson's niece Jane Stern and her husband Jerry Stern are close friends of Frank Church. Both rank high in the Zionist establishment: Jane is chairman of Tel Aviv's Bar Ilan University and Jerry is a leader in

the Free Soviet Jewry movement. In 1976, Jerry Stern was the New York finance chairman for Church's presidential race and lined up top New York Zionist money for the campaign. It is to Stern's fundraising capacity that Church is looking to win his 1980 reelection bid.

Henry Kimmelman: a neighbor of close friend Myer Feldman, Kimmelman's political career includes serving in the Kennedy-Johnson administration as the Commissioner of Commerce for the Virgin Islands in 1961. Feldman has, since 1962, been on the board of the College of the Virgin Islands. By 1967 Kimmelman was Assistant Secretary of the Interior under Averell Harriman's protégé Stuart Udall who later went on to the Interior Department. Kimmelman was also a leading figure in McGovern's presidential drive, serving as the finance chairman of the campaign.

Kimmelman has been Church's friend since 1961 and has been key in helping him raise funds for his campaigns. In 1976 when Church made his try for the presidency, his problem was that he was not on intimate terms with enough Zionist leaders. But, said Kimmelman in an interview, "I could alleviate that concern." Kimmelman like Stern will be key in raising the sums necessary if Church is to retain his Senate seat.

Warren Manshel: the U.S. ambassador to Denmark was the founder, editor and publisher of *Foreign Policy* magazine, which was billed as the liberal, anti-Vietnam War alternative to the Council on Foreign Relations publication *Foreign Affairs*. *Foreign Policy* is in fact an arm of the same network, and their articles are geared to the same effect as *Foreign Affairs*. In fact, when Manshel left to become an ambassador in 1977, he was replaced by Richard Ullman, the director of the CFR's Project 1980's.

The coeditor and founder of *Foreign Policy* was Samuel Huntington, a member of the Trilateral Commission and a former assistant to National Security Council Director Zbigniew Brzezinski. Huntington is the Trilateral Commission member who authored a book under Brzezinski's direction, titled *Crisis in Democracy* which calls for limiting Western democracy. Manshel published with money from the Carnegie Endowment for International Peace, a group which coordinates closely with the Ditchley Foundation, the major British-U.S. policy-making group.

Manshel has known Church for years and advises him on policy as well as his political campaigns.

Averell Harriman: one of the most revered of the Anglo-American establishment, Harriman is a relation of the Churchill family and has spent many hours shaping Church's thinking.

—Barbara Dreyfuss

CFR's Ullman, Gwin hold forth on Project 1980

Starting in the 1970s, the New York Council on Foreign Relations initiated what it describes as its most ambitious project, the 1980s Project. In its 25-odd books now being published, the 1980s Project proposes the "controlled disintegration" of the world economy; the dismantling of the globe's advanced scientific industrial concentrations, and a broadening of the powers of the International Monetary Fund.

In an exclusive interview with Executive Intelligence Review the executive director of the 1980s Project, Catherine Gwin, and her predecessor, Princeton University professor Richard Ullman, candidly discuss the collaboration of the 1980s Project crew with the notorious Brandt Commission, founded by former West German Chancellor Willy Brandt in collusion with Washington Post publisher Katherine Graham and World Bank head Robert McNamara in order to push a deindustrialization policy for the Third World; their meeting with suspected Soviet agent, Georgi Arbatov; their role in organizing the coup in Iran that brought to power the Ayatollah Khomeini; and the fact that presidential hopeful Alexander Haig's policies are in full accord with those of the 1980s Project.

Herewith, excerpts of the interview:

Q: *A significant number of people who were involved in the project from its beginnings now hold high-level posts in the Carter Administration. Isn't it the case that their participation in the project influenced their thinking once they got into government and that, in fact, they have served as channels for the implementation of the project's proposals by the Carter Administration?*

Ullman: In some cases, certainly that's true. [Richard] Cooper for example and Joe Nye. Cooper, who's now Undersecretary of State for Economic Affairs, was made to think about North-South relations by the project in ways he never thought before. I remember some of the meetings of the coordinating group where he was consistently made to come up with reactions to ideas which he thought of as outrageous—for instance, the notion of basic human needs. Cooper's reaction to that was very interesting at the time. I think that being involved in the project coordinating group and some of its special study groups really expanded his range. ... I think that Cy Vance, who was the chairman of our nuclear working group, got a lot out of it. He was very

able as a chairman and took an interest in the study group that he chaired. I think that some of the studies that group did about what it would be like to minimize the number of nuclear weapons in the world were perspectives he really hadn't focused on before. I think he must have gotten something out of it. ... This administration is certainly aware of the issues we've raised, and has been moving generally in the right direction. ...

Q: *In March 1977, Vance made some proposals to the Soviets for greatly reducing the superpowers' nuclear weapons arsenals in the context of the SALT II negotiations which the Soviets vehemently rejected. Do you think these were a specific outcome of his work with the project?*

Ullman: No, I don't think so. I think that these ideas of "deproduction" were something that interested him, but I don't think it was simply from his project work. I think Senator Henry Jackson had an important effect on that, because Jackson in a way, although he has been very anti-SALT, thought that "deproduction" would be a constructive approach to arms negotiations. I suspect that Vance was more sympathetic to this idea by virtue of his work with the project. I think he wasn't prepared for the depth of the Soviet reaction—his participation in the project would not have prepared him for that. ...

Q: *What about the project's views on the area of international monetary affairs, and the role of the European Monetary System?*

Gwin: I'm working on a book with Miriam Camps on that subject. We'll deal with the EMS only in terms of its relation with the IMF. The book will focus on the need for reforming international monetary institutions and setting up new ones, especially in the area of international trade. It will also propose establishing a new institution for Third World debt management as well as urging that the IMF assume a greater role in the area of surveillance. ...

Q: *There have been a number of rather extreme and unpredictable events that have taken place in the last six months and I'd like to know how you assess their impact on the project's policy formulations. Specifically, the events in Iran and the surfacing of Islamic fundamentalism—which, if I'm not mistaken, was not a major feature in your discussion of the Mideast—and the election of Mrs. Thatcher in Britain who would be generally opposed to some of the more internationalist aspects of your program.*

Ullman: I definitely disagree with you on Thatcher. On the contrary, I think that Britain will now be able to

play a much stronger role on the continent. ... We tried to get work done on the question of Islamic fundamentalism and the strength of currents like it. We asked Hal Isaacs to do something on communal conflict, and I approached Bernard Lewis [author of the Lewis plan which proposes the devolution of the entire Middle and Far East into a series of squabbling, backward ethnic and tribal entities—ed.] to do something on this, but he was overcommitted. In fact, Bernard was the first person I turned to. ...

Q: *A number of the project's studies—especially Stephen Green's on Disaster Relief and Richard Falk's on human rights—propound the very controversial idea that the international community should be free to intervene, through fomenting internal coups, and other extreme means, in countries where the ruling elite is allegedly abusing human rights, or the environment and such. Falk is especially explicit on this, especially on the need for overthrowing certain governments. Is the overthrow of the Shah an example of Falk's proposals?*

Ullman: (Nodding his head) Yes, yes, definitely. ...

Q: *Was Falk involved directly in the Iran coup while he was there this spring?*

Ullman: (Now vigorously shaking his head) Oh no, no, no.

Q: *What institutions are you working with or have been most responsive to your ideas? ...*

Ullman: We haven't tried to peddle them the way the Trilateral Commission always does. Of course, we have contacted individuals and groups with our ideas. In the summer of 1977, a small group of us went to the Soviet Union to discuss the project's proposals with (Georgi) Arbatov and the people around him at the USA Institute and the Institute of World Economics. We simply took our stuff, in draft, to get their reaction—some of the security stuff, the nuclear stuff, other things. We found that there is a really great deal of interest in this sort of thing ... I think Arbatov and the others were very worried about the fact that certain things were happening in the West that were leaving them behind. He and his people are worried about how to get the Soviet Union to participate in the sort of institutions which we and the Trilateral Commission, Brookings, etc., are developing. ...

Gwin: The Brandt Commission has also been extremely receptive to our ideas. They're doing much the same thing we are. We sent them some material, including Roger Hansens's book on North-South relations, and they were really excited. They find themselves focusing much more on institutions rather than issues as they go along. ...

LaRouche candidacy spurs debate in labor

The newly formed Teamster Committee to Elect LaRouche President (TCELP) has provoked a debate throughout the labor movement on the candidacy of Lyndon LaRouche and his fight against drugs.

Spokesmen for the TCELP report that more than 225,000 copies of its Bulletin Number 2 were distributed to Teamster and other trade union layers over a six-day period last week. TCELP and Citizens for LaRouche, the candidate's national campaign organization, further report an additional distribution of 225,000 copies of a statement by Teamster general organizer Rolland McMaster endorsing the LaRouche candidacy and the antidrug fight. The first TCELP bulletin, announcing the formation of the committee had a circulation of nearly 50,000.

The Bulletin reported on the recent speech in San Francisco by IBT General President Frank Fitzsimmons and says that "Fitzsimmons gave the best explanation of the kind of thinking that we in TCELP went through in picking the U.S. Labor Party's Lyndon LaRouche as our choice for President in 1980." It further states that "many Teamsters—from regular members to the Vice President level—have let us know that they fully support the goals of the LaRouche Committee..."

TCELP spokesmen say that they are "overwhelmed by the response of Teamsters and their brothers and sisters in steel, auto,

building trades and other unions to the LaRouche campaign..." More than 1,000 workers assisted in handing out the two leaflets at major truck depots and terminals, warehouses, truck stops, as well as gates at steel and auto plants and at construction sites throughout the Midwest, East and West Coasts.

Scores of over-the-road drivers carried the leaflets along the length of key interstate highways. "The country has been saturated," said a TCELP spokesman.

The drug issue in particular has prompted an emotion-charged discussion, with workers debating Mr. McMasters call to defend the right of "our posterity" to exist in a drug-free environment."

TCELP leaders plan a third bulletin, with an even larger run.

Instant replay

Roving bands of independent truckers—drivers who own and operate their own rigs—began a series of actions last week in protest against diesel fuel shortages and skyrocketing fuel prices. Groups of independents, apparently acting without any national coordination, staged takeovers of truckstops along interests in the Midwest and East Coast, while a band of several hundred truckers blockaded a major truck route in Indiana. Meetings were held at truckstops to plan further action.

Talk is beginning to spread of

a national strike, a shutdown modeled on the violent affairs that tied up the nation's highways during the Arab oil embargo of 1973-74. Dave Deitch, an organizer for the Fraternal Association of Steel-haulers, an organization that played a major role in the 1974 strikes and which has called for action now, predicted that "there will be rioting in the streets ... a real bloodbath" unless the truckers get their way. A "Chile-style revolution" could take place in the U.S., Deitch raved, referring to the fascist coup that toppled the Allende government in 1973. That coup was triggered by a truckers strike in Chile.

While people like Deitch and Bill Hill of FASH are well known as blowhards whose bark is often worse than their bite, there are reasons to suspect that somebody has a vested interest in provoking a violent truckers strike in the U.S. The 1974 action organized by groups like FASH and Mike Parkhurst and his *Overdrive* magazine—groups with links to foundations and sections of British intelligence connected networks in the U.S.—was part of a larger "chaos and confusion" scenario intended to culminate in military takeover of the U.S. Violence was planned between Teamsters and owner operators in 1974. Plans were drafted for a full militarization of the economy and the transportation system, using the aborted May 14, 1974 independent truckers strike as a pretext for its enactment; the Watergated Nixon Administration with then White House Chief of Staff Alexander Haig in control, would step aside as the effective government.

Could the same people who brought down Nixon, one again be plotting a quick exit for the President and a military dictatorship for the U.S., using the independent owner operators as their patsies?

—L. Wolfe and M. Moriarty

Congressional Calendar

Liberals call for energy purchasing agency

Led by John Conyers (D-Mi) and Benjamin Rosenthal (D-NY) in the House and John Durkin (D-NH) in the Senate, Kennedy-affiliated liberals are trying to channel the rage of Americans against Schlesinger's energy hoax into a major attack against OPEC. Following the policy set in Treasury Secretary Blumenthal's statements last weekend that the rise in oil prices is directly linked to OPEC actions, these congressmen have introduced legislation to establish a federal corporation to purchase all oil imports. The supporters of this bill have stated that it would allow for actions in the market that could cripple the Organization of Petroleum Exporting Countries.

Kennedy's allies such as Congressman Toby Moffet (D-Ct) are claiming that this proposal is the answer to the speculation on the Rotterdam spot market which is driving up prices. Moffet, justifying the Rotterdam market speculation, declared that it was unfortunate the U.S. government had to aid the speculation through their \$5 rebate program but "this had to be done. We could only get the oil in Rotterdam. Yes, it does lead to higher prices but that is why we need a national purchasing agency."

Hearings are on tap in the House Ways and Means Committee. While nothing is yet scheduled in the Senate, where the bill was introduced May 22, Energy Committee Chairman Henry Jackson (D-Wash) has supported some form of a national agency in the past.

Congress in Wonderland

With national polls and private district tallies showing that 70 percent of the American population knows that the energy "crisis" is a hoax, Congress has apparently decided that its job is to "prove" otherwise.

Following President Carter's lead, Senate Majority Leader Robert Byrd intoned on May 3 that "the American people need to be convinced that there is a problem. ... Once they understand that the problem is there I believe that the American people can stand up to the tough issues." Richard Ottinger (D-NY) more bluntly stated on June 5 that "frankly, I want to see crisis and more crisis, because that is the only way people will accept the shortage and begin to cut back."

Byrd and Ottinger are not alone. During the previous week, a half dozen congressmen reported that recent trips to their districts revealed that none of their constituents believed that there was an energy shortage. Rather than launching an investigation into who is fabricating the crisis, Congressmen Toby Roth (R-Wi), Arlan Stangeland (R-Mn) William Hill Boner (D-Tn), and others considered methods to propagate the hoax. Stangeland went so far as to introduce a resolution calling for the creation of a National Energy Council to gather "reliable data" on the energy problem and publish the results. The Council would be chaired by the vice president.

None of the erstwhile gentlemen mentioned the Administration's support of the Rotterdam speculative spot market or the

Administration's dumping oil into the currently irretrievable strategic reserve as the reasons for the created crisis.

International trade legislation proliferates

With the Administration due to send its trade reorganization legislation to the Hill around July 7, congressional trade initiatives are proliferating.

At the end of May, Congressmen James Jones (D-Ok) and Bill Frenzel (R-Mn) announced their intention to introduce legislation which would beef up executive international trade responsibilities under the Department of Commerce. Their legislation would take trade functions from the Treasury and State Departments and police them in the Commerce Department, as well as put the Export-Import Bank under the Commerce umbrella. The Office of the Special Trade Representative would be left intact.

A spokesman for Frenzel said that the Administration is tending more in the direction of their legislation rather than the wholesale creation of a new department of International Trade as called for by Senators Abraham Ribicoff (D-Ct) and William Roth (R-Del). In fact, the spokesman said, the Administration may want an even less substantial reorganization. The international business community, according to a spokesman for the Chamber of Commerce, has been lukewarm to the Roth-Ribicoff proposal, recognizing the potential

for a Department of Trade to be transformed into a Department of International Trade *War*. That sentiment, coupled with the Administration's reluctance to repeat its Department of National Resources reorganization fiasco, has apparently impressed Roth and Ribicoff. The two are reportedly less adamant that the Administration include de facto support for their legislation as part of its multilateral trade negotiation legislation.

Monetary Control Bill back on line

In a vote of 26 to 14, the House Banking Committee voted June 5 to endorse the Monetary Control Bill H.R. 7, which is aimed at greater Federal Reserve Bank regulation of banking institutions. The bill had been defeated by the committee in March, because of tremendous opposition by the banking community, including the American Bankers Association, but this opposition was not successful now in defeating the measure.

The bill requires that *all* financial institutions hold reserves at the Fed on 11 percent of the amount above \$35 million in their demand deposits. It would also eliminate existing reserve requirements for time and savings deposits at commercial banks, except for short-term commercial deposits.

The ABA had been supporting an alternate proposal introduced by Rep. Stanton (R-Oh) which would have called for voluntary Fed membership. It would then require reserves of 1-3 percent on the first \$35

million deposits and 11 percent on deposits above that \$35 million. If the total deposits then fall below a certain level the Fed would be allowed to take reserves from non-member banks. The Stanton proposal lost in the committee by a 22 to 18 vote. According to one committee staffer, "the ABA waged a very vigorous battle here, but they lost. We think then it might have a good chance in the entire House."

Will the breeder make it through Congress?

The House Science and Technology Committee voted May 24 to support the full \$183 million funding for the Clinch River breeder program, a necessity if nuclear energy programs are to be greatly expanded to provide the energy for expanded industrial programs. But, the Senate Energy Committee in a surprise vote, has voted 9 to 8 against the breeder program. Declared Congressman Tom Bevell (D-Ala) about the unexpected Senate vote: "I think the vote in the Senate committee last week is the first casualty of Harrisburg."

The funding legislation will be before the House floor in approximately one month and about the same time it will be before the full Senate. According to a Capitol Hill aide deeply involved in the issue, "the sentiment will be, I suspect, to fund the breeder." However, word on Capitol Hill is that President Carter will veto the bill when it gets to him.

Public Financing Bill defeated in committee

The Public Financing Bill, H.R. 1 was soundly defeated in the House Administration Committee May 24 by a vote of 17 to 8. "We thought we had more support," said one backer of the bill.

The bill, referred to by many Capitol Hill sources as the "Incumbents Protection Act," was originally drafted by the Democratic Study Group and Common Cause. The bill would have allowed up to \$60,000 in federal matching funds to a candidate, but would have limited a candidate who accepts public money to spending only slightly more than \$150,000.

Federal Elections Commission Chairman Joan Aikens noted recently that the bill's requirements to release matching funds within 48 hours of a candidate's submitting documentation made it virtually impossible for any verification to be made. She also insisted that the provision lifting the spending ceiling if an opponent had spent \$75,000 was equally unenforceable. Opponents also said that incumbents have many advantages such as free mailings and ready publicity that challengers try to overcome through extra spending efforts.

House Democratic leaders met June 5 and decided that it would be a losing effort to try to bring the bill to the House floor through the Rules Committee, since there is overwhelming opposition to it in the House.

—Barbara Dreyfuss

AMERICAN SYSTEM

Abraham Lincoln: 'labor is prior to capital'

On June 7, the administration's Council on Wage and Price Stability derided the new contract between United Airlines and the highly skilled International Association of Machinists as exceeding the "voluntary" wage limits. It also condemned a labor agreement covering electrical workers in Portland, Ore. on the same grounds.

Aping the Thatcher government in Great Britain, the Carter administration seems intent—despite a court ruling to the contrary—to enforce its "7 percent solution" to inflation and gouge the living standards of America's most highly skilled labor force.

What America's policy toward labor should be was clearly enunciated in 1861 by then President Abraham Lincoln in his annual address to the second session of the thirty-seventh Congress which is excerpted here.

It is not needed, nor fitting here, that a general argument should be made in favor of popular institutions; but there is one point, with its connections, not so hackneyed as most others, to which I ask a brief attention. It is the effort to place *capital* on an equal footing with, if not above *labor*, in the structure of government. It is assumed that labor is available only in connection with capital; that nobody labors unless somebody else, owning capital, somehow by use of it, induces him to labor. This assumed, it is next considered

whether it is best that capital shall *hire* laborers, and thus induce them to work by their own consent, or *buy* them, and drive them to it without their consent. Having proceeded so far, it is naturally concluded that all laborers are either *hired* laborers, or what we call slaves. And further it is assumed that whoever is once a hired laborer, is fixed in that condition for life.

Now there is no such relation between capital and labor as assumed; nor is there any such thing as a free man being fixed for life in the condition of hired laborer. Both these assumptions are false, and all inferences from them are groundless.

Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital, and deserves much the higher consideration. Capital has its rights, which are as worthy of protection as any other rights. Nor is it denied that there is, and probably always will be, a relation between labor and capital, producing mutual benefits. The error is in assuming that the whole labor of community exists within that relation. A few men own capital, and that few avoid labor themselves, and, with their capital, hire or buy another few to labor for them. A large majority belong to neither class—neither work for others, nor have others

working for them.... Men with their families work for themselves, on their farms, in their houses, and in their shops, taking the whole product to themselves, and asking no favors of capital on the one hand, nor of hired laborers or slaves on the other....

Again: as has already been said, there is not of necessity, any such thing as the free hired laborer being fixed to that condition for life. Many independent men everywhere in these States, a few years back in their lives, were hired laborers. The prudent, penniless beginner in the world, labors for wages awhile, saves a surplus with which to buy tools or land for himself; then labors on his own account another while, and at length hires another new beginner to help him. This is a just, and generous, and prosperous system, which opens the way to all—gives hope to all, and consequent energy, and progress, and improvement of condition to all. No men living are more worthy to be trusted than those who toil up from poverty—none less inclined to take, or touch, aught which they have not honestly earned. Let them beware of surrendering a political power which they already possess, and which, if surrendered, will surely be used to close the door of advancement against such as they, and to fix new disabilities and burdens upon them, till all of liberty shall be lost.

FACTS BEHIND TERRORISM

FALN jailbreak a warning

The escape of Fuezas Armadas de Liberacion Nacional (FALN) terrorist William Morales from the corrections wing of Bellevue Hospital in New York last month should serve as a warning to U.S. law enforcement agencies that a wave of domestic terrorism can be expected in the near future.

Morales, who had his hands blown off and his face nearly destroyed when the bomb factory in his Queens apartment accidentally blew up last year, was the only member of the FALN who had been apprehended since the group first emerged in October 1974. The other known members of the group presently being sought by the FBI include Carlos Alberto Torres, his wife Haydee Torres-Beltran, Oscar Lopez Rivera, and Rivera's girlfriend, Lucy Rivera.

The "facts" of the escape itself are extremely suspect. Law enforcement officials have been attempting to solve the problem of how Morales managed to climb down an ace bandage which he allegedly used to escape from an upper story window. One point for investigation is New York State's Acting Commissioner of Corrections Richard Hongisto, a known supporter of "people's struggles," gay liberation organizations and other terrorist affiliated operations in San Francisco, where Hongisto had served in the County Sheriff's department.

Based on several years of ongoing investigation by its Counterintelligence staff, the *Executive Intelligence Review* is in a position to name the names of the forces which are behind the FALN and the escape of Morales.

The case of the FALN is summarized as follows:

During approximately 1968-1970, teams of anthropologists from such locations as the University of Chicago, the Albert Einstein Medical Center, and the University of Pennsylvania were deployed into Puerto Rico and into the Puerto Rican ghettos of the northeast U.S. to gather the psychological profiling information and recruit a core group of individuals into terrorist cells. The project was financed principally through the Episcopalian Church (which provided its headquarters in San Juan and Chicago to the project) and was provided with political case officers through the American Friends Service Committee and the Institute for Policy Studies.

It is well known that one high official in the San Juan Episcopal Church hierarchy is the brother of several operatives in the MIRA Puerto Rican terrorist organization. In the U.S., it was the Hispanic Commission of the Episcopal Church which housed FALN leader Torres before he went underground, and members of the commission refused to cooperate with a Grand Jury investigation in 1977 on the FALN case. Naisa Remiken and Maria Cueto served prison terms for Grand Jury contempt. They helped to found the National Lawyer's Guild Committee against Grand Jury Abuse along with attorney William Kunstler, who is also the attorney for Morales.

In its nascent form, the FALN was run in Puerto Rico under the name MIRA. In the continental

U.S., what later became the FALN was run in Puerto Rico under the name MIRA. In the continental U.S., what later became the FALN was known as the Young Lords organization. In the latter case, some of the members were channeled into "above-ground" support functions while others, such as David Perez and William Morales went directly into hardcore terrorist functions.

The "above-ground" members and supporters of this FALN network represent some of the critical leads to be pursued in locking up the whole network.

One of the key such individuals is Pablo "Yoruba" Guzman. Presently a discjockey and radical commentator for WBAI radio station in New York City (founded as part of the Pacifica group by British intelligence cult creator Aldous Huxley) and a frequent columnist for Rupert Murdoch's *Village Voice*, Guzman was the Minister of Information for the Young Lords and one of the principal recruiters for Puerto Rican terror.

Guzman was specially trained for this role during 1968 when he spent six months in Cuernavaca, Mexico at the CIDOC (Centro Intercultural para Documentacion, run by Jesuit counterinsurgent Ivan Illich). CIDOC was one of the "mother" agencies behind the 23 de Septiembre terrorist gang in Mexico, which in turn was a feeder of Mexican-American recruits into the FALN circles in the western states.

If the FBI or the New York City Police Department were to even pursue the single case of Guzman, within weeks, sufficient evidence would be in hand to begin placing William Kunstler, Ramsay Clark and Noam Chomsky on the appropriate side of the prison bars.

—Jeffrey Steinberg

WORLD TRADE REVIEW

New trade deals

PRINCIPALS	PROJECT / NATURE OF DEAL	COST	FINANCING	STATUS
Turkey/USSR	Trade and development package, including Soviet nuclear reactors to Turkey, steel complex, and electricity.	\$8 bn	\$4 bn in Soviet credits	NAv
India from USSR	Soviets will build steel plant at Vishakapatnam. Output will reach 3.5 mn tons/yr.	\$2.75 bn	USSR credits	NAv
Spain from U.S.	General Motors will build auto plant in Spain.	\$461 mn	NAv	General agreement
Poland from France	Two French shipyards—Chantiers Navals de la Ciotat and Chantiers de l'Atlantique—will each build two 24,000-gross-registered ton container ships for Polish Ocean Lines.	\$260 mn	\$70 mn French government subsidy	Final contracts signed May 14
Iran from West Germany, France	Iran cancels two nearly completed Kraftwerk Union nuclear reactors (\$6.9 bn); two Framatome reactors that were at preliminary stages (\$2 bn).	\$8.9 bn	—	Payments to Kraftwerk Union repudiated
China from Japan	China cancels contracts let to Toyo Engineering Corp, Toko Bussan, C. Itoh & Co., and Mitsui & Co.—to build a petrochemical complex near Peking and one near Nan king.	Multi million dollar	—	NAp

Abbreviations:

U = Undetermined
 NAp = Not applicable
 NAv = Not available

Status:

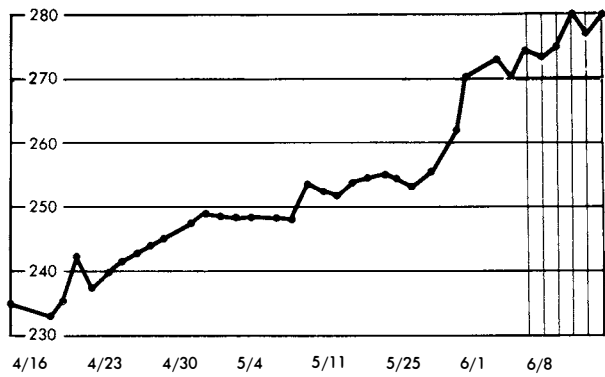
I = deal signed
 II = in negotiation
 III = preliminary talks

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Gold

London afternoon fixing

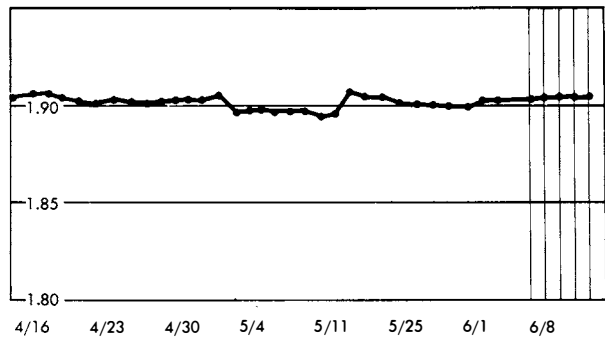
June 4	272.90
5	274.75
6	280.00
7	276.05
8	280.00



The dollar in deutschmarks

New York late afternoon

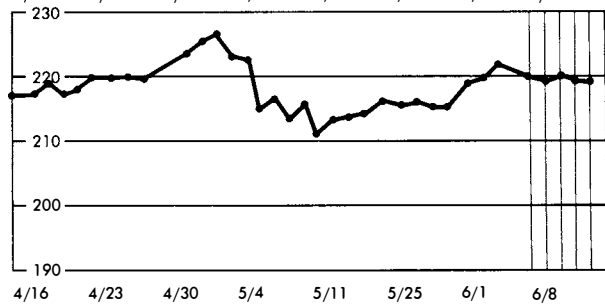
June 4	1.9114
5	1.9162
6	1.9125
7	1.9110
8	



The dollar in yen

New York late afternoon

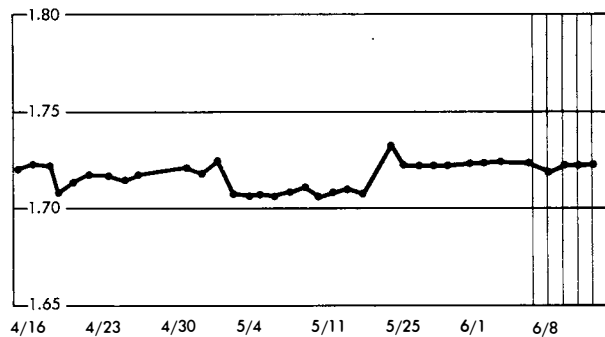
June 4	219.70
5	220.70
6	219.60
7	219.55
8	



The dollar in Swiss francs

New York late afternoon

June 4	1.7280
5	1.7332
6	1.7325
7	1.7305
8	



The British pound in dollars

New York late afternoon

June 4	2.0774
5	2.0806
6	2.0762
7	2.0690
8	

