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# **EXECUTIVE INTELLIGENCE REVIEW**

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# EXECUTIVE INTELLIGENCE REVIEW

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## IN THIS WEEK'S ISSUE —

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The European press has reported its **governments are dumping dollars**, buying gold...insiders say that the **OPEC oil ministers** meeting has resolved to donate little more than **peanuts** to the Rockefeller-IMF "Witteveen Facility" to **bail out the New York banks**...and step by step, the **Europeans, Arabs and East Bloc** nations are putting together a new **gold-backed international monetary system**. This week's **International Report** reviews the moves against the dollar in Europe...reports on **new international banking arrangements**...

\* \* \*

In a desperate eleventh-hour offensive to **cow the Europeans** back into line, the **Carter Administration** has precipitated an **international terror** wave...including the **assassination** of West German banker **Jeurgen Ponto** and the **FALN bombings** in New York City. U.S. Labor Party chairman **Lyndon LaRouche** is on the same "**hit list**" which targeted Ponto...LaRouche explains in detail the motivation for the "**hits**" in the **International Report**.

\* \* \*

Our complete coverage of the terror offensive includes the text of the **front-page**

**Atlanta Journal** article which described **successful USLP efforts** to send **special security** protection from the U.S. to LaRouche in West Germany...despite the **U.S. State Department's objections**. Plus a West German press account of the terrorists "**scorched earth**" policy...a **special memo on security** from LaRouche to **other targets** of terrorism...the "**anti-fascist**" cover under which the terror operation is being run...see **International Report**.

\* \* \*

The nosedive in the **U.S. stock market** for once accurately reflects the state of the U.S. economy...as **steel** and other **basic industry** heads into **collapse**...meanwhile the **foreign exchange** markets are experiencing storm warnings...see **Economics**.

\* \* \*

Congress has okayed **James Schlesinger's** new **Energy Department** giving the Administration the institution it needs to impose **massive austerity** on America's industry and population...Our **National Report** examines the **dictatorial powers** the new department will exercise...reviews the pronouncements — "**politics is calculated cheating**" — and career of the man who'll head it up.

INTER-NATIONAL
NATIONAL
ECONOMICS
ENERGY
MIDDLE EAST
AFRICA
ASIA
LATIN AMERICA

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**Henry Kissinger, Sen. Frank Church...and James Schlesinger all agree...the number one U.S. foreign policy objective is to **destroy** the **OPEC** oil producers. This week's **National Report** highlights the **newspaper columns** and **official statements** designed to put the USA on a **collision course** with the Soviet Union in the Middle East...**

\* \* \*

Secretary of State **Cyrus Vance's trip** to the Middle East is a resounding **success**...Vance went to set up the **preconditions** for a **new Middle East war**...he has now **manipulated** both **Arabs** and **Israel** into the frame of mind where war is increasingly probable...Egypt's **Sadat** was the first to walk into **Vance's trap**...see **Middle East**.

\* \* \*

The **Soviet Union** has launched a major **peace offensive** to try to cool out a second theater for the Carter crew's **war deployments**...the horn of Africa. Soviet-backed efforts to mediate the **Ethiopia-Somalia** conflict are underway...see **Africa**.

\* \* \*

The **Warsaw Pact** nations are now issuing **near-daily warnings** on the danger of general **thermonuclear war**. Our **Soviet Sector** report reprints the key excerpts from this unprecedented barrage of evidence that the **USSR will not back down** in the face of Carter

Administration provocations...**nor agree to "limited war"** on Rockefeller terms.

\* \* \*

How Europe and Japan are moving to overcome Carter's **embargo** on **nuclear fuel**...what's at stake in the **Rio Tinto Zinc affair**...why the U.S. is becoming **dangerously isolated** from the rest of the world on the nuclear power issue...see this week's **Energy** report.

\* \* \*

**Japanese business** is casting about for a way to save its industry and trade...as U.S. **protectionist** and other **threats** are issued to prevent Japan from joining the **anti-dollar bloc** in Europe...Meanwhile southeast Asian nations meeting at the **ASEAN summit** this week are looking to Japan and Indochina for **new trade possibilities**...see **Asia**.

\* \* \*

The Carter Administration has set up **conservatives** in the U.S. Congress to "**take the fall**" as it tries to provoke a crisis and possible U.S. military action over the **Panama Canal** treaty negotiations. Our **Latin America** report reprints the **Administration's scenarios**...written by **Nelson Rockefeller's** Commission on Critical Choices...provides a **chronology** of U.S. provocations, **biographies** of U.S. negotiators...**National Security Council** confirmation that the **crisis machinery** is in place...

# Europeans Announce A Decisive Break With Carter

The Western European press has made a collective announcement of Europe's final decision to break with the bankrupt dollar monetary system and the unhinged war policies of the Carter Administration, confirming beyond question the intentions of European governments — but just short of the necessary death blow against Carter's ability to unleash terrorism and war.

Early Aug. 3, the British Broadcasting Company radio news revealed that the Bank of England is selling off its dollar reserves and buying gold, the clearest public signal so far from the Western Europeans that they plan to replace the dollar with a gold-reserve monetary system. Yesterday, the West German industrialists' daily *Handelsblatt* reported from London that British financiers expected Arab oil-producing countries to begin demanding oil payment in gold, rather than the fast-depreciating U.S. dollar.

In Paris, representatives of the state oil company, the *Compagnie Francaise des Petroles*, and officials of leading French banks confirmed that negotiations were nearly complete on oil-for-gold arrangements with their Arab oil suppliers. On the world foreign exchange markets, the dollar resumed its plunge against the West German mark and other leading currencies after last week's brief pause. This time, according to reports in the financial press, the dollar collapsed because the British, West German, and other central banks had sold dollars to drive it down intentionally. The Soviet party daily *Pravda* gloated over appeals in the West German daily press for European banks "to adopt measures against the market manipulations organized out of Washington," adding that the West German central bank had stopped supporting the besieged U.S. currency.

To back up this monetary stance, the Europeans and Arabs have concluded agreements during the last two weeks which, taken as a whole, make up the skeleton of development banking arrangements, within the context of the emerging gold-based monetary system.

### *Critical Period*

What West German Chancellor Schmidt, French President Giscard, British Prime Minister Callaghan, and Italian Premier Andreotti have done is everything but to state publicly what the Carter Administration and every informed circle in world finance knows: that Europe wants out of the crumbling dollar empire and the psychotic war plans of Carter and Brzezinski. The world entered the critical period this week, and the time lapse before Europe decides for a break with Carter and a new monetary system, or capitulation and Carter's war, will be measured in days. If the European leaders crack

under the Carter National Security Council's threats, including personal assassination threats, the last opportunity to turn the world aside from the course towards war might be lost irrevocably.

Despite public lies about "benign neglect" and "unconcern" for the dollar collapse from the U.S. Treasury, Carter, Brzezinski, and Treasury Secretary Blumenthal know precisely what is at stake, and why they are sending assassins against their opponents. According to high officials at the Treasury, the rest of the world is preparing for the founding of a gold-reserve monetary system through gigantic shifts in national gold reserves. At the current rising market price for gold, at least \$146 today, the now-idle gold reserve of central banks would add \$100 billion to world reserves, the Treasury calculates. At least \$50 billion of this will be swapped between countries with large gold reserves, like France, Spain, and Italy, and countries with strong foreign exchange holdings but little gold, such as Japan, Britain, and the Arab oil producers. These swaps are already underway, preparing an even distribution of gold reserves required for the new monetary system.

As the West German daily *Handelsblatt* indicated, the fastest way to accomplish this massive redistribution of reserves is to price oil in terms of gold, or a gold-related Arab currency. Meeting in Vienna this week are central bankers and finance ministers of the Organization of Petroleum Exporting Countries (OPEC), charged by their countries with finding an alternative to conducting the oil trade in U.S. dollars, whose value is evaporating on the foreign exchange markets. The OPEC countries have not yet made an announcement in response to European proposals to exchange oil for gold. But sources close to the Saudi Arabian government, the largest of the oil producers, report that the meeting will not make any commitment whatsoever to the demands of the Carter Administration and the International Monetary Fund to use Arab oil revenues to bail out the New York banks' holdings of worthless debt paper.

In effect, the Arabs have already sealed Chase Manhattan's death warrant. They have yet to dump Rockefeller's dollar, and undermine the Carter Administration's plans to drag them into a new Mideast war. However, New York and Washington financial circles expect the rockslide against the dollar to begin at any moment. Congressional sources close to Senators Frank Church (D-Idaho) and Jacob Javits (R-NY), the leading Senate proponents of war against OPEC, say they expect a massive run out of dollar deposits in general, and OPEC deposits at the New York banks. The war-hungry Senators, these sources say, are desperately

looking for ways to prevent the banks going under when the Arabs "pull the rug out from under them." In New York, panic erupted at the New York Federal Reserve Bank Aug. 1, when a financial weekly, the Money Manager, disclosed urgent communications between New York Fed President Paul Volcker and Fed Chairman Arthur Burns on the precarious position of the dollar. Reportedly, Volcker warned that a continued fall of the dollar would provoke the Arabs to pull out of dollar assets, sending that currency under for the last time.

At their meeting in Vienna this week, the finance ministers of OPEC agreed to convene an emergency session and take action "to protect our incomes" if the dollar "fell below the danger point," in a Kuwait official statement cited in European media reports. Otherwise, the OPEC finance ministers conspicuously failed to make a commitment to the so-called "Witteveen facility" of the International Monetary Fund for balance of payments aid to faltering nations. Usually reliable sources report that the OPEC countries will offer a bare \$150 million to the facility — against Witteveen's original demand for \$10 billion. A State Department official deprecated press reports that the OPEC countries would grant \$2.5 billion to the IMF fund, saying that the outlook for the scheme is "uncertain." The \$150 million figure "might be right," the official said, "but we're hoping for somewhat more than that."

Although the Arabs are not willing to take public responsibility for collapsing the Eurocurrency structure, they are openly hostile to any measures that might stabilize it, and prepared to jump at the first sign of crisis. Witteveen convened a meeting of potential donor nations for Aug. 6 in Paris, virtually the last chance before the IMF's September annual meeting to put the facility together. From present indications, the facility will not come through, a major blow to confidence in the Eurodollar market and lending to Third World deficit countries in particular.

#### *Arab Banking Plans*

New monetary arrangements are already taking shape in the form of bilateral agreements between Britain, Italy, France and the Arab oil-producing countries to create new development banks. Aug. 3 the official monetary authority of the United Arab Emirates (UAE), a Persian Gulf oil producer, announced a fundamental reform of its banking system, with the object of providing liquidity for development loans to the Third World. Under the guidance of the Bank of England, the UAE Currency Board said, it will pursue a "hard dinar" monetary policy, and prevent international banks from using local liquidity for speculative purposes.

In a series of related developments, the Italians and

British are founding new banking institutions in common with the Arabs, following the creation of the Saudi-French Bank earlier this month, a partnership of the Saudi Arabian Monetary Agency and the leading French bank, Paribas. Italian press accounts say that Premier Andreotti, who leaves for Saudi Arabia Aug. 6, will set up a development bank with the Saudis. The new bank, according to the Italian daily *Corriere della Sera*, will fund three-way development projects including European industry, Arab oil-producers, and developing countries. In addition, *Corriere* reported, Andreotti is working with U.S. industrial companies to bring them in on the deal with Saudi Arabia.

With the aid of the Bank of England, OPEC investors have joined with Britain's largest bank, Barclay's, to create the new Allied Arab Bank in London. Funding for the new institution will come from financial groups in the Emirates and Nigeria. Especially significant is the fact that the capital of the new institution will be paid in pounds sterling — the first open resurrection of the British currency as an international instrument since the Bank of England took the pound off the dollar standard last week.

These parallel moves by European governments reflect top-level political coordination. What European governments and financial circles envisage is a monetary system that links a unified European currency bloc to a group of Arab currencies, with a common gold parity. Without difficulty, the Soviet bloc's transferable rouble, which has a gold content and gold parity, could be linked to the European-Arab arrangements, for purposes of three-way trade. The new gold reserve system would provide the liquidity for new joint banking arrangements between the Arabs and Europeans — and ultimately the Soviets — to finance an expansion of "hard-commodity" export trade with Eastern Europe and the Third World. If the world survives the decisive weeks ahead, Western Europe and its allies will have beaten the depression.

While the political role of the Soviet Union in these events has yet to be defined, *EIR* has obtained definitive confirmation from an array of Swiss financial sources that large-scale transactions are taking place between the Soviets, Arabs, and Europeans through the Zurich market. Swiss sources confirmed with some reluctance that Arab countries are building up transferable rouble accounts out of a pool managed by the big three Swiss banks for switch-financing purposes, with the encouragement of the Soviet monetary authorities. Rumors from Switzerland that the Soviets are becoming net purchasers of gold, rather than major sellers, appear to have been a disinformation cover for large-scale transactions involving the Soviet transferable rouble, which Mideastern investors did not wish to make public.

— David Goldman

# New Arab-Europe Banks Converge On LaRouche IDB Plan

Various financial agreements concluded this week reflect the motion of West European and Arab countries toward the implementation of U.S. Labor Party Chairman Lyndon LaRouche's private International Development Bank proposal. Although such a step-by-step approach is still inadequate to stop the dangerous initiatives of the desperate Rockefeller interests, its momentum is expanding every day, giving these forces tremendous offensive capacity against Wall Street forces tied to the dollar system.

Following last week's announcement of the creation of a Saudi-French Bank (Al Bank Al Saudi Al Fransi), Great Britain is now asserting its grip over the United Arab Emirates (UAE). The Bank of England is sponsoring a monetary reform aimed at reorienting directly toward Western Europe the important oil resources of these otherwise small countries. Various financial joint ventures are being worked out with local interests, including the reorganization of the London-based Edward Bates and Sons merchant bank, whose name will be changed to Allied Arab Bank.

Edward Bates had incurred substantial losses and surviving only through standby facilities to protect depositors provided by the Bank of England in conjunction with First Arabian Corporation, which holds a 25 percent stake in the holding company. Now, the bank will be bailed out by a consortium of investors led by Barclays Bank International, which is to take a 20 percent stake in the reconstituted bank, and including UAE-linked interests such as Al Mubarakah Finance Holding Company, Al Tajir Bank and Sanctuary Investments, together with the Al Hamdoulilah Finance Foundation S.A. from oil-producing Nigeria. Al Mubarakah Finance, registered in Luxemburg, is owned by a number of individuals prominent in Middle-Eastern finances, including the future chairman of Allied Arab Bank, Mr. S.K. Roushdi, and Mr. Shaker, who facilitated a big U.S. military deal with Saudi Arabia and has been an adviser to the Sultan of Oman. The Al-Tajir Bank, registered in the Cayman islands, is a private family concern of Mr. Tajir, the Ambassador of the UAE in London. Mr. Shukri, managing director of the new bank, stressed the Nigerian participation "because of Nigeria's importance as an African country and Arab interest in Africa."

The "Bates salvaging," as described by the British press, is all the more significant in that it ties together Arab, African, British and non-Rockefeller U.S. interests — represented by Mr. Shaker — led by a traditionalist British bank, Barclays, which has just been removed of the Arab boycott list. The new consortium will inject equity of 15 million — a capitalization made in pounds, not in dollars. The old Bates is then expected to become a major new commercial bank with emphasis on financing Anglo-Arab and African trade.

In tandem with the British financial operation, it was reported that the French government is becoming the

main armament supplier of the Emirates. A recent sale involves an unprecedented amount of modern weapons including Mirage jets and tanks. The contract was reportedly won over U.S. competitors.

Furthering the Anglo-French moves, Italy's Prime Minister Andreotti is going to be in Riyadh this weekend, reportedly to discuss the development of a new international monetary system and work out Italo-Saudi banking arrangements similar in purpose to the Saudi-French bank.

In another significant development, the Saudi and Moroccan governments have set up a joint investment corporation to develop direct industrial and financial cooperation between the two countries without World Bank or IMF interference. Agreements of that sort are being prepared by the Saudis with various other Arab countries with the assistance of financial experts hired from or provided by West European banks.

The Saudis are immediately investing \$100 million in Morocco to help build a port to handle phosphate exports. The Moroccans are in turn bailing out an important French company, Gazocean, by opening up a substantial phosphate contract in its favor and taking a 25 percent participation in it through their state-owned office Cherien des Phosphates. Gazocean will now be able to pay back its rescheduled debt to the South-African industrialist Louis Luyt, who recently denounced U.S. covert terrorist operations in South Africa in his publication, *The Citizen*.

The Third World angle of such arrangements has been made clear by an official declaration of the UAE government that the Emirates are more than willing to provide liquidities to help Third World development projects, but not for other purposes. It is moreover reported from Vienna that one of the main topics of the OPEC meeting there is how to participate directly in Third World development projects, without intervention of the New York-based international banks.

The West European banks are meanwhile solving their past conflicts with Third World countries. Exemplary is the agreement reached to nationalize Barclays Bank of Jamaica. Prime Minister Michael Manley told the Jamaican Parliament that letters of agreement would be exchanged and the final detailed accord signed in October. "We intend to use Barclays to direct savings and investments into critical production areas," he said.

In terms of new loans for development projects either in the Third World or concerning key European sectors, an interesting new pattern is emerging: West European and Arab banks are organizing their own consortia, coopting U.S. banks one by one, instead of the reverse procedure which occurred only too often in a recent past. Two key developments involve a "radical" Arab country, Algeria, which is now patching up its recent conflicts with Western Europe in general and France in particular. First, the state-owned Banque Exterieur d'Algerie



will offer a \$25 million five-year capital note through a management group led by Kuwait International Investment Co. and the Union de Banques Arabes et Francaises (UBAF), a financial joint-venture of French state-owned an Arab banking interests. Second, the Algerian state company Sonacome (mechanical engineering) is presently raising \$72 million for seven years, with the guarantee of the Algerian central bank and a syndicate led by Barclays Bank, Lloyds Bank International and the Pittsburgh Mellon Bank. In a similarly conceived operation, the French nuclear fuel processor Cogoma is raising \$52 million through a consortium led by France's state-owned Banque Nationale de Paris — known to be managed by pro-gold officials — and most of the French banks in alliance with Credit Suisse, Deutsche Bank and New York's Bankers' Trust. When asked why his was the

only U.S. bank part of the consortium, a Bankers Trust official stressed their "very good relations" with the French banking community and confirmed that the negotiations had been conducted in Paris — and not in New York or London — with the government of the French Republic.

Although they would deny the importance of these Euro-Arab moves in their public declarations, the New York bankers and related U.S. official circles admit in private that they are "extremely concerned." A top staff member of Senator Frank Church's Subcommittee on Economic Policy, which will meet on August 6, confided to a New York banker that their main problem was whether the Arabs are temporarily taking money out of the major U.S. banks or whether the withdrawals are to be permanent.

## Juergen Ponto Victim Of Carter Administration Assassination

*The following statement was issued on Aug. 1 by Lyndon H. LaRouche, U.S. Labor Party Chairman.*

Shortly before five a.m. this morning word was relayed to me from high-level sources of the best qualifications in the USA, that my own name was on a list of targets of persons to be killed in a wave of new "Baader-Meinhof" assassinations expected to be accomplished in West Germany during the immediate days ahead. Yesterday's victim, Dresdner Bank's Juergen Ponto, was on the same list.

My efforts to track down those who ordered Mr. Ponto's assassination by the government will be sabotaged through both U.S. State Department circles and through contaminated elements of the European nations' intelligence and security organization. Therefore, I am issuing the following vital information to aid relevant governments and honest intelligence and security agencies in tracking down those who dispatched the assassins against Mr. Ponto and to prevent the wave of "Baader-Meinhof" killings now operational.

I stress that my action is my own responsibility and not that of the Federal Republic of Germany (BRD) or other European governments. Although I and my associates are making our information available to all relevant agencies, that in no way implicates those agencies for those forms of anti-terrorist activity which I or my immediate associates take independently. So, therefore, the U.S. embassies in Europe need not annoy any European government concerning the fact of this press release itself.

Juergen Ponto,  
Man of Stature

I deeply regret that my knowledge of Mr. Juergen Ponto must now be forever limited to the fact that I and my closest associates have had a number of close

acquaintances with Mr. Ponto in common. Although Mr. Ponto and I have been on opposite courses on a number of conceptual and tactical issues, my knowledge of him is as a man of stature and extraordinary capabilities and usefulness. Europe and the world will be smaller without him.

Mr. Ponto and I may not have been direct collaborators, but we have worked in similar areas of concern and have acquired the same set of powerful enemies. In brief, the generic name of those enemies is the Carter-Mondale administration, the circles within and around that administration who ordered Mr. Ponto's assassination and who have ordered mine and that of a number of certain persons considered exemplary opponents of the Carter-Mondale administration's energy and monetary policies.

Through high-level contacts within the USA and other countries, I am most familiar with some of the areas in which Mr. Ponto was performing a crucial role. I know that he was involved in delicate, high-level financial negotiations in the Middle East and Latin America, working toward achievements which would have been to significant advantage of those countries and Europe. I know what was at stake in those negotiations, and know that every German worker who is unemployed or might become unemployed now has suffered an injury through the political murder of this outstanding European banker.

It is my informed estimation that Mr. Ponto was in the process of contributing to some of the greatest achievements of his life.

I am enraged not only because of the especially dastardly form of the crime, but because of those many others who are threatened with suffering and worse by the purpose behind this action. We stand close to the verge of thermonuclear war, and in this circumstance Mr. Ponto, working as a banker and a source of advice for European political figures, was contributing to efforts by which not

only could a deep depression be avoided, but his own nation, the BRD, be rescued from the danger of being transformed into a radioactive rubblefield.

I know who was ultimately responsible for the decision which set the assassination into motion. These gentlemen were, in part, Mr. Ponto's acquaintances. They were men who had broken bread with Mr. Ponto, who had maintained the forms of an amiable acquaintanceship with him, and who sent their degraded assassins, including an acquaintance of his family, to murder him

gangster-style. Those persons are not fit to be called men; they have the ethics of a common poisonous snake.

## The Killers

Let no one be such a donkey as to believe the press-fostered evil fairy-tale, that the "Weathermen," "Baader-Meinhof" and similar terrorist crime-series adventures represent independent bands of lunatics.

We know Lieutenant-General William Yarborough and

## What Ponto Had Accomplished

In Latin America, Africa and the Mideast, Juergen Ponto, the chief of West Germany's Dresdner Bank murdered July 31 by the terrorist Baader-Meinhof gang, had come to be known since 1974 as a "driving force" behind Western European efforts to create a new world monetary arrangement, based on a strong commitment to international industrialization. West German Economics Minister Friderichs stated Aug. 5 at Ponto's memorial that he was a "symbol for that layer of businessmen and trade unionists . . . who are responsible for the recovery period after the war, and the creation of wealth in our economy."

Ponto's most famous international activity had been his intense involvement in the export treaty between West Germany and Brazil for the construction of a complete nuclear energy and fuel generating cycle in Brazil, in overt opposition to the anti-nuclear energy policies of the Carter Administration. Since the October, 1973 international oil crisis, Ponto had cultivated close relations with the oil-producing and financially pivotal nation of Kuwait. At the close of 1974, he negotiated a politically groundbreaking deal with the Kuwaitis for their purchasing of a substantial holding in West Germany's Daimler-Benz auto manufacturing firm.

Since January, 1977, Ponto had traveled extensively around the world, opening branch offices of the Dresdner Bank in Paraguay, Canada, and Houston, Texas. He established business contacts with American industry in the south and southwestern states, and met personally with Alabama Governor George Wallace this past spring on the occasion of the opening of a branch firm of West Germany's chief gold and metal trading firm, Degussa Corporation, in Mobile.

Ponto's last major international appearance before this assassination occurred on July 6, in Luxemburg, at an international gathering organized by the Dresdner Bank discussing financial collaboration between European private banks and the International Monetary Fund. A number of chief Latin American banking spokesmen were in attendance, including representatives of the Peruvian Central Bank and the Brazilian Ministry for Industry and Trade. During the meeting, West German Central bank head Emminger denounced

proposals for a "coupling" of IMF deficit financing with private bank lending to developing countries, and was supported in this attack by the Peruvian and Brazilian spokesmen.

Since 1959 and throughout his career, Ponto was concerned with developing a concept of banking related to the needs of industrial development and corporate financing. In its memorial biography of the banker, West Germany's leading daily *Frankfurter Allgemeine Zeitung* asserted, "Ponto did not only think in banking categories. He thought industrially and was, as evidenced by numerous statements, conscious from the beginning of his career of the overall economic and social-political responsibilities borne by an institution of the size of the Dresdner Bank." He reorganized the Dresdner Bank in 1959 to accommodate these principles, and established closest working relations with the leading corporations Krupp, AEG Telefunken, the Quandt and Stinnes families, and the Thyssen steel combine.

His commitment to European economic unity was demonstrated by the following comment, quoted by the conservative daily *Die Welt*: "A situation of monetary cannibalism, in which everyone greets everyone else in a friendly manner, but at the same time, harbors secret thoughts, will not work in Europe." In speeches before bankers, such as in a noteworthy address delivered in Berlin in 1972, Ponto attempted to identify the social responsibility which banking and industry carry: ". . . we cannot free ourselves from the outlook of Emmanuel Kant that the necessity to make decisions goes beyond the ability to know."

In 1974, Chancellor Schmidt seriously considered appointing Ponto either Federal Finance Minister or chairman of the Central Bank. Though the appointment was not made, it is widely recognized that Schmidt consulted continuously with Ponto and that the Dresdner Bank has played a crucial role in facilitating the implementation of West Germany's nuclear energy programs. In addition to the bank's direct involvement in the Brazil deal, Ponto personally reorganized Kraftwerke Union, the leading nuclear reactor producer, from a major financial crisis, described by the *Frankfurter Allgemeine Zeitung* as perhaps the most significant act of his history.

other leading top-level terrorist planners and controllers who developed the computer systems, the training programs and other paramilitary procedures by which these terrorist gangs are controlled and deployed for these assassinations and kidnappings. We have repeated direct proof that when such terrorist controllers issue an instruction from their circles that Weathermen, Baader-Meinhof killers and similar groups deploy for precisely the effects those top circles prescribe. In such ways, we knew the essentials for the so-called Entebbe raid before it occurred, and key events in that escapade before those aspects developed. Our warnings were ignored and the action proceeded.

Don't tell us this is an "anarchist problem." If you believe such things you are a poor fool, lacking the intelligence necessary to survive in this day of Carter-Mondale-deployed terrorism. Any official who tells you we are wrong on this point is either incompetent in these matters or simply a liar.

These terrorist operations are deployed through two principal networks. The one side is made up of professional covert operations technicians, with military, intelligence, and security backgrounds. The other side is the assorted rag-tag of extreme-right or leftist Maoist and other zombies. Using the cover of the environmentalist-Maoist-anarchist "movement" as a whole, through use of controllers, computer psychological profiles and psychological conditioning, a certain "hardcore" of these groups is selected as the actual terrorists. These terrorists, aided by certain complicit attorneys and religious figures, as well as intelligence and security networks involved, use the mass of environmentalist, Maoist and anarchist lunatics as a cover. These terrorist operations are controlled in two immediate ways. First, within the hard-core networks there are controllers who supervise the groups, usually unknown by more than one or more in each group itself. The operation is also controlled by keeping the technical operations capabilities in a separate line of command, so that the guns and plans of operations including prepared escape-routes are made available to the terrorist zombies only for directed operations.

In this way, "need to know" is maintained. The "anarchist" doctrine functions in the manner of a "synthetic religion," or what linguisticians term a "belief structure." This "belief structure" provides the dupes with a kind of brainwashed "political" motivation for conducting the operations for which they are directed.

For example, when the command of the Anglo-American intelligence network responsible issues an order to kill Buback or Ponto, the terrorist is not told that he is killing Buback because Buback is considered in Manhattan as too hot on the trail of the actual responsables for terrorism, but that "Buback" is a "capitalist oppressor." When the Carter-Mondale administration decides to teach "teach Chancellor Schmidt a lesson on the issue of the Brazil nuclear energy program," the terrorist is not told that he is carrying out a hit for the Carter administration but that is killing a "class enemy." Otherwise, if a terrorist begins to learn too much about the operations in which he or she is being used, the tool is scrapped — and the press reports a

successful wiping out of some terrorist by police.

Although the intelligence networks behind these operations have a long history overall, the present form of the networks has evolved since a reorganization of the USA and NATO intelligence services by McGeorge Bundy, Robert Kennedy and others during the John F. Kennedy administration. The most visible part of the terrorist environmentalist network overall is the overt "mother" organization, the Washington, D.C. Institute for Policy Studies, co-headed by Kennedy administration intelligence operative Marcus Raskin and Kennedy administration diplomatic intelligence operative Richard Barnet. General Yarborough's work in the BRD and NATO intelligence during the period he was stationed on military duty in Germany is also relevant to the same overall operation.

The basic problem, the reason European nations have been generally unsuccessful in combatting terrorism so far, is that the mode of counter-terrorist operations has been a form of criminal-police security operation which may occasionally catch a few tools on the bottom or next-to-the-bottom levels, but which is inherently incompetent for reducing the problem itself.

The nature of the terrorist operations requires an appropriate form of counterintelligence action. Unfortunately, for partially obvious reasons, European governments refuse to undertake counterintelligence operations of the necessary form, since that means counterintelligence operations against elements within or associated with NATO intelligence itself. This refusal to deal with a NATO-linked counterintelligence problem leaves Europe almost helpless before the assassins deployed through NATO-linked agencies, including the ability of NATO-linked agencies to prevent regular police agencies from obtaining accurate information and to inhibit them from following up leads which NATO-linked intelligence agencies do not wish explored.

## How To Root It Out

If I, for example, were given the authority, using the facilities and legal procedures which already exist in Western Europe, I could clean up most of the terrorism within a month, and root out some of the worst immediate problems earlier. This would ofcourse, depend upon the willingness of governments to take certain measures for which existing laws are entirely adequate.

The basic procedure ought to be obvious. Put the entire Maoist-environmentalist strata under containment-de-stabilization operations, simply using legal methods of surveillance, questioning, and arrests to disrupt the ability of the networks to be deployed in an effective way by the controllers. Isolate the controllers, by setting up a new line of command from the government down through to local police agencies, short-circuiting all of the contaminated command-structure through which governmental counter-action against terrorists is now largely neutralized. Finally, instead of working outward from the perspective victim in a "Maginot Line" form of anti-terrorist defense action, squeeze inward on the Maoist-environmentalist cover environment upon which the action groups depend for cover and maneuverability, thus isolating the terrorist groups.

Don't sit in foxholes, waiting for the attack; hit the enemy at his in-depth capabilities for deployment and in his essential command-and-coordination structure. Treat the security problem as the counterintelligence equivalent of a military operation.

Give me a handful of top intelligence, security and general officers I could absolutely trust, and I promise the governments involved, the mess would be cleaned up within existing law.

## Purpose Of The Assassinations

The murder of Juergen Ponto, the deployment of German Maoist-terrorists — partially via the Swiss border — against the French Super-Phenix site, and the current trip of U.S. Secretary of State Cyrus Vance to the Middle East are all coherent parts of the same package-operation, which includes a pending SATO-linked operation in Latin America.

It is clear, from gridding crucial, largely unprecedented warning-statements in the Warsaw Pact press over the weekend that the Soviet and Warsaw Pact commands are fully aware of the essentials of this Carter-Mondale deployment. We are, in fact, inches from an attempted Carter-Mondale thermonuclear bluff which means intercontinental general war as early as the month of August. The murder of Juergen Ponto, which is a symbolic assassination of Chancellor Schmidt, Apel, Friderichs, Stoltenberg and others, and the further crucial assassinations projected as part of the same list, including my own projected assassination, are an integral element, a "wild card" operation added, in the movement toward the greatest moment of horror in all human history to date.

Those with the proper backgrounds will recognize what "wild card" signifies in respect to the assassination of me which has been planned at the highest levels of the Carter-Mondale administration, with NATO intelligence cooperation, for some weeks at the least. So if I am assassinated "Trotsky-style," do not be distracted from the true authorship of the operation. I am expecting both a Baader-Meinhof or Trotsky-style attack as the most probable alternatives on the basis of the information available to me and those with whom I and my associates have consulted on evaluating information received. Juergen Ponto's murder was a "wild card" modus operandi, as any qualified reader will immediately recognize.

The "wild card" tactic is not only a professional method of covert assassination operation, used against Trotsky by "Comintern"-conducted Anglo-American intelligence, but also aides in stimulating paranoid fears among a maximum number of observers in key governmental and other positions.

The Vance adventures in the Middle East are part of a "bust OPEC"—"crush Europe and Japan" operation adopted by USA Senators Jacob Javits, Frank Church and by those financial circles of Manhattan and Chicago (in particular) for which those Senators were acting as spokesmen in recommending such a policy. Combined with the Latin American operation and the escalation of confrontation in the Horn of Africa, these deployments are also part of a projected thermonuclear confrontation

which, on presently operational course, means war most probably during August. The "crush Europe" is not only an independent objective of the relevant Manhattan financial circles, but is also a vital strategic element in a projected confrontation with the Warsaw Pact.

European governments and others must, in this crucial moment, understand that Clausewitz was vitally correct in defining war-avoidance as an organic part of strategy, and in emphasizing those qualities of strategic command which have so far not generally been shown by European and other sane governments and parties.

## Fight For Peace

Have no illusions. When men choose war, either by election or default of action to prevent it, they can not choose the course war will follow. If war breaks out, war will be fought to win at all costs. In war, the fundamental danger is that of losing the war. There will be no conventional war in Europe, no tactical-nuclear-augmented form of conventional warfare until after the United States has been destroyed as a nation and the battlefields of Central Europe have first been prepared for assault by paving these areas with maximum saturation with atomic, bacteriological and chemical warfare "artillery" capabilities. Whoever would not fight war in that way, on those terms from the beginning, must therefore be assured of losing the war. Hence, that is what war would be, and nothing else.

To fight for peace, to avoid war, the political and military commanders must first look into the radioactive bowels of Hell. Once they have faced the Hell of war as it must be fought, let them imagine themselves in the middle of that war thinking back to the time they might have prevented it. Let them focus that foreseen passion of embittered regret on the present moment, and let them act to prevent war with that same ruthless, grim determination with which war would have to be fought.

A government which will not prevent its nation from being destroyed, for fear of angering the Carter-Mondale administration is a government which lacks the moral fitness to survive. A nation which tolerates such a policy in government is a nation which has lost the moral fitness to survive. Such a nation, in these times, will surely die.

Some Italian parliamentarians relayed the message to me recently. "On strategic and economic questions you are completely right, but in your ruthlessness toward the Carter administration you are 'too tough.' We are not prepared to be so 'tough.'" Are Italy's parliamentarians now still persuaded that I am "too tough," or have they — and others — been lacking precisely that quality of toughness of strategic resolution to save their nations from the looming radioactive fires of Hell?

Catch the zombie assassins of Juergen Ponto by all means. But capturing those poor, degraded wretches does not really deal with the problem. Will you allow the leaders of nations to be shot down and merely arrest the pathetic tools used by the actual murderers? A nation which will permit such a charade of justice has lost its soul, its qualifications to survive.

Look then at the faces of ordinary working people and other Europeans as I see those faces. See the faces of my fellow American citizens as I see them before me now.

See those faces, those trusting faces obliterated by radioactive Hell. Those of us who in one capacity or another are the leaders of the OECD nations have above all the moral responsibility to fulfill the trust those ordinary Europeans and Americans have placed in us. We carry as our moral responsibility the hopes of all the genera-

tions before us, the anxiety of the present and the possibility of the future. If we can not act to deal properly with the real assassins of Juergen Ponto under these circumstances, our culture is not fit to survive — *and it will not survive!*

## Send Security To LaRouche Over State Dept. Sabotage

The U.S. Labor Party and U.S Whig forces gained an important victory during the 24 hours between 2 PM August 2 and the afternoon of August 3 as a nationwide political mobilization forced the Carter Administration to back down from its attempt to bar security specialist Captain Larry Cooper from going to Wiesbaden, West Germany, where he is coordinating security measures against a threatened assassination of USLP chairman Lyndon H. LaRouche by the Interpol-deployed Baader-Meinhof terrorist gang.

Captain Cooper, the aide-de-camp to Mitchell WerBell III, the foremost expert on security and counterintelligence in the United States, arrived in Wiesbaden to begin his assignment early on Thursday, August 4. WerBell announced August 2 that he has been officially retained to provide physical security for LaRouche, and that he will go to Wiesbaden shortly to personally arrange security for the USLP chairman.

The first results of Captain Cooper's work with LaRouche and European and U.S. Labor Party security specialists have established that the profile for the terror operation is a massive bloodbath directed particularly against industrialist and financier circles. Operated out of the Zbigniew Brzezinski-controlled Baader-Meinhof gang, environmentalist and Maoist terrorist networks, the bloodbath is being run under the "belief structure" profile that "LaRouche is another Hitler." In Europe, evidence points to Switzerland as a probable base of operations, with West Germany and Italy as the principal target locations for the first wave of the bloodbath.

The profile conforms with the renewed wave of terrorist FALN bombings August 3 against prominent corporate headquarters and one Department of Defense installation in New York City. It also corresponds with current operations against the Labor Party leadership.

WerBell's decision to accept the assignment to protect LaRouche came after high level intelligence sources warned over the July 30-31 weekend that the Carter-Mondale Administration has placed LaRouche's name high on a list of some 40 to 100 individuals in West Germany who are assassination targets in a "wild card" terrorist operation. The operation is being run through the Rockefeller's Interpol and Institute for Policy Studies terrorist networks, in an attempt to terrorize Europe away from its moves to break with the U.S. dollar.

It has been determined that the main element in the Federal Republic responsible for the terrorist operations is the so-called Willy Brandt wing of the Socialist Inter-

national, typified in Italy by elements associated with Socialist Party faction leaders Lombardi and Craxi.

### USLP Leader, Anti-U.S. Industrialists Targeted as "Fascists"

The deployed IPS-Interpol terrorist networks and their broader environment are currently being put through a belief structure mode of conditioning in which LaRouche in particular is cast as a fascist and in which industrialists and others working towards the creation of a Third National Bank and an International Development Bank are likewise cast as fascists.

The evidence corroborating this profile and confirming the precise network connections to U.S. National Security Council chief Zbigniew Brzezinski is the following:

In the United States, the "LaRouche is another Hitler" line is being circulated by the Socialist Workers' Party (SWP), the affiliate of the Fourth International in Western Europe run by NATO intelligence agent Ernest Mandel. In the July 22, 1977 issue of the *Militant*, the organization's newspaper, the SWP attacks the U.S. Labor Party call for a Whig coalition in the USA, calling the Labor party a "fascist-like group." The article states: "The USLP has all the earmarks of a fascist gang, even down to the use of phony radical rhetoric. Hitler's Nazis used the same trick, even putting the word socialist into the name of their party."

The "LaRouche is a fascist" line first surfaced in a published slander of the U.S. Labor Party appeared last year by an Institute for Policy Studies front, the "Terrorist Information Project," entitled "Brownshirts of the 70s." That publication specifically targeted the USLP for physical attacks by various terrorist countergangs.

In West Germany, during the period in which the "hit list" has been known to be in operation, a number of European Labor Party organizers have been approached by well-dressed men who then say, "LaRouche is bright, but he is like Hitler." Public statements conforming to this line have been recently issued by Erhardt Eppler, the Social Democratic Party Chairman in Baden-Wuerttemberg, who characterized the ELP as supported by right-wing elements and industrialists, and by SPD Executive Committee member Horst Ehmke.

This operation coheres with parallel statements from Klaus Croissant, known to be the field controller of the Baader-Meinhof and related Interpol terrorist units.

Croissant, speaking on Swiss and French media following his escape to France from West Germany last month, stated, "The people who are doing this fight, who assassinated Buback and Ponto, are in the same situation as the resistance in Germany during the 1930s. They are fighting fascism..."

The network broadly associated with Croissant, with the French gutter "philosopher" Jean-Paul Sartre, and with Rand-Massachusetts Institute of Technology brain-washer Noam Chomsky initiated the "LaRouche equals Hitler" formulation. Specifically, Professor Heinz of Düsseldorf University is the originator of the profile. Heinz is known to collaborate with the Sigmund Freud Institute in Frankfurt, and with a network of sociologists and psychologists which directly controls and provides cover for the Baader-Meinhof. These individuals include Dr. Mitscherlich of the Sigmund Freud Institute, Prof. Seifert of Hannover University, Peter Brueckner of Hannover University, and Johannes Agnoli of the Berlin Free University. The latter was one of the 48 professors who publicly issued their support for the Buback assassination. Jochen Steffen, head of the JUSOs, the SPD youth organization and member of the Central Committee of the Social Democratic Party, is also implicated.

The pattern of conditioning in West Germany is further evidenced by the recent resurgence of Hitlerphobia through the activities of the author and movie producer Fest, who recently released a book and movie on Hitler. Fest, writing this week in the *Frankfurter Allgemeine Zeitung*, defends the provoking of a "Hitler debate" based on the "danger of a resurgence of a guy like Hitler who proposes simple solutions."

## Maximum Security Required

For any trained analyst reviewing both the pattern of media and related "conditioning" and the recent movements and actions of the Baader-Meinhof and related terrorist units, the following conclusions are immediately obvious:

(1) The crucial belief structure themes are fascism and industrialization. The targets of the attack are, therefore, a broad layer of individuals and institutions targeted through their association with these key themes.

(2) The broad "thematic" focus of the conditioning can only conform with a massive bloodbath mode of deployment, with the immediate potential targets focused on West Germany and Italy.

The immediate potential target list, therefore, is to be seen as any individual or institution on the Blumenthal "Enemies List" that can be directly or indirectly associated with the Hitler or Mussolini regimes. West German Chancellor Helmut Schmidt, a former intelligence officer during World War II, is a relevant example of targets, as is FIAT President Agnelli.

Individuals conforming to such a profile must be provided with all maximum security measures. Institutions and personnel associated with targeted individuals likewise are to be considered as targets for a bloodbath.

The first victim of the terror wave was banker Jürgen Ponto, chairman of the huge Dresdner Bank, who had been leading efforts to move West Germany out of the

dollar orbit at the time of his death. Ponto was gunned down in cold blood in his home on July 30 by a Baader-Meinhof hit squad led by Susanne Albrecht, the daughter of one of Ponto's friends, who has been known to and surveilled by West German police as a participant in international terrorist operations since 1973.

LaRouche's name is on the list due to the Rockefeller's fear and hatred of his private International Development Bank proposal, which is the basis of current international moves away from the dollar.

While Europe has reacted with unconcealed rage at the latest Rockefeller-Carter ordered murder, WerBell's acceptance of the LaRouche assignment marks the first clear public break by U.S. Whigs away from the defensive, foxhole mentality which has hitherto dominated their resistance to the fascist program of the Carter Administration. While many Whigs had signaled their cautious agreement with the controversial Labor Party chairman's proposals in private, until WerBell's announcement yesterday that he would provide protection for LaRouche, there had been no clear manifestation of Whig determination to resist the Carter Administration's blatant attempts to do away with the U.S. Constitution. Prominent among U.S. conservative lawyers, WerBell's career as a military officer, geopolitician, counterinsurgency expert and special weapons designer, dates back to his World War II service in the Office of Strategic Services (OSS).

## Whigs Put To Test

The Whigs' determination was immediately put to the test yesterday as the Carter State Department, in an extraordinary and flagrant violation of its own normal procedures, moved to block the departure of Capt. Cooper for Wiesbaden by denying him needed special clearance. State Department officials clearly implicated Interpol in the delay by subjecting Capt. Cooper to extraordinary detailed interrogation on his planned activities, including the question, "does this (trip) involve Interpol?"

At the same time, State Department officials made a series of highly irregular calls throughout the day to political and other figures in Georgia, where WerBell is based, to make inquiries concerning the nature of Cooper's business in Wiesbaden.

Between 2 pm yesterday and this afternoon, when State Department officials complaining of "extreme pressure" finally approved clearance, calls by congressmen, congressional offices, journalists, and angry citizens reportedly tied up a significant part of State Department operations. Earlier in the day, Captain Cooper filed a formal complaint against the Passport Office (just purged by Carter) and had threatened to bring suit against the State Department for violation of his rights.

The impact of the Whig mobilization was already evident in the Senate Aug. 3, where USLP spokesman Susan Kokinda testified before the Environmental and Public Works Committee and brought up the terrorist threat to LaRouche and others. West Virginia Senator Jennings Randolph, presiding at the hearing, congratulated her on the statement, and ordered that it be printed up for distribution to all Committee members as a matter of "extreme importance" demonstrating the "extreme gravity" of the present situation.

## Interpol Targets LaRouche

In West Germany, the Wiesbaden headquarters of the European Labor Party, where LaRouche is currently staying, has been subjected to constant surveillance and harassment by Interpol and the West German *Bundeskriminalamt* (BKA), or Federal Criminal Bureau — the Interpol-linked federal police agency which is now under fire in West Germany for protecting the Rockefeller-Interpol terrorist networks.

ELP Chairman Helga Zepp was unexplainedly cut off twice as she attempted to discuss the threat to LaRouche with BKA officials. And an ELP member in Milan who attempted to telephone the Wiesbaden ELP headquarters was instead connected to the Wiesbaden office of Interpol. Concern for LaRouche's security is heightened by the presence of a large NATO installation in Wiesbaden; NATO intelligence has been intimately involved in the Interpol-IPS terrorist operations in Europe from its beginning.

Moreover, the BKA has refused to provide any security for LaRouche or to cooperate in any way with ELP officials, despite the fact that it is in possession of the terrorists' "hit list" bearing LaRouche's name.

The Bundespost, (federal communications) executive is presently also suspected of complicity in conscious reduction of security for LaRouche through harassment of LaRouche's communications in the Federal Republic. Evidence of this has been obtained in the cases of the Ruhr region and the cities of Wiesbaden and Bremen.

Members of the Baader-Meinhof spinoff group called "Red Morning" who have claimed credit for the Ponto murder, called news agencies on August 2 and threatened that "more members of the exploiting class will be executed" unless their demands for immediate release of all jailed terrorists is met.

But the once docile West German press has reacted with rage at the latest round of terrorism, which follows on the April murder by terrorists of West German Federal Prosecutor Siegfried Buback.

Little effort has been made to conceal the Interpol links to the operation. The prestigious *Frankfurter Allgemeine Zeitung* yesterday pointed out that the West German terrorists pass with impunity across the borders between various European nations — which Interpol is supposed to watch.

*Handelsblatt*, West Germany's major industrial and commercial daily, lashed out yesterday at the BKA for refusing to divulge information in their possession concerning the activities and movements of the Baader-Meinhof terrorists. The newspaper went on to demand that the individuals on the terrorists' "murder list" must be immediately informed by the BKA as to the existing threat to their lives.

## Who The Terrorists Are

The layer of terrorists who carried out the Buback murder in April and last weekend's Ponto murder are the "third generation" of a line of terrorists whose roots go back to the early 1950s creation of the "SoPo" grouping within the West German Social Democratic Party (SPD) by Ernest Mandel, Peter Von Oertzen and others under

the direction of NATO political intelligence officer Paul Henri Spaak.

During the late 1960s, behavior modification techniques were used under NATO auspices by Heidelberg University psychiatrist Dr. Wolfgang Huber to constitute the Heidelberg Socialist (Mental) Patients Collective. "Members" of the collective were subjected to behavior modification, provided with weapons and demolitions training, etc., and deployed into various anarchist and Maoist formations, particularly the terrorist Baader-Meinhof gang.

Several leaders of these gangs were direct associates of the Institute for Policy Studies, and were officially listed in IPS rosters during the period of intensive terrorist activities by the Baader-Meinhof, the Maoist *Kommunistische Bund Westdeutschlands*, (KBW), etc.

The first generation of these zombies was that characterized by the flamboyant "Red Rudi" Dutschke, who received international attention during the 1968 student protests, the second was the Baader-Meinhof terrorist gang, led by now deceased Ulrike Meinhof and imprisoned Andreas Baader.

## Interpol-Free Probe Needed

Despite the protests of the West German press, the BKA is continuing to exert a dragging effect on the Ponto case. The BKA professes to be unable to find Miss Albrecht — although she has been under surveillance since 1973, when she loaned her passport for grenade-running into Beirut — and has made only one arrest in the case. Furthermore the BKA continues to circulate its cover story that the Ponto murder — a deliberate, professional execution — was really a botched kidnapping.

LaRouche has demanded that the West German and other European governments execute an immediate campaign to clean up the terrorists. Such action, LaRouche has stressed, must be uncontaminated by police and intelligence agencies controlled by Interpol. To clean up the terrorists, LaRouche stated, means going after their protectors. The U.S. Labor Party chairman charged that in Italy, Socialist Party figures Bettino Craxi and Riccardo Lombardi and U.S. Ambassador to Italy Richard Gardner are involved in the protection of and deployment of Europe's terrorists. Investigation must also be pursued against certain high-level individuals in the Social Democracy whose names are known to the BRD government.

In the U.S., the Congress has both the responsibility and the authority to move for a full investigation to root out the terrorism, both because the involvement of the Carter Administration in the ugly murder of Ponto and threatened murder of LaRouche and others to protect the New York banks, and because of the deep and long-standing involvement of the U.S. creation NATO in the violence sweeping Europe today.

Police officials in New York City have already apprehended one suspect in the FALN bombings, one David Perez. Perez has longstanding links to Institute for Policy Studies terrorist operations. A former "defense minister" of the IPS and Ford Foundation-linked "Young Lords" terrorist organization of the late 1960s, Perez was involved in a 1969 "peoples church" takeover in New

York's East Harlem. That takeover eventually led to the formation of the Lincoln Detox Center in the Bronx which was the site where the "Black Liberation Army" terrorists were trained in preparation for their spree of police killings in 1972. Perez was arrested in a "safehouse" stocked with FALN propaganda — a safehouse rented by a Lincoln Detox staffer.

The U.S. Labor Party has periodically briefed responsible New York Police Department officials on aspects of the Black Liberation Army and related terrorist cases which have come to the party's attention through its investigations of the Institute for Policy Studies and other Rockefeller-linked intelligence operations.

Local New York City investigators had linked the FALN terrorists to the Episcopal Church and to Rockefeller's "Interchurch Center" and World Council of Churches prior to last week's bombings. Grand juries in-

vestigating the case in both New York and Chicago were known to be dissatisfied with the pace of FBI efforts to apprehend the FALN, which was responsible for a fatal bombing at New York's Fraunces Tavern in 1974 and other terrorists acts.

Following the latest bombing and prior to the Perez arrest, New York City Mayor Abraham Beame scored the FBI for its lax surveillance of known FALN members.

In a statement issued August 4, LaRouche commented: "Once we're out of this, we're going to stamp out terrorism once and for all, even if we have to step on a few toes to do it. Terrorism such as the obscene murder of Dresdner Bank official Jürgen Ponto, and the targeted assassination of other bankers and industrialists cannot be tolerated. The creatures who are carrying this out don't seem to realize that their action can lead to nuclear war."  
— Paul Arnest

## FAZ On The Terrorists 'Scorched Earth' Strategy

*A leading West German daily, the Frankfurter Allgemeine Zeitung, published this analysis of terrorist deployments in its Aug. 2 issue.*

Susanne Albrecht and two of the three women with whom she was put in contact after the murder of the banker Jürgen Ponto, had until recently been working in the Stuttgart office of Croissant, the lawyer who has fled to France. This adds still more strength to the suspicion that a new headquarters of West German terrorism has been formed either in or in the vicinity of this office. The assassins of Federal Prosecutor Buback and of his two escorts used the community of Sachsenhain just outside of Stuttgart as a base of operations for their crime. The "letter of acknowledgment" which explained the reasons for the deed closely resembles the speaking style of the Stammheim prisoners around Gudrun Ensslin and Andreas Baader, or of the persons outside this prison with whom they are in contact.

The alleged murderers or accomplices arrested and jailed following the successful dragnet — who all belong to a grouping around the lawyer Haag, who was arrested in 1976 — indicated their urgent desire to be transferred to Baader at Stammheim — a desire whose realization was to be helped along by means of hunger strikes.

It seems that the Baader-Meinhof Gang has not lost any of its attractiveness for politically motivated criminals, and there also seems to be evidence that the Stuttgart legal office has made a considerable contribution to this.

With regard to the activities we are observing, we must, however, differentiate between those of a propagandistic nature, and those aimed at preparing or carrying out a criminal offense. The fact that in the case of the headquarters in Stuttgart — or at whatever location it happened to center around — both aspects are co-existent, must give pause for thought. Put in this context, Croissant's disappearance over the French border is also placed in a new light.

Normally, the proximity of direct action jeopardizes the possibility for propagandistic work. Croissant's "International Committee for the Defense of Political Prisoners in West Europe," whose "BRD Section" resided at his Stuttgart office, coordinates all efforts to put into motion an international movement of sympathy for the "Red Army Fraction" (RAF) and the prisoners from this circle. Their main theme in the past has been their attempt to push the thesis of the alleged murder of Ulrike Meinhof. Besides this, the lawyers working with Croissant — Arndt Müller and Arnim Howerle — did intensive legal work in order to remain in touch with the RAF members incarcerated at various locations.

The terrorists consider these and other activities to be extremely important. It is all the more surprising, then, that they should forego the basis of the office's potential influence, by using it also as a center of direct actions.

If this holds true for the assassination of the federal prosecutor and for the tragic outcome of the attempted kidnapping of the banker Ponto, then this would indicate a readiness, at least with respect to the Federal Republic, to follow a scorched-earth policy for the sake of direct action, i.e., to carry out actions without any consideration of the on-the-spot consequences. The result of such a strategy would be, for example, giving up a base of operations as soon as someone has worn it out. Croissant's retreat to France could be understood in this way.

One could have also already figured out such a strategy from the last press statement from Croissant's office and from the documentation available with it. The documentation consisted of letters by Ulrike Meinhof written during the last years before her suicide. These letters were passed around among the Baader-Meinhof prisoners through the "Info system." The closest confidants belonged to the circle of recipients known as "Info I." The most general items were passed along "Info III."

A string of lawyers participated in this Info system. A



couple of these lawyers are awaiting trial, because they are being accused of contributing to the establishment of a criminal conspiracy, in prison yet, through "Info" Croissant has also been charged with this crime.

On the other hand, several attorneys, among them is Baader-Meinhof defense attorney Kurt Groenewold, who was indicted in Hamburg in connection to the Info system, have said that Info just helped the preparations for the trials of those accused in the terrorist trials. To the extent that attorneys acted as messengers for "Info," then these actions are to be viewed as legal defense activities.

This viewpoint comes in for some pretty rough sailing through the publication of the Meinhof letters. In them, one can read the threats and the condemnations made by the prisoners, which precisely correspond to the image that the Federal Attorney General's Office has had of "Info" for years. Forwarding these letters by Meinhof did not contribute to any of the tasks in the trial. Their publication and distribution hurts Groenewold, hurts a string of attorneys, and even hurts Croissant, to the extent that he is still interested in a legal viewpoint. This obviously serves the purpose of representing things in such a way that defense activities for the RAF in the BRD will be impossible....

The publication of the Meinhof letters then appears to have the function of destroying the cover for everyone who was involved in the Baader-Meinhof affair. What the people in Stuttgart have done is to give up the image that was patiently constructed over the past years of an Ulrike Meinhof who was almost similar to Jeanne d'Arc,

in order to make clear the total confrontation between the RAF sympathizers and members on one side, and the state and its organs on the other side. What this is decisively is the abandonment of the strategy of smuggling information semi-legally and the abandonment of an increasingly questionable legality on the part of judicial or non-judicial Baader-Meinhof helpers.

But what has also been abandoned is the possibility of open or semi-open work in the BRD. Even existing posts will be closed down. This has been communicated in letters and statements in the newspapers of the anarchist sub-culture such as "Plasterstrand", or the Berliner "Info about the undogmatic groups" and even in the "ID, the information service for underground news."

The terrorists live without being noticed and without strongly organized or dogmatic ties to the anarchist scene — they form groups, if at all, around keeping up contact with those in prison, and they only appear spontaneously. The active core of the terrorists operates from foreign countries, and withdraws to foreign countries. The centers of the organization are in the large northern Italian cities. There is where the terrorists find the environment in which they can live without danger.

The events of the last half year have shown that German terrorists have first of all given up the attempt to establish inconspicuous or camouflaged centers in Germany. Therefore, Susan Albrecht could use her correct name without any second thoughts, and make use of her personal acquaintances: for these people, the Federal Republic and the circles that are known to them there are scorched earth.

## Atlanta Journal Breaks LaRouche Assassination Plot

*The following article, reprinted in its entirety, appeared on page one of the flagship newspaper of the Cox chain, The Atlanta Journal, on August 4, under the headline, "Cops, Cloak and Dagger Tale" by Charles Hayslett.*

\* \* \*

*"It started with a phonecall from a political party leader to Mitch WerBell, led U.S. State Department and Powder Springs officials down a trail of confusion and ended with one police chief befuddled and one policeman on a plane to Germany."*

WASHINGTON — John Eidson was confused. All he did was leave town for a couple of days and by the time he got back, well, things just weren't the same. The tip off was the State Department call. All over the world people get calls from the State Department every day but John Eidson is the chief of the Powder Springs Police Department where he has fourteen officers and tries to keep the peace in a small town in western Cobb County. He hardly ever gets calls from the State Department. The call came Tuesday evening, Eidson had just gotten back to Powder

Springs from a trip to Calloway Gardens and a conference of Georgia Police chiefs. When he left town Sunday afternoon everything was fine. Now, the strange caller said one of Eidson's officers, a man named Larry Cooper Captain Larry Cooper to be exact, was at Kennedy Airport in New York trying to fly to Frankfurt without a passport. Could or would Chief Eidson confirm that Capt. Cooper was indeed a member of the Powder Springs Police Department who was on a special assignment to Germany. Stunned, Eidson wouldn't. "This is Powder Springs and we are city police officers," he told a reporter Wednesday night. "Our jurisdiction don't hardly extend to Germany." "I didn't know what the hell was going on," he added. What was going on was bizarre enough as it was and it would have been truly amazing if it weren't for the fact that Powder Springs is the mailing address for one Mitchell L. WerBell III. Now 59, WerBell is commonly referred to in the press as a "Cobb County munitions dealer". That is something of an understatement. WerBell is a swashbuckling soldier of fortune whose name through the years has been associated with so many cloak and dagger tales and high adventures that

nobody believes him any more when he says he is not working for the C.I.A. — or when he says he is working with the C.I.A. either.

"You know the joke about old spies," he said Wednesday afternoon. "They trip over their cloak and fall on their dagger."

His activities have earned him the continuing scrutiny of a number of government agencies and not a little national press coverage. Indeed the current issue of Esquire magazine features a major piece on WerBell and a nifty little machine gun he helped develop.

"This man," says Esquire, "inhabits an elegant but opaque world."

The story of Larry Cooper's trip to Germany gets opaque at times too. Nevertheless, what happened was this: On Sunday or Monday, apparently after John Eidson left his post for Calloway Gardens, WerBell got a call from representatives of the U.S. Labor Party. WerBell had talked to them before. The U.S. Labor Party used to be considered a leftist organization of little note but not now. If the spectrum of political philosophies can be viewed as existing not on a straight line but on a not quite completed circle with the far left and the far right at the circle's unjoined ends, then it might be said that the Labor Party has bridged the gap and is now a right-wing organization of little note. At least it has convinced some people that this is the case, among them Mitch WerBell.

"I wouldn't even talk to them at first," said WerBell, a virulent anti-communist, "but they ain't left-wingers. They're a little to the right of Larry McDonald and I don't know how you get to the right of Larry McDonald."

Like most groups, the Labor Party has a leader. His name is Lyndon LaRouche and he ran for president in 1976. LaRouche lost and is now supposedly in Wiesbaden, West Germany where, according to Labor Party representatives here, he is trying to pull together a worldwide coalition to establish a new monetary system. The new monetary system, according to the Labor Party, is the only way of saving the world from economic ruin. Naturally this movement has its critics. Foremost among them are proponents of the present world monetary system, says the Labor Party, including the Rockefellers whose Chase Manhattan bank allegedly would collapse under this new system. Several years ago David Rockefeller established an organization called the Trilateralist (sic) Commission concerned with global politics and the inadequacy of institutions to deal with existing and developing problems. The Trilateralist Commission brought together under one roof such government and political figures as Cyrus Vance, Michael Blumenthal, Harold Brown, Zbigniew Brzezinski, Walter Mondale and Jimmy Carter to think over the situation. These people pretty much run the country now.

With us so far? There's more. Recently, according to Labor Party press releases, a couple of people sympathetic to Labor Party goals have turned up dead. These same Labor Party press releases fix blame directly on a conspiracy involving an alleged terrorist group called the German-headquartered Baader-Meinhof Gang but would have readers believe the Carter Administration is actually behind it all. These same releases

say that these victims were on a "hit list" of thirty to forty people targetted by Baader-Meinhof, LaRouche of course, is among these. Early this week, after LaRouche learned from, as one press release put it "high level sources of the best qualification in the USA," that he was on the list, the Labor Party called in WerBell and hired him to protect LaRouche.

That brings us back to Larry Cooper. WerBell called Cooper and told him to go on over to Wiesbaden and set up security for LaRouche. What about Cooper's full-time job with the Powder Springs Police Department, WerBell was asked. Did WerBell just call up and say he needed to borrow Larry Cooper for a while?

WerBell said that was about right. "Except the chief wasn't there. We got the mayor."

That, apparently, is pretty much what happened. Powder Springs Mayor J.O. Rogers was reported to be out of town and could not be reached for comment but Eidson said that Rogers has confirmed to him that he gave Cooper permission to take a personal leave of absence. So Cooper flew to New York and, by all accounts, tried to fly on to Frankfurt without a passport. He asked passport officials at Kennedy to waive the passport requirements, which they can do, but didn't, holding that Cooper's trip was apparently not an emergency. When Customs officials asked Cooper about the nature of his trip, he told them. Indeed, according to a State Department official here, Cooper gave them several different versions of his story, including one that had him on a top secret mission for the National Security Council (NSC). (Eidson, said Cooper, who could not be reached for comment, told him a completely different story. The Powder Springs police chief said he managed to talk to Cooper on Tuesday evening and Cooper told him he was on special assignment to West Germany to help protect a high-ranking German official from assassins, who had killed two of the official's aides in the last few days. "He was real evasive," said Eidson.)

This is not Cooper's first time in the limelight. He has snared his share of headlines over the years. The first time was in 1972 as a Cobbs County policeman, Cooper and three colleagues were accused of shooting into the Smyrna home of a drug informant. Cooper wound up resigning from the Cobbs County force five months later in exchange for having the charges dropped. From there he moved to the Mountain View Police Department in Clayton County, a force that has known its share of troubles. When it surfaced in the press that Cooper was working there, police chief Jim Tarber said he hired Cooper on the recommendation of Cobb County police Captain Bill Reed. Reed denied ever having made the recommendation, and a few days later both Tarber and Cooper resigned because of the publicity. But Cooper was back within days, this time not as a mere officer, but as acting chief. From there he drifted into relative obscurity, joining the Paulding County Sheriff's Department, where he stayed until he came to Powder Springs in early 1975. Now he is a captain on the Powder Springs force, having reached that rank in just over 2 years. "That's fast," Eidson admitted.

Anyway, all is well that ends well, and Cooper was finally issued a passport Wednesday afternoon on what the State Department called "the flimsiest of evidence."

"Not only did they not have time to properly check his identification," a Department spokeswoman said, but, "he kept changing his story so many times, they did not know what they could believe." Cooper was supposed to be on a flight to Frankfurt Wednesday evening.

Eidson, meanwhile, still was befuddled about the

whole thing and said he still had no idea exactly what was going on. When he talked to Cooper Tuesday evening Chief Eidson said Cooper told him the special assignment was something that "in no way would reflect back on this Department, that anything that came out on it would be good."

## Policies For Terrorist Target Victims

*The following statement was released Aug. 5 by U.S. Labor Party chairman Lyndon LaRouche.*

As a result of the past several days experience, and because of the extraordinary assistance I have received from several governments and other sources, I am unusually advantaged to outline crucial points of policy for targetted victims of actual or probable terrorist attacks, and for the assistance of those agencies responsible for security.

The crucial problem confronted by security officers responsible for a list of targetted victims is that of avoiding the situation in which, in effect, the victim and shield are entrenched in foxhole positions, waiting for the adversary to strike at the time and in the manner of his choice.

In some situations, "Foxhole" security procedures may be unavoidable, for lack of credible or actionable approaches to eliminating the threat at its source. In this case, the military tactical analogies to be applied are obvious. This is, of course, a matter of resources available.

Let us review my own case, to illustrate the problem actually under consideration.

First, the facts concerning the attack itself.

As has been reported, I received warning from the most reliable channels that a "Baader-Meinhof" attack upon me had been activated with complicity of very high level strata within the Carter-Mondale Administration. This was verified by another highly-qualified source. This information was corroborated by massive evidence of mobilization within terrorists and their political-support strata for a specific and early attack upon me as part of the deployment for the current general wave of terror being launched from (notably) safe-house bases in Switzerland.

Is this "absolute proof" of a terrorist attack? It is proof of some form of terrorist attack, but not necessarily of an actual assassination. The kind of "proof" demanded by some press and police agencies could never be obtained until after the indicated victim is dead. ("Now, you're dead, therefore, you have finally produced proof that you are a terrorist's victim.") Obviously, the sort of editor or police official to which we refer in that way is an incompetent fool — or worse. Those are the editors and police officials who make the work of the terrorist assassination much, much easier.

However, putting aside incompetents of that sort, there are highly-relevant questions to be addressed to any pre-

ponderance of qualified information of impending kidnapping or assassination.

The key word to keep in mind in security intelligence evaluations is "terror". Terrorism operates generally on the basis of issuing either a long list of victims by name or a list of categories of targetted individuals. Out of the entire list of indicated victims, some selected victims are actually attacked, thus terrorizing the other victims on the same list or in the same categories. Within any list, we can broadly subdivide the list as follows. Some of those, category "A", are prime targets of an operational attack. Others, category "B", are secondary targets, for which attacks are ready to be made operational quickly. Still others, category "C", are the focus of simulated attacks, either for diversionary effect or some other special purpose. The remainder, category "D", represent the "field", possible targets of operational attacks who are otherwise prime victims of the terror in general rather than necessarily of attacks as such.

Unfortunately, without precise information of the sort which may not be accessible, one does not know off-hand which individuals on a list belong to which sub-classification of security problems.

For example, a terrorist attack against a government may: (1) be intended to eliminate specific governmental leaders, (2) be intended to control the actions of governmental leaders by killing some close associates, (3) be aimed to set into motion police-state measures, as a way of activating a number of derived capabilities for further operations. Never lose sight of the significance of the word "terror."

Thus, in my case, our obligatory course of action was to set into motion a set of measures which covered all the probable implications. Having set those measures into place, the next task was to quickly reduce the number of alternatives by security-intelligence and related means. This continuing effort involves (A) interests, (B) capabilities, (C) deployments of the adversary force and (D) countermeasures against the adversary forces.

As indicated in a report issued yesterday, the conditions of the "belief structure" of the terrorists' Maoist-Trotskyist-anarchist-environmentalists auxiliaries, their political-support layers — their "cheering sections" — reduced the political capabilities of the action to a focus upon my role in working for new national and international banking measures — which is why I was on the same list with Juergen Ponto, and other leading politicians, bankers and industrialists representing what might be termed a "Secretary Blumenthal Enemies

List." Hence, we could confidentially eliminate any motive, interest and political capability of the "Baader-Meinhof" action except that bearing upon my effectiveness in (A) primarily, the establishment of a USA Third National Bank and an International Development Bank, (B) my organization's work in exposing the Institute for Policy Studies-Interpol terrorist network itself.

In brief, we could eliminate quickly any evaluation based on the assumption that I was a victim chosen at random or mere convenience from a selected population-category as a whole. This coincided with the fact that the terrorist machine in motion was a tool of the "Bust OPEC" faction and its political instrument, a circle among supporters of the Brandt faction of the Socialist International. Zbigniew Brzezinski et al.'s war against the U.S. Pentagon and Defense Intelligence Agency was the key to the attack pattern of the terrorists as a whole, and the terrorist action of Brzezinski et al. represents the use of such assassination-waves as a form of factional warfare by the "Bust OPEC" faction centered in the White House, Congress and certain lower Manhattan circles. This use of terrorism was an escalation whose successive phase would be general thermonuclear war or something very close to it — hence, the Carter Administration's effort to destroy the U.S. government's political and military intelligence capability, to prevent the Congress and others from catching the Carter Administration in treason before the evil was done.

Given this, the problem of getting the victim out of the foxhole was that of selecting a counterattack to force the perpetrator to expose his own vulnerable flank to the intended victim's allied "reaction force." In my own case, this required a willingness to sacrifice myself if necessary under certain conditions, on the condition that the "reaction force" was operationally in place, such that my "taking the point" for this action would serve the fundamental objectives of the "combat mission" as a whole.

In this case, as in all analogous cases, the security forces involved must assess the victim's willingness to fight. If the victim is willing to fight, that commitment represents a battle out of the foxholes. The danger then to be considered is the "fight forward" problem — the impulse to simply charge blindly ahead as a way of ending the problem.

The victim has two main categorical choices. If his forces are "routed," he must pull a "de Gaulle," find the nearest "England" from which to remount a counter-attack. If his allies remain committed, then he must commit himself to the common objectives of the alliance. Thus the security forces involved must represent a leading expression of such a committed alliance in order to eliminate the "de Gaulle option" as the otherwise only remaining alternative. If those conditions are satisfied then, as the saying goes, "We have ourselves a ball game."

The essential principle of anti-terrorist countermeasures is to escalate the penalty against the ultimate authors of the terrorism. Thus, knowing the identity of those authors and their connections to the command-structure of the terrorist networks is the key to effective counteractions.

In general, there are no "independent terrorist" gangs of any serious capabilities against a forewarned victim. The only significant part of the terrorist problem is the networks controlled and created by governments and government-like supranational agencies. The gut of the main international terrorist phenomenon is the neo-fabian or "left CIA" network, the latter based in the machinery behind the Carter-Mondale Administration and that Administration's principal political ally, the Brandt-linked factional forces of the Socialist International. If the victim and his supporters are afraid to create an open political penalty against such forces by name the victim is as good as dead.

The principle of anti-terrorism, as other forms of combat, is to make the loss of one's own forces cost the enemy more than it costs the anti-terrorists, and to escalate that advantage to the maximum.

The intelligence problem is this. Working downwards in the command-structure, we know the dramatis personae with decreasing precision as we go below the above-ground political supporters of the combined terrorist and auxiliary forces. We do not know generally the names of the specific task-force personnel being deployed, etc. However, we know how the pro forma "covert" nature of terrorist deployments by Maoists, environmentalists et al. is developed and maintained.

We also know which police and security agencies are highly contaminated by Interpol and by other elements of the terrorist forces and their ultimate backers. (If a qualified intelligence team had access to the massive computer data-banks maintained by contaminated security agencies, the nature of the terrorist network, especially the vital role of progressive criminalization in developing ordinary new lefters into terrorists, would make possible precision pin-pointing and neutralization of the terrorist network as a whole).

The point is to use the kind of intelligence available to attack the adversary at his most vital, home-based points, and thus to force the adversary to redeploy his forces to defend that base. This attack must be shaped so that that adversary redeployment situates his forces for prepared attack. This may require a series of such attacks, until the adversary has been maneuvered into the desired posture.

In warfare, one can not deploy forces for "maginot line" defense of each foot soldier. Rather, one must define a course of action by which the adversary's capabilities are neutralized, a course which demands effective advances against his deepest, home-base interests.

# Rockefeller Launches Campaign To Smash OPEC

*Rockefeller press and political conduits from former Secretary of State Henry Kissinger on down launched an all-out campaign this week against the Organization of Oil Exporting Countries. The aim of the simultaneous assaults on OPEC is twofold: first to try and force the oil rich nations into supporting the New York banks slated to go under when Western Europe and its Mideast allies move to dump the dollar and go with a gold standard; and second, to manipulate an oil crisis as an excuse for the imposition of fascist austerity and conservation policies in the U.S. We need jobs for our youth, a mid-week New York Post editorial proposed, productive jobs, and the way to get them is by smashing OPEC.*

*The common thread running through the attacks is panic at the current situation — the dollar's fall, unemployment, etc. — and a location of the solution in smashing OPEC. The argument was posed in a completely psychotic fashion.*

*Excerpts from this week's speeches, interviews, and articles on OPEC follow.*

*Henry Kissinger Aug. 2 to the National Conference of State Legislators:*

"...For the first time in our history, a small group of nations controlling a scarce resource could over time be tempted to pressure us into foreign policy decisions not dictated by our national interest... In another Middle East crisis the vast accumulated petrodollars could become a weapon against the world monetary and financial system."

*Joseph Kraft in Baltimore Sun, Aug. 2, 1977:*

"...Dollar doldrums have spread confusion which threatens to subvert (Blumenthal's) whole new policy... Acts of reassurance — like the visit to Fort Knox — and words of explanation are in order.

A good starting point is the \$40 billion surplus which the oil-exporting countries, grouped in the OPEC cartel figure to derive this year from the increase in prices they have imposed on the world since 1973. The OPEC surplus this year, as in the past, is a kind of tax on all oil-consuming nations. It promotes a slowdown...it promotes inflation. Thus the oil price increases have combined with the business cycle and the demands of the welfare state to put most of the world in bad economic straits for the last three years."

\* \* \*

*C.L. Sulzberger in the New York Times Aug. 3, 1977:*

"...A certain urgency has been given... by gloom on the economic horizon. Any optimism that still existed at the

time of the London summit, concerning an end to the threats of a recession, now seems to have vanished.

... A coordinated diplomatic program designed to urge immensely wealthy underpopulated petroleum-producing lands like Saudi Arabia or Kuwait (for example) to lend enormous sums to international organizations for the development of the mainly poor Third World: sums on the scale of tens of billions of dollars, not billions. Only in that way can new markets be developed for the choking industries of the West."

\* \* \*

*Excerpts of a conversation between a representative of Morgan Guarantee Bank and Ira Nordlicht, staff counsel to Senator Church's Subcommittee on Foreign Economic Policy:*

*Morgan:* We understand that you will shortly be issuing a subcommittee report attacking OPEC for the economic crisis.

*Nordlicht:* Yes. It should be out in about two weeks. It still has not yet been read by all the senators. But it will deal with petrodollar recycling, the relationship of international institutions to the private financial sector, and the constitution of LDC (Lesser Developed Country) debts.

*Morgan:* We are very concerned about the widespread European rejection of the Carter Administration demands that they help solve the debt crisis.

*Nordlicht:* Yeah. They don't like it, and the \$25 billion trade deficit — at least that — won't help matters for the dollar.

*Morgan:* We need help on the LDC debt problem. The OPEC nations have refused to pitch in to the IMF if the funds will go to helping us out. Can you guys help?

*Nordlicht:* Well, I can't give you all the details on the phone, but we are all discussing the possibility of government guarantees of yours and Chase's loans. We plan to raise this matter of guarantees at the subcommittee's Aug. 6 hearings on the Witteveen facility. Look, can you give us some information?

*Morgan:* Well there are limits...

*Nordlicht:* Confidentially, how vulnerable are you? I mean the situation is very serious. If OPEC makes a wholesale movement out of your banks...it is of great concern...The question now is what percentage of their deposits are short-term or demand? We are especially concerned about Kuwait, Saudi Arabia, and the Emirates.

It would be to your advantage to give us some of this information. You wouldn't want to have to come to us for help without advance notice when they pull the rug out from under you, would you?"

# Energy Dept., Schlesinger Confirmation

## Breeze Past Wilted Whigs

Conservative Republican and Democratic Congressmen again displayed their penchant for limp opposition to the Carter Administration's war and energy deindustrialization policy this week by joining with the liberal-Fabian congressional minority on Aug. 2 to pass the cornerstone of the Administration's program — the centralization of every critical energy-related policy matter under a new Department of Energy to be headed by White House "energy czar" James Schlesinger.

The Whigs, pleading that "any reasonable individual" would believe that the energy reorganization did not represent the "content" of Carter's fascist program, closed their eyes to the strategic implications of Schlesinger heading a streamlined energy agency. Schlesinger, "the robot from Rand," is now empowered to use the new agency to "smash OPEC." — and to destroy the industrial economies of Europe. This is the road to Soviet-U.S. thermonuclear confrontation. This is the policy that Schlesinger has pursued as "energy czar," seen notably in his and Brzezinski's formation of a special National Security Council committee last spring to stop the Saudi Arabian nationalization of ARAMCO and reshape contingency plans for U.S. occupation of Saudi oil fields during a provoked Middle East war.

Without a centralized agency to "discipline" the previously far-flung energy agencies, Carter's program for domestic crisis-management and deindustrialization could not stick. Public opposition to the Administration program from the Energy Research and Development Administration (ERDA), the Nuclear Regulatory Commission, various Interior Department subdivisions, has become a fact of life in Washington ever since Carter's treasonous energy policy was revealed in April. There can be no doubt that under the new agency all energy-intensive, pro-progress policies and options will go the route designated by Schlesinger for the report of the presidential commission on the breeder headed by ERDA's acting administrator Robert Fri: the wastebasket. The formulators of such programs will be summarily dismissed.

The actions of the Administration's allies on the Senate Energy Committee confirm this point. Immediately after the overwhelming vote passing the Energy Department legislation (76 to 14 in the Senate; 353 to 57 in the House), the committee announced that it had already scheduled confirmation hearings for Schlesinger as Secretary of Energy and that the hearings would be held immediately, the following day, thereby making it impossible for opponents of the impeachable "czar" to testify. The committee convened its mock hearings Wednesday even though Carter had not then designated Schlesinger as the appointee! After receiving Carter's official desig-

nation Thursday morning, the committee reconvened to rubber stamp the appointment and send it on to the Senate floor.

Such blatant abrogation of the intent of the Constitution on executive appointments is only possible if the conservative-Whig opposition is rolling over and playing dead. At this writing, Carter's congressional "gaut-leiter," House Speaker Tip O'Neill, is presently orchestrating mock votes on the entire energy package in the House.

The final reorganization bill released by a House-Senate conference and passed on Tuesday awards the new Secretary sweeping powers in all energy-related matters, including power to insinuate authority on critical international and national security areas that touch on energy-related domains — as Schlesinger himself has already done as "energy czar." With Cabinet rank, Schlesinger's informal membership on the National Security Council will be made official.

The new agency will assume the powers of ERDA, several Interior Department divisions, the Federal Energy Agency (already headed by Schlesinger's former aide John O'Leary), the Federal Power Commission, and powers of the Interstate Commerce Commission and the Departments of Defense, Agriculture, Commerce, Transportation, and Housing and Urban Development. These include: control over *the rate of energy production* on public lands; distribution and marketing of electric power previously handled by the four regional power administrations; authority to set oil pipeline and coal slurry rates; administration of the naval petroleum and shale oil reserves; industrial conservation programs; authority to set building conservation standards; coal development and energy data programs. Critically, in assuming control of ERDA, Schlesinger will have authority over the conduct of all government-funded research programs in nuclear fusion, and the breeder reactor, thereby enabling him to sabotage this essential research and development.

### *Schlesinger's "Aura of Power" Brainwashing*

Various reasons will be given in history books for the various 1977 collapse of conservative opposition to Carter's energy thrust. Chief among them will be the Whigs' determination to be "reasonable," to balk at consolidating a powerful labor-industrial alliance against the Administration's fascist economics. Alongside this, we must certainly note their susceptibility to Schlesinger's call for an American "aura of power." Rep. Charles Wilson (D-Cal) once cited Schlesinger's brainwashed mental state as evidence against taking his counsel. But it is Mr. Wilson and his associates who have been "brainwashed."

While director of strategic studies at the Rand Corporation, Schlesinger authored a number of articles on "political science" which themselves would constitute the basis for denying him any position in government. These papers clarify for the ignorant the methodology behind Schlesinger's nine treasonous years in government. We quote from "Systems Analysis and the Political Process," published in the *Journal of Law and Economics*, November 1967:

Politics, so far as mobilizing support is concerned, represents the art of calculated cheating — or more precisely how to cheat without being *really* caught. Slogans and catch-phrases, even when unbacked by commitment of resources, remain effective instruments of political gain. One needs a steady flow of attention-grabbing cues, and it is of lesser importance whether the indicated castles in Spain even materialize. In political decision, the appearance of effort, however inadequate, may be overwhelmingly more remunerative than the costly (and thereby unpleasant) implementation of complete programs.

With such turgid reasoning, Schlesinger calls for "input-oriented" as opposed to "output oriented" programs. In plain language, "output oriented programs" profess to achieve exactly what they are designed to achieve, e.g., U.S. Labor Party's Fusion Energy Research and Development Act of 1977. Under so-called "input-oriented" programs, Schlesinger would shut down basic industry under the guise of applying conservation to find more energy for industry. The method? Lying — "calculated cheating."

Congressmen have been taken for a ride since the rigged energy crisis last winter on Schlesinger's "catch-phrases" and "slogans." Without massive production, his "energy independence" means rationing and shut-downs for industry.

It was for precisely such "cheating" on defense issues that President Ford dismissed the "czar" in November 1975. Ford fired Schlesinger for organizing for a policy of "counterforce" or nuclear first strike, while he pretended to adhere to Ford's policy of "peace through strength." At a July 1, 1975, press conference, Schlesinger, confronted by a reporter's artful question, admitted that first strike was exactly what he meant. Speaking in the same vein at lectures in Princeton, N.J. and Washington, D.C. on November 29 and 30, 1976, Schlesinger intoned:

International relations are not run by good will, but power. And America must regain the aura of power it has lost since Vietnam, and the will to use its power...the ability to strike terror. ...If we still had the aura of power we had in the 1950s and early 1960s, the Third World and the West European countries would not be giving us the problems they are now.

There is nothing new about nuclear war, he argued:

Every war since World War II has actually been a nuclear war, since as in Korea, nuclear weapon use was actively considered. In Korea, it may have been

a mistake not to use a bomb, but our stockpile then was too small..."

When challenged by an NSIPS reporter at Princeton, he replied:

Yes, the Soviets say that if there is war, it will automatically become general, but they don't mean it. What they say in peace and what they do in war are different. In reality they won't attack us if there is a limited use of nuclear weapons.

In domestic energy affairs, this sort of tough-sounding talk may cow a weak-kneed congressman; in foreign policy, it is utter madness.

In foreign affairs, as Energy Secretary Schlesinger will be committed to trying to force the Soviet Union, Western Europe and the developing nations, especially the OPEC countries, to back down in the face of monetarist looting of the world economy. As a monetarist, with his Harvard Ph.D. in "economics," Schlesinger is a warmonger and will use the "calculated cheating" of the automobile hotrodder racing towards an oncoming car in a "chicken game," to desperately try and break the will of a Warsaw Pact whose vital interests he threatens. This may work with Sen. Robert Griffin, but certainly not with Soviet generals. Belying his obstinance last November that the European break with the dollar was "impossible" Schlesinger lied:

When they yell about being dominated by us, then the Europeans are happy.

This hysterical monetarist outlook is what enables Schlesinger to be a hotrodder at Defense and an "ecology freak" as energy czar. As head of the Atomic Energy Administration (the agency that preceded ERDA) from 1971 to 73 he was the person most responsible for implementing the destruction of that agency and turning its vital scientific research in atomic energy away from nuclear applications. As his first act in the Atomic Energy Commission (AEC) office, he called in the Arthur D. Little Company, a "private" Wall Street think-tank in Boston, to completely survey and reorganize the AEC.

Schlesinger's main public concerns during his AEC tenure were that (1) the AEC was too narrowly restricted to nuclear-only applications and should "broaden the range of its instrumentalities in the energy field," and that (2) the AEC was not complying with the National Environmental Protection Act (NEPA).

Nine days after assuming the AEC chairmanship, Schlesinger reversed the long-standing AEC policy of fighting the environmental impact challenge filed by Laurance Rockefeller's Natural Resources Defense Council against the Calvert Cliffs nuclear power plant in Maryland. The AEC's pull-out from the case not only held up the Calvert Cliffs facility for two years at enormous cost, but handed the environmental groups a landmark legal precedent which they have used to tie up dozens of nuclear power plants which are either proposed or already under construction.

The press of that time was not at all ambiguous in its characterization of Schlesinger's reign. *Science* magazine states in January 1972:

"Clearly Mr. Schlesinger's interests lean less in the direction of research and the production..., and more in the direction of management technique, environmental affairs and weaponry."

And *Business Week* in March 1972:

But in the six months since James R. Schlesinger became AEC chairman, the controversial commission has changed decisively from an unabashed promoter of nuclear energy to an ombudsman weighing environmental problems...

More recently, the *New York Times*, Dec. 24, 1976:

As AEC chairman for nearly two years, Mr. Schlesinger shook up a once vibrant organization that had fallen under the domination of industry and scientists.

Then, as now, there was a mixture of guffaws, horror, and incredulity among the scientific and industrial community in thinking that such a personality was in charge

of the nation's most advanced research institution.

The secondary effect of Schlesinger's AEC reorganization, which was described as the most drastic shakeup since the commission's founding in 1946, was the purge of Manhattan project veterans who were still active in research there. "The present chairman...is not strongly allied with science. He will severely question cost factors. You couldn't do that with Seaborg (the previous AEC chairman — ed.). Research was by definition good." said one AEC insider at the time. Schlesinger's contempt for such qualified scientists has often been displayed, notoriously as in his abrupt attack on Jerome Wiesner of MIT in his Rand corporation paper, "Pieties, Arms Policy and the Scientist-Politician." In the paper Schlesinger expresses rage at Wiesner's defense of the concept that general advancements in science can alleviate threatened shortages of material necessary for human consumption.

Schlesinger's stated opposition to these principles alone puts him in opposition to those who identify with the principles of the U.S. Constitution. Add to this the irresponsible behavior demonstrated by Schlesinger in his many short-lived governmental positions, and there should be no illusions about James Schlesinger's personality or the policies he intends to implement.

## Carter: Voluntary Energy Controls Are Not Enough

*On July 29, Jimmy Carter met with editors and publishers representing newspapers around the country, and attacked the American people "for not paying attention" to the need for energy conservation. Carter also boasted of inaugurating slave labor "public service" jobs faster than Franklin Roosevelt. Following are pertinent quotes from Carter's question-and-answer session with the media.*

**Question:** Is there anything you can say to us about the state of voluntary compliance with your energy use requests? My question is based on a story last week that gasoline usage in Michigan, for example, was in excess of 455 million gallons, which was by 7.3 million gallons the highest in the State's history since those records have been kept. Is the public not paying attention?

**The President:** The public is not paying attention, that is correct. And this has resulted in an enormous increase in the waste of fuel and also an increase in imports which certainly unbalance our trade relationships with foreign countries.

I just spent some time right before lunch going over the reasons for it. There may be some indication that stockpiling is taking place in anticipation of the wellhead tax being imposed. And because of the uncertainty of future price increases by the OPEC nations. But that is a relatively minor factor, although it is a factor.

I hope that the Congress will act expeditiously and not

weaken the energy legislation, one of its primary purposes being to impose strict conservation measures. But I would say at this point the public has not responded well; that the absence of visibility to the impending oil shortage removes the incentive for the public to be concerned. And I am afraid that a series of crises are going to be a prerequisite to a sincere desire on the part of the American people to quit wasting so much fuel.

We have seen this now on two or three occasions already, as a precursor. One obviously was the natural gas shortage last winter, and another was the embargo in 1973; the rapid escalation in prices and now the very severe trade imbalance. I think these are just predictions of what is to come.

I am concerned that the public has not responded well, and I think voluntary compliance is probably not adequate at all. We will take what the Congress does this year and continue to build on it in subsequent years.

I am determined to have a complete and comprehensive energy package on the books before I go out of office. What we don't get this year, we will get in subsequent years.

**Question:** Mr. President, you have been accused, possibly unfairly, of not doing enough for the inner cities of this country. In view of the fact that many of the problems of the inner cities can be traced to the fact that crime and high taxes are chasing industry and jobs out of the cities, what exactly can the Federal Government do



except put all these people on welfare forever?

*The President:* We obviously did not cause the problem. It is an inherited problem that has been built up along the years. I think in the past there has been too much of an emphasis on major Federal programs when billions of dollars have been spent on helping people that didn't need the help very badly.

I am from the Sunbelt states. I think there has been too much of a channeling of federal moneys into the Sunbelt areas. I think between the downtown ghetto areas on crime control, housing development and so forth, the funds have quite often been channeled off into the suburbs because of more highly educated people, better organized people, more able to speak loudly and who understood the complexities of Federal programs.

We are trying to change that and focus the attention of the Government on the urban deteriorating neighborhoods.

Another thing we are trying to do is concentrate on the rehabilitation of homes. I have seen this happen in Baltimore. I have seen it happen in Savannah and other places around the country, where a small effort on the part of a chamber of commerce or the local officials, banks, working with the Federal Government, that instead of seeing a neighborhood deteriorate, the existing structures can be rebuilt or renovated to make very attractive homes near the core area for executive and professional work without abandoning the central cities and moving out into the suburbs.

We are trying to do that, too, with our general HUD programs.

And on crime, I think the major cause of crime in those downtown areas is unemployment, and we are trying to

focus on this question. We have got now about 1.1 million jobs allotted during the summertime for young people, much more than ever has been before.

We are putting into realization at this moment 20,000 public service jobs per week, even a greater rate than Franklin Roosevelt put people in the CCC camps when he had the Army to do it and when the Nation was devastated by depression.

We are now approving a thousand public works projects every week with at least 10 percent of that allocation money being guaranteed to minority business people. And in addition to that, we have taken the CETA jobs, the comprehensive training and education jobs, and have multiplied them by more than a hundred percent, more than two hundred percent.

We hope to increase those by 400,000 jobs between now and a year from now. None of these programs have yet been felt. Last week was the first week we ever were able to get a public works project approved.

This week the Congress has completed passing additional legislation on youth employment above and beyond what I have just described to you. And I think by the time we feel the beneficial effect of all these programs, we will be able to observe some improvements.

Obviously we have a long way to go in law enforcement. I think to a substantial degree the Law Enforcement Assistance Administration funds have been wasted in years gone by. We are trying to bring a more narrow focusing on them to prevent crime and to get out of the waste of buying very expensive and very fancy machines, and so forth, and actually concentrate in the areas where the crime rate is highest....

# Time For Kissinger: Nelson's Boys Rip Carter Foreign Policy Debacle

*On behalf of Nelson Rockefeller and his allies, Time Magazine's Aug. 8 cover-story unfavorably assesses America's foreign policy under the Carter Administration, harshly criticizing the President and his chief foreign policy advisors, Vice President Mondale, National Security Council "professor" Zbigniew Brzezinski, and Secretary of State Cyrus Vance. Time calls dangerous the course they have chartered for the U.S. in the international arena, alarming and alienating friends and foes, at home and abroad, and quotes liberally from the scions of the U.S. foreign policy establishment, heads of state, and Administration officials to prove it.*

*Time advises Carter policy makers "to scrap or change some concepts and modify some of his methods — if a serious mishap is to be avoided." Implicitly, Time advises Carter to scrap some of his policy-makers as well.*

*In its judgment of Zbigniew Brzezinski, former executive director of David Rockefeller's Trilateral Commission, whom Time labels "academic," "abstract," "a professor," and "hyperactive," the magazine editors hold up as a model of contrasting virtues Henry Kissinger, the former Secretary of State who is, of course, owned and operated by Nelson Rockefeller.*

*As Time is well aware, Professor Brzezinski and Dr. Kissinger are committed to fundamentally identical policies on the same family's behalf — defense of the debt structures and political power associated with the Rockefeller banks, whatever the costs. But Time implies that Nelson's German Strangelove can handle Europe and the Soviets better than David's "academic, hyperactive Polish émigré."*

*A special lengthy box, "Kissinger: Watching, Waiting, Worrying," commends the fairness of the former secretary, who "will not talk to any visiting dignitary until after the man has seen the President or...Vance." But, adds Time, "Germany's Schmidt breakfasted secretly with him...Britain's Callaghan and France's D'Estaing both invited him to dinner...Soviet Ambassador Dobrynin asks him to lunch every few weeks...When Sadat came to the U.S. he asked to see Kissinger...Menachim Begin called him to come around to the Waldorf for a talk."*

*There is also a special box on the "very different" Brzezinski, citing his "abstract" ideas, his responsibility for Carter's "Human Rights" debacle, and joining a "senior foreign policy expert on Capitol Hill" in the observation that Brzezinski's approach to the Soviets entails "as fundamental a misconception as I can think of."*

*Therefore, Time tells Henry Kissinger, whose "flopped hound Tyler has developed an incurable fondness for the swimming pool on the Rockefeller estate in*

*Pocantico Hills," to "now get Tyler out of the pool, please."*

*Time's key editorial comments and quotes on the Carter Administration policy debacle include the following:*

*"Carter has greatly alarmed both traditional friends and adversaries abroad and raised serious questions about his aims and methods in foreign policy. In the U.S., quite a few members of the mainly Democratic foreign policy Establishment are beginning to wonder whether he is really up to the job....the general pattern of his foreign actions creates genuine cause for worry about troubles ahead."*

*"Having boldly jumped into the world arena like a Daniel in the lions' den, Carter is finding that the inhabitants have quite a bite. Soviet Communist Party Boss Leonid Brezhnev...charges that Carter has launched 'psychological warfare,' and adds that 'a normal development of relations on such a basis is, of course, unthinkable.' French President Valéry Giscard d'Estaing says that Carter 'has compromised the process of détente,' while West German Chancellor Helmut Schmidt has complained that Carter 'acts like a faith healer' and formulates 'policy from the pulpit'."*

*"The impression is growing that Carter's overall strategy is flawed, that his sense of priorities is unrealistic and that some of his tactics are counterproductive..."*

*In reviewing the catastrophic failures of Carter's policy for the Middle East, Africa, Europe, Asia, Latin America, arms control, nuclear energy, human rights, the developing nations and East-West relations, Time concludes that Carter's "missteps," his "evangelical fervor" and "confusing statements" have contributed to a serious — and potentially fatal — deterioration in international relations in which America's closest allies "are troubled by Carter."*

## Quotations From Chairman Zbiggy

*"In a sense I don't lie myself. I don't deliberately lie and yet there is no doubt that in communication, in articulation, I am perfectly capable of defining objective reality in a purposeful way which is not the same thing at all as lying, but which is not the same thing as crudely, simplistically stating, quote, unquote, the simple truth."*

*—Zbigniew Brzezinski  
in a recent interview*

"European Community leaders have sent him (Carter) a message warning that he may be seriously endangering détente by the way he has been dealing with the Soviet Union....Washington's most serious problem is with its strongest ally, West Germany."

"U.S.-Soviet relations are at their lowest point in years....The Administration, says veteran Kremlin-watcher George Kennan, 'made just about every mistake it could make in these Moscow talks and has defied all the lessons we have learned in dealing with the Soviets since the last World War'."

"Warns Ian Smart, director of studies at London's Royal Institute of International Affairs: 'There is a pronounced inclination for Europeans to interpret Carter's mistakes as inadvertent. Thus there is a potential credit balance for him to exploit. But there is also a limit to it'."

"Observes an Asia-based senior U.S. diplomat: 'The U.S. keeps saying, "We'll live up to our commitments. We're an Asian power." A lot of Asians are now saying, "If you mean it, why the hell are you pulling your troops out of South Korea?"' "

Harvard's John K. Fairbank, the doyen of U.S. China scholars, charges: 'We don't have a China policy...One of these days we may be asking, What the hell hit us? We could be in for some unpleasant surprises'."

Observes Pierre Hassner, senior research associate at Paris' Centre d'Étude des Relations Internationales: 'The Carter Administration started shooting in every direction at once without having really sorted out their priorities. They put too much stress on big principles and not enough on actual bargaining. They have some grand view of how the world should look, but they don't have intermediate priorities'."

Notes former senior U.S. diplomat George Ball: 'I think the Administration is pursuing the human rights business without fully taking all implications into account. To some extent it's become a stuck needle, getting in the way of a lot of things which might be more important in the long term'."

*Time* magazine adds in conclusion:

"Perhaps the world, given the pull of American power no matter who is President, may yet accommodate itself to Jimmy Carter. But Carter will also have to accommodate himself to the world."

## Kissinger Sets Up Brzezinski By Calculated Leak, Setting Off Storm of Protest

An Aug. 3 article by syndicated columnists Rowland Evans and Robert Novak reporting that the U.S. would concede the loss of one-third of West Germany to the USSR in the event of war has touched off a storm of protest in the U.S. and Europe, and prompted senior Administration officials to frantically deny the contents of the column. According to the columnists, who are generally known to be mouthpieces for former Secretary of State Henry Kissinger, Carter's national security adviser Zbigniew Brzezinski personally endorsed ceding West German territory to the Soviet Union at meetings of the National Security Council's Senior Coordinating Council called on July 28 and 29 to discuss PRM-10, the Administration's overall strategic policy review prepared by the NSC. At the meetings, Brzezinski allegedly argued that given the "current political climate," the Administration would be unable to mobilize sufficient NATO conventional forces in Europe to keep Warsaw Pact invaders out of Central Europe, and should therefore adopt the fallback position of allowing the Soviets to occupy West Germany.

The Kissinger-inspired column has unleashed a sharp attack against Brzezinski in the West German press and the U.S. Congress. The Aug. 4 *Frankfurter Allgemeine Zeitung*, a West German daily, decries Brzezinski's policy and speculates that the Evans and Novak "leak" was designed as a personal attack on Carter's national security adviser. The same day, Senate Minority Leader Howard Baker (R-Tenn) introduced the Evans and Novak piece into the Congressional Record, declaring that Brzezinski's was an "intolerable policy" which was

"alienating our allies." Capitol Hill sources meanwhile reported that House Armed Services Committee conservatives are preparing a major attack against Brzezinski and his entire strategic policy. A close Kissinger associate currently in residence at Georgetown's Center for Strategic and International Studies simultaneously told a reporter, "If you have any criticisms of Brzezinski, get them to me and I'll shoot them right up to Henry."

The two-continent outcry against Brzezinski forced desperate White House and NSC spokesman to castigate the Evans and Novak report, without being able to categorically deny the statements attributed to Brzezinski. While avoiding a direct denial of Brzezinski's

### Tass Declines U.S. Offer Of BRD Territory

In a swift response to Zbigniew Brzezinski's offer to "surrender" one third of West German territory to the Soviet Union in the event of war in Europe, the Soviet news agency Tass observed that the U.S. has promised to donate a country it does not own in the first place. "What generosity!" exclaimed Tass. The USSR has plenty of land already, Tass explained, and "does not need more from anybody else."

Tass attributed this and other features of Brzezinski's Presidential Review Memorandum-10 to the twisted fantasies of the document's authors.

alleged statements, White House press secretary Jody Powell described the report as another "in a series of 'Oh my God, they're caving into the Commies' column. Under questioning from reporters, Powell attempted to use the "leak" to blackmail West Germany into increasing its own defense contributions to NATO by saying, "It is our policy to regain any territory... However, it is important for NATO to take certain steps to maintain that ability."

NSC press spokesman Jerrold Schechter said the statements attributed to Brzezinski were "partial, inaccurate and deal only with one aspect of the overall defense strategy that might be applied in the event of an attack on Western Europe."

Defense Secretary Harold Brown tried to reassure the Senate Armed Services Committee that U.S. policy is still to contain any Soviet attack near the West German border. "I do not advocate and will not support a policy which called for the United States to accept a loss or defeat in Europe," Brown said Aug. 3.

### Excerpts from Aug. 3 Rowland Evans And Robert Novak Article

President Carter late this week will be presented by his national security advisers with a new defense strategy that secretly concedes one-third of West Germany to a Soviet invasion rather than seek increased defense spending, which these advisers say would provoke Moscow and divide Washington.

PRM-10, the Carter Administration's top-secret strategic study, suggested that this policy could be made palatable to Western Europe by simply not admitting its implications. This course was wholly adopted in high-level meetings July 28 and 29 by Zbigniew Brzezinski, the

President's national security adviser...

According to verbatim notes taken by one of the participants, Bzezinski declared: "It is not possible in the current political environment to gain support in the United States for procurement of the conventional forces required to assure that NATO could maintain territorial integrity if deterrence fails. Therefore, we should adopt a 'stalemate' strategy. That is, a strategy of falling back and leaving the Soviets to face the political consequences of their aggression..."

There was no dissent from those present, including Vice President Mondale, CIA Director Stanfield Turner, Chief Disarmament Negotiator Paul Warnke, Deputy Defense Secretary Charles Duncan and Joint Chiefs of Staff Chairman General George Brown.

Brzezinski continued: "We agree there must be a gap between our declared strategy and actual capability. We cannot for political reasons announce our strategy." Again, there was no dissent, though some officials voiced the opinion there would be hell to pay if the Germans learned what was happening.

All this follows the script of the June 20 draft of PRM-10, which lists four options... Each would stop a Soviet offensive at a line formed by the Weser and Lech Rivers, surrendering about one-third of West Germany (including Saxony and most of Bavaria).

These four options, according to PRM-10, do not "plan" to stop "a determined Warsaw Pact conventional attack... If the Soviets persist in their attack, a U.S.-NATO conventional defeat in Central Europe is likely"...

Many of the adverse political implications... of the options... probably could be avoided if the U.S. continued to publicly support present strategy. Adverse reactions by Western Europe could be significantly softened... if the U.S. were to avoid any statements to the effect that a loss of NATO territory would be acceptable.

## Will Congress Use Maritime Scandal For Cartergate

The Republican national leadership announced last week that they are going to use the developing scandal surrounding suspicious payments by maritime interests to the Carter campaign to begin "Cartergate" investigations of the President and his Administration. Charging that the scandal is "more damaging and explosive than the Nixon milk payoff charges," Senate Minority leader Howard Baker, House Minority leader John Rhodes and Republican National Committee Chairman William Brock told a press conference Aug. 1 that there is now sufficient evidence of Administration criminal activity to warrant a Congressional investigation.

The key issue in the scandal is that President Carter's personal actions in the affair prove conclusively that his strident demands for U.S. "energy independence" are a fraud designed only to cover for the Rockefeller interests' drive to bust up OPEC and loot their petrodollar reserves to keep the New York banks afloat. Carter, in

maritime interests, has supported the Cargo Equity Bill, which would require nearly ten percent of U.S. oil imports to be shipped in American flag ships by 1982. The mandatory flag preference provision would *raise the cost of oil by \$2 billion.*

Although the Republican Party leaders pointed out this fact at their press conference, it remains to be seen whether they will use the threat of an investigation merely as a "bargaining chip," or fully exploit the issue to turn around the current Congressional capitulation on the Administration's industry-killing energy program. Amid much anti-administration talk last week — including a filibuster which successfully forced Carter to withdraw his bill to allow the Federal Election Commission to expand its power to harass political candidates on Carter's "enemies lists" — Congress okayed the pro-

posed Energy Department, the cornerstone of the Administration's energy dictatorship.

#### *Cause for Indictments*

At their press conference, the Republicans laid out enough evidence, procured by the House Merchant Marine Committee and the Senate Commerce Committee during recent hearings, to bring immediate indictments against Carter and many of his close lieutenants, including:

\*Memos to Carter released by the White House on subpoena from the Committees by Robert Strauss, former Democratic National Committee Chairman and now Carter's special representative on trade, and Carter's domestic affairs adviser Stuart Eizenstat which state in explicit language that Carter's support of the bill was necessary as a political payoff.

\*Proof that Carter ignored rebukes from his financial advisors and members of the State and Defense Departments that the bill was inflationary and would cause a general decrease in employment and the overall national product.

\*Proof that Gerald Rafshoon, Carter's campaign advertising director and now White House media director, received a commission of \$500,000 in April to carry out a national campaign for the Cargo bill and that Pat Cadell, Carter's public opinion pollster and style-

maker, was hired to do market testing on the campaign's behalf.

\*The only witness the Administration allowed to testify before the committees on the bill, Undersecretary of Commerce for Maritime Affairs Robert Blackwell, had recently been offered a \$100,000 a year job with nine ocean freight companies — an offer he has not yet rejected and therefore a clear-cut case of conflict-of-interest.

\*Carter totally ignored the protests of eleven maritime nations against the legislation.

Senator Robert Griffin (R-Mich) has joined with his party's leaders in making a call for full congressional action on the scandal through open hearings in his Senate Commerce Committee — a committee heavily weighted with pro-industrial growth Republicans such as Goldwater (Ariz) and Schmitt (NM) and several potential Democratic allies such as Russell Long (La) and Daniel Inouye (Ha).

Such Congressional investigators also now have a precedent for bringing the maritime scandal to its "Cartergate" conclusion: a Federal grand jury yesterday indicted a former Democratic Representative from Maryland, Edward Garmatz, on charges of receiving \$15,000 in unlawful gratuities from two shipping companies while he was chairman of the House Merchant Marine Committee.

— M. Manning

## Still Waiting For The Other Shoe To Drop

The U.S. dollar's long plunge against the West German mark and other major currencies momentarily abated late last week, as markets nervously awaited a public political announcement from European and Arab governments that they are prepared to break with the dollar system. In the week since the Bank of England's watershed decision to allow the pound sterling to float upwards against the dollar, the dollar oscillated widely but still managed to regain the 2.30 marks level by Aug. 4. Prior to the "uncoupling" of the pound, the dollar had hit a new record low of less than 2.25 marks.

### FOREIGN EXCHANGE

As if waiting for the proverbial other shoe to drop, all eyes are riveted on the meeting of OECD and OPEC Finance Ministers scheduled for Aug. 6, in Paris. This conference was called by International Monetary Fund managing director Johannes Witteveen as a make-or-break effort to raise contributions for the proposed \$16 billion "special fund" — which some have dubbed a "bailout" for New York banks. At the Aug. 5 gathering of delegations of the U.S., West Germany, Britain, France, and Italy to discuss the "dollar situation," West German Finance Minister Apel is expected to give U.S. Treasury Secretary Blumenthal a verbal drubbing for his role in creating the current monetary chaos.

According to some observers, West Germany was behind Britain's decision to unpeg from the dollar, and is playing a leading role in the behind-the-scenes preparations for a gold-backed monetary system. In an editorial entitled "Why Sterling Was Unhitched," the London publication *Investors Chronicle* reported that "other European central banks" pressured the Bank of England to make its move. According to traders at a major British bank in New York, German banks moved heavily into pound sterling immediately after the Bank of England announcement, accounting for much of the pound's 2 cent rise to \$1.74. The heavily factionalized British central bank appears to be opposed to a further pound rise at present and was selling pounds at \$1.7420 on Aug. 4. It will take more big money inflows from the West Germans and Arabs to catalyze a further jump of the pound sterling, this source believes.

The rising anti-dollar tide among West German industrial and banking circles was aptly summed up by the Aug. 4 *Deutsche Zeitung*, weekly newspaper of Christian Democratic businessmen, in two articles by financial columnist Wannemacher. Ridiculing Blumenthal as a "sorcerer's apprentice," Wannemacher warned the Bundesbank can no longer afford to print deutschemarks in support of the dollar. Suggesting that the dollar would

have collapsed long ago if a few foolish oil sheiks and others had not squandered their profits in dollar-denominated investments, Wannemacher called on the Saudis and Kuwaitis to begin a run into gold. West Germany and Japan, he said, should not reflate to help the U.S. bridge its trade deficit, but should put an end to the dollar's reserve currency role once and for all!

*Pravda* gloated that "as of Monday, Aug. 1," the West German Central bank had ended its policy of support for the dollar, while the *Journal of Commerce* noted that traders were "puzzled" by reports that the Bundesbank was selling dollars on that day.

### *Scandinavia: An Achilles Heel*

Before West Germany and the other European governments make their leap into the new monetary order, however, they must square away the problem of the Scandinavian economies. Sweden is said to be on the brink of collapse due to sky-high inventory pile-ups, shrinking sales, and disappearing corporate profits.

Many U.S. and European press outlets have spread the rumor that the Aug. 5 meeting of leading finance ministers will decide to reorganize the deutschemark-centered European currency "snake," including major devaluations of the Swedish, Danish, and Norwegian currencies. This would strike hard at West German exports to this region. The AP-Dow Jones wire even went so far as to "leak" Swedish Economic Minister Bohman's interview with a financial newsletter in Paris last week, claiming that he had stated that a Swedish kroner devaluation of "more than 6 percent is needed." The newsletter in question subsequently revealed that Bohman had actually stated that the devaluation was not needed. Such patent misreporting only reveals the desperation of certain U.S. financial circles to divert attention from the dollar's miserable plight.

According to the July 29 *Handelsblatt*, the Bundesbank was forced to spend 1.4 billion DM in support of the Scandinavian currencies in the previous week. If the West Germans continued to intervene on this scale last week, this could partially account for the improvement of the dollar, since the Bundesbank would be putting more deutschemarks into circulation and driving down deutschemark sector interest rates. One way West Germany could get out of this bind is through large-scale OPEC investments in Scandinavia as part of a "triangular trade" arrangement between Western Europe, OPEC, and the Soviet Union.

Other trouble-spots which have temporarily drawn attention away from the dollar include the Turkish lira, which was devalued 4.5 percent against the deutschemark last week; the Australian dollar, devalued 1.5 percent; and the Canadian dollar, which fell to a new seven-year low of 93 cents.

# Production Breakdown Sends Stocks In Tailspin

The release of Commerce Department reports Aug. 4 showing that July retail sales have risen 2.4 percent above June levels barely stirred the New York Stock Exchange which stayed at the 18-month low it had hit last week.

Wary traders discounted the possibility that improved retail sales were sufficient to offset the bevy of bleak economic news which has appeared in the financial press for the last three weeks, documenting a crack-up in U.S. production levels and an end to growth in some industries.

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## BUSINESS OUTLOOK

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Reports of this economic news July 27 had sent the Dow Jones industrial average of the New York Stock Exchange shooting down by 20 points. By that week's end, the Dow Jones average had plunged 40 points, wiping out billions of dollars in equity prices. It closed at 888, its lowest level in a year and a half. By Aug. 5, the Dow was still mired in its doldrums, hovering at 888.6 by the conclusion of the week's trading.

The "shell-shocked" stock market, as one analyst described it, for once functioned as a sensitive and accurate economic barometer, detecting the end of what Carter's economists have called the 18-month "industrial recovery."

That so-called recovery was a mirage all along: production levels for most industries are still 5 to 15 percent below 1973 levels, after more than two years of "recovering." But the stock market only registered this fact when the evidence was written so large that even the blind — Treasury Secretary Blumenthal and Charles Schultz for example — could see it.

Heading the list of dismal economic news is poor profit showings in key industrial sectors, the gaping U.S. trade deficit, surging leaps in the money supply, and such critical indicators as declines in manufacturing employment for June.

Concerning the latter development, Lacey Hunt, vice president and economist of the Fidelity Bank, concludes in his July 27 newsletter: "a reduction of the work force by manufacturing firms clearly does not imply confidence about economic conditions."

But the foremost blow to confidence — or rather one might say, the stiffest dose of economic reality — came with the second quarter profits picture, which triggered the most powerful reaction on the stock exchange. The steel industry led the list of losers in corporate earnings. According to steel reports, the steel industry has already reacted to the weak news with knee-jerk production cutbacks, indicating that steel is preparing to lead the rest of U.S. basic industry down the path of deindustrialization (cosmeticized by the euphemism "rationalization.").

Bethlehem Steel Co., the nation's second largest steel producer, announced July 27 that profit margin drops of

38 percent would force a cut in dividends by a half. Lewis Foy, Bethlehem's Chairman, announced at the same time that in addition to the closing of four "smaller, older facilities," cost-cutting was being "intensified" at all its plants.

U.S. Steel, the country's number one steel company, reported July 27 that its earnings had plummeted 87 percent for the first half of 1977. After first blaming "Japanese imports" for the earnings decline, U.S. Steel Chairman Edgar "Albert" Speer did admit that the real problem was "the continuing lag in recovery of demand from the capital goods sector." He announced that in addition to the layoffs and short time now in effect at its Chicago Southworks plant, U.S. Steel may be laying off more workers at its Garyworks. Speer, meanwhile, has directed foremen at the giant Sparrows Point plant in Baltimore to relocate laid-off workers, NERA "boxcar"-style to flood-stricken Johnstown, Pa. to do "volunteer" clean up work for, at best, nominal pay. Later in the week, however, Bethlehem announced it would permanently lay off 4,000 workers at the Johnstown works, and another 3,400 workers "temporarily" — fueling speculation the plant may never reopen.

On the list of steel losers is Lykes, which reported a net loss for the quarter. The company is blaming the loss on its Youngstown Sheet and Tube Division, one of the plants on the Commerce Department's "next to go" list.

The copper industry, slated to be closed down in favor of foreign labor-intensive operations, joined steel to show large second quarter losses, led by Newmont Mining's 57 percent earnings drop. Summing up the state of the copper industry, Kennecott Copper announced last week that it was going to use the \$1.2 billion obtained from the sale of its Peabody Coal subsidiary to diversify out of the copper industry altogether!

The Commerce Department too has released its share of bad economic news for the last two weeks. On the capital spending side, domestic orders for machine tools declined 9.7 percent in June, and durable goods orders dropped off 1.1 percent after three straight months of stagnation.

The Commerce Department report of July retail sales gains of 2.4 percent over June was led by a 4.2 percent increase in auto sales, leaving the July net gain over June in other retail sectors a weak 1.9 percent. This increase will not be enough to allay the suspicion and doubt about the retail sector's future that has been engendered by the previous three month's real dollar volume decline in retail sales. Add to that two months of flat business sales and the bankruptcy of the giant Robert Hall clothing outlet, and the news hardly spells that the consumer spending binge is off and running again.

Within the last three months, industrial inventories have been built up to a nearly overstocked level, forcing industries to further slow down their production pace. A big part of the problem — compounding the difficulties stemming from the domestic capital spending lag — is that the capital goods-short Third World cannot make the financial arrangements to become a center for the import of U.S. goods.

### *The Yawning Trade Deficit*

The staggering collapse of the industrial sector is in part explained by the news of another U.S. trade deficit.

On July 28, the government announced a merchandise trade account deficit of \$2.8 billion, and a six month deficit of \$12.59 billion. When measured by so-called free along side (FAS) accounting which includes insurance and freight costs in the import bill and is a more accurate practice used by almost all OECD nations, the deficit is nearly \$17.5 billion or \$35 billion annualized.

There is no mystery here: Wall Street debt collection policies have crippled the import capabilities of, notably, the Third World. In June, agricultural exports of a record U.S. harvest were off sharply from May, leading to an overall fall in export levels of 3 percent. Imports to the U.S. rose by 11 percent.

Commerce Department Undersecretary Frank Weill predicted July 27 that "it could take us a decade or more to get back into sustainable equilibrium" in trade — that's assuming that the dollar lasts a few more weeks.

### *Inflation Around the Corner?*

It is perhaps no less significant to the traders on the stock exchange that money supply figures are also shooting through the roof. Although M-1, the amount of currency in circulation plus demand deposits, fell \$1.5 billion the week ending Aug. 3 it has skyrocketed at a 19.4

percent annualized rate for the last four weeks. Likewise, M-2 aggregates, which dropped \$100 million for the week ending Aug. 3, have gone up at a 17.3 percent annualized rate for the last four weeks.

Federal Reserve chairman Arthur Burns responded by tightening the federal funds rate — the rate at which banks borrow money from each other — by 25 basis points. This pushed up interest rates overall, and began a sharp downturn in municipal and Treasury bond prices.

But the tightening of interest rates will only constrict the supply of credit, accelerating the downward trend in the economy already underway.

This rapid downturn in production has not been lost on Wall Street. For about four weeks now, Wall Street spokesmen such as Jacob Javits, Hubert Humphrey, and Felix Rohatyn, have been plugging their reworked threadbare revisions of Hitler's 1930s economic programs.

Then, on July 28, the New York Times offered its comparison between 1927 — the pre-crash speculative boom in the U.S. — and today. In 1927, central bankers like Benjamin Strong and Sir. Montagu Norman, chiefs of the New York Federal Reserve and the Bank of England respectively, looked to gold to discipline the world economy. Today "as a substitute for gold, there must be political and social discipline," the *Times* concluded.



EXCLUSIVE

## The Politics Of Developing International Uranium Reserves

The leading nuclear power countries in Western Europe and Japan, responding to what they regard as the Carter Administration's suicidal policy of strangling world uranium resources, have taken a number of measures to attempt to insure adequate supplies of enriched uranium reactor fuel between now and the year 2000 when their nuclear fast breeder and plutonium reprocessing capabilities will insure them a greatly expanded nuclear fuel base.

At a meeting in London several weeks ago, the world uranium producers group, the Uranium Institute, expressed extreme disquiet over the implications of the Carter energy proposals as they estimate existing world uranium supplies will be exhausted in the next 20 to 25 years if full fuel-cycle capacities are not developed now. Participants at the conference said that without Australian uranium, Carter's anti-proliferation policy stood no chance of being accepted outside the U.S.

The Carter policy is regarded as a no-win option by the world nuclear industry and power consumers, because it cuts off the line of future expansion of existing uranium fuel under the guise of stopping "proliferation" of nuclear weapons, and because it effectively chokes off supplies of existing fission reactor fuel by imposing such

stringent uranium safeguards that nations purchasing U.S.-enriched uranium (still the world's leading enriching capability) are required to surrender national sovereignty over their own research and development programs to a U.S.-controlled agency.

Since Carter's inauguration, the U.S. has imposed a de facto embargo on processing of contracts for international delivery of enriched uranium to Western Europe, Japan and India.

The Carter-Schlesinger policy has so far backfired, spurring a wealth of bilateral and multilateral nuclear fuel arrangements. The large uranium reserves in Canada, Australia, Namibia and South Africa are the focus of intense negotiations by European and Japanese interests attempting to insure a secure uranium supply as those countries press full speed ahead with the parallel development of enrichment and fast breeder technology.

France, one of Europe's largest nuclear power nations, has just secured a ten-year uranium supply from South Africa in return for a \$100 million interest-free loan to help finance development of a major South African gold and uranium development program. The agreement between the national French Atomic Energy Commission (CEA) and the Randfontein Estates covers delivery of 900 tons of uranium oxide a year, the entire output of the mine. South Africa is the only major uranium supplier nation at this time prepared to sign contracts with no strings that apply to the proliferation of nuclear explosives. On the same day, the French CEA announced signing of an important fast-breeder nuclear cooperation with West Germany, and reports are that West Germany has been invited to join in French uranium development in Africa.

At the same time, Euratom, the Common Market nuclear agency still subject to U.S. withholding of enriched uranium deliveries, has been negotiating with Australia and Canada to reach agreement for secure uranium resources. West German Economics Minister Dr. Hans Friderichs has recently been in Australia meeting with Prime Minister Malcolm Fraser. Friderichs attacked the current Fraser government nuclear safeguards policy governing sale of Australian uranium, while offering the Australians support for the idea of a general trading agreement with the EEC which would open European markets to Australia's agricultural products, in return for guaranteed supplies of Australian uranium.

Exploitation of the vast Australian uranium reserves, estimated at 350,000 tons economically recoverable, is a major political issue. There is immense European and

### Soviet Paper Interviews

#### French Official On Breeder

André Giraud, General Administrator of the Commissariat of Nuclear Energy in France, told the Soviet trade union daily *Trud* July 29 that collaboration between France and the Soviet Union on fast breeder reactor technology is "extremely sensible." The two countries, he said, "are ahead of everyone else in the world" in breeder technology. Their programs are parallel: in June France and the USSR exchanged copies of their draft projects for the first prototypes of a new generation of breeders — the Phenix and the BN-350.

Both in France and in the Soviet Union, Giraud said, breeder development was chosen as a "proven reliable, safe and economical source of energy."

Giraud also cited Franco-Soviet research collaboration in high-energy particle work, controlled thermonuclear fusion, and superconductivity.

Japanese pressure on the Fraser government to give a government go-ahead to begin mining of the currently undeveloped reserves in the Northwest Territory, which is largely occupied by sparse aborigine settlements. After a recent trip to Europe and the U.S. last month Fraser announced the postponement of the government policy decision until Aug. 16, the hesitation being attributed by informed government circles to an extreme unwillingness on Fraser's part to rile up the "environmentalist" lobby and various factions of the Australian Labour Party who are opposed to mining the uranium. Preliminary estimates are that Fraser will opt for a compromise plan which will permit development of only one mine at a time. Last month the Melbourne Dockworkers local, in defiance of their federal union policy, imposed an indefinite ban on the handling of ships carrying uranium. The U.S.-financed Friends of the Earth group has been active in preventing development of Australian uranium resources, and was the source for a high-level intelligence leak last year of information now being used against the international uranium mining interests of Rio Tinto Zinc which has involved them in complex litigation with Westinghouse Electric Co.

If the Fraser government gives an even reasonably favorable decision, up to 3,000 tons of new Australian uranium could be marketed annually by the early 1980s, rising to an estimated 12,000 tons by 1985. By comparison, Canadian production, currently at about 5,000 tons per year is expected to rise if current development plans are realized, to 12,500 tons by 1984. South Africa, on the other hand, is currently in a vigorous expansion program to regain its former peak production level of some 6,000 tons per year within two to three years.

To date, the British government, which has already been forced to dig deep into its reserve stockpile due to the Canadian uranium embargo last December, has refused generous offers to buy South African uranium. Britain has also been severely affected by the delays in commissioning the Rossing mine of Rio Tinto Zinc in Namibia. British plans had estimated the mine, the largest in the world, would come into production with planned output of 5,000 tons per year, last year. The plant opening has been rescheduled to the middle of 1978 because of a reported miscalculation in the ore processing plant due to design errors. Britain is believed to be among its first customers with an order placed in the late 1960s for 7,500 tons. Britain currently consumes 5,000 tons of uranium a year. Britain presently purchases some 2,500 tons of uranium a year from Rio Algom of Canada, but due to the Canadian embargo, the deliveries are being stockpiled in Canada awaiting government approval for resumption of fuel deliveries.

#### *The Strange Case of Rio Tinto Zinc*

All of this provides the context in which to view the ongoing remarkable international legal battle which nominally pits the world's largest nuclear reactor manufacturer, Westinghouse, against the world's largest uranium mining giant, Rio Tinto Zinc, and 28 other large uranium mining interests. Westinghouse charges a

cartelized conspiracy to rig the world market price on uranium. The Westinghouse suit, which is a countersuit against collective legal suits brought by 27 electric utilities against Westinghouse for breach of uranium delivery contracts, is the central part of an ongoing international diplomatic, economic and political and legal battle.

The Carter Administration's Justice Department is currently moving to insure that Rio Tinto Zinc is forced to testify in the utilities versus Westinghouse case. In an extraordinary measure, a U.S. judge is acting to take evidence from Rio Tinto Zinc executives at the U.S. Embassy in London, citing the Hague Convention of 1968 as basis for compelling disclosure by foreign-based corporations. The attempt by the U.S. government to compel disclosure has provoked the intervention of the British government, acting under considerable pressure from the French, South African, Australian and Canadian governments.

Last week the British government invoked royal privilege to relieve the Rio Tinto Zinc executives of having to give testimony in the case. The British Solicitor General, arguing for his government's intervention, stated that "certain friendly countries would feel embarrassed if this evidence were given." This refers to the above-named four countries, all of which were involved in the establishment of the Uranium Institute and in all of which Rio Tinto Zinc has substantial uranium interests.

In a related decision, a U.S. judge in Utah last week ordered the Canadian-based Rio Algom Ltd., which has a subsidiary in Utah, Rio Algom, Corp., to give evidence on the 1972-4 activities of the alleged international uranium cartel or face a fine of \$10,000 for each day it withholds such testimony. The order was suspended for ten days to allow the company time to appeal. The Canadian government is expected to intervene diplomatically with the U.S. as they have already ordered uranium companies and executives not to remove uranium industry records from the country without government permission.

The international legal attack on Rio Tinto Zinc has the effect of choking strategic international uranium production, especially when combined with the negative impact of the activities of Rockefeller-family financed "environmentalist" groups such as Friends of the Earth, who under the rubric of saving the ecology, are doing their best to limit world production of essential uranium fuel. The evidence to date would indicate that Westinghouse is being used by the Rockefeller interests as a bludgeon against the London-based uranium group centered around Rio Tinto Zinc, itself part of the London-based Rothschild financial interests believed to be behind the recent Bank of England decision to decouple the pound sterling from the U.S. dollar. If the Chase Manhattan-backed Carter Administration is unable to control the international uranium resources commanded by this grouping, it leaves a major hole in its present political policy of enforcing financial bailout of the dollar under the cover of imposing international energy austerity.

— William Engdahl

# Soviets Issue Daily Warnings On Danger Of World War III

The Warsaw Pact nations have given the most urgent warnings of the danger of nuclear war this week in commentary after commentary at the highest levels. Concerted Soviet pressure is being applied to Western Europe in this context, to assist it to break with the source of the war danger — a desperate Carter Administration faced with the bankruptcy of the U.S. dollar.

Lest there be any misunderstandings on this score, Soviet press commentaries have directly compared the Carter government to the out-of-control lunacy of Hitler in the 1930s. Bluntly, the official Soviet news agency *Tass* told Western Europe it must break with Carter's war policy, or the horror of World War II rubblefields will be repeated many times over; Carter's 'clean' neutron bomb, will result in making Europe an "atomic desert." Another Soviet commentary in the German Democratic Republic daily *Neues Deutschland* called the fanfare around the neutron bomb a political move on the part of Washington to force Europe to end "European detente," and attacked West German Foreign Minister Genscher for saying there should be no "anti-American overtones" in the debate on the bomb's potential deployment on Western European soil.

The Soviets have moved aggressively for an alternative to war, supporting collaboration for economic development with the Arab nations at the ongoing Belgrade Conference on Security and Cooperation in Europe. Soviet articles have quietly encouraged an open break with the dollar. The party daily *Pravda* Aug. 2 praised West German moves to dump the dollar and the official Czech press *Rude Pravo* Aug. 3 noted with favor anti-dollar possibilities at the OPEC meeting in Vienna.

The first substantial Soviet coverage of the Ethiopia-Somalia dispute has pinned the blame on the United States. The Soviets are making strong efforts to defuse down the war danger on the east African horn, and the Western press reports that the Soviets are "urgently pressing" Somalia for an immediate ceasefire. Both Somali and Ethiopian delegations have recently been in Moscow, where a compromise plan is said to have been broached.

## 'The Dangerous Course'

by *Tass Political Observer Yuri Kornilov,*  
Moscow, July 29

Six months have gone by since the Administration of the Democratic Party headed by President James Carter came to power in Washington. Six months in our dynamic time is quite a lot. The first results can be summed up....

What has been done in the past six months in the United States to ensure the further favorable development of Soviet-American relations?...Unfortunately, it should be said: Nothing or very little. Moreover, certain steps of the new U.S. Administration represent a reverse movement from progress that has already been scored earlier in Soviet-American relations. And the most dangerous of these steps is the course at the unheard-of spiralling of the Pentagon's military budget, at serial production of the new types of mass destruction weapons, from cruise missiles to barbarous neutron bombs, that is a direct pushing of the world toward another round in the arms race....

...Those in the USA who are launching another round of such a race should be fully aware of the following: yes, the USSR consistently and firmly upholds the cause of peace, the cause of detente, but it did and will never go against interests of its security, and, if it is compelled to, does everything necessary to ensure such security. And let no one in the West have any illusions that the Soviet economy, as they say, "will not bear an additional load" which the supporters of the arms race would like to impose on it. It will bear it, if necessary!

I believe, that now Soviet-American relations have entered such a period, which can be called a decisive one to a certain extent....

And those dangers (of a new arms race — ed.) are quite serious. For the White House — which in the recent period of time grew fond of listening to all kinds of "advice" and "recommendations" from learned historians — it would not be superfluous to turn in this connection to the known historical examples. Let us recall at least the situation in the 1930s in Germany where the policy of unbridled militarization and the arms race was justified by the need to "resist bolshevism" (in our days this term is transformed into the notorious "Soviet threat"). At that time, just as is happening now, some people stated in just the same way that guns would make it possible to maintain peace. The outcome of that militarist policy is well-known.

## Washington 'Brings World Closer to Nuclear Holocaust'

*Tass statement July 30 (Moscow)*

...Washington is trying to put on a serious face in proving the advantages of this new type of mass destruction weapon (neutron bomb — ed.) on the grounds that it only kills people, while leaving material values undamaged. This is how "humanism" and "morality" look in Washington's policy.

One cannot help seeing that those, who are publicizing the neutron charges as allegedly some "clean" weapon of limited effect, are as a matter of fact trying to gloss over the fundamental difference between the conventional and nuclear weapons, instill in the minds of people the idea that the nuclear weapon is no more dangerous than a rifle, and consequently it can be used as simply and easily.

The arguments that the neutron charges are meant for use in the first place as a tactical weapon directly in the battlefield serve the same aims. The calculation is simple here, to prove that its use would not inevitably lead to a large-scale nuclear holocaust.

The inconsistency and danger of such arguments is obvious. Behind them are attempts to justify and substantiate practical actions, that can only bring the world closer to a nuclear holocaust....

The Soviet Union would like to hope that the U.S. leadership is aware of the responsibility it assumes by starting a new round of the arms race, and that sanity and political realism will prevail in Washington.

### 'Does The FRG Need The U.S. Neutron Bomb?'

by Tass Commentator Vladimir Senchenkov,  
Moscow July 31

A wave of alarm has swept the Federal Republic of Germany in connection with the decision of the Senate of the U.S. Congress to appropriate funds for the manufacture of neutron warheads....

...General J. Steinhoff, who recently held the post of Chief of the NATO Military Committee, who can hardly be rated among advocates of détente, warned in one of his recent interviews that the creation of the neutron bomb, this small version of the nuclear weapon, tempts the use of it in combat and thus makes war a possibility. One cannot help asking in this connection, for what special advantages for the FRG as a result of deployment of neutron warheads in its territory does (West German Social Democrat — ed.) Werner hope? Doesn't it seem to him an "advantage" that if a conflict is provoked it will be the FRG itself, which is the nuclear arsenal of the USA, that would first be turned into an atomic desert?

### Real Threat of a New War, Says Soviet Navy's Commander

*Agence France Presse Wire appearing in the Colombian daily El Pueblo Aug. 2*

(AFP)-Moscow — "As long as imperialism exists, there exists the real threat of a new war" said the Commander of the Soviet Navy Admiral Gorshkov July 31. "The imperialist states, which are increasing their armaments, increasing their military budgets and creating new offensive weapons are threatening peoples," he said on the occasion of Soviet Navy Day.

"Under these conditions the primary task of the Soviet Navy is always to be ready to defend the sea borders and guarantee the interests of the State."

Gorshkov reaffirmed that the Soviet Navy "executes its sacred duty to defend the peaceful work of the people."

He said that the putting into use of the first Soviet aircraft carriers had "considerably raised the military capacity of the naval forces of the Soviet surface."

Writing in *Pravda*, July 31, Gorshkov criticized the Atlantic Alliance and especially the "increase of military budgets of NATO countries and the creation of new arms systems."

Gorshkov wrote: "The rejection of the NATO command of following the road of détente obliges the Soviet Union to take measures, as a consequence, to strengthen its defense."

He also discussed the ways of Soviet naval warfare and defined as one of its "primary functions," the "development of its submarines equipped with different types of missiles that can reach any point in the world ocean."

### 'Oil Multinationals' Responsible For African Tensions

Top Soviet Mideast commentator V. Kudryavtsev Aug. 2 blamed the Ethiopia-Somalia dispute directly on the United States. The African Horn crisis, he charged in the government paper *Izvestia*, is part of Washington's policy of stirring up "nationalism" and "separatism" as tools to achieve "balkanization" of the Middle East and Africa. This policy is designed to allow the U.S. to rule "through the hands of others."

Kudryavtsev warned that the U.S. will set up conflicts and "even wars" to dismember Ethiopia and "render progressive Somalia helpless, if possible through the same hands."

In the past, wrote Kudryavtsev, the "oil multinationals" (Rockefeller) have used this same strategy to incite the Biafra-Nigeria war and to split the oil-rich Cabinda province off from the People's Republic of Angola.

### 'The Salvation of Humanity'

In an August 3 news interview carried by the Cuban Press Service Prensa Latina, Bulgarian head of state Todor Zhivkov warned that "détente has not yet acquired an irreversible character," and "on the contrary, parallel to this, the arms race is intensifying."

The Zhivkov interview, which appeared in all the Bulgarian media, focused on the importance of Warsaw Pact initiatives to prevent world catastrophe: "The Soviet Union's proposals to end the arms race," he declared, "stem from human considerations for the defense of world peace and the salvation of humanity from the obvious catastrophe that a third world war would be."

# Vance Succeeds In First Leg Of Tour: Mideast Crisis Set Up

After less than a week in the Middle East, U.S. Secretary of State Cyrus Vance has brought that region nearer to a general Arab-Israeli crisis and possible war.

At his stops in Egypt, Syria and Jordan, Vance was able to catalyze public, visible signs of conflict within the Arab world on the central Palestinian question broadly similar to the chaos provoked by Henry Kissinger's Sinai Two pact which preceded the bloody Lebanon civil war. Vance now has the capability during the last half of his tour to trigger a compensatory rush of "radical Arab unity" around the Palestinians that will provoke into motion the Israeli pre-emptive strike faction and to manufacture an escalation of the dangerous southern Lebanon crisis into a direct showdown between Israeli and Syrian armed forces.

With this chaos and crisis mood set in motion, Vance will be better placed to extort from Saudi Arabians a commitment to drop discussions with other oil-producing countries seeking monetary alternatives to the dollar by playing upon Saudi terror of regional instability and insecurity. Vance's actions are a key moment in the Carter Administration's intent to break the political will of the Organization of Petroleum Exporting Countries (OPEC). The main target of this operation is Western Europe, whose will toward independent political and monetary initiatives will be drastically undermined if the Arab oil-producing partners in the European-Arab axis are crushed.

Since these latter aims, and not the setting up of a Geneva Mideast peace conference, are the primary goals of Vance's Mideast swing, he has already substantially succeeded. The surface appearance of stumbling and clumsiness evidenced in the Egypt and Syria stops have in reality been a key element in the destabilization of the Arab sector.

## *Sadat Bends Over and Gets Kicked*

During his first stopover in Egypt, Vance won from the malleable opportunist President Sadat a public commitment to sidestep the long-expected Geneva conference and the thorny and controversial question of Palestine Liberation Organization participation at future Mideast negotiations. In an August 2 press conference, Sadat revealed he had suggested in private discussions the creation of a "working group" of Arab and Israeli Foreign Ministers to meet in New York, under Carter Administration auspices, to hammer out procedural questions. The PLO would obviously be excluded from such talks and the Soviets would be invited to "confer" with the United States but not necessarily to attend the actual discussions.

Vance immediately labelled the Sadat plan an "ex-

cellent suggestion," and the next day's international press was prominently headlining "the Sadat-Vance proposal."

From all evidence currently available, it is clear that the proposal was blown up by Vance and his entourage way out of proportion to the meaning intended for it by Sadat. While the Egyptian President would *personally* love to exclude the PLO and the Soviets, he cannot actually pursue such a policy due to a number of domestic and regional constraints. In issuing the statement, Sadat had probably intended no more than to create an illusory sense of "diplomatic momentum" and to propitiate the Carter Administration.

Vance, however, cleverly made a public fait accompli of the proposal in order to set off fireworks throughout the rest of the Arab world. During the August 2 press conference, in what was an obvious set up coordinated by Vance and agent reporters in the entourage, Sadat was repeatedly questioned about his intent towards the Palestinians. According to the August 3 *Washington Post*, Sadat was "edgy" and "testy" during this questioning and sharply denied that he sold out the Palestinians.

The pressure for Sadat to resist Carter Administration demands that he break with the Palestinians has been intense this week. On August 2, Sadat received a strongly worded letter from the PLO Executive Committee insisting that the PLO participate in all general Mideast negotiations and that an independent Palestinian state on the Israeli-occupied West Bank and Gaza Strip territories be a minimal Arab demand.

During the two days of Vance-Sadat bilateral discussions, the Cairo press, heavily government-controlled, emphasized the priority of the Palestinian issue over other issues such as Arab-Israeli territorial disputes. *Al Ahrām*, on August 2, headlined "Egypt Rejects American Proposals, Presents New Ones." In fact, during the major part of the Vance-Sadat talks, the *differences* between the two countries rather than the points of agreement took up the vast majority of the time, with Sadat rejecting an American proposal for a phased series of Israeli territorial withdrawals in return for staged Arab normalization of relations with Israel.

With Sadat fundamentally unable to fully bow down before Vance, much of what happened at the press conference was likely intended to be a "smokescreen" and "theatrics," according to France's *Le Figaro*.

Hardly had Vance left Cairo for Damascus than the Egyptian government began to backtrack from the "working group" policy's exclusion of the Palestinians. The Egyptian Foreign Ministry released a toughly worded policy document insisting on Israeli territorial

withdrawals and on full recognition of Palestinian "self-determination" and inclusion in peace talks.

The release of this document, the August 4 *London Times* reported, was "an unusual step" whose aim was to show that "Egypt was not making any private deals behind the backs of other Arab leaders or abandoning the Palestinian cause." The "surprise move," the *Times* continued, was intended to "allay Arab fears that Egypt was making separate peace moves."

On August 4, Sadat held three hours worth of discussions with PLO chairman Yasser Arafat. According to *New York Times* Cairo reporter Marvin Howe, Sadat "emphasized to the Palestinian leader that his government had not reneged on its commitment that the PLO must take part in any Mideast peace negotiations" and insisted that the "working group" was "in no way a substitute" for a Geneva peace conference.

#### *Vance in Damascus: The Rejection*

Predictably, Syrian leader Hafez Assad strongly rejected the Sadat "working group" policy, declaring his insistence on PLO involvement in peace talks and on the creation of an independent Palestinian state. According to informed Washington sources, Assad's thoroughly negative attitude grew out of being "enraged" at Sadat's stumbling attempts to weed the PLO out of the negotiating process.

Assad's reception of Vance was built on the foundations of a "new strategic political accord" between the Syrian government and the PLO, London's *Financial Times* reported August 4. Several days ago, Assad and Arafat held a seven-hour intensive working session to formulate joint policy toward the U.S. moves in the Mideast.

As things now stand, the Syria-PLO position itself is fitting into the pattern needed by Vance for his Saudi Arabia stop. Lacking substantive Arab sector assertion

of a regional-national interest policy by breaking with the U.S. dollar, it will likely trigger a volte-face in Egypt, and thereby a "militant" Arab position facing Israel — activating an Israeli pre-emptive strike — or it will intersect with the ongoing Syria-Israel "proxy war" in Lebanon and be used by the U.S. and Israelis to detonate a full-scale Syria-Israel shooting war.

These dangers are exacerbated by the developing situation in Israel. Over the past few days, there has been a steady stream of suspicious terrorist incidents in several Israeli cities and townships, which the Israeli media on August 5 began calling a "terror wave." In one noteworthy incident, several "terrorist infiltrators" were caught after having entered Israel, amidst a great deal of national publicity.

The "anti-terrorist" hysteria in Israel can be expected to feed cries for a show of force against the Arabs, and the situation in southern Lebanon continues to be very hot. As of August 5, fighting was very heavy in the strategically key city of Marjayoun, close to the Israeli border. Earlier in the week, fighting between Israeli-supported fascists and Palestinian forces had extended as far north as Nabatiyeh, while Israeli jets made their first flights over the southern port city of Sidon in many months. At that moment, Syrian forces were attempting to arrange a recently arranged delicate ceasefire accord in Sidon.

Israeli hysteria is likely to be exacerbated by a policy announced by President Carter in *Time* magazine. In an interview, Carter incredibly stated that he would appeal "over the head of Premier Begin to the Israeli population" as well as to U.S. Jews, the European Common Market, and the Arab states, if Israel refused to be forthcoming to U.S. diplomatic moves. Carter's words are intentionally abetting the pre-emptive strike military faction centered around current Israeli Cabinet members, Generals Ariel Sharon and Moshe Dayan.

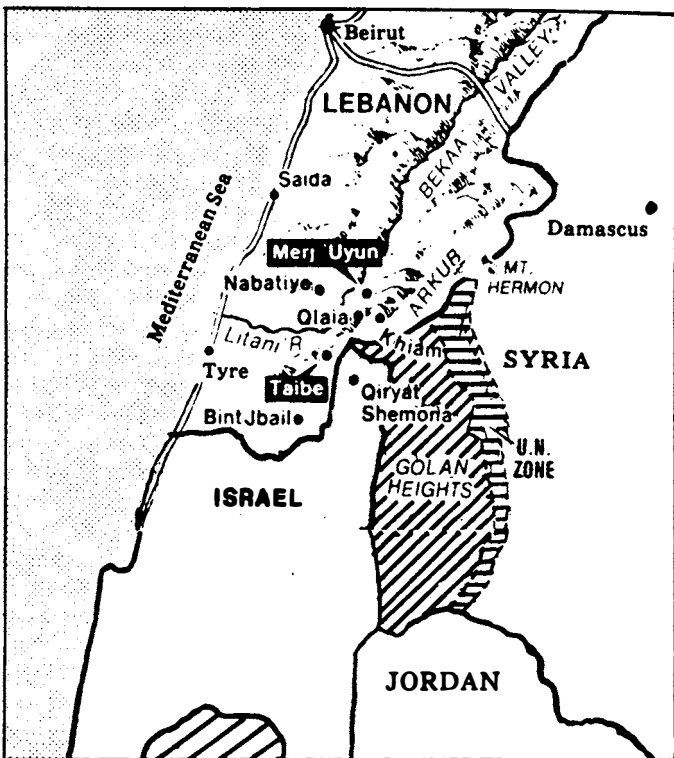
#### *European and Soviet Moves in the Making*

If the Arab states perceive even a glimmer of the reality of what Vance is trying to do with his trip, an array of alternative diplomatic forces is waiting to pick up the pieces of what will then be a shattered Carter Administration provocation.

Most significant, Italian Premier Giulio Andreotti arrives in Saudi Arabia on August 6, the same day that Vance arrives. According to reliable Italian sources, the two themes of Andreotti's visit will be "reform of the international monetary system" and "support for PLO participation at a Geneva conference." This combination will pose for the Saudis in the most sensuous way the European alternative to sticking with the U.S. Dollar Empire crowd.

In a parallel move, the French government is planning to push for a revision of the controversial United Nations Resolution 242 in order to alter its characterization of the Palestinians as "refugees" and to instead locate the Palestinian problem as one of national sovereignty. According to the August 5 *Christian Science Monitor*, the French will seek to coordinate this move with their European partners in the European Economic Community. If carried through, the French move would thoroughly undercut Carter and Co.

—Mark Burdman



At the same time, the Soviets are reinforcing their presence in the Arab world in expectation of a Vance diplomatic embarrassment. Soviet pressure was in large part responsible for the accords worked out between the PLO and Syria, and, in the wake of Vance's departure from Egypt, top level Soviet representatives held meetings with Egyptian Foreign Minister Ismail Fahmy in Cairo, possibly preparing for a previously arranged August trip to Cairo by Soviet Foreign Minister Andrei Gromyko.

Throughout this week, Soviet and other East Bloc media have been sharply critical of Sadat's "working group," labelling it a "departure from the 1974 Rabat Accords" recognizing the PLO as the legitimate representatives of the Palestinians.

One source close to the Carter Administration commented, after Vance's Damascus arrival, that, "I hope Vance has gotten prior Soviet agreements on what he's now doing. If not, there's a good chance the Arabs are going to just turn around and call in the Soviets and then we're in big trouble."

Whether this emerging array of European-Soviet countermoves could include U.S.-backed Israel is now a moot question. Notably, this week, Israel's Energy Minister, Yitzhak Moday, for the first time threatened that if the United States continued to refuse to authorize the sale of nuclear reactors to Israel, then the Israeli government would look towards Europe as an alternative. Israel is well known to possess nuclear weapons; it is nuclear energy in the service of peace and economic development which the Carter Administration is determined to deny its "strongest Mideast ally."

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## Sadat On The Ropes

Egyptian President Anwar Sadat's unfortunante endorsement this week of the chimerical plan worked out with Secretary of State Cyrus Vance to convene a "working group" of Arab and Israeli foreign ministers in Washington may be the straw that breaks the camel's back.

According to Arab diplomatic sources, the internal opposition inside Egypt to Sadat and his corrupt circle of military chiefs — especially in the wake of the aborted Egyptian invasion of Libya last week — is growing to critical mass. In the evaluation of experienced U.S. analysts, unless there is a significant breakthrough toward a Middle East peace settlement, Sadat's chances

of surviving as president of Egypt past October are nil. Sadat's four-year tightrope act is coming to an end.

The growing domestic crisis in Egypt, fed by a spiralling economic collapse, threatens to push Sadat again into renewed confrontation with Libya. Libya's Prime Minister Abdessalam Jalloud charged at a press conference this week in Tripoli that Egypt was massing troops on the Libyan border following a ceasefire after the four-day border war, and that nearly the entire Egyptian air force has been stationed in bases in western Egypt poised to attack Libya. Jalloud also said that Libya had obtained documentary evidence to prove that the U.S. instigated the start of the Egypt-Libya war.

Within Egypt, civilian and military opposition to Sadat is receiving the quiet backing of Libya. The Libyan government of Muammar Qaddafi — a regime which Sadat has pledged to overthrow by force — has begun making contacts with former Egyptian officials who now oppose Sadat. These officials, sources say, are in contact with rebellious circles in the army, especially among middle-level officers.

Since the attack on Libya, the Egyptian army has been hit by a number of mutinies and rebellions, a situation that forced Sadat to issue a threatening communique commanding his army personnel to remain loyal. So afraid was Sadat of the possibility that his officers would refuse to carry out orders to move against Libya that even field commanders were not told of the impending action until two hours before the war!

The opposition to Sadat is of two forms, both leftist — including the Egyptian communists and Nasserists — and rightist, such as the Muslim Brotherhood. Although the latter are divided into several competing Muslim factions, each with an allegiance to a different outside backer, there is evidence that some of the rightist Muslim groups are secretly cooperating with the left to overthrow Sadat.

The driving force behind the Egyptian crisis is the worsening economic disaster. A foreign debt of between \$12 and \$18 billion has thrown the entire economy into a tailspin despite occasional handouts from Saudi Arabia, and there has been a near total lack of capital investment since the 1973 war. Infrastructure — communications, transport, and the like — have collapsed in disorder, and Egypt's agriculture is suffering from an absence of fertilizer and pesticide. According to *Pravda*, the Soviet daily, most of this year's cotton crop will be lost to an infestation, wiping out the chief Egyptian export commodity.

## USSR In African Peace Offensive

Last week the Soviet Union launched a peace offensive in the Horn of Africa region, exerting considerable pressure on all parties susceptible to reason — especially the pro-socialist government of Somalia — to stop the escalating warfare in Ethiopia's southern Ogaden region between ethnic Somali guerrillas and the Ethiopian army. The East European press, increasingly backed by their West European counterparts, are warning the Carter Administration in increasingly strong language to stop sabotaging the peace effort on the Horn.

"The Soviet Union is urgently pressing Somalia for an immediate ceasefire in the fighting in south-eastern Ethiopia..." reports the Aug. 4 *Washington Post*, cataloging this action among the "crimes of the Soviet Union," and claiming that Somali President Mohammed Siad Barre is resisting the Soviet initiative. The Somali government has, however, agreed to mediation of the dispute by the Organization of African Unity, which at the request of Ethiopia began meeting on the question Aug. 5. Announcing Somalia's agreement to attend the meeting, a Somali ambassador said, "Any move which would lead to a peaceful solution is most welcome."

In addition, delegations from both Somalia and Ethiopia are presently in Moscow, although it is not yet known if these two delegations have met.

Another Soviet ally in the region, the People's Democratic Republic of Yemen (PDRY) that has good relations with Ethiopia and most other neighboring states has undertaken to discuss the matter with leaders in Saudi Arabia, where the pro-American faction of the royal family has been actively supporting the secessionist movements threatening to dismember Ethiopia. After the return of the PDRY's Prime Minister and Defense Minister from a hurried trip to Moscow last week, the Yemeni President journeyed to Saudi Arabia to meet with King Khaled. The Yemeni government also announced that it is prepared to mediate between Ethiopia and Somalia.

On August 1 the Soviet daily *Izvestia* directly accused the United States of trying to "dismember Ethiopia" and "neutralize Somalia." "In the Red Sea area," said *Izvestia*, "the U.S. uses all methods of neocolonialism — instigating nationalism and separatism to discredit the progressive African regimes and to slander their ties with the Soviet Union and other socialist countries." *Izvestia's* attack, unusual by singling out the United States alone, was followed on Aug. 2 by an article in *Pravda* on the CIA's activities in Africa generally, and another article in the Czech Communist Party daily *Rude Pravo* charging the U.S. with using "tribalism, regionalism and other means of ideological diversion to

divide the revolutionary forces." These most recent attacks on the Carter Administration's sabotage of peace efforts on the Horn are the first time that the East European press has targetted the United States as solely responsible for the destabilization of the region.

The reason for concentrating on the U.S. is that much of Western Europe's press agrees with the socialists. The U.S.'s announcement that they are prepared to sell arms to Somalia, notes the British conservative *Economist* July 30, "...brings the Horn of Africa closer to at least an indirect east-west confrontation." The *Economist* also notes that Carter's pipe dream of "making Somalia our friend," is nothing more than that. The West German daily *Frankfurter Allgemeine Zeitung* on the same day noted the strength of the pro-Soviet faction in Somalia, which would smash any attempt to move toward the Carter Administration, because this faction feels that "Soviet socialism cannot be separated from the economic and technological progress (the Somalis) are achieving." This continued progress, the *Frankfurter Allgemeine Zeitung* notes, "will become more important in the future than the dream of a 'Greater Somalia'." The *Frankfurter Allgemeine Zeitung* was noteworthy in reporting the matter in terms of the economic cooperation between the Soviets and Somalia, in contradistinction to other Western press reports concentrating on Soviet military aid. Simultaneously, it was announced that West Germany is planning to increase its own economic aid to Somalia.

Unsusceptible to reason, Carter is pushing ahead with his war plans on the Horn. A Pentagon delegation left Washington on Aug. 2 for Khartoum, Sudan, to begin negotiations for selling weapons to the regime of President Jaafar al-Nimeiry, junior partner of American puppet Anwar al-Sadat of Egypt, and the most rabid of Ethiopia's opponents. Nimeiry's army has been on alert on the Ethiopian border for some weeks now, and the Sudanese government is the primary conduit for weapons and the only sanctuary for guerrillas of the secessionist movement in Ethiopia's coastal province of Eritrea, and the monarchist Ethiopian Democratic Union, operating further inland.

The American press, in the absence of a single eyewitness report, continues to publish grossly exaggerated battle communiques from the Ogaden desert region, where the ultra nationalist guerrillas of the Western Somali Liberation Front claim to have control of 85 percent of the region's territory, and to be threatening the key town of Dire Dawa, situated on Ethiopia's only railroad to the sea.

—Peter Buck



# Japan Looking For A Way Out Of The Dollar System

There were simultaneous visits to Japan last week by U.S. Defense Secretary Brown and West German Economics Minister Friderichs. Brown, who was on his way back from Korea, offered the Japanese a tightened military alliance with the U.S. against the Soviet Union, calling on them to step up their military arms program and support Washington's confrontationist posture in the Far East. Friderichs, in contrast, to the protectionist and trade war threats brandished by the Carter Administration, offered Japan expanded economic cooperation and trade. He told the Japanese that he did not buy the protectionist lies against Japan circulated by the U.S. within Europe.

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## JAPAN

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The Japanese, especially industrialists and their political spokesmen, are casting about in search of an alliance to protect themselves from the collapse of the dollar monetary system. Every step toward an alliance with Europe and the Arabs is taken with fear and trepidation over the dangers of an open break with the U.S.

Last week a high Japanese government official revealed that Japan is firmly committed to the establishment of a joint Japanese-West German axis on all major economic and political questions. The axis is a result of the total mistrust the Japanese feel towards the Carter government.

Relations between the U. S. and Japan are now entirely characterized by threat, provocation and unremitting pressure, all emanating from Washington. Japan cowers when U.S. trade accounts, which make up about a quarter of Japan's trade, are being played with by Carter spokesmen like U.S. Ambassador Mike Mansfield. In a recent speech in Tokyo, Mansfield warned the Japanese to reduce their trade surplus with the U.S. or face trade war and protectionism. Treasury Secretary Blumenthal regularly accuses the Japanese of being responsible for all U.S. economic ills and other crimes like holding down the value of the yen.

### *No World War II Replay*

While some Japanese are perfectly prepared to play the servile role assigned to them by Carter, the mood in Tokyo is far from receptive to the new U.S. "equal partnership" diplomacy of the Carter-Trilateral Commission regime. Articles in the Japanese press ridicule

the protectionist charges thrown against them. They suggest, on the contrary, that it is the weakness of the dollar and the U.S. economy that is responsible for U.S. problems, and, furthermore, the real problem lies in a crisis of the present international monetary system. One business commentator in the daily *Yomiuri* compared the present situation to 1932, complete with trade war and his expression of Japanese fears at the international isolation being imposed on them.

Japanese business circles are seeking to avoid the solution to isolation that Japan took the last time around, a route which ultimately ended in the Pacific War with the U.S., or as the Japanese call it, the Greater East Asia War. Therefore they are simultaneously trying to avoid an open break with the U.S. while equally strongly trying to build alternative economic alliances that will give their economy outlets for an expanding trade, access to the raw materials and energy sources their resource-poor nation needs, and a structure that will provide the political stability and security they seek. Japanese business leaders and the patrons of the dollar empire do not see eye to eye on the developing sector as exemplified by Mitsubishi Corp.'s chairman Fujino who pointedly announced that "the world of today is vastly changed. It is not a place where force can be used to recover bad debts."

The attention of the "shigenha," or "resource faction," and its spokesmen in the Ministry of International Trade and Industry is directed in several directions — toward Southeast Asia, their most important trading partner; toward the Middle East and OPEC where Japan's energy comes from; toward China, a major trading partner and potential source of oil, coal, and other resources; toward the Soviet Union, another large trading partner whose huge Siberian petroleum reserves Japan wants to develop; and not least of all toward Europe, and in particular West Germany.

### *ASEAN Line Up*

In Southeast Asia, the Japanese have already established significant business ties with Vietnam while American firms stand aside. The other trade target is ASEAN; the Association of Southeast Asian Nations (see article this issue). Japanese sources report that Fukuda will pledge \$1 billion toward ASEAN's development projects, probably in yen loans after this week's ASEAN summit. Such a pledge would increase a tendency toward yen financing of trade and development in the region, a process identified by some as movement

toward a "Yen bloc" to replace the dollar role in the region.

Well informed sources report that the U.S. National Security Council, and Treasury circles when informed of Japan's plans to use both the yen and loan type arrangements for the region denounced Japan's plan as a "French-type post colonial policy!"

#### *The Yen Question*

The U.S. fears over the yen are not simply limited to Japan's plans in Southeast Asia. Japanese banking circles are trying to distance Japan as much as possible from the shakey dollar empire. Ichiro Takeuchi of the influential Bank of Tokyo captured Tokyo's feeling in a front page article for the August 1 *Mainichi Daily News*; he wrote that "Japan's economic independence and its influence in the world economy have made its total and continued dependence on the dollar for its external trade 'unnatural' and irrational." Takeuchi then called for a shift to yen financing in both import and export trade warning that Japan's dependence on Eurodollar and New York bank funding for short-term borrowing could be disastrous should another "Herstatt Bank incident" develop. Takeuchi's fears were seconded in a recent report on the New York banks' debt situation by the Ministry of Finance, which predicted the development of a disastrous loan crunch for the banks in the 1978 to 80 period.

The Japanese moves away from dependence on the dollar are right in line with recent developments in Europe. Although Japan's official ties with the EEC are still weak, the Japanese are not as isolated as they may at first seem. Indeed after the United States the biggest single group of foreign banks in the City of London are the Japanese. According to the July 26 *Financial Times* of London, together the Japanese banks in the United Kingdom had currency deposits of £14.6 in mid-June, equivalent to over 12 percent of the total held by United Kingdom banks. Many Japanese banks also have links to British and French banks with the connections between the Industrial Bank of Japan and the Rothschild family being the most outstanding.

#### *China, Japan and the EEC*

As part of joint operations against the dollar a Japanese-European understanding to develop China without the "assistance" of Chase Manhattan now appears to be growing in the aftermath of the return of Teng Hsiao Ping. Japan's press and political leaders have widely hailed the return of Teng, with the Asahi proclaiming that his return could lead China on a path of greatly expanded internal economic development thus giving far greater emphasis to the "Second World" of Europe and Japan while distancing China from the "two superpowers." Many Japanese feel that Teng's return will greatly enhance Japanese-Chinese negotiations for a peace treaty since they believe Teng would be willing to reach a compromise with Japan to tone down the anti-Soviet content of the treaty. Such hopes are not at all unfounded. In a May 10 interview in the Japanese-language magazine *Economist*, Toshio Doko, the head of Japan's big business federation who had then just returned from China himself, noted that the Chinese had downplayed

their previous hostility to Japanese investment in Siberia. When asked if China "did not say anything as to what Japan should do toward the Soviet Union?" Doko answered: "They did not say a thing. When I met Chou En-lai previously, the construction of the second Siberian Railway happened to become a topic... This time, however, nothing like this became a topic." Doko then called on the government to promote a major economic agreement with China to ensure Japanese supplies of coal and oil over the next five years.

Doko then visited the Soviet Union and upon his return called for greatly expanded Japan-Soviet cooperation around nuclear energy in particular which he said should be modeled on West Germany's large uranium reprocessing agreements with the Soviet Union. A joint Japanese-European commitment to develop China, Southeast Asia and the Soviet Union backed up by Arab money and non-Rockefeller banks like Bank of America in the U.S. would decisively free all of Asia from Rockefeller control. Already the Bank of America in alliance with Dai-ichi Kangyo Bank, and other key European banks are expanding their Hong Kong operations with the expressed purpose of weakening Chase.

#### *The Political Consequences*

The recent Japanese economic moves have also been reflected in Japan's political circles. Right now, Japanese Premier Fukuda, a top ally of Wall Street, is subject to intense ridicule in Japan's press for his economic incompetence. The press almost universally blasted Fukuda's opening speech to an extraordinary session of the Diet, where he laid out his optimism about an economic recovery being just around the bend, as absurd. In essence, Fukuda is being allowed to survive as a figurehead premier for business policy until arrangements for his successor can be worked out. Sophisticated circles are now discussing the possibility of Toshio Komoto, an anti-Fukuda party leader and businessman who is a close ally of former premier Miki, stepping into Fukuda's shoes in the near future.

The linchpin in the entire Liberal Democratic Party (LDP) political situation is former premier Tanaka who still maintains enormous power inside the ruling party despite his political discrediting in the Rockefeller engineered "Lockheed Scandal." Tanaka until now has been Fukuda's major supporter inside the party along with his former ally LDP leader Masayoshi Ohira. Tanaka has used his alliance with Fukuda, historically his bitterest enemy in the LDP, to buy time to rebuild his own economic and political power base. And that base is decidedly anti-Rockefeller. Indeed, for a long time Tanaka has worked very hard at cultivating ties with anti-Wall Street forces. Tanaka's leading business ally, Kenji Osano (also heavily implicated in Lockheed), spent some time in the West even going so far as to try to purchase a Las Vegas hotel which he hoped to use as a base of operations to develop contacts. Tanaka is best described as someone who will go where the money is especially if it means weakening his old enemies and the New York banks. The recent shift of Japan's business community away from the dollar is obviously affecting Tanaka and it is only a question of time before he too decides to remove Fukuda.

— K. Coogan

# ASEAN Heads Of State Meet, Look To Japan For Economic Aid

When the five heads of state of the Association of Southeast Asian Nations (ASEAN) meet this week in Kuala Lumpur, Malaysia for a summit conference, most of their attention will be focussed on the delegation of a non-member nation, Japan.

Japanese Premier Takeo Fukuda will meet with the heads of state following their summit (as will the Premiers of Australia and New Zealand), and follow that up with a tour of the ASEAN countries—Indonesia, Malaysia, Thailand, Singapore and the Philippines—before going on to Burma. The Japanese press is reporting that there already exists a “Fukuda Doctrine” which would seek to link Japan and the raw materials-exporting nations of Southeast Asia in a trade and economic development agreement aimed at industrialization of the region.

With the decline of U.S. direct investment and political-military presence in the region following the Communist victory in Vietnam and Laos, the ASEAN countries have increasingly looked to Japan, already their major trading partner, for the capital and technology on which their development depends. Japanese sources report that Fukuda will offer the ASEAN bloc some \$1 billion in yen credits to support five already designated industrial projects in each of the ASEAN states as the basis for joint regional development. Also on the agenda are ASEAN demands for a variety of trade and tariff concessions from Japan and guarantees of Japanese purchases of ASEAN commodities. Japanese sources report that Fukuda is prepared to offer a EEC-type Lome agreement on trade to ASEAN—a move which, the same sources report, Washington strongly opposes. Malaysian Prime Minister Hussein Onn will also reportedly request Japanese input of \$500-600 million to finance some 20 percent of Malaysia's Third Five-Year Plan when he visits Japan in September.

While economic cooperation—both infraregional and with the advanced-sector powers—is the main subject of the meeting, regional security is also high on the agenda. Extensive pressure is coming from the Carter administration, which is trying to maintain its influence by encouraging a de facto, anti-communist militarization of the grouping aimed at the communist Indochina countries. At least some participants in ASEAN, mainly Thailand and Singapore, are known to favor such an aggressive posture. The Thai regime, dominated by a military junta that took power in a bloody Kissinger-inspired coup last October, has repeatedly sounded the theme of the communist threat, and engaged in provocative acts toward its communist neighbors including the ongoing border clashes with Cambodia. While the Thai regime's acts are largely inspired by its own shaky internal situation, it has been supported in this stance by Singapore's Lee Kuan Yew, who publically complains about the U.S. “abandonment” of the region.

These negative aspects of the ASEAN bloc have encouraged suspicions toward it on the part of Vietnam, which in recent weeks has greeted the summit with mistrust, attacking plans on the part of the U.S. to convert the regional economic grouping to a covert military alliance. While Vietnam has and encourages bilateral relations with ASEAN member states, they refuse to recognize the group as a whole and turned down an invitation to send a representative to the opening of the summit. Vietnamese fears are fed by an upcoming September meeting of ASEAN with U.S. representatives (although this is similar to ASEAN ties to the EEC and Canada), and by the past history of the grouping, which was set up under the direction of World Bank chief Eugene Black in 1967, and during the Vietnam war, ASEAN generally backed U.S. aggression. Similar fears have been voiced about Japan's role in the region; that they are acting as a proxy for U.S. interests.

However, Vietnamese fears need not materialize. The big powers of ASEAN—Malaysia, Indonesia and the Philippines—favor a cooperative approach toward them and other Indochina states, and have been behind the increasing emphasis within ASEAN in favor of a “neutralization” of the region and economic cooperation. Indonesia and Malaysia have been leading participants in the non-aligned movement, and have taken stands against the U.S. debt-collecting policies toward the Third World.

Indonesia is the strongest advocate of non-alignment and a positive approach toward Vietnam. “The Indochina nations are good neighbors and we offer our hand of friendship,” said Indonesian Foreign Minister Malik on Aug. 1, just before the summit meeting. “There is no need for war over a small thing like that,” Malik calmly noted when questioned about the recent Thai-Cambodian border conflict.

The basis for cooperation between the two sets of nations has already been laid by the exchange of trade delegations between Vietnam and Singapore, Malaysia and the Philippines. Malaysia Foreign Minister Tunka Ahmad Rithauden recently paid a highly successful visit to Laos and Vietnam, reaching agreements on various forms of limited economic cooperation. Japan, for its part, has not encouraged an anti-Vietnam stand by ASEAN and has already established extensive economic and trade ties with that country. Other major power centers outside the region who are looked to for development aid, like Western Europe and the Arabs, can similarly contribute to cooperation in the region, which has rich development potential. Such efforts are the best guarantee that the Carter administration's efforts to block regional economic development and provoke tensions will be halted at the borders of the region and a real “zone of peace and neutrality”—the stated ASEAN aim—created.

# Carter To Scapegoat Congress For Panama Explosion

August 2 — Jimmy Carter sent Panamanian head of state General Omar Torrijos a letter four days ago confirming that his Administration has no intention of seeking a peaceful negotiated settlement to the question of the Panama Canal. The presidential letter, billed as an effort to reach an agreement soon on a new Canal treaty, declares the U.S. completely intransigent on both the financial and the "lands and waters" section of the draft treaty under discussion between the two countries.

## PANAMA

From the start of negotiations during his term of office, Carter has known that a new Canal treaty has almost zero chance of being ratified by the U.S. Senate. His letter, however, is a signal that he may not wait for a congressional rejection to provoke a breakdown in talks and relations with Panama. As elaborated by numerous Rockefeller and Administration thinktankers in the last year, the current U.S. government is seeking a collision with Panama to set off a chain reaction confrontation in the Caribbean and Central American region — culminating in a military showdown with the Cubans.

High-level intelligence sources in the U.S. have independently reported that Carter and his Secretary of State Cyrus Vance are planning to provoke an "explosion" in Latin America in the very short term. A confidential "backgrounder" press briefing, by Robert Pastor of the National Security Council in the last week, telegraphed the same warmongering intent.

### *Take It or Leave It*

In his letter, Carter wrote Torrijos: "The United States has made a number of major concessions in the lands and waters area (the transfer of land now used by U.S. military bases to Panamanian jurisdiction — ed.) during the past several months. For my country to make any significant further adjustments would handicap us unacceptably in operating and defending the canal."

There has been no direct response to the letter by the Panamanian government, which is bargaining for a faster U.S. military withdrawal from the Canal Zone and a substantial increase in the current piddling \$2.4 million per year that the U.S. pays Panama out of the Canal tolls. But even if the Panamanians are prepared to brush aside Carter's latest ultimatum and reach a compromise accord, the danger of war in the region will not be significantly decreased.

In answering Torrijos's demands on financial compensation, Carter wrote, "It may be that these proposals (U.S. money offers — ed.) will be less than you had expected or wished, but I hope that you will understand that they represent the most that we could undertake to do, based on our consultations with the Congress." Carter is publicly underscoring his confidence that a sizeable bloc of conservatives in the U.S. Senate will prevent the ratification of a treaty, should it be drafted, and thereby assist him in sparking off a war in Latin America.

The *Miami Herald*, which has followed the Canal talks closely, reported two days ago that, "Even the staunchest proponents of a new agreement there concede that the 67 votes required for ratification (in the Senate — ed.) are not yet in hand." The paper quotes one U.S. official warning, "If you think we've had trouble with Panama, wait 'til it gets to the Senate." The article also says that chances are slim that a treaty draft could even be considered by the Senate before the scheduled October recess, pushing debate into the 1978 session and thereby virtually assuring defeat because of the midterm election campaign.

## NSC Briefed Press On Latin War Scenarios

August 2 — Reliable sources have informed NSIPS that the "high American official" who confidentially briefed Washington reporters last week on Carter scenarios for war in Latin America was Robert Pastor, Latin American staff head for the National Security Council.

Pastor, known for his central role in Carter's phony "human rights" campaign in Latin America, was executive director for the "Linowitz Commission" report on Latin America and simultaneously worked on the Latin American policy document, *The Southern Connection*, issued by the Rockefeller-run Institute for Policy Studies earlier this year.

An Associated Press wire of July 28 cited Pastor without identifying him as giving reporters a detailed listing of "the focal points of possible military tensions" on the continent. When confronted with the fact that it was he and the NSC who are fanning these tensions to the point of armed conflict, Pastor lost his composure and shrieked, "That wasn't supposed to get out."

### "Don't Look At Me"

The conservatives are opposing the treaty because of moronic chauvinism mixed with a healthy distrust of any foreign policy proposals put forward by the Carter government. But their failure to break out of a profiled jingoism has led them into the role of accomplices to the atrocities planned in the Caribbean region by the Rockefeller interests they otherwise oppose. Typical was the

statement by Sen. Orrin Hatch (R.-Utah) four days ago when he told the State Department, "If you go ahead with a new Panama treaty, knowing that a dictatorship down there depends on that treaty, you may be creating an irreparable problem. That government may send troops into the Panama Canal within an hour of either chamber of Congress not favoring legislation to implement this."

This anti-treaty posture is letting Carter, Vance and

## What Do We Do With The Panama Canal?

*Excerpted below is a policy statement issued by the U.S. Labor Party on June 18.*

New Hampshire Governor Meldrim Thomson, a leading anti-Carter conservative Republican, presented an important new policy initiative on the question of the Panama Canal at a Miami press conference June 15. Thomson, who had just returned from a three day trip to Panama, called for a full moratorium on the repayment of all Panamanian debts to the United States and for a \$1.5 billion program to expand and improve the canal itself.

Such economic aid should be contingent on rejecting any new Canal treaty that returns sovereignty over the U.S. Canal Zone to the Panamanians, Thomson said. "The fact remains," said Thomson, "that the treaty of 1903 gives us the canal forever."

A franker variation of this came from conservative California Senator S.I. Hayakawa: "Return the Canal? Hell, we stole it fair and square."

In a nutshell Thomson has stated the best and worst of the U.S. conservatives' approach to Panama. The best is the growing recognition that debt moratoria and development are key to saving Panama from destruction as the off-shore banking haven for the Wall Street banks. The worst is the obsession with direct U.S. control over canal security and defense — an obsession the Wall Street forces are manipulating to destroy any *real* security in the Zone or the surrounding Central American region.

U.S. concern over preserving the security of the Panama Canal as a vital transoceanic waterway is completely valid, but it can be met only by fostering pro-development, republican governments in the entire Caribbean and Central American region, and by knitting them together with anti-monetarist forces in the United States around a program for regional economic development.

Gov. Thomson has simplistically *mislocated* the issue of canal security, thereby stumbling center stage as an unwitting actor in Wall Street's Panama scenario.

### *Principles of Agreement*

The details of a new Panama Canal treaty will have to be worked out in thoroughgoing bilateral

negotiations between Panama and the U.S., but the following *principles of agreement* are the necessary basis without which Canal negotiations will degenerate into one or another variant of the Rockefeller war scenario.

(1) *Security*: It is a monetarist illusion to think that U.S. troops or U.S. bases can guarantee the security of the Canal Zone. In fact the best guarantee of the Canal's security, as of the U.S.'s broader strategic interests, is the existence of stable, republican forms of government throughout the region. As Labor Party Chairman Lyndon H. LaRouche, Jr. has pointed out in his recent book "The Case of Walter Lippmann," this is a long-standing American policy in the tradition of Franklin, Carey, Clay, and Adams: "Our national foreign policy was based on the principle of viable and truly sovereign republics, and most emphatically so respecting our hemispheric neighbors."

Today, real security for the Panama Canal means that the backward, loot-collecting Central American regimes of Nicaragua, Guatemala, Honduras, and El Salvador first must be cleaned up.

(2) *Development*: A regional project for the development of technologically advanced agriculture and industry is a necessity. Gov. Thomson's suggestion of a \$1.5 billion fund to expand and improve the Panama Canal is a first step — the canal can no longer handle modern supertankers — but it doesn't go far enough. The Labor Party will publish shortly a more detailed proposal for the region's rapid industrial development, including capital intensive mining, livestock breeding, and agriculture.

(3) *Sovereignty*: The Canal Zone lies within Panamanian national territory, and should be returned to the sovereignty of that nation *at the point when the Canal's security and neutrality for purposes of international trade and development can be guaranteed, as defined above*. Under those conditions, the transfer of control is the subject of mature negotiations between co-equal sovereign nations, who have a common interest in preserving the canal as a vital part of regional commerce and development projects.

Rockefeller off the hook as the conservatives play fall guys for the Administration. General Torrijos has called six Latin American heads of state to a meeting on the Canal in Bogota, Colombia for August 5, and advance reports indicate that they will praise Carter's efforts to reach an agreement and issue strong attacks on the treaty's congressional opponents. One scheduled at-

tendee, President Daniel Oduber of Costa Rica, is already quoted as calling for "launching a battle against the core of conservatives in the North American Senate who are using every method to block a new treaty."

Carter, meanwhile, will be repeating over and over, "Don't look at me."

— Dan Wasserman

## Background To A 'Managed' Crisis

### The Panama Scenario

The Carter Administration's intentions on the question of the Panama Canal are underlined by a comparison of two documents: "The United States and Latin America: Next Steps," the second report by the Commission on United States-Latin American Relations (the "Linowitz Commission") and "Latin America: Struggle for Progress," written by James Theberge and Roger Fontaine for Nelson Rockefeller's Commission on Critical Choices for Americans. The first, the semi-official "transition document" of the Carter Administration, recommends:

The new Administration should promptly negotiate a new Canal Treaty with Panama; it should involve members of both parties and both Houses of Congress in the negotiations; and should make clear to the American public why a new and equitable treaty with Panama is not only desirable but urgently required.

The second document, in which top negotiator Linowitz had an equally sizeable hand in drafting, reveals the reality behind the conciliatory advice of the Linowitz report. (See below) From the analysis of the Critical Choices book and from the actions of the Carter Administration it is clear that the current U.S. government has no intention of signing a new Panama Canal treaty. Instead, the Carter Administration is attempting to use the Canal talks to lay the preconditions for a major explosion in the region, and, as suggested in the Critical Choices report, provoke the Cubans into a confrontation that would serve as an "Angola" in the Western Hemisphere.

The various scenarios spinning off of such a confrontation are myriad, but the basic objective would be an attempt to force the Cubans, and through them the Soviets, to cede strategic ground. Within the same plan, according to the blueprint, the Caribbean would be reconquered as the domain of the U.S. Sources in the U.S. intelligence community have confirmed that the same forces within the U.S. government who are attempting to instigate a Guatemalan invasion of Belize are working to insure that a new treaty is not signed.

There are three distinguishable options open to the Carter Administration to achieve this end and thereby provoke the desired confrontation. The first is to act so intransigently at the negotiating table and simultaneously to be so provocative elsewhere that the

Panamanian government will be forced to break off negotiations. The second is to draft a treaty with the Panamanians and then rely on strong opposition in the U.S. Senate to block its ratification. The third, closely related to the first, is to utilize one of the terrorist networks under the control of the government or related private intelligence networks to either assassinate General Torrijos or to sabotage the Canal.

Since the Critical Choices report deems the second scenario "the more likely," it will be dealt with at greater length. Concerning the first and third options, the following facts should be pointed out. First, that the decision on whether or not to force a breakoff in talks before a treaty is drafted will depend largely on the pressures on the Administration from outside the Americas. The motion of the Soviet Union, the Europeans and the OPEC member nations in forging an alternative to the current dollar-based monetary system will be the key determinant of both the desperation and the political capabilities of the Rockefeller-Carter forces in attempting to stage an early confrontation over the Panama question.

In his Yazoo speech two weeks ago, Carter trampled on several of the most sensitive issues of the ongoing negotiations. He casually talked about the construction of a new sea-level canal and referred to the U.S. relationship toward the canal over the length of the new treaty as one of "partial sovereignty." These remarks did not succeed in provoking any angry response from the Panamanians. Ambassador Linowitz's public affairs spokesman, when asked about the Carter speech, said that he was "very surprised" that Gen. Torrijos had not reacted. Several days later, according to the Panamanian press Torrijos was nearly killed in a helicopter accident when the Canal Zone air control tower ordered his craft to descend in altitude, putting it directly in the path of two U.S. Air Force a-7 jets.

The likelihood of an attempt on Torrijos's life is a constant theme in the U.S. press coverage of U.S.-Panama relations. Reference to a coup against him is made in the Critical choices report. Explicit and lengthy discussion of Torrijos' possible sudden death is included in a February, 1977 article in the New York Review of Books, written by former British intelligence agent Graham Greene. To implement such "executive action" against Torrijos, the Carter forces would only have to turn to the right-wing Panamanian exile community based in Miami, Florida and organized around Torrijos's former collaborator, Boris Martinez. These exiles,

closely tied to the Cuban exile community in Miami, have made frequent threats against the General's life.

Similarly, the U.S. is well equipped to create a variety of incidents in Panama or the Canal Zone for the purpose of wrecking the treaty negotiations. The grid included as Appendix F recounts numerous manufactured incidents between Panamanians and Zonians and the Panamanian press characterization of these events as intentional provocations. The appearance last year of the mysterious "Yanki Go Home" terrorist organization reveals an operational capability in staging attacks on either government leaders, U.S. military personnel or the vulnerable Canal itself. It should be noted that the past experience of Carter's negotiators and Secretary of State qualify all three men as experts in the techniques of destabilizations and coup operations against uncooperative foreign governments.

It is probable, however, that the Carter Administration would rather not bear direct public responsibility for an explosion over Panama. It is much more likely that they will rely on anti-treaty factions in the U.S. Senate to assume the role of wreckers of a drafted treaty. The main point of contention during Congressional debate will probably be the question of defense and neutrality of the Canal after the year 2000. According to press reports in the U.S., this issue has been separated out from the questions of treaty duration, transfer of administration and jurisdiction and financial compensation. It will constitute a second accompanying treaty that will reportedly be offered for signing to other users of the Canal. It will, however, also be the lightning rod for the opposition of Congressional conservatives and the issue on which the planned failure of the treaty is hung.

The attitude of conservatives on the Canal question is by no means uniform. Senator Barry Goldwater is in favor of a treaty. Similar divisions show up in politically related circles in the U.S. military. General George Brown, from his position as chairman of the Joint Chiefs of Staff is actively backing a treaty. General Dennis McAuliffe, head of the Southern Command in the Canal Zone, however, is actively attempting to sabotage the agreement. (It is not known if McAuliffe is merely a dupe representing the narrow interests of the Canal Zone military or an active agent of the Carter Administration in a conscious fashion.)

To insure passage of an equitable treaty in the U.S. Senate would require a political organizing campaign of some skill and persuasiveness. It is almost certain at this point that a hard sell campaign by the Carter forces to

win passage of a treaty, while giving the appearance of support for the draft treaty, would actually drive the conservative forces into even more solidified opposition.

#### *The Soviets, the Cubans and Torrijos*

It is important to dispel in passing, certain reports about Panama's relations with the socialist countries that have appeared with considerable regularity in the U.S. and Latin American press during the course of the current negotiations. Among the scare stories circulated about Panama's future are tales that the Soviets are poised to move into the country, especially militarily. From a thorough and daily reading of the Soviet press — dailies, journals, magazines, etc. — it can be said definitively that there is no evidence to support that contention. The same can be said of the Cubans.

It is true that both the Soviets and the Cubans have consistently backed Panama's claim to a right to sovereignty over the Canal and that the two nations have consistently supported Panama in international forums such as the United Nations. But the only other evidence of either Soviet or Cuban interest in the country is in establishing trade and commerce ties that will foster mutual development of the countries' respective economies. Exemplary of this desire is the recent agreement between the Soviets and Panama to negotiate accords that would provide for the establishment of Soviet banking facilities and heavy manufacturing plants in Panama. If successfully negotiated, the accords also hold the possibility for expanded trade, through the Panamanian "Free Zone," by the Soviets with other countries of Latin America.

On the specifics of the Canal negotiations, the Soviets have said little. The Cubans, being closer to the situation, have carried regular reports of the ongoing talks. By way of advice, Cuban President Fidel Castro has told General Torrijos to be prudent, patient and not to allow himself to be provoked.

One other area that has been blurred by distorted press accounts is the question of General Torrijos himself. It has been widely reported that he is an unstable, irrational and impulsive man. These tales to the contrary, it should be pointed out that the General has been exceedingly patient over the course of the lengthy negotiations and has consistently sought to defuse tensions over the last year, including those arising from incidents clearly created by the U.S. and Canal Zone personnel.

# Rocky's Panama Scenario

*Nelson Rockefeller's Commission on Critical Choices for Americans lays out the following scenarios for Panama in its 1977 volume, Latin America: Struggle for Progress. (Lexington Books, D.C. Heath and Company, Lexington, Mass.)*

The Panama Canal could well be this country's most intractable problem in Latin America...a ratified treaty may not end the matter while security questions may go unanswered...

...opposition to any treaty will be great — a matter which is already reflected in the United States Senate. Moreover, the likely mood of the country after Vietnam and Angola will be to view such a treaty as another surrender to men who wish the United States no good. The fact that General Omar Torrijos has cultivated a close relationship with Fidel Castro will only fuel that suspicion...

...the following scenarios are offered as the most likely. In the first, the Senate would ratify in 1977 a treaty that returns the Canal and the Canal Zone to Panama after a fixed period of continued U.S. management and defense. The immediate consequences in Panama would be a defusing of the issue, with Torrijos given credit for a victory over American imperialism...

The more likely chain of events, however, would begin with the Senate rejection of the treaty. The first likely consequence will be the overthrow of Torrijos, who has risked his prestige on getting a favorable treaty. This would not damage American interests...Predictions of what would happen next have varied from low level violence to guerrilla warfare. The former is certain to occur because it is part of the Panamanian political way of life...the atmosphere would hardly be conducive to orderly negotiations....

The worst possible outcome would be a prolonged campaign of terrorism and outright guerrilla warfare. In such a case, U.S. military forces would be employed to protect the Canal as well as American lives and property. But the effectiveness of our counterinsurgency would be limited because of the sanctuary that Panama proper would offer to the guerrillas.

...no group (in Panama) is now capable of conducting such a campaign. If it were to do so in the near future it

would require outside help. That help could only come from Castro's Cuba. In such a case, the United States should certainly take measures to protect itself from outside intervention...

...without foreign or official Panamanian support, guerrilla warfare would not resemble Vietnam's but the urban terrorism that once flourished in countries like Brazil and Uruguay. Robberies, kidnappings, bombings, and assaults on police and civilian functionaries in the Zone and Panama proper may well occur...U.S. military and police units would find it tempting to chase terrorist groups into Panamanian territory, thus provoking nationalist outcries in Panama.

On a lower scale of violence there is the danger of sabotage of Canal facilities. This is more plausible because the Canal is vulnerable. A small group reasonably proficient in explosives could do serious damage...The possibility would place a heavy strain on the police and military forces within the Canal Zone.

Although the exact nature of the possible violence is not clear, the official Panamanian reaction is. Panama's government will double its efforts to solicit worldwide support...the United States can expect heavy criticism in the OAS, the United Nations...But such attacks are not likely to create a favorable climate for a new treaty...

But despite the bleakness of the prospect, it should, nevertheless be turned into an opportunity...A rejected treaty would give (American officials) the chance to review our policy...

In economic terms are we prepared to accept a Panamanian imposed increase in toll rates...? In an increasingly economically interdependent world are we prepared to accept a closing of the Canal by the Panamanians for whatever reason? Do we as a superpower have a special role in protecting the economic interests of other major users of the Canal?

How important is the Canal in military terms for the next quarter-century? ...it may well be by 1977 that the United States would find a canal of greater importance than many had previously assumed.

In political terms, would the eventual return of the Canal to Panama without any restrictions create a precedent for other American facilities in the Caribbean? Would it merely reinforce the image of America-in-decline?...



# Who Are The U.S. Negotiators?

## CYRUS VANCE

Prior to his appointment as Secretary of State, Vance was a founding member of David Rockefeller's Trilateral Commission, vice-chairman of David Rockefeller's New York Council on Foreign Relations, and chairman of the board of the Rockefeller Foundation. This foundation has funded for years the Institute for Policy Studies which runs terrorist operations in Latin America.

His corporate links come by way of his law practice. Vance was an attorney with Simpson, Thacher and Bartlett, a Wall Street firm whose major clients are Lehman Bros., Pan American World Airways, and Gulf and Western Industries Inc. — a U.S. based conglomerate which purchased the largest and choicest sugar landholdings in the Dominican Republic subsequent to the U.S. 1965 invasion into the Dominican civil war and Vance's mediation in the conflict as Deputy Secretary of Defense.

Vance was a director of the Rockefeller-controlled *New York Times*, and of IBM, whose chief executive officer, Thomas J. Watson, Jr. is a fellow trustee of the Rockefeller Foundation.

Vance is a high-level Rockefeller-“Our Crowd” policy advisor and implementer with long established ties to British intelligence circles of the Lord Beaverbrook pedigree. He participated in the planning and implementation of the joint Rockefeller and Rothschild Trilateral Commission coup d'etat process that imposed Trilateral Commission member Jimmy Carter as President.

Vance, as Deputy Secretary of Defense under Lyndon Johnson, personally ran the 1967 “Operation Prometheus” Greek coup; in 1968 he coordinated the U.S. Army invasion of Detroit, Michigan during the summer riots, and ordered the creation of “Operation Garden Plot” — the 1984-style domestic surveillance and computer dossier system set up by the Defense Department. As U.S. negotiator to the Paris Peace Conference on Vietnam in 1968-69, he and fellow negotiator Averell Harriman aborted effective negotiations.

In testimony during Vance's confirmation hearings in the U.S. Senate, former U.S. Ambassador to Chile Edward Korry identified Vance as the mastermind behind the 1964 Brazilian coup against Goulart and the 1973 Chile coup against Dr. Salvador Allende.

## SOL LINOWITZ

Linowitz is a director or trustee of almost every Rockefeller policy-making group for Latin America — the Council of the Americas (which former U.S. Ambassador to Chile Edward Korry cited as the base of operations against the Allende government), the Center for Inter

American Relations and its subgroup the Commission on U.S. Latin American Relations (the “Linowitz Commission”) of which Linowitz is chairman. The executive director of the Linowitz Commission is a member of the terrorist Institute for Policy Studies and the affiliated Transnational Institute's subgroup — the two main centers for deployment of Rockefeller-run “left” terrorism.

Linowitz is the senior partner at the Wall Street law firm Coudert Bros. This law firm is noted for its arch reactionary views. In the 1940s it represented the fascist Vichy French Government. It represents Buckley family oil interests in Latin America, and in 1965 partner Frederick Coudert headed the Buckley for Mayor Committee in New York City. Coudert Bros. partner Richard Gardner, as Ambassador to Italy, is currently directing the destabilization of the Andreotti government.

Well-known as the chairman of the Xerox Corp., Linowitz served on Nelson Rockefeller's Commission on Critical Choices. He is a member of David Rockefeller's Council on Foreign Relations; a co-founder of David Rockefeller's International Executives Service Corp. — a Businessman's Peace Corp. —; a trustee of Averell Harriman's American Assembly — a policy making group based at Columbia University in NYC; a trustee of the CIA-funded Institute for International Education.

Linowitz was appointed to his present position from his post as U.S. Ambassador to the Organization of American States (1966-69).

## ELLSWORTH BUNKER

Bunker was the chairman of the board of National Sugar Refining Co. from 1948 to 1951. He had been a director since 1927 and president since 1940. This company has long been controlled by the Havemeyer family — a family closely associated with the Rockefellers and with interests in Chemical Bank, a Rockefeller-Kuhn Loeb preserve. Previous to the 1959 revolution in Cuba, the corporation had interests there.

Bunker's ambassadorial credentials are certified by his long standing membership in David Rockefeller's New York Council on Foreign Relations and its subsidiary Foreign Policy association.

He was U.S. Ambassador to Argentina, 1951, to Italy 1952-53, to India, 1956-61, simultaneously to Nepal, 1956-59, and notoriously U.S. Ambassador to Vietnam from 1967 onwards. In 1962 he was mediator in the Dutch-Indonesian dispute over control of West New Guinea, in 1963 consultant to Secretary of State Dean Rusk, the U.S. representative on the council of the Organization of American States, 1964-66, and ambassador-at-large 1966-67.

# A Chronology Of Destabilization

*Chronology of reported incidents between Panamanians and Zonians, Sept. 1976 through July, 1977.*

## 1976

**Week of 9-15** — Right-wing students riot in Panama City. Several U.S. citizens and Canal employees arrested for inciting riots. Panama files official protest to U.S., charging arrested persons were members of U.S. intelligence agencies.

**9-22** — Former Panamanian Foreign Minister Aquilino Boyd warns U.S. "Don't try to destabilize us or you'll regret it."

**10-20-30** — Wave of terrorism hits Canal Zone including several bombings. Most significant incident is bombing of auto of right-wing American policeman Drummond, head of AFL-CIO union in Canal Zone. Drummond had filed court suit against negotiations. Group calling itself "Yanki Go Home" takes credit for bombing Nov. 1.

**11-2** — Panamanian semi-official daily *Matutino* charges that Zonians are performing "terrorist attacks and sabotage against the waterway in hope of creating the appropriate conditions for a replay of the 1964 confrontation....they want to make us look like the aggressor country in the eyes of the world. They want to portray an image of Panama which makes us look like terrorists." *Matutino* also charges bombing against Drummond's car is "work of some Machievellian spirit intent on creating another Pearl Harbor" and charges that "Yanki Go Home" group is a "CIA-Pentagon" creation.

—Panama government denies participation of any Panamanian citizens in Canal violence.

**11-3** — American police in Canal Zone arrest six Panamanians celebrating Independence Day for allegedly entering Canal Zone.

**11-5** — Leader of the Inter-american section of AFL-CIO in Washington says that "there is doubt as to who was responsible for the (Canal Zone-Drummond) bombings." Asked about the existence of "Yanki Go Home," he replies, "the whole thing is in doubt." Says Drummond is in U.S. for 8 days to meet with State Department and AFL-CIO officials.

**11-13** — *Matutino* editorial charges that U.S. aggressions and violence in Canal Zone have increased since Nov. 1, and aim to "provoke deaths of North Americans" as a good pretext for deployment of military troops against Panama "to rescue its English-speaking Little Red Riding Hoods" who initiated violence. Says U.S. violence is "trap" for Panamanians; alerts Panamanian citizens to avoid falling in trap.

—Daily *Critica* charges recent U.S. "security measures" in Canal Zone (curfews, illegal searches of cars, denial of visas) designed to heat up Canal Zone and provoke confrontation.

**11-21** — Julio Yau, Panamanian Foreign Ministry advisor, denounces Zonians who have unleashed terror drive in Panama. Says Zonian pawns deployed to make Panamanians "swallow the bait" used to

foment further destabilizations.

**11-26** — *Critica* denounces circulation of document written in English denouncing "human rights" violations in Panama, which was to be presented in international forums. *Critica* says document is part of red scare in Panama fomented by U.S.

**11-28** — Three Panamanians "who maintain close ties with Miami" injured when bomb they were to set in downtown Panama City explodes prematurely. Panamanian National Guard relates incident with U.S. campaign to wreck Panama's international image.

**11-29** — Three Panamanian Canal Zone unions denounce "plot" of AFL-CIO unions in Zone to sabotage negotiations.

## 1977

**Jan.-April** — Sporadic Minor incidents involving harassment and repression of Panamanian citizens in Canal Zone by U.S. military and civil authorities.

**5-1-3** — U.S. General Dennis McAuliffe threatens to invade Panama with 14,000 troops in Canal Zone if he sees "threats of the Panamanians taking over the Canal Zone."

**5-4** — Cuban Press Service Prensa Latina accuses McAuliffe of creating private war without Pentagon's consent, notes statement contradicts official Pentagon position, declared July 1976 by head of U.S. Joint Chiefs of Staff, Gen. George Brown.

**5-5** — *Matutino* charges that apparent contradiction between Carter, official Pentagon position and McAuliffe are "part of the same strategy to gain time and create confusion."

— *Critica* accuses U.S. Secretary of State Cyrus Vance of being "the brains behind the conspiracy" and the "insubordination" of McAuliffe in the Canal Zone. Accuses "some sectors in U.S. of attempting to sabotage negotiations."

— Panamanian Student organization denounces McAuliffe statements as part of plot to "trap" Panamanians into responding with violence. Calls for Panamanian people to refrain from responding.

**5-6** — Panamanian National Guard announces "Ay Que Miedo" military maneuvers in response to McAuliffe statements, consisting of "operaciones taticas de adiestramiento y simulacros de defensa del Canal de Panama contra enemigos potenciales o elementos no identificados." National Guard states maneuvers will not threaten or harass American citizens in Zone; intent is to prove Canal can be defended without intimidating civilian population.

**6-1** — U.S. soldier Alberto Cuevas, member of Southern Command's 193rd Brigade, shoots Panamanian policeman in downtown Panama and takes refuge in Canal Zone. Zone authorities prevent Panamanian police from making arrest. Daily *Critica* charges Canal Zone gives refuge to delinquents who commit crimes in Panama.

*Week of 6-15-22* — Berta Torrijos, sister of Omar Torrijos, detained by police in act of harrassment when entering Canal Zone.  
7-12 — U.S. military personnel arrest and interrogate

Panamanian news reporter who had denounced U.S. discrimination in Zone. Reporter denounced military involved in harassing Panamanian residents of Canal Zone towns nearby.

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