

May 30-June 5, 1978
Vol. V
No. 21

EXECUTIVE INTELLIGENCE REVIEW

New Solidarity International Press Service

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EXECUTIVE INTELLIGENCE REVIEW

P.O. Box 1972 GPO New York, N. Y. 10001

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EXECUTIVE INTELLIGENCE REVIEW is published by Campaigner Publications, Inc.

231 W. 29th Street, New York City, N. Y. 10001

Subscriptions by mail for the U.S.: 3 months — \$125, 6 months — \$225, 1 year — \$400.

Address all correspondence to: Campaigner Publications, Inc.

P.O. Box 1922, GPO New York City, N. Y. 10001

EXECUTIVE INTELLIGENCE REVIEW

Editor-in-Chief
Nancy Spannaus

Managing Editor
Tessa DeCarlo

Production Editor
Deborah Asch

International—Nora Hamerman • **U.S. Report**—Stephen Pepper • **Economics**—David Goldman • **Energy**—William Engdahl
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IN THIS WEEK'S ISSUE

Our **INTERNATIONAL** section this issue has been expanded...to bring our readers a full report on the story behind the "**Zaire crisis**" that is dominating the headlines...but remains clouded by a seemingly endless barrage of lies and distortions...Included in our report is the European moves toward a "**Grand Design**" of development and detente that the **Africa blowup** is designed to **side-track**...the real story of what went on last week in Africa...and in **Paris and Brussels**...plus a hard look at the pitched battle between, on the one side, the development-oriented faction in the U.S. White House, typified by UN Ambassador Andrew Young's statements last week...which we've reprinted at length here...versus the lunatic "confront the Soviets" tack advocated by Henry Kissinger and National Security Advisor Brzezinski...So far has this infighting gone, that Carter has reportedly called Brzezinski on the carpet for **suppressing CIA reports that the Cubans weren't involved**...an exclusive story you'll read nowhere else...

* * *

The continued evolution of the "**Grand Design**" is also covered in **INTERNATIONAL** this week...with a full report on the sig-

nificance and results of **Mexican President Lopez Portillo's trip to the Soviet Union**...and on how the Soviets' Brezhnev invited Mexico into the **development geometry defined by the historic 25-year Soviet-West German economic pact**...While most of the U.S. press told you nothing about the Lopez Portillo-Brezhnev summit...we've traced out the oil and technology deals, excerpted the important speeches, and pointed out the relevant background...all in **INTERNATIONAL**...

* * *

Our **SPECIAL REPORT** situates another aspect of the strategic picture being shaped around the African crisis...in a tough appraisal of the **multifaceted game being played with China**..."**Will Peking Go to War with Moscow?**"...by the chairman of the U.S. Labor Party, Lyndon H. LaRouche...LaRouche looks at what Brzezinski and his British backers think they're getting from China...and the rather different perspective of the far more sophisticated Chinese leaders...

* * *

Backing up LaRouche's analysis is a report on **Brzezinski's trip to Peking** in this week's

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U.S. REPORT...that also includes an **instructive comparison** between the U.S. National Security Advisor's ingratiating toast to his Chinese hosts...and the Chinese leaders' **private evaluation of their policy toward the U.S.**...Plus an **exclusive interview** with the **mysterious Fritz Kraemer**...who describes himself as "**Kissinger's creator**"...and gives his own **revealing views** on America's "**China turn**"...

* * *

From Mexico City, an **eyewitness report on the International Monetary Conference** there...at which U.S. Treasury Secretary Blumenthal called for **direct IMF oversight in the advanced-sector economies**...under **threats of a new round of dollar-dumping and forced inflation** for Western Europe...while **Henry Kissinger** demanded a tougher line against the Soviets...In **ECONOMICS**, the full story,...with portions of **Blumenthal's speech**...a **shockingly revealing explanation** of its actual political content from another Administration official...an **exclusive interview** with **Citicorp's Walter Wriston**...and much more...Also in **ECONOMICS**: the ominous significance of **Canada's new Bank Act**...and the reality behind the "**raw materials bubble**" myth...

Supertraditionalist religious extremists and radical Maoist students have combined against the **Shah of Iran**...**COUNTER-INTELLIGENCE** this issue tells **why**...and traces the "right" and "left" foes of the Shah's nuclear development and Mideast peace initiatives to the networks linked to **Israeli intelligence and Senators Jacob Javits and Edward Kennedy**...plus a report on some of the most significant recent developments in Iran's efforts to bring **its economy and its population** into the modern world...

* * *

Other highlights in this issue include: **exclusive evidence** that some in the Republican Party see a **program of growth and prosperity**, not Kissinger's confrontation, as the way to take **effective leadership**...speeches by **Nelson Rockefeller, Phil Crane, and John Connally**, in **ENERGY**...and in **THIRD WORLD**, a profile of the man who is slated to be Brazil's next leader...that cuts through the "**mystery man**" myth...to show the policies of **deindustrialization and death** that he will mean for Brazil and possibly **much more of Latin America**...

* * *

Zaire Rebellion Came From Brussels

Brzezinski suppresses CIA report showing no Cubans involved

The unfolding crisis in Zaire, although apparently stabilized by French military intervention, emerged last week as the vanguard of a general British-orchestrated counterattack against the historic treaty signed earlier this month in Bonn between the USSR and West Germany.

The partial success of the Zaire crisis in poisoning international relations has not only cast a pall over the crucial disarmament talks at the United Nations and the potential for a U.S.-Soviet SALT accord, but has overshadowed efforts by France and America for the industrial development of the African continent.

According to the terms of the 25-year treaty signed between the USSR and West Germany, joint economic development will become the cornerstone of a long-term political entente between East and West. French President Giscard d'Estaing, who played host this week to 21 African heads of state including Zaire President Mobutu Sese Seko, is attempting to expand the West German-USSR "Grand Design" (as one Gaullist magazine recently called it) to include Africa.

The pawns activated by the City of London to manufacture a potential superpower confrontation in Africa include National Security Council chief Zbigniew Brzezinski and his deputy David Aaron; CIA Director Stansfield Turner; Henry Kissinger; NATO Supreme Commander Alexander Haig; the Belgian government of

Leo Tindemans and Henri Simonet; the European Second International apparatus led by Willy Brandt; and, especially, the anti-industrial "Bukharinite" faction in the Soviet Union itself.

Evidence compiled by this news service proves that the invasion of southern Zaire's Shaba province by former Katangan gendarmes and Lunda tribal rebels was set into motion by Belgium and NATO. The invaders, far from being a Soviet- or Cuban-backed force, were trained and financed by the Belgian Soci t  Generale and the old Union Miniere, the large Belgian mining conglomerate controlled by the Belgian royal family of King Badouin which formerly ran copper production in Zaire.

Despite the fact that much of this evidence is publicly available, neither the Soviet Union nor President Carter and the State Department have denounced Belgium or the City of London for the invasion.

Why not?

The Soviet Problem

It is certain that Soviet intelligence is fully aware that the invasion of Zaire and the subsequent crisis was created by the Tindemans regime and NATO. Cuban President Fidel Castro has officially disclaimed any responsibility for the invasion, and the Soviet press has not supported the Shaba rebels. But, following the French intervention, *Izvestiya*, *Pravda*, and TASS each condemned the French for "neocolonialism," neglecting entirely to mention the role of Belgium!

The responsibility for this gross Soviet omission, which already threatens to undercut relations between Moscow and Paris, is the tightly organized "left" Bukharinites in the Soviet leadership who oppose President Brezhnev's opening to the West in Bonn, and who are demanding a "hard-line" (that is, adventurist) Soviet policy in Africa, the Middle East, and other parts of the Third World.

Politically, this Soviet faction is aligned with the left Socialist International bloc of British intelligence, and has historical links to the old British Fabian environment in which the Communist movement developed. For Brezhnev's policy of seeking an alliance with the West's industrial faction, the so-called "military-industrial complex," the Bukharinites must be crushed.

On the American side, *the New York Times*, *the Washington Post*, the Zionist Lobby, Henry Kissinger, and their allies began a Big Lie campaign to blame the Shaba revolt on Cuba, and to call for American inter-

Included in this special, expanded INTERNATIONAL report:

- A chronology that shows how the Zaire crisis unfolded;
- A report on the Franco-African summit in Paris;
- An analysis of the open factional brawl inside the Carter White House;
- Extensive excerpts from UN Ambassador Andrew Young's recent statements on the development solution for Africa;
- The exclusive story on the CIA report that Brzezinski had to suppress;
- and a call from U.S. Labor Party chairman Lyndon LaRouche to Leonid Brezhnev to clean out the opponents of development inside the Soviet leadership.

vention in Africa. Although Carter did not crack under the pressure, in part because the sudden French intervention eased the immediate crisis, not a single U.S. political spokesman or group outside of the U.S. Labor Party had the courage to challenge Kissinger's crisis-mongering and pin the blame on Belgian royal neocolonialism!

As a result of the Big Lie's success, the CIA and National Security Council have intensified pressure on Congress and the Administration to unleash American troops and covert aid into Africa.

France's Role

The Giscard government played a critical stabilizing role at the height of the African crisis. In the midst of an overt effort by Gen. Haig and Tindemans to coordinate a NATO military action into Africa — with all NATO defense ministers present in Brussels! — the French leadership met and secretly began an intervention to put down the rebels in Shaba.

By that single action, the French prevented the rebellion in Shaba from spilling over into Angola and Zambia, the possible overthrow of President Mobutu, and a world crisis over Africa.

Who initially protested the French action? The rebellion's sponsors! Tindemans and Simonet bitterly criticized the French. Their allies in France, led by Socialist Party Chairman Francois Mitterrand, attacked the party of President Giscard. From Algeria, Willy Brandt pronounced himself to be opposed to any and all intervention into Africa, implicitly hitting the French. The British press, led by the *Daily Telegraph*, accused

the French of neocolonialism. And at an EEC foreign ministers meeting in Denmark, British Foreign Secretary David Owen singlehandedly attacked France for not "consulting" its EEC and NATO partners before moving into Africa!

France's move had blown the Belgian-British conspiracy.

Meanwhile, in Paris, Giscard and key African leaders began to map out a plan for the rapid development of Africa. In a series of speeches, reported below, French and African statesmen reiterated that only through economic progress and development could dangerous tribal, border, and regional conflicts in Africa be stabilized before they led to major flareups.

The focus on African development was only one of a series of far-reaching proposals and plans that spanned the globe in regard to development.

Mexican President Lopez Portillo initiated a large-scale Soviet-Mexican accord for petroleum and industrial development. In the Pacific, Japan proposed an immense \$20 billion scheme for energy and steel development among Mexico, the United States, Canada, and Japan. Hans Friederichs of West Germany's Dresdner Bank outlined a gigantic plan for Middle East industrialization based on nuclear energy, and a top West German economics official toured the Persian Gulf, including Saudi Arabia, to discuss nuclear power plant construction. King Khalid of Saudi Arabia, meanwhile, prepared for a state visit to France, and his No. 2 man, Prince Fahd, will soon make a major visit to West Germany at the head of a big industrial development delegation.

—Bob Dreyfuss

How The Zaire Crisis Unfolded

May 11-13: Exiles opposed to the government of Zaire President Mobutu invaded the mineral-rich southern province of Shaba and immediately attacked the city of Kolwezi, a mining center of 35,000. The exiles, primarily members of the Lunda tribe (which lives in southern Zaire, northwest Zambia, and eastern Angola) entered Zaire from Angola via Zambia. (According to reports in the *International Herald Tribune*, the rebels arrived in civilian clothing. They had already stockpiled large quantities of arms in and around Kolwezi.)

The rebels quickly occupied the airport and other strategic points, taking control of the city, with the goal of blackmailing Mobutu by threatening the economic backbone of Zaire. Minerals exports account for about two-thirds of the foreign exchange earned by the weak Zaire economy. About 2,700 highly skilled European technicians and management personnel, necessary for the functioning of the mining and mineral processing industry, were living in Kolwezi.

May 14: Mobutu's initial reaction was to charge that the invasion was a plot to topple his government backed by Cuba, the Soviet Union, Algeria and Libya. Mobutu appealed to all friendly countries, including the United

States, France, Morocco, Britain, and Belgium, for aid. The rebels were reportedly holding European hostages.

May 15: The initial reaction by the U.S. State Department was cautious, with spokesman Hodding Carter III saying: "We are, as last year, concerned about the territorial integrity of Zaire. . . ." The spokesman added that the U.S. had not yet determined "a definite course of action."

That evening, however, Henry Kissinger was on national television demanding that President Carter "draw the line" in dealings with the Soviet Union, citing the Zaire invasion as an example of the Soviets expanding their empire in Africa. This was accompanied by a crescendo of articles and editorials in the press raising the specter of Cuban and Soviet expansionism in Africa, and asking what the West, and the U.S. in particular, was going to do about it.

May 16: The *Washington Post* editorially called for the U.S. to intervene into the crisis caused by the invasion, which the *Post* termed "a communist-supported attack."

"Just as the Administration seems more primed to counter another communist-backed advance in Africa,

however, so the public would also probably be readier to go along. That is the difference a year's African experience has made," the *Post* concluded.

Later that day, units of the 82nd Airborne Division and military airlift planes had their alert status raised, ostensibly for the purpose of possibly evacuating 73 Americans who were living in Kolwezi.

May 17: In an unusual move, Cuban President Fidel Castro met for the first time with Lyle Lane, the U.S. representative in Cuba, to emphasize to the U.S. that Cuba had not planned the destabilization of Zaire, and was not backing it. The Soviets and Angolans issued similar denials, and the government of neighboring Congo (Brazzaville) made contact with the governments of both Zaire and Angola to keep channels open to ensure that the destabilization would not lead to hostilities between the two countries.

Jean-Marc Kalfleche, writing in the conservative French daily, *Le Figaro*, ignored all the allegations of Soviet and Cuban involvement in the destabilization, and instead observed that the French had to do two things: 1) make a quick military intervention to end the destabilization; and 2) put pressure on Mobutu in order to ensure a detente between Angola and Zaire, which he saw as a necessary first step to arranging a longterm regional peace.

May 18: For days, NATO General Alexander Haig was coordinating an attempted EEC-wide intervention into Zaire for purposes of getting the Europeans out and negotiating with the rebels. At the same time, National Security Council chief Z. Brzezinski and CIA Director Stansfield Turner were doing their utmost to fuel the Soviet-imperialism-in-Africa hysteria in the U.S. In Europe, Belgian Prime Minister Tindemans was trying to get the Europeans to go along with his plan of negotiating with the rebels by emphasizing the danger to European civilians in Kolwezi. "Frenchmen are being hunted in Kolwezi," raved Tindemans. On May 18, however, French Prime Minister Barre responded to Tindemans' ravings at a press conference, saying there "was not reason to dramatize the evacuation of the European population. . . There is no hunt against French citizens. . . ."

May 19: As the pressure on Carter to intervene escalated, White House spokesman Jody Powell ominously announced that the U.S. had "unimpeachable evidence" that the Cubans had trained the rebel force. While not disagreeing with this report, the State Department line at this time was that they had no evidence of direct Cuban involvement in the destabilization.

The French Intervention

The French decision to intervene militarily to end the destabilization was arrived at carefully. The French knew that if Mobutu's situation continued to deteriorate, the pressure on Carter to intervene would increase. Giscard was well aware that such a U.S. intervention would plunge the U.S. and the Soviets into a confrontation over the issue of Africa, wrecking his efforts to pull

together a European-African development axis.

The French decision was taken independently of NATO, the EEC, and Belgium at a meeting among Giscard, his foreign and defense ministers, and Chief of Staff. According to sources in the French Defense Ministry, the size of the invading force was being exaggerated: it amounted to at most 1,500 people. The sources did report however that the rebels had sophisticated weapons of Soviet manufacture. The Defense Ministry sources emphasized that the degree of sophistication of some of the weaponry eliminated the Angolans, and hence the Cubans or Soviets as the suppliers of these weapons. Some of the thousands of Zaire exiles in Angola fought on the side of the MPLA during the Angolan war, and were thus trained by the Cubans. It is on this fact that the reports charging Cuban involvement in the Zaire destabilization are based. The Defense Ministry sources reported that their final evaluation was that the rebels' weapons had been "laundered" by non-Soviet forces for the express purpose of provoking a French-Soviet fight over Africa.

Despite attacks on the French intervention as "imperialist," etc., in the Soviet press, the French have shown restraint so as not to fall into the trap of an anti-Soviet posture. On May 22, after several days of Soviet attacks of this nature, French Foreign Minister de Guiringaud, while ordering the French ambassador to Moscow to protest, noted that "we don't have any proof that the Soviets and Cubans were involved in the Katanga rebel affair."

Belgians Attack The French Intervention

Belgian circles attempted to sabotage the French intervention by announcing the French intervention before the French troops actually arrived. It was during the interval between the Belgian announcement May 19 and May 20 that most of the Europeans were massacred, according to reports of refugees from Kolwezi. The French had wanted to keep their intervention a secret in order to prevent just such an atrocity. One hundred thirty Europeans in addition to several hundred Africans were murdered by the rebels, and another 60-70 Europeans are unaccounted for.

The French moved troops and equipment to Kinshasa (capital of Zaire) secretly on May 18, and then dropped 400 paratroopers at Kolwezi in two waves at 3:10 PM and 5:15 PM GMT on May 19. By the next morning the rebels had been dislodged from the city. However, at 11:00 AM May 19 Belga, a Belgian press agency, began broadcasting the fact that a French intervention was imminent, signaling to the rebels that their blackmail game was up. It was at that point that they began the largescale murder of Europeans.

Belgian interest in general, and Union Miniere (Belgian-based mining interests in Zaire) in particular, wanted to get rid of Mobutu according to numerous accounts in the European press, since the beginning of the destabilization. The French weekly magazine *Le Point* and the Italian daily *Corriere Della Serra* report that the Belgians wanted Mobutu out; *Le Point* said that the Belgians wanted a moderate "socialist" government.

Corriere Della Serra of May 21, as well as a *Le Monde* editorial of May 21 both assert that Belgium would be happy with a "new Tshombe" leading an independent Katanga.

Moise Tshombe was the vehicle for predominantly Belgian and British financial interests who attempted to separate Katanga (now Shaba) from the rest of the Belgian Congo (later Zaire) at the time of independence in the early 1960s.

Commenting on editorial support for the Shaba secessionists such as a May 19 *Frankfurter Allgemeine Zeitung* editorial, a Zaire diplomat in Europe commented that this represented "the old conservatives behind the Oppenheimers." he added that the rebels were telling the local population of their intention to return the state-owned mines back to the Belgian-based Union Minière.

Belgians Angry At French

The Belgian government was clearly hoping for prolonged negotiations between the rebels and Mobutu as a way of gaining political leverage on Mobutu, which could serve on eventually pushing him out of office. *Matin de Paris* reported on May 20 that Belgium has accused France of going to war (British-connected press such as Rupert Murdoch's *New York Post* accused France of invading Zaire) and of sabotaging the contact Belgium had with the rebels through the Red Cross (a notorious cover for secret British intelligence operations). One Belgian official expressed his dissatisfaction with the unceremonious end the French put to this scenario thus: "It's another example of Giscard's Africa Corps." The pseudo-liberation front cover for the rebel operation,

FNLC, charged in a May 22 press conference in Brussels that the French alone had destroyed their plans, adding that the FNLC plans of finding a reasonable partner in the West (for their dismemberment plans) "has been deceived."

Mobutu Attacks Belgium

The first blast levelled by Mobutu against the Belgians was published in the conservative Belgian daily *Libre Belgique* on May 18. Responding to an attack on Zaire by Belgian Foreign Minister Henri Simonet, Mobutu said: "Belgium should remain quiet as they are the ones to offer protection to the FNLC, et al.," referring to large anti-Mobutu lobby maintained in Belgium. Mobutu later charged that the whole invasion was planned in Brussels, according to the Berlin daily *Tagespiegel*. *Tagespiegel* also reported that Simonet had to cancel an upcoming trip to Africa after being criticized for wanting to gain sympathy for Mobutu's opponents.

"I want to know if Simonet is both the Prime Minister and the King," said Mobutu, taking a jab at Foreign Minister Simonet, who Mobutu charged with withholding his request for armed assistance. "Anyway, I never asked these Belgians anything because I know their mentality." Mobutu ordered Zaire diplomats not to have any contact with Simonet, "even if it means a break in diplomatic relations."

The FNLC is threatening to go back to Kolwezi as soon as the French troops leave. Notwithstanding this, the rebels and their backers have already accomplished their goal of sabotaging the economy, putting Mobutu in a very precarious position.

Franco-African Summit Focuses On Peace And Development

The leaders of 20 French-speaking African nations met with French President Giscard D'Estaing in Paris May 22-23 to discuss a full range of topics in African security and development, including the current French stabilization role in Zaire.

Not mincing any words, President Giscard set the tone of the summit with a statement that "peace itself becomes a first precondition for the progress of Africa." At a press conference later, Giscard stressed: "We must do everything so that the still fragile tissue of Africa not be cruelly torn by the rivalries of the blocs. . . We must reinforce the African tissue through development."

Although the full details of the meeting are not yet public, it is clear that the discussions were, in part, defined by the terms of the historic Brezhnev-Schmidt 25-year economic development deal concluded earlier this month. As the diplomats were gathering, the USSR-West Germany accord was celebrated in the French industrial press, which suggested that the accord — which France could, but has yet to, join in — could be a vehicle for the industrial development-based stabilization of Africa. The

Gaullist magazine *Perspectives* editorially hailed the deal as a "Grand Design whereby the Western world and the East bloc would cooperate toward the industrialization of the Third World." A second article, in the review published by a think tank associated with the Paribas, warned that French industrialists must not slough off the importance of the 25-year agreement, as their participation is urgently required to meet the task of Third World development.

In this context, French Prime Minister Barre introduced the debate on economic questions at the summit by saying that: "We are in solidarity when what is at stake is to establish on new bases the economic relations between industrialized countries and developing countries.... France ardantly hopes that the North-South dialogue, which it initiated, will bring about a just economic order..."

The Sahel region, and its terrible drought problems, was also a particular subject of emphasis at the summit; Giscard met with the leaders of Senegal, Mali, and Mauritania on May 20 to discuss the question. At the

summit, Giscard pledged \$32 million beyond the \$50 million already pledged to develop the Senegal River and dam.

It now remains to be seen if this excellent Franco-African beginning will be matched by the international commitment to develop the Sahel, especially from the Arab oil producing nations, which can generate the billions in credit necessary to finish the job.

Input into the Summit's economic development debate also came from West Germany itself. While the summit was taking place, Dresdner Bank President Hans B. Friedrich wrote a feature for the *Süddeutsche* on the convergent interests of Europe and the Arab world on nuclear power, "in the long term, energy cooperation with the Arab world will preeminently concern nuclear energy. Our interests, the export of nuclear plants, coincides with Arab interests to save the oil for chemical processes and so forth." Freiderich then pointed out the need for increased integration of the Arab world — a need stressed for Africa at the summit — so as to facilitate development projects and dealings with Europe as an entity. Note that France and West Germany are now on line for the development of Egypt's nuclear industry. On the African continent, West Germany is building Nigeria's first nuclear reactor, an event to be celebrated in an upcoming visit of Chancellor Helmut Schmidt to that country.

Giscard: Europe and Africa Must Work Together

Below are excerpts of the opening remarks made by French President Giscard d'Estaing to the summit conference of French speaking African nations in Paris May 22:

In this difficult world, France wants to be a pole of stability at the same time as a source of animation, initiatives and reinforcement of solidarity... Thought and action are in this respect intense in the present period, with the opening of a new phase of French re-establishment, to renewal of efforts in the European Economic Community tending towards reducing instability in exchange relations and relaunching economic activity, and the preparation of a Western "summit" aimed at concerting the action of the Community with that of its North American and Japanese partners...

But beyond the action it is pursuing with its industrial partners and in world organizations, France is directing its attention towards Africa and intends to continue to do so. The Franco-African dialogue is for France a privileged North-South dialogue, which must be ahead of the world dialogue and show the way. As you know, we want the Euro-African dialogue to be broadened into a greater one, because we see between the two continents a complementarity which prolongs and reinforces the

affinities that we already have with your states....

We must prevent the politics of the blocs from ravaging Africa. In the action that must be carried out, the initiative must be taken by the African states. It is now peace itself which becomes the primary condition for the progress of Africa.

As much as I am convinced that in the political field Africa must remain to the Africans, I am convinced that in the economic field, the Africans would impoverish themselves by limiting their interest to their continent alone.

There is not paradox, for a country that entertains with your states very tight and particular relations, to emphasize the importance of this opening toward the outside. It has never been the intentions of France to close you up in an exclusive... although undoubtedly fruitful... tete-à-tete with us. Our ambition, on the contrary has always been to coordinate our policy with yours so that, together, we can defend our interests which are in great part linked.

Giscard and Houphouet-Boigny: "Only Development Ensures Real Security"

Below are excerpts of the statement issued by Ivory Coast President Houphouet-Boigny, May 23, during a joint press conference with French President Giscard D'Estaing and President Bongo of Gabon:

We have stressed (during the summit talks — ed.) the problems of development and the quest for peace. Peace founded on justice within our countries. Peace between African states. Peace with the rest of the world. It is development which ensures real security... On the level of the community of Western African states, we have signed a non-aggression pact. We will reach an agreement with our brothers in Central Africa to broaden this pact... We must ensure that our countries not become pawns in the rivalry of the blocs. To this end, we must reach an agreement between each other and ensure that the only competition in Africa between the big powers is in the economic, cultural and scientific fields. The only competition, acceptable in Africa is that for development...

In remarks at this same press conference, President Giscard stated that:

We must do everything so that the still fragile tissue of Africa not be cruelly torn by the rivalries of the blocs... We must reinforce the African tissue through development... I will tell this to the leaders of the European Economic Community and to President Carter... Africa and Europe being particularly tried by the present disorders and unruliness of the international economy, it is more than ever necessary for them to manifest between each other a narrow solidarity...

Belgium Attempted Sabotage Of French Intervention, Incited Massacre

Evidence points to Belgium as chiefly responsible for the massacre of white civilians in Kolwezi. On May 18, at approximately 11:00 AM, the Belgian press agency *Belga* announced an impending airlift of French paratroop units to the Shaba province of Zaire. In the ensuing hours before the French forces were dropped in force over Kolwezi, the center of the Katangese seige, a massacre of European families living in the area took place, with particular vengeance against the French.

According to wounded French officers who were among the first to be evacuated, the Katangese conducted house-to-house searches, demanded that the inhabitants produce passports, and if they were French, killed them. "There was a hunt for the French," was the way one officer put it, according to the *New York Times*.

Even before the French paratroopers landed, the Belgians, under the guise of a "humanitarian aid" mission, first tried to stall the intervention. After the French arrived, the Belgians are known to have caused maximum chaos and panic in Zaire with large-scale evacuations of skilled Western technicians. With these technicians gone, Zaire's mining operations, the core of the economy, are threatened with total collapse — as is the regime of President Mobutu.

Contrary to this, French President Giscard d'Estaing spoke on national television on Saturday, emphasizing that the aim of the French deployment was *not* a large-scale evacuation of Westerners, but to drive out the

Katangese invaders and safeguard the lives of those technicians so that they could continue to carry out their vital activities, concomitant with other French stabilizing initiatives in Africa.

Historically, going back to at least a century ago under King Leopold, the Belgians have been the tools of British political and financial imperialist circles against the French. A century ago, the British were directly using the Belgians in portions of the Middle East and Africa where the French were active, as either a buffer zone or a battering ram against the French. That relationship has to a large extent subsisted until this day.

The Belgian-French "rift," as it is politely called in most of the press, reached such proportions that the French paratroop units sought to prevent the Belgians from arriving in Zaire, both by denying Belgian planes the right to overfly French airspace, and by closing off the runway at Kolwezi airport to Belgian aircraft. In retaliation, Belgian officers have accused the French troops of taking part in the killing of some white civilians!

But the extent of Belgian responsibility for the killings and chaos has apparently not escaped the evacuees themselves. European radio reports indicate that Prime Minister Tindemans, at Brussels airport where he thought he was going to shake hands with the refugees, was instead welcomed with heckles and boos by the refugees who also shouted "Vive Giscard!"

Carter Leans Toward Young On Africa Policy

The President pulls back from Brzezinski's drive for confrontation

Speaking at a press conference in Chicago May 25, President Jimmy Carter stressed economic aid and development as essential to successful U.S. foreign policy in Africa. Sticking closely to policy perspectives previously outlined by the State Department and by U.S. Ambassador to the United Nations Andrew Young on national television, Carter said he had "no intention of getting involved in any conflict in Angola." His remarks appeared intended to put a stop to a months-long campaign by his National Security Advisor Zbigniew Brzezinski and former Secretary of State Henry Kissinger to involve the United States in a "proxy war" against Cubans and Soviets in Africa, a campaign which became front-page news and the subject of congressional hearings last week. Carter also appeared to hold open the prospects for a major United States effort to encourage Third World development.

"We do not want to send our military forces into Africa to meet the challenge of Soviet and Cuban intrusion," Carter stated. "But if we can't even give a shipment of wheat, or give a sound commercial loan or vote for a loan by the World Bank to that same people — it means that I can't compete at all, even peacefully, with the Soviet or Cuban military action in those countries. That's what concerns me very deeply. And I might say that it's not just my concern. I had a long conversation yesterday with President Ford." Carter went on to cite Zambia, Tanzania, and Mozambique as countries which might receive U.S. economic assistance if Congressional restrictions on foreign aid were removed.

Carter's insistence on the importance of development was a positive sign for U.S. foreign policy, after a week in which the "British faction" inside and outside the Administration mounted an intense effort to destroy the

opening to international trade and economic expansion represented by the econom

signed recently by Soviet President Leonid Brezhnev and West German Chancellor Helmut Schmidt.

Indeed, Brzezinski and Kissinger collaborated in a vicious attack on Schmidt, suggesting through an interview with the Chancellor printed in the European edition of the Lazard Freres publication *Newsweek* that West Germany was the victim of an "appeasement syndrome" and was pursuing a policy of "self-Finlandization" in response to a Soviet "threat." Washington sources described the Brzezinski-Kissinger campaign as "a deliberate effort to set up Schmidt" and discredit his policy in anticipation of his visit to the U.S. for the United Nations Special Session on Disarmament last week. State Department spokesmen have refused all comment on Brzezinski's remarks, pointing out only that the U.S. considers West Germany a loyal NATO ally.

Vice-President

Special Session — stressing the "threat" posed by a "Soviet military buildup in Europe" — also appeared calculated to undercut the Schmidt initiative.

Last week's major British efforts, however, were directed at maximizing hysteria over the Katangese invasion of Zaire, for the purpose of securing a U.S. commitment to military intervention in Africa. A series of stories in the *New York Times* and *Washington Post* portrayed Carter as seeking to circumvent or repeal the Clark amendment to U.S. military export law, barring any U.S. military assistance to either the Neto government in Angola or the South African-financed UNITA guerrilla army headed by Jonas Savimbi which is seeking to overthrow it. The stories were based on a series of meetings held by Carter with Congressional leaders, at which Carter revealed that he asked the State Department to review all current Congressional restriction on U.S. military and economic aid to friendly nations.

The author of the Clark amendment, Sen. Dick Clark (D—Iowa), subsequently revealed in a front page *Washington Post* article that he had been approached by Brzezinski aide David Aaron, who formerly served both Mondale and CIA director Stansfield Turner as an aide, who inquired if he would be amenable to a plan to funnel U.S. aid to UNITA through a third country in order to give Cuban troops stationed in Angola "a problem."

Clark drew the conclusion that Carter was seeking to reinvolve the U.S. in a "proxy war" against the Neto government. On May 24, however, Carter press spokesman Jody Powell revealed that Carter himself had not known of the Brzezinski crew's meeting with Clark, thus raising the strong possibility that Brzezinski was seeking to organize a movement for African military intervention in Congress in order to present Carter with a fait accompli.

Meanwhile, *eminence grise* Henry Kissinger was loudly complaining from various locations about a post-Vietnam "loss of nerve" in the "foreign policy establishment" — and *New York Times* reporter Bernard Gwertzman was portraying U.S. logistical support for French and Belgian intervention in Zaire as a response to the "geopolitical challenge" posed by the Soviets and Cubans — and Kissinger. Others were demanding a suspension

Cubans were pulled out of Africa.

The Administration's difficulties were compounded by its apparent repeated reliance on intelligence reports that the Cubans and Soviets were continuing to train and arm the Katangese, widely publicized by the press with the clear implication that the invasion was a Soviet-Cuban operation. **Although** all available evidence suggests that British and Belgian interests were in fact directing, funding and supporting the rebel Katangese forces, whose headquarters are in Brussels, and instigated the Katangese operation as a deliberate effort to destabilize the Mobutu government, and disrupt U.S.-Soviet relations further. Both the White House and State Department focused their primary attention on the Cubans and Soviets. Carter himself never deviated from this line, and at the press conference charged the government of Angola and Cuba with "a heavy responsibility" for the loss of life in Zaire.

NSC Suppresses Report On Cubans in Africa

National Security Council head Zbigniew Brzezinski and CIA Director Stansfield Turner are deliberately suppressing a U.S. intelligence agency report disclaiming Cuban or Soviet responsibility for the Zaire invasion last week, sources told this news service. The report directly counters briefings the President is receiving from the National Security Council and is most likely being stifled because Brzezinski and Turner are trying to revive the discredited "proxy war" policies of former Secretary of State Henry Kissinger in Africa.

Kissinger was directly charged with responsibility for the disastrous 1975-76 U.S. covert activity in Angola in Congressional testimony May 25 by former CIA Angolan station chief John Stockwell. Testifying before the House International Relations Committee subcommittee on Africa, Stockwell accused Kissinger of lying about massive "covert" U.S. CIA support for the mercenary UNITA and FNLA guerrilla groups then battling Agostinho Neto's Popular Movement for the Liberation of Angola, recognized as the provisional government by other African states. Stockwell stressed that it was Kissinger's "proxy war" policy which triggered the massive intervention of Cuban troops in support of Neto and the MPLA. At the same time, Stockwell confirmed the evaluation of the suppressed intelligence report in his testimony, declaring "There's little evidence of Cuban and Soviet involvement in Shaba" today. He added that it would be a disaster for the U.S. to currently get involved with UNITA, the South African-supported insurrectionists still trying to overthrow the Angolan government and one of the groups secretly supported by Kissinger. Stockwell called instead for the U.S. to normalize relations with Angola.

Young: U.S. Needs A Constructive, Not A Military, Solution For Africa

Carter's "split personality" during his statements underscores the faction fight which is still going on in and around the Administration. It is now clear that Brzezinski and his allies are attempting to suppress an intelligence community report demonstrating that Cuba and the Warsaw Pact had nothing to do with the Zaire invasion. At the same time, UN Ambassador Andrew Young is being increasingly vocal about the economic development-based alternative to confrontation politics in Africa.

Speaking on the CBS television program Face the Nation May 20, Young called the notion that a Cuban troop presence in an African country ipso facto represents a strategic threat to the U.S. "ridiculous." Young emphatically disassociated himself from recent moves by Brzezinski, the CIA's Stansfield Turner, and others to circumvent the Clark amendment. Said Young, "There's enough support in this country and in the Congress for us to do *openly* anything we want to do in Africa," and he emphasized "development assistance" as the type of "constructive action" which built African support for the U.S. Persistent efforts by CBS reporter Marvin Kalb, a Kissinger crony, to depict Young as "out of step with the Administration" — because he refused to agree that "the President's hands are tied" in the face of Soviet aggression — produced a headline in the New York Times the next day, "Young Voices Dissent on Policy in Africa."

Young quickly issued a statement, in coordination with the White House and State Department, emphasizing that "I was affirming our policy. I share the President's concern about the many legislative restrictions on foreign assistance . . ." Young went on to cite restrictions on aid to the *governments* of Mozambique and Angola as a focus of concern, and to reiterate his support for an open U.S. Africa policy of economic development.

Meanwhile, State Department sources said privately that President Carter will consider a "working agreement on African development proposals being put forward by French President Giscard d'Estaing and will discuss them when he meets with Giscard later this week. A lead editorial in today's Baltimore Sun explicitly endorsed Giscard's policy which, said the Sun, "Carter should welcome." When Secretary of State Cyrus Vance met with Zambia's President Kenneth Kaunda earlier this week, Kaunda specifically requested U.S. military and economic assistance for Zambia, raising the prospect of increasing cooperation between America and the five black "frontline states," including Angola and Mozambique, bordering Rhodesia in southern Africa.

In an interview published May 22 in the *London Times*, Young stressed economic development as the key to resolving the tense situation in southern Africa.

It is not definite, however, that the "Young Plan" for Africa will be implemented — the Administration has yet to spell out the required development strategy in terms of the energy-intensive capital goods export plan put forward at the Fusion Energy Foundation's recent conference on southern Africa. Current Congressional restrictions on U.S. economic aid and export policy could be swept away if such a plan is articulated by the President.

Here, portions of U.S. Ambassador Young's interview on CBS-TV's Face the Nation May 21. Questioning Young were CBS's Richard Hottelet, the Washington Star's Henry Bradsher, and CBS's Marvin Kalb, who is also the sycophantic biographer of Henry Kissinger.

BRADSHER: Well, aside from covert-type CIA activity in a continent like Africa, there seems to have been rising concern in the Administration this past week that public activity — granting military aid, economic aid — is unnecessarily hampered by some of the legislative restrictions now, and there's an examination of this whole problem. Do you feel that this country is too slow to react in public ways?

YOUNG: I think so. I think we have to realize that we neglected Africa for almost ten years, and we are playing catch-up. The places where we've had problems are the places where we have not quite caught up. I think where we did take an active and aggressive role in Rhodesia and in Namibia, and in our relations with the frontline states and Nigeria, I think our policy is doing very well. And frankly, I think we are much better off in Africa now, at this moment, if you analyze it objectively, than we have been for the last decade....

KALB: Mr. Ambassador, you seem to be saying, one, that you disapprove of any kind of covert operation. You seem to be saying, too, that we should not be moving too quickly, that we ought to think a little more carefully. The thrust of what one has heard here in Washington from the very top people, including the President on the record in the past week, has been that we need the ability to move much more quickly, and it has been explicitly stated that the Administration is seeking a review, even of its covert possibilities. You seem, therefore, to be somewhat out of step with the drift of what is being said here by the Administration.

"What the Press Says"

YOUNG: Well, I'm out of step with what's being reported in the press about the Administration.

KALB: It isn't just the press. These are public comments by the President —

YOUNG: But in the conversations that I've been in, involving the Department of Defense, the Joint Chiefs of Staff, the Central Intelligence Agency, and the Secretary of State, I don't think that there's the panic that one reads

in the press. I think we're much more confident of our Africa policy than the emotional reaction, which is understandable. But it's an emotional reaction that I think is dangerous. I don't know that it helps the United States to — not to think.

BRADSHER: You say that we've gone in only at the request of countries and with their cooperation. This is the Soviet and Cuban answer also. They say they've gone in to help countries that have asked for their help. Do you feel now that this kind of Soviet and Cuban help is really the famous quote that you've had thrown back to you many times, I'm sure — a stabilizing presence in Africa? . . .

YOUNG: I think that the attempt to solve problems in Africa militarily does no good at all. The 20 or 30,000 Cuban troops in Angola now are in a military operation of repression. They say in Ethiopia that Eritrea can only be settled through political means, and yet there is some evidence that they are gradually being sucked more and more into military involvements in Eritrea. Insofar as they attempt to solve the problems of Africa militarily, they are definitely a destructive force. But I don't think it's right for us to become a destructive force because they are a destructive force. I think our influence in Africa is because we have been willing to be constructive, and that if you look at the 51 nations of Africa, and if you look at where the Soviets were 10 years ago and where they are now, they are in far fewer places with far less influence than they are now. We've had a steady, quiet approach — development assistance, the Peace Corps, Public Law 480, helping with food and development, our Agency for International Development, with seed farms. I can remember just 10 years ago, we were terribly concerned about the Chinese in Tanzania. The Chinese built a railroad. All that railroad is doing now is hauling Western goods. There is little or no influence of the Chinese in Tanzania. But we were panicked about the Chinese 10 years ago. Now our relationships have never been better with Tanzania. I would be absolutely certain that in 10 years our relations, even in Ethiopia and in Angola, will be better than will be the relations between those countries and the Soviet or Cubans.

HOTTELET: What about relations with the Soviet Union? The President has warned that what they are doing in Africa now endangers their relations with the United States. Will this be reflected in aspects of Soviet-American relations and Cuban-American relations that go beyond Africa — for instance, SALT and disarmament and various other things that are up for discussion between the capitals?

“No Emotional Linkages”

YOUNG: I would be very cautious about that. I don't think it's in our interest, because of adventures that we oppose in Africa, to make a linkage which would require

us not to sign a Strategic Arms Limitation Treaty. I think we also have to be concerned about the Soviet Union's internal development. I think all of the hardline talk that's coming from people who mean very well in this country is probably serving also to strengthen hardliners in the Soviet Union. Given the question of a possible imminent succession to Brezhnev, I would be very concerned to keep our relations with the Soviet Union on as reasonable and intelligent and less emotional basis as possible.

HOTTELET: But can one compartmentalize relation between great powers? Isn't the climate in which arms negotiations, competitions of various kinds take place — isn't this climate decisive for success in each individual especially important field?

YOUNG: I think we determine the climate, and I think it's important for governments to respond to their own interests rationally, and not to allow themselves to be swept away with all kinds of emotional linkages. Once we begin to do that, I think we hurt ourselves, not the Russians.

KALB: Mr. Ambassador — excuse me for getting back to this, but in the past week the President, the Secretary of State, any number of top officials — have raised the issue of the Cubans. They said the Cubans trained these Katangese before they went into Shaba. They talked about the equipment, the Soviet equipment. You seem to be criticizing the Administration's approach . . .

Katangans Trained by the West

YOUNG: Well, I don't think I'm criticizing the response. There's no doubt that there has been some Cuban involvement in training of the Katangese. I think it's also important to remember that these are the same Katangese that fought with the Belgians, and that were originally trained by western sources. They also fought on the side of the Portugese against the MPLA government. It was only after MPLA became the government of Angola that they reached some rapprochement. It was only, also, after continued attacks from Zaire into Angola that Angola, by supposedly western-backed, fortunately, not U.S.-backed guerilla operations against the government of Angola — it was only after several years of that that they were unleashed by the Angolans.

Now, there is a story in the London Times today that implicates the East Germans in the development of and training of the Katangans, and that they are very concerned about the missile development going on in Zaire by a private West German company, and they have undertaken to assist the Katanga gendarmes. What I'm saying is that Europe divided up Africa in the 1890s, and that division didn't make any sense at all in Africa. They

split tribes; none of the geographic boundaries are determinative as far as African heritage is concerned, and almost anybody can make trouble in Africa against anybody else.

BRADSHER: Let me ask you about a couple of other areas of that trouble. One is Rhodesia. There's been this apprehension, also, that the Cubans will become more directly involved there. As long as the neighboring black-governed states to Rhodesia continue to support the guerillas, the Patriotic Front there, do you see any hope for settlement at all, or will it just go on to a military solution?

YOUNG: Well, I think that depends, also, on us, and it depends on South Africa, and it depends on Ian Smith. I think, in spite of the fact that there is a support for armed struggle, there has also been a support by all of those front-line states to the Anglo-American plan.

BRADSHER: But when you were in Dar-es-Salaam a month ago in order to try to set up a general meeting of all these parties, the front-line states had encouraged you to believe that the Patriotic Front would be cooperative. You got to Dar-es-Salaam, Secretary of State Vance got there —

YOUNG: We found that they were cooperative.

BRADSHER: You found that they were less cooperative than the front-line states had expected them to be.

YOUNG: No, I didn't. In the first opening sentence of that meeting, Mr. Mugabe asked us, what are the terms of our negotiations, and can we make binding agreements? Our response was that we are setting up the basis for an all-parties conference. The Patriotic Front then said, well, there's no need in us making concessions to you, since they will not be binding. We will wait until a all-parties conference. They assured us, that in addition to their positions, they had three or four fall-back positions. They were perfectly willing to negotiate.

They also agreed, without question, on the presence of a United Nations peace-keeping force. That, to me, is the single, most important issue in Rhodesia and Namibia. If we can have 4,000 or 5,000 U.N. troops protecting the order and stability of the country during a transition period we can have a free election and we can determine a legitimate government, selected by all of the people in Rhodesia. We won't have peace unless we have that kind of all-party agreement under U.N. supervision.

BRADSHER: You talk about the importance of the attitude of South Africa, also. This is a key in Namibia, Southwest Africa. There are some people who seem to think that the South Africans, although they accepted the five-nation western plan that you helped work out, some people seem to think they then turned around and sabotaged it by attacking into Angola, the camps of the — the Southwest African Peoples Organization, SWAPO. Do you feel that there is really the chance of going ahead with that now?

YOUNG: Yes, I do, because I think we have to realize that in every country, ours included, there's always a tension between the forces of hope and faith, and the forces of fear and reaction, and I think we saw a conflict, really, between the two Bothas. Pik Botha, the Foreign Minister, was, I think, working along with the western powers, and Defense Minister, P.W. Botha, was taking a hardline position. My notion is that that fuss was directly related to the declining fortunes of Connie Mulder as a possible successor to Vorster, and so what you had was internal South African politics being played with an international issue, and that's terribly dangerous.

“Develop Africa Like the U.S. Sun Belt”

Here, portions of an interview with Ambassador Young in the London Times of May 22.

Q: But that wasn't one of your more controversial points. What about saying the South African government was illegal or saying Cuban troops had a proper purpose in Angola?

A: No I never said Cuban troops had a proper purpose in Angola. I said the Cubans were a stabilizing influence in Angola. They were then and they still are, in the sense that their technical assistance, their doctors, their agricultural experts are basically keeping the country on an even keel, they are in fact defending and protecting the Gulf Oil installations in Cabinda. What I've always said is that we have to look at the Cubans like we look at anybody else. When the Israelis did those kinds of things across Africa, we praised them. When our Peace Corps goes around doing those kinds of non-military activities, essentially development assistance, we give the highest praise for it. When the Cubans went into the Horn in a big military way, I didn't hesitate to say that I thought they were now bringing chaos, they were contributing to death and destruction rather than to life and development.

I just think that a foreign policy that's going to be based on morality has got to be credible. It's got to be honest. It's got to be truthful. With a military foreign policy where you're going to back your policies with your guns you can shade the truth. If you're going to have any respect established for America's role in the rest of the world we've got to be perceived everywhere as consistent and honest and just.

Q: People who know perhaps more than you about Russian foreign policy felt that you were naive at the time of Angola not to anticipate events like the Horn. In a sense you gave the Cubans a credibility which they then used for their adventures in the Horn.

A: Now don't blame me for the Horn. Siad Barre advertised what his intentions were long before any Cubans were anywhere in the area. Siad Barre took Somalia troops several hundred miles into Ethiopian territory. Now that was the time to make a condemnation. When we didn't make any condemnation

then, we sacrificed some of our credibility when we condemned somebody else going in. I think we've either got to be against aggressive acts all over the place, not just aggressive acts by certain people. Perhaps it is naive, but either you're going to go around killing people all the time when you disagree with them or you're going to establish some basis of trust and accommodation. This we have managed to do in Europe. We have managed to do it in our economic relations, and we have managed to make some progress with strategic arms limitation talks. My feeling is that if you're going to limit your military responses, which I think the American people have decided to do, you've got to be more aggressive with your diplomatic approaches. We have done this and done it very well in the Middle East and we have done it I think and done it very well in Southern Africa.

Q: But what makes you think that United Nations sanctions are helpful. You're going to force the South African whites, who already have a defensive mentality, further in on their own resources particularly their own military resources.

A: Well a few days ago I was in our Orange Free State, the black belt of Alabama. This was the part of the United States where 10 years ago people were saying "never". It was in fact economic sanctions that when strictly and swiftly applied brought about change — when the black community said that either we will all profit together or we will all go down together. It was amazing how quickly people began to realize that the system of capitalism accommodates change, and that when you included blacks in the economy it didn't take anything away from whites. In fact it brought about an economic boom in our south land. We now talk about the southern part of the United States as the sun belt — it's the growth region of a nation. The sun's always been here, the thing that's different, the thing that has brought about the tremendous economic boom in this region, is that blacks and whites are no longer fighting each other. They are working together and we have a fantastic climate of economic development and prosperity for everybody. I think that Southern Africa, South Africa, Rhodesia is a potential sun belt — once they begin to deal with their problems together rather than blaming their problems on one another or on the Communists or on the United States.

Crush The British Bukharinite Snakes

The following analysis was released on May 24 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

Over the past week, a subversive British faction within the Soviet leadership has surfaced with the sole purpose of destroying the historic Schmidt-Brezhnev and Lopez Portillo-Brezhnev agreements for ending the threat of war with world economic development. The British mode of operation is precisely the same as that which destroyed the Zhukov-Eisenhower agreement on Atoms for Peace, precisely the same as that which destroyed the 1970 "Rogers Plan" for peace in the Middle East. The British Bukharinite snakes, Henry Kissinger, and their masters in Great Britain are up to their same treacherous tricks.

The occasion of their game this time is the highly commendable surgical operation by French President Giscard against the British-Belgian provocations in Zaire. Giscard's action was in complete consonance with the agreements made by West German Chancellor Schmidt and Brezhnev in Bonn on May 6 to ensure stability and peace throughout the developing and advanced sectors through the transfer of high-technology industry. My commendation of that action is not at all to be confused with the praise of the American "Philby" Henry Kissinger or the London Daily Telegraph.

As in 1970, the British Tories have feigned support for the French action, vociferously lying that it is part of their NATO strategy to run the Soviet Union out of the Third World. As in 1970, the British Labour Party, typified by Foreign Minister David Owen, have taken up the line of self-righteous opposition to "American imperialism." As in 1970, the British-linked Bukharinite snakes in the Soviet Union have turned to the right, screaming that Brezhnev's allies in France have "be-

come neocolonialist" and "sold out the working class."

These Bukharinite snakes are being run by the McCleans, the Philbys, the Arbatovs. Too weak to oppose the historic shift of President Brezhnev in his Bonn and Moscow agreements directly, they are mobilizing the most backward "proletkult" tradition within the Soviet Union to wreck this basis for world peace. Their assignment is war provocations — they will not stop at provoking incidents with China, in Africa, or anywhere else.

If Brezhnev is serious about his peace initiatives, he must move at once to crush these British Bukharinites. If not, we are headed irrevocably for World War III.

America too has its Philby. His name is Henry Kissinger. It has been his assignment to destroy the ability of the Carter Administration to join the Schmidt-Brezhnev-Portillo agreement. At Britain's behest he has praised Giscard; through CIA Director Turner and National Security Council staffer David Aaron, circulated lies about how Carter is about to wage war against Angola; brazenly lied about so-called Cuban and Soviet involvement with Katangese tribesmen whom all Europe knows have been trained by Belgium and London's NATO.

My advice to President Brezhnev and President Carter is this. Designate appropriate persons in the State Department, and their opposite numbers in the Soviet Union, to arrange a business meeting immediately. Set the agenda for this meeting firmly: the British Bukharinite agents must be cleaned out.

In the sense that Kissinger is playing the Tory counterpoint to the Soviet faction's Labourites, those who call Henry Kissinger a Soviet agent are right. Like the Bukharinites in the Soviet Union, he is playing a pure British wrecking operation. He must also be crushed.

Peace Through A New Economic Order

Mexico's President, in Moscow, helps extend East-West cooperation

In a historic address to the Soviet people at the end of the talks in Moscow last week, Mexican President José Lopez Portillo spoke straight to the heart of what is required for international peace.

"To us of the developing countries," he told the Soviet nation, "the important thing is not just reducing the risk of war, but winning the peace. This is only achieved if we find the true path toward the new international economic order, which resolves problems of financing, transfer of technology, and basic trade."

It was a speech parallel in impulse and effect to the May 6 address of Soviet Party leader Leonid Brezhnev to the West German people, announcing the signing of the Bonn-Moscow 25-year economic treaty. Brezhnev at that time powerfully evoked the need for world economic development, and emphatically included the Third World in a partnership with advanced sector collaborative projects. Lopez Portillo's trip to Moscow, part of the same strategy, directly brought leading elements of Third World forces, which Mexico represents, into the highest levels of international planning to ensure that the outlook of the Bonn-Moscow accords is implemented on a global basis.

President Brezhnev, Prime Minister Kosygin, and Foreign Minister Gromyko personally greeted the Mexican leader on his arrival at the Moscow airport May 17, in a gesture termed highly "unusual" by the Soviet press. All regular programming on Soviet television was preempted for a live broadcast of the reception. Prominent coverage of the event in the Soviet and other socialist-sector press made particular mention of Mexico's key role as an organizing force for development in Latin America and the Third World as a whole.

The question which remains unanswered is whether the U.S. is going to enter the kind of partnership for capital-intensive development based on advanced technology which Mexico is forging with the Comecon socialist-sector nations as well as with Japan and Western Europe. Some British commentators have suggested that the Lopez Portillo trip is a move "against the U.S." But Lopez Portillo himself directly answered this charge during his Moscow press conference May 19. "Those who state that I visited the Soviet Union to threaten the United States," he angrily asserted, "terribly underestimate Mexico . . . We came to the Soviet Union to affirm and broaden our friendship, not to defy or threaten any friendly country."

Nuclear Cooperation

The specific content of the economic and scientific accords worked out in Moscow underscored the nature of the capital-intensive development commitment involved. The center of discussions was transfer of Soviet nuclear and oil technologies to Mexico, including Soviet "cooperation in the construction of nuclear reactors for peaceful purposes."

The scientific highlight of the opening days of the trip

was the Mexican President's tour of the advanced fission and fusion nuclear facilities of the Kurchatov Institute outside of Moscow May 19. His guide was the renowned Soviet physicist A. N. Aleksandrov, president of the Soviet Academy of Sciences and director of the Institute. Aleksandrov offered Mexico full Soviet cooperation in nuclear energy development. Lopez Portillo told reporters he was "very impressed" and later that day, after signing major new Mexican-Soviet technical and scientific accords, declared that the accords would permit advances in all forms of energy, "especially nuclear."

Mexican Natural Resources and Industries Minister Oteyza simultaneously announced that Mexico had opened negotiations for Soviet enrichment of Mexican uranium, and that the two countries would exchange delegations of nuclear technicians to study ways to increase nuclear collaboration.

The Oteyza announcement, given banner headlines throughout the Mexican press May 21, coincided with U.S. Department of Energy confirmation that the U.S. will embargo a large shipment of Mexican uranium now in the U.S. for enrichment, pending Mexican compliance with new U.S. on-site inspection demands.

Transfer of Technology

Significant as the bilateral points of discussion were, Lopez Portillo and his hosts clearly saw these bilateral arrangements as a model for *global* economic arrangements. In a major address to the Academy of Sciences of the Siberian industrial center of Novosibirsk May 22, Lopez Portillo expanded the question of Mexican-Soviet transfer of technology to the question of transfer of technology generally. "Technology is a patrimony of humanity," he said; "the powerful countries have the obligation, for the future of humanity, of honestly transferring their advances."

Similarly, in a detailed presentation to the Council for Mutual Economic Assistance (Comecon) May 18, the Mexican chief of state placed Mexico's strong treaty relations with the Comecon within the need for "genuine interdependence at a world level," and called for expanded levels of Mexico-Comecon trade to "give an example of the form in which worldwide interdependence between all countries can be carried out."

The Soviets declared the need for expanded trade and scientific ties with equal insistence. Brezhnev, in his welcoming remarks, noted that though Mexico-Comecon trade volume "is not large yet," the "perspectives are good." "We stand shoulder to shoulder with Mexico" is the way Comecon official Ion Patan put it in an official answer to Lopez Portillo's address to that body.

Placing emphasis and agreement on the need for disarmament, the Mexican President called a press conference his last day in Moscow, May 19, to propose a special fund, to be taken from expenditures now going

into arms, which would be used to facilitate energy development and supply in regions of the globe now deficient in energy.

He thus directly linked the question of disarmament with the development of new energy sources. The Soviets officially ratified the Tlatelolco Treaty, a Mexican-drafted document establishing Latin America as a "nuclear-weapons-free zone," while Lopez Portillo was in Moscow.

Dialogue Between Revolutions

The Mexican-Soviet talks deepened a long tradition of good relations between the two countries. In his opening remarks Lopez Portillo stressed that his visit continued the "valuable dialogue" begun toward the start of the century when "our respective and incipient revolutions struggled to triumph over internal and external reaction." Mexico, he noted, was the first country on the American continent to exchange ambassadors with the fledgling Soviet republic.

The special tradition of Mexican-Soviet cooperation established at that time advanced during the 1960s when Mexico, alone of all the Latin American states, refused to cut off ties to Cuba. Then in 1975 President Luis Echeverria dramatically extended the grounds for cooperation with the negotiation of a far-reaching trade and technology pact with the Comecon, one of only four of its kind ever signed by the socialist sector with outside countries.

Brezhnev paid tribute to this accord upon Lopez Portillo's arrival: "In just the last two to three years more agreements between the USSR and Mexico were concluded than in all the postwar period," he stated.

Four-Way Oil Swap

After three days in Moscow, Lopez Portillo left May 20 for the famed Baku oil region to inspect advanced Soviet oil technology, one of the main purposes of his trip. Mexico has indicated it is highly satisfied with Soviet drilling equipment now at work in developing Mexico's Southeast fields, and wishes to acquire more technology, particularly in the area of secondary recovery.

Although no official announcement has yet been made, it is expected that a "four-way" oil swap will be ratified before Lopez Portillo leaves the Soviet Union, whereby Mexico will supply Cuba with oil it has now contracted to supply Spain, and the Soviets will pick up the Spanish contract.

Before returning to Mexico May 29, Lopez Portillo is to stop over in Bulgaria. Mexico has shown great interest in studying Bulgaria's agricultural sector, one of the most advanced in the world. At the same time Mexico hopes to provide technical assistance for oil refining and petrochemical development in that Comecon nation. Over recent months Mexico has exchanged important trade missions with almost all the other Comecon member countries as well.

Japan Next

Beyond the Soviet Union, Mexico is looking to Japan as the next "leg" in the extension of dense advanced sector-Third World trade and development deals. Lopez Portillo has scheduled a state visit to Japan for October as his

"All The News That's Fit To Print"

While the Lopez Portillo trip to Moscow has received substantial coverage in the socialist sector press, most Western media, and particularly certain "newspapers of record," have virtually blacked it out.

The New York Times did manage to slip in four lines of coverage as a filler on an inside page May 18. The article, which we reprint in full length here was pulled in a later edition to make way for a larger picture with another article on the same page.

MEXICAN LEADER ARRIVES IN SOVIET
Moscow, May 17 (UPI) — President Jose Lopez Portillo of Mexico arrived here today for an official visit that is expected to include talks of a possible oil agreement.

priority diplomatic effort after Moscow. He sent a close advisor, Tourist Minister Rossell de la Lama, to Tokyo on the eve of the Soviet trip to begin previsit consultations. Emerging from a meeting with Japanese Prime Minister Fukuda, Rossell declared that Japan, with its "great technological advances," is destined to be "one of the best partners of the Third World." Mexico, he added, can be the "bridge" between Japan and the rest of Latin America.

—Tim Rush

'Technology Is Humanity's Patrimony'

Following are excerpts from the speech delivered by Mexican President Lopez Portillo at the Academy of Sciences in Novosibirsk May 19.

Scientists of Novosibirsk:

You have built a well-rounded apparatus, almost perfect; you have known how to combine basic science with applied scientific research in an optimal way; you have understood — and you have insured — that research is directed at achieving the development and welfare of the people. You have organized it in a planned way and you have had the courage of going to the regions where direct investigation is required...

We have seen in Moscow what you have achieved in the cosmos, and we are seeing here in Siberia all that you can do on earth. Like you there are other powerful countries which have also achieved this, but I want to leave with you here the disquiet (concern) of what happens to us, to the countries without great resources. Those of us who also have a population to serve and who see with restlessness — and sometimes disillusionment — how the technological gap keeps widening more and more. Every one of your victories multiplies your capacity for investigation and for solving problems, and for us the distance keeps increasing. What are we to do?

— we ask — Are we to research what you already researched years ago? How do we choose our projects?... These are some of the questions which we developing nations must resolve....

Developing nations *can* do the following: insist at international forums that technology is a patrimony of humanity; that the powerful countries which have achieved it and implement it have the obligation, for the future of humanity, of honestly transferring their advances so that backwardness can end, so that tomorrow's humanity will not be as divided as it might otherwise be.

'Our Humanist Purpose'

Mexican President Lopez Portillo delivered the following greeting to the Soviet leadership May 17.

I accepted with goodwill the cordial invitation to meet with the Soviet people and government, because it represents the continuation of a valuable dialogue begun when our respective incipient revolutions, urged on by their people in arms, battled to triumph over external and internal reaction. This is a contact which continues to have meaning after more than half a century.

It is frequently mentioned that our country was the first on the American continent to establish relations with the nascent Soviet state, and today I repeat this here with satisfaction, because this fact reveals the nature of our friendship, based on mutual and authentic respect...

The key to understanding Mexican diplomacy is the recognition of its struggles, its history and its aspirations. We have always reiterated that we adhere to clear and irreversible international principles, because they are anchored in our own identity... We demand respect of all sovereign states, and non-intervention, with the vivid experience (in our minds) of continued interference designed to hold back our revolution... Who better than the Soviet people, for reasons very similar to our own, can comprehend and support these principles?

We have come to speak of peace, with a people which has suffered the greatest ravages of war and which has stood out for its constant initiatives for disarmament, détente and coexistence.

We Mexicans are people of peace, because we are convinced that our humanist purposes can only be achieved in a world at universal peace...

'Peace Demands Development'

Mexican President Lopez Portillo appeared on national television May 18 to deliver the following address to the Soviet nation.

Today, we have a completed series of talks with Mr. Brezhnev, which I have found extraordinary fruitful.

We agreed on the identities which link us together. It struck me, as I reviewed the Constitution of the Union of Soviet Socialist Republics, that the similarities with our own system and regime were extraordinary. The political will for peace and disarmament reigned as a common denominator between the two chiefs of state,

permitting us to substantially advance in areas that we viewed as very important.

The government of the Soviet Union has signed a document which is fundamental to us: the Second Protocol of the Tlatelolco Treaty which restricts the spread of nuclear armaments in Latin America.

Recently, this same document was signed, at the urging of Mexico, by the President of the United States of America.

Thus an advance in common purpose has been strongly cemented by the adhesion of the two great powers of the world.

If we add to this signing the consular and scientific aspects (of the discussions —ed.), and the intention of deepening and broadening the relations between the Soviet Union and Mexico, the achievements of this meeting appear to us to be exceptional.

We have said, however, that while the great powers have their problem of survival resolved, and are concerned fundamentally with assuring that there must not be wars, to us of the developing countries the important thing is not only reducing the risk of war, but of winning the peace. This will only be achieved, for us, if we find the true path toward the new international economic order, which resolves problems of financing, transfer of technology and basic trade. And in this, we also view the will of the great powers as fundamental.

We have had the opportunity of touring this beautiful, great city (Moscow —ed.). We have had the opportunity, however brief, of viewing the great successes which Soviet intelligence and organization have achieved in the cosmos and on earth.

Thanking the people and the government of the Soviet Union for the hospitality which has been extended to us, I leave with you all the affectionate and fraternal greetings of the Mexican people and the wish that we will soon see the political representatives of this great country in Mexico...

Many thanks, a very good night to you and the greatest happiness.

Brezhnev Lauds

Soviet-Mexico Friendship

At a state dinner May 17, Soviet President Leonid Brezhnev reviewed the history of relations between Mexico and the USSR.

...Our meeting is yet another evidence of strengthening ties between the Soviet Union and Mexico. Geographically our countries are far apart, in different hemispheres. But distance is no obstacle to cooperation when there is a sincere desire for friendship.

With what do Soviet people associate Mexico in their minds?

First of all with the courageous struggle by the Mexican people for freedom and independence. The ardent patriotism and glorious traditions of the liberation, anti-imperialist struggle of Mexicans long evoke sympathy and respect in the Soviet Union.

The history of Soviet-Mexican relations is already more than half a century long. It has numerous vivid and glorious pages. Friendship between our countries has withstood the trial of time.

Mutually advantageous equal cooperation based on principles of peaceful coexistence now exists between the USSR and Mexico in many fields.

No doubt about it, the tone of our relations is set by the successful development of diverse political contacts. Serving as a reliable foundation for them are adherence to the cause of struggle for peace and international security, solidarity with the people upholding their freedom and independence. We easily find a common tongue on many issues of international politics and come out from common or close positions on most topical problems of our time. Regular consultations, exchanges of parliamentary delegations and, of course, meetings at summit level — all this helps strengthen mutual understanding and mutual trust and to outline milestones of further cooperation. As to trade and economic ties, here, too, we have good prospects. The volume of trade today is not yet great, but the goods that we are exchanging are needed by the economies of our countries. Besides, we have a substantial legal basis of treaties. The matter is to make the most rational use of existing possibilities.

It is no secret that Soviet people show an understanding of the Mexican people's efforts directed at developing its national economy, at protecting its natural wealth from exploitation by foreign capital. We hold that

these efforts are in the common channel of the struggle by Latin American and all developing countries against the sway of foreign monopolies, for restructuring international economic relations on a democratic, just basis...

Through the combined effort of all peace-loving states—and here we pay tribute to Mexico's contribution as well — it proved possible to conclude a number of international and bilateral agreements which limit to a definite extent the production and deployment of individual types of armament. On the whole the past decade has brought about quite a few good, I would say healthy, changes in international relations. They have become commonly known as relaxation of international tension...

It is proceeding from these aims that we have recently come out with a concrete program of practical steps directed at putting a complete end to the further quantitative and qualitative growth of the armaments and armed forces of states possessing a big military potential. We want the production of all types of nuclear weapons to be stopped, we want the production of all other types of weapons of mass annihilation to be stopped and these weapons banned, we want no more new types of conventional arms of great destructive force to be created, we want the permanent Security Council members and countries bound with them by military agreements not to expand further their armies and not to increase conventional armaments...

Share U.S. Know-How With Mexico

New Mexico Senator Harrison Schmitt challenged the Carter Administration's insistence that the only form of aid the U.S. should offer Mexico is help in establishing labor-intensive rural work programs, as proposed by Vice-President Walter Mondale in January 1978. Schmitt issued the challenge in testimony before the Senate Judiciary Committee May 18.

Schmitt's remarks offered an evaluation of the Administration's bill to crack down on illegal aliens known as S. 2252. Instead of the primitive technologies Vice-President Mondale proposed for Mexico, Schmitt's remarks represent a point of departure for establishing renewed Mexico-U.S. economic cooperation in the same high-technology framework as the Mexico-Soviet discussions this month.

Here are portions of Schmitt's testimony.

... there have been numerous proposals designed to provide solutions to the tremendous influx of immigrants who enter the United States unlawfully, but because of the complexity and delicate nature of this problem, enactment of any meaningful legislation has been thwarted. One of the biggest difficulties has been the lack of accurate data on the scope and nature of the problem...

Although I support the humanitarian provisions contained in S. 2252, I feel that the Administration's proposal is generally short-sighted, based on limited factual data

regarding the nature of this problem, and only suggests snake-oil treatments, not solutions to the problem...

Mr. Chairman, as a member of the Senate Subcommittee on International Finance of the Banking, Housing and Urban Affairs Committee, I will actively pursue means by which the United States can, *concretely*, renew its commitment to providing technical and financial assistance to Mexico.

In addition, we must continue to seek financial assistance programs but must develop a new approach in the use of this assistance. The world respects our educational, technological and economic achievements. We must develop a method of sharing those achievements. In other words, to be successful in assisting the economic development of Mexico, a program of sharing our know-how combined with financial assistance to support the projects is needed. We must seek programs which involve various departments and agencies of our government and international financial institutions. The involvement of our society, especially the business community, will be needed.

The solution to the long-term problem is the development of Mexico and other nations of Latin America. The United States has a historic commitment to these nations. Now is the time to begin a major effort of assisting and financing their economic development. The dividends for the United States will be great. A renewed era of goodwill and solutions to some of our own problems will be just some of these dividends.

Press Manufacture Scandal Around Deal With Soviets

The first open attack against West German Chancellor Helmut Schmidt for signing the 25-year Economic Cooperation pact with Soviet President Leonid Brezhnev May 6 surfaced last week around an interview Schmidt gave to *Newsweek* editor Arnaud de Borchgrave. Writing in the May 22 *International Herald Tribune*, Borchgrave claimed that Chancellor Schmidt had crossed out a number of his statements in the final transcript of the *Newsweek* interview, statements that would have substantiated Borchgrave's claims of West German "self-imposed Finlandization," handing the country over to the Soviet Union.

Although Schmidt does not characterize the treaty as "self-imposed Finlandization," the May 23 West German press, led by the daily *Die Welt*, grabbed onto Borchgrave's accusations in order to discredit the recent Schmidt-Brezhnev agreement.

The intended effect of both Borchgrave's article in the *International Herald Tribune*, and articles similar to the *Die Welt*, excerpted below, is to develop a fear that West German trade with the Soviet Union will lead to a situation in which West Germany will be as dependent on the Soviet Union for its existence as Finland allegedly is.

According to Borchgrave, Schmidt crossed out the answer, "Yes, I did that," when he was asked if he protested to Brezhnev about "Soviet-Cuban adventure in Africa." Another charge is that Schmidt crossed out his own reference to "Marxist-Leninist states in Africa," which were "a clear case of (Soviet) imperialism."

The entire incident has been dismissed as "nonsense" by Schmidt's press spokesman, Klaus Boelling. In a letter of protest published May 24, Boelling wrote that "You will not find in the interview anything which permits the conclusion that the Federal Republic is in the process of giving itself away to the east."

Die Welt, Bonn, May 23, 1978

"What the Chancellor Crossed Out of An Interview"

"The American Newsweek-journalist Arnaud de Borchgrave views Bonn as being on a course of 'self-imposed Finlandization.'"

Springer Foreign Service, Paris-London

Bonn's foreign policy is handling Moscow with velvet gloves, and steering a course of "self-imposed Finlandization." These conclusions were drawn by *Newsweek* journalist Arnaud de Borchgrave after an interview with Federal Chancellor Helmut Schmidt. What Schmidt said in the interview was so important to the journalist, that he broke a journalistic rule. Yesterday he betrayed to the *International Herald Tribune* which words the Chancellor personally crossed out of the interview, and which he added in by hand. . . .

Newsweek journalist Arnaud de Borchgrave mentioned a reference in his report to the *International Herald Tribune* about the fact that in the meantime,

President Carter's Security Adviser, Zbigniew Brezezinski spoke about a self-imposed Finlandization of the Federal Republic. After three hours and 45 minutes with the Chancellor Borchgrave was of the opinion that Brzezinski was correct. In the excerpts from the interview that the Parisian paper had published in the meantime, the Chancellor stood for Bonn's official Eastern policy. According to the Chancellor, the Federal Republic is a medium-sized, non-nuclear power, which is not larger than the U.S. state of Oregon, and which has no occasion to intervene in major world-political questions because of its vulnerable geo-strategic situation. . . .

"Schmidt. After You"

The following are excerpts of Arnaud de Borchgrave's interview with Chancellor Schmidt, published in the May 29 issue of Newsweek under the title "Schmidt: After You."

Q: The Soviets and their surrogates have recently been scoring some major geopolitical gains. How does one stop this drive from gaining momentum?

A: Of course the USSR tries to strengthen its influence — if not always successfully. But there is no thought of the West being overwhelmed. The Soviets are realists. They will not end détente, which is in their own interest. We Europeans are concerned about the expansion of Soviet influence — political and military — and I made this clear to President Brezhnev the other day. On the other hand, Germany is a medium, non-nuclear power the size of Oregon . . . in a very delicate and vulnerable situation. No German leader will ever forget this. Nor will he forget the Berlin equation and how anxious we are not to endanger but to maintain that island of liberal democracy. So our freedom of action is limited. It would be unrealistic and improper for a German head of government to be indulging in those fields of world politics outside our area of responsibility, or even giving advice to the leading Western power.

Q: What is your opinion of the current Soviet-Cuban drive into Africa?

A: That is clearly not compatible with the concept of détente. No doubt about it.

Q: Did you yourself say that to Brezhnev?

A: He certainly got the general idea, as we did discuss Africa thoroughly. Despite some differing views, we agreed upon the inviolability of boundaries and the indivisibility of peace. I expressed the view that some operations could endanger American readiness regarding a SALT agreement.

Q: And what did he say?

A: Nothing. He just listened.

Q: If the Cubans get involved directly in Rhodesia, what do you think the Western reaction should be?

A: That would be a good one for (U.S. Secretary of State) Cyrus Vance to answer . . . Cuba is a small island,

only 10 million people, right on America's doorstep. It would be strange indeed if the United States with 220 million people should be hypnotized by Cuban military adventures on another continent. There must be some means to prevent this from happening.

Q: In other words, you're saying that Europe today is powerless to do anything about the Soviet-Cuban drive in Africa?

A: I wouldn't say powerless, but it's not for us Europeans to lead the Western Alliance. That's a U.S. mission. Nor is it for us to see to it that the balance of power is maintained. It's for the West as a whole.

Q: Do you now feel that you understand what the Administration wants and where it wants to go?

A: On a personal level, contact with Mr. Carter could not have been better. There were many more letters and phone calls than the public knows about. But it became clear to me that after Vietnam, presidents are not as successful with Congress as before, and it is far more difficult to read the long-term political lines of Congress than the concepts of the Administration. We have to deal with Congress directly more than ever before. Our embassy is not enough. . . .

Q: Policy planners and strategists argue that NATO is now clearly inadequate to respond to challenges to Western interests outside the geographical limits of the alliance. What do you think the West should do to protect its vital interests outside NATO's boundaries?

A: (First,) NATO has never been able in all its 29 years of existence to defend the interests of member states outside the area defined by the pact. Second, I don't believe that the goals and concepts of NATO should be geographically enlarged. . . .

Q: Why does Brezhnev keep talking up the growing danger of a world war, since there is no threat whatsoever from the Western side? Is this designed to produce more concessions and conditioned reflex of appeasement from the West?

A: On the one hand, yes, but on the other hand, nobody should underestimate the enormous losses the Soviets suffered under Hitler's attacks, memories that are still vivid in Brezhnev's generation. They therefore have a strong motivation for defense. At the same time, Brezhnev's dedication toward peace is beyond doubt. It seems to me that the Soviet leadership during the last ten years, following the invasion of Czechoslovakia in 1968, has tried to maintain a delicate balance by keeping the military with them while they went ahead with détente with the West. . . .

Q: Turning again to economic matters, Japan's External Economic Affairs Minister Nobuhiko Ushiba has warned about the danger of a world depression. What do you think?

A: I have personally been warning the world of such a danger for the last four years. . . . Let me say once again that leadership from the U.S. — financial, commercial, monetary, political — is sorely needed. But the lack of an American response following the fivefold increase in oil prices, and the inability even to live up to the promises and obligations which had been undertaken. . . . have contributed significantly to the threat of a world depression.

If the biggest and richest nation in the world is producing a current account deficit of \$35 to \$40 billion a year, one cannot expect that the rest of the world will get back on its feet. There is no cure without the stabilization of the world's most important currency. . . .

Q: China is now shopping for military hardware in Western Europe. Do you feel this is a step in the right direction as a means of counterbalancing Russia's growing military power?

A: Mr. Brezhnev asked me a question about this, and I told him that the simple statistical fact is that our trade with the Chinese giant is in the same order as with the Grand Duchy of Luxembourg. Military hardware is very costly; how is China going to pay for large quantities? I think there is more noise than substance in these stories. My country is not involved. . . .

Schmidt Educates Carter

West Germany's Chancellor Helmut Schmidt has converted a regional election campaign for his Social Democratic Party into a platform for instructing President Carter on where U.S. national and international interests really lie. Here is a selection from Schmidt's lecture topics:

On Henry Kissinger

Schmidt was asked by a *Newsweek* reporter about Kissinger's warning that an "appeasement syndrome" is setting in around "several Western capitals." The Chancellor's reply: "I do not know which capitals Mr. Kissinger has in mind. He certainly could not be including Germany among these."

On U.S. Energy Policy

"There are troubles with the United States, or at least with the Congress, on the question of nuclear energy, which is essential for the Third World's fight for survival."

On President Carter

At a recent meeting of the Aspen Institute in West Berlin, Schmidt was confronted by a number of U.S. Congressmen mouthing a standard series of British attacks against Carter's poor leadership, lack of "guts," etc. "Gentlemen," the Chancellor interjected, "I ask you to please moderate your statements; otherwise I'll have to defend Jimmy Carter. . . . You are simplifying the picture of the President. I have experienced him as someone who asks the right questions and who has amazingly rapid comprehension. The U.S. President has courage—unlike some people."

On Music

Schmidt, an enthusiast of the classical organ repertoire, recently objected to Carter's mind-destroying habit of playing a continuous series of rock, folk, country-western, and light-classical records while he conducts the affairs of the nation. "He doesn't even turn off the music while we talk on the telephone. I can't understand anything he says, with those blaring violins and trumpets."

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Will Peking Go to War With Moscow?

The following analysis was released on May 14, 1978 by U.S. Labor Party Chairman Lyndon H. LaRouche, Jr.

In the aftermath of British military commander Neil Cameron's proposal of war against the Soviet Union in Peking, the Chinese news agencies now blast out an order from Peking's Central Committee, instructing the People's Army to prepare for an "inevitable" war against the Soviet Union. Does this pattern mean what "Manchurian candidates" James R. Schlesinger, Henry A. Kissinger and Senator Henry Jackson argue it portends? Or, are these three and their fellow-dupes the biggest fools in the world?

Three points have to be made in assessing Peking's leaders. The first point is that of knowing what they believe and intend, which is often opposite to what they profess publicly to believe and intend. The second point is the incompetence of emotionally-inadequate personalities, such as Kissinger, Schlesinger and Jackson, for understanding the minds of Peking's leaders. The third point, the strategic setting for the whole business, is the current state of evolution of the British monarchy's geopolitical policy of the Eurasian "world-island."

We begin with the third point, the setting within which the two other points are situated.

British Geopolitical Doctrine

The British geopolitical doctrine which has caused two world wars during this century to date was formulated by a team headed by the Rothschild-linked Lord Alfred Milner at the beginning of this century. This team which included the Fabian Webbs and the famous Mackinder formulated the doctrine better known as the policy of Major-General Professor Karl Haushofer, the patron of Rudolf Hess and the actual author of the principal contents of Adolf Hitler's *Mein Kampf*.

The British doctrine has two principal elements. The first was the approach to what the doctrine defined as the Eurasian world-island. The British monarchy, which viewed the old colonial system of British flag-imperialism as doomed, aimed to establish a new instrument by which a relatively weak Britain could continue to dominate the world. This centered around the balkanizing of Russia, preventing the emergence of economic cooperation between Russia and Germany. The second element was the doctrine that Britain must rule the world through subverting the powerful "dumb giant," the United States. Aided by a successful British assassination of President William McKinley in 1902, the latter objective was, on balance, fairly accomplished

throughout the present century to date.

The initial implementation of the Eurasian world-island doctrine involved toppling Count Witte, the Russian finance minister, and France's Hanotaux, as well as breaking German ties to Boer leader Kruger. Through these and related means, Germany was turned from its natural partners and allies, France and Russia, into the course leading directly into the first world war.

The British object in sending Germany eastward in two world wars was to provide Germany "living-space" in Eastern Europe and the Ukraine in return for the breakup (Balkanization) of Russia and City of London domination of Germany's world-trade. In both instances, this British policy backfired on two main counts. In both cases, Germany's military and industrial forces refused to undertake a drive to the east without first smashing British military power in the west — so that on both occasions, Britain faced the unexpected westward German military thrust which obliged it to bring the "dumb giant" from across the Atlantic to Britain's aid. In both cases, the Russian side of the development took a far different turn than Churchill and his associates intended.

With the Soviet deployment of an operational H-bomb, beginning 1953, the possibility of repeating the central-European version of the Milner-Mackinder-Haushofer-Parvus geopolitical thrust against Russia evaporated. So, beginning with the Eisenhower Administration's slap against the British monarchy and its French puppet in the 1956 Suez crisis, British geopolitical policy from that point onward took a different principal course.

As George Marshall and Major-General Hurley discovered, painfully, during the immediate post-war period in China, the Mao Tse-tung leadership in China had been a London-linked element of the Communist International throughout its history. As we shall show, it is too simplified a version of the facts to term Mao Tse-tung and Chou En-lai British agents, but the special relationship between London and dominant elements of the CPC would be ordinarily the evidence for defining an agent-relationship but for the great power and associated interests Peking represents today. Just as London, through its agents on the financial side of the Chiang Kai-shek regime, frustrated Marshall's and Hurley's efforts at the end of the war, London was able to steer the process of the Sino-Soviet split from the 1956-1957 period onwards.

Since the 1956 Suez crisis, London's long-haul strategic orientation and commitment has been for a total war between China and the Soviet Union, China replacing the

role London assigned to Germany in the two preceding world wars of this century. The principal difference in London's intention for the new world war is that London intends to destroy Japan and sacrifice the "rim" power, the USA, in thermonuclear, Pacific-centered war with the Soviet Union. By hook or crook, London intends to extricate itself and sections of Europe from the brunt of war before the proverbial last moment. Once the Soviet Union, China, Japan and the United States have been eliminated as economic powers, London aims to rule what remains of the globe.

Recently, London has brought this post-1856 geopolitical doctrine out into the open. Naturally, Henry A. Kissinger, himself trained by British Secret Intelligence Service and an "in place" British agent within the USA policy-command, follows London's direction in this matter. As a byproduct of this development, the word "geopolitical" has resumed a conspicuous presence in the relevant sections of the press.

*The Great Poker Game:
London Versus Peking*

London has abundant evidence to convince itself that Peking's leaders are, on balance, British agents-of-influence in the tradition of the Sultan of Zanzibar from the days of William Pitt the Younger. The Communist Party of China leadership has an old British intelligence pedigree, and British leading circles have abundant evidence which suggests to them that Peking is disposed to continue the role of a rook in the chess-play of England's Queen. Certainly, all of the more inadequate mentalities of the British policy apparatus, such as Henry Kissinger, Zbigniew Brzezinski, James R. Schlesinger, et.al., tend toward that same judgment of the matter.

The most sensitive plotters in Britain are guided by a more sophisticated view of the matter. London and Peking are occupied in a political poker game with thermonuclear stakes. The issue is: Will London manipulate Peking into a Pacific-centered thermonuclear war, or will Peking set up London for an Atlantic-centered thermonuclear war?

That poker game, I have no doubt Peking would win. The image of a pathetic Henry Kissinger, Henry Jackson, or Zbigniew Brzezinski attempting to match wits with Peking's leaders is one which would provoke riotous laughter at such a farce, were the implications not so strategically grotesque.

To understand China's leaders, at least a lapsed-time overview of China's recent history is indispensable. In summarizing this necessary outlook within a few paragraphs here, I simplify the picture, but without introducing any distortion of significances respecting the issues under examination.

Like the leading forces of Japan's 1863 Meiji Revolution, I have a profound horror of the bestiality deeply embedded in Chinese cultural traditions. Since the building of the Great Wall — and the great book-burning — China has been conditioned ("brainwashed") into assimilating one of the most hideous cultures and philosophical outlooks the earth has witnessed in all recorded history. In Japan's own historical memory, there is painful evidence of the economic genocidal consequences of the corruption of Japan by imported neo-Confucian thought.

The substance of Chinese traditionalism is the thousands of years of accumulated bestiality of oriental rural life. The Chinese peasant lived like a beast, each generation repeating the wretched technology of its grandfathers and so forth, its behavior as unchanging — from the standpoint of life's experience — as that of some lower beast whose range of behavior is genetically determined.

This traditional Chinese, rural-centered antipathy against technological progress made China the victim of what is otherwise termed the yin-yang cycle. Less abstractly, yin-yang cycles are the cycles of what have been termed "oriental despotism." The stagnation in agricultural technology was characterized by a period of expansion of land in production and population, followed by an economic-genocidal collapse. Although this cyclical process was aggravated by the ruling, parasitical institutions of China, the rhythm of the agricultural base was the fundamental determinant, on which the ruling superstructure had only catalytic effect.

Over thousands of years, the densely populated regions of China served as the world's principal breeding-culture for the great pandemics which have afflicted the human species.

We of Mediterranean-centered civilizations have experienced similar forms of cultural decay. While the rise of European civilization has been accomplished through the influence of the city-builders' faction — the creators of urban-centered, science-oriented, technological progress — we too have experienced periods of domination by proponents of the Babylonian oligarchical model. The division between the morally degenerate oligarchist Hesiod and humanist Homer has been the characteristic conflict within the history of our civilization to the present day. The Guelph faction, and its continuation in the forces allied to the present-day British monarchy, have been the principal agents of bestiality, the zero-growthers. We too have suffered economic-genocidal and related consequences of the sort China has suffered, whenever we have tolerated too long the rule by forces with the world outlook of the British monarchy and such miserable creatures as Henry Kissinger.

The difference is that Mediterranean civilization has experienced such horrors of no longer than hundreds of years — the Roman Empire's decay, whereas this hideous experience was embedded in China over thousands of years, almost without interruption.

Through the example and moral influence of the Meiji Revolution in Japan, there developed in China the movement headed up by Sun Yat-sen. Sun Yat-sen was dedicated to accomplishing in China what the forces behind the Meiji Restoration had accomplished in Japan. Following the Bolshevik Revolution of 1917, Sun Yat-sen's forces entered into an alliance with the fledgling Communist Party of China, and with Lenin.

The British subverted both the Kuomintang (Sun Yat-sen's organization) and the Chinese Communist Party. Chiang Kai-shek, the putative heir of Sun Yat-sen, was steered by banking interests politically and financially linked to London, by way of the opium-based banks of Hong Kong and Shanghai. British agent within the Communist International, M. K. Roy performed a key role in British intelligence's takeover of leading influence

within the Communist Party. British-linked Chou En-lai and Mao Tse-tung represent the hegemony of the British game within the CPC of the 1930s.

Despite the bloody conflicts between the Kuomintang and CPC, the Chinese nationalists and Communists were played as virtual puppets by British interests. This continued into World War II, whose Chinese features were never competently understood by any of the honest Americans involved in the China-Burma-India theater.

In fairness to the deceased Chiang Kai-shek, I would not argue, from evidence in hand, that he was a British agent in any more profound sense than, say, Senator Howard Baker. Chiang unquestionably understood political reality much more extensively and profoundly, in his own way, than Banker and others like him have demonstrated. The facts show that Chiang was essentially a "Realpolitiker," maneuvering within what he perceived as the realities. A better insight into Chiang will wait for the published studies of appropriate Japanese scholars, who are far better situated to understand such matters than U.S. students of the issue. Chiang was clearly a virtual pawn in the circumstances various forces created — by creating perceived as well as actual circumstances around Chiang, Chiang's Realpolitiking response to those circumstances tended to produce the effect the British desired. To the extent Chiang exhibited principled commitments underneath his Byzantine maneuverings, on balance he tended toward Sun Yat-sen's principles, toward agreement with the Japanese outlook. . . from a Chinese nationalist standpoint.

In speaking of Chiang, we are also speaking of three decades of Taiwan, an island-nation which was historically never part of China until the postwar arrangements by the victorious allies. Any fool who swallows the myth that Taiwan is historically part of China is incompetent in the study of China, Japan, or of that entire region of the Pacific, as incompetent as Vice-President Walter "Librium" Mondale exhibited himself in his babbling, anti-Japanese progression recently into Pacific and adjoining waters.

At the close of the war, Stalin agreed with the United States on China policy. To the consternation of General George C. Marshall and Major-General Hurley, Chiang Kai-shek sabotaged the efforts, and the consequent victory of the Mao Tse-tung forces ensued. What confused the Americans — and the evidence indicates that Marshall and Hurley were namely able as well as good Americans in the matter — was the refusal to see the British hand in the China affair. The postwar business concerning the IPR affair (1), the charge that certain Americans had aided in promoting a Chinese Communist victory, reflected the ingenuousness of U.S. military, intelligence and other circles, in failing to grasp the point that the Institute of Pacific Relations was a British secret intelligence arm, which, chased out of the United States, resituated itself in Canada.

Throughout the postwar period, British policy in Asia until 1973 was consistently to play the U.S. as a major, immediate danger to China — beginning with British rigging of the Korean War and British rigging of the Vietnam War. At the same time, Britain has used its channels of influence into Peking to catalyze conflict

between China and Moscow. Some British channels into Moscow have been used to assist that split.

What Britain accomplished by these means was to situate Peking in a controlled psychological environment, in which Britain played "soft cop" to Washington's "hard cop" in a Tavistockian Mutt-and-Jeff game. Peking, the more deeply it was separated from Moscow, played the game London offered it. Recognizing the powerful British subversive influence in Manhattan and Washington, Peking viewed itself as judoing London's Mutt-and-Jeff game to balance the "foreign devils." Peking's understanding of London was factually accurate. As long as London views Peking as London's prospective tool for the Pacific version of the Haushoferian geopolitical option, London will influence Washington and Europe to the purpose of strengthening Peking. By playing the part of the semi-willing tool in this game, Peking is able to judo London's policy to Peking's strategic advantage.

At bottom, Peking's policy continues to be "let the foreign devils destroy one another." In Peking's view this means the mutual destruction of the U.S., Western Europe and the Soviet Union in an Atlantic-centered thermonuclear war. Peking's current approach to realizing that objective is to appear to play the London game up to the point that London and the U.S. are irreversibly committed to war. At that point *Communist* Peking excuses itself from the war. It is strategic judo, the feeding of London's delusion, through the admittedly risky Chinese impetus toward the "inevitable war," which lures London and Washington into adopting a war-posture — fools confident of the China option. Once London and Washington have been so judoed into an irreversible posture, China withdraws, having accomplished its purpose.

The Poker Players

In pitting themselves against Peking's leaders, British representatives Kissinger, Brzezinski, Jackson, and Schlesinger are political Lilliputians bargaining with giants.

London and Kissinger overlook the vital element of perception in Peking's eyes. Peking's leaders have both hatred and contempt for the British, and they understand and despise miserable creatures such as Kissinger — they see through Kissinger immediately. London and Kissinger delude themselves that Peking's compliance with British policies signifies that London et. al. are the mental superiors of the heathen Chinese. In fact, Peking sees this aspect of the matter with exact correctness. To Peking, the problem has been and remains a matter of pure strategic power, a matter of the experiences dictated by configuration of power.

There is not a single Chinese leader whose perception of Britain is not shaped by hateful memories of the Opium Wars, a deep, silent and profound hatred which is without restraint. To Chinese, the British are not human — they are "foreign devils." That very quality which the British oligarchists admire in Chinese traditional culture, rural-rooted imbecile qualities of ethnic chauvinism frees most of Peking's leading forces of any consideration of compassion in their deeply-embedded racial hatred of the British. The same component of the influence of Chiang's *Communists* hostility to Moscow —

ethnic chauvinism — acts with double force in Peking's enmity toward everything British.

The leaders of Peking observe that the U.S. is a dumb giant, manipulated by British influence. Peking judges: Britain is the policy-shaping power among the "imperialist foreign devils." Hence, Peking's Realpolitiking addresses itself to the sources of U.S. foreign policy: London.

There are several principal forces of experience shaping the outlook and character of Peking's leaders. Peking's leaders may be philosophically impaired, incapable of a global humanist outlook, and so forth, but, London and its U.S. henchmen are personally no match for men and women who have been molded by the processes which selectively determine who rises to and holds leading power in Peking.

Externally, Peking has been shaped by a containment which is more brutal than that experienced in recent decades by Moscow. This containment may have been in part self-imposed, but if one cuts off one's own leg, it is no less an amputation than if other persons had performed the procedure. This has shaped Peking's leadership to the point of emphasizing in those persons the attitude of surviving in a surrounding hostile world, a world with the means to destroy China were that world to discover the will to do so.

In the long history of the CPC, over more than half a century, the leadership has been shaped by brutal civil war experiences, by surviving as hunted men and women, and by factional struggles within the nation and party in which factional conflicts of recent decades have operated on social bases of hundreds of millions of persons. The two dominant social tendencies within Chinese society affecting these factional struggles have been the mass of traditional Chinese backwardness expressed by rural culture and the massive, but relatively weaker social base of China's industrial-centered development.

It is the latter social conflict which shapes the great internal contradiction of China. The Communist impulse, the industrial impulse, is confronted with the need to avoid direct conflict with the overwhelming mass of China's rural population. It is the CPC's adaptation to the present peasant mentality, as exhibited symptomatically by recurring xenophobic manias for purely Chinese culture, which makes China a potential danger to world peace, and makes China a potential social bomb with respect to any existing political order in Peking.

If foolish persons were not deluded and obsessed with London's geopolitical doctrine of the "China option," this problem of China would have to be faced. We cannot in good conscience permit a nation representing approximately one-quarter of the world's population to fester in the conditions fostering traditional Chinese cultural imbecility. Our concern ought to be that of Sun Yat-sen, a determination to aid China in industrializing its economy as rapidly as possible, to reduce the required rural component of China's labor force to about 10 percent at as rapid a rate as is feasible.

In a decade or so, China's industrialized population will be of a nation as large as the United States. Although no modern nation requiring as much as 50 percent of its labor force in rural production can have autochthonously, high rates of economic growth, high rates of national social productivity, an industrial power of the magnitude China is coming to represent can also be a military power in the world. If that military potential is commanded by the bestial-reactionary outlooks flowing from traditional Chinese culture, a menace is afoot in world affairs.

To prevent that menace from appearing, the technological development of China, the uprooting of the last vestiges of the bestializing old culture, must be accomplished. China's technological progress and growth rates must be mediated from the outside.

Under conditions of containment, the effort of China to develop economically puts the urban population into deadly conflict with the rural, over the issue of aggravated rates of economic primitive-accumulation needed to maintain the industrial economy even in equilibrium. The effort to ameliorate this conflict, under circumstances of economic containment, brings to the surface the worst political tendencies in domestic and foreign policies. The bestial chauvinism is so reflected in Peking's policies.

Despite the demoralizing influence of the aversive circumstances cited, Peking's leaders are men and women of real substance respecting the equations of strategic interests of states. They are incompetent, morally incompetent, in matters of comprehending strategic approaches for solving the world's problems — since their chauvinism prevents them from accepting the premises involved in such problems. As a nation-state which views itself as situated in a Hobbesian world-order, as an individual state blind to the interests of other human beings, Peking's leaders are among the toughest breed of politicians in the world today.

The Game Will End

If the United States government is foolish enough to follow London's advice concerning the geopolitical "China option," Peking will succeed in winning the game through an Atlantic-centered total thermonuclear war which eliminates the United States as a functioning nation. Peking's game is to insist that NATO and France commit themselves irreversibly to a war against the USSR. Peking will provide troops for Africa or elsewhere to feed that process, if this is deemed necessary to the objective. Once France and NATO are irreversibly committed to war, Peking pulls out.

(1) *The PRI affair* refers to the early 1950s investigation of the Pacific Relations Institute, and the subsequent ouster of U.S. State Department officials accused of being "pro-Communist" during and after World War II. The Pacific Relations Institute was established in the U.S. by the British monarchy's Royal Institute of International Affairs, and pushed a pro-Mao Tse-tung line throughout the Chinese civil war, a line that was circulated by many of the State Department officials who were dismissed during this period.

Brzezinski Kowtows To Chinese

Kowtowing to his Chinese hosts in Peking last week, U.S. National Security Advisor Zbigniew Brzezinski delivered a series of diatribes against the Soviets and expressions of support for China's foreign policy. The Chinese were clearly pleased that Brzezinski, in his attacks against Moscow, abandoned the official U.S. policy of treating relations with the Soviet Union and China as bilateral issues and not "using" one against the other.

FOREIGN POLICY

The degree of Brzezinski's endorsement of Chinese foreign policy and actions was revealed in his toast May 19 at a welcoming banquet: "We recognize—and share—China's resolve to resist the efforts of any nation which seeks to establish global or regional hegemony." Not only is the word "hegemony" China's stock reference to the Soviet Union, but "regional hegemony" is Chinese code for Vietnam, indicating Brzezinski's certainly unauthorized support for China against Vietnam.

In his farewell toast May 21, Brzezinski implied sanction for China's own "hegemonistic" actions. When he said, "Neither of us dispatches international marauders who masquerade as nonaligned to advance big-power ambitions in Africa. Neither of us seeks to enforce the political obedience of our neighbors through military force." Apparently Brzezinski saw nothing distasteful in China's projection of force beyond its own borders such as its full military and economic support for Cambodia, the most barbarous régime in the world today; in its deprivations against Vietnam and Thailand, the latter an American ally; or in its training and support for guerrillas operating in its neighbor states of India and Burma.

Clearly succumbing to what one foreign diplomat described as "the Chinese genius for overwhelming guests with hospitality and getting them to make exorbitant statements," Brzezinski allowed all diplomatic restraint to fall away in his excursion to the Great Wall. From his jibe about the Soviets being "barbarians" to his reported challenge to the Chinese while climbing to the top of the Great Wall—"If we get to the top first, you fight the Russians in Ethiopia; if you get to the top first, we fight the Russians in Ethiopia"—Brzezinski displayed a grotesque partisanship for an alliance with China against the Soviet Union. Brzezinski even suggested building a great wall in the U.S., since, as he put it, the Chinese version had been so successful in keeping the Soviets out.

All of this talk, however, did not obscure the fact that

Brzezinski could not give his Chinese hosts what they were most looking for: a solid commitment on the part of the United States to adopt an aggressive posture against the Soviet Union. For this, the Chinese could only hope that "their" agent Brzezinski could use the favorable reception accorded him to push the Carter Administration. There were already signs, as Brzezinski left, that China thought the time was ripe to coax Carter himself to China within the year. The pro-Peking press in Hong Kong reported what amounts to an invitation from Chinese vice-premier Teng Hsiao-ping for a visit, and the *Christian Science Monitor* said that Carter might be open to a visit.

If Brzezinski's behavior in Peking shocked the diplomatic community, his efforts in Tokyo on behalf of Peking were even more outrageous. Brzezinski butted in on a very delicate internal matter in Japan, that nation's negotiations for a peace treaty with China, to relay the message that China very much wants to conclude the treaty—and reportedly pressured Japan to sign. The treaty contains an "antihegemony" clause directed against the Soviet Union. China is actively attempting to topple the Fukuda government, an enterprise which Brzezinski endeavored to further.

Brzezinski's Toast to Peking

Excerpts from Brzezinski's May 19 toast at welcoming banquet in Peking:

As reflected in the Shanghai Communique, our commitment to friendship with China is based on shared concerns and is derived from a long-term strategic view. The United States does not view its relationship with China as a tactical expedient. We recognize — and share — China's resolve to resist the efforts of any nation which seeks to establish global or regional hegemony.

We approach our relations with three fundamental beliefs: that friendship between the United States and the People's Republic of China is vital and beneficial to world peace; that a secure and strong China is in America's interest; that a powerful, confident, and globally engaged United States is in China's interest.

The world today is politically awakened and the peoples of the world desire national sovereignty and human rights. We are therefore historically confident that any effort to establish hegemony in such a world will not succeed. Our strength and our resolve also provide a solid basis for such confidence.

We are confident that Sino-American cooperation is not only in our mutual interest but is in keeping with the thrust of history. Our relationship is dedicated to peace. Only those aspiring to dominate others have any reason to fear the further development of American-Chinese relations.

The President of the United States desires friendly relations with a strong China. He is determined to join you in overcoming the remaining obstacles in the way to full normalization of our relations within the framework of the Shanghai Communique. The United States has made up its mind on this issue.

Teng Reveals Chinese View Of Brzezinski's Position

In an unpublished speech delivered July 20, 1977 to China's Central Committee plenum, Teng Hsiao-ping, vice-chairman of the Chinese Communist Party, revealed the cynical manner in which China views the United States. The following excerpts are reprinted from a Chinese Information Service release of a version of the speech acquired in Taipei.

The focus of our diplomacy at the present stage is to firmly oppose the hegemonies of the Soviet Union and the United States. However, we must not assume that in the world today whoever opposes the Soviet Union and the United States is our friend, for at best, they could only be a friend for the time being. We must mobilize all positive and favorable factors internationally that can be used to check and resist the foremost danger of the moment—mainly, the danger of another world war. The eruption of World War III is inevitable. However, if the time of its eruption can be delayed after the turn of this century, we would then be able to take the initiative, and it would be most beneficial.

In the application of a struggle for an international united front, one of the most important rules is that there must be not only unity, but also struggle. Wouldn't this be a kind of contradiction? Actually, this is not contradictory, and is, in fact, Chairman Mao's greatest

invention with insuperable prowess. Notwithstanding that the science and technology of U.S. imperialism may be called the first in the world, they have no understanding of this at all. Our method is to seek unity and coalition from struggle...

Being Marxists, we would never be so stupid as to be incapable of distinguishing friend from foe. Whether it is Nixon, Ford, Carter or any future leader of U.S. imperialism, none of them can climb out of the same merry-go-round. Their purpose is to exploit the split between the Chinese and the Soviet Communist Parties to bring about the downfall of world socialism as well as to checkmate the Soviet threat to them. Then why could we not take advantage of their contradictions and the gaps between their positions of adopting a policy advantageous to us? We will not be controlled by others; we should instead control them. Excessive dependence often leads to passiveness, thus making it impossible to assume any initiative. This we must never do, and what we must do is to grasp the opportunity and bring in what we want conditionally, mainly knowhow and equipment in the scientific and technological fields which would be most beneficial to our realization of the four modernizations.

The president of two succeeding administrations of U.S. imperialism, its secretary of state, members of Congress, and a number of other influential persons in military and political circles have come to visit China. . . . At present, they have something to ask from us, and we hold the complete initiative in dealing with them. . . . It would be impossible for the Carter administration to dream about killing two birds with one stone. They are really pitifully naive. If it were not on conditions favorable to us, we would not even agree to the adoption of the "Japan formula."

Developing America's Monetarist Elite

An interview with Fritz Kraemer

Fritz Kraemer has been in the Department of Defense for 30 years — officially in a relatively insignificant post incommensurate with the influence he is known to have. It is commonly said that Kraemer spends his time reading every cable that the department receives, and formulating advice for his network of contacts.

In addition to his role as the discoverer and mentor of Henry Kissinger, Kraemer maintains close contact with many Administration officials. The following interview with Kraemer occurred earlier this month and was made available to Executive Intelligence Review by a freelance journalist.

Q: *What are your perceptions of the issue of U.S.-China relations?*

A: The damnable bourgeoisie will never understand the Chinese—China has for us only one use: to be a counterweight against the one real threat to the U.S., the Soviet Union. The Chinese are very realistic and brilliant—the

brilliance in terms of realism of a Kissinger or a Brzezinski is nothing compared to the Chinese. So the idea that we must be on good terms with China is excellent, but not at the expense of Taiwan. You know, before Vance went to China, the Chinese told us they would not even bring up Taiwan, but Vance brought it up. He offered to have a full embassy in Peking and a simple mission on Taiwan, but the Chinese rejected this—so Vance came back to the U.S. and announced that the Chinese are very "flexible"—the next day, Teng (who, by the way, is the *real* ruler of China, not Hua) denied that they are "flexible"—I know, what the Chinese meant is, "How stupid can you be—we are not really interested in Taiwan, but for public relations reasons we cannot say we are 'flexible.'" The stupid bourgeoisie thinks it is a compliment to call someone "flexible"—but people like the Chinese, and like me, we know a real man is not "flexible" but rigid—he knows what he wants and is not "flexible."

The necessity of being in cahoots with Peking against Moscow is real, but we do not have to give Peking anything. Though I do think we should give them weapons. . . .

Q: There are some people in the Administration who understand this, aren't there? I mean, Schlesinger, though I guess he doesn't say much about these things.

Kraemer: Oh, I am in constant contact with Schlesinger now—I admire him so. I have been in the Defense Department for 30 years, and of all the Secretaries of Defense, Schlesinger was the best. But he is too tactful to say things now, but I can assure you that he is aware of all this. But he will not say. Now me, I am not afraid to say anything. I am not afraid of some little bureaucrat.

People used to tell me, you know, Kissinger is out to get you. And I would say, how? Where are his tanks, where are his concentration camps? Why should I be afraid? You know, I was a soldier in the war. I am not afraid of bureaucrats.

Q: What about Vance—what does he think he's doing?

Kraemer: Vance—you ask me, what does a man who does not understand, understand? He is a very gentle man, and he's a gentleman. But he is not in central charge of the China policy. He asked friends of mine, Why did the Chinese obviously hate me so much? Now, that's the question of a naive man. The Chinese see the Moscow danger so clearly and then they see Vance. . . . ah, well.

Q: And Brzezinski?

Kraemer: He's a professor. Vance is an innocent. He truly does not understand. He's a lawyer. Now, I'm a lawyer too, but I understand. Brzezinski—he's a professor.

Q: And that's better than a lawyer?!

Kraemer: Ah, well, Brzezinski is brilliant, but he has become accustomed to write brilliant articles that are totally consistent. But, he has come to recognize that somehow his whole idea on the Trilateral world has broken down, that we must talk to China—it is the recognition by a theoretician that he has to *probe*—sees that China can be a very important pawn. So he is going there to probe.

We in the U.S. are living for the last 15 years strategically on the rift between China and the Soviet Union. Brzezinski has probably seen that—but the true reality is that both do not understand, but Brzezinski has obviously a more alive brain and feels that something is going terribly wrong.

I have the feeling that even our giving Taiwan to China would not help our relations with Peking. They would then see the U.S. as so weak that they could not trust us. Rapprochement? My nightmare! From our strategic point of view, it would have been better had the Gang of Four remained in power. These were wild revolutionaries. Moscow was heresy, and they would never have gone for rapprochement. Of course, it would have been a terrible thing for the Chinese population if they had stayed in power, but from our point of view. . . . Now, Teng, however, is a pragmatist. If they see that we

are not an effective counterweight, they may accommodate to Moscow. And this idea would not even be stupid for them. They could buy time. Join with the Soviets against the U.S., and in 12-15 years, they would have such a large population and would build up technologically, that they could take on the Soviet Union. But the irrational Gang of Four would not have thought so pragmatically.

Q: You said you favor giving them arms. I assume you don't mean strategic arms?

Kraemer: I would give them some arms because that is what they really want—they do not want Taiwan—they want arms. So we should give them arms that are not secret, but arms that they need. We would not have to give them weapons if we were showing strength around the world—if we were standing up to the Soviets in the Horn, in Asia, Afghanistan, in Jamaica (oh yes, people don't realize that's becoming another Cuba.) But since we aren't, they need arms to defend against the Soviets.

I don't like the term "normalize" relations with China. We would better use the word "cooperation" than "normalization" — the Chinese don't want "normalization" because they could not accept this unless we gave up Taiwan, and they really do not want us to do that, since that would show us to be very weak and undependable.

I knew that Kissinger was going to China several months before he went. Only I, and Nixon, Kissinger, and Haig knew at that time.

But I was not in favor of his going to China. My fear was that we would give too much, as we did. I told Henry afterwards that the Shanghai Communiqué was wrong. He said, "Yes, you are right." It was not a Kissinger idea to go to China, but Nixon's idea. Kissinger had doubts, which is why he discussed it with me, because I am an objective man—rigid, but objective. So Kissinger went and was intellectually seduced by the Chinese. They are terribly intellectually seductive.

Q: Did that happen to George Bush, too?

Kraemer: Madame, you cannot intellectually seduce someone without an intellect. I, too, have been somewhat intellectually seduced by the Chinese—they are intellectuals, they can discuss the whole world. Not like these small bourgeois in the West, who only know about one little thing. But that does not prevent a man of my type from fighting and even shooting them, if necessary—but they are very seductive.

You know, people say Kissinger is arrogant. That is not true. Kissinger is not arrogant; Kissinger is not sure of himself. It is known that I created Kissinger, because I am sure of myself and I am a very eloquent man. I knew he was brilliant, but not self-assured. When I discovered him, he was a private, just out of high school, and he wanted to be an accountant. I was 16 years older than him. Unfortunately, Dr. Kissinger is not arrogant. If he were, he would not have to look to others for approval so much. If you want to see someone arrogant, look at me. I do not need any particular approval. I know who I am. He did not. But I don't want to be too hard on him. If I had to go through what Dr. Kissinger went through from 5 to 10 years old, perhaps I would not be so self-assured either.

So, he is not a good negotiator with hard-willed people.

What he found remarkable about the Soviets was their raw power, that they were so hard-willed and willing to use their power. However, in the end, the real problem is that Kissinger was not so attracted by the Soviets as he was by the Chinese, but he had invested so much in détente and SALT that I could say to him, Henry, there is just one small difference between us: you would rather have a bad agreement than no agreement, but I would rather have no agreement than a bad agreement.

Q: What do you think of Senator Jackson's role?

Kraemer: Ah, without Jackson we would already be lost. He is a fine Norwegian, a decent Scandinavian—not very strong, but without him, we would already be standing naked with a SALT agreement. He has been the only obstacle on the road to a very bad SALT agreement.

But you know, Scoop Jackson is really personally weak. If he were negotiating with the Soviets, he too would give away too much. He could not stand up to them. But what he has been doing from his position has been crucial. . . .

Schlesinger is a highly unusual man — a bird watcher. Going forward, he can be very good, but only if he has the position to. Sitting in a little room at SAIS, he got bored. He is not a born missionary, as I am. He is very taciturn in private. I am a missionary. If I tell you your house is burning and you ignore me, I will keep telling you. But not Schlesinger. He's not a missionary.

Q: So, did Henry arrange to have Schlesinger removed 'cause he opposed SALT?

Kraemer: No, no. Kissinger called me also that same Monday, and we spoke for two hours. His first words to me were: "You do not believe that I did that — Schlesinger was my only equal in the cabinet. We disagreed about some things, but I would not have done this." My own personal analysis of the firing is that Ford really did feel ill at ease with Schlesinger, and so Rumsfeld, who realized this, told Ford it was time to get rid of him, and, "by the way, why not put me in his place?" Rumsfeld has ambitions that are still not entirely played out, you know.

Q: I have heard some disturbing rumors that Schlesinger may be ousted again. Have you heard such things?

Kraemer: No — but Carter — well, fortunately, I have never seen him — but he is obviously *not* a man who would through anybody out. Look at what he did with Burt Lance — why, Burt is someone I would not touch with a prong! And Carter did not even throw him out. Mondale, if he gets in, he may kick out Schlesinger, but not Carter, who clearly is not a man who could throw anyone out... I am, frankly, terribly afraid that this great national asset, Dr. Schlesinger, may be ground to shreds in his present position....

You know, for the bourgeois world, reality is receding. I see our cables from Kabul, and they finally see what is happening, but people sitting a few countries away treat it as an event of little reality. Oh, the incapability of affluent people to deal with very hard-nose people. I am not a bourgeois, so I am obviously dangerous... But it is difficult for us to negotiate because we are not awe-inspiring. We seem to lack a national will. Why did the North Vietnamese win? Because they had a national will, their soldiers had will. A Prussian general once said, "Prostitutes and professors can be bought on any street corner, but a soldier of courage cannot be bought." I understand that.

...Look, a liberal is a person who does not understand reality. They think that people can sit around, discuss, and come to agreement on anything rationally. If two men want to marry the same woman, should they be so old-fashioned as to want to marry her, a liberal thinks you can go to a judge and have him decide. But this is not a juridical question, not a question of logic. It was better when they used to decide such questions with a duel. The real answer to everything is raw power.

I have seen to it that I am never promoted. And I never answer things written about me. My staff tells me that a silly MIT professor wrote that Kissinger was programmed by me. But I would not respond. You know, the secret is *that any society needs an elite*. I understand that.

Ah, I must go now. What a conversation. But I must ask you, do not quote me directly. I do not mind for myself. I am not afraid. But my superiors would shudder down their spines to hear all this — if, indeed, they had spines.

Blumenthal And Kissinger Demand IMF Imperialism Instead Of 'Grand Design'

An eyewitness report from the Mexico City Intl. Monetary Conference

U.S. Treasury Secretary W. M. Blumenthal, former Secretary of State Henry Kissinger, and their City of London colleagues Sir Anthony Favill Tuke III, Chairman of Barclays Bank and Sir Jeremy Morse, Chairman of Lloyds Bank, baldly presented to the American and international banking community May 24 a British System program for the total subordination of "general economic and financial policies...of the nations of the world" to Lord Keynes' International Monetary Fund. Blumenthal's keynote address to the private sector International Monetary Conference stressed that "surveillance" by the IMF is the "cornerstone of a new system." The conference is sponsored annually by the American Bankers Association and was held this year in Mexico City May 22-26.

Clearly, Blumenthal's speech was an attack on the "Grand Design" for East-West trade and industrialization of the Third World launched at the historic mid-May Brezhnev-Schmidt summit in Bonn, West Germany and elaborated by French President Giscard at the May 22-24 Paris conference of African heads of state on the industrial development of Africa in cooperation with the Soviet Union.

Kissinger's speech, preceding Blumenthal's, set the context with a broadside against U.S. participation in all East-West trade and Third World industrialization. Without the U.S., the Grand Design, conceived of by Germany and France with the industrial might of the United States at its center, could never function.

"What the Soviet Union is doing in Africa and parts of the Middle East is incompatible with detente," Kissinger stated, and therefore on all financing of East-West trade "there have to be criteria,...political conditions...tied to the international behavior of these countries (Eastern Europe)." The enraptured *Washington Post* characterized this as "a squeeze." Furthermore, Kissinger emphasized, there are "absolute limits...far below what is needed" for the investment for industrial development which the West can make in developing nations.

Egged on by Tuke and Morse, who solemnly elaborated Blumenthal's plea for "international stability," the sheep of the New York banking community, with David Rockefeller of Chase Manhattan, Walter Wriston of Citibank, and Gabriel Hauge of Manufacturers Hannover heading the herd, applauded Blumenthal and "a statesman and friend" (as Rockefeller put it) Kissinger. What the New York sheep heard, however, was only that part of the City of London's plan they were meant to.

The Ghost of Lord Keynes

In contrast to a vast expansion of international trade and development, under which the U.S., France, West Germany, Japan and other Western nations would implement Hamiltonian government financing of a high-technology export drive, Blumenthal's speech proposed a return to the pre-1974 British Empire world financial structure.

The "surveillance" clause of the recently ratified Jamaica amendments to the articles of agreement of the IMF, announced Blumenthal, must be made the central mechanism for the planning not only of international credit allocation for trade and industrial development programs or foreign exchange rates, but also for "general economic and financial policies...of the nations of the world."

Written by the British-dominated IMF board of directors in 1975 in Jamaica, the second or Jamaica IMF amendments were finally ratified by a majority of the parliaments of the IMF's member nations in April of this year. In a trade-off for the French government's demand that central banks be freed to buy and sell gold to stabilize world currency markets, the British faction at Jamaica, led by British Chancellor of the Exchequer Denis Healey, succeeded in winning for the IMF—on paper—the right to "surveillance" of national economic policies affecting foreign exchange rates of member nations.

Now Blumenthal demands, as his speech below documents, that the IMF must have the inside collaboration "of political officials of high level within their own governments" to determine the *entire economic policy* of sovereign member nations—and national sovereignty be damned. This is a *political* power play, far overreaching either the letter or the spirit of the amendments.

The content? Straight British System economics. What Blumenthal in his speech meant by "orderly growth with reasonable price stability" and avoidance of "maintaining rates of exchange at artificial levels" was more openly drawn in an interview (excerpted below) with an outspoken aide to Assistant Secretary of State for Economic Affairs Julius L. Katz. Katz, a Kissinger appointee who wrote the 1975 International Resources Bank scheme, modeled on Hjalmar Schacht's "Rentenmark", for mortgaging Third World natural resources as a basis for international lending, is part of an explicitly pro-Kissinger element in the U.S. State Department absolutely opposed to Secretary of State

Vance and UN Ambassador Young's promotion of American participation in detente and global development.

Blumenthal wasn't just talking about using the IMF to control profligate borrowing by the poor nations, the aide emphasized. "It's a Japan, Germany, Switzerland problem," he said. The entire advanced sector must implement under IMF direction the reflation program demanded by Blumenthal and British Chancellor of the Exchequer Healey at the last years' worth of Organization of Economic Cooperation and Development (OECD) summits: "stimulate" domestic economies as the British have always done, by printing money and putting it into Keynesian public make-work jobs, with the object of pumping up a financial bubble in stock and financial markets—and of cutting back industrial exports in favor of the domestic crap game.

What The British Really Want

If West Germany and Japan won't go for the IMF world government, the aide continued—then Blumenthal will unashamedly "talk down the dollar" again and plunge the world into financial chaos, letting President Carter take the blame. London's openly promoted plan to have its own Kennedy family's Ted Kennedy replace Carter is to be furthered by Blumenthal's guerrilla warfare from within against the U.S. dollar.

Now, the New York banking sheep are told nothing of this sort — nothing either, of the rest of the actual British plan for the United States. The New York bankers are frightened by the Third World debt mushroom, frightened by the dollar collapse, frightened by the downslide of the U.S. economy into recession, and frightened above all by the total lack of competent economic policy in the Administration. Having herded these trembling financiers into the apparent safety of the IMF, where they are told the world economy will be gotten strictly under control by the best "fiscal conservative" monetary experts, the British have just begun. For in supporting the IMF, the New York banks are simultaneously supporting the total policy dictatorship of London's G. W. Miller, who has already implemented the IMF's policies inside the U.S. government.

As soon as U.S. should-be financial leaders have made this kind of political commitment to Miller and the IMF, to what they think is stability at last, Britain's Healey and Miller intend to jack U.S. interest rates to the point that the entire overblown financial system is sharply contracted, causing a run on the dollar and the U.S. markets. The City of London in short has scheduled a repeat performance of October 1929, when the New York Federal Reserve under the direction of Bank of England Governor Montague Norman wilfully burst the New York stock market bubble (See *Executive Intelligence Review*, Vol. 5, No. 18, May 9-15).

The British bankers at Mexico City set the trap carefully. Sir Anthony Tuke of Barclays, the President of the Conference, spoke at great length of the "moral" need of international commercial banks to "overextend" themselves into the already illiquid Third World and domestic financial bubbles such as the New York City debt spiral, where Tuke's colleague Felix Rohatyn of London's Lazard Freres this week forced the same New York banks to put another \$2 billion of worthless New York paper on their books or face immediate default and banking panic.

The situation is bad, said Tuke in effect, but we can stave off crisis by simple extension of present speculative policies. Tuke didn't mention the effect that Miller's planned 1929-style interest rate squeeze will have on banks who follow his advice. Sir Jeremy Morse of Lloyds similarly questioned Blumenthal carefully as to whether the IMF "could really do the job of stabilization"... didn't the IMF need ever stronger powers?

The "sophisticated" New Yorkers ate it up. Gabriel Hauge, Chairman of Manufacturers Hannover, insisted with Morse that the IMF needs stronger rules and regulatory powers. Robert Abboud of First Chicago Bank praised Miller to the skies. Walter Wriston, Chairman of Citicorp, scorned a debt moratorium for Peru, and told reporters the country must give itself up to the whims of the IMF and the "markets." (For an exclusive interview, see below.) David Rockefeller took the prize, with a 10-minute eulogy of the man who is trying to destroy him, Henry Kissinger.

—Katherine Burdman

Blumenthal, Kissinger, And The Sheep

Exclusive reports from our Mexico City bureau

'Get Germany and Talk Down the Dollar'

A May 25 interview with Thomas Forboard, aide to Julius L. Katz, Assistant Secretary of State for Economic and Business Affairs, sheds some light on Blumenthal's speech to the private International Monetary Conference in Mexico City on the previous day.

Q: Does Blumenthal's International Monetary Conference speech signal a major emphasis on the IMF in U.S. international economic objectives?

A: Yes, but this isn't new. Blumenthal said the same thing at the (April 14) IMF Interim committee meeting.

We are definitely after greater exchange rate and economic policy surveillance of IMF members.

Q: Is this going through because bankers are nervous about Peru, and so on?

A: Peru is the least of it, it's a Japan, Germany, Switzerland problem. We want greater surveillance of the economic policies of Japan, Germany and Switzerland. We have to get the IMF right in there, especially in Germany, to see they are playing their part in world stability.

Q: But surely Germany in particular is already

implementing standard conservative monetary policy, low inflation, etc.?

A: No, no, you misunderstand the role of the IMF. They are to surveille everything especially things like Germany's large and disruptive trade surplus. The IMF would tell Germany how to contribute to monetary stability by stimulating their domestic economy and thus reducing their surplus.

Q: *How would this work? Blumenthal referred to "consultation of high government officials with the IMF on domestic policy formulation." Did he mean say Emminger (Head of the Bundesbank) or Lambsdorf (Economic Minister)? What would be the mechanism?*

A: No, he meant Helmut Schmidt. We're going right to the top, we're not going to let them off the hook on this one.

Q: *What will happen at the Bonn Heads of State Economic Summit? The Germans have said a thousand times they reject reflation. Even Lambsdorff, who is closest to Blumenthal's thinking in Germany, was forced to repeat again yesterday "no reflation."*

A: There will be a major fight at the summit. We will threaten not to intervene, we will try to trade off our agreement thus far to intervene for their agreement to reflate, cut surpluses, and so on.

Q: *But that won't work and there will be an obvious diplomatic failure?*

A: Yes.

Q: *And if they still don't reflate? What have we got to bargain with, the dollar's doing fine, isn't it? They'll never reflate.*

A: There's always hope. How about another blow-out for the dollar in the markets? *We'll talk down the dollar.*

Q: *What, again? Blumenthal will lose his job.*

A: You're wrong. Blumenthal said in his speech something very like "avoid exchange rate manipulations, otherwise the markets will have to implement the adjustment," didn't he? Don't you think that's a good enough threat? Isn't that an effective speech?

Q: *But he'll lose his job for that.*

A: Why should he? It's the Administration's policy, not his policy.

Q: *Surely it will be Blumenthal who will be putting this to the President, advising him to take this approach, you don't expect Bob Strauss to help him, do you?*

A: True.

Q: *Haven't you noticed what Blumenthal's last talking bout did to inflation? Don't you think Carter wants a second term?*

A: That's not altogether clear, is it? Carter hasn't announced, has he? Look, Blumenthal has made this speech at two major international conferences in the past two months and this is U.S. policy.

Barclays Bank Chairman Encourages American Banks: Swallow More Bad Debt

The following are excerpts from the speech to the private International Monetary Conference by Anthony F. Tuke, Chairman of Barclays Bank Limited and president of the Conference:

The Less Developed Countries, those who have massive mineral and energy resources, cannot afford to increase greatly their demand for the products of the Developed Countries. The servicing of their existing debts has also effectively restricted their capacity to grow, and the low level of activity in the developed countries themselves is affecting demand for their products. . . .

What, therefore, are the effects of such a scenario? There will be calls for more government intervention and disenchantment with governments who cannot solve this problem. (Unemployment and capital investment) This could make for divisive societies and for political instability as we are now seeing in Italy and elsewhere. There will be calls for banks to support new investment per se whether or not it is financially viable. There will be calls to finance job creation projects, whether or not they are effective in the long run. We have already seen this in our country, and we find these calls hard to deny. We may find that a larger proportion of our banking resources will in fact have to be put at higher risk if we are not to be faced with the challenge that our capitalist system (and the commercial banks in particular) are failing the peoples of the world by applying purely short term financial criteria which are seen as inadequate to solve the long-term problems. . . .

I would certainly not suggest that commercial bankers should support large non-viable projects in the name of job creation and investment, but if the capitalist system and we as international bankers are to be seen to be meeting these challenges, we may have to take some positive action. We should consult and perhaps advise.

We may have to take rather a different view than hitherto of the length of the term for which we are prepared to lend, and the extent to which we are prepared to take the place of private equity investors in countries where capital markets are deficient. We may need to increase the amount of our management resources trained to work with management of companies in a closer way than would have been traditionally seen to be wise as between a lender and borrower.

Rockefeller: A Rose Is A Rose. . .

David Rockefeller gave the introductory speech on the first day of the Mexico City conference, May 22. Here, excerpts:

Let me touch on a few economic problems by way of setting the stage for today's commentaries. One of these is the slowing down of growth in much of the industrialized world.

This has serious repercussions in the developing world

so dependent on exports—Zambia, Zaire, Peru, Brazil.

More rapid growth would go a long way to cure these problems. But, we must ask ourselves, is this a chronic or a temporary problem in our society?

One other major blight on our economies these days is inflation. Most nations, in recent years, have found it difficult to get inflation rates below 8-10 percent. Some have been much higher. A few have been lower. The very diversity of inflation rates has created further problems of price and exchange adjustments between nations.

More broadly, if inflation persists, what will be the implications for the social and political fabric of our society? Can we look for a significant reduction in the rate of inflation worldwide?

Closely related to growth and inflation is the problem of massive imbalances in national trade and payments accounts. Imbalances of the magnitude we see today are both a symptom and a cause of instability which in turn leads to increased risk.

A further consequence of currency instability—especially instability of the dollar—is the drift toward a multicurrency system. We are seeing today less reliance on the dollar and more on relatively strong currencies such as the D-mark and the Japanese Yen. Increasingly these currencies are being used in the financing of trade and even as reserve assets. What is the significance of this trend if it continues?

These, then, are some of the economic problems and trends which are affecting the future of banking. They are inextricably intertwined with social and political forces. If as bankers we are to do a good job in planning for the future in our own business, we must have an insight into likely developments on the political scene.

Here is where we are looking for illumination to our very remarkable panelists both this morning and this afternoon.

Our first speaker this morning is perhaps one of the most remarkable men of our time. At a moment of exceptional international turmoil and tension, he led the foreign policy of the United States with a skill and strength which may well have been unrivaled by any other Secretary of State in our history. He is a man who has a profound knowledge of history and a sense of geopolitics which is all too rare. With it all he has a wonderful sense of humor.

I cannot think of anyone who could give us a better global perspective on the changing conditions which are likely to affect banking than our first speaker. It is my good fortune to introduce a statesman and a friend, Dr. Henry Kissinger.

The following remarks of Rockefeller's were reported in the Mexico City daily Diario de Mexico May 24.

"U.S. bankers reserve the right to approve credits to countries which sympathize with the bellicose policy of the Soviet Union, and will follow the United States' specifications on the subject," declared David Rockefeller, president of New York's Chase Manhattan Bank.

In this way, Rockefeller took the same position as Secretary of State Henry Kissinger, who said that the Soviet Union will use its military influence — and not peaceful coexistence — to win followers.

The President of Chase Manhattan Bank said in a press

conference yesterday . . . that if the USSR utilizes "surrogate aggression", the U.S. "doesn't have any reason to approve credits to help finance the economic life of countries sympathizing with (the Soviet Union's) bellicose policy."

Citicorp's Wriston on Peru and the IMF

Exclusive to the *Executive Intelligence Review*
This interview with Walter B. Wriston, Chairman of Citicorp, occurred on May 23 in Mexico City.

Q: Mr. Wriston, can you tell us if Citicorp is considering granting Peru a partial or total debt moratorium, or a partial or complete freeze in debt payments to allow that country to overcome its present economic difficulties?

A: No. We are not thinking of doing that, nor do we think that Peru will default like South Korea last year. Besides, the government (of Peru) has responded to the recommendations of the International Monetary Fund, and that is why I think there won't be a default, which has been talked about a lot for over five years and hasn't happened.

Q: Do you think or believe that the current President, General Morales Bermudez, will remain in power?

A: That I don't know. But I can tell you that any government must take responsibility for its commitments. It will have to go to the (international credit) markets. I know that the (Peruvian) government will be pressured by various groups, but I think Peru will overcome its economic problems. No country is an island unto itself and it has to go to the money markets and take responsibility for it.

It is a method we've used for almost 50 years, and it works. We've had some problems with some countries such as Zaire, Korea, Peru, Turkey, but those are only four or five incidents in 50 years. I think it's a good record, no?

Blumenthal: 'IMF Surveillance Is The Cornerstone'

The following is drawn from W. Michael Blumenthal's speech to the private International Monetary Conference in Mexico City on May 24. These excerpts are taken from the Spanish-language copy of the text distributed at the conference.

This year's meeting takes place in a moment in which we enter a new phase of international monetary history. . . We inaugurate this new international monetary system which has been agreed upon in Jamaica. Our joint work for the next year will be that of putting into action this new system.

This new system represents . . . a movement towards the concept of giving directly to the nations of the world (instead of "market forces"—ed.) the responsibility to develop foreign exchange rate stability through firm and fundamental economic and financial policies.

The new system, now incorporated in the articles of the IMF, retains the basic philosophy of Bretton Woods.

The principle obligations charged to nations under the new articles of the IMF are of two classes; first, each country must exert itself to direct its policies toward orderly growth with reasonable price stability (fiscal conservatism—ed). Second, each nation must avoid manipulating its rate of exchange with the end of achieving an adjustment of unjust competitive advantage (no government intervention—ed). . . . (and avoid) maintaining rates of exchange at artificial levels. But we must admit frankly that neither our new monetary system nor any other similar system could obligate sovereign nations against their will to adopt certain economic and financial policies at national level. Because of these differences all major countries have the responsibility to collaborate on internal discipline which is essential for significant stability in the international monetary system.

We must make the system function by means of surveillance.

To be able to give an operative context to the new system the IMF must develop and augment surveillance procedures in regard to nations' policies—as much in the wide revision of general economic and financial policies of members as in the (mere, usual—ed.) direct revision of their exchange rate policies. We consider

surveillance by the IMF as the cornerstone of a new system . . . the vertebral column . . . which provides the means of evaluating responsible international conduct and permits that the influence of the international community will be made felt by those nations which have failed in complying with their obligations.

The U.S. is totally committed to the success of this procedure. For this end, we have formulated specific proposals which comprise three requisites: First, the IMF must possess complete information on the policies and accounts (i.e., monetary—ed.) of the member countries; second, as an institution the IMF must be organized in such manner as to be able to bring to fruition effectively its responsibilities of surveillance, with the participation of political officials of high level within their own governments. Third, the IMF must have techniques to let fall all the weight of moral suasion of the world community toward the compliance of each country with its international obligations . . .

I believe that in future the importance of SDR's will widen. They have an important potential in the long term for the system, and the U.S. worked during the 60s to help to establish this activity . . .

A second possible evolution which could occur in future and which today is receiving renewed attention is the development of a European monetary unit.

How Miller's Credit Policy Undercuts International Banking

Treasury Secretary Blumenthal appears to be having much success in his latest announcement of plans to put the world under an IMF dictatorship. The reason is that the American business community has swallowed the well-propagandized line that Federal Reserve Chairman G. William Miller's high interest rate policies, which are identical to those of the IMF, have stabilized the dollar and will thereby promote an investment boom in the U.S.

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In fact, not only is the "Miller bubble" rapidly destroying the U.S. economy and the dollar—but that is what it is *intended* to do.

The Miller bubble has now passed from stock market investment to straight acquisitions and direct financial operations, with the consequence that little or no international investment in development of the Third World is available and thus expansion of U.S. exports. Although the current rate of international lending is still high, and the "borrowers' market" for syndicated medium-term Eurocredits appears to prevail, bankers are sending out signals that they will not increase their exposure.

There are two features to this development that will damage the American economy. The consequences for trade and international stability of even a relative pullback in international lending are self-evidently

catastrophic. But it is the capital reflow into the U.S. accompanying Miller's high interest rates that ironically sets up the dollar for another blowout. This kind of "support for the dollar," against a projected \$30-40 billion annual trade deficit, through speculative reflows gives Blumenthal and his allies virtually hair-trigger capability to instigate a new dollar crisis.

The facts of the matter are these.

Manufacturers Hanover Bank projects that their overseas profits during 1978 will drop to half of the total from 56 percent last year. At the Mexico City International Monetary Conference May 22, Chase Manhattan Chairman David Rockefeller warned Mexico that it should reduce its rates of borrowing in favor of "moderate growth"—provoking an angry response from Mexican finance ministry official de la Madrid.

Citibank's Senior Advisor of International Operations, Dr. Irving S. Friedman, defended Mexico's international borrowing as "normal and natural," adding that Mexico has "used and managed" external credit effectively, and has "a record of servicing debt fully and promptly." But Friedman singled out for special praise advocates of the "low growth" approach, e.g., former Mexican finance minister and present InterAmerican Development Bank Chairman Ortiz Mena.

Some bank analysts are already predicting that the two years of easy international credit will give way to stringency within the next few weeks. Although spreads

charged to developing-country borrowers are still falling, which normally would absorb excess liquidity in the market, special conditions apply. Exemplary is Toronto Dominion's \$188 million syndication of Malaysia last week, at a thin $\frac{5}{8}$ percent above the London interbank rate. The Canadian bank's aggressive rate-cutting reflects the state of liquidity less than it does the determination of Canadian, British and other banks to get into the U.S. dollar market.

The key to the medium-term trend, which has immense implications for the developing sector and international trade, is the reflow of capital to the United States under conditions created by Miller. Commercial banks are, and have been for the last few weeks, funding domestic loans with foreign deposits, rather than shipping funds abroad, according to the pattern that had prevailed for years.

The surface-effect of the reflow of capital first appeared in the stock market. Foreign net purchases rose from a normal 8 percent of total to an unprecedented 20 percent in recent weeks, according to Securities and Exchange Commission data, coincident with the stabilization of the dollar. However, the stock market is falling—by 20 points on the Dow-Jones average this week as of May 25—and the dollar remains stable, despite heavy foreign liquidation of U.S. securities.

Two related phenomena are at work.

First, the British and Canadian banks are virtually pulling up stakes and moving to the United States (see *Business Outlook*). At the Mexico City meeting, British bankers talked volubly of their plans to increase their presence in the American market, following two well-publicized takeovers: Hong Kong and Shanghai's purchase of Marine Midland, and National Westminster's purchase of National Bank of North America. Midland Bank's Chairman Lord Armstrong boasted that his bank is receiving sell offers from American banks regularly, and is currently determining which to buy. Barclay's Bank, said chairman Anthony Tuke, is planning further acquisitions.

According to a Barclay's officer, "The problem with American banking is that there are too many banks. We'd like to see about 13,000 of them go (there are 14,000 banks in the United States—ed.), and have nationwide banking the way we do in England and Canada." Barclay's is currently funding its growing American loan business from abroad.

Apart from banking, European investors are piling into the American market. One Dutch pension fund currently has a British consulting firm working out an investment program for its assets in American real estate. The rate of foreign acquisitions of American firms has skyrocketed.

Perhaps more importantly, although there is a real loan demand, Miller's credit tightening policies have forced all borrowers to jump in *now* rather than face percentage-points higher interest rates later in the year. There is a "rebound" of economic activity now ongoing merely to bring the economy back to 1977 levels following last winter's coal strike. But this is not a healthy loan demand.

With operating profits down 24 percent from comparable 1977 levels, corporations are borrowing for working capital, (not for new investment) and consumers are borrowing at an 18 percent annual rate of increase to maintain merely *current* levels of retail sales.

Particularly since Miller has forced rates up artificially by tightening liquidity in the banking system each time the Treasury comes into the market to refund debt, the Fed Chairman has set off a "borrowers' panic" of marginally determining proportions.

This year so far, overall credit demand has risen at a 35 percent annual rate. This is what has prompted banks to fund their domestic assets from external sources.

The International Monetary Fund is already projecting international liquidity problems as a pretext for arrogating to itself additional credit-creating power. Cited in the *Economist Financial Report*, IMF Managing Director Johannes Witteveen is reported to have told bankers that "the large increases in world trade and prices had outstripped liquidity, reserves were highly concentrated in a few industrialized countries and a large number of countries' reserves were borrowed, rather than owned."

Translated into reality, what Witteveen is saying is that the forced concentration of the world's dollar liquidity into the buying-up (and stripping down) of North American industry will mean no dollars available for Third World development. Thus, the developing sector will be obliged to come begging to the IMF for Special Drawing Rights . . . the City of London's favored non-currency for recycling debt.

—David Goldman

Canada Moves South

Britain launches an economic 'submarine' against the U.S.

A policy turn toward "industrialization" with emphasis on arms production has become conspicuous among British-linked Canadian government and corporate circles since early May. This "development turn" is in no way a reversal of the standing antidevelopment British policy toward Canada and the rest of the world. The new emphasis is on an immediate and direct buildup of Canada as a corporate and financial center of British operations and a base for British investment designs on the U.S. economy.

BUSINESS OUTLOOK

The policy shift occurred the week of May 7 — the same week the historic Soviet-West German treaty was announced. Speaking that week at ceremonies in honor of his inauguration, newly appointed British Ambassador to Canada Lord John Ford promised Canada "a new world role" in future British military contracts and at the same time warned that "Canada must get out from under the yoke of the United States and develop its own industrial capabilities."

Lord Ford's call to arms was appropriately seconded the same week by the Canadian Director of the London-based International Institute for Strategic Studies, Brigadier Hunt, in a full-page feature in the *Toronto Star*. Hunt bemoaned the current "U.S. monopoly on arms sales" and attacked U.S. President Carter as "an irritant" for refusing to go along with Britain's demands for development of the neutron bomb. Britain herself announced two major arms sales to the less developed sector, a massive £750 million sale to Iran and a £300 million contract for the supply of military ships to Argentina.

Reverse U.S.-Canadian Investment Flows

The immediate emphasis on Canadian inputs to British arms contracts is linked to a long-term perspective ultimately aimed at an actual reversal of the historic relationship between the U.S. and the Canadian economies (see accompanying article).

In the years since the close of World War II, Canada has absorbed a major portion of the United States' surplus capital investment and reinvested earnings. At the same time, the Canadian market has accounted for

40% of total U.S. export trade. Hence, provided that the North American industrial economy as a whole produces a surplus of real value, increased contracts to Canadian firms represent a strengthening of that surplus and profit position.

However, with the United States' continued trade deficit and the recent collapse of the Canadian dollar against its U.S. counterpart, the Canadian corporate account has been artificially turned into, if anything, a liability from the standpoint of its U.S. parents.

Firms such as Massey Ferguson and Ford Motor Co. are experiencing heavy foreign exchange losses on profits recalled from their Canadian subsidiaries as a result of the Canadian dollar plunge, and many corporations have recently planned major diversions of capital investment from Canada to foreign investment which promises an inflated return, such as the British North Sea oil program.

Added to the escalating political pressures represented by the threat of Quebec secession, the flight of capital has reduced the value of Canadian industry to bargain-basement levels. The door has been opened for a major British "killing" on the North American economy. The disproportionate strengthening of the Canadian side of the aerospace and electronics industry, together with an accelerated Canadian purchase of devalued subsidiaries of U.S.-owned corporations, marks the initial phase of the design. And a pattern toward substantial Canadian buying up of U.S. industry itself is already emerging.

The pattern was aptly demonstrated by spokesmen for Northern Telecom Ltd., a subsidiary of Bell Canada, who recently announced that by the mid-1980s, the firm will be investing more capital in the U.S. than in Canada, reversing the normal investment flow between the subsidiary and its parent country. Such investments involve plans for extensive purchases of relatively small U.S.-based electronics firms, firms which could become highly valuable assets in a context dominated by the present British high-technology armaments policy. In line with the same pattern, Bell Canada has in recent months, received major contracts for high-technology electronics equipment, including part of a \$4 billion contract with Saudi Arabia which under normal conditions would have gone to U.S. firms on a priority basis.

—Peter Wyer

How Canada's New Bank Act Fits In

The chief significance of the new Bank Act of Canada is that it is designed to further Canada's incursion into the U.S. economy as Britain's North American surrogate.

The revised Canadian banking legislation, C-57, was introduced into the Commons on May 19 by Canadian Finance Minister Jean Chretien, and is expected to be passed into law at any time. The critical provision of the

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legislation is that for the first time in Canadian history, foreign banks will be allowed to establish branch banking in Canada to up to 15 percent of total Canadian banking assets — *in return for reciprocal treatment by foreign countries.*

Under the conditions of the new Bank Act, Canadian banks could become a major force in the U.S. banking system, alongside other British Empire banks like the Hong Kong Shanghai and National Westminster, which recently acquired Marine Midland and the National Bank of North America, respectively.

The apparent benefit of the Canadian Bank Act to foreign banks is pure deception.

Until now, Canadian business of U.S. banks like Citicorp has depended on not having to maintain reserve requirements and their ability to make cutrate loans. Under the regulations of the Bank Act, however, foreign banks will not be subject to federal regulation and will have to maintain reserves with the Bank of Canada. Simultaneously, the Bank Act will lower the reserve requirements of Canadian banks, a feature of the act that the Canadian banks are jubilant about (reserve requirements will be the same for domestic and foreign banks, of course).

The big five Canadian banks already have major international operations. Their Eurodollar and Caymen Island loans represent a far greater proportion of total assets than for large New York commercial banks, and it is no secret that they are exceedingly eager to get into the U.S. and Japanese markets with full-fledged bank status. Canadian banks have been operating in those markets in only a limited capacity until now, because of Canada's own restrictions on foreign banks. In New York State, for example, all the major Canadian banks have so-called banking agencies; these can make loans but cannot generate deposits locally — the same status as U.S. banks in Canada.

In this tradeoff of profit margins for a greater market share, foreign banks in Canada are sure to come out the losers, especially since domestic loan demand in Canada has been steadily shrinking in line with the government's committed austerity policies.

Responding to the revised banking legislation when it was unveiled May 19, a spokesman for Citicorp Canada said that there were few advantages in becoming a bank in Canada, and that Citicorp would have to study the act carefully before deciding whether to apply for full bank status.

The provisions of the act outlawing Canadian bank executives from holding directorships of customer companies is another hoax. Several Canadian banks interviewed last week were not in the least concerned about the attack on interlocking directorships. Historically the Canadians and British have maintained control over world industry through means other than overt interlocks. The new rule is more likely directed against the American-allied directors of Canadian subsidiaries of U.S. multinational corporations sitting on Canadian bank boards. Such a development would mean the end of the positive influence of U.S. manufacturing companies in Canada, coherent with the call by the new British Ambassador to Canada, Lord Ford, for Canada to "get out from under the yoke of the United States."

In reviewing the new Bank Act in its survey of world banking May 22, the *Financial Times* of London commented ambiguously but ominously: "By the time the next Bank Act review comes around, some observers believe Canadian banks will be controlling the commanding sectors of the economy in a way never before seen in North America."

The Role of the Canadian Dollar

The recent stabilization of the Canadian dollar in U.S. \$.88-.92 range, after more than a year of continuous battering on the foreign exchange markets, is another facet of Canadian-British cooperation to control North America.

The Canadian dollar was stabilized in exactly the same way that the pound sterling in the period up to last fall: on the basis of a killing dose of austerity within the domestic economy. Over 1977, external borrowing by Canadian provinces and corporations was abruptly reduced from the 1976 record; employment levels were sacrificed to cut money supply growth and the rate of domestic inflation; and Canada's merchandise trade surplus was more than doubled, thanks to the sharp increase of exports of petroleum and natural gas, wheat, and wood (in value and volume terms). Also contributing to the stabilization of the currency was the closing of the differential between U.S. and Canadian dollar interest rates, as a result of the sharp rise in U.S. rates. The narrowing of the spread benefits the Canadian dollar because it discourages borrowing by Canadian corporations in New York, which deepens the current account surplus. In autumn 1976, in the midst of the foreign borrowing boom, interest rates were 4 percent higher in Canada than in the U.S.

On top of this, over the winter and spring the Bank of Canada obtained enormous credit, revolving credit lines to bolster its reserves and defend the Canadian dollar (and speculate against the U.S. dollar) through borrowings of \$2.5 billion from the Canadian banks, \$1.2 billion denominated in Deutschmarks from a consortium of West German banks, and \$3 billion from a U.S. consortium led by Citibank.

Expectations of a coming boom in world raw materials prices, rigged by traditional City of London methods, of course, also figures in the recent stabilization of the

Canadian dollar, foreign exchange traders report. The push to cartelize world raw material production is emanating from Canada, itself a stalwart supporter of the UNCTAD Common Fund (commodity buffer stock) scheme. Moves are underway to rationalize and nationalize Canadian nickel production, with Inco, the core London Rothschild nickel company, organizing on the inside. In the process, Falconbridge, owned by the Texas-based Keck Corporation, would come under nationalization. On May 23 Hudson's Bay Company put in a bid to buy up the remaining shares of White Horse Copper, of which it already owns 41 percent, an unusual move unless plans are made to rig an artificial boom in copper prices at some point in the future.

Canada's Shopping List

Any U.S. businessman who still thinks that recent Canadian investment is just panic money, fleeing from Canadian political instabilities, is oblivious to the strategic role that Canada has traditionally played as a purveyor of British ideology and financial control in North America. Lord Beaverbrook, Sir William Stevenson, and McKensie King, the trusted advisor of the American Rockefeller family, and other leading British SIS operatives were Canadian nationals.

To date the most visible of Canada's investment in the U.S. has been major real estate acquisitions. As widely reported, Olympia and York Developments Ltd. of Toronto became one of New York City's largest landlords last fall at a single stroke when it acquired the former Uris Buildings Corp's office buildings from National Kinney Corp. National Kinney merged with Warner Brothers last year with the help of Felix Rohatyn, Lazard Freres partner, who personally arranged the merger. It had acquired the buildings from the ailing New York realtor in 1973, selling the package for nearly \$350 million to York and Olympia, another member of the Empire family, ostensibly to reduce its bank debt. Olympia and York's New York representative, Mr. William Hay, was president and chief executive officer of the Trizec Corp., Canada's largest publicly owned real estate company,

before coming to Olympia and York in the spring of 1977. The package of eight properties now owned by the Canadian company includes J.C. Penney's headquarters and Citibank's 111 Wall Street domicile.

Canadian investment is pouring into Florida, building up from a long-standing strong position in the Miami region. A company controlled by Canada's Hudson's Bay Company recently announced that it would finance half the \$1-billion cost of a new town in Florida's Dade County.

While figures of the overall volume of Canadian direct investment in the U.S. may be low, money is being channeled into strategically important areas: New York real estate, banks which in turn control industry, and so on. In this vein Northern Telecom of Canada's recent acquisition of Danray, a Texas manufacturer of telephone switching equipment, is especially important in light of antitrust suits aimed at busting up the monopoly of American Telephone and Telegraph's manufacturing subsidiary, Western Electric.

The current investment strategy of Canadian investors is charted in a monthly guide to investment in the U.S., published by Lafferty, Harwood and Partners Ltd, the sophisticated Montreal-based stock brokers. In his "Confidential" commentary in the May issue, Lafferty notes, "We went into a fully invested position in February" — i.e. before the bubble in the New York and American stock exchanges took off. "This is not because we foresaw the condition taking place in April, because we did not, but because the stocks were cheap and that a culminating point would have to take place."

Lafferty's "buy" list consists of aggressive small- and medium-sized companies that he expects will do well in the aversive conditions of a depression economy. For example, Lafferty recently added the air freight industry to his list of industries that will benefit from current economic conditions. "This industry has now been deregulated and those companies which are able to 'hack it' will do well," says Lafferty. Lafferty's list continues to pitch small- and medium-sized computer, electronics, communications, publishing, retail (bargain basement-type companies), mining, and "independent" oil and gas companies.

—Lydia Dittler

Behind The Raw Materials Bubble

Brokerages rig commodity prices to create shortages

The financial press is claiming that a new wave of inflation is upon us, fueled by rapidly rising raw materials prices, and London brokerage houses such

COMMODITIES

as Strauss Turnbull are announcing that a new raw materials bubble is getting underway.

In fact, there exists no objective basis for any significant increases in raw materials prices at the present time. The simple reality is that at the present

meager levels of consumption there exists an abundant supply of both raw materials and refining capacity.

Stated British government policy supports the Common Fund and International Resource Bank proposals introduced by Henry Kissinger in 1975. These proposals have met with stiff resistance from advanced sector countries because they would artificially force up prices of all raw materials to the advanced sector. Secondly, in their final form, both schemes could have tremendous strategic implications by regulating raw materials and credit.

A combination of British-run operations, including the fighting in Zaire's copper-rich Shaba province (with

rumors that the mines are flooded), the blocking of Zambia's port, and the IMF's deliberately inspired civil strife in Peru, has given copper futures a short-term boost. The effects of these scenarios on copper prices will be shortlived, however. Since the existence of worldwide copper stockpiles of nearly 2 million tons is common knowledge throughout the business community, it is difficult to imagine that industrialists could be manipulated into setting off another copper bubble. A boom in copper prices is unlikely; particularly since the industrialists remember well their experience following the collapse of the 1972-1974 bubble.

The problem affecting not only copper prices, but prices of lead, nickel, zinc, and other basic raw materials as well is that consumption has not come close to reaching the levels prior to the collapse of world trade and the raw materials bubble in 1974. During the last decade and the early years of the present decade, mining capacity was greatly expanded worldwide in expectation of increasing world demand. When that demand failed to materialize the world was left with large supplies and producing capacity and declining markets. Hardest hit was the Third World, which went heavily into debt to finance their new capacity but found prices in many cases below the cost of production.

Current plans for forcing up raw materials prices consist of several different formulas in addition to the Common Fund and IRB swindles. One approach now gaining favor is the shutting down of "excess" capacity combined with the possibility of protectionist measures by the U.S. and the European Economic Community. U.S. producers have already petitioned the Carter Administration for relief from imports, under the Trade Act of 1974. As a token compromise, the administration has agreed to purchase 235,000 tons of copper for a strategic stockpile. This plan is similar to the Solomon and Davignon Plans which have forced steel prices up by as much as \$80 per ton. According to figures just released by the American Bureau of Metal Statistics, world copper production fell during the first 3 months of this year by 1.5 percent to 1.51 million tons compared to last year's period. In the U.S. alone, a leading copper analyst estimates that 10 percent of production has been shut

down since the strike in the summer of 1976. Copper prices have been hovering around \$.60 per pound compared to a high of approximately \$1.50 per pound in 1974.

The situations confronting the zinc and nickel markets are equally miserable. As of Jan. 31 of this year, stockpiles of zinc totaled 838,000 metric tons and prices have fallen so low that the EEC is considering setting a minimum price and other protectionist measures. In nickel, Inco Ltd. of Canada, the world's leading nickel producer, is currently implementing major production cutbacks and layoffs and has announced large reductions in capital spending plans for this year. On top of this they have announced a further drop in nickel prices and see no hope for firming of prices. While the current per-pound book price for nickel is in the \$2.15 range, Falconbridge (Norway) just sold 2,000 tons of electrolytic nickel to Taiwan for \$1.90 a pound CIF, port of entry Taiwan.

The strongest option is to raise raw materials prices, but politically the riskiest and most dangerous is the unleashing of a major race war around Rhodesia which would embroil not only Rhodesia, but also South Africa, Zambia, Zaire, and all the front-line states.

Any significant rise in raw materials prices will have no relationship to the laws of supply and demand, but rather to government and business capitulation to one or more of the scenarios drawn up in London.

—Joseph Stein

CORRECTION

An unfortunate typographical error appeared in "The Policy Framework for A National Export Program" Draft Proposal for the Weil Task Force on Exports in the last issue of the *Executive Intelligence Review* (Vol. V, No. 20). The relevant statement should read: "Overall, the United States through its exports and domestic gearing up of economic output, must lead the European Economic Community, Japan and CMEA to cooperatively upgrade their national economies to reach a *common production goal of 250 GW (gigawatts) annually by the year 1985.*"

GOP Leaders Step Forward For High Technology

Speeches this week by leading Republican Party spokesmen which have to date received surprisingly little public attention, have opened the door for a vigorous national debate over high-technology energy policies, particularly around nuclear energy.

Former Vice-President Nelson Rockefeller has recently made proposals for expanded industrial development, including a call for nuclear energy. Governor John Connally, former Treasury Secretary and Republican presidential hopeful, has proposed high-technology exports as the foundation for U.S. economic recovery. Similar endorsements for attacks on zero-growth economics have been issued by Conservative Union Chairman, Representative Phil Crane of Illinois, who recently endorsed the NAACP's nuclear energy development resolution, and Senator James McClure of Idaho, who has publicly recognized the need for industrial development in southern Africa.

All have made strong statements in the past week which in one form or another emphasize industrial and economic development, with particular emphasis on expanded nuclear energy and related high-technology capital formation, as the key to solving interrelated domestic and foreign economic and political problems.

We present here relevant portions of speeches made in the past week by Mr. Rockefeller, who although professedly "out of politics" is just back from a high level series of meetings in a number of Arab countries, including Saudi Arabia, where he discussed formation of a multibillion dollar private international development corporation to fund development of energy and food projects in developing countries.

Also included is an exclusive account of a speech given by Governor Connally before 700 Republicans in the Chicago suburb of Lake County, May 21. The Connally speech is a clear differentiation from the "policies of no-growth," whose emergence he lays to the 1972 Presidential campaign of George McGovern, and proposes to restructure the Republican Party around a majority constituency which will include minorities and organized labor as well as traditional business layers; to form a "party of growth, opportunity, and progress."

Rockefeller: Technology and Survival Are Inseparable

The following are excerpts from a speech given by former Vice-President Nelson Rockefeller at the Harry Truman Good Neighbor Award Luncheon held in Kansas City, Missouri on May 8:

...Of all the major nations, the United States, which uses more energy and depends upon a plentitude of energy more than any other, has done the least to ensure the continued availability of energy within our borders. Ironically, we have the technical, scientific and resource capacity to meet our needs — if only we make up our minds to do it.

In the nuclear field, we are stalemated by controversy and indecision. From the Nation that pioneered atomic development and that under Truman undertook to share the peacetime uses of this new energy source with the rest of the world, we have become halting and hesitating. In fact, the situation has even reached the point where it is seriously proposed that we contain technology, arrest development and stop its application.

Yet, if postwar nuclear history has shown us anything, it is that nuclear knowledge cannot be contained. Research and development recognize no enduring monopoly by any one nation. Indeed, the history of the modern world has demonstrated that technology and progress march together; that technology and quality of life are married; and that technology and survival are inseparable...

Of course, we applaud the idea of harnessing solar energy, but we know that practical considerations of cost and technology will inevitably delay and limit its large-scale utilization. Clearly, nuclear technology for the generation of energy, along with coal and the use of alcohol in gasoline made from surplus grain, sugar and even garbage, is one of the keys to economic self-reliance of this nation in the energy field, to freedom from the fear of embargo and the drain of excessive imports on our balance of payments. Despite all those dire predictions of impending doom, we have had nuclear-generated electric power on a commercial basis for 20 years and no accidents have occurred involving public injury. In this same period, 909,726 people have been killed by automobiles. Yet I know of no movement to "ban the automobile." Let's have some of that Truman common sense on *this* issue too. . .

Let's go on to a renewed sense of common effort to renew the Nation's strength and liberate its basic dynamism.

We have got to have trust and confidence in the ability of our institutions to adjust to change. And we've got to provide those institutions with a sense of national purpose and a stable framework of laws within which they can make the adjustments and build to meet the future needs of America.

This also means a social and governmental climate that will make it possible for our institutions to attract creative leadership and enable leadership to function...

John Connally: We Should Be Exporting Energy!

The following report, exclusive to Executive Intelligence Review, records former Texas Governor John Connally's remarks at both a press conference and his address to 700 Lake County, Illinois Republicans on May 19.

Governor John Connally addressed a press conference here today, prior to leading a Republican fundraising dinner. During the questions, he was asked to comment on the recent Soviet-West Germany 25-year trade treaty: "That the Germans have made this deal with the Soviets is to their great credit and intelligence. I am not familiar with it. If there are opportunities for us, we should pursue them."

When asked if he had changed his proposal to utilize high technology exports to solve the U.S. trade deficit, he responded, "Not at all. The emphasis must be on high technology export. Failure to do so undermines the value of the dollar, destroys international confidence in the U.S. and creates inflation and the huge deficit."

Clarifying his switch from the Democratic Party to the GOP, he explained, "My ultimate loyalty is to my country. When you get to a point where your duty to your party is more important than your duty to your country, you ought to get out of politics...The Republican Party, if it is wise, will win labor and blacks over to its side.

"It's not a matter of capturing blacks. The NAACP responded to the President's energy message the same way we do: Carter's energy message gives no hope for economic expansion. It's a program of retrenchment, of sacrifice. It offers no future for black people. It is a program lacking vitality, greater prosperity, growth. The NAACP has rejected the policy of 'sharing scarcity.' We believe, along with the NAACP, that new frontiers exist. Just when the American dream was realizable — beginning to become realizable for all people — the Democratic Party has become the party of no growth.

The NAACP is totally turned off by such isolationism and zero growth. We view the situation similarly."

Illinois Representative Phil Crane, Chairman of the Conservative Union introduced the Governor to the evening Republican fundraising dinner by emphasizing, "To realize the American dream...we have the energy; we have the most skilled workforce the world has ever seen."

John Connally opened his address with an analysis of the "American character," a people "of great optimism, great belief in themselves and their country...Republicans are the party of hope, optimism, growth and vitality...George McGovern started the no-growth tact in 1972...'We have to share the scarcity...retrench...withdraw, become isolationists, renounce expansion, growth and vitality. Withdraw from the world!...Shirk the responsibilities of world leadership!'"

Connally pointed out that this zero growth outlook and its advocates have "gutted the greatest hope for the cheapest energy: nuclear power and the breeder in particular."

"...The Soviets, and the rest of the world are ahead of us — and ahead of us in hydrogen fusion. We're shirking the duties of a great free nation, leaving the responsibility to the Soviets.' The Democrats are saying: 'Let the world take care of itself'...Their policies mean wrack and ruin and bankruptcy...

"We should be able to build nuclear power plants in 5 or 6 years like the rest of the world, rather than the 12 years it takes us.

"We should be exporting energy! We should be shipping nuclear power plants to the developing nations...

"I've traveled this country from one end to the other, and I believe what the American people — the working man, organized and unorganized, all levels — want is what we believe in: capital formation, world leadership, technological development, modernization of U.S. steel mills, open markets...

"We have to redefine the GOP! It should be the party of growth, opportunity, and progress!"

The Destabilization of Iran

'Right' and 'left' networks versus the Shah's development plans

A joint operation conducted by the Zionist Lobby, elements within Israeli intelligence, and long-established British colonial intelligence networks is being waged to overthrow the Shah of Iran. Short of a successful coup against the Iranian monarch, the current antigovernment unrest is designed to deter the Shah from his efforts to industrialize his oil-producing nation in a context of regional peace.

According to sources close to the Carter Administration, the operation is unfolding on two interconnected levels. On the one hand, "left" and "right" antigovernment groupings have come together to spur the most serious round of riots in Iran since 1963. A key figure in directing the turmoil is the Islamic Shi'ite leader Ayatullah Khomeini, who was exiled to Iraq following his efforts to overthrow the Shah in 1963. On the other side, pro-Israel exponents both in Congress and in the Carter Administration are pressuring the White House to adopt a Mideast policy based on the Kissinger-architected Iran-Israel military axis, at the expense of the strategic Saudi-U.S. relationship. The domestic pressure on the Shah is to ensure his compliance.

Senator Jacob Javits is known to be supporting the Committee for the Defense of Human Rights in Iran, which has direct ties to dissidents both in and out of Iran.

The calculation by the Zionist Lobby, Israeli intelligence, and certain British-based merchant banks with links to British intelligence is that if sufficient pressure can be brought to bear on the Shah, his firm alliance with the Saudis in keeping down the price of oil and maintaining the dollar as the pricing mechanism for oil produced by the Organization of Petroleum Exporting Countries (OPEC) may be weakened. Under such circumstances, the Saudis' moderate influence in OPEC would be undermined, in favor of a likely break with the dollar in favor of a basket of currencies—a plan first proposed to the cartel by City of London advisors in 1971.

Moreover, a break in Riyadh-Teheran relations could be a first step in undermining the unity of OPEC, a goal which the Zionist Lobby and its allied Congressmen such as Frank Church and Javits have publicly endorsed.

The destabilization against the Shah's government has another important purpose: to halt the Shah's bold development plans, in particular his commitment to nuclear energy. The backward Iranian peasantry has been thrown against the Shah's plans, as intense rioting afflicted 34 Iranian cities, including the capital, Teheran. The Shah was forced to call out the well-armed Iranian military, and deploy tanks and antiriot squads to certain sections of Teheran.

The Shah told the British daily *London Observer* April 17 that he was aware that the Iranian orthodox Shi'ite

clergy, the Ulema, was determined to prevent "the progress of the country," which they claim is undermining pure Islamic law, the Sharia. He noted that the Iranian cabinet is "feverishly establishing vocational schools, to train the labor necessary for administrative, industrial and agricultural tasks." Such an educational drive is designed to undercut the population's vulnerability to the fanaticism of the ultra-right Shi'ite Ulema.

Unlike many of the Shah's petroleum-producing Arab neighbors, Iran has no more than 30 years of oil reserves left. At that point its large and growing population will be forced to depend on newly created industries.

As a result, the Shah has in recent years begun to take a much more aggressive stand in promoting international policies towards peace and development through detente and a just, comprehensive peace in the Mideast. This policy stance has increasingly distanced Teheran from Jerusalem.

The turn was dramatically signaled in 1975 when Iran and its erstwhile regional adversary Iraq signed a border agreement resolving the crisis provoked by Kurdish insurgents operating against Iraq out of Iran. Well-placed sources have noted that there was heavy Israeli intelligence participation in that anti-Iraqi operation, and have also stressed that the Kurdish revolts were the outcome of the Iranian-Israeli anti-Arab alliance.

Since the 1975 agreement there has been a steady diplomatic effort on the part of Iran to warm relations with the Saudis and the other Arab nations bordering the Gulf.

The "Right" and "Left" Networks

The Committee for the Defense of Human Rights in Iran, newly formed this year with Senator Javits's support, is a crucial behind-the-scenes player in triggering the rioting which reached its peak earlier this month. The organization, according to informed sources, has ties not only to Ayatullah Khomeini, but also other religious fanatics such as Ayatullah Madari and Ayatullah Najari. A secondary role in waging domestic unrest is played by yet another Islamic cultist known as Golpayegan, who acts as a mediator between Khomeini in Iraq and the Shi'ite Islamic sects based in the cities of Qum, Tabriz, and Teheran.

Although Khomeini's insurgent activities have been curbed since the 1975 Iran-Iraq agreement, the recent weeks demonstrate that nothing less than a full crackdown against him and his religious collaborators will free Iran from the threat of further destabilizations.

Working with the rightist Shi'ite leaders are the left-wing Islamic students associated with the Iranian

Students Organization, formed in 1954 in London. It now has close ties to Amnesty International, an organization closely linked with the Washington-based Institute for Policy Studies terrorist control center and its European adjunct, the Amsterdam-headquartered Transnational Institute. In this connection recently the Soviet daily *Izvestia* identified the Institute for Policy Studies as having been involved in terrorist activities against the government of Italy.

Over the last 10 years the Iranian Students Organization has increasingly adopted a Maoist anti-industry, zero-growth political profile, and has been responsible for serious damage not only to a number of Iranian university campuses but also industrial sites.

Over the last 12-month period, a number of editorial statements in the Iranian state-owned daily *Kayhan* have directly condemned the British Broadcasting Company (BBC) for broadcasting reports which were designed to incite the population against the government. Most noteworthy, at the end of 1977, a *Kayhan* editorial named British Foreign Secretary David Owen as instrumental in promoting domestic problems in Iran, and at the same time condemned Amnesty International.

The British press today continues to produce exaggerated crisis-mongering reports about the domestic situation in Iran, going so far as to predict a military confrontation between the Iranian military and the rioters, during the upcoming anniversary of the bloody antigovernment riots in Teheran of 1963. The fanatical Khumayni, in an interview with the French daily *Le Monde* of May 10 (see below) predicted that Iran would soon experience a "gigantic explosion," a line

similar to that carried by the London *Financial Times*. In an interview with the French daily *Le Matin* Khumayni's counterpart Madari declared that if the Iranian government does not cease its "drift" toward Westernization and modernization and accept the Islamic "way of wisdom," "the religious movement will take new forms of violence."

Moreover, these Shi'ite fanatics have according to the London Telegraph blackmailed the merchants of Teheran, Qum, and Tabriz into launching a general strike. The Shi'ites have put the merchants and shopkeepers on notice that if they don't obey their stores will be set on fire. As a result, these cities have felt the impact of food shortages and a short-term increase of prices by as much as 20 percent.

During the second week in May the unrest became so intense that the Shah was forced to postpone a trip to Hungary and Bulgaria, in order to take personal command of the military. Under the Shah's personal control, SAVAK, the Iranian secret police broke into the residence of a leading Islamic leader in Qum, the first time ever that Iranian authorities invaded the private dwellings of the Ulema. Shortly thereafter, calm returned to Teheran and the Shah rescheduled his trip to the East bloc for May 16.

The Shah has announced during his visit to Hungary last week that he will make a visit to Romania and East Germany in future months, thus rounding out visits by the Iranian monarch to all the East bloc countries with the exception of the USSR over the last 15 months.

How Iran Will Industrialize

With a view toward future needs, Iran is trying to build an industrial base as an alternative to its present oil-oriented economy. More oil will be used for petrochemical production instead of being exported. Significantly, the program the Iranian government has outlined plans for supplying energy through a program of nuclear power development and use of Iran's natural gas deposits.

At present the Iranian nuclear development policy is considered one of the biggest ventures ever undertaken by an underdeveloped country. Iran has signed a \$4 billion deal with France for the construction of three nuclear power stations. Payments will be made by bartering Iranian oil valued at \$1 billion while the rest will be raised through Eurodollar loans. Iran has turned to West Germany and is negotiating for the purchase of five nuclear stations.

While other countries are enhancing their economic interests in Iran, the U.S.'s own vital concerns there are adversely affected by the Carter Administration's nonproliferation policy. Although the Shah has recently raised the number of nuclear reactors planned for Iran from 22 to 26, the Carter Administration's nonproliferation stance has undercut the U.S. nuclear industry's competitive position.

Nevertheless, Iran continues to offer to purchase up to six reactors from the U.S. pending a change in its

nonproliferation policies. To date, Teheran has purchased over half its quota of reactors from France and West Germany.

Another important element of growth in the Iranian economy is the country's natural gas trade with the Soviet Union. In 1975, Iran, West Germany, and the Soviet Union signed a landmark multibillion dollar deal for large-scale trade of Iranian natural gas to the USSR, where in turn Soviet gas would be piped into Austria, West Germany, Czechoslovakia, and France.

Just last month Soviet trade official S.A. Skachov was in Teheran to finalize an agreement to construct the second section of pipeline to transport the gas which will come on line in 1981. Significantly, Soviet Premier Andrei Kosygin called the agreement the "deal of the century."

Moreover, it is known that the just-concluded summit between Soviet President Leonid Brezhnev and West German Chancellor Helmut Schmidt in Bonn took up the question of joint development of the Less Developed Countries (LDCs) and that Iran was directly involved. Just prior to Brezhnev's arrival in Bonn, Edward Gierek, Czechoslovakian Communist Party chief, led an industrial delegation to West Germany to discuss joint LDC investment, naming Iran as a primary target.

The British Scenario

Another strategic aspect to the current destabilization of Iran is part of scenarios being spun out of the Royal Institute for International Affairs to transform the "northern tier" nations of CENTO, Turkey, Pakistan, and Iran as well as the subcontinent into an anti-Soviet constellation of forces. The scenario was outlined in the May 8 issue of London's weekly *Economist*, which predicted all kinds of tribal and religious wars on the borders of Iran, Pakistan, and Afghanistan as a result of the pro-Soviet coup in Afghanistan three weeks ago. According to a U.S. State Department insider, the Afghanistan coup is being drastically overplayed in the press to make credible a "Soviet threat" to the region. Nonetheless, the *Economist* predicts that "Islamic communalism" will spread to Lebanon and through to Far Eastern countries such as the Phillipines, Malaysia, and Indonesia, all of which have large Muslim populations. This is London's tactical counter to the moves for Asian economic development with the critical input of the Soviet Union and Iran in the context of global detente. From the Lebanese side, the *Economist* plays up the strong Shi'ite presence in volatile southern Lebanon, which is known to have close ties with the Israelis and the ultra-rightist extremists around Camille Chamoun to throw the Palestinians out of Lebanon.

The Lebanese Speaker of the Parliament, Kamal Assad, who is a collaborator of Israeli intelligence, widely known for his anti-Palestinian policies, is a close confidant of the Shah. According to State Department sources, Assad is urging the Shah to finance an anti-Palestinian Shi'ite movement in Lebanon in collaboration with the Israelis and Chamoun. At the same time Chamoun, a strong advocate of the 1955 Baghdad Pact, formed by the British as a military alliance against the USSR, is sending messages to the Shah that the only secure solution against the so-called Islami Marxists is the reestablishment of the old Israeli-Iranian axis.

The fact that Khomeini is a vocal advocate of Palestinian rights has acted to sway the Shah toward such a short-term alliance, although to date it has not been convincing enough to force a solid Iranian-Israeli-Chamoun alliance.

Khomeini and the Kennedy Connection

Khomeini took the spotlight in 1963 leading a vocal insurgent campaign to block the Shah's economic reforms through the White Revolution. Since his exile to Iraq following an unsuccessful coup attempt, Khomeini has made headlines through continued terrorist activities. During 1970, he was responsible for planting

explosive devices in several buildings during a meeting of 30 U.S. corporations in Teheran for an industrial conference.

Following the 1975 Iran-Iraq border agreement Khomeini shifted his alliances towards the government of Syrian president Hafez Assad, playing on the long-standing ideological differences between Iraq and Syria. The Iraqi government has had its hands tied with respect to clamping down on Khomeini, due to his influence with the Iraqi peasantry. The Iraqi government is aware that Khomeini's presence within their borders threatens a new round of disagreements with Iran. One Iranian source recently noted that this could take the form of a new upsurge of Kurdish rebellions, which could easily again involve the Israelis.

Furthermore, many observers fear that Khomeini may strengthen his connection through the influential Bakhtiari family. The leader of the clan, Timur Bakhtiari, is known to have attempted many assassination attempts on the Shah's life in cooperation with French right-wing terrorist groups such as the OAS (the Secret Army Organization) to stir up military discontent against the Shah. Observers, moreover note that the same Timur Bakhtiari, a former general and chief of the Iranian Secret Police, SAVAK, in 1956, had been chosen as the Shah's replacement by the Kennedy Administration, and was in the process of training Khomeini's followers into a paramilitary army, by shipping arms to Iran from South Lebanon, before his assassination in Iraq by SAVAK in 1972.

Sources close to the U.S. intelligence community and to the Iranian government have revealed that the same Bakhtiari clan is responsible for the newly formed group called "From Jail to Exile," consisting of former Iranian army officers, which has surfaced in London. The group's spokesman, former Lt. Mehrdad Pazkaz, told a May 18 press conference in London that junior-ranking officers and soldiers will "turn their guns against the Iranian regime." Such threats have never before been uttered by an Iranian military officer.

According to U.S. sources, "only the Bakhtiaris have a capability of pulling off such an operation," since "the army was carefully put together by the Shah with U.S. help."

One hundred years ago, these feudal mercenaries of the Bakhtiari were used to safeguard British oil routes in the Gulf. In the past ten years they have been involved — with Kennedy family aid since 1961 — in paramilitary shocktroop, and gun-running operations extending from Lebanon through Iraq, and have been key in British Secret Service fomenting of destabilizations by Islamic mystic cults throughout the Middle East.

Terrorist Leader Predicts Iran Explosion

Long-time terrorist Ayatolla Kumayni, the Shi'ite leader, gave an interview which was printed May 6 in the French daily Le Monde. Here are excerpts.

Q: What do you think of the Islamic-Marxist label which the regime always uses to denounce the rebels? Do you have close ties with the extreme left?

A: It was the Shah who used this expression, and his lackeys followed suit. It is a false and contradictory concept invented to discredit and eliminate our Moslem people's struggle against the regime. The Islamic idea, based on the oneness of God, is the opposite of materialism. The term "Islamic-Marxist" is ironic...

There has never been an alliance between the Moslem population fighting the Shah and communist elements, extremist or otherwise. In my proclamations I have always emphasized that the Moslem people must remain homogeneous in their struggle and forbid themselves any systematic collaboration with communist elements.

Q: In the absence of a systematic relationship, would you envisage a tactical alliance with the Marxists in order to overthrow the Shah?

A: No, we will not collaborate with the Marxists, not even to overthrow the Shah. I have ordered my flock not to do so. We are opposed to their ideas; we know they want to stab us in the back; and if they achieved power they would establish a dictatorial regime contrary to the spirit of Islam.

Q: In your view, what has caused the chain of riots in Iran? What is happening now?

A: ... The deterioration in economic, social and cultural conditions and the scope of the repression have reached intolerable levels. The latest riots herald the start of a giant explosion which will have incalculable effects.

British Promote Religious Chaos In Iran

The following excerpts from the London Times show how the British are trying to promote religious chaos in Iran. The article appeared on May 21.

The Shah of Iran, facing a growing challenge from opposition groups, has been threatened with a "holy war" by the country's religious leaders, according to informed sources.

A telegram sent to the Shah after a new round of clashes between demonstrators and government forces in the religious centre of Qum demands that he should stop using violence to quell protests, and end his "pressure" on the people.

Otherwise, says the cable, the religious leaders will have to make a "final decision." That, the sources indicate, is a veiled threat to launch a holy war.

The telegram was sent by Anatollah Abolghassen Khoyi, a leading Iranian religious figure who heads an Islamic university at Najaf in neighbouring Iraq. It indicates that the leaders of Iran's Shi'ite Muslims, who have provided a rallying point for a wide variety of disaffected Iranians, have drastically hardened their stand.

Previously they kept to a campaign about human rights and law and order. But in a cassette recording going the rounds, a mullah preaching to thousands of worshippers in Teheran bazza's Friday Mosque declares that the fight is on for an "Islamic" government.

A Shift In The War Against Terror

Just a week after the terrorist assassination of former Italian Premier Aldo Moro, the investigation of the Moro murder seemed "to have undergone a great qualitative shift," as a Rome daily newspaper put it. An Italian magistrate commented, "We have grabbed the cat by the tail; now we have to hit its head."

The events which prompted these comments were the unexpected appearance last week of former Franciscan priest Silvano Girotto at the trial of terrorist Red Brigades' leader Renato Curcio and his cohorts, and the arrest of a key Red Brigades cell in Rome whose front was a printing shop.

Girotto was a Vatican antiterrorist operative who infiltrated the Red Brigades in 1974 and set the trap for Curcio and others to be captured by the police. Since then he has been hiding in France and some unnamed Middle East country, after proterrorist forces in the Italian Interior Ministry blew his cover in an attempt to prevent Curcio's arrest.

The six Red Brigades members arrested could be part of the team that killed Moro.

This sudden shift in Italy's war against terrorism might appear to be a "miracle"; perhaps the government of Premier Giulio Andreotti finally stumbled on the

one piece of evidence it needed to effectively fight terrorism. The truth of the matter is quite different.

The evidence connecting both "right" and "left" subversion to elements within the Interior Ministry (most prominently former Interior Minister Francesco Cossiga, who was just forced to resign), the secret services, and the financial establishment has been known to the Italian Constitutionalist forces for years. The difference now is the wilfully created *political* conditions which have allowed a massive and unprecedented clean-up within the intelligence apparatus, and thereby within the terrorist cells. Cooperating closely with Italian State Intelligence in this effort are the Vatican and French intelligence.

The qualitative political shift was signaled by the forced resignation of Cossiga on May 10. By removing that first obstacle to any successful investigation, Andreotti — who appointed himself acting Interior Minister — was then able to clean 500 agents out of the secret services. These agents were responsible for revealing the identities of crucial informers, for leaking secret information, and for covering up investigations, according to the Italian press. Their dismissal, reported the newspaper *La Stampa* May 23, was a move to clean

New Structure For The Italian Secret Services

The Italian Parliament approved a new structure for the country's secret services on May 23. The reform was drafted by Premier Andreotti personally over a year ago as the three trials opened against Curcio and the Red Brigades, the plotters in the Borghese coup attempt of 1974, and the perpetrations of the series of bombings in 1969 which launched the terrorists' so-called "strategy of tension."

Only sabotage from Cossiga's Interior Ministry, the Amendola-Napolitano faction in the Communist Party, the Craxi-Lombardi faction in the Socialist Party, and the Agnelli-linked faction within the DC had prevented the reform from going through before now.

The new legislation revokes the use of arbitrary "state security" blocks to serious investigations. Already, Andreotti has used this power to allow for the investigation of the sources which financed the 1974 coup attempt by channeling money to the then-head of the secret services, General Vito Miceli.

The new secret service structure will be formed by one military counterespionage unit — the SISMI — under the responsibility of the Defense Ministry. Together with the SISMI there will be a civil internal security unit — the SISDE — under the responsibility

of the Interior Ministry. There will be an Inter-ministerial Security Commission that, together with Andreotti, will coordinate all intelligence activity.

The point of the new structure is not only to have a better organizational apparatus per se, but to have it under the top-down political control of Andreotti and his closest traditionalist allies. This is the case already in the Defense Ministry, under Attlio Ruffini. While a new Interior Minister has not yet been appointed, the most likely candidate is the current undersecretary, Zamberletti; Zamberletti — who describes himself as a "Gaullist" — is Andreotti's personal candidate. To prevent any operation against his candidate, Andreotti announced that he will not be having any special meeting with the political parties before the nomination, since the appointment of an Interior Minister is the Premier's responsibility. If any opposition develops, said Andreotti, then Zamberletti will be made first undersecretary acting as de facto Minister, while Andreotti remains as official Interior Minister.

Similarly, the president of the Security Commission, is Senator Pennacchini — a long-time close ally of Andreotti and of Andreotti's main supporter within the Christian Democracy Flaminio Piccoli.

up the intelligence community before the new just-approved secret services structure began operating in full.

'Father Machinegun' Speaks

The appearance of Silvano Girotto — known variously as Father Machinegun, Brother Machinegun, and Father Lion — at the Red Brigades trial in Turin May 18 left the Red Brigaders and their lawyers "speechless, open-mouthed, and motionless," reported the Italian press. In his first deposition, Girotto destroyed the "just a sociological phenomenon" line on Curcio's gang by testifying that before he could infiltrate the Red Brigades in 1974 he was screened by a network of "very important people." Furthermore, he pointed out that the Red Brigades were being protected by the Interior Ministry, which fed them not only information on antiterrorist operations, but actually gave marching orders for terrorist operations.

Formerly member of the Foreign Legion, a Franciscan priest, and a guerrilla in Bolivia and Chile, Girotto returned to Italy in 1973 with the carefully built-up cover of a Latin American-style "revolutionary priest." After infiltrating the Red Brigades and setting the trap which allowed the Carabinieri to capture Curcio and other Red Brigade leaders, Girotto's cover was blown by Red Brigade sources within the Interior Ministry who unsuccessfully tried to sabotage the arrest of Curcio and his coconspirators. Following this event, Girotto released the following interview to the Italian magazine Panorama on Dec. 12, 1974. Afterwards he vanished from the scene, until French intelligence returned him to the Carabinieri at the appropriate moment two weeks ago.

Q: Is it true that you are about to leave Italy?

A: Yes... I came back to Italy in November 1973, after several experiences, let's say dense experiences, in Bolivia and Chile. From November 1973 to June 1974 I had no political contacts whatsoever, I did not engage in any political activity...

Q: What did you do?

A: I spent most of my time writing my memoirs... I was about to submit the manuscript to an editor when *Candido* wrote that I was the head of the Red Brigades... *Candido* published three articles. Finally the police were on my track...

Q: And one day the Carabinieri arrived at Potenza Street.

A: A Carabinieri captain... He pulled out copies of the articles and asked me: What do you have to say?, and I answered: What should I say? I don't know anything, it's a stupid fabrication... And we began talking.

Q: About politics?

A: I said what I always thought: that the Red Brigades are dangerous, that the sooner they are caught the better. At this point the captain asked me: Well, if you really have it against them, why don't you lend us a hand in finding them?

Q: Wasn't it a problem to contact the Red Brigades?

A: Not really. I have a long experience in the underground and developed a smell for these things.

Q: How did you establish contact with them?

A: I went to a specific area and spread within certain circles the rumor that I was interested in the Red Brigades.

Q: What happened then?

A: The seed bore fruit some 20 days, maybe a month later. I was invited by a professional whom I did not know to spend an evening at his house and tell him about my experience in (Latin) America. There were other people... Later on, when we were alone, the professional told me: I must talk to you about the Red Brigades. Talk to me how? I asked. Concretely, he said. This was the first link of a series. From one person I was "passed" on to another, and to another, and to another, many meetings... They were evaluating, screening me... A problem emerged at this point. I was talking to very important people, hearing interesting and very serious things...

It was not workers at all, those whom I was meeting with... At a certain point I found out things about a magistrate... So, I told the Carabinieri: you must also hear the things that I am hearing. From then on, I went to the meetings with a hidden microphone and the Carabinieri were recording.

Q: And where did the meetings take you?

A: Finally, I was granted a meeting with Renato Curcio, founder and head of the Red Brigades... It was to be Sunday Aug. 1, at 10:00 a.m. at the Pinerolo station...

Q: Was it a long meeting?

A: He talked to me for six hours, after which I was muddled... He was a great talker, but with a delirious political line. He told me: "You know, we don't want the revolution at all. We already made the revolution. We are in war..." We talked about everything, including their financing... He told me the history of the Red Brigades up to the Sossi kidnapping... Out of the conversation I gathered the distinct impression that Red Brigades knew too many things. They had privileged information.

Q: What kind of information?

A: At a later date Curcio told me that they had informers within the Interior Ministry... The second meeting took place Aug. 31... This time they made a concrete proposal that I join the Red Brigades. They needed men, they told me, for the autumn battle.

Q: What battle?

A: They had crazy plans, I cannot say more. They scheduled me for another meeting in Sept. which was to be decisive. That day I had to go with them... The day arrived and I met Curcio at the same place, but this time I had a hidden microphone and the police cars were ready to come in... I told Curcio I was ready to go, but I had to take my car back to Turin, and they should pick me up there... He left in his car, and I told the Carabinieri that they could unleash the operation... I got there in time to see the epilogue. There were five or six Carabinieri cars. Curcio and Franceschini were arrested... I did not escape to Switzerland, as has been said. I was in Turin. I was hiding, naturally, but I went to the magistrates and talked a lot, from 8:00 p.m. to 6:00 a.m. It was hard, but there is nothing better than telling the truth.

Q: Who was arrested as a result of your action?

A: Curcio, Franceschini, Lazagna, and Levati... The organization was hit at its brain...

Who is General Figueiredo?

A profile of the 'mystery man' who is Brazil's next leader

The selection of General Joao Baptista Figueiredo as the next ruler of Brazil is the most devastating set-back suffered by Latin America's prodevelopment forces this year. The nomination of Figueiredo, currently head of Brazil's National Intelligence Service (SNI), was

BRAZIL

announced by incumbent President Ernesto Geisel during the first days of the year. His candidacy was rubber-stamped by the ruling ARENA Party's convention in late March. He will be elected president by unelected electors in November, unless the military's widespread repugnance to him and his policies gives rise to a strong opposition candidacy.

Figueiredo is already seeking to reverse almost every positive tendency that has emerged in Brazil during the Geisel presidency. Geisel's policy of making Brazil an industrial power through broad economic cooperation with continental Europe and Japan will gradually be abandoned. Figueiredo's calculated attack on the French Republic in a recent interview has already provoked the postponement of French President Giscard's scheduled June visit to Brazil.

The future of plans for Brazil to obtain a complete nuclear energy-cycle technology from West Germany is threatened by Figueiredo's announced preference for agriculture over industry, for labor-intensive processes over energy and capital-intensive methods. Geopolitical expansionism is likely to stamp out incipient tendencies for Brazil's nationalist military and industrial elites to think of Brazilian "greatness" in terms of technological and social achievements.

Figueiredo Is Not Unknown

Virtually every periodical and intelligence source covering Brazil maintains that Figueiredo's policy orientations cannot be predicted. Those who are supposed to know recommend withholding judgment until he is safely in the presidency. Such analyses are occasionally made out of ignorance of the facts presented in this report; but, more frequently, they stem from a conscious desire to suppress, until it is too late, the truth of what is in store for Brazil and its neighbor.

Figueiredo is a "paper clip general," comparable to U.S. NATO Commander General Alexander Haig; his rapid rise to the command of the nation has been based

largely on his control over the infamous SNI intelligence apparatus. Most of the Brazilian brass is resentful that the future president has never had a troop command and is as distant from the concerns of the barracks as he is from those of the civilian population.

Figueiredo's success is due in large part to his mentor, the aging General Golbery do Couto e Silva, who, it is rumored, will be granted the Foreign Ministry as his reward. Golbery is widely known and despised in hispanic America for his formulation of the "Lebensraum" imperial theory of Brazilian "living frontiers:" "National borders no longer have the meanings they had in the past, because they advance or recede depending on the circumstances, and, having a life of their own, exercise a natural pressure on weaker economic and demographic frontiers."

Golbery is "the father of Brazilian geopolitics," a tropical elaboration on the geopolitical cant of British Empire theorist McKinder and related Fabian Society circles. Yet, the Brazilian military faction which adheres to his Atlanticist concepts is mistakenly called the "pro-American tendency — not because it coheres with actual American interest, but because of its slavish adherence to eminently anglophile currents in the U.S.

This clique was built around the officers who served under ex-Deputy Director of the CIA General Vernon Walters — then U.S. military attache in Brazil — and U.S. Ambassador Lincoln Gordon to overthrow the democratic government of President Joao Goulart. Walters and Gordon brought this "Castelista" faction into control of the Brazilian government in the post-coup regime of Marshall Humberto Castello Branco (1964-67).

Figueiredo, then only a colonel, was given command of the Rio section of the SNI which was being set up by Golbery as the political police. In 1966 he was transferred to Sao Paulo to set up the repressive apparatus there. During the ensuing years, his networks were responsible for thousands of political arrests and the torture and even assassination of opponents of the regime.

Figueiredo has also played a major role in the "Castelista" clique's perpetual struggle to contain and manipulate the much larger nationalist tendencies in the military. He was deployed as chief of staff for the powerful General Emilio Medici in 1969, and stayed on as Medici's controller during Medici's 1971-74 presidency, the most repressive period in Brazilian history. Figueiredo then came to head the SNI, while Golbery personally maintained as tight a hold as possible on President Geisel from a position comparable to Zbigniew Brzezinski's National Security Advisor role in the American White House.

Figueiredo has told the press that "agriculture will receive top priority" under his Administration, and that Brazil's destiny is to become "the breadbasket of the world." But the drought now ravaging southern Brazil — causing about \$2 billion in export losses — should dispel fantasies that unimproved agriculture can pump out enough exports to even keep up with Brazil's gigantic and rapidly expanding debt service.

There shouldn't be any expectation that Figueiredo's administration will give the agricultural sector the massive injections of credit needed for machinery and chemical inputs to raise Brazilian yields per acre from their current abysmal levels. Rather, his "agricultural priority" will be an excuse for cutting programmed priority state-sector investments in nuclear energy, steel, capital goods, and basic chemicals, investments which have been the cornerstone of Geisel's economic strategy.

In an interview in *Folha de Sao Paulo*, Figueiredo offered to turn state-built industries over to private hands, if any Brazilian interests could come up with sufficient cash to buy them. He also recently condemned the nationalist policies of bringing capital-intensive industry into Brazil's arid poverty-stricken northeast. He stated his preference for the "job-creating" slave-labor schemes which devastated the Amazon basin.

In fact, Figueiredo's program closely follows the deindustrialization policies recommended in the latest World Bank report on Brazil (see *Executive Intelligence Review* Vol. V, No. 9).

In proportion to the slowdown of Brazilian industrial growth, the Brazilian system — faced with debt service already passing \$8 billion per year — will inevitably turn to the self-cannibalistic gimmicks of squeezing out more quick-cash exports from underfed local populations. Roberto Campos, overseer of the notorious genocidal "Economic Miracle" of the 1960s and now Brazil's Ambassador to Britain, baldly states that agricultural expansion must precede any further industrialization of Brazil. Campos is expected to be Figueiredo's Foreign Minister, if Golbery does not want the post.

Although Figueiredo has never publicly criticized Brazil's ambitious nuclear energy program, nuclear development for peaceful purposes will be a victim of his overall deindustrialization strategy, which will slash growth in electricity demand and make large amounts of energy redundant.

Brazil's declining growth and mounting debt crunch will make it difficult to obtain foreign loans. Figueiredo's offensive comments about France portend disruptions of European efforts to aid Brazil. He has nowhere evidenced the commitment to Brazilian scientific and technological progress that would bring him to provide necessary funding for the nuclear program during times of escalating demands on the national budget. The program will fall farther and farther behind and, as a result, will become even more costly. This corresponds to the U.S. National Security Council's strategy for sabotaging Brazilian development through delays and through encouraging local scientists to oppose the program.

If Figueiredo is not contained, Brazil could shift radically from its present posture of discouraging regional warfare among its Spanish American neighbors. Some geopoliticians suggest that under Golbery's "living frontiers" doctrine, Brazil might stimulate a second War of the Pacific between Chile, Peru, and Bolivia; remain neutral until all combatants are exhausted; and then simply annex Bolivia. U.S. State Department circles admit that Guyana, Peru, and Bolivia are the most likely victims of a Brazilian reversion to the interventionist policies which the "Castelista" faction implemented in the U.S.-led 1965 invasion of the Dominican Republic.

Such expansionism is not only coherent with Golbery's "living frontiers"; it is also the inexorable logic of Figueiredo's economic model, which will necessarily drive Brazil beyond its own borders, Nazi style, in search of loot to maintain its debt position.

Under Geisel, Brazil's foreign policy opened up friendly — and highly profitable — relations with Africa, the Middle East, and Eastern Europe. During Carter's recent visit to Brazil, however, Brzezinski revived Henry Kissinger's "special relationship status" with Brazil to play to the Castelistas' fantasies of achieving "Brazilian greatness" as a loyal NATO ally. Brzezinski encouraged the Brazilians to act as gendarmes against "Cuban influence" in the Americas and Africa. (see *Executive Intelligence Review* Vol. V, No. 14).

"Distensao"

During the months in which Geisel was deciding whom he would choose as his successor, the liberal media in Brazil and abroad insistently described Figueiredo as favoring "democratic reforms" and therefore acceptable to the "human rights" orientation of the Carter regime. As can be seen from the attitudes exhibited in his *Folha do Sao Paulo* interview, Figueiredo's much vaunted "democratization" process will be a Fabian social engineering project.

A liberalization scenario has been prepared by Gen. Golbery under the guidance of Brzezinski's Trilateral Commission partners Samuel P. Huntington and Richard Gardner, the latter currently U.S. Ambassador to Italy.

Huntington has made several trips to Brazil to lecture and consult on "political decompression" along the lines of his Trilateral Commission thesis on "The Ungovernability of the Democracies."

One American strategist with close ties to the Golbery clique foresees a political reform injecting more "pluralism" into Brazilian politics. An elaborate multiparty system of safe "opposition" parties will be set up to diffuse the expected upswell of tensions as the economic system grinds down to harsher austerity levels. The strategist commented: "The politicians will be so involved with forming new alliances among themselves that I don't expect them to have any significant input into national policy before about 1983."

But Figueiredo's strategy of "pluralism" is not likely to prevent an explosion of the tremendous social tensions bottled up in the Brazilian system. Whenever

manipulation fails, the Castelista faction is fully prepared to do what it did during the 1968-70 political explosion — throw Brazil under violent militarist repression.

—Mark Sonnenblick

Figueiredo Gives His View

The following are excerpts from Gen. Figueiredo's debate-interview in the Sao Paulo daily, Folha, April 5:

On French Democracy

Look here, I have studied what you call French democracy in depth. When they are threatened with losing in a district, the president moves the district. They take away a city from here, add it to another district General de Gaulle created something called Article 16, which establishes a state of siege that is much worse and more arbitrary than our Institutional Act No. 5 You're not going to tell me that the French system isn't manipulative, because I've studied the matter in depth.

On The House of Lords

And what is wrong with appointing one-third of the Senate? (This "reform was decreed last April to prevent opposition from winning in November congressional — ed.) Doesn't the Queen of England appoint the entire House of Lords, and aren't you always saying that England is a democracy?

During the empire, didn't the emperor appoint everybody, and didn't everything work well for so long? (The Brazilian empire was a Rothschild front based on slavery; it crumbled under Republican pressure in 1889 —ed.)

Brazilians Too Ignorant To Vote

Are you telling me the people are ready to vote? How can Brazilians in many places in the northeast vote well when they don't even know about hygiene? The other day, right here in Brasilia, I found a soldier from Goias in the barracks who had never brushed his teeth, and another one who had never used a bathtub. And then you tell me the people are prepared to elect a president

. . . . I do not believe I am being elitist; I am a realist.

On Repression

Q: You have said that if ARENA loses in November...

A: What I said was that thing would be more difficult if the MDB (Brazilian Democratic Movement, the official opposition party — ed.) won because, if it won, it would not want to yield at all. And what I say is that we all have to yield a little.

. . . . Look here, if the MDB wins, in addition to this thing about the constituent assembly, well . . . the military is not ready for it. This is when things will blow up. Either I blow up with it, or I join forces with them and we move toward a regime which will be much worse than this one.

On Public Opinion

Public opinion does not exist. You create it. If you want to, you can change public opinion.

On Labor

Q: Are you in favor of free wage negotiation between businessmen and workers?

A: I am. Now you always need someone as an arbitrator, because between a group of radical workers who only want raises and a group of profiteers who don't want to give any raises, you need the mediation of the Labor Ministry.

The French Respond To 'King' Figueiredo

The Information Director of the French Foreign Ministry made the following comments to newsmen inquiring about the postponement of Giscard's visit to Brazil following Figueiredo's insults to France. The French official was quoted in O Estado de Sao Paulo, April 22:

Officially, the French Government did not react, since it was a matter of declarations by a candidate. We think they were from a very inexperienced person who was misinformed. It is true that the candidate has already been designated President, but he has not yet been enthroned.

Israelis Talk War

Israeli Foreign Minister Moshe Dayan said that he expects a new war to erupt in the Middle East, in an interview on Swedish television May 9. Asked if he feared a new war, Dayan said:

"Yes, I do, even if it is not logical. There is a great risk of a new war as long as the conflict continues. One can never tell when it will start, but just as in the case with Lebanon something can happen. The Arab allies are prepared and they are receiving great military assistance. So there could very well be a new war.

"I think just now the greatest obstacle is that President as-Sadat is unable to get other Arab leaders to cooperate in his peace initiative. He will not have a separate peace. That is why as-Sadat is very unwilling to continue the peace talks."

Dayan's statement has heightened worries among

Middle East analysts that a renewed Mideast conflagration is in the works. These perceptions were backed up by comments made by Israeli Chief of Staff Rafael Eytan in an Israeli television interview on May 11. In the interview, which is excerpted below, Eytan provocatively discarded Sadat's peace overtures as insincere and stressed that the West Bank, Gaza Strip, and the Golan Heights are vital to Israeli "security needs" and can never be relinquished.

Eytan: "Basically, I think the basic intention of the Arabs has not changed. Namely, to fight against the State of Israel and remove it from the agenda. The basic Arab intention has not changed in my opinion. Possibly some members of the Arab world are trying different ways to realize the same end."

Interviewer: "That is, removing Israel from the agenda?"

Eytan: "Yes."

Interviewer: "Are you referring to the political negotiations?"

Eytan: "I am referring to everything they do. Unless they come up with a true declaration which says in effect that the annihilation of the State of Israel has been removed from the agenda and is no longer a short-term or a long-term goal for them, they should be treated as though they aspire to realize this goal. . . ."

While several Israeli doves and the Labour Party opposition criticized Eytan for overstepping the bounds of military propriety by making political commentaries, the provocative content of Eytan's statements was not even questioned by Israel's leaders. Defense Minister Ezer Weizman rushed to Eytan's defense, saying, "I do not view his remarks as any irregularity." At the May 14 Cabinet meeting, Israel's ministers voted to exonerate Eytan in a tacit endorsement of his position.

Eytan's exoneration was interpreted by the Egyptian press to mean that Israel indeed is preparing for war.

Weizman Backs Lebanon Invasion

Speaking before an Israeli political convention on May 17, Defense Minister Ezer Weizman announced that if United Nations peacekeeping forces in southern Lebanon do not follow Israel's dictate and crack down on Palestinian military units, "We may have to step in and say, 'Excuse me, God helps him who helps himself.'"

Weizman coupled his threats with an announcement the next day that Israel would erect six complete "urban centers" in the West Bank. Analysts expect that the announcement will be read in the Arab world as a move to annex the area tantamount to a declaration of war.

According to the May 19 *Jerusalem Post*, the Israeli government received an "angrily worded" State

Department protest against Weizman's West Bank annexation scheme, charging that "if implemented, it would torpedo all hopes for a Middle East peace settlement."

Weizman's statements highlight the mood of growing defiance of America in Israel in the wake of the Senate ratification of the Carter Administration's proposed package sale of jet fighters to Israel, Saudi Arabia, and Egypt. Immediately following the Senate approval, Weizman issued a veiled warning: "We hope we won't have to fight these planes in the air."

On May 21, the Israeli Cabinet met and issued a statement "deploring" the arms sale to the Saudis, warning that Israel is considering cutting its dependence on the U.S. and is preparing to produce its own sophisticated jet fighter, the Aryeh. The Cabinet refused to discuss suggestions by U.S. Secretary of State Cyrus Vance for surmounting the West Bank impasse, but concentrated instead on U.S. "abandonment" of Israel to stir up anti-U.S. sentiment and prepare the country for war.

Israelis Activate Shi'ites

The war talk emanating from Israel puts into bold relief the recent announcement by Israel that all troops currently in southern Lebanon will be withdrawn on June 13.

The Israeli government's announcement coincides with the activation by Israeli intelligence, in concert with the avowedly fascist Christian forces in Lebanon, of reactionary Shi'ite Moslems against the Palestinian. Aided by Israeli and British intelligence, Major Saad Haddad, leader of the Christian forces and confidante of Dayan, Weizman, and Christian warlord Camille Chamoun, is reportedly organizing the Shi'ites into militias to replace the Israelis after their departure next month.

—Nancy Parsons

An Israeli 'Oil Embargo'?

Previewing the "new strategic considerations" being discussed in Israel following the arms sale ratification, the May 19 Jerusalem Post featured an article by Yossi Goell calling for "the destruction of Saudi oilfields" in the event of a new war:

Paradoxical and disheartening as it may sound, this week's approval of the plane sales package by the U.S. Senate may well be the death blow to any Egyptian-Israeli peace agreement in the immediate future.

. . . America's new commitment to sell Saudi Arabia 60 F-15s pales into relative insignificance when compared with America's quiet building of a major military infrastructure for Saudi Arabia.

Now, following the American decision to turn Saudi Arabia into a linchpin of the Arab "Eastern Front," it should be clear that Israel cannot and will not relinquish the air bases at Rafiah, Eilat and Sharm el-Sheikh, and the naval base at Sharm.

These bases, and especially the ones at Eilat and Sharm, will become paramount in Defense Minister Weizman's strategy to counter the new fact of Saudi air power.

How Mr. Sadat will react to this is hard to guess. What should be clear, however, is that Israel now will not yield on these bases even if it means the final collapse of the talks with Sadat.

Furthermore, it should be equally clear that Israel will have to begin thinking of Saudi Arabia in terms of a major enemy.

In the past, a Saudi military presence was considered marginal. In planning reactions to possible future attacks, the need to bring the war into Saudi Arabia — including the destruction of its oil fields — will now have to play a central role.

This may sound like empty bombast at first blush. American military studies point to the unfeasibility of a military takeover of Arab oil fields in case of a renewed Arab oil boycott.

But the problem for Israel is not taking over Arab oil fields, but destroying them, if need be, and that is definitely within Israel's military capability.

. . . It is often forgotten in the panic-stricken West that not just the Arabs can deny oil to its thirsty economies; Israel can bring about similar disruptions.