

# EXECUTIVE INTELLIGENCE REVIEW

January 30 — February 5, 1979

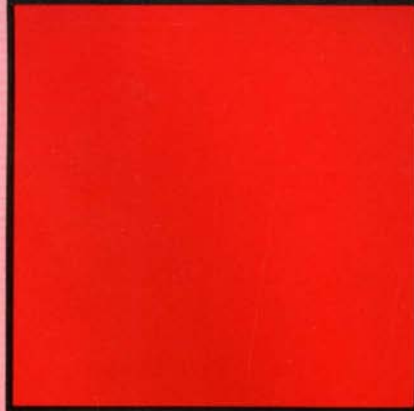
## The Presidency 1980



Who's the man  
to lead America



into the  
EMS?



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# EXECUTIVE INTELLIGENCE REVIEW

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**Executive Intelligence Review**  
is published by New Solidarity  
International Press Service  
P.O. Box 1922, GPO,  
New York City, N.Y. 10001

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

ISSN 0 146-9614

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## The Presidency 1980

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

Both the 1980 presidential race and the newly formed European Monetary System are underway — and the EMS is determining the character of the presidential race to a degree that few who depend on the U.S. mass media for information would suspect. Our U. S. REPORT this week is a report on the presidency which focuses on the challenge the EMS poses to the next occupant of the White House. Our story includes a report on plans by America's London-linked political barons to hand the presidency to General Alexander Haig, the NATO commander, to carry out a policy of confrontation with the Soviet Union — as a counter-strategy to the EMS. Plus a mid-term analysis of the Carter presidency which outlines the dangers arising from a second Carter term, and explains why no major political faction wants to see Carter reelected. And we feature excerpts from "1981-1985: The Presidential term to shape a century to come," a statement on the EMS and the presidency by U.S. Labor Party chairman Lyndon H. LaRouche, Jr., a declared presidential candidate who has been closely involved in the process which led to formation of the EMS.

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## IN THIS ISSUE

### **Report on London's Muslim Brotherhood**

Is the revolt sweeping Iran really an expression of millions of Iranians' desire to repudiate "Western-style" industrialization and return to the "basics" of the Islamic faith? Hardly, concludes our THIRD WORLD section this week. In fact, we report the movement associated with the Ayatollah Khomeini and the Muslim Brotherhood traces its "roots" to an unlikely group of associates which includes the British embassy in Cairo, the late philosopher Bertrand Russell, former U.S. Attorney General Ramsey Clark and leaders of the U.S. "new left," and the late Italian Trotskyist Lelio Basso. Our report sorts out the whos and whys of this peculiar association, and warns what you can expect from it in the months to come. **page 34**

### **What's ahead for U.S. auto?**

America's auto industry: confronted with increasingly restrictive and contradictory federal pollution and safety regulations, burdened with outdated production facilities, and with two of its big four attempting to chart their way through turbulent financial waters — which way will it turn? This week's ECONOMIC SURVEY profiles the basic structure and management outlook of the U.S. auto industry, and concludes that the solution to auto's problems lies in abandoning the "styling" approach pioneered by GM's Alfred P. Sloan, and returning to Henry Ford I's policy of high wages and high capital concentration which would enable automakers to easily and rapidly diversify to meet the variety of equipment needs which will accompany the 1980s' global economic emphasis on Third World industrialization. **page 25**

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**Opus Dei in Spain**

Somewhat surprisingly, Spain, which only recently emerged from the years of the Franco dictatorship, is becoming a significant factor in international political-economic affairs. Spain has assumed for herself the responsibility of serving as the "bridge" between the countries of Latin America and Europe, helping to draw the Latin American nations into the process of formation of the European Monetary System. To find the answers to Spain's new outward look, this week's SPECIAL REPORT — the first in a series on Spain — takes a look at the Catholic humanist organization Opus Dei in Spain, which is playing a major part in the government of King Juan Carlos and Prime Minister Adolfo Suárez. page 50

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**COMING NEXT WEEK**

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**Mexico: Can it follow  
the Japan model ?**

Next week's cover story features a look at Mexico on the eve of President Carter's important state visit. Following recent discoveries of major Mexican oil reserves, Mexican government planners who are responsible for planning the spending of Mexico's future oil revenues make no secret of their intention to make Mexico an industrial power on the model of Japan — or the United States itself. But voices in President Carter's entourage are warning that if she does industrialize, Mexico risks a social explosion of the sort that has ripped through Iran. Will Mexico proceed with industrialization plans? Can they succeed? Is U.S. policy once again on a disastrously wrong track? You'll find the answers, plus exclusive special features and background reports, in next week's report on Mexico.

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really negotiated at the July 1978 Bremen and Bonn summits of industrialized countries . . . and how the European Monetary System launched at Bremen was *modeled* on a 1975 proposal by the American political economist Lyndon H. LaRouche, Jr. as the "seed-crystal" of a new, development-oriented world monetary system . . . how the United States can get into this system and out of the depression . . .

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fusion energy researchers in the United States achieved the milestone breakthroughs reported in August, 1978 from Princeton, and what other advances are coming in this clean, cheap and virtually unlimited solution to the world energy crisis . . . how and why there was a massive sabotage attempt against the U.S. fusion program, and who's backing fusion now . . . what were Japan's and the Soviet Union's offers USA for joint fusion R&D.

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# The crisis in Iran spreads

*And now reports underline the danger of global war*

Soviet armed forces have consolidated positions along the Iranian border in anticipation of a possible intervention, should Zbigniew Brzezinski trigger a NATO coup d'état or a chaotic collapse of the Bakhtiar government in Teheran, say well-informed sources in Washington.

The Soviet deployment — which may touch off a military response by the NATO command — signifies that the world has been brought to the very brink of war by an accumulation of regional instability from Lebanon to Pakistan.

Besides Iran, virtually every state in the area is threatened by destabilization orchestrated by British and Israeli intelligence and their American allies, especially the Aspen Institute and Brzezinski's National Security Council. In Lebanon, the Israelis have again sent troops against villages in south Lebanon, bombarded several ports with their navy, and assassinated a top PLO leader in Beirut, while Moshe Dayan has warned the Arabs to "remember what happened in 1948." Dayan also said that Israel would intervene in Lebanon even if this endangered further peace talks with Cairo, and added, vis-à-vis Egyptian President Sadat, "After the Iran crisis, Israel should not trust 'one-man regimes.'" Both Turkey and Pakistan are being pushed toward internal crisis, the latter especially if the Army junta led by General Zia goes through with plans to execute former Premier Z. Ali Bhutto. And there are reports from many U.S. and Arab sources that Saudi Arabia is being targeted for "the Iran treatment."

According to the *Christian Science Monitor*, some followers of fanatic Ayatollah Khomeini have set up "revolutionary centers" in mosques in Iraq, Kuwait, and other Persian Gulf states, preparing to launch a war against progress in those states, like the movement that toppled the Shah of Iran.

But the focus of the regional crisis re-

mains Iran itself. Late last week, as we went to press, the regime of Prime Minister Bakhtiar, the Iranian military leadership, and many of Iran's top clergy were seeking some way to prevent the return of Khomeini to Iran. Should Khomeini not return, observers say, then Bakhtiar and his allies will probably pull together a workable coalition to cool down Iran and get the economy geared up again.

But Khomeini — despite enormous pressure — insisted on returning, scheduled, at latest information, for Sunday. The army, which is vehemently opposed to Khomeini's prehistoric "Islamic republic," is reported to be near to carrying out a coup d'état to stop him.

From all sides, it appears that support for Khomeini is fast declining. Bakhtiar, firmly resisting Khomeini's blackmail, observed that Khomeini might try to come back "on his flying carpet." The Army, not so subtly, had shut down all of Iran's five airports.

In fact, the warmest support that Khomeini has gotten recently was from Ramsey Clark, reportedly acting as an unofficial Brzezinski envoy, who met Khomeini in Paris to pledge his devotion to the mad mullah. The French press, which has begun an anti-Khomeini campaign, reported unanimously Jan. 24 that Washington has struck a deal to back Khomeini's Islamic republic.

But European sources indicate that France, West Germany, and the USSR have reached a consensus that the Bakhtiar government must be supported by whatever means necessary. The first step in that consolidation might be the decision, announced Jan. 24, that the National Iranian Oil Company was ousting the British-run OSCO consortium from control over Iran's oil output — with rumors that the French are prepared to back National Iranian in the takeover!

—Robert Dreyfuss

## The Pope and Europe's development diplomacy

That Pope John Paul II's visit to Latin America is far more than a Church affair becomes apparent when the Pope's itinerary is viewed against the backdrop of current diplomatic activity by other European leaders. The strategy behind the new European Monetary System of a development-based "Europe from the Atlantic to the Urals" is being aggressively extended to the Third World by France, West Germany, and the Soviet Union. The outlines of the Papal tour make clear the Vatican's intimate involvement in this Pan-European drive.

France is currently the best example of this "Pan-European" cooperation and diplomacy designed to bring the Third World into new European Economic System.

French President Giscard d'Estaing announced Jan. 23 that before the end of the month he will personally brief the Finance Ministers of the African countries in the franc zone "on the inner workings and advantages of the EMS and European Currency Unit." Giscard also announced that he is organizing a European-African summit for May, involving

African countries outside of the franc zone as well.

The Pan-European aspect of Giscard's diplomacy is confirmed by a report from the Parisian weekly *VDS* that during Giscard's state visit to the Soviet Union this spring, the Soviets will accredit a French diplomat to the Council for Mutual Economic Assistance, the Comecon, giving the French tremendous trade advantages with the East bloc. The CMEA is the economic coordinating agency for the Soviet sector.

Spanish-Soviet discussions about Third World development are just as intense as the French-Soviet ones, with special importance for both Latin America and Africa. The Jan. 24 issue of the Parisian daily *Le Figaro* commented on Spanish Foreign Minister Oreja's visit to Moscow that "Spain's vast Hispanic project, its ambition to build a community of Iberian nations, fits into the framework of this European policy ... Latin America is Spain's dowry to Europe." The daily added that Moscow "heartily encourages Spain's Maghreb policy," a reference to Spain's decision to turn its former colony of Spanish Morocco over to Morocco and Mauritania in the northwestern or Maghreb section of Africa.

Hence the significance of the Pope's Latin American tour. Immediately before he set off for his Jan. 25-30 trip, the last official visitor to the Vatican was Soviet Foreign Minister Andrei Gromyko. And just before his visit to the Vatican, the Soviet official had met with Italian government leaders and issued a call for "relaunching detente" in a "Pan-European context," specifically the upcoming meeting of signatories of the Helsinki accords in Madrid. Gromyko also signed three collaboration agreements with the Italians, and emphasized the two countries' mutual responsibility to cool down world trouble spots.

In Mexico, observers expect that the Pope will be guided by the Third World development goals of the *Populorum Progressio* encyclical of his predecessor Pope Paul VI, ideals fully coherent with the perspective of developing sector integration into the European Monetary System.

#### **The West German contribution**

West Germany, the European country that provides a good share of European development funds for the Third World, is

presently reorganizing its entire Ministry for Economic Cooperation, the development ministry, so that it can better participate in the planned expansion of development activities.

Minister for Economic Cooperation Rainer Offergeld announced Jan. 19 that Manfred Boell, head of the Ministry's department on regional development projects and coordination, and Rainer Opplet, another department head, were both dismissed, in addition to many other secondary Ministry officials. Sources inside the Ministry said that the two officials were fired because "We don't need any more 'creative' chaos, just hard efficient work, and the people who dismissed were plain creative chaos. ... Our perspectives are all there. Now comes the implementation."

The only two higher-level Ministry officials who were not sacked were State Secretary Brueck, who accompanied West German Chancellor Helmut Schmidt on his trip to Nigeria and Zambia late last year, and Norbert Burger, an expert on coordination among the various West German development institutes. Klaus Dieter Leister, formerly in charge of Schmidt's

Chancery office, will take Wilfried Boell's position.

The EMS's opponents have their own plans, however.

A phony Franco-West German alliance on Africa was the highlight of the Jan. 23 Paris conference of the Bavarian-based Hans Seidel Foundation. There Bavarian Minister Strauss outlined a strategy for Africa based on the apparently sound proposal that "both France and Germany should develop their strategy for Africa, a strategy formulated in Paris and worked out with Bonn." But a call to the Foundation's headquarters in Munich revealed that Strauss was not calling for aid to Africa, but for European support for Great Britain's contrary policy of "less is more" development for the Third World.

"This African strategy is by no means directed against Britain," a Foundation staff member said. "Not only are Strauss' contacts with Healey and Thatcher good, but this meeting was worked out with them. The idea is to produce much more intense cooperation between Britain and Europe, and that can't happen if France and Germany 'misunderstand' each other."

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## Panel to set a competent U.S. health policy

Everyone knows the United States is in urgent need of a sound national medical policy, but there's no doubt that neither of the two bills now before the 96th Congress — the Kennedy health insurance bill and HEW Secretary Califano's "hospital cost containment" alternative — can provide Americans with even adequate health care.

A more positive prospect was raised last week by Debra Hanania-Freeman, Congresswoman-elect for Maryland's 7th district seat. She reports that at her request Dr. Ernest Schapiro, a medical doctor distinguished as a leader in the movement against marijuana decriminalization in upstate New York and around the U.S., is forming a "Blue Ribbon Commission" to immediately formulate a competent national health policy for the U.S.

"Dr. Schapiro has already begun con-

tacting interested individuals," said Dr. Freeman, "and he will be issuing a series of interim reports on health care questions, as steps on the road to the Commission's formation of a comprehensive policy."

If the Kennedy bill becomes law, said the Congresswoman-elect, "HEW officials are already mooting the possibility. . . of forcing those seeking government health insurance to sign a so-called 'living will' giving hospital administrators the right to 'pull the plug' or restrict treatment to pain-killing drugs if it is deemed no longer expedient to keep the critically-ill patient alive."

"Dr. Schapiro and I are in fundamental agreement on the basic principles that will guide the Blue Ribbon Commission in its efforts to develop a real American health care alternative to this nightmare."



# Junta readies Bhutto's murder

The military junta of Pakistani General Zia ul Háq appears to be readying itself and the nation to murder imprisoned Prime Minister Zulfikar Ali Bhutto, awaiting only the decision of the Supreme Court on Bhutto's appeal of a death sentence conviction given him by the junta's courts.

Pakistani sources to have massively deployed troops into all Pakistani cities prepared to crush outbreaks of resistance to their move.

The London *Daily Telegraph* also reported that leaders of Bhutto's Pakistan Peoples Party are going underground in anticipation of the court's decision and a feared general roundup of party members. The decision of the court, which is "writing its judgment," is expected any day now and the time between its announcement and the carrying out of the execution of Bhutto if the court upholds his sentence will be swift, according to well-informed sources.

Latest reports, relayed from sources inside Pakistan, are that a decision will come down between Jan. 26 and the end of the first week in February. Rumors are also rife, some predicting Bhutto will hang, others that the court is split. One report indicates that the army itself is split three ways, and that two of the factions do not want Bhutto hanged because of the disruption it would cause, and instead want the army to get out of politics. But so far Martial Law Administrator Zia and the fanatic Muslim group most strongly supporting him have not indicated any change in their desire to get Bhutto permanently out of the way.

The Pakistani junta received important backing from the Peking regime, which sent Vice-Premier Li Hsien-nien on an unscheduled three-day visit to Pakistan on his way back from Africa. The Chinese official praised the government and gave Chinese backing to Pakistani claims against India over Kashmir, despite an upcoming visit of the Indian Foreign Minister to China in several weeks.

It is known that the Chinese, long-time allies of Pakistan, have made it clear they have no concern over what happens inside

Pakistan as long as their strategic interests are served.

## The Iran connection

The murder of Bhutto, according to many observers, will trigger chaos inside Pakistan within a short time as the junta and its backers among the fanatic reactionary Muslim Jamaati Islami party, the Pakistan branch of the Muslim Brotherhood, try to hold onto power with little support in the population. The events in Iran will encourage the spread of chaos and the disintegration of Pakistan, which in turn will have an impact on the political stability of India.

Already Pakistan is being used for Muslim Brotherhood destabilization operations into Afghanistan. The Jamaati Islami of Afghanistan, operating out of Pakistan, claims that it is leading tribal revolts inside Afghanistan, attempting to undermine the revolutionary government of Prime Minister Taraaki. Taraaki

has vowed to fight "the black international," as he calls it, and the Afghan government stated recently that Western press claims of widespread revolts inside the country are "lies."

The fate of Bhutto remains a matter of urgent international concern to halt the collapse of the entire region. Former Indian Prime Minister Indira Gandhi recently told a cheering Muslim audience in southern India that she had sent letters to many Prime Ministers and Presidents urging their intervention to save Bhutto.

Both the Pakistani government and a minister of the Desai government in India itself responded with attacks on Mrs. Gandhi for "interfering in the internal affairs of Pakistan." However, the Defense Minister of India, Jagjivan Ram, has recently warned the U.S. against any attempt to escalate arms sales to Pakistan. Such sales have been reported recently as under consideration to "shore up Pakistan" in wake of the Iran events.

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Katharine Graham Wouldn't Print*

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# The Presidency

## *Who's the man to lead America*

To a degree largely unknown to the majority of the United States' voting public, the character of the 1980 presidential race is being determined by the establishment, beginning this year, of the European Monetary System, which is laying the basis for a new and more viable international monetary system to replace the collapsed Bretton Woods agreements and their central institution, the International Monetary Fund.

But in the "back rooms," where American politics is still largely determined, the presidential race is being fought out as a battle between the pro-British Anglo-American elite, committed above all to stopping the EMS, and pro-EMS forces in the U.S. who, though not necessarily committed to the candidacy of U.S. Labor Party chairman Lyndon H. LaRouche, Jr., are nevertheless taking their political cues chiefly from LaRouche. The emergence of LaRouche — who declared his candidacy earlier this month — as a pivotal factor in the 1980 presidential race is startling to those who remember that his emergence as a widely recognized public figure came only in 1976, with his nationally televised warning of the nuclear war danger posed by a Carter presidency; it is being grudgingly accepted as fact nevertheless, as witness bitter attacks on the U.S. Labor Party in recent issues of *Business Week* and the *Far East Economic Review*, and, more significant, revelations that the U.S. State Department has risked a Watergate-style "dirty tricks" scandal in deploying a significant manpower force internationally to counteract LaRouche's efforts on behalf of the EMS.

Even more difficult to accept, however, is the fact that the doyens of the New York Council on Foreign Relations and related Anglophile circles have selected NATO commander Alexander Haig as the next U.S. President, to take office after playing out a carefully preplanned scenario in which he defeats Democrat Ted Kennedy in the November 1980 election by running on a platform of thermonuclear confrontation with the Soviets.

LaRouche versus Kennedy and Haig: in the following series of reports, we take our first in-depth look at the 1980 race. Our coverage features:

— excerpts from LaRouche's challenge to the nation to select a President based on the qualifications to lead the United States into the European Monetary System;

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# 1980

## into the EMS?

- an analysis of the “Haig-Kennedy” scenario, including statements and press clippings from such advocates as Jay Lovestone and the London *Daily Telegraph*.
- a mid-term assessment of the Carter presidency, which takes a critical look at Carter’s budget and State of the Union message;
- and a look at the continuing and growing problem of election fraud, which points to some needed areas of legal reform, plus important test cases now before the courts which could force changes in the way elections are conducted.

## Shaping the century to come



*Lyndon H. LaRouche, who announced his candidacy for the 1980 presidential elections on Jan. 12 in Washington, D.C., previewed his campaign and his role in shaping the presidential election in a statement released at the time of his announcement. Major portions of his statement appear here.*

The American citizen must throw away all accumulated habits of thinking about national politics for the 1980 Presidential campaign. Although only a privileged handful in the United States yet realizes what this truth implies, the entire world is now at a point of crisis, a point of the most profound, sweeping, worldwide changes in approximately two centuries.

In the most narrow sense, what is now occurring is France and Germany replacing the nearly two centuries of British domination of Europe. The United States is therefore under the greatest, growing pressure to end the U.S. government’s twentieth-century tradition of a special relationship to the British monarchy, and to establish our principal transatlantic alliances with Paris and Bonn.

If the United States should continue to cling to a special rela-

tionship to London, it is probable that general thermonuclear war will occur before the 1984 election campaign. If the United States moves away from London to a deepened, special relationship to France’s President Giscard and Germany’s Chancellor Helmut Schmidt, a new order of world peace and growing prosperity will be secured for a hundred years for the citizens of the United States and their posterity.

It is from that standpoint that I now declare the beginning of my campaign for nomination to become President of the United States for the critical term, 1981-1985. It can and should be said that, without the slightest exaggeration, I am at present the only candidate with the combined knowledge and vision to work closely with our allies in Paris and Bonn to bring about the needed kind of durable new order in the world. . . .

As of the present, it is also . . . my duty to aid President Jimmy Carter’s administration in the same way I seek to aid promising contenders for the 1980 nomination and election. I must aid the White House and the Congress in understanding the implications of the new **European Monetary System**, in understanding various important strategic options they would probably not understand adequately without the benefits of my campaigning.

My principal target is that of establishing the kind of White House leadership during 1981-1985 which will establish the secure foundations for our nation’s prosperity and security for a half-century or more to come. My correlated duty is to aid in assuring that the United States reaches January 1981 alive and well.

### **A candidacy more American than apple pie**

It is useful information for the average citizen to know that I am the Presidential candidate who is “More American than Apple Pie.” Although my global strategies and domestic policies are generally in agreement with those of President Giscard, Chancellor Schmidt, the standpoint from which my policies are designed is exactly that of the founding fathers of our nation.

I have the same world-historic purpose for the United States as Benjamin Franklin, John Quincy Adams, and Abraham Lincoln, and bear consciously the same scientific-philosophical tradition

that they embraced in adopting that global purpose for our nation's existence.

It is my duty to aid the present administration and Congress by demonstrating the way in which that tradition applies uniquely to the domestic and foreign policy matters presently before us. It is my duty to awaken a sense of that Neoplatonic-Republican heritage of our nation's creation and past greatness among those other presidential candidates who might become fitted to occupy the 1981-1985 White House in my place.

The function of my term as President of the United States is to sweep aside the vestiges of the British colonial and imperialist system from the world, and to reorganize the world according to the principles of what were once known internationally as the American System for effecting generalized scientific and technological progress.

The function of an American President is not to manage an overgrown political delicatessen. The function of an American President is to be a *nation-builder*, and also to be the quality of *world-builder* our nation's weight in world affairs obliges our President to be. An American President, like our nation's founding fathers, must be governed by a rigorous sense of our proper national purpose. We must meet today's needs, but we must place the emphasis of providing a secure foundation for the prosperity and security of our nation and the world for coming generations. An American President, like our founding fathers, must be a nationbuilder who creates a heritage bestowed to the enduring advantage of our nation and its posterity.

The principles of natural law and national purpose on which the United States are founded are these.

First, there is the fundamental difference between a human being and a beast. That difference is the potentiality of the human mind to be developed in such a way that mankind increases its power over nature. This increase is obtained through the kinds of individual discoveries we associate with scientific discoveries and useful inventions. It also depends upon that education and cul-

### **Rep. Kemp declares EMS is a campaign issue**

Congressman Jack Kemp (R-NY) became the first elected official to publicly endorse Lyndon LaRouche's assessment that the European Monetary Fund is of major positive significance for the United States, on Jan. 21. Kemp, who is widely considered to be a potential GOP presidential candidate, declared on William Buckley's Firing Line, that the European Monetary System has "become a subject of national debate." He then went on to say that he was personally very "optimistic" about the EMS and that he felt its gold-backed bond structure is a very positive development. The European Monetary Fund, Kemp said, would result in a positive shift in international monetary affairs, announcing that its creation has already generated "for the first time, a real policy debate within the United States." Kemp's office reports that he plans to make the European Monetary Fund a continued major political issue.

tural development which enables people generally to assimilate such discoveries and inventions, for production and other general practice by society.

A human being lives fully as a human being only in a form of society in which the distinguishing qualities of the human capacity for technological progress are honored and encouraged. It is true that we need technological progress absolutely, in order to overcome limitations of primary resources, and so forth. More important, we need technological progress because we require a form of society in which each of us is valued for that scientific progress in knowledge for practice which makes us superior to the beasts.

## **A new world economic order**

President Giscard and Chancellor Schmidt have taken the initiative in creating a new world economic order, to end the present decline into a world depression, and to launch an unlimited prosperity over two, successive twenty-five year terms. The keystone of this new arrangement is the European Monetary System (EMS). This EMS will, over a projected two-year period, be the pivot for developing a new world monetary system. That new monetary system will, in turn, create a new world economic order of general and growing prosperity.

What is being done is in exact agreement with a measure I proposed during the spring of 1974, and is also in agreement with the new monetary system I first announced at a Bonn press conference during April 1975. Naturally, my immediate associates and I have been in fairly frequent discussions with some among the circles behind the creation of this new monetary system now going into place. For that and related reasons, I can inform you that the new system agrees in every essential respect with the system I proposed in my 1975 International Development Bank (IDB).

What we are going to do is to open up the Third World for a growing flood of high-technology capital goods. The biggest single component of this trade will be nuclear-energy installations, building up to the order of volume of up to a hundred new such plants started in construction per year.

Out of this, under my Presidency, U.S. high-technology capital goods exports will increase by at least \$100 billion annually over present levels. . . .

## **How to get me into the White House**

The key to the 1980 election is, as I noted at the beginning, that the "silent majority" of those citizens committed to the American tradition of technological progress can break out of the British-influenced control of leading institutions provided those voters have a half-way credible practical alternative. The added fact is that the European Monetary System exists, that a major upsurge in prosperity is available to the nation on condition merely that I am put into the White House. Once those two conditions are established among a large portion of the "silent majority," a rumble and then an earthquake will occur in the pre-existing political arrangements in this country.

# Haig, Kennedy: a rigged choice



The same political circles who foisted the muddle-headed Jimmy Carter upon the nation in 1976 are well on their way to insuring that a far greater threat to U.S. national interests is in the Oval Office in 1980. The Council on Foreign Relations, in collaboration with such British-affiliated networks as the Aspen Institute for Humanistic Studies, is committed to a scenario for the 1980 presidential elections whose principal elements are the following: First, a rapidly deteriorating global economic and political situation; second, an incumbent U.S. President (Jimmy Carter) who, increasingly unable to handle these mounting crises, is to be unceremoniously dumped by his own party in favor of a Ted Kennedy candidacy; third, a deadlocked Republican Party convention, split by multiple candidacies, leading to the nomination of Tory-sponsored General Alexander Haig; and fourth, a phony presidential election campaign pitting Haig and Kennedy — both hand-picked by the same British intelligence networks — against one another, with Haig — aided by media-induced hysteria about the “collapse of the West” and massive vote fraud — the ultimate winner.

The other major element of this scenario is a no-holds-barred political and financial warfare deployment against U.S. Labor Party candidate Lyndon H. LaRouche, Jr., whose potentially determining influence over the outcome of the 1980 election is perceived by British-allied circles as the single most important obstacle to the otherwise successful realization of its gameplan for 1980.

With Haig — a stand-in for Henry Kissinger — safely ensconced in the White House, the CFR crowd will be strategically situated to carry out its “unfinished agenda” for the world, with sabotage of the recently initiated European Monetary System — through a series of Iran-type crises accompanied by regional wars and widespread economic collapse — the first priority.

## How the scenario will work

**The Democratic Side:** The main countours of how the “1980 scenario” will evolve are identifiable even at this relatively early stage. Beginning with the mid-December (1978) Democratic Party mid-term convention, Carter has come under increasing attack from both the “right” and “left” wings of his party. Blamed by one side for rising inflation and a failure to cut government spending enough, and by the other for cutting spending *too* much, Carter has taken the bad advice of Gerald Rafshoon and other political strategists and opted to carve out a “middle of the road” non-policy which fails to address any of the fundamental questions facing the United States.

Carter’s 1980 budget, released January 22, and his January 23 State of the Union address, only serve to confirm that his attempts to play up to both sides of the CFR’s controlled debate is a losing gambit (see below), providing Kennedy with a ready-made opportunity to launch his most open challenge to the President to

date. In a statement issued to the press Jan. 23, the Senator from Massachusetts blasted Carter’s budget for asking “the poor, the black, the sick, the young, the cities and the unemployed to bear a disproportionate share of the billions of dollars of reductions in federal spending that are necessary if the target, which I support, of a budget deficit below \$30 billion is to be reached.”

At the same time, the gentlemen of the Eastern Establishment press are seizing on the dissatisfied reactions to the President’s two major documents this week as proof that he has become a very lame duck indeed.

Carter’s two main Democratic opponents — Ted Kennedy and California Guru Governor, Gerry Brown — have been playing their parts with equal aplomb.

Brown — whose unofficial candidacy is reliably reported to be personally run by Robert O. Anderson, a top-level British operative who chairs the Aspen Institute, the Atlantic Richfield Co., and the London *Observer* — is being fielded by the CFR for two principal purposes. The first is to create a political climate within the country amenable to London’s “New Dark Ages” gameplan (see *EIR*, Vol. VI, No. 2), a job for which Brown, an open advocate of Zen mysticism, drugs and “small is beautiful” ideology is preeminently qualified. Brown’s recent call for a constitutional convention to adopt an amendment prohibiting deficit spending (a move authored by Robert O. Anderson, according to the Jan. 24 *New York Daily News*) is one of the more blatant elements of the New Dark Ages strategy.

The second purpose of Brown’s candidacy is to provide both a foil and a stalking horse for Teddy Kennedy. According to informed sources, the Kennedy strategy is to let Brown embarrass and weaken Carter in the early primaries, at which point Kennedy will move in for the kill in much the same way Robert Kennedy used Eugene McCarthy to soften up Lyndon Johnson before officially entering the 1968 presidential race.

By counterposing his own genocidal policies (especially his highly controversial national health insurance bill) to Brown’s more openly medieval ones, Kennedy can make them appear comparatively less unpalatable than they are in reality, while at the same time consolidating a liberal-fascist constituency around them.

## Daily Telegraph endorses Haig

*The Toriest of Britain’s Tory papers, the Daily Telegraph, delivered an outright endorsement of General Alexander Haig’s presidential candidacy in a Jan. 7 editorial. The endorsement, titled “Haig Advances,” read:*

General Alexander Haig’s decision to resign from the Nato command with a view to making a bid for the Republican Presidential nomination is welcome, since his breadth of experience would make him a valuable contender for the White House. Not only did he prove himself a deft and decisive politician in the days of the Nixon debacle — when he was the only aide left on the burning bridge — but also subsequently an outstanding soldier-diplomat in Brussels. With such a Republican standard-bearer, the next American election would really take fire.

**The Republican Side:** Despite their decision to give Kennedy the Democratic Party nomination, the CFR-London crowd has no intentions of letting him near the White House. Still smarting over the way John F. Kennedy — faced with the imminent prospects of nuclear holocaust — aborted their Cuban missile crisis scenario at the last minute, the Anglo-American elite has instead chosen someone who will have no last-minute qualms about the implications of “playing chicken” with the Soviet Union. That someone is chain-smoking General Alexander Haig, currently Supreme Commander of NATO, formerly Henry Kissinger’s top aide on the National Security Council and protégé of the same British intelligence circles which promoted Kissinger to political power in the United States.

Jay Lovestone, a leading Zionist lobby spokesman and AFL-CIO foreign affairs advisor, explained why his circles favor Haig over Kennedy in an interview last month: “Scoop Jackson won’t be running for President in 1980, he’s got no heart for it anymore. Moynihan’s a great guy, but he can’t run. But we’ve got an ace in the hole — Alexander Haig. He’ll run as a Republican. Haig’s a great hero because he forced Nixon to resign. The British and our people at NATO headquarters know that Haig can save the U.S. Kennedy’s strategy is wrong, he’s too soft on the Commies, but we won’t attack Kennedy, he’s doing Carter a lot of damage. . . .”

Given Haig’s pedigree (see below), it is no coincidence that

the first mootings of his candidacy appeared in the Tory-controlled press in Britain. Shortly following a very private, mid-November dinner hosted in London by the Aspen Institute’s Anderson, at which former Conservative Prime Minister Harold Macmillan accused Carter of perilling the continued existence of the west by failing to confront the “Soviet threat,” the *Daily Telegraph* and the London *Economist* began promoting Haig’s “presidential qualities.” By the time Haig announced his resignation from NATO (effective in late June) on Jan. 2, the British press was brimming with pro-Haig PR hypes. Within days, favorable news commentary blossomed into outright editorial endorsement of a Haig presidential bid in the Jan. 7 *Daily Telegraph* (see box).

## Obstacles to Haig

The admiration expressed by the British press for Haig does not mean that the paper-clip general can sail straight into the White House. Quite the contrary. Haig has no constituency within the Republican Party — except for what GOP operatives tied into the CFR-London networks can pull together. His long and intimate association with Kissinger, his notorious inside role in the Watergating of Richard Nixon, his well-known military incompetence and complete lack of political experience, coupled

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## A profile of London’s choices

If the Council on Foreign Relations succeeds, the U.S. electorate will be forced to choose between Democratic candidate Ted Kennedy or Republican candidate Alexander Haig in the 1980 presidential elections, two contenders who wear the same British policy brand and who — by slightly different strategies — will drive the U.S. toward depression and thermonuclear war.

A review of their credentials as presidential candidates reveals their common parentage.

### Ted Kennedy

Beyond the known Kennedy family connections to the British oligarchy’s Cecil family and various Rothschild branches, the Kennedy boys were educated under direct supervision of two of British intelligence’s most notorious agents: John Wheeler-Bennet and the Harvard-based William Yandell Elliott. (Likewise, Elliott was also instrumental in Haig’s career.)

Kennedy’s programs are a direct read-out of Britain’s public wishes for the collapse of the U.S.:

His health care plan, simply put, means forcing U.S. citizens to pay insurance premiums (to London-connected companies) for care they won’t be able to get when he finishes “cost-cutting” medicine right off the map.

On another front as new chairman of the Senate Judiciary Committee, Kennedy plans a revision of the criminal code to, among other horrors, decriminalize marijuana.

To win deregulation of the trucking industry, he is riding under the banner of “free enterprise” to target the core strength of U.S. industry — a centralized, efficient method of production and distribution.

On energy, he is an ardent proponent of conservation, with the notable strategic exception of wooing Mexican oil to bust OPEC.

### Alexander Haig

Haig was picked out of obscurity by Fritz Kraemer, a top-level, publicity-shy British agent who, from a position at the U.S. Department of Defense, also engineered

the careers of James Schlesinger, Henry Kissinger, and other traitors.

Haig was sent to the Naval War College and Georgetown University (both British intelligence bastions) for training, and through the intervention of Kennedyite Joseph Califano, was assigned to then Defense Secretary Robert McNamara’s staff.

In 1968, after completing a stint as a Military Fellow at the New York Council on Foreign Relations, Haig was introduced by Califano to Henry Kissinger. Kissinger in turn had promoted Haig to a two-star and then four-star general over the heads of more than 240 top-ranking candidates.

Nowhere is Haig’s disloyalty to the U.S. more evident than his role in Kissinger’s Watergate operation against President Nixon. In the process of finally convincing Nixon to resign, Haig elevated himself to the role of “Acting President.”

As Kissinger’s right-hand man, Haig helped plot Kissinger’s Middle East and Africa destabilizations.

Former White House speechwriter William Safire once said, “Al Haig wouldn’t go to the bathroom without first raising his hand and asking Kissinger’s permission.”



with the fact that he is, at least on the surface, a military man, all pose real obstacles to his candidacy.

### Haig Scenario

The CFR crew is relying on two main factors for overcoming these stumbling blocks. First and foremost is their overall "New Dark Ages" strategy of wars and massive economic dislocations — e.g. Iran — in which a Haig candidacy could be foisted on a semi-hysterical U.S. seeking some kind of "order." This scenario was spelled out in a recent interview by a close personal friend of Haig's, Bob Richardson of the American Security Council (a Washington-based, defense-oriented think tank, with heavy Tory input): "Haig understands that he really isn't a viable candidate at this point," Richardson said. "However, if there are a series of crises, say, for example, if Iran really goes down the tubes and there's an oil cut-off to the U.S., then the man in the street will get scared and say 'We need a military man... an officer... to come in and take charge.' That's when Haig's candidacy becomes real, and when people will start laughing at the Phil Cranes...."

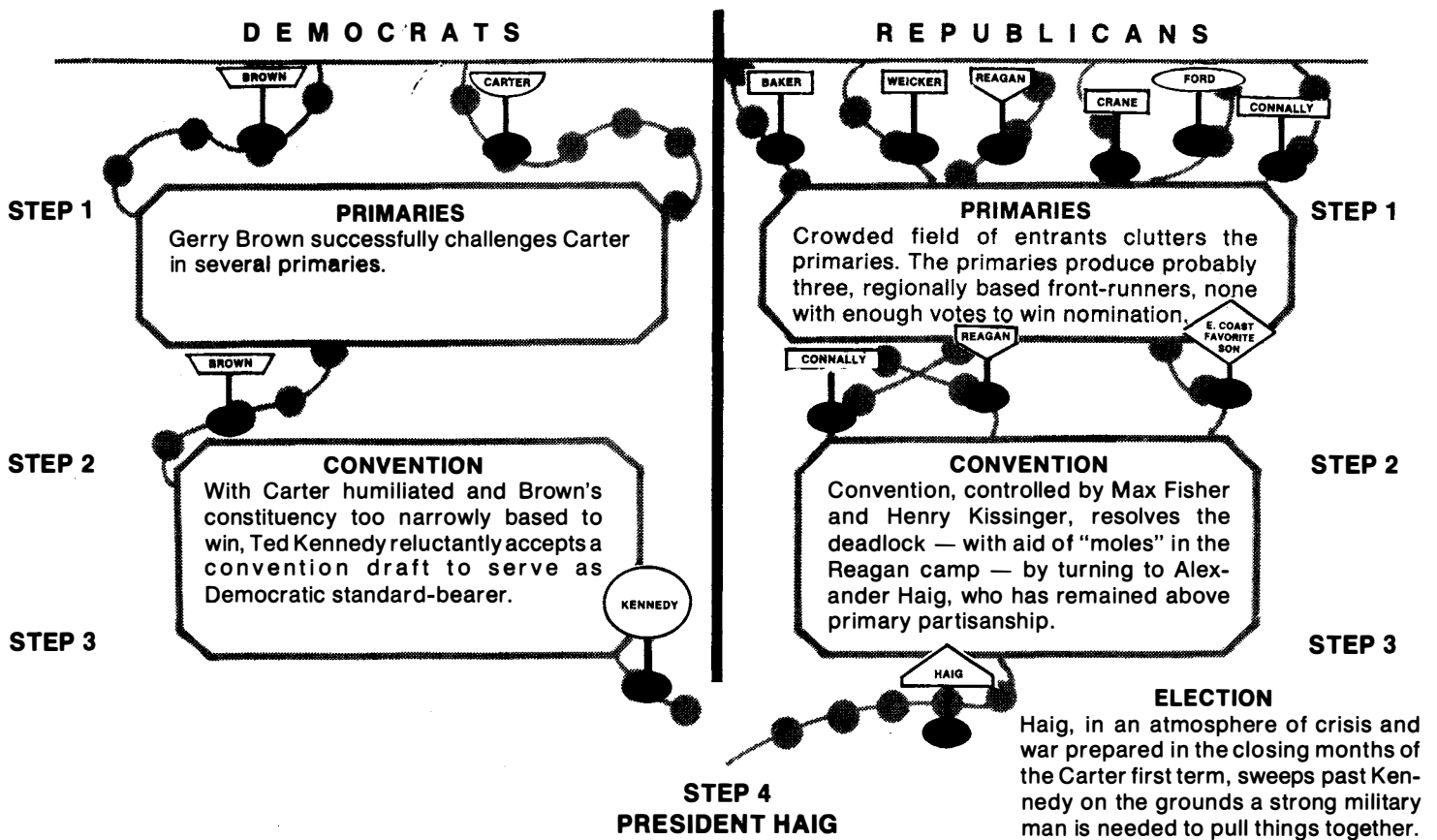
Secondly, the CFR is attempting — thus far successfully — to promote a slew of GOP candidates, hoping that a crowded field (heavily sprinkled with its agents and dupes) will hopelessly muddle policy debate, detract attention from any potentially viable

candidates, and lead to a deadlocked convention in which Haig can offer himself as a "neutral," "unifying" candidate.

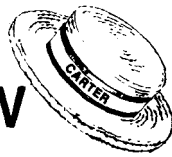
So far, other probable Republican candidates include Ronald Reagan, John Connally, New York Congressman Jack Kemp, former CIA director George Bush, Senator Lowell Weicker of Connecticut, and Illinois Congressman Phil Crane. Of these candidates, only Kemp at this point has indicated that, if he runs, he might campaign on an issue not determined by the CFR: the European Monetary System, which he supports (see above). Although Connally has taken strong positions on behalf of U.S. industrial and technological growth in the past, more recently he has been successfully pixied by a group of tory-linked economists operating out of Harvard University. Connally testified to this control at his Jan. 24 press conference announcing his candidacy, declaring his support for Gerry Brown's "constitutional convention" proposal, and calling, in Haig-esque terms, for a military buildup. Phil Crane, another "honest" Republican conservative, is under the thumb of the American Security Council and Richard Viguerie, and is hewing strictly to the CFR-dictated line for "conservative" candidates. Unless Connally or Kemp is prepared to break fully with the CFR-London crowd, the U.S. electorate will face two choices come November 1980: the Labor Party's LaRouche or the CFR's Haig.

—Kathleen M. Murphy

## London's Scenario for 1980



# Carter: 'a slow walk toward war'



As has been conveyed as an assessment to the *Executive Intelligence Review* by the highest circles in both France and West Germany, the phrase best representing the Carter presidency is that it represents "a slow walk to nuclear war." Carter, himself the product of a Council on Foreign Relations scenario for 1976, under overall London coordination, never was, nor ever will be qualified to be President of the United States. A second term for Carter would in all probability be the same as having either Alexander Haig or Edward Kennedy as President. At some point during a second Carter term, one would witness the end of that "slow walk," as the U.S., pursuing the strategic objectives of the World Bank and International Monetary Fund, stumbles into nuclear war.

There is no better certification of this fact than Carter's "unglued" performance over the past week, culminating in the abominations that were passed off as a "budget" and "State of the Union" message. The same forces from London and New York's CFR that put Carter into the presidency in 1976, are now dictating Carter's everyday actions and words. What is their intent? To unravel the Carter presidency in conformity with the Haig-Kennedy election scenario the Council on Foreign Relations has prepared for 1980.

Carter's speech of Jan. 25, authored under the influence of Zbigniew Brzezinski's National Security Council, ought to have been the "tip off" of what would follow. Carter delivered a ringing endorsement of a book by Barbara Tuchman plugging the Dark Age of the 14th century, calling it "a delightful history of the 14th century." Carter went on to proclaim that 1979 "will be a year of religious fervor sweeping the Middle East and the Persian Gulf... a year where people will leave their materialist beliefs and return to old religious beliefs." We will spare the reader further quotations, which further capture the essence of a total presidential endorsement of a policy to stop modernization worldwide — and endorsement of a "New Dark Ages" for the world.

A more egregious example of a worst case budget could scarcely be imagined than the one proposed by Carter. The budget is a stringent austerity package for industry and the U.S. population, while maintaining the "integrity" of every major speculative and real estate bubble in the country. It works as follows.

Although the nominal budget deficit has been reduced to \$29 billion, offbudget expenditures have actually been increased — by \$55 billion, in fact — yielding a whopping net deficit of \$41 billion. On top of this is a deep fiscal gouge into the budgets for scientific research and development, social services, and non-defense procurement.

The budget, as per the British-CFR plan for the 1980 elections, has become the ideal foil for a spate of demagogic attacks that were delivered upon its release from the Kennedy and Haig-Kissinger sides of the 1980 deployment. Already, the media is devoting major attention to Kennedy and "GOP" attacks on the

budget. Kennedy demagogically blasted the budget for "hurting the little people, the poor, the blacks, the young" — the very groups that Kennedy through his so-called National Health Plan would not hurt — but force to die by cuts in essential health services.

The Haig-Kissinger camp takes another demagogic tack. The budget is, to quote Sen. Javits (R.-N.Y.) among others, "not stringent enough... not austere enough." They demand that social services be cut even further, while escalating the arms budget.

The State of the Union? In terms of any reality principle, it was never conveyed. A great deal of fantasy and fluff — shoved into the back of Carter's head by his more loyal to the British advisors — was. There was no sense of direction, no policy outlook, no "where things stand, where they should be going" that one expects from a President.

On domestic policy, every point listed by Carter was an incorporation of the key Kennedy planks for 1980. On foreign policy, he pitched to the right by blustering that he would not sign a Strategic Arms Limitation accord with the Soviet Union if he thought it jeopardized "national security" or gave the Soviets a strategic advantage.

Thus, the only policy content section of the speech was a flat declaration that Carter will be devoting — albeit unknowingly — the remainder of his presidency to building a Kennedy nomination for President in 1980.

— Konstantin George

## LaRouche's warning

*Lyndon H. LaRouche, presidential candidate in 1976 of the U.S. Labor Party, publicly addressed the citizens of the United States on nationwide television on Nov. 1, 1976, on the imminent dangers of thermonuclear war posed by a Carter victory in the 1976 presidential election. He added that the prevention of war hinged on developing a new world monetary system as an alternative to world austerity. Following are excerpts from that speech.*

... We are convinced, not only my party, but key Republicans, key Democrats, key leaders of Europe, key leaders of the Third World, that the election of Jimmy Carter to President of the United States on Nov. 2 would mean that the United States was, to all intents and purposes, irreversibly committed to thermonuclear war no later than the summer of 1977....

... Because the world monetary system created at the end of World War II is now collapsing... certain forces within the United States are committed to attempting to save this bankrupt monetary system... Carter and his advisors are resorting to methods of extreme austerity, auto-cannibalistic austerity, in the effort to squeeze out of real incomes, out of essential services, and out of the capital of industry itself, sufficient wealth to roll over for at least a time, some of the bankrupt debt holdings of certain financial interests. These measures are bad enough in the advanced sector, they are bad

# The vote fraud threat in 1980

No more serious corruption of our nation's political process can be found than the vote fraud epidemic which has contaminated every election in recent U.S. history. Election frauds have a long tradition in this country — going back to the days of "Jacksonian democracy" and earlier, but never has there existed the degree of centralized, coordinated vote fraud which we face today. The 1976 elections, which were rigged for Carter by the Kennedy vote fraud machine, were probably the most corrupt in our nation's history — compounded by the fact that both Congress and the Federal Courts have defaulted on their responsibility to maintain the integrity of the electoral process.

The crisis of vote fraud has now reached such proportions that the viability of the 1980 elections is in doubt. If the Kennedy machine and its organized-crime allies are allowed to continue its corruption of public officials and the electoral process, the 1980 elections will be but a pre-rigged game in which the average citizen will be only a pawn.

There are steps which can be immediately taken to reverse the

vote-fraud tide. They include:

—Congress must move vigorously to investigate the election contests now before the House of Representatives, three of which (Baltimore, Chicago, and Louisiana) involve massive, documentable fraud.

—State voting laws must be rewritten and amended to establish adequate ballot security procedures, and safeguards on voter registration.

—Official corruption must be weeded out, especially corrupt judges who have sanctioned fraudulent elections; and, above all, the corrupt Federal Elections Commission must be cleaned up or abolished altogether.

## Vote fraud tradition

The first large-scale vote fraud in this country emerged in the 1828 elections, coinciding not accidentally with the establishment of universal suffrage. Ballot-stuffing, bribery, and intimidation reached their 19th-century peak during Reconstruction and in the 1876 Hayes-Tilden presidential race, under the direction of Rothschild agent and one-time Democratic Party national chairman August Belmont.

It was to allegedly overcome the myriad possibilities of ballot-box stuffing that mechanical voting machines were developed at the turn of the century. However the introduction of machines didn't eliminate the fraud — it only raised slightly the degree of

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## on the Carter war danger

enough in the United States. We see in New York City what this leads to. They're bad in Europe and in Japan. But in the developing sector, these austerity measures mean genocide....

This is also the policy of William Paddock... (Carter advisor George) Ball endorses Paddock's proposal to reduce the population of Mexico, our neighbor, from 56 million to 28 million. He proposes to do this... by the methods used by Hitler in eliminating 6,000,000 Jews and Slavs and others in Eastern Europe during the war....

You cannot find any significant constituency in any part of the developing sector which is willing to impose genocide on its own people. People like George Ball and other Carter advisors know this. They know that the developing sector cannot be induced to exact genocide, as a policy for its own people, without external military force, and military-political control. What they propose to do is to put the developing sector under effectively NATO military and political control. Now Kissinger and some others recognize that such a policy of putting most of the developing sector under this kind of NATO sovereignty, means war with the Soviet Union.... The policy of imposed genocide upon the developing sector means *world war*....

European governments, heads of European parties, heads of parties and other forces in this country are rightly convinced

that if Carter wins the election with this combination of advisors — Zumwalt, Nitze, Schlesinger, Rostow: men with longstanding records, generally as *maniacs for war* — with Carter as their boy, Jimmy boy of the New York Council on Foreign Relations, this nation would be headed for war.

Carter must not get into the White House because that would mean thermonuclear war and similar horrors. We are agreed that we must not go to war, we are agreed that this monetary crisis must be solved, and we are agreed on the American traditions of technological progress, of industrial expansion, and of agricultural development. We are agreed on full employment through those policies....

I developed the *International Development Bank* proposals as the only alternative proposal of competence now on the table to replace a bankrupt monetary system....

(This proposal) would mean that this nation would be turned around from industrial decay and enter a period of high capital formation, with full utilization of our idled industrial capacities, with expansion and modernization of that capacity creating jobs representing increasing skill levels available to a greater number of our population.... If we establish such a new monetary system, then the basic cause of the danger of war is eliminated.

proficiency necessary to pull it off. (The story is told that when the City of Chicago went to voting machines in 1947, all the local precinct captains began reading *Popular Mechanics* magazine.)

That the 1960 elections were stolen for John F. Kennedy is beyond dispute. The most flagrant instances were Chicago and Texas; however, GOP national chairman Thruston Morton charged fraud in 11 states. In Chicago, over 600 election officials were indicted, indictments subsequently dismissed by a party-loyal judge.

In the early 1970s, the pro-British, Kennedy wing of the Democratic Party put together a multi-faceted electoral apparatus which today controls the electoral process from top to bottom, starting with the stacked pre-election "opinion polls" and ending with the preprogrammed computer projections of fraudulent returns on election night.

A central part of this apparatus is the Federal Elections Commission (FEC). The FEC is a Watergater's dream. Opening up all candidates, political committees, and individual contributors to scrutiny by FEC auditors, the potential for politically-motivated investigations and prosecutions is unlimited.

The second major "innovation" of the 1970s is the various large-scale voter registration schemes. Under the guise of combatting "voter apathy," laws were pushed through in various states which virtually eliminated all controls and safeguards on voter registration. The results were evidenced in such cases as the 1976 Oregon primary, where carloads of "voters" from California arrived to vote in the Oregon primary, and also in California where Jim Jones's "People's Temple" bused hundreds of illegal voters around northern California and the Bay Area.

In New York, upwards of 500,000 illegal votes may have been counted in the November general elections, according to evidence presented in Federal Court. Likewise in Ohio, courtroom testimony showed that vacant lots, abandoned buildings and parking lots were casting numerous votes on election day.

Fortunately, Congress has so far rejected Walter Mondale's "Universal Voter Registration" plan, but some form of post-card or "same day" registration has already been adopted in close to 20 states. Combined with the AFL-CIO and the UAW's "Operation Big Vote" campaigns, these registration swindles have allowed voter herding, "tombstone" voting and other chicanery on such a scale that Mondale's 1976 slogan, "Vote early and often" became national marching orders.

Also deserving of investigation are the links between organized crime figures and voting equipment companies. As previously documented (see *Executive Intelligence Review* Vol. 5, No. 41), the two voting machine companies and the major manufacturer of computerized election equipment have all been tied to organized crime networks.

Most notable are the connections to fugitive drug-runner Robert Vesco. The president of the Macrodyne Corporation (which took over the old Shoup Voting Machine Company) has negotiated various business deals with Vesco, in which he was to buy up one of Vesco's companies and Vesco was going to buy Macrodyne.

Likewise, the Computer Elections Systems company of Cali-

fornia was recently purchased by Hale Brothers Associates, a firm which financed Vesco's takeover of the drug-conduit Investors Overseas Services. Richard Pershing, the President of Hale Brothers, is a close associate of Vesco, and financed Vesco at a number of critical junctures.

The obvious question is, why are people like this anywhere near elections, much less owning voting machine companies?

Key in unravelling the entire vote-fraud apparatus are two cases presently under litigation by the Labor Party; one challenging the outcome of the Michigan primary in August 1978 and the other seeking to overturn the illegal certification of Parren Mitchell as the Congressman from the 7th Congressional District in Baltimore, Maryland. Both cases involve massive voting machine rigging, and intimidation of voters. Also, computer fraud was used against the Labor Party in Michigan, particularly Grand Rapids and Flint.

The Maryland case (*Freeman v Mitchell*) is one of a number of cases now before the Administration Committee of the U.S. House of Representatives. Two other cases, *Rayner v Bennett* (Chicago) and *Wilson v Leech* (Louisiana), both also involve massive fraud.

However, Congress has now shown any great initiative in investigation of vote fraud in recent years; in fact the last time a Congressman was unseated in a contested election was in 1934. In the 1976 case of *Moreau v Tonry* the House conducted its own investigation only after the Justice Department had already indicted a number of election officials; the contest became moot when Moreau resigned from his House seat in May 1977.

## Toward 1980

If the House of Representatives follows its past practice and dismisses the contested cases on straight party-line votes, the fate of the 1980 elections is all but foreclosed. In 1960 and 1976 the Republican national leadership had shown itself to be singularly gutless in taking on the issue of vote fraud leaving elections to be stolen out from under them.

The new element in the 1976 and the 1980 elections is the U.S. Labor Party which at present commands a minimum of 25 percent to 30 percent in an honest election, but whose votes in nearly all cases have been subject to wholesale larceny.

Elected officials and others who profess concern about low voter turnout and "voter apathy" need look no further than the destruction of the electoral process through vote fraud and official corruption to explain the sense of cynicism with which many Americans regard elections. If there are to be elections in 1980 and beyond, there is a major cleanup to be accomplished, starting now.

—Edward Spannaus

# EMS takes on EC farm mess

## *Third World relations linked to modernization efforts*

Highly placed official sources in West Germany and the United States have scoffed at British press reports last week that the new European Monetary System faced difficulties due to Franco-German disagreement over the relationship of the new system to the European Community's method of agricultural pricing. According to these reports, issued also by the *New York Times's* Paul Lewis last week, French insistence on eliminating the so-called Monetary Compensation Amounts (MCAs), a form of Common Agricultural Policy subsidy for farmers suffering from currency shifts, would stall the inauguration of the EMS indefinitely.

In fact, according to American State Department sources — who are far from pleased about it — the French deliberately stalled the formal inauguration of EMS in order to “totally transform” the Agricultural Policy, which favors the most backward section of European agriculture. In the State Department's hostile perception, West German Chancellor Schmidt is French President Giscard's covert ally in this process, which would force either the modernization or disbanding of most Bavarian agriculture. Bavarian peasants, among the most backward in the European Community, are also the main electoral base of Schmidt's enemy Franz-Josef Strauss, the main West German spokesman for the Hapsburg family's “Pan-European Union.” The MCA's currently benefit Bavarian agriculture at EC expense, by permitting less-efficient Bavarian peasants to sell their products throughout Europe at the equivalent of the pre-revaluation German mark rate, without which these products would be priced out of their present markets. The MCAs, more importantly, benefit Britain, which imports most of its food, by permitting the EC's weakest economy to import food at the equivalent of the pre-devaluation sterling rate, or roughly 20 percent less than Britain would have to pay otherwise.

Correspondingly, the British have intervened in what was initially billed as a Franco-German dispute, although it was actually a Schmidt-Giscard operation against agricultural backwardness, especially of the Bavarian variety. In a maneuver that severely damaged his reputation as a European rather than a British spokesman, EC Chairman Roy Jenkins was tapped by British Prime Minister Callaghan to act as Britain's advocate against France. State Department sources qualified the British Prime Minister as “desperate” over the possible loss of the EC subsidies, and “handling the entire situation himself.” Simultaneously, Britain's friends among the Bavarian nobility came to the aid of their “homeland.”

A Schmidt opponent, Free Democratic Party Agriculture Minister Ertle, goaded by such Hapsburg fawns as Baron von

Heeremann, head of the West German peasants' federation, suddenly reneged on previous EMS agreements to phase out the MCAs several weeks ago, and promptly found himself in bed with the EMS' bitter opponent, Great Britain. The British press, which several months ago mooted editorially the prospect for hanging the EMS on the agricultural issue, has puffed the farm issue to the point that pro-London conduits such as the *New York Times's* Lewis, pronounced the EMS a virtual dead letter.

UK Foreign Minister David Owen gave Britain's game away at the European Parliament meeting last week held to launch French Foreign Minister François-Ponçet's tenure as EEC Council President. Within 24 hours of a publicly announced compromise agreement between leading French and West German peasant organizations on the MCA issue, Owen insisted publicly that Her Majesty would not allow the phasing out of the MCAs, as had been agreed to by EMS founding members and reconfirmed as a part of the peasant leaders' compromise, without first implementing a complete overhaul of the Common Agriculture Policy (CAP). As Ponçet promptly pointed out to Owen, Britain has refused to join the EMS, a little fact which is grounds for dismissing British meddling in the issue out of hand. Moreover, revealing the British duplicity and opportunism at the Bremen summit where the EMS was put together, the formula for freezing and then phasing out the MCA that was part of the package from the outset received not a peep of objection from the honorable British Prime Minister Callaghan.

It rapidly became apparent that Owen overplayed the Queen's hand. Last week the London *Financial Times* reported that while bilateral discussions between France and Germany on the issue had not made much progress “toward a community solution,” the talks may well have “gotten these two governments closer together.” Private meetings between the French and West German agriculture ministers in Brussels last week were expanded to include the two countries' finance and foreign ministers on Monday. The French press reports that Belgian Agricultural Minister Humbelt has offered a compromise, and Berlin's “Green Week” festivities beginning tomorrow are expected to be a focus of further informal discussion on the issue. There are a series of ministerial and other meetings over the coming several weeks, any one of which can serve to ratify a settlement to the problem.

### **Orientation to the developing sector**

The real leverage for the EMS's success, however, lies in the EMS push toward the developing sector. This is not only the basis for extending the EMS kernel into a new world credit system to assure

peace and world economic growth, but it is, in particular, the basis for solving the European "farm problem" itself.

The opening of a significant new round of negotiations over the past week between West Germany and Japan and Saudi Arabian leaders on world economic collaboration marks the real power and advance of Giscard and Schmidt's peace and development policy. Japanese Finance Minister Sonoda arrived in Bonn last week for planning discussions with West German government officials on how Japan and continental Western Europe can rapidly move to use the combined muscle of the EMS and the Japanese "capital market" to get industrial exports into Asia, Africa and South America. Together the EMS and the Tokyo market add up to one-half trillion dollars worth of potential low-interest, long-term loans to finance world economic development.

West Germany's leading press agreed that Sonoda's visit was "of extraordinary significance at this time." Japanese leaders have been working closely with West German Chancellor Helmut Schmidt around a policy of ending the world economic depression as the only means to avert an outbreak of East-West nuclear confrontation since October 1978, when Schmidt made a state visit to Tokyo to discuss the French-West German EMS initiative. The efforts temporarily lost momentum with the late 1978 election of Prime Minister Ohira, but have begun to pick up since the four-power Guadeloupe summit. Following the talks between Sonoda and West German Foreign Minister Genscher yesterday, a statement was released to the press affirming that both nations face "additional responsibilities. . . to affect world policies."

Another set of vital negotiations began this past week between West German officials and Saudi Arabian Finance Minister Saud to bring the Arab Monetary Fund's multibillion dollar reserves into this European-Asian alliance. On Feb. 1, the West German-Saudi joint economic commission will convene in Bonn to draw up plans for joint industrial ventures in third countries.

European leaders have in fact been increasingly emphasizing publicly that the EMS is not simply a European effort, but is actually an international development program. From the key-stone Schmidt-Brezhnev accords of last May, to Chancellor Schmidt's late December extended discussions with Jamaican Prime Minister Michael Manley on North-South issues, and on President Giscard's upcoming Mexico visit and Iraqi and other Arab collaboration, the global North-South and East-West scope of the Giscard-Schmidt initiative is apparent.

In a Jan. 19 report to the Social Democratic parliamentary fraction on the scope of development programs now under discussion, Schmidt revealed that he was delegated by the Jamaica conference to deliver a speech appealing to the Soviet Union to join the North-South dialogue, a speech which Schmidt is now preparing for release "at the proper time." Further, South American government sources report this week that the April state visit to Brazil where Chancellor Schmidt will sign the final documents for the landmark Brazil-West Germany nuclear reactor deal will be expanded to include a Latin American organizing drive through Peru and the Dominican Republic.

A thorough housecleaning of the West German Ministry for Economic Cooperation, the Development Ministry, attests to the seriousness of the Chancellor's commitment to Third World industrialization. Holdovers from the reign of environmentalist "development minister" Egon Bahr are being sacked.

As French Foreign Minister and EEC Council President

François-Poncet emphasized in his opening speech to the European Parliament, implementation of the EMS goes hand in hand with renegotiation of the Lomé accords, with "more ambitious" cooperation accords between East and West, and with serious economic and energy development plans for Europe.

The Lomé agreements have also figured prominently in West German policy for the developing sector, highlighted by the Schmidt-Manley conference in Jamaica during late December which marked the first of an expected round of negotiations to rewrite European-Third World Lomé Treaty which expires in 1980.

Lomé, which defines preferential trading relations between the EEC and a grouping of some 56 African, Caribbean and Pacific developing countries around a two-pronged program of Third World nation income stabilization and development financing, was put together in 1975 as a means, primarily, of subsidizing the Commonwealth colonies upon Britain's joining the EEC. The only beneficiary to date has been Tate and Lyle, Britain's colonialist sugar monopoly, which wanted the agreement in order to rig world sugar prices. For the past year, Chancellor Schmidt has advocated a "globalization" of Lomé to the entire developing sector. Just how this is interpreted and carried out, and it is a tricky matter of great practical importance, the potential in Schmidt's Lomé tactic has not been missed by London's colonialists.

## France-Iraq talks typify

The EMS approach to developing sector nations was well illustrated earlier this month when Prime Minister Tahmoheidine Maarouf arrived in Paris for three days of talks with French government leaders. Arriving on Jan. 9, Maarouf was accompanied by the Iraqi Ministers of Foreign Affairs, Trade, Information, Agriculture and Agricultural Reform. During their stay, Prime Minister Maarouf met with French President Giscard d'Estaing, Prime Minister Raymond Barre and also toured the Framatome nuclear power plants.

In a speech Jan. 9 at the first of a series of meetings and toasts, Prime Minister Barre spelled out the nature of the Franco-Iraqi economic relationship, as well as the critical importance of Iraq as a factor of stability in the Middle East. Barre declared:

"It is with great honor that France welcomes on its soil for the first time Prime Minister Maarouf.

"Collaboration on an equal footing, to the mutual advantage of each party can only be established on the basis of a clear accord on a certain number of essential principles.

"The first of these principles is that of national independence. Iraq and France are convinced of it. This is for us, Iraqis and French, the first reason to meet and understand each other.

"A second principle is the serious desire to construct, on solid bases, the economic and social development of our countries and to mobilize to this end all our energies. This development proceeds from the methodical organization of our resources, the training of men, the modernization of



As it stands, Lomé has two institutional legs — STABEX, an income stabilization fund to guarantee a certain level of national income to Third World country members should their export earnings tumble, and a complementary Industrial Development Fund to foster technology transfer and modernization in the Third World. To date, practically speaking, STABEX has been the crux of the operation, and it is the STABEX feature specifically which Chancellor Schmidt has proposed to globalize. It is essential to note that STABEX is an income stabilization program — as opposed to the dubious “Common Fund” proposal to subject world commodity prices to speculative “stabilization” manipulation — and that furthermore, in sharp contrast to the IMF’s Compensatory Financing Facility, it attaches no conditionality to income transfers.

At present, STABEX remains a mere international welfare type of holding action in respect to actual Third World development needs. In the future? Whatever Schmidt has precisely in mind, British colonial bureaucracy holdovers in the IMF and World Bank have been literally apoplectic over the Schmidt-Manley Jamaica conference.

Frantic officials at the IMF and World Bank recently squawked to reporters that “Schmidt is trying to take over the world!”

—Susan Cohen

## Europe begins gold remonetization

The central banks of the eight European Monetary System (EMS) countries have worked out the specifics of valuing the gold pool composed of an initial 20 percent of each member’s bullion reserves at the market price — and continually expanding that pool. According to sources at the West German Bundesbank Jan. 25, the decision was not to value the pooled gold in the EMS’s European Monetary Fund (EMF) at either 75 percent of the market prices, as the London *Financial Times* had reported, or at a six-month average of the market price, but at a three-month average — in effect, 100 percent — of the market price. That market price is now well established with a \$200-an-ounce-range floor.

As a member, say Italy, draws on the EMF, it receives a transfer of gold and dollars, denominated in European Currency Units; then the surplus members, like West Germany, replenish the fund. Consequently there will be a steady shift of central banks’ gold (and dollar) reserves to the EMS.

On the books, the gold remaining with the central banks will be

## EMS’s Third World approach

agriculture, the exploitation of natural resources, the creation of industries responding to the real needs of the country. . . . From all these standpoints, Iraq is in a good position. . . . France shares the hope that Iraq will fully succeed in its development, because today, more than ever, we have the conviction that a prosperous and powerful Iraq is indispensable for the stability of the Middle East.

“This is why, in our cooperation with you, we have never wanted to exclude any sector of activity. This is why we are ready to take, with respect for the orientations and priorities set by the Iraqi government, an increased role in your development enterprise, as is already demonstrated by our position as the number one buyer of Iraqi oil, a role which will be affirmed even more in the next years. . . .

“I am in particular convinced that close cooperation between Iraq and France is one of the foundations of any future enterprise between the Arab world and Europe. Your country and mine can bring, each in its own way, a major contribution to the stability of this vast region of the world which stretches from the Atlantic Ocean to the Indian Ocean, passing through the Mediterranean, outside of all foreign interference and bloc politics. . . .

“National independence, economic development, cooperation and international solidarity, these are the fundamental elements of a conception that we share and which must lead us, Iraqis and French, Arabs and Europeans, to agree and act in concert.”

### France’s Mideastrole

The French see economic development as interrelated to prospects for peace and stability in the Mideast. The following day Giscard stated after his meeting with Maarouf that “peace in the Middle East could not be a lasting one without the real unity of the Arab world. We expect a lot from the role Iraq has to play in the equilibrium of the Middle East and the circumstances of the moment add to the price we attach to the existence of a strong and prosperous Iraq.”

A joint communiqué was issued in which Maarouf expressed Iraq’s positive appraisal of France’s role in the Middle East, Lebanon and the Horn of Africa and in the development of international detente. Both sides urged that peace be concluded in the Mideast on the basis of Israel’s withdrawal from occupied territory and the recognition of the rights of the Palestinian people. Finally, a pledge was made for France to participate to the greatest extent possible in the realization of Iraq’s five-year economic plan.

Specific deals under consideration include: the construction of one or more nuclear power stations, a dam in the Messoul region, a refinery and two gas liquefaction plants. Prime Minister Barre has accepted an invitation to visit Iraq at a still undetermined date, in addition to his planned trip to Saudi Arabia this April.

valued according to each nation's system: the French, for example, use a six-month market price average while the Bundesbank just upvalued its gold — worth \$13 billion at the market price — by only 20 percent to under \$7 billion. However, this two-tier valuation system is a cannily dynamic one, because, as balances are settled every three months in the EMF, the “surplus” countries will get increments of European Currency Units (ECUs), whose gold component is valued at the market price. These assets, according to the Bundesbank sources, will be put into a special reserve fund, meshing interestingly with the recent proposal by the Krupp firm for the Bundesbank to institute a \$1 billion fund for long-term dollar-denominated export lending — lending which in the EMF environment would be either de facto or de jure gold-backed.

The two-tier arrangement also provides a direct answer to those who have worried that remonetization of gold reserves will create excess world liquidity. The gold is not activated at the market price until it is actually involved in EMF credit transfers. Most to the point, of course, is the basic EMS idea that, while balance-of-payments and intervention-expense problems are smoothed out through shorter-term lending, the generation of productive credit, long-term credit, as the West German experience has shown, is deeply counter-inflationary.

Thus, as one of the EMF's intellectual inspirers, U.S. Labor Party Chairman Lyndon H. LaRouche, identified the transition in his August 1978 “Facts Behind the New Monetary System,” the EMF's initial \$20-odd billion in gold will not be a defensive stockpile against dollar depreciation, but a means of promoting the “hard-commodity trade and investment” among the advanced-sector, OPEC and less-developed countries that will eventually bring the dollar to the three-deutschemark level.

Gauging last August that by the time the EMS geared up gold would reach the \$230 level, LaRouche outlined coordination through the EMF, the Arab Monetary Fund — whose members have been heavy gold purchasers recently — and the Tokyo capital market to issue gold-backed bonds. These instruments proceed to absorb currently idle or unproductive dollars, and channel them at low interest rates to generate “rising volumes of global capital goods exports” and other nuclear energy and related exports. The idea had also been signaled by West Germany's leading business daily, *Handelsblatt*, last summer, when the EMS took official shape, and has been circulated in the past few months by Rep. Jack Kemp and other U.S. traditionalists who, unlike mere “gold bugs,” are concerned about capital formation and export promotion.

Kemp said on the Jan. 21 William Buckley television program that if the U.S. had had something like the EMS ready to go when the Bretton Woods system collapsed in 1971, we would not have had to go through the 1974 recession; the U.S. should now be debating this EMS approach to economic growth — especially since, Kemp added, he expects the Europeans to start issuing gold-backed state bonds which will not only be secured from inflation but will give a huge kick to economic growth. The further point can be made that this level of deliberately launched growth is precisely the key to raising productivity and hence reaching a real anti-inflation success in the U.S.

## Revaluation moves

While pegging their new, high valuation of the EMF's gold reserves, several EMS members have upvalued the totality of their own central bank reserves. At the end of 1978, France did so by 10 percent, and West Germany by 20 percent. The Banque de France reapplied its own moving average of the market price formula, while the Bundesbank was nominally adjusting for the decrease in its dollar reserves' value vis-à-vis European currencies, and including some “hidden reserves.” At the same time, Austria, which is expected to join the EMS currency alignment, upvalued its gold, too, newly adopting a five-month market-price average that resulted in a 63 percent hike in those reserves' value.

As of Jan. 24, related but inconclusive developments surfaced in Switzerland and South Africa. The Swiss dropped two of their foreign-exchange controls, notably the ban on foreign purchase of Swiss franc-denominated bonds. The central bank met the resulting run into the Swiss franc purchases by buying some 300 billion dollars to defend the franc-dollar parity, presumably signaling its intent to uphold the Nov. 1 dollar defense agreement in tandem with the U.S., Japan, and West Germany. Ending the bond restriction is also significant because, if Switzerland follows through on earlier government expressions of interest in joining the EMS, such controls would at least in part have to be abandoned. In their usual oblique, conservative fashion, then, the Swiss may be moving toward some sort of EMS membership soon.

The South African government Jan. 24 announced measures to encourage foreign direct investment in South Africa, which has been under pressure for the past couple of years, including liberalized capital and profit repatriation rules. The South African rand will be de-pegged from the dollar and enter a “managed float,” said Finance Minister Owen Horwood. A “financial rand” whose discount will probably be narrowed from the 43-41 percent attached to the current “securities rand” is to be introduced. What the New York financial media did not report is Horwood's comment that South Africa is aware of the new European “zone of financial stability” and is considering linking the rand to it.

Meanwhile, one of the leading U.S. gold newsletters recently asserted that Japan's new Prime Minister, Masayoshi Ohira, is aligning with the widespread Japanese pro-gold sentiment expressed in mounting purchases by individuals and trading companies. This, however, the Blanchard report played as leading to a gold-backed yen designed to counterweigh a dollar collapse — one angle of the August 1978 secret Bank of England scenario for currency-bloc warfare against the U.S. It is indeed to be expected that the Rothschild-deBeers gold marketeers and their international suboperatives are angling toward using gold in regional and transregional counterplays to positive Euro-American cooperation, as the veteran Whitehall-Johannesburg geopolitician Jan Smuts proposed during World War II and the Siena-Monte dei Paschi group, among others, has played with ever since.

But not only is it possible for an institution of the EMF's proportions to sit out the speculators and squash them; the political determination that generated the EMS is quite capable of appealing to world self-interest, including that of the number-two key gold producer, the USSR, to short-circuit antidollar propositions.

—Susan Johnson

# Many questions, few answers

## State pushes 'China card' on American business

Competent answers to crucial questions were few and far between, according to all reports of an extraordinary and very hastily assembled meeting called by the State Department on Jan. 15 to explain to American businessmen the prospects for U.S. business dealings with the People's Republic of China. The poor showing by a top roster of Administration spokesmen including Secretary of State Cyrus Vance, Commerce Secretary Juanita Kreps, Treasury Secretary Werner Blumenthal, and National Security Advisor Zbigniew Brzezinski, raised a further question — why had the Administration, on three days notice, gone to such lengths to pull together such a display of unpreparedness at all. At least part of the answer seemed to be the Administration's desire to justify its "China card" policy to American business on the eve of the arrival in the United States of Teng Hsiao-ping this week.

Worst of all, the session completely failed to address the overriding question: what type of relations should U.S. business have with China: one modeled on the Japanese developmental approach, or one following that being pursued by Britain, focusing on raw materials and financing? The overwhelming impression was that Vance and company had, and have had, no coherent policy toward China, a fact which has passed policy-making toward China on to National Security Advisor Brzezinski, who flaunted the "China card" rationale for U.S. warmth toward Peking.

### Exciting prospects . . . exciting risks

The *New York Times* acknowledged the weakness of State's session, characterizing it as "three hours of generalized and some-

what uninformative speeches and question-answer sessions." One business executive said it had created a lot of "healthy skepticism" over the explanation of U.S. policy. Executives were not getting the answers they needed, the article said.

First-hand reports confirmed the impression reported in the press. In her opening presentation, Juanita Kreps focused on the "exciting prospects" for trade with China. When asked from the floor about the "exciting risks" that she had neglected to mention, she merely answered that China had an excellent credit rating. In fact, the Chinese have never borrowed before. When pressed on what China has to export beyond oil to pay for imports, she did not know. A questioner asked whether the U.S. could at least see China's development plans so as to evaluate the soundness of Chinese economic planning. Kreps answered that the Chinese must know what they are doing, and anyway, the U.S. can't force the Chinese to do anything or show us anything.

Another questioner raised the issue of how China would be able to service the large debts it seems about to acquire. Blumenthal responded that the U.S. government could care less about private business debts, because the government, for its part, had no intention of making much credit available to China and did not plan to tell business what to do or to advise them one way or the other on the advisability of credits to China. Kreps chimed in that the government foresaw a substantial need for private loans if there were to be any substantial U.S. exports.

On many other lesser questions as well, the Administration seemed not to know the answers or to be fudging. One questioner said that the U.S. liaison office in Peking has been saying that most

### Brzezinski: "China a global force for peace"

*The following are excerpts from a speech of National Security Advisor Zbigniew Brzezinski, at the State Department briefing on China.*

"We are in the process of creating a diverse and stable community of independent states. . . . With the establishment of full diplomatic relations with the PRC, we very significantly increase the scope of international cooperation. We wish, of course, to include the Soviet Union in that framework of cooperation. . . . We hope and encourage the Soviet Union to be cooperative, but whichever path the Soviet Union chooses, we will continue our efforts to shape a framework for global cooperation based not on domination but on respect for diversity. . . . Normalization (with China) is an important part of our global effort to create a stable community of diverse and independent nations. We consider China as a key force for global peace simply by being China: an independent and strong nation reaching for increased contact with the rest of the world. . . ."

### Vance: China ties encourage equilibrium in Asia

*Excerpts from a speech by Cyrus Vance, Jan. 15, at the State Department briefing on China to 500 businessmen and China specialists.*

"We acted in a way that will move us toward our objective of a stable system of independent nations in Asia, and that will also increase the chances of maintaining a stable equilibrium among the United States, Japan, China and the Soviet Union. The United States will continue to play an active role in order to maintain that stable equilibrium. . . . We believe that China has an important role to play in the search for global peace and stability. The same is true for the Soviet Union. Our national interests are best served when we seek to improve relations with both nations while protecting our vital strategic interests. For this reason, we also look forward . . . to improvement of our trade relations with the Soviets as well as the Chinese."

avored nation status will be approved this year and wanted to know if this would also apply to the Soviet Union. Blumenthal said it will be before Congress this year, and the Soviet issue "will come up." Kreps denied that the French sale of a nuclear plant will be a precedent for the U.S., but left a loophole for possible U.S. sales. The only information provided on the status of frozen U.S. and Chinese assets — an essential issue for normal trade — was that it "is being discussed," as it has been for the past four years.

A number of questions on the future of Taiwan relations drew equally equivocal answers. No concrete answer was given to whether Taiwan corporations could have adequate access to U.S. courts to settle claims, or what is really being done to safeguard Taiwan, with which the U.S. does 5-10 times more business and which should reach \$10 billion in two-way trade deals in a year or two. Taiwan is already the United States's eighth largest trading partner.

### **Vance vs. Brzezinski charade**

The "trade" and "business" section of the briefing was followed by the "political" presentations by Vance and Brzezinski. The intention appeared to be to present a "Mutt and Jeff" act to the attendees, a charade enacted on stage first by Vance and the previous speakers. When they cleared off the stage, Brzezinski emerged on the empty dias with a sole advisor. The *New York Times* and *Washington Post* duly played up the "split" between the two. However, this publication has failed to find a single first-hand observer who saw much difference in the presentations, an impression confirmed by analysis of the released texts of the two speeches. Where Vance spoke of "maintaining a stable equilibrium" among the four principal North Pacific powers (see below), Brzezinski spoke of efforts to "create a stable community of diverse and independent nations."

Vance's language of "equilibrium" was reminiscent of that of his predecessor Henry Kissinger, who favored making most of Asia a Chinese sphere of influence — the so-called "China card" approach which Brzezinski pursues. One qualified observer concluded that the "Mutt and Jeff" skit was an attempt to disguise the absence of any policy toward China, other than Brzezinski's "China card," under a strictly rhetorical semblance of "major differences" within the Administration.

### **British or Japanese model?**

The absence of a real policy is nowhere more apparent than in the Administration's side-stepping of the crucial issue: what ought to be the general character of U.S. economic dealings with China? The question has taken on an ever greater urgency in recent

months as China has been aggressively shopping around in every Western country and Japan, and spawning fierce competition among these nations for China's business. Japan in particular and continental Europe in general, have shown a strong but realistic interest in providing China with the means to modernize by providing infrastructure, energy, and industrial facilities. Great Britain, also competing for these projects, is known to view China as "its turf" and to want to channel as much as it can of capitalist dealings to China through itself, with particular emphasis on its Hong Kong connection. As one top Japanese source commented with respect to Japan's efforts to undercut British influence in and on China, "They (the British) have their contacts in China, but they are old ones. Our contacts are new." The source confirmed that Japan hopes to convince American business to adopt the Japanese rather than the British approach, which concentrates on raw materials extraction per se, and on making money on financing as an objective itself — in effect to sucker China into a debt-dependency relationship. Japan, rather, seeks to foster real development (see article below).

The fiercest rivalry has come on just this question of loans, where Japan has sought to lower the interest rates to enhance China's ability to absorb industrial capital. Japan has offered six to six and a half percent, a full point below London's rate, and British sources are known to be hopping mad. But Japan is also seeking ways to provide some loans at concessionary terms, such as 3 percent. Britain's concern is that the profitability of pure financing evaporates at such levels, a matter of less concern to Japan which mainly wants to sell the physical equipment.

In the United States, the debate is reflected by a manifest ambivalence, in which some companies are tumbling head over heels into the China market — or trying to, while others are heeding the many cautions and demanding more answers before they commit themselves. However, the underlying issue involved reveals the true intent of the State meeting.

Secretary Kreps stressed the importance for U.S. business in being able to export a lot to China. But Kreps's refusal, at the meeting or elsewhere, to present the potentials for U.S. exports opened up by the new European Monetary System — which promises 10 to 20 times more export revenue than envisioned for China over the next decade — reveals the shallowness of this concern. In fact, many businessmen understand that the Administration would like business to see China as an alternative to the EMS — in line with Administration coolness to the EMS because of Britain's opposition to it. However, if that were the intent of the briefing, the Administration will have to get its act a bit more polished to be convincing.

# Japan's approach to Chinese trade

In stark contrast to the hastily conceived Vance-Brzezinski briefing is the far more prudent — and more successful — approach of the Japanese to the “China market.” Even in terms of sheer volume of sales, Japan has achieved far more than any other country: at present over \$75 billion worth of deals have either been concluded or are presently being negotiated. Most of the contracts represent projects for creating the basic infrastructure China will need for anything resembling a competent industrial development scheme; e.g., plants for making steel, fertilizer, communications equipment, autos, and machinery as well as oil and energy projects.

As sensible businessmen, the Japanese are reticent to commit themselves to tens of billions of dollars worth of contracts unless they are at least somewhat assured that China will have the kind of managed development that will make it possible for it to pay back the loans. Japanese businessmen have also expressed reservations about the ability of China's current leadership to manage the social tensions that the rapid economic changes will produce. Their approach to China, unlike Vance's, is to treat China not as a vast market, but as a developing country. To the extent that it is politically possible, Japan is trying to induce China to adopt an economic strategy resembling the one which produced Japan's own economic miracle and in line with the technology transfer programs Japan is now running with other developing countries.

A major study of China's capital needs was just published by the Japan Economic Research Center (JERC) under the guidance of JERC president Hisao Kanamori who visited China in Decem-

ber. Kanamori had been one of the major architects of Japan's own 1960's high-growth program.

The study estimated a \$200 billion shortfall in China's ability to supply capital for its modernization program through 1985, a shortfall that must be made up by foreign loans and economic cooperation. China has invited JERC Chairman Saburo Okita to come to China shortly to advise them on economic planning. Okita has been an advisor to many Japanese Prime Ministers including current Premier Masayoshi Ohira.

Rather than having each firm “do its own thing” in the China market, Japan's business leaders and government are cooperating to set the overall context within which individual contracts are made. Not accidentally, the majority of the contracts have been part of multibillion dollar packages organized by the same firms which lead in Japan's development efforts with other developing countries; e.g., the \$20 billion, ten-year package negotiated by Nippon Steel Chairman Yoshihiro Inayama. American victims of the “China card” mirage may be interested to know that Inayama also heads the Japan-East Germany Economic Cooperation Committee.

Japan's Export-Import Bank has offered dollar loans for exports to China at the low 6-6.5 percent interest rate. The U.S. Treasury has sent a letter to Tokyo protesting this policy as unfair competition, overlooking the fact that this is the same rate being offered to other developing countries, as well as the fact that Japan has offered U.S. banks and firms participation in such syndicated loans which undercut the high interest rates on the Eurodollar market. Toshio Doko, head of the prestigious business federation Keidanren, predicted two weeks ago that joint ventures between American and Japanese firms for China projects would soon develop. So far U.S. Steel and Union Oil are discussing such joint projects while Chase Manhattan has approached the Bank of Tokyo regarding joint loans to China.

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# What's ahead for U.S. auto

The next few years will be decisive in the history of the U.S. auto industry. American Motors Corporation and Chrysler are currently devoting most of their energies to staving off bankruptcy, while General Motors is shooting for an even bigger share of the market with an unprecedented national advertising campaign. All the automakers are rushing to comply with the new federal fuel economy and emission standards and are diverting all research and development spending to this effort. The industry is living in the shadow of last year's recall of the Ford Pinto and the Firestone 500 steel belted radial tire. The industry is facing the threat of a new oil crisis stemming from the destabilization of Iran, with rising gasoline prices and gas rationing enforced by "conservation" fanatic James Schlesinger's Department of Energy.

If the industry merely tries to struggle through the next few years — fighting for each others' market share and to keep out imports, searching for a *modus vivendi* with the Naderites, the regulatory agencies, the United Auto Workers, and so forth — it is headed for certain disaster. In a recent speech Philip Caldwell, vice chairman and president of the Ford Motor Company correctly diagnosed the chronic ills of the U.S. economy that the auto industry must address and pointed in a more promising direction. Something must be done immediately, said Caldwell, to reverse the decline of U.S. exports of industrial products and of the productivity of the nation's industries, and the degeneration of the economy into a service economy that has to import manufactured goods. Caldwell's remarks, excerpted below, are unfortunately colored by the view that the world has entered a period of slower economic growth during which the U.S. will be competing with other national economies for a bigger share of the "worldwide pie." Nevertheless his speech is a refreshing whiff of the tradition of Henry Ford, Sr.

## The auto industry's future?

As the article on the history of the auto industry below notes, Henry Ford, Sr., the founder of the modern auto industry, regarded the industry as a capital goods industry — he regarded the mass production techniques developed by his company and the famous Model T as the means to revolutionize the U.S. economy and foster large-scale urbanization. When Ford started, more than a third of the population was still on the land. Now one-twentieth of the American population is engaged in the agricultural sector. Ford's method was emphatically not to get locked into a fixed mode of production or into producing a fixed commodity, the auto, and then concentrate on devising newfangled methods of selling it. Today this means that the auto industry should be playing a leading role in global industrialization plans through the export of its engineering expertise, as well as its passenger vehicles and tractors to developing countries. Ford

Motor missed this chance in the early 1970s when it rejected the Soviet Union's invitation to participate in the Kama River complex, now the largest vehicle plant in the world. At home, the Henry Ford, Sr. approach means orienting the auto industry to the development of a modern mass transportation system. The auto industry is one industry that would do well to "diversify" out of the GM model of building sexier cars every year.

Had the industry taken this approach throughout the postwar period, it would not be in the fix it is in today. As things stand, the industry is in a moment-to-moment combat situation with the Naderites and regulatory agencies. The recent issues of *Automotive News*, the industry trade publication, notes that just about everything that is being done in Detroit these days is aimed at meeting the Corporate Average Fuel Economy (CAFE) and other federal standards that are going into effect between now and 1985. In an interview with *Automotive News*, the technology director of GM's research labs, William G. Agnew, said that virtually all research and development efforts in Detroit are being directed toward downsizing — this is guiding the selection of lighter materials and the development of more efficient design to reduce wind and rolling resistance, and more efficient transmissions and accessories like "Space Saver" spare tires for reduced weight and more room in the trunks of downsized cars. Agnew and other auto researchers also note that the federal requirements on exhaust emission are in conflict with the fuel economy standards, creating insuperable problems for the industry.

GM is two years ahead of Ford and Chrysler in the design and production of the new downsized cars, which has given it a decided competitive edge. Last year, GM logged just under 60 percent of the domestic market and plans to maintain that market share through the biggest advertising campaign in its history. Chrysler's future was clouded last year by huge dollar losses and slipping sales. Layoffs at three of its assembly plants are scheduled for this month. Both Chrysler and Ford are in a much worse cash position than GM to meet CAFE standards.

## Consumerist onslaught

Ford's worst problem last year was the Pinto, which was recalled because its gas tank exploded in rearend collisions. The Pinto was the subject of a major law suit.

According to one auto industry source, most American autos had the same flaws in design as the GM Corvair, the car which became notorious when Ralph Nader attacked it as a death trap in the mid-1960s. However, Nader's attacks on the industry and now the maze of federal regulations have come close to destroying the basic research capability which would enable the industry to overcome design and other problems, and to become an important force for industrial development in the world. Unless there is a

fundamental shift in the way automakers operate and act to shape international economic policy, the auto industry will be the target of more "consumerist" recall campaigns.

The Center for Auto Safety, a Washington-based "consumerist" group originally set up by Ralph Nader, is now urging the National Highway and Transportation Safety Administration (NHTSA) to recall 10 million Ford cars produced between 1973 and 1978 on the grounds that it has "inside information" that they all have defective transmissions. For the last two years, the NHTSA has been headed by Joan Claybrook, the "Dragon Lady" from Congress Watch, Nader's original Capitol Hill lobbying group. In spite of their alleged fight two years ago, when Nader asked Claybrook to resign the NHTSA job because she was too easy on the auto companies, the two "consumerists" have been working hand-in-hand to cripple the auto companies.

The United Auto Workers too are a major force constraining the auto industry. An industry official has stated privately that they would go all out on a high-technology research and development drive if it were not for the UAW, a vocal advocate of environmentalist and consumerist onslaughts against industry.

Is it any wonder then that the auto industry is at the crossroads, not yet convinced what road to take?

## How Ford gave the British a black eye

The British government is still seething over the Ford Motor Company's successful challenge to its 5 percent ceiling on wages last December.

The point has not been lost on the British government that Ford's granting of a 17 percent pay increase to its employees was not only a breach of the government's strictly enforced 5 percent pay limit. It was a battle between the British austerity system and the American system of high technology development — with the American system winning the first round.

The issue was wages. The Callaghan government and the Wilson government before that had insisted on an upper limit of 5 percent in wage increases per year or up to 10 percent with productivity deals and overtime pay thrown in. The government had relied upon its prized "special relationship" with the unions — called the "social contract" — to ensure the continuation of this policy from year to year. When the union and the Labour Party threw out the "social contract" last year and called for a return to free collective bargaining in Britain, the government simply imposed punitive sanctions on employers and firms that granted wage increases in excess of 5 percent.

Most British companies knuckled under in the face of threatened loss of government contracts and subsidies. Ford, however,

concluded that the loss of government orders for 25,000 Ford vehicles per year was less painful than the British pay policy which would produce a net decrease in workers' living standards and consequently in net output and expansion capability. After an eight-week strike, the company granted employees at its 23 plants in Britain a 17 percent package of wage increase and fringe benefits. A shorter work week and better pensions are also being negotiated.

The reason? Ford has traditionally operated on the basis that workers need a boost in living standards if they are going to produce high-quality automobiles. In other words, decent wages are a critical component of worker productivity, if combined properly with a high level of capital investment.

When Ford management settled the strike last December and announced union acceptance of a 17 percent wage increase, the British were not at all amused despite the fact that two months of labor strife had been ended. The government promptly called Ford officials into its inner chambers to hear the penalty: government departments would no longer purchase Ford motor vehicles, only present contracts would be honored, and no future deals would be signed.

Ford turned the tables and called a press conference to denounce the British government's pay and sanctions policy. According to the *Daily Telegraph*, such an attack was unprecedented and what's more, "The ferocity of the attack is believed to have the blessing of Mr. Henry Ford, head of the worldwide empire."

There is no question that the Ford Company understood the implications of the stand they took. Under Ford, Sr., the company developed a policy of continual innovation and upgrading of working conditions and living standards, and cheapening products through high-technology investment. In Britain, Ford is one of the few companies that has not cancelled expansion programs. It has recently unveiled plans to build a new engine plant in South Wales which could absorb thousands of the country's unemployed manual workers and technicians.

The British government showed its gratitude by slapping the company with blacklist-type sanctions. But Ford stuck to its guns and forced a defeat in Parliament of the government's whole sanctions policy. This unexpected defeat seriously weakened the arsenal of weapons available to enforce further wage-gouging.

In retaliation, the British press is now blaming Ford for setting the precedent for the wave of strikes now paralyzing the British economy. "The Ford workers are the pacesetters," wrote the *Daily Mirror*, before the strike was settled: "If they smash the pay policy everyone will lose — including the car workers in the long run. If they breach the pay policy every other big battalion will want to. Then three years of sacrifice would be wasted and disastrous inflation would be back."

— Marla Minnicino

# A new global framework for business

*The following are excerpts from a speech given by Philip Caldwell, vice-chairman and president of Ford Motor Company, to the World Affairs Council at Los Angeles Hilton on Thursday, Jan. 18, 1979.*

... Not only are we beginning a new year, but we are entering what I believe may be a critical period in this country's approach to world economic affairs.

... In response to these pressures, there is emerging a new international framework for business, one based more firmly than ever on a struggle for national competitive advantage and for bigger individual shares of the worldwide pie. This is particularly true of the developing countries, where efforts are being redoubled to bolster national economies, to acquire trade advantages or simply to avoid being left behind. Old allegiances and patterns of national behavior are being swept aside in a rush to create new economic realities.

What I would like to talk about today are the dimensions of this new international framework, the problems we face in increasing our share of world markets and the steps I believe we must take to make America more competitive in international trade.

## **The Japanese model**

And if 20 or 30 years seems far in the future, consider what Japan, with a population not much more than half of ours, has accomplished in less time. For the Kennedy round of the General Agreement on Trade and Tariffs negotiations beginning in 1962, Japan was treated as a developing nation. . . .

While it is true that oil imports account for a major part of that problem, the fact is that our trade balance in manufactured products has dropped from a surplus of nearly \$11 billion as recently as 1976 to a deficit of \$8 billion in 1978. That is the clearest measure of our real problem in international trade.

Germany and Japan are completely dependent on imports of oil. But they have nevertheless managed to achieve trade surpluses. Relatively high productivity growth and low inflation have enabled them to offset their increased payments for oil with increased exports of industrial products.

... At the end of World War II, we were the undisputed leader in almost every field. . . .

Our products and our systems are not necessarily the best anymore, and we are no longer the only or most logical supplier of many types of sophisticated equipment. To take only one startling example, the United States last year — for the first time in recent memory — imported more machine tools than it exported. Only in a few industrial commodities such as aircraft and computers and, of course, in agriculture have we maintained anything like our earlier lead.

... In productivity, the annual increase in output per hour of work, the situation is no better. For the past 10 years, the United States has had an average improvement of 2.2 percent a year. In Japan, the improvement was 6.6 percent a year. In West Germany, it was 5.3 percent a year. Productivity is the real engine of

our economic system — it's the only element that raises our standard of living in real terms.

... Clearly, the new international framework for business calls for a mighty effort by the United States to protect and enhance its economic interests throughout the world. The key question is: What must we do to regain competitive strength and reassert our leadership? A critical step would be more widespread recognition by the American people that we do have a real and urgent problem. The United States must increasingly rely upon raw material imports of many kinds in the future. We will have to pay for imports with more exports of manufactured goods. . . .

Japan's exports make up almost 12 percent of its gross national product. In Germany, the ratio is more than 22 percent. In the United States, however, the ratio is less than 7 percent. Each percentage point improvement in the U.S. ratio would be worth more than \$20 billion in trade. If that improvement were based on more exports of American-manufactured goods, it would add 500,000 jobs to our economy. In Germany and Japan, foreign trade has been a vital factor in avoiding large-scale unemployment.

## **America, a service economy**

The fact is that the United States has become essentially a service economy, with too little emphasis on expanding manufacturing capacity to serve developing hard goods abroad. Our civilian employment has increased by 15 million or 20 percent, over the past 10 years, but nearly all of this increase has been in service industries and government. Manufacturing now accounts for less than 25 percent of all U.S. jobs. In effect, we have become an economic "colony" for much of the industrialized world, exporting agricultural products and raw materials, and importing manufactured goods. If we continue in that direction, we will not have the sinews for a vigorous well-balanced economy — or for a strong national defense effort, if that should become necessary.

... Strengthening our nation's ability to compete in world trade . . . certainly has to rank very high if the United States is to maintain its overall capability in international affairs and provide an effective means of increasing living standards in the U.S.

One step would be to reexamine current and proposed government regulations. . . . Long-range research and engineering have had to be curtailed so that near-term government demands can be met. There is much innovation involved in this effort, but for the most part it neither improves our productivity nor gives our products a competitive edge in other countries.

Even more important steps in the longer term would be government measures to expand the capital base for investment in U.S. industry. . . .

... To sum up, I believe that we in America have not yet fully recognized the worldwide economic revolution that is altering the basic terms of international trade. The emerging economic framework I have described makes it clear that we must have a strong, balanced and growing economy — in real, not inflationary, terms — if we are to be effective in the world. That isn't just a business interest, but a national interest of major concern.

# Ford or GM: two models for auto

The U.S. auto industry has throughout the twentieth century represented some of the best tendencies in the U.S. economy and some of the worst. The best are exemplified by Henry Ford, Sr.'s commitment to develop new technologies to totally transform society, and the worst by the industry's historic adaptation to "market forces" and its efforts to simply sell bigger and fancier cars on mountains of consumer credit. These two tendencies can be seen distinctly in the methods developed in the first decade of this century alternately by Henry Ford and his "market force" competitors at General Motors.

When in 1908 Henry Ford began producing the famous Model T, he was acting on an understanding that new inventions like the automobile and new production processes like the moving assembly line were the means to transform the economy and develop labor power. They would advance the capacity of an expanding workforce to assimilate and contribute to new scientific breakthroughs and advances in technology. The Model T was designed as a well-made, low-priced utility car, aimed especially at the farm market. The Model T was used on the farm and used to bring the farm population to the city. *It played a crucial role in the urbanization of the United States.*

Ford's approach was entirely distinct from the philosophy that prevailed at the corporate offices of his main competitor, General Motors, where the emphasis from the start was always on *marketing*.

By the mid-1920s, GM had pioneered such egregious features of the modern auto industry as the annual model, auto dealerships, and the trade-in system, its own consumer credit company (the General Motors Assistance Company — GMAC), and "modern" economic forecasting methods on which the whole operation was based. Illustrative of the priorities and approach at GM, in 1926 the company brought in a team of designers from Hollywood to head a new "Styling Section" and turn market manipulation into a high art.

## **A production revolution**

While GM was concentrating on marketing, Ford was pouring investment into improved production methods, the policy which had led to the production of the Model T in 1908. Ford was able to continually bring down the price of his autos and tractors and bring them within reach of more and more of the population through improved techniques of mass production, which greatly enhanced the productivity of the auto work force.

"For most purposes a man with a machine is better than a man without a machine," Ford wrote in his autobiography *My Life and Work* in 1922. "By the ordering of design of product and of

manufacturing process we are able to provide that kind of machine which most multiplies the power of the hand, and therefore we give to that man a larger role of service, which means he is entitled to a larger share of comfort."

When it was first developed by Ford, the moving assembly line represented just such an advance in the manufacturing process which allowed for the rapid expansion of output and new capital investment, and acted as the mediation of the further transformation of the U.S. economy.

Later this process was lost sight of, and the moving assembly line became reified and increasingly the focus of "productivity drives" by the industry. Efforts to raise productivity were made not through the introduction of new technology but through hideous speed up, typified by GM's Lordstown "experiment" in the early 1970s.

In January 1914 Henry Ford introduced another major innovation in the auto industry: he lowered the working day to eight hours and raised the average daily wage to five dollars, which was twice the normal daily wage for auto workers at the time. "The payment of high wages fortunately contributes to the low costs," Ford wrote, "because the men become steadily more efficient on account of being relieved of outside worries. The payment of five dollars a day for an eight hour day was one of the finest cost-cutting moves we ever made, and the six-day wage is cheaper than the five."

Right after World War I, Ford invested heavily in the construction of what he considered the greatest development in the history of the company — the River Rouge plant on the outskirts of Detroit. The plant was situated on the River Rouge and could be directly accessed by both steamship and railroad, which greatly reduced transportation costs. The huge plant utilized economies of scale and was designed as a fully-integrated operation. The steel, glass, and other materials that went into Ford cars and tractors were produced at the complex, and waste by-products from one industrial process were utilized in others. Ford was especially proud of the fact that the steam-powered industrial complex was fired almost exclusively with what would otherwise have been polluting waste products, such as the gas by-products of the coke ovens.

Ford had expected the River Rouge plant to sharply lower his production costs — which it would have done under conditions of a continuously expanding world economy and demand for U.S. goods of all types. However, the completion of River Rouge coincided with the onset of a prolonged depression in the U.S. farm sector and the sabotage of overall U.S. export capability, which was ensured by the system of debt reparations imposed by the Ver-

sailles Treaty. Thus by 1926 Ford Motor Co. was in serious financial shape, especially in view of the \$40 million in capital investments recently made.

Auto industry historians like Alfred D. Chandler wrongly attribute the 1920s financial crisis and decisive turning point in the history of Ford Motor Co. to Henry Ford's stubborn adherence to the "old ways." But the financial crisis at Ford Motor stemmed from the profound political crisis of the period — the absence of an effective humanist leadership armed with policies to avert worldwide depression and war and to foster global industrial development. Despite the important achievements to his credit, from the standpoint of self-conscious understanding of scientific political economy, Ford represented an attenuation of the tradition of Alexander Hamilton and Henry Carey. He was thus susceptible to escalating operations against him — he was attacked as a "Communist" for wanting to expand trade relations with the Soviet Union, profiled on anti-Semitism by British agents in the U.S., and set up for confrontations with labor by "right hand men" like Harry Bennet. And he came under increasing pressure to adapt to the General Motors model. The major assault on the company, however, came following World War II, when the Harvard Business School-U. S. Air Force "whiz kids" invaded Ford Motor, including Robert McNamara.

### **The GM model: "making money, not just making cars"**

From its inception in 1908 General Motors was geared to the "reality" of "market forces." In that year William C. Durant put together his own Buick Co. with Cadillac and Oldsmobile to form the General Motors Company, and soon purchased ten automobile, three truck-manufacturing and ten parts-and-accessories companies through the issue of GM stock.

Within two years of GM's formation, a slight business recession and drop off in demand for autos caught Durant in an over-extended financial position and nearly put him out of business. Durant was forced to borrow \$12.75 million from a syndicate of bankers led by Lee, Higginson & Co. of Boston and J. & W. Seligman & Co. of New York, and relinquish control of his company. However, by 1915 Durant had maneuvered back into the driver's seat and maintained control of the company with the financial help of the du Pont family and J. P. Morgan and Co. During the 1920 credit crunch, however, he ran into severe personal financial difficulties and was unseated by the Morgan bankers. J. P. Morgan and Co. and the du Ponts remained the dominant interests in General Motors for many years.

What concerns us here are the policies forged at General

Motors, because they set the trends for not just the auto industry but for the entire U.S. economy.

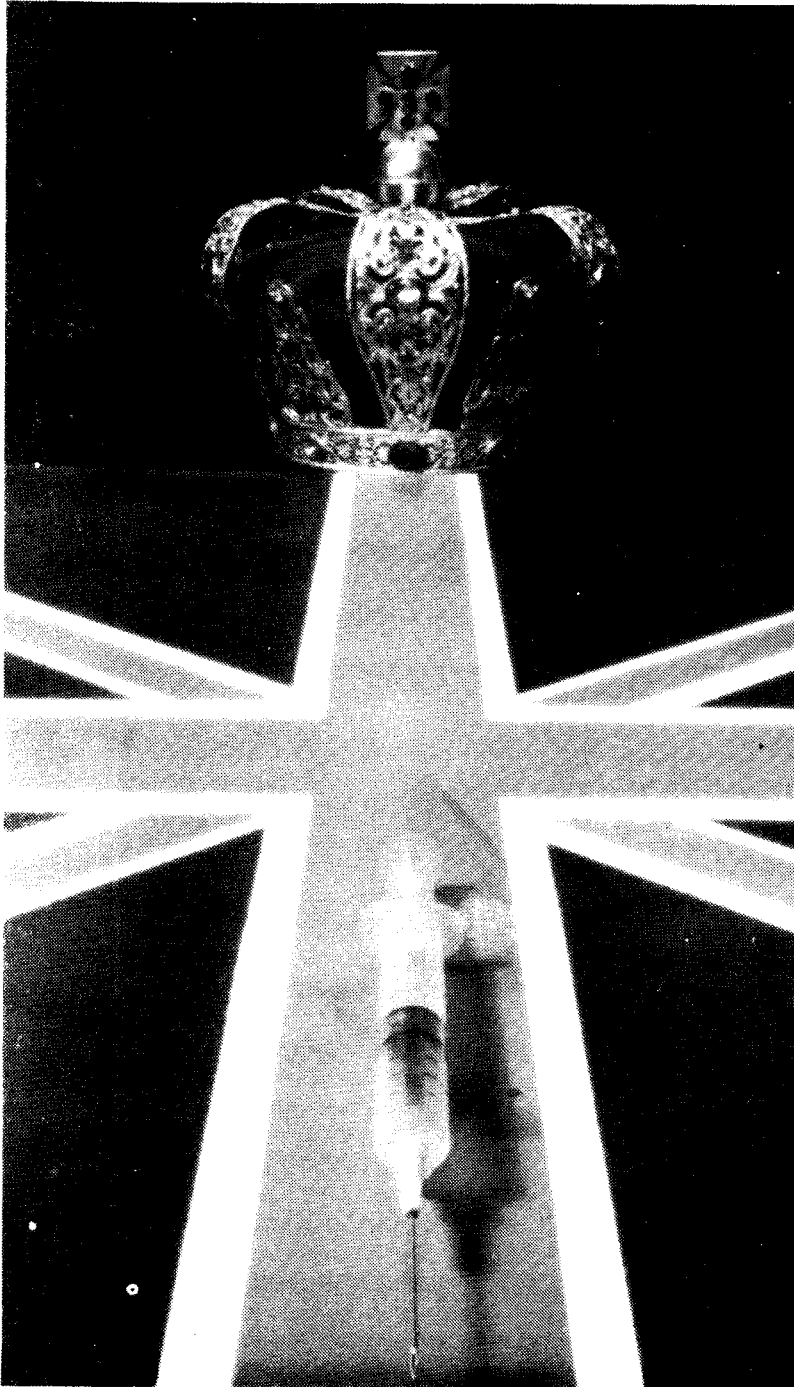
Alfred P. Sloan, who had been trained in engineering management techniques at the Massachusetts Institute of Technology and took over from Durant in 1920, recollected in his autobiography *My Years With General Motors*: "The primary object of the corporation was to make money, not just to make cars." Sloan himself was responsible for the idea of the annual model. He brought in the team of Hollywood designers to profile consumer tastes and move in on Ford Motor's market share at the point in the early 1920s when the market began "levelling off." The annual model and proliferation of unwanted "special features" were also the means for concealing constantly escalating prices for cheaper cars.

As early as 1919, John J. Raskob, GM's treasurer and long-time financial advisor to Pierre du Pont, created GMAC to finance purchases of GM cars by both consumers and dealerships, at a point when national income was headed for a nosedive. The complementary marketing "discovery" of the trade-in — whereby used cars are traded in as a down payment on new cars — allowed the automakers to unload their new model cars every year, and put the onus on the dealer to make up his loss through sales of used cars. Hence the genesis of the despised used cars salesman.

Another one of Alfred Sloan's innovations as head of GM was to institute decentralized management, as opposed to Ford's centralized direction of his company. This system of management, which was widely adopted throughout the U.S. economy, evolved into the "profit center" concept. This induces different divisions of a corporation to compete with each other and extract maximum productivity from management and workers alike.

The extreme expression of this tendency was realized in GMAD — General Motors Assembly Division, founded in 1965, and especially at the GMAD unit located at Lordstown. The assembly line at Lordstown and the assembly line as conceived by Henry Ford, Sr., are worlds apart. At Lordstown, drugs, "sensitivity sessions," and every variety of industrial brainwashing are administered to assembly line workers, in cooperation with leadership elements of the United Auto Workers, to induce speed up. This is the compensation for the fact that the whole auto industry has made no major gains in real productivity since the days of its originator, Henry Ford, Sr.

—Lydia Dittler



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# Soviet foreign policy debate

## *Will it be a Rapallo-ite detente or 'class struggle'?*

An activation of British agents in the Soviet Union in combination with the recent developments in Iran and the continued failure of the U.S. government to adopt a solid prodetente foreign policy has brought into full relief a factional dispute between the "Russellites" and the "Rapalloites" in the Soviet Union. The former are sounding an increasingly shrill anti-American, "Jacobin" propaganda line in the Soviet press. But the main thrust of Soviet international policy remains detente as the speeches by Soviet President Leonid Brezhnev on the importance of a strategic arms limitation agreement with the United States and the flurry of Soviet diplomatic activity toward Western Europe amply demonstrate.

Soviet Foreign Minister Andrei Gromyko arrived in Rome on Jan. 21 for meetings with top Italian leaders and with Pope John Paul II. Agreement was reached to sign a ten-year economic and scientific-technical cooperation agreement in the near future. On the eve of Gromyko's departure, the Soviet daily *Izvestia* asserted Soviet readiness for a dialogue with the Catholic Church and hailed the Pope's statement recently that "peace is the prime condition for real human progress."

Spanish Foreign Minister Oreja visited Moscow last week to sign agreements on expanding trade and scientific-technical cooperation. Vice Chairman of the Soviet State Committee on Science and Technology D. Gvishiani, the son-in-law of Premier Alexei Kosygin, is now in Paris for meetings with French officials.

The ultraleft side — the agent networks cultivated by Bertrand Russell and H. G. Wells and including most prominently "former" British intelligence officers Kim Philby, currently highly placed in the Soviet KGB, and Donald MacLean, working under a pseudonym at the Moscow institute of international affairs (MEMO) — is putting out the word that Soviet support for Islamic nationalist, the Ayatollah Khomeini, against the government of Iranian Prime Minister Shahpur Bakhtiar, will hasten what is asserted to be "the revolutionary process" in Iran.

The Soviet Russellite faction is parroting recent statements by Great Britain's most reactionary circles — Robert Moss of the *Daily Telegraph* and Enoch Powell of the neofascist National Front — by proclaiming the U.S. a has-been. All that is needed in Iran, they say, is a good dose of Khomeini-led destabilization to squeeze the U.S. out of the area for good.

### Watching the Soviet fight over Khomeini

*The following are excerpts of an article published in Le Figaro Jan. 15 on the Soviet attitude vis-a-vis Ayatollah Khomeini, written by Kremlinologist Annie Kriegel, a leading militant in the French Communist Party before her expulsion many years ago. Despite the fact that Kriegel does not differentiate between the various current factions in the USSR, her article, entitled "A Systematic Enterprise," draws the lines of battle.*

... For the past two centuries, the West has been living on a system of thought whose key words are: individual, class, nation, reason, science, technology, progress. Secularization, instruction, industrialization, emancipation are the broad programmatic outlines derived from this system of ideas. And to a certain extent, the Marxism of Marx and of Lenin's "Soviets plus electricity" was only a radical version of this: as of 1960 the challenge for the Khrushchevian USSR was still to "catch up with America."

But the Communist movement has been able to measure

the fragility of the lay modernizing currents in the Land of Islam. From Morocco to Indonesia, Islamic fundamentalism is still providing cohesion and identity to the great popular masses. Communism is now, with some vigor, drawing the consequences: except in some countries like perhaps Turkey where kemalism (the economic development strategy of Kemal Ataturk, founder of the Turkish Republic — ed.) took root and still nourishes a broad social and political movement based on the theme of progress, communism now intends to make compromises with this religious populism provided that (contrary to its form in Saudi Arabia) it is based on "anti-imperialism," that is to say anti-westernism. This is how a shift is taking place from Islamic-progressivism with a lay undertone to Islamic-communism which is both more radical, more popular and with greater religious emphasis...

A conflicting alliance? Not necessarily, and in any event, not immediately. If a conflict takes place it threatens to be one in which we will only be spectators — like in Cambodia.

### Shah's despotism and American domination

Exemplary of the Russellite line was *Pravda's* authoritative International Week column on Jan. 21 by the paper's London correspondent V. Ovchinnikov. He hailed Khomeini's Shi'ite movement for its "long established reputation as opponents of the tyranny" of "the Shah's despotism and American domination." The fate of the Shah — "a travelling salesman for foreign capitalism" — should be a warning to others who cooperate with Washington.

Contrary to the scenarios being spun out in the international press that "a spectre is haunting the Kremlin," as columnist John P. Roche wrote in the *Washington Star* on Jan. 22, the danger to the Soviet state posed by the destabilization of Iran is not Islamic revivalism struggling against the Shah and its spread across the border to the Moslem regions of the Soviet Union like Azerbaijan and Kurdistan. It is Zbigniew Brzezinski's "arc of crisis" scenario for the region stretching from the Indian Ocean to the Mediterranean Sea that is the danger — if thermonuclear war between the U.S. and the Soviet Union does not intervene.

The vulnerability of the Soviet leadership to the "class struggle" rhetoric of the Russellites, in this case vis-à-vis Iran, accounts for their continuing failure to ruthlessly purge the agent networks who are trying to sabotage the Rapallo-type policy of peaceful coexistence with progressive capitalist forces. That failure was exemplified by a Dec. 30 feature in *Pravda* by its Washington correspondent G. Vasiliev, who packed his article about the alleged "hypocrisy" of America's Founding Fathers with quotes from spokesmen for the British linked Institute for Policy Studies about U.S. crimes in Vietnam, Chile, Nicaragua, and Iran. Just last spring, the government daily *Izvestia* identified IPS as the controller of Italian terrorism.

### The Rapallo policy toward Europe

Continuing to pose a policy dilemma to the Soviet leadership is the new European Monetary System, which the government has not officially backed despite the crucial importance of the May 1978 meeting between Brezhnev and West German Chancellor Helmut Schmidt in setting the EMS in motion. The dilemma has been expressed like this.

The latest issue of the economics weekly *Ekonomicheskaya Gazeta* ran an article saying that the EMS lacks an "economic basis" and will hence fail as have all other European Community integration schemes.

This runs counter to an article in the foreign policy weekly *New Times* during December that reported the intentions of the EMS founders to use the system for Third World development and to further East-West detente. The weekly concluded that the system might very well work.

The depth of the factional dispute is best indicated by the fact that one of the best calls for international cooperation in economic development and detente to appear in the Soviet press came from none other than Nikolai Inozemtsev, the director of the IMEMO institute which harbors British agent MacLean. Inozemtsev, in a feature in *Pravda* Jan. 22, in effect calls for a positive Soviet response to Chancellor Schmidt's appeal for the Soviet Union to participate in joint East-West efforts to develop the Third World.

Inozemtsev analyzed the world energy crisis. It is not a resource crisis, but one of speculation on oil prices. The task for coming decades is to utilize broad resources, including coal, and

especially to "accelerate the construction of nuclear plants." It is obvious, he continued, "that humanity has entered a phase of preparing for the inevitable radical reconstruction of the whole structure of the fuel economy, preparing for the utilization of such effectively infinite resources as thermonuclear fusion and solar power."

These tasks, he concluded, require "broad international cooperation" and a new world economic order, including economic advancement in the Third World as "a necessary precondition for the vitalization of international relations and the progress of human civilization."

The policy of French President Giscard d'Estaing, one of the founders with Schmidt of the EMS, is also the subject of debate in Moscow. Vice Chairman Gvishiani of the Soviet State Committee on Science and Technology, now in Paris, wrote an article for *Izvestia* on Jan. 18 stressing the importance of scientific and economic cooperation between France and the USSR. Gvishiani urged the United States to adopt a similar policy of mutually beneficial cooperation.

Yet the magazine *New Times* attacks Giscard in its current issue, calling him an "Atlanticist" who has departed from the true heritage of Gaullism. *Pravda* on Jan. 16 praised the French Communist Party and the Gaullist RPR party for their opposition to the European Monetary System.

—Susan Welsh

### French Foreign Ministry: New Times slander not official Soviet view

The French Foreign Ministry issued an unusual statement Jan. 24, disassociating the Soviet government from a slanderous attack on French government leaders which appeared in the most recent issue of the Soviet foreign policy weekly *New Times*.

*New Times* had attacked French President Giscard d'Estaing as "Atlanticist" and accused him of pursuing a "de facto alliance" with China. The magazine denounced the new French Foreign Minister Jean François-Ponçet for his ties to the French steel industry, which in turn is connected to the German steel barons. The Franco-German cooperation which François-Ponçet personifies, said *New Times*, represents a "slide toward Atlanticism."

According to the French Foreign Ministry statement, "the views expressed in the *New Times* article do not represent the views of the Soviet government to our knowledge."

As an indication of the real progress in Franco-Soviet relations, the weekly *VSD* reported that when President Giscard goes to Moscow this spring, the Soviets will offer to accredit France as an observer to the Council for Mutual Economic Assistance (CMEA), the socialist countries' economic alliance.

## And in the Soviet press

### 'Unrealizable hopes'

*Coverage of the European Monetary System in the Jan. 3 Ekonomicheskaya Gazeta reveals columnist V. Gorski's British-burdened view of the new economic system.*

... Attempts to revive the process of monetary integration by creating the so-called European Monetary System (EMS), in particular, have the goal of counteracting the weakening of economic ties among the members of the grouping, manifested, for example, in the slow-down in the growth rate of trade within the Common Market. However, the creation of such a system does not rely on the corresponding economic base, and the organizers of the EMS, who "put the monetary cart before the economic horse," as the *Financial Times* wrote, were punished with the following: a sharp outbreak of contradictions between France and the Federal Republic of Germany prevented introduction of the system, which had been planned for Jan. 1, 1979. . . .

### 'For an Independent Policy'

*The Soviet Communist Party paper Pravda printed an analysis, quoted here, by F. Arsenyev Jan. 16 which conveys his suspicion that "Atlanticism" controls France's economic initiatives.*

... Even among ruling circles of the country (France—ed.) doubt is being expressed about the consequences for France and its national independence of continuing the course of further integration within the "Common Market." Disagreements are increasing on this question within the government coalition.

Thus, the leaders of the centrist grouping (Lecanuet, Ponia-towski, and others) have long advocated extensive integration, even up to the creation of "supranational organs" and "joint" foreign policy. The Atlanticist circles too are pushing France in this direction. . . .

The Rassemblement Pour la Republique (RPR) takes a dif-

ferent position. The Gaullists have for a long time attempted to preserve their special positions on some questions of government policy. Giving the government their support and speaking essentially jointly with the other parties of the ruling coalition, they at the same time are not infrequently critical of concessions to the advocates of "supranational organs" and Atlanticism. Literally the day after the Brussels meeting of the heads of state and government of the EEC countries in December 1978, at which the resolution creating the "European Monetary System" was adopted, the chairman of the RPR, J. Chirac, addressed the members of his party and the public of the country. He was very critical in his evaluation of the government policy on "European construction" and spoke in favor of defending the independence of the country, calling the advocates of integration "foreign parties," who are trying to weaken the role of France in international affairs. . . .

### 'Science Serves Peace'

*The Soviet government newspaper Izvestia, excerpted here, set the course of internal debate on the EMS toward the purpose of international detente in their Jan. 18 publication.*

... The experience of scientific-technical cooperation of the USSR with capitalist countries shows that this cooperation develops more actively and more fruitfully where favorable political conditions for this exist. The development of Soviet-French scientific-technical and economic cooperation could be mentioned as a positive example in this regard. Comrade L. I. Brezhnev, in his speech to the XVI Congress of the Trade Unions of the USSR, called our country and France "the pioneers of detente." As experience shows, the deepening of Soviet-French cooperation in the areas of science, technology and economics is linked in the closest manner with the development of political relations between the two countries. Soviet and French scientists cooperate on a broad scale in various divisions of basic and applied science. . . .

# Islam sects fuel Mideast chaos

## *An in-depth report on London's Muslim Brotherhood*

The same London policymakers who were responsible for the programming of religious cults in the Middle East in the 19th century are now seizing upon the Ayatollah Khomeini destabilization in Iran to mass-program new fundamentalist cult operations throughout that strife-torn area.

Personified by such fundamentalist programmers as Princeton University's Bernard Lewis and his co-thinkers at Oxford and London Universities, this British school has moved to ideologically capture the Mideast policymaking apparatus in the U.S. government — through the agency of National Security Council head Zbigniew Brzezinski.

- Reacting with characteristic freneticism to the Khomeini events, Brzezinski has ordered Washington, D.C. thinktankers and Middle East hands to prepare a major study on Islamic fundamentalism.

This push behind fundamentalism has already had severe destabilizing effects on the Middle East, exactly as per Lewis's design to have the Middle East states "balkanized" into mini-principalities of feuding tribal sects and clans.

Aside from the well-publicized Iran events themselves, the past days have seen the following:

- a reported growth of Khomeini-linked "Shi'ite armed cells" throughout the Arabian Gulf area, likely tied to the British intelligence group, the Popular Front for the Liberation of Oman and the Arabian Gulf.

- an outbreak of rumors of antiregime discontent in Saudi Arabia, emanating from London-allied circles in the National Guard and from minor Saudi princes in touch with both British intelligence and Israel's Mossad foreign intelligence service. This discontent is reportedly converging around and being funded by the head of the National Guard, Prince Abdullah.

- recent reports of Muslim Brotherhood attacks on Christian citizens in Iraq.

- an upsurge of Muslim Brotherhood-fomented tribal destabilizations against the new government of Afghanistan. This action is being aided and abetted by Anglophile networks within the Central Intelligence Agency.

### **Zionist fundamentalism**

The fundamentalist activities of Khomeini and the Muslim Brotherhood are producing as their obvious consequence a Zionist-fundamentalist "backlash" around Israel, a factor which could push the Middle East toward general war in the short term.

While it is well known that the Mossad has played an increasing role in helping exacerbate the Muslim fundamentalist operations, Israeli Foreign Minister Dayan this week took the significant public step of warning Israel's Arab neighbors that if they

aimed their "Islamic wave" against Israel, they would "pay the price." Coupled with a plethora of Israeli press editorials and politicians' statements deploring the "Islamic wave," Dayan's words can only have the effect of unsettling whatever international and regional moves are being made — by the French, Soviets, honest CIA networks, several Arab governments, and others — to neutralize the effects of Khomeini.

The potentials of Dayan's threats were dramatized in a chilling way in the Jan. 21 assassination, reputedly by Mossad and/or British agents, of Palestine Liberation Organization security chief Abu Hassan Salameh.

At this point, certain influential Middle East policy circles, representing long-time professionals in various government agencies, are not ready to endorse Brzezinski's project.

One highly-placed source stated this week, "This Islamic fundamentalist idea is nonsense, and whatever Brzezinski thinks, it's not going to be easy to get people to underwrite any attempts to legitimize it. As for the British, they're a joke . . . The wave of the future in the Middle East lies elsewhere, in developing industries in the area and in understanding that groups like the Palestinians are the core intelligentsia of the area. If that is not understood, nothing can work in the Middle East."

## What is the Muslim Brotherhood?

Triggered by the Islamic fundamentalist destabilization in Iran, the Muslim Brotherhood is now on a rampage in various nations of the Islamic world, an expression of the Royal Institute of International Affairs' commitment to rely on mass-oriented cults to keep the Middle East and other developing sectors out of the development configuration centered around the European Monetary Fund.

A fanatical and puritanical secret society, the Brotherhood — or "Ikhwan" — is organized into special cells and so-called "temples," from which it spawns local and regional branches of its cult operations. Strongest in Egypt, where it dominates the religious establishment, the Brotherhood is also extremely powerful in Pakistan, where its Jamaat e-Islam branch literally runs the government. It is also well organized in Nigeria and Senegal, and is

especially strong in North Africa, while Jordan, Syria, Iraq and Turkey have been seriously infected (see box).

In Iran, the Ikhwan controls a significant faction of the Shi'ite leadership.

So widespread and active are the Ikhwan networks that they have penetrated and reached dominant positions among Islamic groups in North America, such as the Muslim Students Association and the Muslim World League (the "Rabitat") in the U.S.

### **Hassan el-Banna and London's primitivism**

The Ikhwan profile centers around opposition to "Westernization." Its founders originally derived their political ideas — destroying all secular authority and forcing the establishment of an Islamic state — from the late 19th century advocates of pan-Islamic doctrine, Sufism, and mysticism: all combined from the start to create a xenophobic, anti-intellectual, "fundamentalist" counter-operation to growing anti-British nationalism during that period.

These savage qualities are all personified by Hassan el-Banna, the "Supreme Guide" and founder of the Ikhwan in 1929, who hammered the organization into a large and well-disciplined cult with a paramilitary branch and elite assassination squads.

Hassan el-Banna emerged from the higher levels of the Sufi orders in the 1920s, after embracing the mystical notions of the 10th and 11th centuries' Al-Ghazzali combined with a passionate hatred for "secularization" and for the republican political tendencies associated with Turkey's Kemal Ataturk.

By the mid-1930s, Hassan was receiving cash allotments from the London-based Suez Canal Authority and from ministers of the royal court of London puppet, Egyptian King Farouk, who saw in the Ikhwan and the fascist "Young Egypt" militias an effective counterweight to nationalist anti-British sentiment in Egypt. By the 1940-1941 period, the Ikhwan was powerful enough to have direct ties to the Egyptian military, mediated in part by current Egyptian President Anwar Sadat, and was in touch with several pro-Nazi fundamentalist groupings in Iraq and elsewhere.

During the same period, rumors were widespread in the Arab world that the Muslim Brotherhood was receiving funds straight from the British embassy in Cairo.

The Ikhwan served British purposes well. Their extreme anti-Jewish (rather than anti-Zionist) fulminations built up considerable credibility for Zionist claims that the Arabs are "anti-Semitic"(!), and aided Zionist recruitment and support work.

Disgusted with the whole Ikhwan operation, Egypt's President Nasser crushed their organization in a no-holds-barred showdown soon after he seized power in 1952.

Following Nasser's crackdown against the Ikhwan in Egypt,

### **A profile of Ikhwan operations**

*A London source with extensive connections into both "radical left" and "religious right" groups in the Middle East and the Indian subcontinent provided the following profile of the structure and strength of Ikhwan, or Muslim Brotherhood, and their international networks.*

Egypt, Pakistan, Morocco, and Turkey are the countries which have the most extensive Ikhwan operations at this point. In Egypt, the Ikhwan has major support among petit-bourgeois merchants, discontented students, and so on, and have grown remarkably under Sadat's regime. In Pakistan, the Ikhwan is called the Jamaat e-Islam, and it runs Pakistan's leader Zia; pure and simple.

An interesting area of Ikhwan growth is Morocco. Not only have they grown there as a group, but in Morocco there has been the crucial new addition of a merger of Ikhwan networks with so-called Tijani groups, i.e., the Sufi-mystic-whirling dervish groups. These Tijani are otherwise well-known for activity in Turkey; this is one overlapping group working in both Morocco and Turkey.

Other Ikhwan activity should be noted: in Tunisia, a well-known Sheikh, Sheikh Mourou, has congregated an Ikhwan following around him; this has gained strength among students. In Syria, the Ikhwan has an extensive underground operation. In Iraq, they have been crushed.

In Saudi Arabia, outside the circles around Prince Abdullah (Saudi National Guard head — ed.), the Ikhwan is surprisingly highly unpopular. Why? Because it opposes monarchies, and the Saudis are a monarchy, so the King and Crown Prince treat the Ikhwan with disfavor.

Note in conclusion that the Ikhwan has a following of some substance in the U.S. This exists among Pakistani students who are pro-Zia. It also exists in certain areas of Arab student strength in the U.S., in particular at the University of Texas at Austin and at the University of Illinois at Champaign-Urbana.

their strongest base, the Muslim Brotherhood fled and regrouped — in Geneva, Switzerland! There, under the cover of a foundation called the Institute for Islamic Studies headed by Said Ramadan, they set up secret headquarters.

According to reliable sources, the Geneva network is linked directly to another outfit in London itself, called the Islamic Foundation of Europe, whose leader is the brother of Abdul-Rahman Azzam, the British agent who headed the Arab League after World War II. Also deeply involved in the Muslim Brotherhood organizing is the fascist Hans Seidel Foundation of Munich, West Germany, closely linked to Franz Josef Strauss, whose executive director is Otto von Hapsburg. The Hans Seidel Foundation has a representative in Cairo who, according to sources in Munich, maintains liaison with the Muslim Brotherhood.

Both the Center for Middle Eastern Studies at Cambridge University and the Institute of Oriental and African Studies at the University of London serve as "think tanks" for the Muslim

Brotherhood controllers in London, Munich, Geneva, and South Africa.

The funding for the organizations linked to the Muslim Brotherhood comes largely, according to many sources, from the faction in Saudi Arabia associated with Prince Abdallah, the commander of the National Guard there, and from the Kuwaitis.

In diplomatic and intelligence circles, it is widely known that Prince Abdallah is extremely close to London — as opposed to the majority of the Saudi royal family, which is “pro-American.” Both Abdallah and the new ruler of Kuwait, Sheikh Sabah, were trained at the same London police school, Hendon Police College — and both are pro-Muslim Brotherhood.

Following the assassination of King Faisal in 1975, when Abdallah’s power was somewhat increased, the growth of the influence of the Brotherhood in Saudi Arabia was speeded up, and throughout the Islamic world Abdallah’s faction was increasingly able to push fundamentalist Islam and the Ikhwan.

In Iran, for instance, the *Fidaiyani Islam* (“The Devotees of Islam”) are closely linked to the Muslim Brotherhood, and in the 1950s they carried out jointly a series of assassinations and terrorism in both Egypt and Iran.

In the current Iran crisis, the Devotees have suddenly resurfaced to carry out assassinations for the ultrareactionary cause of Ayatollah Khomeini.

### Washington Post waves Islam flag

“Resurgence of Islam” was featured in the Sunday, Jan. 21 Washington Post, excerpted here:

On Islamic holy days, thousands of worshippers turn out at prayer services organized by the once-outlawed Moslem Brotherhood, now so visible and well-organized that its posters appear in the windows of Cairo buses and its thick glossy magazine is on every newsstand.

These are the visible signs of a resurgence of Islamic orthodoxy and puritanism that is one of the strongest trends in Egyptian society today. It has been under way for about three years, and appears to be gaining strength — particularly in the universities.

“We are puritans, but we are not fanatics,” said Omar Telmassani, editor of *The Call*, the monthly magazine of the Moslem brotherhood. He spent 17 years in prison during the presidency of Gamal Abdel Nasser because of his membership in the brotherhood, which had a reputation as an organization of terrorists who made two attempts on Nasser’s life. . . .

Sadat is reliably reported to have struck a bargain with the leaders of the Moslem establishment, such as the sheikhs of Al Azhar, by which he tolerates their criticism on issues such as family planning provided they refrain from undermining him politically as the Iranian mullahs have done to the shah.

## Saudi Arabia: the next Iran?

Saudi Arabia, a leading force for peace in Middle East politics, has emerged as the number one target of a British-backed operation to destabilize the Middle East via the deliberate activation of reactionary Islamic sects.

Saudi Arabia’s refusal to back an Egypt-Israel separate peace, combined with its increasing desire to open relations with the Soviet Union, and growing willingness to cooperate with the European Monetary System all pose a formidable obstacle to the continued manipulation of the Middle East by Britain and her political and intelligence networks in the United States. The fact that Saudi oil wealth is key to the successful implementation of the EMS and would virtually guarantee the triumph of the new, high-technology-oriented EMS over the British-controlled International Monetary Fund has, of course, not been lost on the desperate British oligarchy.

### Iran treatment for Saudi Arabia

Numerous signs surfaced last week that Saudi Arabia is next in line for the Iran treatment.

“Six months after I return to Teheran, the future of those who presently rule Saudi Arabia will be known,” said fanatic religious leader Ayatollah Khomeini, speaking through his chief aide Ibrahim Yazdi in Paris.

Khomeini’s threat was picked up by the Jan. 22 *Christian Science Monitor*, which reported that Shi’ite mosques in Iraq, Kuwait, the United Arab Emirates, and Oman have become centers of Khomeini-style “revolutionary activity,” and that Prince Fahd is urgently seeking cooperation with the other Arab states to put an end to the threat. However, according to Thomas Ricks of Georgetown University and British agent Joseph Malone formerly of the National War College, both quoted by the *Monitor*, mosques in Saudi Arabia have begun to “stockpile arms” for a rebellion.

Covertly backing those factions tending toward religious reaction in Saudi Arabia is Prince Abdullah, chief of Saudi security. According to a high-level Washington source, Abdullah is pushing to sever ties with the West. Prince Fahd, in contrast, is committed to modernizing Saudi Arabia and looks with favor on cooperating with the West to achieve this.

Abdullah has often been cited as the likely ringleader of a palace coup by dissident, anti-American young Saudis who are being personally cultivated by Malone and his ilk.

“If I were the Saudi leadership,” stated UCLA’s Malcolm Kerr, a close associate of Malone, “I’d be worried about what is going on in Iran and what the ramifications are for Saudi Arabia. Too much development too fast brought about a backlash of reaction in Iran. The same thing could happen in Saudi Arabia. If I were the Saudis, I’d start cutting back on oil production, the rate of modernization, and other such things just to keep things under control there.”

In an attempt to force Saudi support for the Camp David ac-

cords, backed by Egypt's Muslim Brotherhood faction, the U.S. is stupidly tightening the screws on Riyadh.

"We have tiptoed around Saudi Arabia long enough," said Sen. Frank Church, the new chairman of the Senate Foreign Relations Committee on Jan. 19. Because the U.S. supplies the Saudis with military hardware, Church continued, Washington "has the right to demand from them positive, affirmative support for the (Egypt-Israel) peace treaty."

Then, in open blackmail, Church stated that because of the "obvious potential threat which instability poses for the Saudi regime," the U.S. must now force the Saudis to support an Egypt-Israel separate peace, even if that means withholding the security and military apparatus that Washington has promised Riyadh.

Chiming in with Church were Zionist lobby Senators Javits and Stone, also on the Senate Committee. Javits insisted that the crisis over Iran means that an Egypt-Israel pact is of maximum importance; Stone demanded a congressional review of U.S. Middle East policy and threatened to revoke the F-15 jetfighter deal with the Saudis.

More egregious was Assistant Secretary of State Harold Saunders' delivery of the Administration's first direct criticism of Saudi Arabia. Saunders, the chief of the Middle East division at the State Department, stated outright that the U.S. is unhappy with the

lack of Saudi help in pushing through the Camp David peace accords.

Despite the pressure, the Saudis are standing firm. Last week, the former chief of Saudi intelligence was fired from his post as advisor to King Khalid because of his partiality to Egyptian President Sadat and the separate peace arrangement with Israel. At the same time, King Hussein of Jordan arrived in Riyadh on his way from Damascus, and reaffirmed Arab opposition to Egypt's pursuit of a separate deal with Israel.

## Khomeini's friends at Foggy Bottom

The centers of international support for the leader of the fanatic Moslem Brotherhood wing of the Iranian opposition, Ayatollah Khomeini, are individuals tied to the organizations and political circles around the late Bertrand Russell, as well as British-intelligence tainted elements in the U.S. State Department. These individuals are running support for Khomeini in cooperation with the Institute for Policy Studies, Georgetown University, and M.I.T. brainwasher Noam Chomsky.

Prominent among these supporters of Khomeini is former Attorney General Ramsey Clark. Clark was deployed to Iran last week to drum up support for the Ayatollah by elements in the State Department linked to Clark's former Deputy Attorney General, now Deputy Secretary of State Warren Christopher. Christopher's political pedigree is found in the joint Bertrand Russell-Aldous Huxley MK-Ultra drug proliferation project run in California. Clark is also connected to the West German Baader-Meinhof group and other "left" terrorist operations.

Another Iranian subversion agency associated with Russell is the Italy-based Lelio Basso Foundation, named after the late Italian politician in British employ who ran Trotskyist and anarchist networks into the Italian Left. Basso was also a 1960s member of Russell's anti-Vietnam War "War Crimes Tribunal." The Basso Foundation not only maintains close supervision of European agents extending into the Iranian opposition, but has sent special teams to Iran to coordinate work with the Khomeini people.

A recent Basso Foundation team was sent under the joint auspices of the U.S. Committee on Iran, a pro-Khomeini group run out of Georgetown University by Professor Thomas Ricks. The Committee's representative at the time, James Cockcroft, is a sociology professor at Rutgers University heavily involved in left-counter-gang and pro-terrorist activities.

One of the leading spokesmen for the U.S. Committee on Iran is Princeton University professor Richard Falk, a prominent figure in several zero-growth and counterculture political institutions. Falk has recently been in communication with Noam Chomsky, who has agreed to speak jointly with Ricks at a Stanford University seminar on Iran. The Stanford organizer for the seminar, physics professor Pierre Noyes, is also the Committee's leading organizer in California, and maintains steady contact with co-thinking European organizations.

### Brzezinski's Islamic study script

National Security advisor Zbigniew Brzezinski has personally ordered U.S. intelligence services to prepare an in-depth "worldwide study" of the revival of Islamic fundamentalism. The study, according to the Jan. 20 *Washington Post*, was ordered "in the wake of the Islamic revolt that helped drive the Shah of Iran from his country."

According to well-briefed Middle East analysts, the Brzezinski study is, in essence, nothing but a feasibility report for implementing what has been dubbed the "Bernard Lewis Plan," named after the British orientalist currently at Princeton University, whose profiling of Middle East sectarian differences set the stage for the Iran crisis and the spread of reactionary Islamic fundamentalism in the entire area.

Corralled into support for Brzezinski's British-inspired study, Carter Administration officials disclosed at a closed-door hearing of the Senate Foreign Relations Committee Jan. 19 that "the existence of the request was considered highly sensitive by the Administration, because of the growing political impact of Moslem fundamentalism in many areas of the world. . . . Brzezinski is reportedly determined not to allow the political impact of Moslem fundamentalism in such potential crisis points as Pakistan, Afghanistan, Egypt and the Philippines to go unreported in the future. He has formally directed the intelligence community to produce an in-depth study of this phenomenon."

Falk accompanied Clark on his trip to Iran to meet with Khomeini's allies; also in the party was Don Luce of the Clergy and Laity Concerned.

In a recent interview, Falk proudly proclaimed his aim to be the disintegration of the Iranian army and "its takeover by the struggle movement." "This is why," Falk announced, "the Khomeini people refuse to join any coalition government. They want the Shah out so the Movement can splinter the army and take it over."

Ricks proclaims that the U.S. Committee on Iran is actively seeking to broaden its support base: "We'd like to work more closely with Noam (Chomsky), he's precisely the person we need. We also probably will get Dan Berrigan to help us out, and we're already working closely with the Institute for Policy Studies, through Michael Klare, their expert on military affairs. We have also done work with the Coalition for a New Foreign and Military Policy, through their heads Brewster Rhodes and Bruce Cameron of the Americans for Democratic Action."

### **The allies**

Ricks, Falk, and others have identified several groups and individuals working closely with or parallel to the U.S. Committee on Iran and the Basso Foundation:

**The Iranian Students Association.** Ricks attended by invitation a Dec. 24-30 conference in California of the ISA, only days before the madcap ISA riots against the Shah's family in Beverly Hills, California.

**The Young Muslims Organization.** A subsidiary of the Muslim Students Association, the YMO has at its head Ibrahim Yazdi of Houston, Texas, a leading personal spokesman for Khomeini. The Committee has co-sponsored forums with the YMO and maintains close touch with it. The YMO also sponsors activities and forums for Shariat Rouhani, a relative of Khomeini

who has been pushing for support of Khomeini throughout the U.S.

A known proponent of the Yazdi operation is University of Pittsburgh professor Richard Cottam, a member of an Iran policy team headed by University of Chicago Mideast specialist Marvin Zonis which has legitimized Khomeini in the eyes of the U.S. foreign policy establishment. Zonis is closely associated with the head of the National Security Council Iran task force, David Aaron, known among U.S. intelligence experts as "the mole" in undermining U.S. capabilities in Iran.

**Committee on Repression in Iran (CARI).** CARI is centered in Britain, involving several Members of Parliament, and is coordinated by Fred Halliday, the expert on the Persian Gulf/Iran for the Institute for Policy Studies and the IPS's European affiliate, the TransNational Institute. According to Halliday associate and TNI coordinator Eqbal Ahmad, "Fred maintains regular contact with Khomeini." Ricks also confesses to being a close friend of Halliday's.

**Committee on Artistic and Intellectual Freedom in Iran (CAIFI).** Centered around one Benaheni, CAIFI has extensive ties to the Trotskyist International; CARI is its British counterpart. A top CAIFI supporter is ex-Bertrand Russell intimate Ralph Schoenman, who has spent much of the past several months in Iran.

**American Friends Services Committee (AFSC).** The AFSC sponsored a Sept. 30 anti-Shah "Peoples' Hearing" attended by Klare, Zonis co-worker James Bill of the University of Texas at Austin, a CAIFI Fourth International representative, and Ramsey Clark. Through such coordinators as pro-terrorist lawyer William Kunstler, the AFSC helps develop links between the Iranian Students Association and European terrorist organizations like the Baader-Meinhof gang.



# Scandal over U.S. bank buy-ups

## *Investigations chart British financial war vs. adversaries*

Generating considerable controversy these days is the rapid step-up in the bids to take over American banks coming from British and Canadian bank holding corporations. By all indications, a scandal of untold proportions is just beginning to brew.

For instance, the U.S. Labor Party charges that the Hongkong and Shanghai Banking Corporation is deeply involved in financing worldwide drug trafficking, terrorism, and runs on the U.S. dollar, causing the U.S. Federal Reserve Board of Governors to delay their approval of HongShang's acquisition of the Marine Midland Bank of New York pending their review of the HongShang's international activities.

An even more shocking scandal is building around the U.S. Labor Party's contention that certain foreign and foreign-affiliated banks are currently operating in both the British colonial outpost of Canada and in the United States as the vehicles for financial warfare against targeted political enemies.

The Labor Party and the National Caucus of Labor Committees, an association involved in political education, have documented five years of financial warfare against their respective organizations. The organizations' investigators are now in the process of tracing these operations back to British-influenced political intelligence institutions that have made financial warfare

their specialty since at least World War II. At that time, the British government established, both in Britain and in other British colonies, a Ministry of Economic Warfare which engaged in financial warfare against Germany and against any individual or organization the British felt were not sympathetic with their political policy for waging that war. The Ministry of Economic Warfare was dismantled, but its graduates may now be found among the directors of every major British and Canadian financial institution. The case of the Bank of Nova Scotia is exemplary (see below).

### **Bank War against the Labor Party and NCLC**

The financial warfare documentation released by the NCLC and USLP shows that almost \$1 million has appeared on the two organizations' bank statements at various times only to be subsequently claimed by other banks as "wire transfer errors" (see Table 3). The evidentiary grids presenting the incidents indicate that in each case the claimed "error" was not discovered until one of the organizations attempted to rely upon the funds (see Table 1). Therefore, the amounts involved were undisputed for up to seven weeks!

Each of the incidents, if gridded against political events

## **Table 1.**

### **Unlikely coincidences involving banks suspect in financial warfare**

#### **1. Chase Manhattan**

- a) Appearance of two equivalent "errors" in space of four banking days.
- b) Second "erroneous" transfer occurs on same day NCLC withdraws funds and first "error" is corrected — thus covering tracks.
- c) Bank claims that \$300 wire transfer transformed, in error, to \$60,000 at remitting National Bank of Maryland. Same error oddly repeated identically on telephone and on later written transfer order.

#### **2. Citibank**

- a) Appearance of two "errors" within a month and a half of each other, duplicating Chase pattern less than a month earlier.
- b) Appearance of credit memos at branch bank identifying proper wire transfers into NCLC account without corresponding ledger entries crediting the account itself. Bank officer conducting investigation to locate source of constant "errors" is transferred with no notice to another branch.

#### **3. Bank of Nova Scotia**

- a) Delay in discovering "error" was two and a half weeks, although BNS possesses documents indicating they were aware of transfer three days after it took place.
- b) Citibank acquiescing to BNS request to freeze account of NCLC vendor Campaigner Publications, Inc. in effort to seize NCLC funds.

involving the U.S. Labor Party or the NCLC, also show a remarkable coincidence on a time line (see Table 2). For example, the first such incident, involving two transfers into the NCLC's Chase Manhattan Bank account, of \$60,000 and \$65,000 respectively, occurred at the time when the collapse of the Herstatt Bank in West Germany, and the Swiss-controlled offshore Banque Credite Internationale (a major known institution for drug and terrorist financing), had placed intense financial pressure on Chase Manhattan — the New York correspondent bank for Banque Credite Internationale. Chase was also under investigation by the FBI for alleged overvaluation of its bond portfolio and for falsification of records.

At the same time, United Auto Worker officials were proliferating a rumor that the NCLC was financed by the Rockefeller brothers — a rumor which is still being circulated by Ralph Nader.

Within two weeks of all these events, the first \$60,000 appeared in the NCLC account at Chase. The bank's abrupt withdrawal of the funds was followed within days by a lawsuit filed by the UAW which the union's internal memoranda described as designed "to bankrupt" the NCLC.

### Canada's part in the war

The Bank of Nova Scotia incident in 1976 followed a similar pattern. The U.S. Labor Party backed Lyndon H. LaRouche, Jr. as its presidential candidate in the 1976 elections and, on election eve, purchased one half hour of national prime time television for an address to the nation by its candidate. Although major efforts were made to prevent the sale of time, the Federal Communications Commission ordered NBC to air the telecast. Within a few weeks, the Carter national campaign committee complained to the Federal Elections Commission concerning the financing of that broadcast. The FEC entered into consultation with various intelligence agencies and, at the end of December, issued an order for an extensive campaign against USLP supporters and vendors.

Within days, the Bank of Nova Scotia transferred \$89,000 into the NCLC's Marine Midland Bank account — an amount almost precisely that which published fund-raising appeals had stated was required by that organization in the December-January period. Despite bank documents indicating they were aware of the transfer by Jan. 4, 1977, the NCLC was repeatedly assured that the funds were theirs. At the time of the incident, Marine Midland was involved in takeover negotiations with the Hongkong and Shanghai Banking Corporation, as a result of internal financial weaknesses of the Marine Midland Bank.

The introduction of foreign banking practices into the United States through the takeover of U.S.-based banks has its consequences for American business unless stopped: the insinuation of drug and terrorist related practices into day-to-day business, a shift away from the research and development, and financing of advanced technologies and toward wholesale looting of corporate assets, and the collapse of the U.S. dollar.

Each of the incidents in the following documentation, including that involving the Canadian Imperial Bank of Commerce (see below), indicates that the banks in question were either complicit in financial warfare — apparently an acceptable business practice for banks chartered in the British Empire — or were placed under severe pressure by British-affiliated banks.

## Table 2. Political background to financial warfare — a chronology

### Period I: July-Dec. 1974

#### I. International credit and liquidity crisis

- Failure of Herstatt Bank, Franklin National Bank, additional banks in Michigan, Italy, Switzerland, West Germany.
- Chase Manhattan "watergated" for alleged over-valuation of bond portfolio; senior vice president resigns; FBI moves in to Chase to investigate alleged falsification of records.
- Cayman Island subsidiary of Banque Credite Internationale (BCI) — a Tibor Rosenbaum-Perminex-Resorts International banking entity closely connected with organized crime — collapses, jeopardizing New York correspondent banks Chase Manhattan and Bank of Virginia.
- London bank crisis averted by forced First National City bailout of collapsing British Bank of Commerce.
- Mass layoffs of American workers.
- President Ford calls for oil import cuts; other austerity measures implemented worldwide.

#### II. Operations against

#### Labor Committees and U.S. Labor Party

- Increased United Auto Workers (UAW) harassment of Labor Party organizers and supporters.
- NCLC under "full" FBI investigation at instigation of then National Security Advisor Henry Kissinger and others including monitoring bank accounts and internal finances; FBI exchange of such information with British intelligence.
- Sequential events preceding disruption of NCLC accounts:
  - (a) Oct. 4: FBI occupies Chase (see above);
  - (b) Oct. 18: UAW official spreads rumor that NCLC is funded by Rockefeller;
  - (c) Oct. 28: \$60,000 appears in NCLC account at Chase, to be withdrawn on Nov. 1 when an additional \$65,000 appears, itself withdrawn later. Amounts withdrawn are comparable to anticipated solicited contributions.
- UAW files \$30 million "trademark" lawsuit against NCLC (November); notes in internal memoranda that all efforts should be directed to "bankrupt" NCLC.
- Carlos de Hoyos, leader of Mexican Labor Party, kidnapped by Mexican Interior Ministry as part of Kissinger-inspired destabilization of Mexican government.
- Terrorist "Red Hornet" group in North Carolina fraudulently obtains ballot status as "U.S. Labor Party"; suggests other groups follow its example.
- Delays in posting NCLC deposits to First National City account, causing overdrafts and subsequent termination of NCLC account by bank (Feb.-April).

**Period II: 1976 election to present**  
**Financial warfare declared**

**Nov. 1, 1976:** U.S. Labor Party purchases half hour election eve television time for presidential campaign address by party candidate LaRouche.

**December 1976:** Carter election committee complains to Federal Election Commission (FEC) about USLP television appearance, initiating Brzezinski-National Security Council controlled financial warfare effort to bankrupt USLP.

**December 1976:** Bank of Nova Scotia (BNS) wires \$89,000 into NCLC bank account in Buffalo then three weeks later, claims "bank error."

**February 1977:** FEC refuses to pay LaRouche presidential campaign the more than \$110,000 owed in campaign matching funds and begins "investigative visits" (some at 7 a.m.) to LaRouche contributors at home and at work.

**June 1977:** FEC attempts to subpoena ten Labor Party members, including LaRouche, for questioning and also begins to contact USLP vendors, warning them they may be in violation of campaign laws if they extend credit to USLP.

**May 1978:** West German Chancellor Schmidt and Soviet President Brezhnev sign 25 year trade and economic cooperation agreement that paves way for East West cooperation and European monetary stabilization.

**July 1978:** Bremen, West Germany meeting of European heads of state announces plans for new European Monetary System, based on ideas developed and circulated by USLP Chairman LaRouche.

**August 1978:** First San Jose Bank transfers \$28,000 into NCLC account, later claiming "bank error."

**September 1978:** Bank of Nova Scotia granted summary judgement against NCLC for \$89,000.

**October 1978:** USLP announces culmination of its longstanding investigation of British and Canadian connected bank laundering and financing operations underpinning drug trafficking and terrorism, demands that Federal Reserve prohibit Hongkong and Shanghai Banking Corporation takeover of Marine Midland Bank.

## The Bank of Nova Scotia's British intelligence pedigree

*In an effort to make good their claim that the \$89,000 shown on the National Caucus of Labor Committees' account at Marine Midland Bank in Buffalo, N.Y. at the end of 1976 was the result of a "bank error," the Bank of Nova Scotia filed suit against the NCLC in June of 1978. In September, the Bank of Nova Scotia was granted a summary judgment against the NCLC for the full \$89,000. The following is a selection from the arguments in the NCLC's motion to reconsider the summary judgment.*

### **Affidavit of NCLC executive Warren Hamerman in support of motion for reargument**

... NCLC believes that the assumption of standard banking relationships and the disinterestedness of the plaintiff is an incorrect assumption on a motion for summary judgment. In point of fact, the management of plaintiff BNS is comprised of longtime bitter political adversaries of NCLC whose skill in waging financial warfare against their opponents dates back to World War II ... Walter Lockhart Gordon (the bank's auditor) is not merely a major political opponent of the NCLC. He is an expert in financial warfare, having worked in the Canadian Finance Ministry during World War II intimately with Sir William Stephenson and Lord Beaverbrook ... Mr. Gordon's close connection to BNS through his accounting firm ... is strengthened through his close association to the five leading Canadian Institute of International Affairs members who are also on the Board of Directors of BNS (John Aird, Henry R. Jackman, Sir Kenneth Keith, N.A.M. MacKenzie and R. M. McIntosh). Sir Kenneth Keith, as director of political intelligence for the British Foreign Office in World War II, and N.A.M. MacKenzie, as chairman of the Wartime Information Board in World War II, both worked directly with Mr. Gordon in Mr. Stephenson's SOE operation.

### **Reply of Bank of Nova Scotia, through its attorneys Shearman and Sterling**

... These exhibits to the Hamerman affidavit are so obviously irrelevant to this litigation that more need not be said. Defendant's efforts to draw some connection among the clandestine operations of British Intelligence and the OSS in World War II, Walter Gordon's directorship of Torstar (Toronto Star newspaper), the Bank's auditors and the mistaken overpayment of approximately \$89,000 is the stuff that solacious (sic) paperbacks are made of, not motion papers for the consideration of this court.

### **Reply of NCLC**

... This limited investigation, as described in the Hamerman affidavit, unearthed the direct connection between plaintiff Bank of Nova Scotia and a long-time political adversary of defendant. This connection was not and could not be refuted by plaintiff in his submission in opposition ... In defense of the original motion for summary judgment, defendant raised the possibility of an anonymous donation or of perpetration of fraud by bank personnel ... After investigation, a third probability, direct financial warfare by plaintiff against defendant appears even more likely...



# The case of the Canadian Imperial Bank of Commerce

*At the end of October 1978, the Canadian Bank of Commerce claimed a "bank error" to deduct \$25,000 from the bank account of the National Caucus of Labor Committees. The amount had been credited to the account more than a month before and was "found" when an NCLC official in Seattle requested that the money be transferred to a New Jersey bank. Then, on Nov. 15, Canadian Imperial abruptly closed the NCLC's account. For the last three months, NCLC officials have been demanding from Canadian Imperial an explanation of the alleged bank error and the account closing, before pursuing legal action. The following are excerpts of correspondence from Marianna Wertz of the Seattle NCLC to Mr. M.C. Edwards, Supervisor of Banking, State of Washington.*

... The Canadian Imperial Bank teller who arranged this transaction was Dawn Erickson. On Nov. 1, 1978 (two days later) I received a telephone call from a Mr. Williamson of Canadian Imperial Bank who informed me that the \$25,000 did not belong to NCLC but belonged to White Pass and Yukon Route, a Cana-

dian company who had informed him that they were missing \$25,000 in a wire transfer that morning. Initially, however, Mr. Williamson informed me that he had been looking for "that money" for a long time. Earlier that morning when I attempted to check on the wire transfer, I was told by Dawn Erickson that the money had been sent through Seattle First for transfer to New Jersey but that for some reason Seattle First had made an "error" and had not sent the money out. Ms. Erickson informed me that Seattle First would send it right away and the money would be good for payments made by NCLC to its vendors on Oct. 30 in case NCLC had written any checks against it. ... There were several contradictions in Canadian Imperial's explication of the delay ... so I decided to take this up with the bank on Nov. 2. I also checked our statement from Canadian Imperial and found an additional \$10,000 ... which no one affiliated with NCLC had deposited. ...

I asked Mr. Williamson to explain how the error was made. He said it was a clerical error, that the machine which encodes the account number and the amount had a button down that should not have been down ... Persons familiar with these types of machines in New York City with whom the NCLC has conferred find this to be a highly unlikely sequence of events. ...

The other pertinent fact is that without explanation, on Nov. 15, 1978, Canadian Imperial Bank of Commerce closed the NCLC's account ... it would appear NCLC was being punished by the bank for its own "error."

## Table 3. Bank "errors" disrupting National Caucus of Labor Committees accounts

These events occurred during two distinct periods within the Labor Committees' approximately five year banking history, dating from 1974 when Labor Committee financial activities reached the \$500,000 per year level.

| Date             | Amount                 | Banks involved  |
|------------------|------------------------|---|
| <b>Period I</b>  |                        |   |
| 1974 Oct. 28     | \$60,000               | National Bank of Maryland (Baltimore)<br>Chase Manhattan Bank (New York)        |
| Nov. 1           | 65,000                 | National Bank of Hartford (Connecticut)<br>Chase Manhattan Bank                 |
| Dec. 4           | 65,000                 | Bank of Virginia (Richmond)<br>First National City Bank                         |
| 1975 Jan.        | 663,000                | First National Bank of Boston<br>First National City Bank                       |
| Feb. -<br>March  | account<br>disruptions | First National City Bank<br>various banks                                       |
| <b>Period II</b> |                        |   |
| 1976 Dec. 31     | 89,000                 | Bank of Nova Scotia (Toronto-NY)<br>Marine Midland Bank (Buffalo)               |
| 1978 June 26     | 28,000                 | First San Jose Bank (California)<br>Chemical Bank (NY)                          |
| Sept. 21         | 25,000                 | Canadian Imperial Bank of Commerce (Vancouver, B.C.<br>and Seattle, Washington) |
| <b>TOTAL</b>     | <b>\$995,000</b>       |   |

Delays in posting credits to account of up to three weeks beyond normal processing times in wire transfers resulting in cash flow disruption.

# Carter resolves on gas policy

## *Decision sidesteps Mexico's desire for development*

U.S.-Mexico relations took another serious turn for the worse last week, just prior to President Jimmy Carter's scheduled arrival in Mexico City Feb. 14.

Two events highlight the continuing downturn; both creating the appearance that a "policy debate" on U.S.-Mexico energy policy is wracking the nation's capital. But in fact, participants in the "debate" all agree on their fundamental approach to relations with Mexico, leaving no one in top policy circles to address the basic issue: how to hook up Mexico's plans to use its massive oil reserves as the basis for massive industrialization with U.S. needs for energy imports and high-technology exports.

Instead, President Carter is being pressed to take sides in what appears to be a policy conflict between Energy Secretary James Schlesinger and National Security Advisor Zbigniew Brzezinski over Mexican oil. Both oppose the industrialization of Mexico and should Carter deliver either insulting variation to Mexico next month, the only benefactor of Carter's goof on the issue will be presidential hopeful Senator Ted Kennedy — whose political machine revved up this "family feud" against the President in the first place.

On January 17, Carter announced to an afternoon press conference in Washington D.C. that there was "no urgency" to sign a

natural gas import deal with Mexico, due to a current "surplus" of gas in the U.S. He would only discuss "long-term strategic approaches" with Lopez Portillo, he said. The major U.S. press immediately reported that Carter had thus embraced Energy Secretary Schlesinger's view on the gas deal question. Wrote the *New York Times*, "Mr. Carter appeared to put a cap on debate within his Administration in recent months, siding with Secretary of Energy James Schlesinger against recommendations that Administration officials said had come from the National Security Council and the Department of State."

Five days later, the scene of the battle shifted from the press and back to Capitol Hill, where Schlesinger was brought before the Joint Economic Committee (JEC) to testify on energy policy. When Schlesinger repeated his view that Mexican gas took third place to the need to promote more domestic and Alaska production, the following heated interchange took place:

Sen. Jacob Javits (R-NY): "Aren't you materially poisoning the atmosphere of relations with Mexico when there are more overriding issues than the natural gas price... Mexican oil could be our greatest asset in breaking OPEC."

Schlesinger countered: "Mexico is going to have to be very careful and concerned about the social implications of too-rapidly

### **"Seal the border and watch them scream"**

A key section of the Presidential Review Memorandum (as reported in the *Washington Post*) notes that: "While there is little danger that — unless we attempt to seal the border — Mexico will become overtly hostile, the cumulative impact of unmanaged tensions could end the conditions that have enabled the United States to discount Mexico's nearness."

And yet, sealing the border is exactly what the Carter Administration policy appears to be headed for, with the clear understanding that it will lead to open violence and unrest within Mexico. The "safety valve" provided by thousands of workers who now migrate to the U.S. for work will be shut off.

This scenario was outlined by "agronomist" William Paddock in an exclusive interview three years ago: "We are

going to clamp the borders of the U.S. and Mexico down. Then watch them scream. There is nothing that really can be done with them. Mexico cannot support its present population on a stable basis. The population will have to be cut to 30 million people (from a population at that time of 60 million people — ed.). This will occur as it always does; through pestilence, famine, and war."

What then seemed like the ravings of a genocidal lunatic, however, is now openly discussed as U.S. foreign policy. At the end of last month the Special Committee on Population led by Representative James Scheuer (D-N.Y.) issued a report calling for "an intense, high-priority and well-funded effort to secure our borders regardless of what else we may do." In the cover letter written by Scheuer for the report, he called for "a firm, hard sealing of the border."

developing its resources. We have seen what happens with a too rapid development in Iran. (So) the pace of these developments will not be sufficient to break the OPEC cartel."

Sen. Edward Kennedy then bitterly criticized the Energy Secretary for "spurning" U.S. relations with Mexico in order to boost the Secretary's more-expensive Alaska project.

### **Mirror-image politics**

Buried behind this facade of policy debate is the reality that Kennedy, Javits, Brzezinski and Schlesinger all agree on the same strategic lunacy: international oil is a geopolitical weapon for destabilization and economic control, not a springboard to high rates of international growth. Therefore, Mexico must not be permitted to use its oil for rapid industry-based development.

The code-phrase giveaway is "Mexico could be another Iran." Schlesinger, in his JEC testimony, became the first cabinet member to publicly present this outrageous assertion. While Mexico moves rapidly on projects which will end problems of unemployment and rural backwardness — the precise ingredients for social unrest — Schlesinger is now on the record stating that Mexico must court economic disaster and "go slow."

The Mexican government, however, in response to the Carter-Schlesinger statements, is sticking to plans to become an industrial giant with or without the U.S. (see below), and furthermore, has the partners in Japan and Europe to do it. French President Giscard's planned trip to Mexico, two weeks after the Carter trip, makes clear that the U.S. stands to lose by the Carter Administration approach.

The only way that an "Iran scenario" could take hold in Mexico is if Washington sets about to create it — by sealing the U.S.-Mexico border. This measure is designed to create the circumstances of rising popular unrest by cutting off Mexico's unemployment "escape valve," thus inviting the chaos of an Iran.

Three years ago, when zero population growth fanatic William Paddock called for sealing the border, it seemed like acry from the blue. Now a full committee of Congress — the Select Committee on Population — has endorsed major steps in the direction of a border closing, and Committee Chairman Scheuer urges completing the job.

This is a perspective for sending Mexico back into the Dark Ages. Representing help in this direction from within that country, one of Mexico's leading "fiscal conservatives," the Mont Pelerin Society's Juan Sanchez Navarro, stated to the Mexican press last week that Mexico is facing "eight centuries of the Dark Ages," just as "Europe did after the fall of the Roman Empire."

### **The Kennedy angle**

One of the more astonishing aspects of Carter's sudden embrace of Schlesinger on energy policy toward Mexico is that it hands his major rival for the 1980 Democratic Party nomination, Edward Kennedy, a carte blanche to parade as the friend of Mexico wanting to see the gas deal go through. Kennedy's office worked with the Brzezinski side of this fracas in the formulation of the "soft-line" aspects of a classified document known as Presidential Review Memorandum-41, which advocated an immediate gas deal.

A Kennedy staffer contacted this week was quick to insist that "Schlesinger's hard line won in the debate in the White House...it's a very sad development."

But Kennedy's well-known aversion to Third World industrial development is precisely the flip-side of the "seal-the-border" threats. What kind of economy will fit the New Dark Ages of a Mexico thrown into chaos by border-sealing? A Kennedy staffer boasted of Kennedy's policy toward Mexican economic development last fall: "Mexico needs small-scale technology in an agricultural base. Investment should be on the labor-intensive side."

Kennedy's self-proclaimed model for such development is the programs of the World Bank. World Bank director Robert McNamara arrived in Mexico personally last week to urge Mexico to pay more attention to "agricultural development" in the poorest and least-efficient peasant areas, and to focus on "job-creation" rather than industry.

### **All against OPEC**

What then is the debate about Mexican gas? Brzezinski and Javits, on one side say it's worth it to get a gas deal through immediately, even if on Mexico's terms, in order to get more gas and oil as a U.S. reserve against OPEC.

## **On U.S.-Mexico policy,**

*In the following interview with the Executive Intelligence Review, Julius Katz, Assistant Secretary of State for Economic and Business Affairs, reveals the thinking of an extensive "Schlesinger faction" within the State Department for the 18 months that the Mexico natural gas deal has been up for debate. Katz wildly distorted the sequence of events which led to the collapse of the gas negotiations, as well as the positions taken by the parties involved.*

*EIR: In Carter's press conference statement Jan. 17, the President indicated that he agreed with Schlesinger's insistence that a gas deal with Mexico was not a priority for the Administration.*

**Katz:** Schlesinger's view has been mischaracterized. He has said that an immediate deal is not urgent from our point of view. So it's not necessary to accept Mexico's higher price. But at a certain time, price and time will come together. Now there's one other point which converges here, and that's the Mexican view. How anxious they are for a deal is somewhat questionable. It's part of a larger can of worms.

*EIR: But aren't their criteria for deciding the wisdom of a gas deal between neighbors like the U.S. and Mexico beyond simple price? Won't it help relations and eventually bolster the economies of the two countries in ways that go far beyond the dollars and cents cost of the gas itself?*

**Katz:** Look, Schlesinger's position has been grossly distorted.

Schlesinger and Carter say they want to stimulate U.S. production, especially in Alaska, and hold off on a big Mexico push.

But there's no disagreement here on anything fundamental. Schlesinger takes back seat to few in Washington in threats and bluster against OPEC. He is notorious for his sponsorship, last year, of a proposal to create special U.S. "mobile shock forces" capable of "defending U.S. interests" in the Persian Gulf region.

As the architect of Carter's disastrous "zero energy growth" program in Washington, Schlesinger certainly is no friend of cheap energy for the sake of cheap energy. But as a pragmatic question, Mexican oil and gas can't come on stream fast enough to "break OPEC," in Javits's terms. As his "Iran" ravings indicate, he nevertheless wants to take no chances that Mexico will really emerge as a new industrial giant — another Japan.

Carter, stepping into this debate, has "resolved" the wrong issue. The question is not gas; the question is whether the U.S. fosters a Japan or an Iran on its border.

—Tim Rush

## On Mexico, Carter makes an about-face

Over the past few months President Carter has made several public statements on Mexico which have stunned observers for their inaccuracy and inconsistency.

First, during a press conference in November when Carter was asked about the furor caused by plans to build new "impenetrable" fences at various points along the border, he responded, "What fences?"

Then, on Dec. 7, Carter told reporters during a breakfast meeting at the White House that:

"In preparation for my visit to Mexico in February, the National Security Council has been assessing all the facets of our Mexican policy, political, economic, and so forth. . . . I consider

## State siding with Schlesinger

It's not that Schlesinger has been blocking the deal. We've been trying for six months to get down there (to Mexico — ed.). But we're getting no signals back. It's very clear, they are not prepared to negotiate.

Let me explain to you a little bit about how this situation developed. It's Mexico which backed off from negotiations last year, not Schlesinger. Schlesinger had nothing to do with this. . . . There was a hoorah in Congress, when Senator Stevenson introduced a motion to link an Eximbank loan to a reduced price (in consultation with Schlesinger's office — ed.). Despite all this public discussion, we still began discussions. We wanted to see how the matter could be recast. There was a need for optics on their side.

*EIR: What do you mean by "optics?" Different ways for two people to see the same thing?*

**Katz:** That's right. In this case, we offered ways for both sides to accept a \$2.60 (per thousand cubic feet) price.

But the key thing is that we never said "no."

Now the Mexican posture since has been: "you guys blew it. You lost the Exim loan, we went to London and got financing there. We're using the gas domestically" — though that's arguable — "and when we want new discussions, we'll be the ones to say. Not now."

*EIR: Administration policy toward Mexico at this point — on trade, gas, and undocumented workers — appears to be becoming more hard line.*

**Katz:** That would be terribly unfortunate. The trade issue is very specific, a question of certain goods and agricultural products, like tomatoes. In my view, it is soluble. Energy questions, the same. Now immigration is not my bag. There are at least four different views. This is one issue that really bugs the Mexicans.

*EIR: The editor of this publication, Fernando Quijano, has recently received extensive coverage in the Mexican press, advocating a policy of U.S.-Mexico relations based on the exchange of oil and gas for capital goods and other advanced technology. The French and Japanese have accepted this approach. What do you think of the concept?*

**Katz:** I don't see any problems with an oil-for-technology program in terms of trade policy. But you should know Mexican policy is as protectionist as any in the world. Hopefully that will change. . . .

It's not that the U.S. is falling behind other nations in trade, but rather a deliberate decision on the part of Mexico to reduce its trade with the U.S.

It seems fine for Mexico to acquire capital goods from Europe and Japan. But if they think they can then sell manufactured goods to the U.S., they're wrong. We're blocked as it is from fair trade arrangements with Japan and Europe in areas like steel. We certainly couldn't take Mexican steel, for instance.

our relationships with Mexico to be as important as any other that we have, and my relationship with President Lopez Portillo has been very good.

"We have also had negotiations with them earlier this year on the purchase or pricing of natural gas, and perhaps eventually oil, as those fields are developed. Because of the uncertainty of congressional action on the energy legislation, they were postponed, with agreement on both sides, until after the Congress adjourned. Those will be reconsidered, and I guess we will do some background work on that before I arrive in Mexico to conclude, hopefully, these continuing negotiations."

While Carter seemed to be emphasizing a "soft" negotiating posture in relations with Mexico, his comments on the gas negotiations were highly inaccurate in that: 1) there was no "agreement on both sides" to "postpone" the negotiations, and 2) there have been no "continuing negotiations."

At a press conference on Jan. 17 Carter completely reversed himself and endorsed the "hard line" position taken by Schlesinger a few days earlier.

"In the immediate future, the next few months, there is no urgency about acquiring Mexican natural gas. We have, at this moment, a surplus of natural gas in our own country; and the statements made by the Secretary of Energy were related to that fact. He has encouraged large users of oil and gas to use gas instead of oil.

"And we also have the problem of using efficiently gas produced in the 48 states of our country; and, in the future, how to bring the natural gas that is available from Alaska down through Canada to our nation. It's a very complicated thing. And when I go to Mexico next February this will obviously be one of the matters that I will discuss. But I'm not going down there to negotiate the price of natural gas. We'll be talking, myself and President Lopez Portillo, more in long-range strategic approaches on how we might best provide a good market for Mexican oil and gas that they want to sell to us."

## Schlesinger line won't budge Mexico

*Spokesmen for the Mexican government did not delay in responding to President Carter's endorsement of Schlesinger's "hard line" policy on gas sales. The following are excerpts from statements made on Jan. 18 by Patrimony and Industries Minister Jose Andres de Oteyza and by Jorge Diaz Serrano, director of the national oil company, Pemex, which appeared in the Mexican press.*

### **We will not be pressured**

Mexico will not accept pressure of any kind regarding its oil sales, stated Mexico's Secretary of Patrimony and Industrial Development, Jose Andres de Oteyza this week. Secretary Oteyza added that Mexico expects to be producing two and a quarter million barrels of oil a day by 1980.

The Industries Secretary asserted that the new National Plan for Industrialization — to be discussed Monday (Jan. 22 — ed.) by the country's industry-related ministers in the presence of President Jose Lopez Portillo — would revolve around oil sales and surpluses. After approval it will be implemented later this year.

According to Oteyza, there is no possibility that any type of external pressures will affect in any way this policy of industrialization based on oil revenues. "We don't know what they're thinking (in the U.S. — ed.), but we do know what we want, and we will not allow ourselves to be pressured by anyone regarding the use of our oil," stated Oteyza in no uncertain terms. "We are going to produce. . . to use Mexican oil productively, in terms of Mexican national interests."

Oteyza also commented that Mexico has under study a plan to establish a crude refinery in Bilbao (Spain), to be used as a distribution point for Mexican refined oil products throughout Europe.

### **We don't need the U.S. for oil sales**

Jorge Diaz Serrano, director of the Mexican state oil company Petroleos Mexicanos (Pemex) stated on Jan. 18 that Mexico doesn't depend on whether or not the United States decides to buy Mexican oil. He said that diversification (of markets — ed.) is the solution to Mexico's oil problems and that "it is better to have three friends than only one." The Mexican oil executive indicated that Mexico has diverse markets, including trade with Central and South American countries, while Spain is handling the introduction of Mexican oil products into Asian and European markets.

Diaz Serrano warned that Mexico will not put itself in the position of having only one purchaser for its oil output, and further insisted that Mexico's development — of its industry as well as the country overall — would not be impeded if the United States does not purchase Mexican oil products.

He stated flatly that Mexico has no expectations regarding U.S. purchase of Mexican natural gas. And in regard to Carter's remarks on the subject Serrano said, "He's free to say what he wants."



# The Zionists' holocaust today

## *Destroying the myth of Germany's collective guilt*

*The Zionist lobby's branch in West Germany is creating a lot of fuss over the alleged collective guilt of the German population for the "holocaust" of World War II. This last week featured great media play up over the airing of the film "Holocaust." On Jan. 20, Helga Zepp-LaRouche, the chairman of the European Labor Party for the Federal Republic, issued a message to the German people (excerpted here) clearing the air over who precisely should be brought to justice for their crimes during the Nazi period.*

The Zionist-British circles that produced and propagandized for the "Holocaust" film and whose West German representatives are now setting in motion a totally artificial and controlled debate in the Federal Republic over that film are the very people who today are plunging the world toward a holocaust that will make the Nazis' crimes look like a picnic. This Zionist-British policy *consciously* risks a nuclear holocaust. There is therefore not the slightest qualitative difference between the morality of the Zionists and that of the worst Nazis.

Lyndon H. LaRouche, Jr., the chairman of the U.S. Labor Party, warned the governments of France and the Federal Republic in an article — "British Covert Operations Against Schmidt, Giscard" published in *New Solidarity* at the end of December 1978 — that the Labor Party possessed reliable information about an upcoming destabilization campaign controlled by London against both these governments. LaRouche stated, furthermore, that because of the extraordinary repute and towering leadership qualities of both Federal Chancellor Schmidt and French President Giscard, this operation would not make them its direct target, but would attempt to make their environment insecure by conducting psychological warfare.

The present "Holocaust" swindle can only be viewed as fitting this outline. The Zionists, the Nazis of today, are proceeding to do their deed at precisely the point in time when the West German population is beginning to develop a positive national identity under the leadership of Helmut Schmidt, at the moment when the population is beginning to realize that the European Monetary System will develop and foster the export of German technology to developing countries and, through that, can maintain world peace. The scribblers in the media and those people who have done nothing, absolutely nothing for the development of the Federal Republic agree: "We must finally have our self-confrontation with fascism!"

As LaRouche also explained in his article, the publication alone of an upcoming destabilization has a certain immunizing effect. Above all else, it gives the affected governments the means at hand for a corresponding counteroperation. All that government

departments need to do now is to follow the trail and the networks of those who initiated the showing of the "Holocaust" film and of those who set up the hypocritical media debate around a supposed "for or against," and they will directly hit upon a nest of Zionist — read, foreign — agents in the Federal Republic.

While in the USA nobody has the slightest illusion about the power of the Zionist lobby, in particular its power over the present Carter Administration, the influence of an extremely well-hidden and functioning Zionist lobby in the Federal Republic has been known only to a few initiated political personalities up to now, and not to the general public. Therefore, the hypocritical "Holocaust" swindle must be used as the inducement for blowing the cover over these foreign agents wide open.

### **Soviet justice minister rejects Zionists' campaign against BRD**

Soviet Justice Minister Vladimir Terebilov assured West Germany during his just-concluded official visit there that the Soviet Union would not criticize a West German decision to designate 1980 as the last year for persecuting Nazi war criminals. Such criticism, said Terebilov, would only aid protest actions against West Germany — like the present Zionist lobby campaign around the airing of the "Holocaust" film and alleged collective German guilt for World War II.

In fact, he said, if any Soviet campaign against Bonn on this issue emerges in the coming months, it will be known that someone is trying to bypass the Soviet Justice Ministry.

Terebilov's one week visit rather startled the daily *Frankfurter Allgemeine Zeitung*. They reported on Jan. 22 that Terebilov had an "affinity" for the German law system, so much so that West German Justice Minister Vogel was quoted saying: Terebilov "was much more curious and polite than the U.S. Attorney General (Levi) was" when Vogel visited Washington in 1978.

The Soviet and West German ministers agreed on an official exchange program between their respective departments and on an exchange of articles for their countries' legal publications. Vogel has accepted an invitation to travel to Moscow to continue his discussions with Terebilov.

What is even more important for the German population to really “overcome their past” is to understand that there is a major difference between those Jews who were the victims of the Nazis and the Zionists. The latter not only worked with the Nazis to put the non-Zionist Jews under the knife “so that the Jewish race is purified,” but are the very same Zionists who deceitfully reproach Germans for the “Holocaust” and who are using the Holocaust mythology today in order to drive the entire Israeli population into a war that will mean their own total annihilation.

### **The perfidious collaboration**

The following account only singles out one aspect of the extensively documented cooperation between the Zionists and the Nazis which *must* be taught in history lessons in our schools.

In 1961, the Jewish author Ben Hecht published in the United States a book with the title *Perfidy*. Hecht gave the reasons for publishing his book in his introduction. He said that he had great fear that the same mentality that once caused the Holocaust is controlling the Zionists today and will plunge the world into a thermonuclear holocaust.

Among other items, Hecht reported how, in 1944, then Director for the Immigration of Hungarian Jews, Dr. Rudolf Kastner, negotiated with Nazi officials Eichmann and Himmler, on Ben Gurion’s orders, for the departure of 400 “elite Jews” including the wife of Tibor Rosenbaum. At the same time, he consciously deceived about 1 million Hungarian Jews — of little value in the Zionists’ eyes — about the Nazis’ intentions and herded them into the deportation trains with false promises. The Nazis would have had major military problems in subjugating Hungary without this helpful support from the Zionists. The Nazis were on such friendly terms with their Zionist accomplices that Eichmann could proudly state in his 1960 affidavit that: “Kastner was one of us.”

During the early 1950s, Kastner was the Israeli Minister of Industry and, after the anti-Ben Gurion faction in Israel threatened to bring him too court in 1957, he was murdered as a precaution on the evening before the Eichmann trial opened. (...)

### **A future of peace and progress**

By no means do the British oligarchical circles think that their only complaint about the Federal Republic is that there are old Nazis there who do not want to be confronted with their past. The reason why they are so angry with the Federal Republic is based on exactly the opposite. They view the policies of Federal Chancellor Schmidt, who is supported by 80 percent of the population according to polls in even the hostile press, as the greatest hindrance to their confrontation policies.

The European Monetary System which was jointly initiated by Schmidt and Giscard threatens to end their financial control once and for all. Above all, it is the irrevocable policy for detente that Schmidt is carrying out toward the Soviet Union that has the British oligarchy in a white rage. All of their plans to involve NATO in a confrontation against the Soviet Union will not work so long as the second most-important NATO partner, the Federal Republic, does not go along. Another reason for their anger is that it is the stated policy of the Federal Republic not only to force the maximum of technological development on its own country, but, with the other EMS partners, to spread this technological progress throughout the developing sector so that millions, yes, billions of people will technologically progress and develop republican ideas. When this process seriously gets under way, then the oligarchists and the aristocrats’ hope that they will be able to again put the world under a feudal order dominated by them will be gone for good.

Creating a humanist future, beginning with the EMS, this is what it means for the Federal government to carry out a policy of war avoidance through establishing a new world economic order. Therefore, we can be proud today of being citizens of the Federal Republic of Germany.

The only people who have no reason to be proud that they live in the Federal Republic are the opponents of the EMS. They, and they alone, have all sorts of reasons for being confronted with the Holocaust that they themselves support consciously or unconsciously. There is no collective guilt, but only individuals who will be brought to justice.

## **Strike wave: Britain asked for it**

In Great Britain, fashionable opinion is bitterly blaming Henry Ford II for triggering the apparently uncontrollable wave of strikes that has paralyzed the country for the past two weeks. Ford, so the line runs, provoked the strikes by breaking the Labour government’s 5 percent wage ceiling, and ordering the management of his English operations to grant English Ford employees a wage hike amounting to some 15 percent.

Elsewhere, however, the feeling predominates that Ford’s decision was inevitable, given the low productivity of Britain’s wage-starved workers, and that the British, by refusing to follow suit, may be taking an irreversible step toward writing their anemic industrial capacity out of any competitive position in the world markets. Those who follow this line of reasoning point out

that the British posture — refusal to even negotiate with striking workers — is consonant with Britain’s lonely decision to stay out of the new European Monetary System, which promises to yield a new boom of prosperity for the rest of Europe and Europe’s trading partners.

As of this writing, a nationwide strike by some 60,000 truckers is in its third week, and the country is beset by repeated continuing walkouts — officially of 24 hours duration but often longer — by public service workers and rail workers.

The effect on daily life is catastrophic.

Shipments of industrial products, food, and raw materials by truck have ground to a halt. Britons have been warned not to go to the hospital without an appointment, not to call for ambulances

except in extreme emergency, and not to "overburden" family doctors with work. At some hospitals it has been reported that patients have gone without food for 24 hours, while at others only cold meals were provided. Garbage and sewage services have been intermittent and schools have been temporarily closed.

Half a million workers have been laid off; automobile, chemical, and steel plants have begun closing as materials run low. Shortages of staple food items are widespread and in some sections of the country, affecting one million people, drinking water must be boiled for fear of contamination by sewage. Exports have ground to a halt. A rabies alert was issued after one woman was bitten by a rabid cat.

One Londoner quoted in the *New York Times* said: "Everyone has become brutish; everyone has become selfish. It's not the civilized way it used to be."

#### **Official Policy**

The Callaghan government is willing to endure this disruption of basic living conditions in order to preserve its austerity policy which seeks to hold wage settlements to 5 percent of current earnings — a policy which has led to what all admit are sharp real wage reductions for British workers. Rather than admit that the austerity policy is unworkable, the British government has turned the progressive deterioration of the country into official policy. A just published pamphlet entitled "De-Industrialization," put out by the National Institute for Economic and Social Research, discusses the collapse of British manufacturing and concludes that nothing can be done.

Home Secretary Merlyn Rees announced in Parliament that "no contingency measures open to the Government will significantly ease the disruption of industry or reduce the number of men laid off as a result of these disputes." Merlyn insisted: "We are not near a crisis."

#### **No options**

Having ruled out participation in the EMS, the options open to British policymakers are severely limited.

The national press has led the outcry against Callaghan, calling for what amounts to a national unity government led by Tory Margaret Thatcher and her band of cold warriors in which Callaghan would play a secondary role. The *Sunday Telegraph* called for a "determined national will" to show the unions who is boss. The Opposition Party and the Labour Government should stand "shoulder to shoulder" in the crisis, urged the editorial, but Thatcher should "take the lead and show the government the way." Of course, "troops will be required to keep essential services moving," advised the newspaper. "If these are not enough, volunteers will be required to fill the gap."

—Marla Minnicino

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# Spain's Opus Dei

*An elite  
working for  
scientific progress*

Beginning on Jan. 29, high-ranking delegates of the Ibero-American countries will convene in Madrid for the first Ibero-American Conference on Science and Technology. The conference follows by three months a meeting of Spanish and Arab representatives held in Madrid to discuss financing of development projects for Latin America, and represents the next step in consolidating Spain's role as the "bridge" between the European Monetary System and the countries of Latin America.

On Jan. 6, the Spanish news agency EFE reported that the Ibero-American Conference will "translate science and technology and its significance in the new international economic order into a program of concrete actions." The delegates will also study the juridical and technical issues raised by "joint scientific investigations between the Ibero-American countries and Spain as well as the financial aspects" of the "concrete projects" to be discussed.

To those who remember Spain's days as an international pariah under the regime of Francisco Franco, such an up-front role by the Spanish in international affairs may seem incongruous. But it is rapidly becoming the order of the day under the government of Prime Minister Adolfo Suárez and King Juan Carlos I.

In a new year's day address, Spanish Foreign Minister Marcelino Oreja stated that "in 1979 Spain will expand its cooperation with Africa and Latin America," and announced that his ministry is "preparing a foreign aid law which will enable Spain to have a more forceful presence in Africa."

On Jan. 7, Oreja left for a tour of four African countries: Egypt, the Sudan, Ethiopia, and Kenya. Although Oreja had to interrupt his trip unexpectedly — to go to France for discussions on joint French-Spanish action against terrorism in the Basque region bordering on southern France — he was able to broaden Spain's bilateral relations with the Sudan. The Spanish government has opened up a credit line to the Sudan and has sent a team of Spanish technicians, on Jan. 10, to con-

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duct a research project on the development of the Sudan's agriculture. The project will include joint cooperation in investigations of various cultures, irrigation systems, and agricultural equipment.

After his visits to Africa and France, Oreja plans to go to the Soviet Union for an official visit, which, the Spanish press reports, may include a meeting with Soviet Premier Leonid Brezhnev.

One of the topics likely to be discussed with the Soviets is the next Conference on Security and Cooperation in Europe, scheduled to be held in Madrid in 1980. According to Oreja, the Spanish government "intends to prepare this conference seriously and it hopes to achieve concrete results from it as regards disarmament and detente," reported the Spanish daily *El País*.

In Latin America, a Mexican dele-

gation, headed by Jorge Diaz Serrano, general director of Mexican Oil (Pemex), arrived in Spain this week for talks with its Spanish counterpart, Campsa, aimed at establishing closer collaboration between both countries' oil industries. Besides supplying Spain with 100,000 barrels of crude oil per day starting in 1980, Diaz Serrano is discussing plans for Pemex to buy up to 30 percent of Spain's biggest refinery complex Petroner. "Should the plans go through," reported the Spanish ABC Jan. 10, "Spain will turn into Pemex's beach-head for its operations in Europe."

At the same time, Spain is evolving progressive domestic policies focused on a high rate of industrial development — including one of Europe's most vigorous nuclear energy programs. Once caricatured as the model for European peasant backwardness, Spain now has several

nuclear power plants in operation, five nearing completion, seven awaiting approval of construction, and 15 others in various stages of planning, aiming for mid-1980s start-up dates.

The responsibility for Spain's progressive international and domestic role — as for the surprisingly peaceful transition from Francoist dictatorship to democratic rule — lies largely with the European (as distinct from the Latin American) branch of the Catholic organization Opus Dei. In the following report, the first in a series on Spain, we present the history of Opus Dei's role in post-Civil War Spain, and describe the forces which worked to put Spain on the path to becoming a modern industrial democracy. ■

## Spain's Opus Dei and the Spanish Civil War

Contrary to what is generally believed, the forces that emerged on the side of Francisco Franco after the Civil War were not an undifferentiated pack of "pro-German Falangists." In fact, until the very day of his death, Franco was confronted with three main tendencies within his ranks:

- 1) the ultra-Nazi Falange, of British inspiration, which wanted to impose the Mussolinian model;
- 2) the similarly inspired Carlist movement that worked for a restoration of the Borbón-Parma line of the Spanish monarchy, or in view of the virtual impossibility of that option, to strike an agreement with the legitimate Borbón y Borbón line;
- 3) the traditionalist monarchists who aimed at a restoration of the legitimate monarchy.

This third tendency was divided into a so-called liberal pro-British faction, represented by individuals such as the Marqués de Valdeiglesias, Gil Robles, Sáinz Rodríguez, and Salvador de Madariaga; and an anti-British Catholic-conservative faction around *Acción Española*. The anti-British monarchist faction was represented in government beginning in 1941 by Admiral Luis Carrero Blanco. It is this faction with which the Opus Dei is associated.

The Civil War left Spain an economic wreck in the hands of general Francisco Franco and the Falange. Spain, according to British designs at the time, was to play a role in the propagation of fascism in Europe along with Hitler's Germany and Mussolini's Italy. During the war, the Falange received material aid from

Italy and advice from Great Britain. The Falange's founder, Jose Antonio Primo de Rivera, not only had been studying in England before he set out to organize the Falange, but was welcomed in the circles of British fascist Sir Oswald Moseley and the British aristocracy.

As Franco rose to power, steps were taken by the Falange to constitute itself as the one and only party or political organization that would define the new regime and institutionalize it officially as a fascist state. Under such a Falangist state, Spain would close ranks behind Hitler and enter the Second World War. The Falange's attempts were strongly opposed by monarchical-military elements, most notably, Admiral Carrero Blanco, who advised Franco against the Falangist designs. Compromising, Franco established *El Movimiento* (The Movement) as the political institution of the country. Although largely led and controlled by the Falange, The Movement was loose enough for other political colorations to be a part of it. The Germanophile Movement, however, was not going to be the official representative image of the regime. In a first defeat for the Falange, Admiral Carrero Blanco was named Undersecretary of the Presidency in 1941 after writing a strategic document for Franco — "Considerations about the International Situation" — which dashed any hopes the Falange had about getting more than a token Spanish division into World War II.

A year later, Franco was suggesting in public that a restoration of the Monarchy would be the only viable solution for Spain in the future, but not the "liberalist monarchy" under which Spain had begun disintegrating at the beginning of the century. As Carrero made clear to Franco in his 1944 report, "Spain In Front of the Current World Situation":

“Liberalism, with or without Crown, would deliver us in the hands of England, not as an ally, but as a lackey. . . . If Spain returns to a Monarchy, it cannot be the Monarchy that England wants, but the traditional Monarchy; one thing is certain, if the Monarchy were already restored it would be receiving from the British press the same attacks as the actual regime does. . . .”

## The Opus Dei

While Admiral Carrero and others were securing for themselves strong and influential positions within the otherwise bloody dictatorship, a small organization, the Opus Dei, was laying the groundwork for one of the biggest “white coups” in recent history.

The Opus Dei was founded by Father José María Escrivá de Balaguer in 1928 under the protection of the Bishop of Madrid, Alcalá, Monsignor Eijó y Garay. From the beginning, Father Escrivá saw the Opus Dei as an educational organization in the tradition of the Brotherhood of the Common Life that not only would prepare priests in the Apostolic principles of St. Augustine, but would also educate professional lay cadre. From 1928 to 1936, the Opus Dei was a small group of 12 university students from Madrid and Aragón, Father Escrivá’s native region. They met in the Father’s apartment in what he ironically called the Academy for Law and Architecture. Father Escrivá’s Academy was recognized as a deployment against the Jesuit-dominated Instituto Libre de Enseñanza and the Jesuit Center for University Studies because it was moving to recruit the best from among Catholic students in several institutions.

The Opus Dei was devoted to “regaining the intellectual elites for catholicism” and, for Father Escrivá, the only way of doing so was by “forming an intellectual elite convinced of the coherence between God and scientific knowledge.” Such an elite was not conceived in a mystical, self-flagellating way, but as a “third force” that would actively participate and intervene in world affairs. Self-perfection was not something achieved in isolated meditation, but by acting in the real world to change it and aiming at being the “best apostle” in whatever field the individual moved, on the basis of true scientific and Christian knowledge. With these ideas, recollected in Father Escrivá’s book *Camino (The Way)*, the Opus Dei carried out factional organizing among Catholic students and religious congregations.

The clashes with the Jesuits could not be avoided. A Jesuit ideologue went so far as to state that those in religious congregations who joined or wish to join the Opus Dei “would be considered traitors.” Vicious slander campaigns against the Opus Dei were the order of the day.

With the outbreak of civil war in 1936 and the mass assassinations of priests which followed, Father Escrivá and some of his students escaped to France and later returned to the zone occupied by Franco. Among those priests killed was Father Escrivá’s protector during the time he was a student in the seminary.

The end of the civil war came in 1939. Some two million people had been killed, including much of the intelligentsia. Spain was in desperate need of building and educating its human resources. As Education Minister, Franco appointed Ibáñez Martín, who was closely associated with Opus Dei members dur-

ing the war. The same year — 1939 — Ibáñez created by decree the Superior Council of Scientific Investigations (CSIC) and appointed José María Albareda, his close friend and an Opus Dei member, as its president.

The idea behind the CSIC was clear. One Opus Dei member put it this way: “The important thing is that we have to convince the young generation that neutrality in science does not exist . . . the young generation must be possessed with ideas of Augustinian principles, that is to say, ‘the closer we are to God, the closer we are to science.’” The CSIC, and the magazine it published, *Arbor*, led the Opus Dei effort to train an elite in all fields that could in time take over the reins of power and lead the country toward progress and development.

Working through the Superior Council, the Opus Dei was able to place professors in all fields in nearly every major university, create research institutes to unite “the natural and the speculative sciences,” and establish its own university in Navarra. The Opus Dei recruits included a rich cross-section of men and women from all social strata.

In 1947, the Vatican issued the encyclica *Povida Mater Ecclesia*, specifically to allow for the creation of special secular institutions that would permit the Vatican to officially recognize the Opus Dei. Father Escrivá was simultaneously made monsignor and up to his death in 1975 was a friend and ally of Cardinal Montini (Pope Paul VI), playing an important role in the Vatican II council.

## Franco Must Go!

The reaction was not late in coming. A plot to kill Franco and install the Falange chief, Arrese, in power was uncovered and defused in 1943. A second plot was uncovered in 1947. The 1943 plot was organized by none other than Otto von Hapsburg and his liaison in Madrid, Leon Degrelle, who lived in Madrid with his Austrian aristocratic wife. Degrelle’s house became the conspiratorial center for Franco’s Falangist opposition. “Degrelle,” wrote the German weekly *Der Spiegel* in 1959, “found refuge in a circle that was in opposition to the Franco regime and which enjoyed not a little popularity among the Anglo-Saxon military.”

The first plot a failure, the second was organized in 1947 under the direct supervision of the British Foreign Office. General Beigbeder y Atienza was to negotiate an agreement between the Socialist Party of Indalecio Prieto, the Carlists, and the pro-British monarchist elements around Gil Robles and Salvador de Madariaga. Under Beigbeder, a provisional government was to be formed that would “initiate a period of conspiracy and subversive activity, the success of which would depend on obtaining foreign support,” according to a U.S. State Department document that year. All important negotiations by the parties in exile after the civil war were conducted out of the British Foreign Office under Prime Minister Atlee’s government.

For several years, Franco had been conducting delicate negotiations with Don Juan de Borbón for a possible restoration of the monarchy. Don Juan, however, was in exile and under British influence mediated through Madariaga, Gil Robles, and others. A restoration of the monarchy under those circumstances would have meant handing Spain on a silver platter to the British. Don Juan was pushed by his “advisors” to demand an immediate restoration, organize international opinion in his favor, and

openly defy Franco through manifestos circulated inside Spain. The danger was all too clear to Carrero who, although loyal to Don Juan, advised Franco:

“Don Juan’s manifesto shows, besides ignorance of the Spanish domestic situation, an enormous lack of vision regarding the international situation . . . The inspiration of the manifesto has two origins:

— Vegas Latapié and Gil Robles and  
— Sáinz Rodríguez, Madariaga, et al., who act under non-Spanish criteria.

“The fact that Don Juan signed a document born out of these two sources shows his lack of political vision. But we must not dismiss him or abandon him to his actual mentors. . . . Nothing better than having some people loyal to him, but they at the same time should be intelligent and catholic men with strong convictions agreeable to the Movement’s postulates, to move to his side and undertake the difficult task of pulling him away from all the influences to which he is today submitted. Don Juan must be placed on the road to a radical change . . . *or resign himself to the idea that it will be his son who will reign. It is also necessary to start thinking in the preparation of the young Prince for being King. . . . He will be a good King with the help of God, but only if we begin to take on the problem now.* I suggest the following: that a few trusted monarchists go to Lausanne (Don Juan’s place of residence — ed.); that utmost care be placed in the selection of the (Prince’s) teacher and that he be sent perfectly instructed. . . .” (emphasis added)

Prince Juan Carlos arrived in Spain on Nov. 10, 1948 to begin his education. His teachers were carefully selected and “instructed.” Prominent among them was Angel López Amo, a high ranking Opus Dei intellectual.

## Opus Dei’s “White Coup”

As it became clear after 1947 that the Franco regime could not be easily toppled, isolation was imposed upon it from abroad. It should be clear that the British government had no distaste whatsoever for Franco or the Falange. Britain’s so-called opposition to the Franco dictatorship stemmed from the fact that the dictator had been “captured” to a large degree by the anti-British monarchist-Opus Dei tendencies on virtually every issue of foreign policy. The “opposition” was intent on preventing those tendencies from taking over the internal apparatus and policies which were in the hands of the Falange. Spain was not allowed to participate in the Marshall Plan, nor to participate in or be recognized by the United Nations. Only Salazar’s Portugal and Perón’s Argentina would recognize the Spanish regime. Spain underwent a period of “autarky” which allowed for little if any development and which threatened widespread and explosive social ferment in the early 1950s.

The international blockade was broken by the Vatican in 1953 with the signing of a Concordat negotiated by Opus Dei men which recognized the Franco regime. Later that year diplomatic relations were established with the United States. An important role in that development was played by Juan Carlos’ teacher, López Amo. In 1955, Spain was admitted into the United Nations.

With the acquisition of a small bank in 1955, the Opus Dei began to create an impressive financial network that in the short period between 1957 and 1973 turned Spain from a technically backward country into the ninth largest industrial power in the world. This entrance into the financial world was secured by the Opus Dei in 1946 when they began to gain increasing influence over financial and industrial layers through the state industrial holding, INI.

A cabinet reshuffle in 1957 brought the first two Opus Dei men into the government in the important ministries of finance and trade. Although still a minority within the cabinet, the ministers began to open up foreign markets and credits for Spain, including the Comecon countries. In the following years, the “Technocrats of God” — as they were called — took over every important ministry under the protection of Carrero Blanco, who came to be known as the regime’s “eminence grise.”

A “development plan to promote policies that would bring foreign exchange in order to purchase needed machinery” was drafted in 1957 with the “backing of the United States.” But international “liberals and leftists” forced the “United States to refuse further direct aid,” wrote Richard Herr in his *Modern Spain*. Spain was momentarily forced to impose a “stabilization” plan dictated by the International Monetary Fund. But not for long. An Office of Economic Planning and Coordination was created following the French model of economic development established by General de Gaulle, himself a member of the Opus Dei. De Gaulle’s top economist, Jacques Rueff, was “loaned” to Spain to help draft a development program and reorganize several planning, industrial, and economic institutions along French lines.

In 1962, another cabinet shakeup brought three more “technocrats” to the government and the development plan was launched. Six major Spanish banks influenced by Opus Dei bankers formed a consortium to procure foreign aid. The plan envisaged a six percent annual growth of the national product based on investments on the order of \$5.5 billion over a four year period. Easy credits were provided for industries that would move into seven “poles of development” in order to end the concentration of industry in the northern areas. Land was to be redistributed and, in some cases, small plots were to be grouped into larger holdings. Agriculture was to be mechanized. Projections were made for 75,000 hectares of new irrigated land per year. The program also allocated funds for the construction of hydroelectric plants. The program’s ambitious nuclear energy component has already turned Spain into an exporter of nuclear technology and know-how.

The year 1969 has been called the year of the “Opus Dei white coup.” A government reshuffle handed nearly all cabinet posts to Opus Dei or Opus Dei-linked men. That same year, Prince Juan Carlos was sworn in as King Juan Carlos I of Spain for the post-Franco period. By 1973 — when oil prices quadrupled — the annual rate of growth of Spain’s GNP was 7.6 percent, while industrial production was increasing at more than 11 percent annually, according to the French paper *Les Echos*.

The pro-British elements were not idle all this time. Destabilization attempts were kicked off simultaneously with the development plan. In 1962, one of the many plots to kill General de Gaulle was organized out of Spain in an attempt to wreck relations between the two nations. The Basque terrorist organization, ETA, was created with heavy input by ultraleft nationalist

priests, NATO agent Ernest Mandel's Fourth International "Trotskyist" organization, and part of the Carlist movement which had decided to "go left." A strong campaign against the "technocrats" was launched by the Falange, the Socialist and Communist parties, and the British Labour Party for attempting to "restore capitalism in Spain!" Actively participating in the campaign were the now die-hard opponents of the Suárez government: Manuel Fraga Iribarne and José María de Areilza, Count of Motrico. Both men were the British monarchy's preferences for becoming prime minister after Franco's death.

But Franco, gravely ill, contravened those wishes by appointing Carrero Blanco president of the government in early 1973. Six months later, the new prime minister was assassinated by an ETA commando. His assassination prompted a serious government crisis which was "resolved" with the appointment of Arias Navarro — the "minister of repression" — to the presidency. Prominent in Arias's government were Fraga Iribarne as ambassador to London, and the Count of Motrico as foreign minister, both of them posed as spokesmen of a "civilized right." (Carrero was assassinated less than 24 hours after he met with U.S. Secretary of State Henry Kissinger. Carrero denied Kissinger permission to use Spanish military bases for transporting weapons to Israel during the 1973 Middle East war.)

With Franco's death two years later, Prime Minister Arias Navarro intended to keep the monarchy in the background, as it had been since 1969. Together with Areilza and Fraga, Arias's plans were to engage in a series of "reforms" that would give his regime a "civilized" face. His plans contradicted those of King Juan Carlos, who was not about to be the King of the regime, but, in his own words, the "King of all Spaniards." The two opposing views led to a government crisis in mid-1976. In an emergency meeting called by Arias to hand in his resignation, King Juan Carlos appointed Adolfo Suárez as the new prime minister. Suárez, who had been in the Carrero Blanco networks within the Franco regime, and is linked to Opus Dei, was unknown to many, but not to the pro-British oligarchy: Areilza and Fraga resigned from the government and have become Suárez's staunchest opponents. The political personality of Adolfo Suárez was best described by a former cabinet member: "As a colleague I used to tell him that he had something of a machiavellian... Politically, he has carried out extraordinary operations... Machiavelli said that the ability of provoking 'expectation' was one of Ferdinand the Catholic's best virtues. President Suárez has that virtue..." Under Suárez and key members of his cabinet also linked to Opus Dei, Spain has continued its march forward.

—*R.D. Cedeño and Antonio Juarez*

## Basque ETA terrorists

The Spanish government's diplomacy on behalf of the EMS has been answered with a renewed wave of terrorism from the British intelligence controllers of the Basque separatist movement, ETA. The ETA group interfaces with British intelligence and NATO through "Trotskyist" networks associated with NATO's Ernest Mandel (German), and through the Carlist movement.

Six people have been killed since Jan. 1, the date originally marked for the European Monetary System to become operational. Among those murdered were General Constantino Ortín Gil, military governor of Madrid, and Supreme Court judge Miguel Cruz Cuenca.

Most of the ETA terrorism had been previously confined to the Basque region. The assassination of General Ortín and judge Cruz Cuenca opens a drive to create chaos in Spain on the Italian model and provoke the army into a coup.

Unable to prevent (via terrorism) the approval of a progressive constitution last December — due to the strong security measures taken by the Spanish government — the British have opted for destabilizing the country as it gears up for its general elections next March 1.

With the Constitution approved, President Suárez had the options of seeking a vote of confidence in Parliament or calling general elections. Although there was no question that Suárez would have won the vote of confidence, the President went on national television Dec. 29 to announce that rather than going into parliamentary alliances that could keep the government in constant blackmail, he would seek a clear "popular mandate" for the government policies.

The murder of General Ortín activated the Francoist-Falange networks inside and outside the military. Some 200 junior officers broke discipline at Ortín's burial, chanting slogans demanding the immediate resignation of President Adolfo Suárez and his Cabinet. They were joined by elements of the neofascist organization, Fuerza Nueva, and more discreetly, by Manuel Fraga Iribarne, spokesman of the so-called "civilized right" and the Spanish black nobility. Fraga — who carries a long time pedigree as an Anglophile and is in an electoral alliance with neofascist José María de Areilza, Count of Motrico — branded Suárez and his government as "incompetent" in dealing with terrorism.

King Juan Carlos and his Interior Minister Rodolfo Martín Villa immediately moved to make clear that the reaction of the junior officers did not express the sentiments of the government — and would not be tolerated. Dressed in full uniform as supreme chief of the military, King Juan Carlos gave a strongly worded speech (see box) condemning the "shameful spectacle" of undisciplined "soldiers who are not soldiers," adding the warning that in "no way can the terrorism of a few prevail over the desire for peace and freedom of a whole nation." The Interior Minister reported to the nation on the government's policy for dealing with terrorism (see box) warning that the government intends to put an end to ETA terrorism. This intention was underscored by Foreign Minister Marcelino Oreja's trip to France aimed at securing French collaboration in dismantling ETA sanctuaries in



# move to stop Spain's progress

southern France. It has been reported that the government has put into effect a 15 point secret plan to fight terrorism. Interior Minister Villa reported that 199 ETA members have been captured over the last three months. The ETA controllers in the black nobility, however, are still at large. An upcoming article in this magazine will fully expose the networks of British intelligence-controlled Basque terrorism.

## Spain acts to quell ETA

*In an environment of terror created by the ETA cell, Spanish King Juan Carlos delivered his annual address to the Armed Forces. This year, the King called on the military to retain discipline in the midst of the turmoil provoked by the terrorists. Juan Carlos's speech was answered on the same day, Jan. 6, by the Defense Minister Lieutenant-General Gutierrez Mellade.*

*Mellade has been under strong criticism by neofascist and Francoist elements within the military which accuse him of being a traitor. However, he has carried out important military reforms and is in the process of establishing a sound education program for the military, which will include an emphasis on "general culture." The General's efforts are fully backed by King Juan Carlos and the Spanish government of Premier Suarez.*

*Below are excerpts of the King's speech followed by Gutierrez's reply.*

... I assure you, that I fully understand the feelings which move you. . . . You must also know that, as King of all the Spaniards, I shall be above concrete options, above temporal passions, and above partial opinions . . . My wish is that all of you serve this nation with the supreme objective of achieving security for the fatherland, closing up within you personal feelings and personal opinions. . . . Faith in the command is one of the fundamental, indispensable bases of discipline in military life. . . . Just as in war a soldier who acts in the rank-and-file, and who only sees part of the battle or the situation, does not understand an order and may judge it with severity, also in peace, a partial and limited vision can lead to unjust and wrong criticism about an attitude or a decision.

It is evident that, in times of peace, the moral courage which complements physical courage is obtained through study and the perfecting of a culture which is not only military. . . . There is the need to carry out innovations in order to adapt ourselves to the new times, the new circumstances, the new needs. . . .

The pain is profound and unanimous. But so is our decision. Because there is no alternative: In no way can the terrorism of a few prevail over the desire for peace and freedom of a whole nation. . . .

### Reply of Gutierrez

... We are profoundly wounded, Sir, but with no hesitation regarding our duty to be firm, convinced that the defense of our

own coexistence depends on our ability to be calm, of rejecting all criminal pressure. . . . That is the only road. . . . The only way to be an army. . . . The strength of the Army is not its own strength, but delegated strength. It is strength which is entrusted to us, but which we cannot use except in obedience to the wish and will of those who gave it to us, that is, that Nation, mediated through the direction and authority of its legitimate government. . . . (We accept this challenge) with full confidence in you, the Supreme Commander of the Armed Forces; in the government's initiatives; and in Parliament's legislative action. . . . Sir, as soldiers of Spain, proud of their King . . . we tell you once more: we are at your service.

## Government pledges order

*The Spanish Interior Minister, Rodolfo Martin Villa, delivered the following speech on national TV on Jan. 3. His national address followed an emergency cabinet meeting after General Ortin Gil, the military governor of Madrid, was assassinated.*

... I want to pass on our sincerest condolences to the family of General Ortin. . . . This is another crime to add to the ETA assassinations and because of this I want to tell the Spanish people what is being done to combat ETA. Today, the necessary and usual measures and controls were taken. . . . All these measures are being used without inhibition. . . . The measures that have been taken have produced important results and nearly 100 people have been arrested in connection with ETA terrorism and together with the justice minister it has been decided to transfer these prisoners out of the Basque country for fear of attack on the prisons in that region. . . . I address myself to the Spanish people, but especially to the Spanish Basque people. Political measures are an absolute necessity and they are based on the Constitution. . . . Let the government's intentions be clear. The government will strengthen, and is strengthening, with measures, with personnel and actions, the state's security forces and corps. . . . But let me also make clear what the government is not going to do. It is not going to grant amnesty. . . . and it will not negotiate with ETA. It is not going to negotiate with ETA because the hands of the government. . . . cannot be stained with the blood of the ETA assassins.

However, what has to exist is a will by everyone to put an end to ETA because either we finish with ETA or the ETA will finish us and especially the freedoms which we are building laboriously. I want to make a special call to those who raise the subject of the alleged human rights issue whenever the government acts and the state security forces move to implement the government's orders. These people are speaking of human rights, but are overlooking those who are denying all chances to enjoy human rights and the primary human right, the right to life. . . .

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