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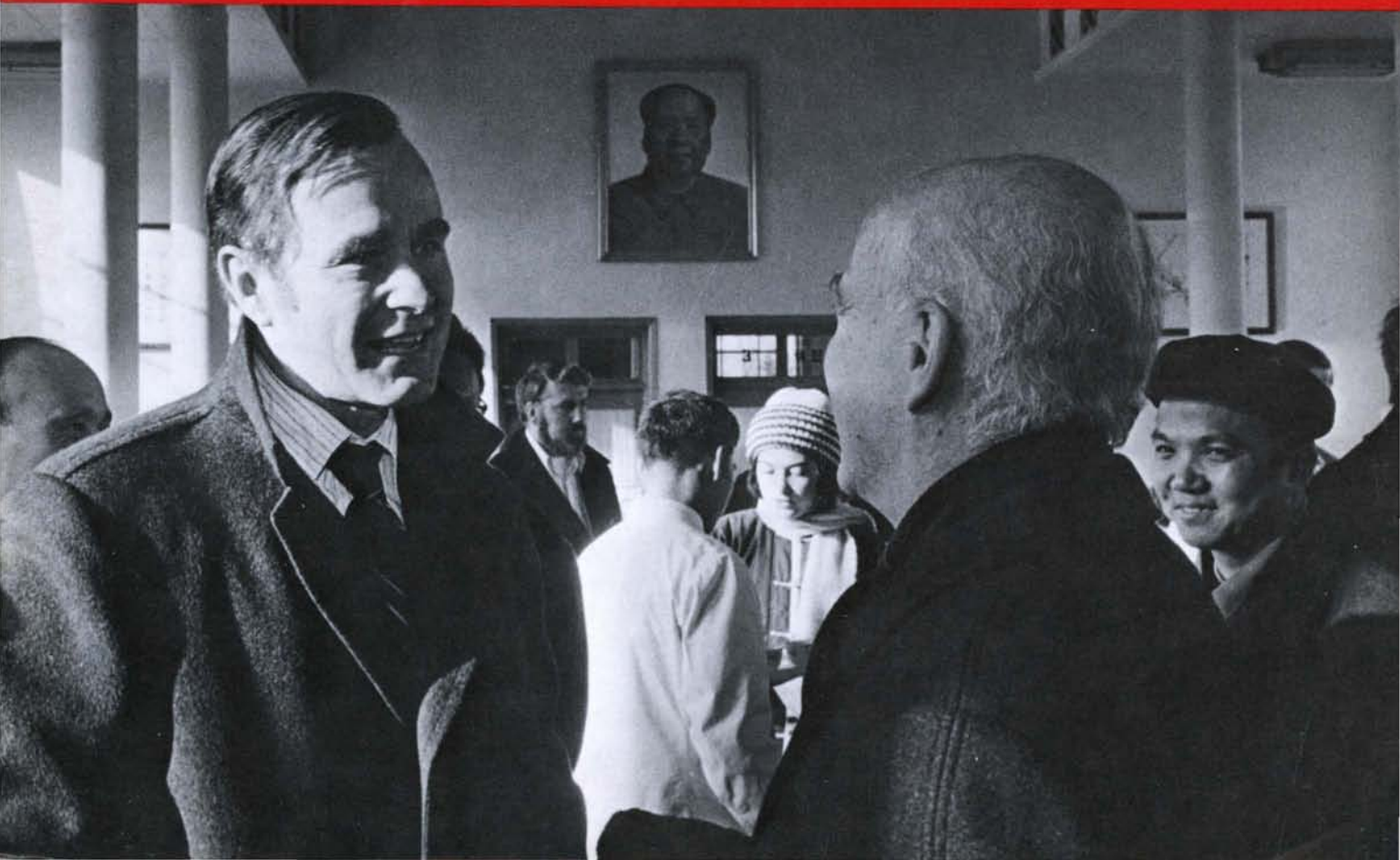
Executive Intelligence Review

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Reagan-Carter deal to prolong recession
The Mexican challenge: managing the boom
The real Billygate coverup

**Trilateral coup in the GOP:
the Peking connection**



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EIR

From the Editor

When Henry Kissinger emerged from a meeting with Ronald Reagan on the second day of the Republican National Convention and declared that the two saw “eye to eye” on all substantive policy questions, including the need for strengthened relations with Peking, party traditionalists were shocked.

Then the show began for real. Reagan nearly negotiated away his presidential powers to the Ford-Kissinger duo. Anything would be better than that! Even George Bush?

So George Bush, son of Connecticut bluebloods, ex-Trilateral Commission member and child of the Eastern Establishment *par excellence*, could be a “heartbeat away” from the American presidency come January. The international press has underlined the fact that with a 70-year-old President, that’s no joke.

Our Special Report this week, “Trilateral Coup in the GOP: the Peking Connection,” presents the history of the Trilateral takeover, with profiles on Reagan’s “Gang of Four” advisers led by Henry Kissinger himself. We also detail the Republican platform and the Reagan economic, labor and military policies which demonstrate how the conservative constituencies who chose Reagan against George Bush and the Trilateral crowd have been betrayed on every issue. The centerpiece of it all, which may lead us into World War III in the short term, is Kissinger’s China card.

Contributing editor Lyndon LaRouche analyzes the Republican nominee’s advisers as “feudalist kooks” dedicated to a Malthusian world view in his article, “Republicans reenact the last days of Saigon.” A deepseated admiration for the Chinese economic model is identified as underlying their commitment to the China card policy.

Other articles in the report were written by Kathleen Murphy, Susan Welsh, David Goldman, and Lonnie Wolfe.



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Special Report



George Bush in December 1975 leaving his post as Chief of the U.S. Liaison Mission to China. Photo: Wide World.

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How the Bush option was put through by the Georgetown mafia. The next step is supposed to be a 'back-door presidency' for the old China hand.

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Business Briefs

Petrodollar flows

Projecting OPEC's bullion placements

A recent study prepared by British journalist Frank Vogel showed that the OPEC countries invested about 10 percent of their cumulative surplus during the years 1973-79 in gold. OPEC's 1980 current account is expected to run at about \$120 billion. If OPEC were to continue to invest in gold at the same 10 percent rate, or \$12 billion, they would have to buy 600 tons of gold at current market prices. This represents more than one third of 1979 world supply, including Western mining output, Soviet sales, and official sales by Western institutions.

Even if OPEC invested as little as \$4 billion in gold in the course of a year, it would be enough to send the gold price flying. The 1979 experience, when OPEC investors shunted huge amounts into gold—using Dresdner Bank and other continental European banks as intermediaries—should serve as a warning to those who gamble heavily on a gold price collapse.

Agriculture

Drought menaces U.S. cattle herds

U.S. government projections as of July 24 reported no basic change in the weather pattern that is destroying lives and crops in the Southwest and Plains states. Last week, the drought had moved up into the southern areas of the Corn Belt, just as the feedgrain crop is entering the critical pollination phase when ears form and kernels develop. At least 10 million broiler chickens and, most importantly, 800,000 breeder hens have perished in the heat in the Southeast. Estimates are that half of the soybean crop has already been lost in the Southeast and Delta states, where 40 percent of the nation's soybean production is located.

The most serious damage in the

Northern Plains and the Southwest, where the drought has been most intense, is to the American livestock industry. Pastures and forage crops have burned; stock ponds have dried up; supplemental feed costs are soaring. Fully one half of the U.S. cow herd is threatened. Already most cattle have been moved out of the Northern Plains, either shipped straight to market or relocated at great expense. In Texas and Oklahoma, state agriculture department spokesmen emphasize that producers realize the disastrous implications of selling off their foundation stock and are desperately trying to hold on.

Public policy

U.K. hails economic collapse as new victory

Statistics released by the British government July 22 show that unemployment has reached a postwar record of 1.9 million. At the same time, inflation—which has doubled since the government of Prime Minister Margaret Thatcher came to power in May 1979—fell from 21.9 to 21.0 percent. Government spokesmen hastened to claim a victory for Thatcher's "anti-inflation program."

Chancellor of the Exchequer Sir Geoffrey Howe declared: "We are making headway. Money supply is coming under firm control. So are prices."

The 0.9 percent fall in inflation is due to a sharp contraction of both industrial production and personal consumption. Manufacturing was down 11½ percent in the first quarter, and fell nearly 9 percent during the last 12 months.

Prime Minister Thatcher was received by angry demonstrators in Wales July 19, where she addressed the annual conference of the Welsh Conservative Party. Thatcher had to be escorted by police into the hall through a rear entrance, in what one newspaper described as "the biggest security operation ever."

At the conference, Thatcher defended her austerity policy and called for in-

creased labor mobility. "Adaptation is painful," she said.

Taxation reform

CBO says economy must dry out

The U.S. Congressional Budget Office, under Carter appointee Alice Rivlin, issued a report this week attacking proposals for a federal tax cut. The report insists that "a tax cut would be very hard to structure that speeds recovery of the economy from its current recession without re-igniting inflation." The customarily liberal CBO appears to reflect the commitment of its unofficial mentor, the Washington-based Brookings Institution, to a recession persisting over the next 18 months.

The CBO concludes that there is "a pessimistic outlook for output and employment through 1981, together with longer-run problems of chronic inflation and slow growth of productivity." The report coincided with announcements that U.S. auto sales fell 27.7 percent in the second 10-day period of July from the same period of 1979—after a 20 percent slide in June. The decline had been expected to abate. Although it was supposed to show an improvement, the Consumer Price Index rose one percent in June, fueled by hikes in mortgage interest rates.

Oil marketing

London offers new counter-cartel plan

A British economist who advises Lloyds Bank has come up with a new scenario for breaking OPEC. Christopher Johnson proposes in the July 20 London *Telegraph* that Western governments respond to future OPEC price hikes by cutting their oil purchases "just enough to ensure that OPEC suffered a marginal

loss in its revenue." They could also agree to "produce and trade non-OPEC oil at a price below at least the highest OPEC prices, taking the Saudi price of \$28 a barrel as a guidepost." Although this might require forming an "anti-cartel" through the International Energy Agency, Johnson thinks a "free market" in crude and refined oil products would be best, established in the City of London and "wider and more representative" than the Rotterdam spot market.

Johnson ignores the likelihood that an "anti-cartel" based on non-OPEC oil would strengthen the factional position of OPEC's price hawks while weakening that of the Saudis, who depend on their ability to maintain a *modus vivendi* with Western oil consumers. If the Saudi oil flow is shut off, Western industrialized countries could, under the Lloyds scheme, find themselves dependent on London for non-OPEC oil at \$40 to \$50 a barrel rather than the Saudis' \$28.

Gold

Can a price rally be sustained?

Traders express frustration over the past three weeks' gold market, which has fluctuated at times without showing a clear trend. The spot price jumped more than \$25 an ounce July 22 to \$637.50, but the rally quickly fizzled. "The gold market is always very much subject to surprise developments," commented Marc Berkowitz, an analyst at the New York trading firm Sinclair & Company. "But technically it's showing a lot of weakness right now. We feel much less confident than we did a week ago that gold will reach its old highs before the end of the year."

Consolidated Goldfields analysts, who were talking about a \$1,000 gold price at some unspecified point when they released their "Gold 1980" report three weeks ago, are also more cautious. "I was surprised gold rose as much as it did," commented Ronald Conley, head of Consolidated's commodities division,

in reference to the earlier \$687.50 level. "It was a bit of froth. David Potts [the company's senior gold analyst] has been trying to get across the impression that there aren't enough things going for gold right now." Conley, interviewed before the latest \$25 jump, predicted gold would soon subside below the \$600 level. Yet another sustained upward shift is not to be ruled out, if only because conservative sheiks and European investors will seek a haven in the event of a Persian Gulf destabilization.

Foreign exchange

Dollar's rise doesn't mean firmness

Talk is widespread that the dollar is now set to rise dramatically in the foreign exchange markets. The United States is expected to swing into current account surplus by September, the only industrial power to be out of deficit. The U.S. inflation rate is also expected to moderate, giving the dollar a preferred interest-rate differential. The dollar's outlook was further buoyed this week as the dollar rose from 220 to 224 yen, partly on the strength of a report that the Japanese central bank will soon lower its discount rate from its current level of 9 percent, and take some of the bloom off the yen.

But in fact, the dollar may weaken, or at least fail to strengthen. One New York analyst for an overseas securities house reported July 23, "The dollar looks good on the surface, but you have to look at the economy underneath. The U.S. economy is still going downhill, while the German economy is doing okay. I would still look for German DM bonds over dollar Eurobonds during the next few months." This source added that he was aware that Britain has managed to bolster the pound on the basis of a ruined economy. "But the U.S. doesn't have North Sea oil," he added, "nor does the U.S. Fed have the same maneuverability in managing the dollar as the Bank of England has in managing the pound."

Briefly

● **PETER JAY**, former British ambassador to the U.S. and son-in-law of ex-Prime Minister James Callaghan, recently accepted a post at the Washington, D.C. office of the Charter Company. Charter is the oil corporation that had attempted to use Billy Carter as a broker in obtaining Libyan supplies. Jay, like his wife Margaret, was a frequent visitor to the White House.

● **WILLIAM CASEY**, Reagan's campaign manager, has something special in common with Reagan adviser Richard Allen: an acquaintance with the elusive swindler and dirty money expert Robert Vesco. In 1968, Casey formed Multiponics Company, and sold a one-third share to IOS, the offshore operation run by Bernie Cornfeld and then bought out by Vesco. In 1972, Casey was whisked from the SEC to the State Department because someone thought it would be improper for him to hear cases against Vesco. Allen was hired as a Vesco consultant after the SEC started investigating the latter.

● **RONALD REAGAN's** reported first choice as Agriculture Secretary is Chicago Mercantile Exchange president Clayton Yeutter, who as Earl Butz's international program director ran export embargoes in 1973-75 against Japan, the U.S.S.R., and Poland.

● **THE DAKOTAS** and Montana, hit by drought, have been denied federal emergency grants. Instead, on July 18 President Carter awarded a \$250 million loan guarantee to developers of a proposed \$1.5 billion coal gasification plant in North Dakota to hasten construction for the highly water-consumptive process. Attorney Generals from Colorado, Idaho, Montana, North and South Dakota recently voted up a little-publicized resolution demanding that the federal government develop the nuclear breeder reactor and downplay synfuels.

Carter-Reagan deal to maintain recession

by David Goldman

In November 1979 this publication released a set of computer econometric forecasts for the American economy, predicting that Federal Reserve Chairman Paul Volcker's credit stringency measures would result in a 15 percent falloff in industrial output, starting in the second quarter of 1980 and leveling off at the end of 1981. The announcement of a 2.4 percent drop in industrial output for the month of June puts the first-half 1980 production drop at 7.5 percent, and the consensus forecast is that the production decline will continue at a more gradual pace and level off towards the end of 1981, corroborating our original estimate.

Last May *EIR* projected that the American economy would lose sufficient productive capacity through the present recession to make a recovery in the usual sense of the word impossible. In effect, over the past week the Carter administration has not only confirmed this estimate, but added that no recovery should occur—a position also shared by the leading economists in the Reagan camp. The implications of these admissions are devastating ones.

On July 21, Council of Economic Advisers Chairman Charles Schultze and Budget Director James McIntyre issued the Carter administration's equivalent of the "let them eat cake" comment about the French economy. Despite an official projection of 8.5 percent unemployment through the end of 1981, a budget deficit in fiscal year 1980 of about \$60 billion and a swing into deficit of \$46 billion (from a projected \$16 billion surplus to almost \$30 billion deficit), the administration proposes to do

nothing in particular.

"Policy measures to increase investment, productivity, and economic growth—with beneficial effects on unemployment and inflation in 1981 and later years—will be developed carefully in close consultation with the Congress and others in the months ahead. It is quite likely that a tax cut will be desirable in 1981. But it is not appropriate to propose one now. The administration believes strongly that the last months of a congressional session, in an election year, are not the time to make the judicious decisions needed for a skillfully designed tax program to improve economic performance," McIntyre said. In House testimony July 22 Secretary of the Treasury G. William Miller played the same theme.

"If the Treasury really wanted a serious discussion they would give us some proposals," said an angry Senate Finance Committee staffer. "But they haven't told us a damn thing about what kind of tax cut they want."

Why Wall Street supports do-nothing approach

Although a few commentators like Data Resources chief Otto Eckstein (who earlier this year was forecasting a "mild recession") and the Conference Board's Michael Levy are warning that the economic situation may get out of hand, the administration has overwhelming support from large financial community institutions. In their own narrow way, the financial community

has realized what it means for the economy to be operating below breakeven: the financial system cannot take the strains of recovery.

Sources close to Volcker at the major commercial banks, and sources at U.S. Trust who are Volcker's colleagues at the Ditchley Foundation explain it this way: even the extreme peak of interest rates achieved through monetary restriction at the end of the first quarter was insufficient to deter corporate and consumer borrowing, which pushed the inflation rate up towards 20 percent. The credit controls were necessary to shut down borrowing and break the inflation cycle, no matter what the consequences for the economy, because a disaster would have ensued in the financial sphere.

The structure of the entire financial sector, particularly that of the large life insurance companies and the savings industry, depends on the long-term bond market. A further burst of inflation would have turned the already dangerous level of disintermediation out of these institutions into a flight, while simultaneously devaluing their holdings of fixed-income securities.

The entire national financial structure would have come unstuck, U.S. Trust economist James O'Leary believes, and most Wall Streeters agree with him.

The next administration, according to the financial community, must avoid any "quick fix" supply-side tax cuts of the type widely advertised by the Joint Economic Committee and organizations like the Business Roundtable earlier in the year, and adopt a much more cautious, gradual approach instead. In addition, the consumer sector, already battered by the collapse of the auto and housing sectors, must stay that way indefinitely, reflecting a basic, long-term drop in the American standard of living.

That is the position of the Committee to Fight Inflation—the organization put together by former Fed Chairman Arthur Burns and former Treasury Secretary Henry Fowler—inside both party camps.

Paul Volcker, testifying July 22 before the Senate Banking Committee, promised a regime of monetary stringency over a period of years, including similar targets for money supply growth. Close friends of Volcker on Wall Street say that he will be willing to adopt credit controls once again should economic activity proceed too fast.

What lies at the root of the problem, as *EIR* documented in a survey published in May, is that the American economy has been operating below breakeven levels since the last recession, after deducting the maintenance requirements of both capital and labor inputs to the economy. The economy is now producing insufficient capital and consumer goods either to maintain the capital stock or to build the required skilled labor pool; as of 1979 the economy was investing \$50 billion

per annum less than required for essential maintenance, and will probably invest a solid \$15 to \$20 billion less in real terms during 1981.

Economic deficit breeds hyperinflation

This translates, in financial terms, into a deficit of private-sector savings of households and corporations, and consequent strains on the financial markets. The strains turn into a self-feeding spiral when the Federal Reserve prevents the consumer sector (as it did last October) from making up its income gap through extensive borrowing, and prevents the corporate sector from making up its gap in terms of investment resources through the same process, as it did last March. The financial gap, in turn, is deducted out of real economic activity, in a spiral that will bring the American economy past a point of no return.

The financial community's perception, shared by the Carter administration, of the danger of a renewed burst of inflation once a "recovery" begins is entirely correct. The economy does not have sufficient skilled labor, machine tool capacity, steel capacity, energy-industry equipment capacity and other essential items to recover without a gigantic inflow of imports.

Whether inflation results from bottlenecks and scarcities, or from a collapse of the dollar due to an explosion of the trade deficit, the actual state of collapse of the economy in real terms does make an aborted recovery an extreme danger. Thus far, the administration is correct.

However, the longer the economy remains prostrate, the more physical and human capital will be lost by attrition. Since the actual rate of physical depreciation of the capital stock is higher than even the 1979 investment rate, any delay in recovery actually worsens the prospects for recovery in the future.

It is foolhardy and dangerous to believe that lowering consumption levels will make up the margin of investible resources; investment-goods capacity and consumer goods capacity are not entirely substitutable in the first place, and, much more important, the economy's worst shortage is in skilled labor. Reduction of living standards invariably leads to a reduction in availability of skilled labor.

The economy's only hope would be, not a "supply-side tax cut," which would throw money around fairly aimlessly, but a directed investment program combined with appropriate tax breaks for investment which would boost productivity in key areas of the economy, e.g. nuclear energy, agriculture, computer-controlled machine tools, and so forth. To let the recession take its course indefinitely is to guarantee that the economy will perish by attrition.

Will the Soviets join the North-South dialogue?

by Rachel Douglas

A thorough reevaluation of policy for the economic development of the Third World is underway in the Soviet Union and allied countries which will rapidly bring these socialist countries into the thick of Western disputes over the future of the underdeveloped nations. The complexion of the "North-South" dialogue may be entirely changed as a result.

The evidence of a Soviet shift appears in the pages of Russian and East German economic and foreign policy journals, but has also been supported by the words of the East German leader Erich Honecker. At a Socialist Unity Party Central Committee plenum in April and again upon addressing visiting Cypriot President Spiros Cyprianou several weeks later, Honecker stated that North-South relations can no longer proceed without intersecting East-West dialogue and cooperation efforts. Otto Rheinhold, a Central Committee member in Honecker's party, elaborated this argument in a recent article with the observation that "an efficient international division of labor in the economy, as well as in science and technology, without the socialist countries is no longer possible."

The issue is not merely a possible increase in East-West joint projects in individual Third World countries, but a Soviet and East European overture to the European Monetary System countries—Western Europe—to help reshape the international monetary system so that investment in the underdeveloped world on a vastly expanded scale could be financed.

Brandt Commission attacked

The "North-South" dialogue takes place chiefly under the auspices of the United Nations, through UNCTAD and U.N. affiliates. The best-known non-governmental agency involved is the "Brandt Commission," named for its chairman, the Social Democratic ex-Chancellor of West Germany, Willy Brandt. Profiled as advocates of "fair sharing" of the world's resources, the Commission argues that those resources are finite, and promotes "appropriate technologies" for the Third

World, which means the condemnation of those countries to lasting backwardness.

Until recently, the official Soviet stand on the North-South dialogue was "hands off," justified with the explanation that the U.S.S.R. had not participated in the colonial exploitation of the less-developed countries. The Soviet Union, while pursuing its own trade deals to build up heavy industry in India and other countries, raised no significant protest against either the Brandt Commission or any of the inflationary resource cartelization schemes that found their way onto the North-South agenda during the 1970s.

Otto Rheinhold's article in the June issue of the East German magazine *Einheit* shows how the ground has shifted. Willy Brandt, the Soviets' darling of *Ostpolitik*, comes under fire. Rheinhold classes the Brandt Commission as one of "many models and proposals elaborated for a form of neocolonialism adapted to present conditions." He attacks it for continuing to deny to the developing countries both the benefits of heavy industry and "just as important, their own centers for research and development."

A second very revealing symptom of the policy shift appeared in the June issue of *USA* magazine, published by Moscow's Institute of United States and Canada Studies. In his contribution to a series of articles assessing what has happened to détente, senior analyst G.A. Trofimenko turns to a motivation of Soviet-American détente which the Soviets have rarely emphasized. Part of Henry Kissinger's goal, says Trofimenko, was to bring the U.S.S.R. onto the side of the "North" in the North-South confrontation. Trofimenko explains Kissinger's motive not only as a desire to reduce Soviet support for "national liberation movements", but an attempt to establish a "new order" institutionalizing the unequal relations of North and South, with the U.S.S.R. either a part of the North or remaining neutral in order not to jeopardize détente.

Trofimenko observes that these plans were "groundless"—a remarkable statement! At one UNCTAD forum after another, particularly in the mid-1970s, the

Soviets did look the other way while Kissinger's projects such as the International Resource Bank—a swindle for centralizing enough control to manipulate both the price and the supply of major raw materials—were peddled to Third World nations as opportunities to increase their international clout.

The Soviets and the EMS

If the Soviets are going to participate in the North-South dialogue, yet reject the terms of the Brandt Commission's appropriate technologies plan, International Monetary Fund conditionalities, and all forms of "neocolonialism," then the only route they can be charting leads to joint efforts with Western Europe. The most explicit endorsement of the European Monetary System by a Soviet economist, published in the journal *Ekonomicheskiye Nauki* this May, drew a sharp line between IMF conditionalities and the credit terms of the European Monetary System that would take effect if the EMS with its gold-centered European Monetary Fund went fully into operation.

These matters evidently were discussed at the highest level when Chancellor Helmut Schmidt of West Germany visited Moscow in early July. Schmidt's Foreign Minister, Hans-Dietrich Genscher, said in his report to the parliament after the Moscow trip that the 1980s require a peace strategy surpassing the bounds of East-West relations and encompassing the "South." Only if the energy, food, work and other needs of the less developed countries were addressed would this generation win any place in history, Genscher said.

New Times on Bretton Woods

Now, the Soviet pro-gold grouping has made itself heard even more vocally than it did from the pages of academic journals earlier this year. In the current issue of the internationally-distributed Soviet weekly *New Times*, an economic journalist who hailed the EMS two years ago, at a time when other Soviet spokesmen were nay-saying it, answers a reader's question on why Russia has not joined the International Monetary Fund as China has.

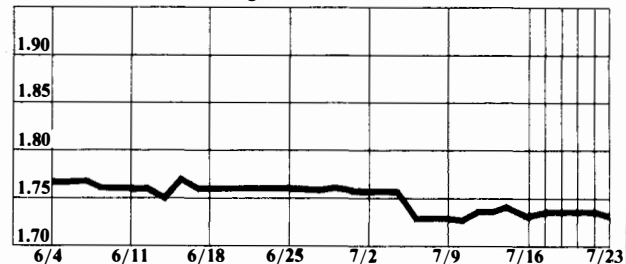
Felix Goryunov answers with a piece of history. The U.S.S.R. was at Bretton Woods, he recalls, and left at the point that its proposal for a gold-denominated expression of monetary value was rejected in favor of the dollar standard. "How wrong this decision was, the current chaos in the monetary system of the IMF shows," he comments. Secondly, says Goryunov, the IMF did not rest on "the principle of sovereignty of nations."

By helping to defeat the "one-world" conspirators for backwardness, in the face of the Brandt Commission and the IMF, the Soviets are returning to the historical commitments Goryunov describes.

Foreign Exchange

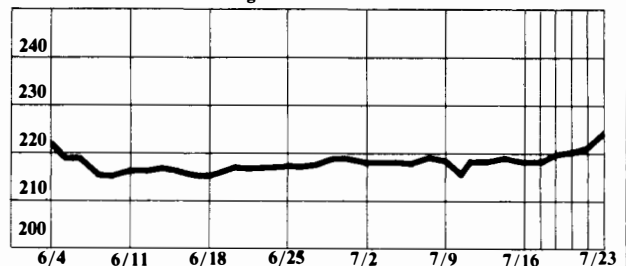
The dollar in deutschemarks

New York late afternoon fixing



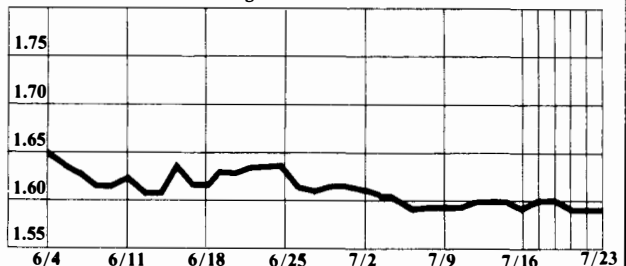
The dollar in yen

New York late afternoon fixing



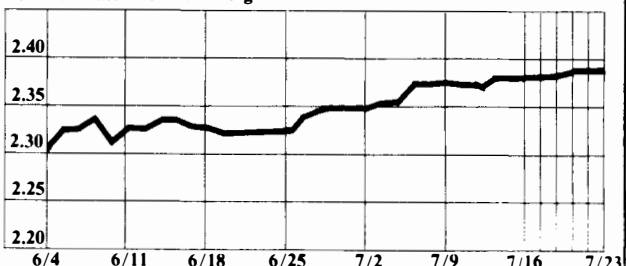
The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



Dismantling Chrysler

Washington's 'bailout' is more like a torpedo. It's highly doubtful whether the company will survive.

In 1979, when the U.S. government began to plan the reorganization of Chrysler Corp., it promoted its financial counsel to the general counsel of the Treasury Department, Brian Freeman, to work up its plan. Mr. Freeman had one difficulty, a colleague relates: he didn't believe that Chrysler Corp. could or should be saved.

While this may seem only a minor encumbrance to his task—a professional should be able to do the job, regardless of his opinions, it is said—Mr. Freeman's private viewpoint is extremely revealing as to the outcome of Chrysler's future. As the point man for the U.S. administration, Brian Freeman is ruining Chrysler, ensuring that it will not survive, under the guise of working on Chrysler's rescue.

Freeman is one of a handful of young whiz kids—he's 34—in the "Georgia" Carter administration who is drawn from the Eastern Establishment, coming out of the old blueblood law firm of Debevoise, Plimpton, Lyons and Gates. For two years, he had experience wrecking the Consolidated Rail Corporation, Conrail, as a Treasury counselor. Then he was appointed to the Chrysler case.

States one of Freeman's colleagues, "Brian was one of the many people at Treasury who believed in the beginning that Chrysler probably couldn't be saved, and that in principle, it shouldn't be saved." Freeman is supposed to

have had a change of heart. In fact, he didn't.

The Chrysler Loan Guarantee Act, which Freeman helped to draft, removed many of Chrysler's most valuable, profit-making assets, apparently on the principle that to recover, a company should divest itself of whatever makes money. For example, in order to raise cash, Chrysler was obliged over the past two years to divest itself of most of its most modern auto facilities abroad, forcing it to rely on its older, more dilapidated plant and equipment in the United States.

Now, as part of the terms of the \$1.5 billion "bailout" of Chrysler engineered by Brian Freeman and Sen. William Proxmire, chairman of the Senate Banking Committee, Chrysler is ordered to sell off Chrysler Finance, Chrysler's most profitable asset.

Under this operation, Chrysler not only loses the income it could make by marketing its own cars, but without an apparatus to do so, will lose sales, too. *Business Week* magazine praised this arrangement, saying that it will free Chrysler Finance to market other cars, if Chrysler folds—as is widely expected—by early 1981.

On top of this, Freeman has worked with the Department of Transportation to formulate the Carter administration's auto industry policy. This was reflected July 8, when in a special press brief-

ing in Detroit, President Carter announced his "auto policy."

In addition to setting up an Auto Industry Committee, the program was largely a fraud. It proposed:

1. \$200 to \$400 million in loan guarantees to troubled auto dealers to keep them from going under.

2. Some relaxation on emission standards, as well as miles per gallon requirements, but none stringent enough to make a big difference. One Wall Street auto analyst reported, "If there had been any big or even moderate change in the restrictions in Carter's proposed plan, you would have heard Ralph Nader's people howling. But they had nothing to complain about."

3. Tax credits of up to \$500 million for the auto industry. But to collect these credits, an auto company must run a profit, and Chrysler, like the troubled Ford Motor Company, expects to be \$1 billion in the red this year.

For lack of appropriate action in Washington, Chrysler has announced in an internal memo this week that it plans a further 20 percent cut in its white collar staff and more plant closings.

Moreover, many speculate that part of Chrysler's cutback plans will include its engine assembly plants. Chrysler contracted two weeks ago to buy 550,000 engines from Citroën-Peugeot two weeks ago for 1982. It is already being supplied with engines from Mitsubishi, and from Volkswagen U.S.

It is further rumored that any of the above companies might buy out Chrysler. One Morgan Guaranty Trust analyst commented July 23, "I think that what will happen is that Chrysler will merge with Ford."

A new farm-labor coalition

It's not to be confused with Hubert Humphrey's ghost. It has the potential to transform the Democratic Party, and the country.

Most Americans are now convinced that it is not in the major media-managed dog and pony show that anything of significance in Campaign 1980 is taking place.

But the contention was borne out even more strikingly last week in California at a July 17 press conference where prominent California farm and labor leaders launched a drive to build a national farm-labor alliance for Lyndon H. LaRouche Jr. The "dark horse" Democratic presidential candidate is a rallying point against Carter-Mondale efforts to batten down the August 11 convention hatches for a Carter renomination. He has also become the spokesman for American System solutions to the country's economic ills.

But, but, the pundits will sputter, farmers are barely 4 per cent of the population these days. And besides, the consumer movement has captured labor since, after all, labor is concerned about getting cheap food. If you are inclined to agree, pay close attention to the following.

As we began to indicate in this column last week, some far-reaching changes are afoot in the American political landscape. The farm-labor alliance now in the making has nothing whatsoever to do with the Minnesota Fabians; on the contrary, this coalition has the potential to transform the Democratic Party and the United States with it.

The drive to build a national farm-labor coalition for LaRouche

was announced at a San Francisco press conference by national farm leader Art Wilson and labor leader Wayne Thomas.

Wilson, president of the California Farmers Organization, is one of five executive board members of the National Farmers Organization headquartered in Corning, Iowa.

Thomas, financial secretary of IBEW Local 617 and past president of the San Mateo County Building and Construction Trades Council, is chairman of the California Labor Committee for LaRouche, composed of 15 labor leaders from throughout the state.

Sharing the podium was Nick Benton, LaRouche's California campaign coordinator, who also spoke. The LaRouche campaign had brought the farm and labor leaders together.

"We support LaRouche. He is committed to rebuild the nation as an industrial power," Thomas told the press. "This is a program labor needs and can support." Thomas outlined LaRouche's commitment to develop nuclear power and a rail and starport system to realize the nation's potential for development and trade.

"We in the NFO have never heard any candidate come out the way LaRouche has for what agriculture needs—the cost of production plus a reasonable profit," Wilson told the press at the July 17 San Francisco event.

"We have to open the Democratic convention," he added. "I don't think most people in this country know how we actually elect our President. They don't know how the Trilateral Commission controls the election of the candidates. It is a disgrace. Carter has created these new rules to guarantee his nomination. They must be voted down. The people, if they really had their choice, I'm convinced, would nominate LaRouche."

Both leaders, who stated that the farm-labor movement for LaRouche represents in-depth support and is growing, stressed the need and responsibility of the United States to meet its potential as an agricultural and industrial power to develop and feed a hungry world.

They were united in identifying the Trilateral Commission control over both the Carter and Reagan candidacies, and in opposing Carter's attempt to railroad the Democratic convention into renominating him.

The two leaders called upon all Democratic delegates to reject the proposed rules changes, open up the convention, and "dump Carter." They also endorsed the call made last week by American Agriculture Movement president Marvin Meek, reported in this column, for a farm-labor demonstration at Madison Square Garden on August 10 to put the demands for 90 percent of parity, an open convention and dumping of Carter before delegates and the nation.

You might call the San Francisco press conference a tour de force if the same thing weren't taking place in many different places across the country.

Companies heading for China

Trade follows the Carter administration flag thanks to a deal with the Fortune 500.

During 1980, total U.S. trade with the primitive People's Republic of China will be greater than U.S. trade with the advanced industrial Soviet Union. For the first half of 1980, U.S. exports to China were \$1.2 billion; U.S. industry groups predict total trade will reach \$4 billion by year's end. Projected U.S. exports to the Soviets for the year are \$1.8 billion.

This intensification of economic ties with the PRC—although in hard capital terms still modest, to say the least—is the outcome of a political-strategic pact cemented between the Carter State Department and a representative portion of America's so-called Fortune 500 firms. In early June, Chase Manhattan Bank's David Rockefeller hosted a joint forum of 300 major U.S. corporations and top officials from the Bank of China and the China International Trust and Investment Company.

Rockefeller's party, which was held at Chase's headquarters in New York, occurred two weeks after State Department official Richard Holbrooke returned from a visit to China to announce that attempts to balance U.S. relations with the PRC and the Soviets no longer apply. And, in fact, U.S. trade with China this year is an outcome of the new approach of building ties with China *against* the Soviet Union.

The strategic folly of trying to "play the China card" is even greater than the real economic problems

entailed in U.S.-China trade. Although three years ago, when PRC officials first approached Western countries with offers of major trade packages, they were thinking in terms of immediate multibillion dollar transactions, this was quickly proven impossible. Out of its one billion population, Chase Manhattan estimates that the PRC has no more than 100 million people living in its relatively modernized port cities. Even these are run, day to day, on 1930s technologies. In addition, the PRC still needs to accumulate foreign exchange to finance capital goods imports. Earlier this year, it joined the International Monetary Fund to gain access to concessionary development loans. The China International Trust and Investment Co., whose formation 18 months ago has been followed by the creation of five more trust companies representing provincial governments, is hobnobbing around Hong Kong and Shanghai, seeking private investment, especially from expatriate Chinese investors. For such private placements, the PRC often offers free labor instead of repayment.

With the opening of the Hong Kong-Quandong "Common Market," or free trade area, the PRC has gone in recent months into joint venture ownership with Western firms. One hundred joint venture petitions with Western companies are currently under review, including 20 from the U.S.

By this fall, the PRC may test

the Euromarkets for its first syndicated borrowing, according to U.S. government experts. This would occur just at the point that the PRC is scheduled to announce its new Ten-Year Plan. The details of the plan, which was the product of a two-year review of the PRC economy, was launched in the fall of 1978 after initial efforts to import Western technology had failed.

On July 21, U.S. Ambassador to China Leonard Woodcock discussed the new Ten-Year Plan in an address before the Commonwealth Club of San Francisco, which represents California's leading firms. Woodcock reported that the last two years' reevaluation had led the PRC to the conclusion that industrialization will be impossible unless general living standards are improved. First priority in the new program will therefore be agriculture; by 1990, the first shift towards large-scale heavy industry imports would occur.

Woodcock's characterization is hard to believe. The central consideration driving U.S.-PRC relations is a military-strategic alliance against the U.S.S.R., and the PRC is known to be committed to beefing up, its military hardware.

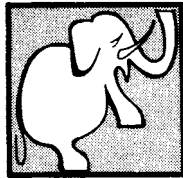
The strongest base for U.S. trade into China is California. Kaiser Industries, Bechtel and Fluor have been in the forefront of encouraging U.S. "China card" strategic and economic policies. Kaiser has just completed an engineering design project for two iron ore installations in the PRC; when completed, at a cost of over \$1 billion, they will form the largest iron ore complex in the world. Kaiser meets regularly with PRC officials, who will be visiting their headquarters in Oakland next month.

Trade Review

NEW DEALS				
Cost	Principals	Project/Nature of Deal	Financing	Comment
\$340 mn.	Iraq from Korea	South Korea's HYDUNDAI will build Baghdad hospital complex through low bid.		Kuwaitis accuse Korea of subsidizing construction companies.
\$200 mn.	Mexico from U.S.	Expansion of Kimberly-Clark paper products manufacturing in Mexico.	19 U.S. banks; no government guarantee	
	Mexico and U.S.	Caterpillar will join with CYDSA (Monterrey, Mexico) to manufacture public works equipment; the joint venture will absorb Caterpillar's existing subsidiary.		Agreement of intent signed
\$25 mn. total capital	China/U.S.	American International Group and National Insurance Co. of the PRC forming first joint venture to provide insurance for PRC trade.		
	Iraq from Italy	Italian state ENI and AGIP companies will transfer technology to Iraq and sell services and equipment for all parts of the oil cycle. This amplifies previous arrangement.		Agreement signed
UPDATE				
\$115 mn.	Nigeria from West Germany	Daimler-Benz has opened a 40 percent-owned truck producing plant in Nigeria to produce 7,500 medium-weight trucks per year.		Nigerian government is majority owner.
	China to Iraq, Yemen, and elsewhere.	China Construction Engineering Corp. has signed 40 foreign construction contracts worth almost \$100 million during past year. Stone & Webster and European companies planning utilization of Chinese labor gangs.		Chinese competitive because wages are world's lowest.
CANDELLED DEALS				
Not negotiated	Iran/West Germany	Iran nationalized 6 major West German pharmaceutical companies which produce one third of Iran's pharmaceutical products.	Not negotiated	German government investigating.

Trilateral coup in the GOP: the Peking connection

by Kathleen Murphy



When Ronald Reagan received the Republican presidential nomination in Detroit July 17, party conservatives rejoiced. Still smarting from Barry Goldwater's humiliating defeat in 1964 and Reagan's narrow loss to Gerry Ford for the 1976 GOP nomination, they greeted the Californian's official elevation as a long-sought victory over the liberal East Coast faction which has increasingly dominated the party ever since Abraham Lincoln's assassination.

But among the thousands of euphoric delegates and true believers who gathered to hear Reagan's acceptance speech, there could be found sober-minded individuals who had serious misgivings. When the Ford-Kissinger-Reagan negotiations so smoothly opened the door to George Bush's accession to the vice-presidential slot, they began to ask themselves: Did *we really* win?

Obviously not. As top Reagan adviser Robert Neumann commented in an interview last week: "The conservatives thought they had won, but they lost. Reagan's a down-to-earth pragmatist who knew he had to deal with us, and people like Helms [North Carolina Senator Jesse Helms—ed.] are going through a trauma as they wake up to the fact that we're in, and they're out."

Although the Republicans anticipate a clean sweep at the polls next November, Reagan's election would be worse than a hollow victory; it would be a disaster. As Neumann implied, and the convention and subsequent developments demonstrate, Reagan's strings are being pulled by the same Anglo-American policy faction that installed Carter in the White House, to such hideous effect.

Unless the Democratic Convention is opened up, and Carter replaced by a more viable candidate, the American electorate will face the following presidential choice: An aging Reagan whose young and eager Vice-President is a former Trilateral Commission member; Carter, a Trilateral puppet since



1974; and John Anderson, also a Trilateralist. The implications of this situation for both the nation and the world are ominous.

Despite superficial differences, characterized by the "right" versus "left" mythology, the Carter-Reagan-Anderson policies converge on the same points: destruction of the industrial base of the U.S. economy; increasing isolation from our European allies; and a geopolitical strategy based on a Jerusalem-Washington-Peking alliance that makes a confrontation with the Soviet Union, possibly escalating into World War III, as certain as death and taxes.

The purpose of this *EIR* Special Report is to explain why a Reagan administration would represent no improvement, and would probably mean an absolute worsening for the United States in the strategic and economic arenas.

First, Lyndon H. LaRouche provides the appropriate context for understanding Reagan's policy orientation. In his analysis, "Republicans Reenact Last Days of Saigon," the "dark horse" Democratic presidential candidate identifies the Republican nominee's top advisers as "feudalist kooks" drawn directly from Hapsburg networks and committed to imposing a Malthusian economic order on the advanced Western economies. Their pro-Chinese stance, he points out, does not derive simply from the idiotic belief that Communist China could serve as a military ally against the Soviet Union, but from a deep-seated admiration for the Chinese economic model.

In this section

This week's Special Report was prepared under the direction of United States Editor Konstantin George.

I. Trilateral coup in the GOP: the Peking connection

by Kathleen Murphy

II. GOP reenacts the last days of Saigon

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III. George Bush: Connecticut 'blueblood'

by L. Wolfe

IV. Men who make Reagan's policy

by Kathleen Murphy

V. Economic policy:

'No conservative will expect what is going to happen'

by David Goldman

VI. Labor policy:

A clever way to be anti-union

by L. Wolfe

VII. Military policy:

The 'quick fix' method of military buildup

by Susan Welsh

Next we profile George Bush, the pathetic nonentity who seems never to have gotten past the mental stage of a 16-year-old prep school crew captain, but who nevertheless represents a direct line of command from the East Coast policy elite into the Reagan camp. As the country's first envoy to the People's Republic, Bush was intimately involved in the Kissinger-Nixon "China Card" and firmly believes in the necessity of a U.S.-China alliance.

We then present short dossiers on the "Gang of Four"—Richard Allen, William Casey, Henry Kissinger and William Van Cleave—and several other influential Reagan policy advisers.

EIR Military Strategy Editor Susan Welsh dissects the policy which a Reagan administration is likely to pursue, exposing its much-touted military buildup as a wretched fraud.

The no-growth perspective embedded in Mr. Reagan's Friedmanite economics is analyzed by *EIR* financial expert David Goldman, while an accompanying piece documents that the Republicans' new "pro-labor" posture reflects the Chinese model.

Abandon hope, all ye who enter here

Dante's immortal injunction would have made a fitting slogan for the Republican Convention.

Even before the convention's opening, it was clear that something was awry. After attacking George Bush for his connections to the Trilateral Commission in the early part of the campaign—a tactic to which the *Wall Street Journal* credited Reagan's two-to-one victory in the New Hampshire primary—Reagan began to backtrack on this issue until finally, during the Texas primary campaign, he openly apologized to Bush. Simultaneously, he started to soften on the Kissinger question. Having made Kissinger a target for four years, Reagan suddenly began to make overtures to the former Secretary of State. He met with him several times, as did his foreign policy coordinator Dick Allen, and then let it be known last month that he "wouldn't rule out" a cabinet post for his former enemy.

Nevertheless, most Republican traditionalists were shocked when Kissinger emerged from a meeting with Reagan on the convention's second day and declared that the two saw "eye to eye" on all substantive policy questions, including the need for strengthened relations with the People's Republic of China. Nor were party conservatives prepared to see Reagan nearly negotiate away his presidential powers to the Ford-Kissinger duo—and then embrace Bush as his running mate.

Yet there is every reason to believe that the Reagan-Bush ticket had been in the works for months. Some insiders even claim that after losing to Reagan in New Hampshire, Bush conceded the top spot and aimed his campaign at the Vice-Presidency instead. And, suggest-

ing that key layers within the Anglo-American elite had been deliberately planning the Bush coup for some time, U.S. Trust Company chairman Hoyt Ammidon, a Ditchley Foundation official, reportedly commented early this year: "George is one of us, of course, but he doesn't have the charisma to get elected himself. His best route to the presidency is via the back door."

In a similar vein, the London *Times* editorialized July 18 that Bush "is the best qualified for the role of alternative President—which is how one has to see the office of Vice-President if the President has his 70th birthday soon."

Remarks such as these have led a number of anti-Bush Republicans to speculate on the possibility that Reagan will be forced to resign because of ill health, or even assassinated. Result: President Bush.

How Bush got the nomination

How did Reagan get away with naming Bush as Vice-President? The media brouhaha over the "secret" negotiations the Reagan camp carried out with Ford and Kissinger over the "co-presidency" provided an indispensable smokescreen. As the Bush league accurately predicted, faced with the appalling prospect of another Kissinger administration, many Bush opponents were actually relieved when the negotiations fell through and Bush was nominated.

Massachusetts Congressman Silvio Conte, himself a Bush delegate, admitted that the Ford hoopla was aimed at making Bush acceptable. "It's just a campaign to get Bush in there. A lot of conservatives don't like Bush, and this takes the heat off him. They're in a frenzy now, but tomorrow they'll take him."

And Gerry Ford acknowledged his own role in the Bush affair when he told the National Hairdressers and Cosmetologists Association Convention July 21: "I worked in a discreet way for George Bush. It worked out very well. I never told anybody I would accept the vice-presidency."

Moreover, for months the media spokesmen for the Eastern Establishment such as *New York Times* columnist James Reston had been churning out commentaries which insisted that Reagan broaden his base by bringing representatives of the "moderate" wing of the GOP onto his policy team. The message: Unless Reagan is prepared to give us power over crucial policy areas, we will not support him. It now seems likely that Reagan's cabinet will include such Rockefeller Republicans as George Shultz, Alexander Haig, and Alan Greenspan.

Even if Reagan manages to hang on to the presidency, he will probably soon find himself presiding over a "corporate presidency" in which he'll play the role of figurehead director while his cabinet members and other strategic post-holders wield the real power. This was a

secondary aim of the Ford gambit: namely, popularizing the idea of a reshaped presidency where powers traditionally in the hands of the President are shared among one or more co-presidents.

The specific demands that Ford is said to have made during his negotiations with the Reaganites—control over the National Security Council and Domestic Council and veto power over appointments to the Secretary of Defense and Office of Management and Budget—are lifted almost verbatim from the final report of the Murphy Commission. Set up in 1972, and chaired by Robert D. Murphy, the Commission on the Organization of the Government for the Conduct of Foreign Policy issued a number of recommendations in 1975 on the restructuring of the U.S. government, including expanding the responsibilities of the Vice-President to include national security matters. Two key Reagan campaign officials, William Casey and Anne Armstrong (one of several Bush backers brought into the campaign after the convention), were members of the commission, whose actual intent was to eliminate the centralizing policy role of the presidency.

Though Ford's demands were rejected, there is ample evidence that Bush will function as a de facto co-president. Republican National Committee chairman Bill Brock, appearing on Face the Nation July 21, optimistically predicted that the vice-presidency would soon be significantly upgraded. At the same time, the media outlets which created the Ford "co-presidency" hype in the first place are now turning their guns on Reagan, calling into question his "judgment" and "understanding of the office of the presidency" on the grounds of his apparent openness to Ford's suggestions. The clear implication is that Reagan should share his responsibilities with someone more politically experienced—like his Vice-President.

A nine-to-five President?

Reagan is extraordinarily vulnerable to this kind of pressure. It is widely known that he is unusually dependent on his advisers, and tends to over-delegate responsibility. Not surprisingly, the Rothschild-owned London *Economist* sees this as a virtue: "Chief among Mr. Reagan's strengths is his readiness to delegate," the *Economist* editorialized in its July 12 edition.

He will probably continue this dangerous practice in the Oval Office, according to his brother Neil, a convention delegate. "I rather suspect he'd be a nine-to-five President," he told the press last week. "I shouldn't speak this way about the presidency, but I believe that if he's elected to the White House, he'll handle it with one hand while he enjoys life with the other."

No wonder Bush was recently sighted chuckling softly to himself, rubbing his hands in gleeful anticipation of the power to come.

GOP reenacts the last days of Saigon

by Lyndon H. LaRouche, Jr.,
Contributing Editor



"Like panicked drunks at a hot night's lynching," 1980 Democratic presidential candidate Lyndon H. LaRouche, Jr. commented July 17 on the Detroit Republican convention, "the many good Republicans involved will be ashamed of what they have done once they have returned home and sobered up."

LaRouche proposed that a competent view of the convention would focus less on "useless inductive reasoning in terms of details," and concentrate on "those dramatic ironies which echo the essence of the Nuremberg rally-like theatrics."

The candidate explained: "The mind must take in the convention as a whole and overlay that image with two alternating themes of comparison: the biblical account of Belshazzar's feast, and 1975's last days of Saigon."

Foreign policy

There were two principal features of the fall of Saigon which mirror with eerie precision the dominant features of the Detroit convention. The first of these two features is the striking analogies in strategic thinking. The second is the parallel between the internal reasons for the Thieu regime's collapse, and the refusal of the convention to acknowledge the reasons for the accelerating internal collapse of the United States today.

The foreign policy posture of the convention emphasized a dumping of the U.S.'s European allies, with reliance by an "Island America" on two principal military partners, Begin's Israel and Communist China. Like Saigon of the 1972-1975 period, the present policies of the governments of those two latter military partners are aimed at short-term confrontation with the overwhelmingly superior power of the Soviet Union. Is the United States prepared, in will and military means, to deploy strategic force to defeat the Soviet Union?

The government of Israel's Prime Minister Menachem Begin is presently poised on the brink of acting out the dusty RAND Corporation "breakaway ally" scenario. Peking is presently committed to and deployed

for military adventures which involve an assured and massive Soviet neutralization of the strategic capabilities of Communist China.

Then—back during 1974 and early 1975—the United States was able, but unwilling, to deploy the forms of military action which would have postponed Thieu's collapse. Today, and over the medium term ahead, the United States lacks the military capabilities to rescue Begin and Peking from their follies. The Republican posture is a mixture of rabid self-delusion and hysterical bluffing.

The internal side

Just as two successive Kissinger administrations refused to comprehend the intrinsic rottenness of the Thieu regime, so a Kissinger-dominated Republican convention refused to acknowledge a single one of the principal reasons for the post-1967 accelerating collapse of U.S. military capabilities and the U.S. economy.

In 1974 and early 1975, Kissinger clung obsessively to Thieu because the inherent ripeness of the Thieu regime for internal collapse was a product of the policymaking institutions which "hired gun" Kissinger represented at that time. Today, Kissinger refuses to permit the Republican Party to correct the causes for U.S. military and economic collapse, because that collapse is a fruit of the policies which Kissinger continues to represent.

As a consequence of Henry Kissinger's control over candidate Ronald Reagan, the Detroit convention clung hysterically to the policies causing U.S. military and economic collapse, while insisting that the party is dedicated to halting the collapse; so the Republicans left themselves in a situation analogous to Washington's Saigon policy: nothing sustains the policy itself but a mixture of rabid self-delusion and a reliance on purely charismatic hokey-pokey to effect a "triumph of the will."

Hence, the only political substance supporting the Detroit festivities was the Republicans' elation at the rate at which President Jimmy Carter's candidacy is pushing Democrats into the Reagan campaign in droves.

'The gang of four'

Some old hands in the intelligence community have named the cabal running Reagan's foreign policy as the "Gang of Four": Henry Kissinger, William Casey, Richard Allen, and William Van Cleave.

This cabal authored Reagan's anti-Europe policy, forced Reagan to drop his promise to grant diplomatic recognition to Taiwan, pushed through Reagan's sup-

port for the Begin government's policies, and pushed through the Hermann Goering-modeled "quick fix" doctrine for the U.S. military.

The other principal conduit of influence over Reagan's policies is Professor Milton Friedman.

Although conservative nationalist elements among Reagan's traditional supporters have been able to register token influence over the Republican platform as a whole, it is Friedmanism and the "Gang of Four" who are now running the Reagan campaign's policy in every important feature.

A summary examination of the dossiers on Friedman and the "Gang of Four" shows why the Republican convention acquired such ominous similarities to the biblical account of Belshazzar's feast.

One word of caution must be interpolated before summarizing dossier material. In dealing with any policy-influencing social formation, such as those we identify now, one must not forget that the individual persons participating in a political party's factions, a think tank, or a mumbo-jumbo sort of secret society are also human beings, as well as members of such associations. As a senior principal of one very influential such association recently emphasized to a representative of mine, "we," speaking of himself and others of his circle, "have the ability to change."

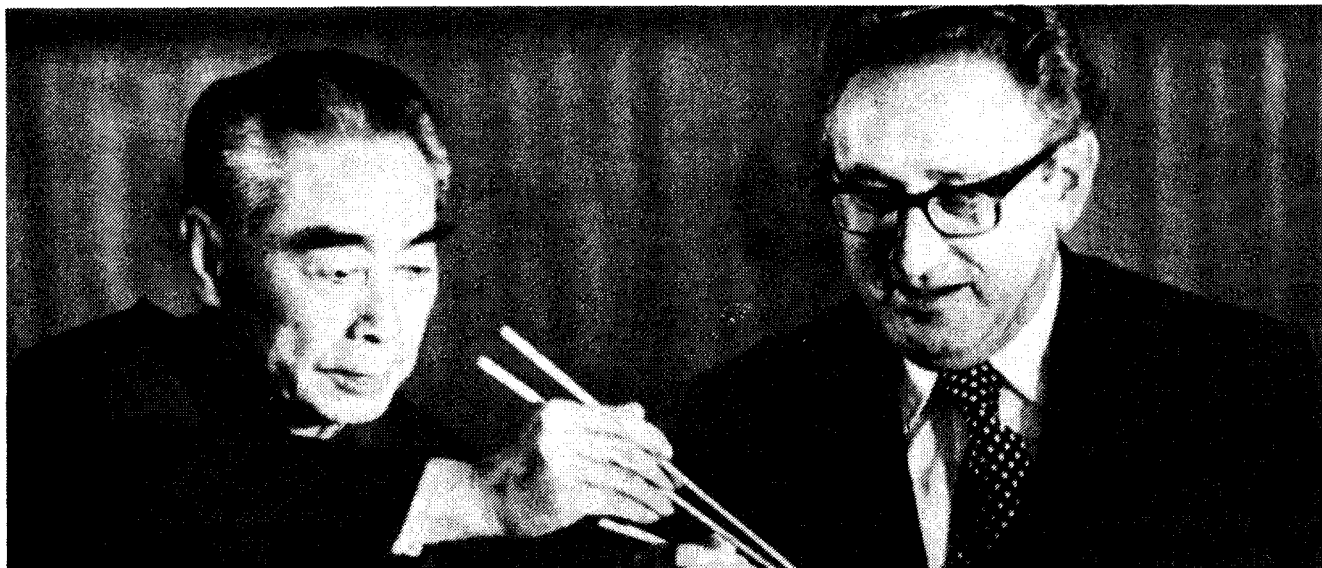
The fact that a person is a member of one of the policymaking circles we identify now does not mean that he or she fully subscribes to or is fully witting of the characteristic intent of such a circle, nor does it mean that a person who has subscribed to that intent might not change his views and commitments—especially in the face of the profound crisis confronting the world at this moment.

Nonetheless, insofar as the identified associations have functioned as policy-influencing bodies up to this moment, the policies and intents we ascribe to them here are the efficient character of those associations.

The significance of Georgetown University

The key point to understand is the nature of the common patronage of Kissinger, Brzezinski and Milton Friedman. Once we recognize who these various "hired guns" work for, and what the policy of that common "mother" is, the reasons for the Nuremberg rally aspect of the Detroit convention are clear.

The "Gang of Four" are all representatives of a common institution, Georgetown University's Center for Strategic and International Studies. Contrary to some uninformed opinion, Georgetown does not represent the voice of the Vatican in the United States. Georgetown was taken over during the second and third decades of the 19th century by the secret intelli-



Chou En-lai playing his "Kissinger card" in Peking.

gence service of Prince Metternich's Holy Alliance. It has represented the same Balkan-aristocracy-pivoted "black nobility" of Europe from that time to the present.

Kissinger, Casey, Allen and Van Cleave, like Zbigniew Brzezinski, represent the Hapsburg-centered "black aristocracy" of pro-feudalist strata of Europe, a continental element intimately overlapped with the London Tavistock Institute faction of Anglo-Canadian secret intelligence.

These feudalists are fanatical enthusiasts for Communist China's present ideology and social order. They view Maoist China rightly as a thinly disguised form of the old Mandarin ideology and social order—the oldest, and most evil oligarchical opponent of urban-centered technological progress surviving into modern times. These feudalists also view Communist China as the principal lever for bringing into being a one-world feudalist utopia, with a savagely reduced world population and restriction of technology to "technetronic" instruments of Orwellian control and a relatively small praetorian military-industrial complex.

This Balkan-centered crowd of feudalist relics created and still controls a Hapsburg faction of Zionists. This faction, based on the Hapsburg intelligence service's Hungary-Romania Order of Zion, is the faction within Zionism which other Zionists identify today as "Kosher Nostra," the drug-running gang of terrorists and thugs presently rallied around the Begin government of Israel.

This collection of fanatical feudalists is identified with the Genoa-centered "black nobility" of Italy, with the Hapsburg Imperial Secret Society, the Order of the

Golden Fleece, with the Balkan-centered, eastern branch of the Hospitaller Order; and it cuts into those elements of the old Bavarian (Wittelsbach) oligarchy identified with Adolf Hitler's sponsor and geopolitician, Major-General Professor Karl Haushofer. Georgetown University is the principal U.S. center of Haushoferian geopolitical kookery.

This crowd of "black aristocrats" intersects the British oligarchy and intelligence services by way of such entities as the London Tavistock Institute, through which both Henry Kissinger and Zbigniew Brzezinski secured their promotion to the rank of prominent "hired guns" of the Anglo-Canadian establishment.

This crowd, which overlaps all the H.G. Wells and Bertrand Russell elements of British intelligence, is the crowd which created and controls international terrorism, and is the principal initiator of the Club of Rome and controller of the "environmentalist movement."

A principal source of its great wealth and power is its share of more than \$100 billion annually skimmed as profits from the international side of the illegal drug traffic, funds which it launders through large banking complexes into such multipliers as U.S. real-estate speculation. It controls a share (Communist China controls 40 percent) of the income from the opium and heroin shipped out of the Peking-controlled "Golden Triangle."

The opium traffic is, not so incidentally, Peking's only large source of foreign currency earnings. The massive recent increase in opium production was occasioned, chiefly, by the requirements of Peking's stepped-up armaments purchases for additional foreign currency earnings.

Professor Milton Friedman and the “Chicago School” are most popularly associated with the present fascist dictatorship in Chile—one of Friedman’s models for “economic freedom”—and with the current wrecking of British industry by the government of Prime Minister Margaret Thatcher. Friedman’s connection to Georgetown is not so well recognized.

This linkage between Hapsburg and kook-factions of British secret intelligence is reflected in the United States by the joint foreign control over the Heritage Foundation, which is a joint foreign-controlled operation of the Mont Pelerin Society and the London International Institute for Strategic Studies. Heritage’s assigned function by these foreign intelligence organizations is subversion of conservative circles in the United States.

Post-1957 rise of the feudalist faction

This crowd first became prominently manifest among conservative circles through Georgetown’s deployment of the late Republican Senator Joseph McCarthy of Wisconsin. The next prominent surfacing of this same crowd was in connection with the fight between General Medaris and President Dwight Eisenhower, a fight to which Eisenhower referred in warning against the “military-industrial complex.” When Medaris dropped out of the Permindex operation, shortly before the assassination of President John F. Kennedy, Medaris’s position in the U.S. corporate branch of Permindex, the Lionel Corporation, was taken over by a partnership of Joe McCarthy’s sidekick, attorney Roy Cohn, and Joe “Bananas” Bonanno. The New York East Side Conservative Club is a reflection of that circle to the present date.

The fight for control of U.S. policy between the American patriots and the feudalist “neo-Malthusians” was concentrated around NASA. The old “right wing” of the feudalist crowd, typified early by Medaris and Cohn, attacked from one side, while the “liberal wing,” most directly tied to Bertrand Russell and Russell’s accomplice Robert Hutchins, attacked from the “left.” The “New Left” was aided by the doctrine of “post-industrial society” orientation toward services, away from capital-intensive industrial employment.

During 1967, the feudalist kooks scored a decisive victory with their successful imposition of the decision to begin rapidly to phase out NASA and related forms of research and development. Brzezinski’s “technetronic society” kookery reflected selective orientation for future high-technology investments: Orwellian forms of control of “information,” not productive technology.

The pushing forward of the Club of Rome and the 1969 top-down launching of the international “environmentalist” movement by these same forces were but a

continuation of the same 1967 victory of the kooks over the American patriots.

The strategic side

The key to the 1967 decision to begin rapidly phasing out NASA and NASA-type orientations was the complementary assumption that Moscow could be induced to slow down its own rate of technological progress, so that devolution of the research and development and industrial capabilities of the United States would not lead to a Soviet advantage in strategic capabilities.

Two principal thrusts toward Moscow were launched for this complementary purpose. The first was the effort to negotiate strategic arms limitation. The second was the launching of the effort centered around the Vienna-based International Institute for Applied

Working from the assumption that technological progress is a byproduct of military research and development, it was assumed that Moscow’s agreement to halt advanced military systems development would cause a drop-off in Soviet technological progress generally. . .

Systems Analysis, with the sponsorship of McGeorge Bundy.

Working from the assumption that technological progress is a byproduct of military research and development, it was assumed that Moscow’s agreement to halt advanced military systems development would cause a drop-off in Soviet technological progress generally; since the burden of armaments expenditures is a major political concern of Moscow, it was assumed that SALT was a powerful bait.

Systems analysis, a concoction chiefly of Cambridge University, England, is the generalized form of the “cost-benefit analysis” scheme which Robert Strange McNamara introduced at the Pentagon. This is the same rubbish which the Brookings Institution later conduited, through professed neo-Malthusian James R. Schlesinger, into the creation of the Office of Management and Budget. Systems analysis was intended to be

the sort of "Trojan horse" for the Soviets it was—and is—for the Pentagon and the U.S. economy more generally. The effect of "systems analysis" modes of evaluation of alternative allocations of capital and budgetary expenditures, is to virtually eliminate all advanced scientific research and related development.

There were two principal reasons SALT and systems analysis failed to achieve the projected results. First, since the 1962 Cuban missile crisis, Moscow has been committed to developing a war-winning strategic capability. Second, recognizing the correlation between technology and productivity, Moscow had made a strategic decision to massively upgrade scientific research and popular education at the same time that the feudalists in the United States had won their point against NASA-oriented policies. The influence of SALT and systems analysis did significantly weaken Soviet rates of technological progress. Nonetheless, relative to the Soviet Union, the trend of development of the U.S. economy and military capabilities has been downward, and at an accelerating rate.

The initial visit of Carter's Secretary of State Cyrus Vance to Moscow in early 1977 triggered an almost unprecedented form of public outburst from Soviet Foreign Minister Gromyko, and started the process of a shift in Soviet strategic outlook, away from the exuberantly confident "detente is irreversible" tones of the preceding Kissinger administration periods. This shift was accelerated by Carter's burning one bridge to Moscow after another, and led into a crucial turn which erupted in the course of late autumn 1979 Moscow policy deliberations.

The combined effect of the "Arc of Crisis" destabilizations along Soviet southern borders, Kissinger and Brzezinski's noises promising internal destabilizations of Eastern Europe and of the Soviet Union itself, escalation of the China policy, and the forward-based systems issue, was to produce the shift in Soviet posture underlined by the deployment into Afghanistan.

Infantile babblers and outright liars spread the disinformation that the Soviets were running short of petroleum and aiming at military occupation of the Persian Gulf region. Nothing of the sort was afoot—but, rather, something absolutely different, and far more ominous.

Nothing now deters the Soviet command from an essentially military posture on all fronts except the continuation of negotiations with the Giscard-Schmidt forces in Western Europe. In effect, Moscow is now seeking détente to its west, while moving to a war footing to the south and east. The world is now lurching toward growing potentiality for a transpacific, intercontinental nuclear war.

The combination of the "Arc of Crisis" and "China"

policies is the sole source of actual danger of military conflicts between the two principal powers, but those two causes for potential transpacific nuclear war are more menacing by the week.

Now, except for an aging thermonuclear deterrent capability, the military forces of the United States are zilch relative to those of Moscow. Under this constellation, the Carter administration and the Republican convention are now hell-bent for military confrontation with Moscow.

The choice before the Republican convention

The intersection of the policy and strategic considerations just outlined defines the way in which the "Gang of Four" was led to impose upon the Republican convention the foreign policies which dominated the theatrics there.

The United States has the following choices presented to it at this juncture.

One choice is to avoid war by junking both the "Arc of Crisis" policy and, as the late Lord Louis Montbatten proposed last year, the insanity of the "China Card." On condition that this change is accompanied by a reversing of the "post-industrial" policies of the past decade or so, and that appropriate monetary reforms are undertaken, the postponement of strategic confrontation involves no risk for the United States.

Under conditions of resuming a policy of promoting science and scientific public-educational orientations, and also promoting high rates of capital-intensive, energy-intensive industrial growth, the military capabilities of the United States could be brought back into shape almost with comfort.

The other choice is to hope that Moscow will consent to what means, in effect, political destruction of the Soviet Union over the medium term, through strategic bluff by a power which Moscow knows to be qualitatively inferior in war-fighting capability. Shades of Saigon 1974-75! In that case, the bluff must be called quickly, otherwise Soviet superiority will become rapidly qualitative in strategic terms, rather than merely a superior war-fighting capability as at present.

In summary, the question of U.S. strategic policy is resolved according to one's choice in domestic economic policy. The correct choice is to go with France and West Germany. The alternative is an "Island America" committed to a transparent strategic bluff, a bluff which leads quickly either to a massive strategic humiliation of the United States or the alternative of transpacific intercontinental nuclear war.

The "Gang of Four" pushed through the bluff.

So, the image of Belshazzar's feast at the Detroit convention is invoked by such auspices as the go-go girls' parodies of the decadence of ancient Babylon.

George Bush: Connecticut 'blueblood'

by L. Wolfe

It came as a shock to many that Ronald Reagan, the warrior against the Eastern Establishment, nominated George Bush, the "child" of the Eastern Establishment, as his running mate.

Bush indeed has an Eastern Establishment pedigree. He is the son of a "main line" New England Episcopalian family. His father was Senator Prescott Bush, a partner at the Wall Street investment banking house of Brown Brothers Harriman. It could be called a Tory tradition, one that sees the United States firmly tied to Mother England and the British oligarchy.

Bush told this news service last spring that Britain is the "greatest friend that America has." Sarah Browning, who was Bush's New Hampshire press spokesman, once proclaimed that "George is the darling of the British Commonwealth."

Repackaged in Texas

George Bush got all the breaks, sent to all the right schools—Phillips Academy in Andover and then, after a stint in the Navy during World War II, to Yale University. There, he was inducted into the secret cult of the Eastern bluebloods, Skull and Bones.

Prescott Bush was a leading Rockefeller liberal in the GOP, serving as U.S. Senator from Connecticut (1952-63). George however, lacked the charisma to become a powerful political figure in his own right. He impressed people as a bore. He was an ineffective public speaker, never able to say anything of substance. He became known as "Prescott's boy."

After graduating from Yale, Bush was shipped to Texas for repackaging. His father sat on the board of Dresser Industries, and got George a job there and then set him up in his own business, an offshore drilling proposition called Zapata Oil.

Bush became active in Texas GOP circles, under people like Anne Armstrong, former Ambassador to the Court of St. James, and member of the English-Speaking Union. These extensions of the "Eastern Establishment" sent George to Congress from 1966-70. Sources say he won the two terms by prearranged deal—the only time he was elected to anything. Twice

he ran for Senate from Texas and lost, even though Richard Nixon provided him funds from a special White House slush fund; Bush has been trying to explain where the money came from ever since.

Nixon next posted Bush as Ambassador to the United Nations. His tenure there was also unmemorable. But he earned a reputation as a Nixon "loyalist."

That served him well for his role in the Eastern Establishment's Watergating of Richard Nixon. First, Bush was named to head the Republican Party at the height of the Watergate affair. He took directives from Kissinger and Haig, sources say, in the closing moves of the operation. His profile as Nixon "loyalist" aided weight when he became the first ranking Republican to urge Nixon to resign.

George Bush had been in line for the vice-presidency after the Watergating of Spiro Agnew in 1973. But later, Gerald Ford, who also considered Bush as his own vice president, suggested that Bush "lacked Presidential qualities."

From Peking to CIA

After Watergate, the Kissinger-Ford administration posted Bush to Red China, as first U.S. liaison officer. He quickly won Communist Chinese approval as an advocate of the "China card" against the Soviet Union.

'Are there any doubters?'

Immediately after the convention, "Prescott's boy," George Bush, made the following statement to the Republican National Committee.

I will say this, if there are any doubters. This isn't to say there's no. Y'know iotas of difference. Of course there are. Far overridden by the common purpose. But if there are any doubters. Uh I can't see how that doubt even from cynics, even from those who are Democrats or independents on the outside—How that doubt could, could still exist. The, at the close of Governor Reagan's speech—I have a very emotional mother and I can't judge by her tear level as to exactly what this means but, uh, the index was high there and at, at uh, the, and at the close of that beautiful closing of the speech, a summing up the posture of the Republican Party eloquently and then with that genuine from-the-heart statement, if they listened it was there. It was all over the place, everybody felt it. There were no, uh, adverse comments and all I want to tell you is I am overwhelmed at being a part of it."

Some political insiders think George was given a “soft” brainwashing by his Chinese hosts. Recently, the official Chinese press agency Xinhua stated that Bush’s nomination would tend to provide “balance” against Reagan’s pro-Taiwan supporters.

In 1975, Bush replaced William Colby as CIA director. Bush’s most notable accomplishment during his short tenure was the establishment of “Team B,” outside intelligence analysts, headed by current Reagan advisers Richard Pipes and William van Cleave, who produced a report showing the U.S. falling behind the Soviets in strategic weapons and overall military capabilities. They recommended a “quick fix” military build-up program of the kind endorsed in the 1980 GOP platform.

In 1976, Bush returned to the Eastern Establishment backrooms at the Council on Foreign Relations and the Trilateral Commission. These circles launched his Presidential campaign in 1979. It is unclear whether the bid was designed to be serious, but clearly, after Bush “won” the Iowa caucus, some of the boys got very serious about handing George the nomination. But Reagan’s aggressive attack on Bush’s Trilateral connections and “silk stockings” sunk him in New Hampshire. His inept performance at the now famous Nashua debate caused all political professionals to realize that George Bush was at best “all mirrors.”

Running for Vice President

After Reagan’s overwhelming victory in New Hampshire, Bush continued to campaign. He was running for Vice President. His handful of primary victories occurred in states like Michigan where his patrician backers have enough “assets” to fix things like primaries. The victories reinforced the notion that Bush could add something to a Reagan ticket.

Over the course of his campaign, Bush accumulated an impressive list of advisers on foreign policy and domestic affairs, drawn mostly from “Team B” and thinktank circles like Georgetown University, the Hudson Institute and the American Enterprise Institute. During the campaign, these people, like Ray Cline, Steff Halper, Robert Neuman, David Gergin, and Richard Pipes, moved over to the Reagan campaign, and now form the core of Reagan’s advisory group. Also now favorable to Reagan are such primary Bush backers as the “blue-blooded” Saltonstalls, Lodges, Pillsburys, and even Reagan’s long-time enemies, the Rockefeller GOP machine.

There are people in the GOP who say that George Bush will be President someday. Reagan is at best a one-term President, they reason. Others are blunt. Said one GOP insider: “No one thinks that Reagan will survive in the White House.”

The bones in Bush’s closet

This past January, the nation’s newsweeklies reported that George Bush’s campaign staff was mystified and upset by a stream of coded messages Bush was receiving from old chums in the Skull and Bones society at Yale. To the knowledgeable, the name “Skull and Bones” exudes the smell of the triple-locked crypt where “Bonesmen” hold twice-weekly meetings.

Skull and Bones is the oldest and most prestigious of Yale’s seven secret “senior societies.” In the societies, and Bones in particular, the heirs of Episcopalian families are bonded with other would-be servants of the Eastern elite.

Inside the tomb

Today, visiting Yale, one sees male students walking hand-in-hand, lovers, blatantly, on the streets. One does not permit one’s boy children to visit certain residences on or around campus—there are too many incidents to be overlooked.

Every year 15 current members of Skull and Bones decide upon a list of 15 junior classmen to replace them after graduation. On the appointed night, “Tap Night” in April, all Yale juniors confine themselves to their rooms, and each of the 15 Bonesmen pounds loudly on somebody’s door, claps the chosen on the shoulder and thunders: “Skull and Bones: Do you accept?”

The Skull and Bones building at Yale is known as The Tomb, and the ritual practiced by the 15 initiates is an Osiris-cult “death and resurrection” ritual—Osiris the castrated bull, Isis the cow mother.

The aversive environment created by torture and degradation has an explicit theme of death and rebirth to a “new world” more real than that outside the crypt—the mark of Isis cultism.

One initiation rite is recorded as follows:

“New man placed in coffin—carried into central part of building. New man chanted over and ‘reborn’ into society. Removed from coffin and given robes with symbols on it [sic]. A bone with his name on it is tossed into bone heap at start of every meeting. Initiates plunged naked into mud pile.”

The next step of the “bonding” of the Bonesman initiate is a summer of indoctrination at Deer Island, a members-only resort in the Thousand Islands. Deer Island is likely one of the focal points for European-style oligarchical in-breeding which provides a touch of incestuous relief, as well as biological continuation, from Bones’ pervasive homosexual cultism.

The Skull and Bones is no mere fraternity, no special alumni association with added mumbo-jumbo. It’s po-

litical policy is one with elite British cults like the Aristotle Society and the Roman and Egyptian cults of yore. Skull and Bones is a very serious, very dedicated cult-conspiracy against the United States Constitution.

Bush and the Episcopalians

Bonesman George Bush is from an old Connecticut family. Bush's father, former U.S. Senator Prescott Bush, was a Bonesman and a partner in Brown Brothers, Harriman. That is the banking firm from which all Russell Trust Association (Bones's corporate name) business is handled; Harriman himself is a Bonesman.

Although anti-aristocratic families founded New England, a number of prominent families descended from early New England's leaders became a treasonous lot of corrupted persons supporting the British aristocracy. The type of Connecticut "blueblood" family into which George Bush's forebears assimilated themselves made their initial piles of wealth first in the black-slave trade and then, in many cases, in the China opium trade: the Alsops, the Edwardses, the Baldwins, the Dwights, the Sages, and the Russells. Most, like Elihu Yale himself, were politically corrupted by their financial and political involvement with the British East India Company—the firm against which the American revolution was made.

As that company opened up opium traffic from India to China at the turn of the 19th century, the Connecticut families tended to be shifted from the dwindling black-slave trade into the China opium trade.

These are the sorts whose sons have become Bonesmen. Among the prominent men who have been bonded together as Bonesmen are Alphonso and William Howard Taft, Henry Stimson, Henry Luce, U.S. Justice Potter Stewart, McGeorge and William Bundy, Nixon aides Ray Price and Richard Moore, John Hersey, Archibald MacLeish, William F. Buckley, and William Sloane Coffin.

The latter two names are key in understanding the reality of today's politics. It has always been a matter of titillation to knowledgeable persons that Coffin was a paratrooper and CIA agent before becoming a reverend "peacenik" and more recently a press agent for Ayatollah Khomeini. Not only is Coffin a *third generation* Bonesman, but he was the man who personally tapped a junior classman named William F. Buckley one night in April. The conventional categories of "liberal" and "conservative" politics are meaningless; Bonesmen, like their oligarchical families and colleagues, merely play preassigned roles for a credulous public.

What sort of role has Ronald Reagan's vice-presidential candidate George Bush been assigned? What policies, what commands will George Bush carry out? The answers are undoubtedly in the coded messages he receives so frequently.

Men who make Reagan's policy



Ronald Reagan's self-styled brains trust is the sorriest gathering of advisers since the dying days of the Austro-Hungarian Empire. That allusion is appropriate. Many of the former California Governor's experts are not "conservatives," but monarchists, who were trained and indoctrinated in "geopolitics" at European institutions still closely linked to the Hapsburg family, the European black nobility and its Jesuit operatives. Their talk of "untrammelled growth" and "military buildup" must be seen in that light.

Although we include profiles of William Casey and Martin Anderson, we concentrate on Reagan's foreign policy advisers. The Reagan camp claims that they will reverse the United States' decline into a second-rate military power.

The inner core of these advisers is drawn from three closely interconnected think tanks: the Hoover Institution on War, Revolution and Peace in Palo Alto, California; the Foreign Policy Research Institute in Philadelphia; and Georgetown University's Center for Strategic and International Studies in Washington, D.C. All three institutions operate in a coordinated way to manipulate U.S. conservatives into supporting anti-industrial policies that originate in Count Otto von Hapsburg's Mont Pelerin Society. "Anti-communism" is the packaging these three think tanks employ. Inside the package are the very policies against which the American Revolution was fought.

Robert Strausz-Hupe

Though not often in the public limelight, Robert Strausz-Hupe functions as the intellectual granddaddy of Ronald Reagan's brains trust. Born in Vienna, the former U.S. Ambassador to NATO embodies the decadent strain of Austro-Hungarian geopolitics which runs through the outlook of all Reagan's most influential

advisers and which is now embedded in the Republican Party platform.

Despite his strident attacks on communism as a threat to Western civilization, Strausz-Hupe's life sounds more like that of a Bohemian denizen of a Weimar café than a defender of Western culture. The son of Hungarian landed gentry, Strausz-Hupe divided his youth between the salons of Vienna and fascist motorcycle gangs in Munich. In his 1967 autobiography, *In My Time*, Strausz-Hupe writes of the Munich Carnival in the early 1920s as "a Dionysian rite of purification and divine intoxication . . . where we danced every night to sunrise . . . [and where] people came to purge themselves of that thing called individuality. . . ."

While in Munich, Strausz-Hupe became an "asset" of the Hapsburg intelligence networks; he was deployed in 1923 to the United States, where he embarked on a successful career as a Wall Street investment banker.

In 1942, he published a book titled *Geopolitics* which, while superficially criticizing the doctrines of the Nazi geopolitician Maj. Gen. Karl Haushofer, embraced the overall premise of geopolitical thinking: the need to prevent at all costs an industrial-development alliance between Germany and the Soviet Union which would threaten the power of the "black" European and British nobility.

The book won the attention of America's premier geopolitician, longtime Council on Foreign Relations operative Isaiah Bowman, who hired Strausz-Hupe for a wartime U.S. Office of Strategic Services (OSS) project. Subsequently, he was sent on a special intelligence mission to China in 1947 by his friend, Secretary of the Navy James Forrestal, where he hobnobbed with the Communist Chinese leadership. In 1947, the CFR assigned him to a Bavarian-based working group that was drafting the new West German Constitution.

As befits his ties to the Hapsburg aristocracy, Strausz-Hupe is committed to the triumph of a one-world feudal order undisturbed by industrial progress. In his autobiography he says his main hope is that "one day, the great revolution will come to an end and will give birth to a universal world order." The scheme he particularly claims to admire is that developed by Count Coudenhove-Kalergi, the Hitler sympathizer who founded the Pan-European movement in the early part of this century for the express purpose of sub-ordinating Europe's sovereign nation-states to a restored feudal system. Comments Strausz-Hupe: "To this day, Coudenhove-Kalergi's Grand Design stands as the only valid alternative to the suicidal rivalry of European nationalism."

Strausz-Hupe has been involved in the effort to replace West German Chancellor Helmut Schmidt with Bavarian Franz-Josef Strauss in the upcoming West

German elections. Strausz-Hupe sees Schmidt's defeat as a prerequisite for reversing Franco-German collaboration on both international monetary policy and relations with the East Bloc.

Strausz-Hupe currently operates out of the University of Pennsylvania's Foreign Policy Research Institute (FPRI), where he works with several other Reagan advisers, including former Ambassador to Thailand William Kintner.



Richard Allen

The man most likely to succeed Zbigniew Brzezinski as national security adviser in a Reagan administration, Richard Allen is a product of the same Jesuit-Hapsburg networks as his nominal rival.

Allen did graduate work at the Jesuit-dominated University of Munich, reportedly at the suggestion of his Notre Dame professor Gerhart Niemeyer. A German emigré, Niemeyer assisted Otto von Hapsburg and Bill Buckley in setting up the fraudulent post-war "conservative revival" which spread British "free trade" liberalism into conservative U.S. networks under the guise of "defending capitalism against communist subversion."

One of the founding members of Georgetown's CSIS and later a fellow at the Hoover Institution, Allen joined the Nixon campaign in 1967 after ghostwriting a Nixon article for the Council on Foreign Relations' journal *Foreign Affairs*, which described the forthcoming "opening to China." Subsequently named to Henry Kissinger's National Security Council staff, Allen boasted in a recent interview that he played an instrumental role in working out the details of the Nixon-Kissinger "China card."

After he was forced out of the White House by an alleged personality conflict with Kissinger, Allen set up a Washington consulting company, Potomac International, where he apparently turned his insider's information to personal use. The firm's clients reportedly include not only "mining interests" tied to the old Salazar dictatorship in Portugal, but to the People's Republic of China. According to reliable sources, Allen uses his company to conduit U.S. military information from the Carter administration to the Peking leadership—behind Congress's back.

Currently Reagan's foreign policy coordinator and leader of the highly influential "Gang of Four" (Bill Casey, William Van Cleave and Kissinger are the other

members), Allen has influenced the former Hollywood star's thinking in two especially vital areas: Israel and China. On both counts, Allen has convinced Reagan to make these two lunatic regimes pivots of U.S. global strategy—typical geopolitical idiocy of the sort inspired by his mentor Robert Strausz-Hupe. It was reportedly on Strausz-Hupe's advice that Allen set up last year's meeting between Reagan and Bavarian Franz Josef Strauss, whom Allen first met during his University of Munich days.

Despite his widely publicized falling out with Kissinger in 1968, Washington sources say the two see "eye to eye" on all major policy issues. Allen himself openly acknowledges his dependence on Kissinger for foreign policy expertise.

It is Allen who is now lining up candidates for cabinet posts in a Reagan administration. According to French press sources, Allen was in Europe the week before the Republican convention telling people that former NATO Commander in Chief Gen. Alexander Haig is likely to be the next Secretary of State.

William Van Cleave

Co-chairman of Reagan's foreign and defense policy group, William Van Cleave is a loudmouthed proponent of the "quick fix" school of military preparedness.

Although he acknowledged in a 1977 article in *Journal of International Relations*, that "the Soviet doctrine clearly holds that nuclear war fighting capability, at any military level, and war winning and survival are operational goals," Van Cleave does not support a policy of basic scientific research and development in the military and civilian areas, which could provide the United States with an "in-depth" military capability to match the Soviets.

Among the "quick fixes" Van Cleave wants Reagan to implement are placing new engines in B-52 bombers; accelerating development of the discredited cruise missile and the MX; and application to the Minuteman of the "shell game" intended for the MX—moving one missile among several in-ground silos in order to protect them from Soviet gunners.

Van Cleave was chairman of George Bush's pet CIA project, Team B, where he worked with several other current Reagan advisers, including Richard Pipes and Lt. Gen. Daniel Graham. He also served on the first U.S. SALT team (1969-71) and as a special assistant in the office of the Secretary of Defense.

Van Cleave is a well-known advocate of strengthened U.S.-Chinese and U.S.-Israeli military ties. He is presently located at the University of Southern California, where he is director of the Defense and Strategic Studies Program. Van Cleave is a member of the board

of directors of the Committee on the Present Danger, which he helped found in late 1975 with James Schlesinger, Richard Allen and Martin Anderson—all of them members of Reagan's campaign entourage at the time. He is also on the editorial board of the Foreign Policy Research Institute's *Orbis*.

In an interview with *EIR* at the Republican convention, Van Cleave insisted, despite all evidence to the contrary, that Europe would "go along" with the GOP policy of confronting the Soviet Union. He also claimed that "the Europeans and countries like Saudi Arabia and others in the Middle East will simply have to learn to accept our plans to beef up forces in the Middle East and Indian Ocean if they're serious about our contributing to their defense."



William Casey

Campaign chief Bill Casey was the first acknowledged link between the Reagan camp and the Eastern Establishment. It was Casey who was most insistent that Reagan make a deal with Gerry Ford and Henry Kissinger around the Vice-Presidency, even though it is known he personally despises the former Secretary of State.

A member of the New York Council on Foreign Relations, Casey has been a partner in New York's prestigious Rogers and Wells law firm since he left the Nixon administration, where he served as Eximbank head and Securities and Exchange Commission chairman.

A product of Jesuit indoctrination at Fordham University, Casey entered the Office of Strategic Services during World War II, where OSS head "Wild Bill" Donovan took him under his wing. After the war, Casey joined the law firm of Leonard B. Hall, a long-time power in Republican politics who was a personal protégé of the paradigmatic Anglophile liberal, Teddy Roosevelt.

Like many of Reagan's advisory team, Casey maintains strong links to right-wing British ruling circles. He gets regular briefings from Robert Moss, the well-known young Tory who runs the Rothschild-owned Economist Intelligence Service.

Casey is sometimes mentioned as a candidate for Secretary of State, but his age makes some other "insider" post in a Reagan administration more probable.

Michael Pillsbury

The 35-year-old Pillsbury is the Reagan campaign's junior specialist in Sino-Soviet military affairs. He worked at the Rand Corporation and acted as a consultant to the Senate Appropriations Committee. In 1975 he published an article in *Foreign Policy* magazine which urged a U.S.-China military alliance, which would include sales of military equipment, exchanges of military delegations, U.S.-Chinese intelligence swaps about the Soviet Union, and other forms of military assistance. "To maintain a rough parity in the global triangle of power," argued Pillsbury, "we need a policy which explicitly recognizes that Peking has a legitimate interest in improving its deterrence against the threat of Soviet attack. . . . We should reject the current blind public policy of blanket prohibition of defense technology transfer and intelligence sharing with Peking. . . ."

Pillsbury was recruited to Reagan's advisory group by another Peking supporter, Richard Allen.

More recently, Pillsbury has promoted the idea of including a remilitarized Japan in the U.S.-Chinese alliance. In an article titled "A Japan Card?" in the Winter 1978-79 issue of *Foreign Policy*, he approvingly referenced a proposal by Zbigniew Brzezinski for military collaboration among the three nations. During a recent tour of Japan, Pillsbury was so avid on behalf of this military axis perspective that the U.S. Ambassador to Japan, Mike Mansfield, had him fired as a senatorial consultant. Pillsbury now works at Paul Nitze's consulting firm, System Planning Corporation.

Fred Ikle

Swiss native Fred Iklé is the "mad bomber" of the Reagan strategic policy group. Though he has written extensively on military and defense policy, Iklé is a mere social scientist who sees warfighting in almost purely psychological terms.

He picked up this bad habit at the Rand Corporation, where he worked during the 1950s with James Schlesinger, Henry Kissinger and William van Cleave to develop the bizarre theory of "limited nuclear war." As head of Rand's social sciences division, Iklé concentrated on the psychological warfare aspects of the limited nuclear chicken-game approach, particularly on the negotiating process. He wrote several books on the topic, including *Every War Must End* and *How Nations Negotiate*.

He turned his talents to the SALT negotiations in the late 1960s, serving as chairman of the Arms Control

and Disarmament Agency and adviser to Presidents Nixon and Ford on arms talks with the Soviet Union.

The pathological cast of Iklé's mentality is exemplified by his call for a "triggering event" that would force the U.S. to accept the need for a massive military buildup. In the early 1950s, Iklé—who graduated from the University of Zürich and holds M.A. and Ph.D. degrees from the University of Chicago—worked at Rand on a project that had been spun off of the wartime Strategic Bombing Survey. In 1958, Iklé published a report on his researches under the title *The Social Impact of Bomb Destruction*, which concluded that massive bombing (as in Hiroshima and Dresden) or natural disasters can be used to force a fundamental alteration in the structure of specific targeted societies.

A member of the Executive Panel of the Chief of Naval Operations, the Republican National Committee's defense policy group, and of the International Research Council of Georgetown's CSIS, Iklé is presently chairman of the Conservation Management Corporation in Washington, D.C.



Martin Anderson

Head of Reagan's domestic policy team, Martin Anderson's claim to fame is the major role he played, along with Milton Friedman, in convincing Richard Nixon to foist the All-Volunteer Force on the U.S. military.

Like his mentor Friedman, Anderson is a committed libertarian who, among other things, wants to see marijuana decriminalized.

An economist specializing in welfare and housing, Anderson says in his 1978 book, *Welfare: The Political Economy of Welfare Reform in the United States*, that "the war on poverty has been largely successful. Poverty has been sharply reduced," and therefore no further action is required. Referred to by *Fortune* magazine as "one of Reagan's deeper thinkers," he also opposes urban renewal programs.

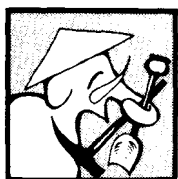
Anderson graduated from Dartmouth, took his doctorate at the liberal MIT-Harvard Joint Center for Urban Studies, and went to work for then presidential counselor Arthur Burns in the first term of the Nixon administration.

In 1971, he relocated to the Hoover Institution, where he came into contact with Reagan, an Institution fellow as of 1974, and Richard Allen.

Anderson is in line for a post as chief domestic policy adviser in a Reagan administration.

'No conservative will expect what is going to happen'

by David Goldman



Reagan's conservative backers are in for a bigger surprise than the Vice-Presidential selection of George Bush, according to highly-placed sources in the Reagan camp. In a way, the disputes inside Reagan's entourage are not much different than the widely publicized divergence between "old guard" Republican advisers like Milton Friedman and William Simon, and tax-cut proponents like Rep. Jack Kemp, Arthur Laffer and Jude Wanniski. But the "old guard" have not merely won, as was inevitable, but struck an unprecedented sort of economic policy deal with Carter's backers.

"It doesn't matter much at this point who's elected," says an economist at one of the Washington think tanks with close tabs on Reagan policy. "Reagan will do things no conservative would ever expect."

"There is an extremely broad consensus on policy between the administration and the Congress, and it extends into the Reagan camp as well," according to a senior Joint Economic Committee staff member.

The core of the agreement (see Economics) is a Milton Friedman-style austerity program to suppress domestic consumption, through combined monetary and fiscal restriction. Since last October, Federal Reserve chairman Paul Volcker has adopted "worse than Republican" monetary stringency measures, which he told the Senate Banking Committee July 21 would continue for the next years to come.

Contrary to the promised Kemp-Roth 30 percent tax cut, which Reagan embraced earlier in the campaign, some Reagan advisers say, all tax cuts will be linked one-for-one to cuts in spending, along the formula that current Reagan adviser Alan Greenspan devised for President Ford in 1976. That was the demand of the Friedman group—the "old guard" that includes Simon, former Treasury Secretary George Schultze, Greenspan and others, including former Fed chairman Arthur Burns. Their Committee Against Inflation is widely-known in New York financial circles as a factional operation inside the Reagan camp.

Reagan's economic gameplan is no different from the Carter administration's plan to keep the economy under water through 1981. After the weakest sectors are shaken out, Reagan will use the hated methods of dirigist economics to induce an "investment-led recovery."

Among other things, this means that the Reagan tax cut, when it finally comes, will not be oriented toward personal income—along the lines of the Kemp-Laffer-Wanniski proposal—but toward investment breaks, especially in military and export-related sectors. The Reagan group at Georgetown University's Center for Strategic and International Studies, which is the homeground of Henry Kissinger and Richard V. Allen, even expects Reagan to adopt direct credit-insurance tactics to stimulate investment in defense industries, according to a plan surfaced at the beginning of the year by liberal Democrat Henry Reuss.

Kemp adviser Jude Wanniski, the former *Wall Street Journal* editor who popularized Prof. Laffer's belief that a tax cut would pay for itself through economic expansion, disputes all this. Wanniski argues that Reagan is personally enthusiastic about the Laffer approach, fielded strongly by Jack Kemp, and will stick to it. Investment tax credits are "thing-oriented and not people-oriented," Wanniski says. "Accelerated depreciation tax credits emphasize physical capital instead of human capital." According to the Laffer theory, increases in personal after-tax income through reduction of progressive tax schedules will give individuals the incentive to produce more, raising productivity and investment.

"The Kemp-Roth stuff is a bunch of pabulum," says another Reagan economist. "There's nothing wrong with using it in the campaign, but it doesn't have anything to do with economic policy."

Rep. Jack Kemp, in fact, negotiated away the Laffer doctrine in an agreement with the "old guard" to link tax cuts to spending cuts in the platform. The hard-core Laffer position, expressed by Kemp in his 1979 book *An American Renaissance*, insists that spending cuts aren't necessary.

From discussions with a large number of individuals

in the Reagan camp, it appears that the most extremely divergent views have had simultaneous strong reassurances from either Reagan or his campaign manager, William Casey. However, in the case of George Schultz and Bill Simon vs. Jack Kemp, it's like Dracula against the Bobbsey Twins. There's no contest.

The reference point for Casey, Simon, Friedman, and others is the Margaret Thatcher government in Great Britain. Casey's gregarious exterior masks a single-minded, Jesuit-trained political operator. Since he spent most of the Second World War dropping U.S. spies into Nazi Germany, Casey's closest personal identification has been with his old friends from the British Special Operations Executive, most of whom are now behind Thatcher. Casey also has a deeply-entrenched ideological commitment to the economics of Friedrich von Hayek. Although Casey personally hates Henry Kissinger—he identified with former Secretary of State Bill Rogers when Kissinger threw Rogers out of the Nixon administration—he walks in tight enough step to tolerate Georgetown University CSIS chairman Kissinger in the direction of the Reagan campaign.

Unlike Kemp, Laffer, and Wanniski, the Reagan inner circle shares Margaret Thatcher's bitter antagonism to the European Monetary System. They see the EMS, and the efforts of Schmidt and Giscard, as virtually a capitulation to Soviet imperialism. Their predictable response is to use America's best economic resources for trade war against Europe. That is not so say that Reagan will enact major tariff barriers, but that a Reagan administration will follow many of the recommendations of the Georgetown CSIS trade project, funneling capital into electronics, aerospace, and other industries in which the U.S. might maintain export advantages.

'Tax cuts, spending cuts'

The following are excerpts from the economic policy planks of the 1980 GOP platform.

Taxes and Government Spending: Elsewhere in this platform, we have pledged for the sake of individual freedom and economic growth to cut personal income tax rates for all. Republicans believe that these tax rate reductions should be complemented by firm limitations on the growth of federal spending as provided by the Roth-Kemp Bill. The Republican Party therefore, pledges to place limits on federal spending as a percent of the Gross National Product. . . .

By increasing economic growth, tax rate reduction will reduce the need for government spending on unemployment, welfare, and public jobs programs. . . .

We believe that the Congressional budget process has

failed to control federal spending. Indeed, because of its big spending bias, the budget process has actually contributed to higher levels of social spending, has prevented necessary growth in defense spending, and has been used to frustrate every Republican attempt to lower tax rates to promote economic growth.

The immediate burden of reducing federal spending rests on the shoulders of the President and the Congress. We believe a Republican President and a Republican Congress can balance the budget and reduce spending through legislative actions, eliminating the necessity for a Constitutional amendment to compel it. However, if necessary the Republican Party will seek to adopt a Constitutional amendment to limit federal spending and balance the budget. . . .

Inflation: We consider inflation and its impact on jobs to be the greatest domestic threat facing our nation today. Mr. Carter must go. . . .

He has fostered a 50 percent increase in federal spending, an increase of more than \$200 billion, boosting spending in an era of scarce resources, and driving up prices. . . .

He has permitted continuing federal budget deficits and increased federal borrowing, forcing higher interest rates and inflationary money creation. . . .

Inflation is too much money chasing too few goods. Much can be done to increase the growth of real output. But ultimately price stability requires a noninflationary rate of growth of the money supply in line with the real growth of the economy. . . .

Ultimately, inflation is a decline in the value of the dollar, the monetary standard, in terms of the goods it can buy. Until the decade of the 1970s, monetary policy was automatically linked to the overriding objective of maintaining a stable dollar value. The severing of the dollar's link with real commodities in the 1960s and 1970s, in order to pursue economic goals other than dollar stability, has unleashed hyper-inflationary forces at home and monetary disorder abroad, without bringing any of the desired economic benefits. One of the most urgent tasks in the period ahead will be the restoration of a dependable monetary standard—that is, an end to inflation.

Lower tax rates, less spending, and a balanced budget are the keys to maintaining real growth and full employment as we end inflation by putting our monetary policy back on track. Monetary and fiscal policy must each play its part if we are to achieve our joint goals of full employment and price stability.

Unfortunately, Mr. Carter and the Democratic Congress seek to derail our nation's money creation policies by taking away the independence of the Federal Reserve Board. . . . The independence of the Federal Reserve System must be preserved.

A clever way to be anti-union

by L. Wolfe

Ronald Reagan's campaign strategists have spent long hours trying to figure out how to package their candidate as "pro-labor" to attract disaffected unionists, yet "anti-big unionism" to appeal to those tendencies within the GOP who think trade unions do the devil's work. The net result, as communicated through the events of last week's convention in Detroit, is that Reagan and his cohorts will sound "pro-labor" while remaining committed to anti-labor policies.

To be sure, the GOP platform is far more clever on the labor question than in past years. There is a firm statement of commitments to the fundamental principle of fairness in labor relations and professed support for the rights of unions to organize. These are statements telling working people that the Carter administration, not their wage demands, is responsible for inflation.

These are reinforced by statements by the candidate and his supporters, such as Rep. Jack Kemp (D-N.Y.), about bringing labor back into the Republican Party.

Most labor leaders think such pronouncements are cosmetic. They point to sections in the platform just beyond the ones mentioned that affirm the GOP's support for union-busting "right to work" laws and for an end to union dues checkoff privileges. The platform also calls for abolishing minimum wage protection for youth—a measure strongly opposed by organized labor.

Reagan, despite his appeals for working people's support, is firmly committed to these platform planks. His top economic advisers, people like former Federal Reserve Chairman Arthur Burns, former Treasury Secretary George Schultz, and economist Milton Friedman, are known as enemies of labor. Friedman, for example, has on more than one occasion declared that trade unions are the plunderers of the nation. Burns, at GOP platform committee hearings, attacked "high-wage settlements."

The platform also incorporates a scheme devised by the advisers and cabinet officials of the notoriously anti-labor Thatcher government in Britain to establish so-called "free enterprise zones" in slum areas. Under this scheme, which has been tried out in Britain and in Hong Kong, the government would let laissez-faire run wild,

suspending all government regulations—including protection for trade unions such as the Davis-Bacon Act, and minimum wage laws. Wherever they have been tried, the free enterprise zones have cut wage levels, and the idea receives its most vigorous promotion from the anti-labor Heritage Foundation.

For the most part, labor isn't buying the Reagan newspeak. AFL-CIO officials readily admit that many of their members will vote the GOP ticket in November if Carter is the Democratic nominee. They will do so in spite of everything they know and rightfully fear about Ronald Reagan, because they detest Jimmy Carter.

AFL-CIO President Lane Kirkland, who says the labor federation will back Carter, described his view of the choice between Reagan and Carter: "There is an old saying. . . 'Beauty is skin deep, but ugly goes clear down to the bone.'"

Fairness to the worker

The following is excerpted from the 1980 Republican Party platform.

The Republican Party is committed to full employment without inflation. We will seek to provide more jobs, increase the standard of living, and ensure equitable treatment on the job for all American workers by stimulating economic growth.

We reaffirm our commitment to the fundamental principle of fairness in labor relations, including the legal right of unions to organize workers and to represent them through collective bargaining consistent with state laws and free from unnecessary government involvement. We applaud the mutual efforts of labor and management to improve the quality of work life.

Wage demands today often represent the attempt of working men and women to catch up with government-caused inflation and high tax rates. With the blessing of the Democrats' majority in Congress, the Council on Wage and Price Stability has put a de facto ceiling of seven to 8½ percent on workers' wages, while the Administration devalues their paychecks at a rate of 13 to 15 percent. The government, not the worker, is the principal cause of inflation.

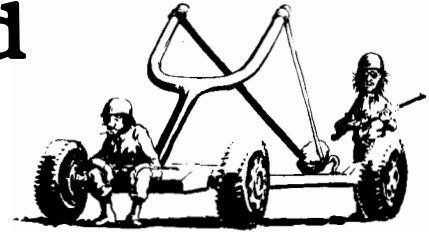
We recognize the need for governmental oversight of the health and safety of the workplace, without interfering in the economic well-being of employers or the job security of workers.

The Republican Party reaffirms its long-standing support for the right of states to enact "Right-to-Work" laws under section 14(b) of the Taft-Hartley Act.

The political freedom of every worker must be protected. Therefore the Republican Party strongly supports protections against the practice of using compulsory dues and fees for partisan political purposes.

The 'quick fix' method of military buildup

by Susan Welsh



The GOP platform adopted in Detroit demands an immediate increase in defense spending to restore the sagging military power of the United States and “ultimately reach the position of military superiority that the American people demand.” Although the platform is short on specific recommendations, Reagan has gathered a group of about 80 defense and foreign policy advisers to work out “quick fixes” for a military buildup.

Contrary to the illusions of some honest conservatives in the Reagan camp, the GOP’s military policy is now under the full control of the same crew that brought about the destruction of the U.S. military in the first place. The collapse of our armed forces under Jimmy Carter was just the tail-end of a process for which Henry Kissinger and associates in the Nixon administration must take primary responsibility.

The nomination of George Bush for Vice-President—a member of such “Eastern Establishment” elite institutions as the Council on Foreign Relations, the Trilateral Commission, and the Skull and Bones Society—plus the nationally televised emergence of Henry Kissinger in the inner circle of the Reagan campaign, mean that a Reagan administration will do nothing to reverse the collapse of this nation. Instead, banking on Kissinger’s “China card” policy as the “quick fix” *par excellence*, the Reagan group will do exactly what Carter is doing now. Hoping to use the “geopolitical” encirclement of the Soviet Union to buy time for the U.S. to remilitarize, and destroying the economy through “fiscal conservatism” in the meantime, they will increase the likelihood of a thermonuclear war that the United States would lose.

As Soviet President Brezhnev reportedly told a visiting French parliamentarian last year, if America takes the “China card” too far, so that the U.S.S.R. is faced with the imminent possibility of a two-front war, Moscow will be forced to destroy China’s war-making capability preemptively. Then Washington will have perhaps twenty minutes to decide whether or not to come to the aid of its Peking ally, which would mean World War III.

Otherwise, the selective destruction of Peking’s missile sites, occupation of Singkiang and Tibet, and the dismantling of Manchuria’s industrial capabilities are the likely outcome of the “China card.”

‘Winding down’ the armed forces

Under the Kissinger-Nixon administration, the “opening to China” provided the rationale for a shift in American strategic doctrine from preparedness to fight “2½ wars” to a “1½ war” outlook. Since World War II, our defense planners anticipated that we might simultaneously have to fight one war against the Soviet Union, one war against the PRC, and a “half” war against a small country like North Korea. But during 1969-70, Nixon’s advisers persuaded him that war with China could now be discounted, so planning was scaled down to a “1½ war” contingency.

This facilitated major cuts in the defense budget (even from pre-Vietnam War levels), and particularly the attrition of the Navy—a process which accelerated under Carter. (See charts.) The 1980 GOP platform hails the FY 1974 \$139 billion defense budget as a “peace dividend” (a \$50 billion/year reduction from the high-point of the Vietnam War), neglecting to mention however that the pre-war 1960s budgets averaged around \$152 billion!

This “winding down of the war” brought with it the replacement of the draft by the All-Volunteer Force (AVF) in 1973—a scheme developed by two of Ronald Reagan’s current advisers, Milton Friedman and Martin Anderson, and sold to Richard Nixon. Although the AVF today is widely recognized as an unmitigated disaster, the GOP platform opts to continue it, but to raise salaries to attract and retain better qualified people. A substantial portion of the proposed defense budget increase will have to go to making the AVF “competitive” with civilian employment, if Reagan’s campaign promise is to be fulfilled.

The other hallmark of the Kissinger-Nixon years was the strategic arms limitation talks (SALT). Purporting to seek a sensible accommodation with the Soviet

Union in the national interests of both countries, Kissinger and his backers from the New York Council on Foreign Relations (CFR) instituted the "arms control process" with the actual objective of restraining Soviet military-technological development. The CFR declared that the Western world had entered a new age of "controlled disintegration," a "post-industrial society," which the Soviet Union must be induced to join.

Several of Ronald Reagan's current advisers played important roles in the early SALT effort, including William Van Cleave (a member of the first SALT negotiating team), and Fred Iklé (former director of the Arms Control and Disarmament Agency).

Now that it has become apparent that the Soviet Union will continue to develop and modernize its armed forces no matter what—and particularly that it will not relinquish its research and development in areas of high-energy physics that could revolutionize the international "correlation of forces"—Reagan's backers have changed their strategy and are opting for an arms buildup. Various "quick fix" proposals are currently circulating, including:

1. A report titled "A Program for Military Independence," authored by 25 Senate staffers and prepared for the GOP convention. This "draft alternative defense budget" reportedly was adopted by Reagan's defense and foreign policy advisory group, and several of its provisions are incorporated into the GOP platform.

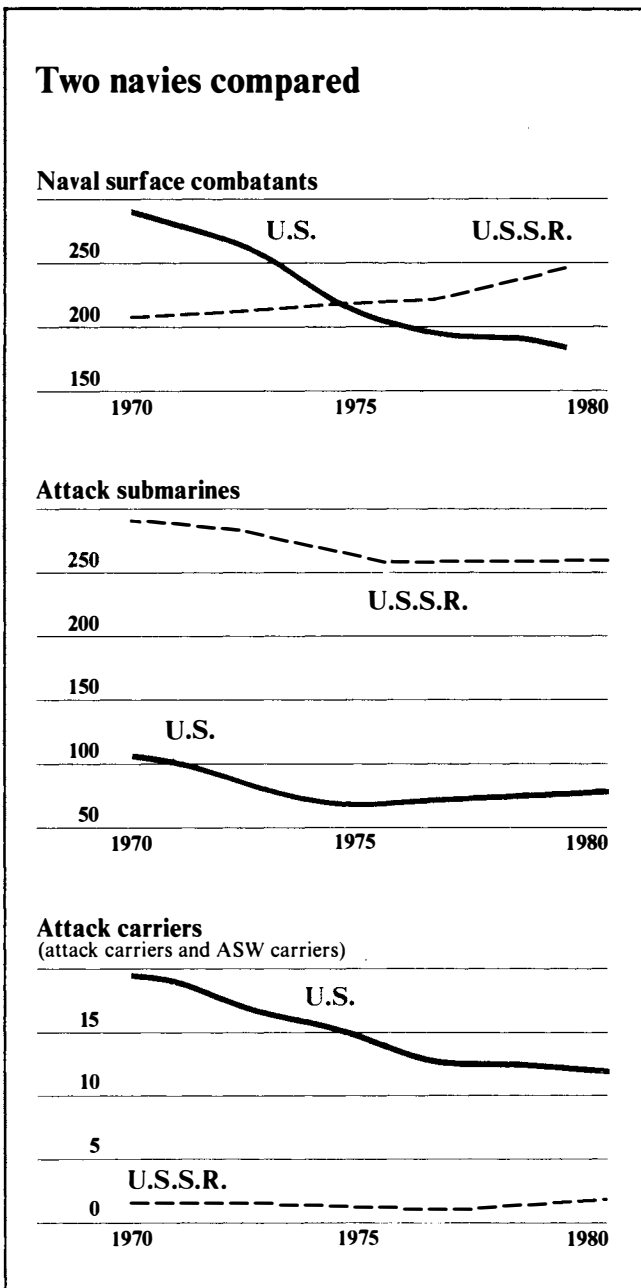
2. A newly-issued volume titled *National Security in the 1980s: From Weakness to Strength*, published by the Institute for Contemporary Studies (1980). The book contains the proceedings of a conference of defense experts held in December 1979; about half of the participants are advisers to the Reagan campaign, and the others are also "defense hard-liners."

3. "Quick fix" recommendations contained in the newly issued volume *Arms, Men, and Military Budgets: Issues for Fiscal Year 1981*, published by the National Strategy Information Center (Transaction Books, 1980). Frank Barnett, the NSIC director, is a Reagan adviser.

These documents, which we discuss in greater detail below, unanimously reject the Carter administration's defense budget as too low. The "draft alternative defense budget" calls for a 24 percent increase in defense expenditures, to \$200.89 billion in FY 1981! But several of Reagan's advisers openly admit that the American population will not accept such a "guns not butter" policy, given the present state of economic recession, and that therefore *a foreign policy crisis must be created which would make such a massive arms buildup politically possible.*

Thus Fred Iklé argues in the Institute for Contemporary Studies symposium that without a "triggering event" to mobilize public opinion around a long-term arms buildup, it will not be possible, leaving "quick fixes" as the only alternative. Therefore, Iklé argues:

What do we do in the event of a post-Tito Soviet invasion of Yugoslavia? . . . In the present situation we would scrupulously refrain from aiding the partisans. In a larger global context, as I was trying to explain, I think that would be the wrong decision. We should move in with assistance and be prepared to lose on that battlefield in order to trigger the larger reaction that is needed to halt the further deterioration in the correlation of forces. . . . We don't *want* a defeat. We want an engagement. It would be better to win in Yugo-



slavia. But you have to be prepared to lose locally.
[Emphasis in original.]

Tanks vs. food stamps

Since Reagan's backers—like the Carter administration—have rejected the program for global economic recovery that our European allies are demanding, the military buildup they will create will parallel the policies of Nazi Reichsmarshal Hermann Goering. The fact that the GOP platform opts for a tax cut—to the dismay of some of Reagan's "defense realist" advisers—means that defense budget increases will have to be gouged out of the declining civilian economy. This is precisely what the British government of Margaret Thatcher has done, and Great Britain's economy now undergoes the worst downward plunge since World War II.

Most of Reagan's advisers simply ignore the crucial question of the economic underpinnings for an arms buildup, asserting, as retired Admiral Thomas Moorer did in an interview with *EIR*, that there is "no problem." "What you've got to do is reorder priorities. There are other programs throughout the system that could be reduced to provide funds for what I consider to be critical requirements. . . . We've been closing down plants and so on, but we can revitalize production. We can do it quickly—we can do anything once we decide to do it, as we proved in World War II."

While an industrial revitalization is indeed still possible, the "fiscal conservative" policies of the Reagan platform will send this country's economy hurtling after Thatcher's Britain. The authors of the "draft alternative defense budget" insist that social programs in the FY 1981 budget must be frozen, to produce a \$50 billion surplus for funding of the arms buildup. The production of military hardware, they assert, will be *less inflationary* than social services, since "military investment produces tangible goods which have intrinsic value. . . . Production of weaponry . . . is comparable to production of other tangible goods. . . . Dollars spent to produce food stamps are dollars spent to produce another piece of paper. Dollars spent to produce tanks and airplanes are dollars spent to produce items with their own independent value as a produced durable. A tank can be used, upgraded, rebuilt, and resold over a significant usable life during which it has at any point an existing value. Moreover, the production, maintenance, and manning of a tank as a durable military product creates and stimulates economic activity to a degree far greater than that associated with, for example, a loaf of bread bought with food stamps. Arguably, the bread would be sold in any event."

In the never-never land of such Nazi economics, the fate of the food stamp recipient is also provided for: let him get a job in the All-Volunteer Army!

GOP proposals for 'in-width' buildup

The "quick fixes" Reagan's advisers are proposing are intended to implement a military buildup "in width," with an emphasis on first-line combat capabilities. The factors *in depth* which determine the outcome of war-fighting—principally the condition of the national industrial base—are left out of account.

Despite a new verbal commitment to the idea that the incompetent doctrine of strategic deterrence should be replaced by a nuclear war-winning strategy (the approach the Soviet Union has), for the Reagan controllers, such "esoteric" doctrinal discussions are considered irrelevant. "Reagan needs programs that will sell to the grass roots," said one source close to the campaign.

This is taken to mean primarily "quick fixes" to bolster U.S. strategic deterrent—long-range missile and bomber forces. The main reason for this emphasis is *political*: if the vulnerability of the strategic forces increases, the United States will no longer be able to use the threat of nuclear escalation to secure political goals *short* of general war. This would force the abandonment of the "Schlesinger doctrine" of limited nuclear war bluff, since the U.S. would have no "big guns" to back up the political threat.

Manpower. The deficiency of the GOP approach is most clearly seen in the question of raising the quality and quantity of armed forces manpower. This problem has received wide public attention in the last six months—the fifth-grade average reading level of the All-Volunteer Force soldier, which necessitates the use of comic books as training manuals; the dangerous rates of narcotics use; the high attrition; the poor pay rates and living conditions; the exodus of skilled personnel from all branches of the service, but especially from the Navy, which has been forced to take ships out of commission due to a lack of qualified personnel.

There are simply no "quick fixes" that will solve these problems, and the GOP platform's pledge to raise military pay—while a necessary move—will alter nothing. (Although some of Reagan's defense advisers have called for a 10 percent military pay increase *above inflation*, it is noteworthy that the GOP platform does not name any specific amount. Given the current rates of inflation, the

GOP was evidently reluctant to make a promise that might prove impossible to deliver.

The manpower problems in America's armed forces will not be solved until a substantial majority of Americans are convinced that their government is pursuing a military, economic and foreign policy that is worth defending. An unemployed ghetto youth deployed to the Persian Gulf to secure the "geopolitical encirclement" of the Soviet Union, in alliance with Peking, will not be an effective soldier no matter how much Uncle Sam pays.

The refusal of the GOP to terminate the All-Volunteer Force—which was developed and sold to Richard Nixon by present Reagan advisers Milton Friedman and Martin Anderson—signifies that the basic ineffectiveness of Jimmy Carter's military policy will be continued.

Research and Development. Soviet advances in military R&D, especially in plasma physics, lasers and particle beam technology—advances which this magazine has been virtually alone in publicizing for the past four years—have finally shocked portions of the American defense community into the realization that revolutionary Soviet anti-ballistic missile (ABM) technologies are close at hand.

A directed energy beam weapon would focus intense energy (either laser energy or subatomic particles) in a beam traveling at or near the speed of light, capable of destroying an incoming missile or plane. Some sources expect deployment of such a Soviet weapon within a year's time.

The Pentagon has ignored these developments, and Defense Secretary Harold Brown states in his FY 1981 annual report that there is "no evidence" that the Soviets have found a way to eliminate the obstacles to developing an effective ABM system based on these technologies.

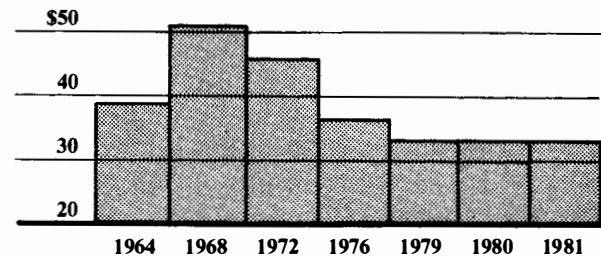
Reagan's advisers are calling for immediate U.S. moves to catch up, and the GOP platform demands "a vigorous R&D effort for an effective ABM system such as the Soviets have at hand, as well as developing more modern ABM technology." A "draft alternative defense budget" circulated in Washington before the GOP convention, and reportedly adopted by Reagan's defense and foreign policy advisory group, goes even further in sounding the alarm. "During FY 1982," the document states, "a decision should be made whether to begin mass ABM production and deployment."

But these breakthroughs in high-energy physics are not easily susceptible to the "quick fix" approach. The Soviets are estimated by knowledgeable sources to be three to five years ahead; they spend twice what we do on military R&D, and have more than double the number of scientists and engineers involved in research. Furthermore, since 1966 they have had an intensive program for raising the scientific-technical education levels of the

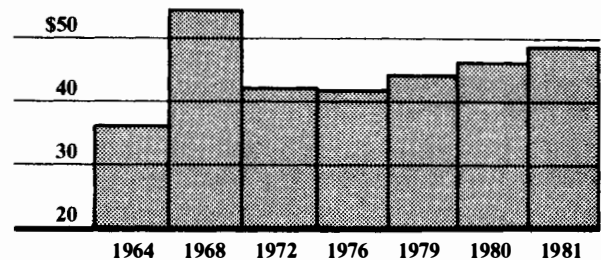
Department of Defense budget allocations

(billions of FY 1981 dollars; 1981 figures are for DOD budget request, not final authorization)

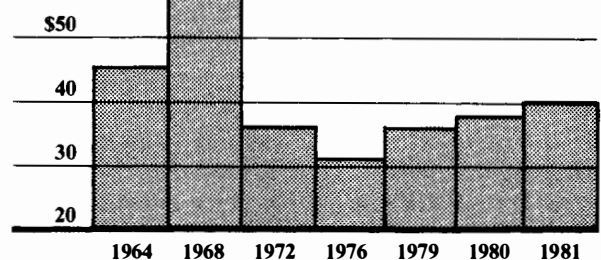
Military personnel



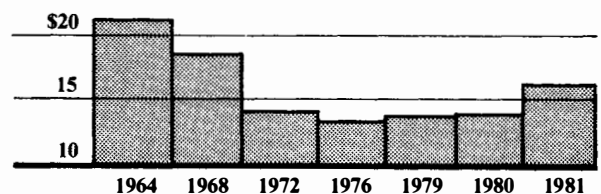
Operations and maintenance



Procurement



Research, development, testing and evaluation



population at large—while our education system has deteriorated sharply.

Reagan's advisers view advanced technology as the gimmick which will make possible U.S.-Soviet limited confrontation, short of general thermonuclear war. In this, they share the basic doctrines of the Carter administration—despite their preference for the term “war-fighting.”

Thus top Reagan aide William Van Cleave declared in his presentation to last December's Institute for Contemporary Studies symposium:

Technology, I believe, offers the possibility of basing strategic deterrence more on selective military targeting, damage limiting, escalation control, and defense than on massive destruction. I believe we should move in that direction, and I see no reason why quick fixes cannot be so oriented.

Strategic Forces. The Republican platform calls for the following “quick fixes” for U.S. strategic forces:

- the earliest possible deployment of the MX missile “in a prudent survival configuration”;
- accelerated development and deployment of a new manned strategic bomber that can penetrate Soviet defenses, exploiting the \$5.5 billion already invested in the B-1 [program cancelled by Carter], using the most advanced technology available;
- deployment of an air defense system;
- acceleration of development and deployment of strategic cruise missiles;
- modernization of military command and control.

These measures are intended to correct a situation in which—as Defense Secretary Brown admits—U.S. ICBMs are highly vulnerable, due to the improved reliability and accuracy of Soviet missiles. The U.S. strategic bomber force of B-52s is now in its third decade of service, and is incapable of penetrating Soviet air defenses. The Carter administration plans to equip the B-52 with cruise missiles that can fly below Soviet radar.

The Carter administration's planned new ICBM, the MX missile, is endorsed by Reagan's advisers, although many of them believe it to be “a monstrosity,” a program developed solely to get SALT II through the Senate. The missile is expected to far outrun current estimates of its cost, reaching perhaps \$100 billion instead of the \$30 billion planned. The racetrack basing scheme for the mobile missile is particularly criticized as outrageously expensive and unworkable.

Instead, Van Cleave and other Reagan advisers advocate deployment of the MX in multiple vertical silo protective shelters. Until this can be done, they want the old Minuteman III production lines reopened, and the

missiles deployed in multiple vertical silos to decrease their vulnerability to a Soviet strike.

The cruise missile—advocated by both Carter and Reagan—is likewise admitted by many defense analysts to be highly inadequate. Van Cleave declares that they are “worthless” unless deployed in large enough numbers to saturate Soviet defenses, since they are quite slow and hence easily defended against. Claims of the cruise missile's great accuracy are simply fraudulent: of the 14 missiles tested to date, half were unsuccessful. The complex electronic targeting system operates by correcting the missile's flight to match a computer-stored topological map of the terrain over which it flies. The system operates poorly over flat terrain, and can be fooled by high trees or even by seasonal changes in foliage!

Theater Nuclear Forces. As with the air and sea-launched cruise missiles, the GOP advocates the deployment of ground-launched cruise missiles and Pershing II medium-range missiles in Western Europe *even though these technologies are admitted to be ineffective*. While supporting these Carter administration programs, the GOP also wants deployment of the neutron bomb in Europe.

Van Cleave concedes that the Pershing II's are based on “very old technology” and constitute “no modernization whatsoever. . . . I think these are placebos.” The Pershings are not mobile and hence not survivable unless used for a first strike against Soviet targets—a point which has not been lost on Soviet critics of NATO's decision last December to deploy the missiles.

Aside from their value as a first-strike weapon, the cruise and Pershing II missiles are seen as having largely *political* value. Paul Nitze, chairman of policy studies for the Committee on the Present Danger, commented at the Institute for Contemporary Studies symposium:

When one is throwing dust in the enemy's eyes, one may not want to be explicit about how these things are assessed. For example, in the case of European theater nuclear modernization, the political purposes alone are perhaps sufficient for going ahead despite the low priority it may deserve on purely military grounds. . . .

General Purpose Forces. GOP recommendations to bolster U.S. general purpose forces can be summed up by the word “more.” The platform pledges a “much-improved Navy,” including restoring our fleet to 600 ships (from the current low of 462). Army procurement programs in armor, firepower, air defense, and helicopters must be sped up, plus tactical aircraft for the Air Force, airlift capabilities, and stocks of ammunition, spare parts and supplies. While these are all worthy aims, the unanswered question remains: “Who pays?”

International Intelligence

Conference renews war on technology

The First Global Conference on the Future, held in Toronto this week, was dominated by advocates of the "Aquarian Conspiracy," a "lifestyle" of drugs, environmentalism, and psychic experiences, and "postindustrial society." "Iran is a sign of the times," said Robert Jungk, head of the Berlin Institute for the Future. "There will be more examples like it, though hopefully less brutal."

Hazel Henderson, a Club of Rome spokesman who openly promotes a return to a "New Dark Ages," gave the fullest call for deindustrialization in her July 20 speech. We must defeat "the masculine principle of the tyranny of monetization and technology. This is the end of the Age of Petroleum and the dawning of the Solar Age." The 1980s require a "trial by entropy, in which the necessity of the winding down of the economy and the universe triumphs."

The next day, in her Third World forum, Henderson introduced pro-Iran specialist André Van Dam of Argentina, who screamed at the audience that as Westerners they are "oppressing the Third World with the evils of technology." The conference drew 6,000.

'Cocaine coup' in Bolivia

Bolivia's 189th successful military coup in a century and a half of independence July 17 was directed not so much against acting president Lidia Gueiler, a favorite of the Carter administration, nor against her legal successor, ex-president Hernan Siles Zuazo, who was expected to be re-elected in congressional balloting August 4. Rather, agents of the international cocaine traffic in the military feared that Siles would allow congressional inquiries to proceed into the rampant corruption of the armed forces and its heavy involvement in the illegal drug business.

That point was hammered home with the point-blank machine-gun assassination of Marcelo Quiroga, spearhead of the effort to open a congressional inquiry, when he was arrested at the national labor headquarters during the coup.

During the Carter administration's term in office, revenues from raw cocaine paste extracted from coca bushes in eastern Bolivia have grown from a trickle to over \$600 million per year.

Afghan offensive in the offing?

Western press reports are predicting a large-scale Soviet military offensive in Afghanistan following the conclusion of the Olympic games. The Soviets have reportedly replaced units removed with special troops from Eastern Europe, trained for counterinsurgency and equipped with new weapons more suited to the kind of hit and run warfare going on in the Afghan hills.

These reports also paint the Soviets as increasingly embattled and tied down in the Afghan war. But the reports are subject to doubt—they are usually based on "travelers' reports" out of New Delhi. Informed sources know that this is a convenient euphemism for briefings doled out by the U.S. Embassy in Delhi and also in Islamabad. *Daily Telegraph* correspondent Loudon, reporting from Kabul, cites the case of one such report from Delhi of heavy fighting in the Pargham suburbs of Kabul, with Soviet airstrikes and so on, a report which tried to show the Soviets unable to even control the immediate environs of Kabul. Loudon writes that on the same day the fighting was reported to have occurred he visited the area and found lovers strolling in the parks, birds singing in the trees, and no sign of any fighting.

Some renewed, carefully targeted Soviet military activity is likely, but not from the standpoint of weakness usually reported. One sign of tightening up is the moves by Babrak Karmal, the Afghan president, to take greater control over the government and, with Soviet backing, clamp down on factional infighting.

Bonn welcomes Arab diplomacy

Chedli Klibi, Secretary-General of the Arab League, arrived in Bonn this week for three days of meetings with West German Chancellor Helmut Schmidt and Foreign Minister Hans-Dietrich Genscher. Genscher, at a banquet he gave for Klibi July 21, noted that the Arab League—which represents every Arab country except Egypt—has gained increasing political weight in recent years.

Genscher welcomed the advent of cooperation between Europe and the Arab world after a long history of economic and cultural ties; Europe and the Arabs, he said, share growing responsibility for peace and security in the Middle East and elsewhere. He pledged that West Germany and its European Community partners will establish a durable peace in the region, adding that in negotiations "the PLO must be involved."

Genscher proposed a meeting between Arab foreign ministers and their European counterparts this autumn. The European Community factfinding mission mandated at the Venice EC summit last month is now meeting in Brussels, where EC foreign ministers are also preparing a resolution for a United Nations debate on the Middle East for the General Assembly session that opened July 22. Genscher will brief the foreign ministers on his discussions with Klibi.

Food-price strikes destabilize Poland

Strikes occurred in several industrial towns throughout Poland following a jump in meat prices July 1. The government raised prices in order to reduce the drain on the state budget of subsidizing meat production, which has suffered from a series of bad harvests, and paying high import bills.

Edward Gierek, the leader of Po-

land's ruling United Workers Party, has toured his industrial base in Silesia and gone on television to explain the economic crisis. The most serious strike, which tied up the city of Lublin when rail workers demanded wage hikes to compensate for their meat bills, has apparently ended. But for the first time ever, official Polish newspapers acknowledged that strikes did occur, top office-holders appealed to the population to moderate demands, and the Party's Politburo issued a statement hinting at Soviet concern over the situation.

Hard French line against terrorism

In the wake of the recent assassination attempt against Iranian opposition leader Shahpour Bakhtiar in Paris, the murder of Syrian leader Salah el-Bitar and related terrorist threats, the French government indicated this week that its policy of granting asylum, notably with respect to Bakhtiar, will continue; its nuclear energy cooperation with Iraq will be maintained; and Muslim Brotherhood terrorist and support networks in France will be prosecuted to the full extent of the law.

At a reception July 22 arranged by the Iraqi Embassy, Prime Minister Raymond Barre stated that "There are services trying to disrupt Iraqi-French relations, but they will not succeed." The statement was taken as a reference to Israeli intelligence's campaign against the Franco-Iraqi nuclear agreement on the grounds that France is providing Iraq with atomic capability "to blow up the Middle East."

Following the attempt on Bakhtiar's life, French authorities refused to hear the Ayatollah Khomeini's demands for extradition of the arrested terrorists and expulsion of Bakhtiar. Interior Minister Christian Bonnet has instead pledged to prosecute the two and intensify the effort against terrorism in France. Last month steps were taken in that direction when

the government refused to renew the visa and work permit of Simon Malley, director of *Afrique-Asie* magazine, a terrorist supporter operating in France for 11 years.

Plane crash opens NATO scandal

A Libyan Mig-23 airplane crashed in the southern Italian region of Calabria July 22 under bizarre circumstances. The government of Libya has claimed that the pilot had a heart attack. The Italian press, however, reports that he was in fact being conducted over Calabrian air space by Italian Starfighters, and there was no question of health problems.

Why a Libyan plane was flying directly over a secret NATO base, which is presumably off limits, remains unclear. Italian Defense Minister Lagorio has announced that he has given permission to the Libyan government to take part in investigations of the crash, and to use Italian helicopters to examine the scene of the incident. This is unheard-of as well, especially since the defense minister himself recently warned that Libya might be the military base for a possible Soviet attack on NATO's southern flank.

Although the new junta's president, General Luis Garcia Meza, did not mention drugs in his voluminous inauguration speech, he pledged to reorganize the police—who had caught some of his friends with plane loads of cocaine.

The French government this week rejected allegations that the attempted assassination of Bakhtiar was a Palestine Liberation Organization operation, and that the murder of Bitar was ordered by Syrian President Assad, allegations apparently aimed at weakening French support for a comprehensive Middle East settlement. PLO leader Yasser Arafat's denial of PLO involvement has been prominently reported in the French press, and the allegations specifically rejected by *Le Figaro's* Paul Marie de la Gorce, who is known to be close to government policymakers.

Briefly

● A "NEWLY REPENTANT" terrorist named Paolo Salvi testified at the July 23 Italian parliamentary session which examined charges of terrorist collusion against Premier Francesco Cossiga. Salvi claimed that his fellow terrorist Marco, son of Cossiga ally Donat Cattin, had been tipped off that police were after him by the newspapers, not by his father or by Cossiga.

● THE TRIDENT MISSILE sale to Britain by the U.S. will not be hindered by the current SALT treaty proscription of the transfer of nuclear weapons to third parties by either the United States or U.S.S.R., according to Carter administration officials. The Russians may "complain," they say, but "possible" future SALT violations by the Soviets make such objections moot, they insist.

● ERNESTO SAMPER Pizano, chief of Colombia's marijuana lobby, says his just-released book promoting legalization of the drug was written "with the collaboration of 10 U.S. senators."

● JALALEDDIN FARSI may be Iran's next prime minister. A partisan of the terrorist Guardians of Islam, this week he praised the assassination attempt against Shahpour Bakhtiar.

● FRENCH MIRAGE jets are the subject of intense talks between India and France with the French going all out to convince the Indian government to drop the last phase of the previous deal for the Anglo-French Jaguar in favor of production in India of the Mirage 2000. The Mirage 2000 would go into production in 1985—the British are apoplectic about the deal. Indian sources report that Mrs. Gandhi is very warm toward increased ties to France and cold toward the Thatcher regime. A top envoy of the French President was in Delhi last week after a top Indian Defense Ministry team held preliminary talks in Paris in June.

Will Khomeini pull the Mideast down with him?

by Robert Dreyfuss

President Carter's refusal to lend American support to former Iranian Prime Minister Shahpour Bakhtiar and his military allies seeking to topple Ayatollah Khomeini guarantees that, probably within two months, Iran will be taken over by forces loyal to the Soviet Union. That is the evaluation of both U.S. analysts and Iranian sources opposed to the Khomeini regime.

Over the past nine weeks, at an accelerating rate, Khomeini has lost virtually every institutional backing that his regime had since its takeover in February 1979. The middle class, the entire command of the armed forces, the National Front, the left, various tribal leaders, businessmen, and civil servants have all broken with the Khomeini dictatorship.

Now based only on a narrow grouping of the Muslim Brotherhood clergy around Ayatollah Khalkhali, Ayatollah Beheshti, and the Islamic Republican Party, the regime is maintaining its grip over the country by sheer terror and brutality. Only one social force remains loyal to the Khomeini circle: the mob, including the Shiite fanatics recruited from among the unemployed and illiterate of Teheran's slums, paid to demonstrate their support for Khomeini in the streets.

But, in the opinion of every analyst of Iran, the Khomeini regime cannot last. And virtually every source agrees that, as of now, only two forces in Iran are capable of replacing the Khomeini clique.

The first is the moderate, largely middle-class faction which can be identified with two institutions: the armed forces and the old National Front; most of them are supporters of exiled Prime Minister Shahpour Bakhtiar, Hassan Nazih, the former director of the National Iranian Oil Company, and other National Front Figures.

The second is the left and the Communist Tudeh Party, which, though relatively weak when measured against existing forces outside Iran, can be expected to win immediate and decisive support from Soviet military intelligence in the event of a civil war erupting in Iran.

The outcome of the power struggle within Iran will be determined entirely by the support those forces receive from outside Iran.

At present, there are only three political factions outside Iran which, therefore, can determine the outcome of the Iranian situation.

The first is traditionally the strongest power in Iran, associated with the Anglo-American intelligence services and the Seven Sisters oil cartel. It is this grouping, represented by the Carter administration, which for three years has continued to support the Muslim Brotherhood clergy in Iran and which is most closely associated with the Khomeini regime.

Led by Zbigniew Brzezinski of the National Security Council, the Anglo-American circles have supported both the clergy and the secular Shiite extremists led by



Photo: Sygma

Ibrahim Yazdi, Abolhassan Bani-Sadr, and Sadegh Ghotbzadeh.

The second outside force is the combination of the Franco-German axis in Western Europe with the Arab powers of Iraq and Saudi Arabia.

The Europeans, like the Arabs, have immediate and urgent national security interests in toppling the Khomeini regime; and they have invested great political capital in putting together a workable outside coalition around Bakhtiar and the military commanders who fled Iran in 1979, with logistical support from Iraq, across the Iranian border.

The third outside force is the Soviet Union and the socialist countries. Though officially remaining neutral, they are believed to have built up important allies within Iran, especially in the provinces that border on the U.S.S.R., along with Baluchistan and Kurdistan.

Brzezinski's strategy

According to information from Washington intelligence sources, Brzezinski and the NSC are well aware that the Khomeini regime cannot last more than a few months. In light of this evaluation, Brzezinski has developed the following strategy.

At all costs, Brzezinski believes, the possibility of a successful coup against Khomeini by Bakhtiar and the European-Arab coalition behind him must be prevent-

ed. That scenario, the thinking goes, would augment the power of the European-Arab bloc around the European Monetary System, and bring about a decisive shift in the world balance of power in favor of the Paris-Bonn axis.

With Iraq and Saudi Arabia already committed to backing the Franco-German initiative, the addition of Iran under a Bakhtiar-led regime would immensely add to the power of the continental European alliance.

Thus, Brzezinski has determined that the United States must *encourage* a U.S.-Soviet confrontation over Iran in which the takeover of Iran by the U.S.S.R., the most likely outcome of that showdown, would be a more welcome development than for Iran to come under the control of the Bakhtiar National Front forces.

In practice, the Brzezinski strategy works out as follows.

First of all, using the close liaison between Anglo-American intelligence and the Khomeini apparatus, Brzezinski has ordered the destruction of the "middle."

In effect, that means the physical elimination of the moderate forces inside the country, while among the emigrés the attempted assassination of Bakhtiar in Paris and the brutal murder of Ali Akbar Tabatabai in Washington reflect the Brzezinski decision to liquidate the opposition to Khomeini from the side of the moderates in exile.



'U.S. supports Khomeini'

The following interview with Shahpour Bakhtiar was published in the Atlanta Constitution on July 8, 1980. It begins with excerpts from Bakhtiar's unusual charges that the United States is actively opposing his activities while supporting the Khomeini regime.

Can I tell you something that does not reflect favorably on the United States? I have been told that two months ago a very high individual in the U.S. government told officials in Turkey, Kuwait, Saudi Arabia, and other states of the Persian Gulf not to help the persons who are fighting against Khomeini.

. . . I cannot accept any military government in Iran, now or any time in the future. I have the power myself—to strike a blow against Khomeini, and there are armed forces to help me do this—but armed forces supported by civil authorities, by the mass of the people, by merchants, by the intellectuals, by other people. That is what I want.

Q: What about General Gholam Oveissi and his armed forces, who is planning to establish a military regime?

Bakhtiar: He would be a second Pinochet, and a second Pinochet is not possible on the border of the Soviet Union. . . .

Q: And what about General Oveissi's plans to bring about an invasion of Iran through Iraqi territory?

Bakhtiar: I am absolutely opposed to this strategy. It would lead to civil war. We have to strike strongly and quickly. The Kurds are necessary to absorb the Khomeini partisans at the frontier, but it is not by this route that Iran must be attacked. Because to attack Iran through any other country will lead to intervention by the Soviet Union. . . . I don't have any formal assurances but I am convinced—even though President Carter is very hesitant—that if the Soviet soldiers make a belligerent crossing of the Iranian frontier there will be a world war.

Thus, while sheer terror tactics prop up the Khomeini dictatorship for another few weeks or months, the United States is positioning itself for direct military intervention into Iran through the Rapid Deployment Force and the naval task force in the Indian Ocean, together with British and Israeli military capabilities.

The prolongation of the Khomeini regime's present policies over a period of several more weeks will so polarize the country as to guarantee the disintegration of Iran as province after province simply declares its autonomy.

The Soviet Union, bordering on Iran, will not permit the fragmentation of its neighbor, and it is expected that the Soviet Union will intervene at a point that the process of disintegration becomes irreversible.

More broadly, the central command of the Muslim Brotherhood, which controls both Khomeini and the Libyan regime of Col. Muammar Qaddafi, is deploying to destabilize the entire Middle East region. A wave of assassinations in Turkey has brought that country to the brink of outright civil war, and the collapse of Turkey would be a grave threat to both Syria and Iraq. Meanwhile, in Syria, the Muslim Brotherhood is pursuing its campaign of assassinations against Syrian officials, and Lebanon is being brought closer to renewed fighting.

The Persian Gulf countries, especially Saudi Arabia, are also being hit with threats of revolutions, and President Sadat of Egypt, in a July 23 speech, predicted the "emergence of exclusively Christian states" in Lebanon and elsewhere in the Middle East.

In sum, that is the scenario for the so-called "Bernard Lewis plan," named after Professor Bernard Lewis of Oxford University and British intelligence, who devised the strategy of balkanizing the Middle East and Iran into tribal, ethnic, and sectarian mini-states. In the long run, Brzezinski and Bernard Lewis expect that the U.S.S.R. itself will be transformed by the spread of Sufi brotherhoods and Muslim fundamentalism inside the Muslim population of the southern Soviet Union.

Developments since Venice

Reviewing political developments in Iran since the end of June, the following pattern emerges.

During the two Venice summits in late June, key Western European political forces, centered in France and West Germany, made the decision to give covert support to the anti-Khomeini forces grouped around Bakhtiar.

While the Europeans did not receive backing from Washington, they decided to increase incrementally their collaboration with the Bakhtiar forces despite U.S. opposition; and for the first time since the coming to power of the Khomeini regime it appeared possible that

Khomeini might be toppled in a popular uprising linked to a seizure of power by the armed forces.

It was then that Brzezinski and Anglo-American intelligence began their counterdeployment. That had two distinct aspects: the first was the elaboration of an overtly anti-Soviet posture by the Iranian government, a move spearheaded by Ghotbzadeh. The Iranian foreign minister, on orders from Brzezinski, launched a series of provocations against the Soviet Union beginning with the mid-June meeting of Islamic foreign ministers in Pakistan. By antagonizing the U.S.S.R. and the pro-Soviet forces in Iran, Brzezinski and Ghotbzadeh hoped to polarize Iran and force the Soviet Union into engaging in more overt support for the Iranian left and the Tudeh.

That accomplished, Phase II of the Brzezinski moves occurred with the sudden and decisive shift by the kook

leaders of the Islamic Republican Party and the inner circles of the Khomeini clergy. As described above, the objective of this policy was to destroy the "middle" in Iranian politics.

Beginning at the end of June, Khomeini suddenly reversed his recent support for President Bani-Sadr and the relative moderates, instead declaring his intention to purge the "Satanic regime" in Iran. Denouncing Bani-Sadr—only two weeks after he had unequivocally backed Bani-Sadr in an earlier battle with the IRP—Khomeini pronounced: "If the government does not rectify itself, I will rectify it soon." He threatened to unleash the masses against Bani-Sadr and give him the "Shah treatment."

Almost immediately, Khomeini and the IRP—through the offices of Interior Minister Rafsanjani and others—instituted a massive purge of the state appara-

Khalkhali's killers 'have some fun'

The following excerpts are taken from a front-page article in the July 21 Washington Post entitled "Tehran Alley: Play by Day, Death by Dark" by Jay Ross. In horrifying detail, it describes the butchery and blood-letting that are the hallmark of the Khomeini regime.

During the day, Kutche Ghavan Daftar, a dead-end alley about the length of a football field, serves as a soccer ground for the children of the south Tehran slum neighborhood known as Jamshid.

At night it has turned into Tehran's Death Row, a place where 22 grisly public executions have taken place during the past 10 days.

In the Jamshid alley, pieces of brain fleck a wall where most of the sex and drug offenders have been executed. The horrified inhabitants of the area say the executioners first fire their Uzi submachine guns at the heads of the victims, then at their hearts and then at their sides.

On Thursday [Ayatollah Sadegh Khalkhali] tried a new twist, switching to hanging instead of shooting. Residents pointed out a long pipe with eight hooks lying in the alley which, they said, had been welded to two other pipes to form a makeshift gallows. Eight ropes were attached, they said, and the victims were strung up after midnight.

The gallows, however, collapsed under the weight

of the prisoners, according to horrified onlookers. They said the prison staff that comprised the execution squad then simply opened fire on the convicts.

There were seven victims each in the first two rounds of executions, including two women, one of whom was well advanced in pregnancy, according to the residents of the neighborhood.

According to several persons, Khalkhali decided to "have some fun" during the second executions. He reportedly told the guards to shoot just the first three. The other four then were told they were being released, the witnesses said.

Relieved, they started to run away, according to the story, when Khalkhali ordered the executioners to open fire. The four were shot in the back, unlike the rest, who faced the firing squad blindfolded with their hands tied behind their backs and standing against the wall.

So far, the bodies have been taken away quickly in ambulances. . . . The intention in the future hangings is to leave the bodies up for four hours so Jamshid residents can see what happens to drug pushers.

Khalkhali's professed purpose in carrying out Iran's first public executions in almost 15 years is to influence people to stop taking or selling drugs. But the residents, many of them addicts, say the killings have had no effect.

An aged woman said, "If you have seen how they shoot dogs, that's how they shoot them."

As she spoke she frequently dipped her foot in the water flowing in a sidewalk *jube*, Tehran's primitive drainage system. After the executions, others said, the water is red with blood.

tus and the armed forces and education system. By July 1, five hundred workers at the National Iranian Oil Company and 69 members of the faculty of Tehran University were suddenly fired, with the charges being merely that they had been associated in some ways with the former regime. Within a few more days, 1,000 government workers were purged from dozens of different offices, and Khomeini was ordering extirpation of every vestige of the regime of the Shah, including such trivial matters as letterheads and ashtrays with imperial seals!

At the same time, events in Iran also took on a more barbaric and inhuman tone. In one highly publicized case, four condemned prisoners were buried up to their chests and then, on official orders of the state prosecutor under Ayatollah Khalkhali, stoned to death, in what was described as implementation of "Islamic law."

Other condemned men and women—called "drug runners," but usually, in fact, simply political prisoners—were executed by Khalkhali in hideous massacres on street corners, with no formalities, in order to "teach the people a lesson." A leading ayatollah proposed that each Friday at the prayer ceremony in Teheran the regime ought to execute prisoners in public view. The public executions were designed to communicate the simple idea that the regime was cold-blooded enough to exterminate its opposition.

The mob—by now the only political base for the regime—was also being whipped up into a frenzy, with ringleaders paid handsomely by the stored up oil revenue to organize gangs to come out and demonstrate in favor of Khomeini. In early July, an estimated 500,000 people stormed through Teheran's streets shouting their support for the regime and a proclamation to outlaw the leftist and moderate opposition groups, particularly the Mujaheddin and the Fedayeen-e Khalq. Both these organizations, though their strength is difficult to estimate, are increasingly popular among the middle class and the students, as well as other strata, simply because they are the only visible organized resistance to Khomeini. Since then, offices of the Mujaheddin and Fedayeen as well as those belonging to the Communist Tudeh Party have been ransacked and destroyed by the mob under the control of the fascist "Party of God" militia.

At the same time, the official Revolutionary Guard, the SS of the Khomeini regime, has been gradually moving to increase its own power. With the regime increasingly mistrustful of the armed forces command, the paramilitary Guard has been deployed more and more to seize control over the command positions of the regular armed forces, causing resentment and a great deal of resistance within the army itself. Particularly in the oil fields region around Ahwaz in Khuzestan, the Revolutionary Guard is reportedly acting to replace the armed forces there.

The climax of the purges and mobilization of Islamic fundamentalist mobs that began immediately after the Venice summit was the reported discovery of a plot in the armed forces two weeks ago. According to the official Iranian account, air force and naval units had planned to bombard the homes of Khomeini and other officials and then distribute leaflets proclaiming: "We have rid Iran of the clergy." In the wake of the alleged discovery of the plot, up to 1,000 armed forces officers have been arrested and are to be put on trial, and many already executed. Khomeini, in a speech delivered several days after the alleged plot, declared that "every single one" would be executed if found guilty.

According to Iranian sources, in fact, there was not a coup d'etat being planned for the time of the announced discovery of the plot, but for some weeks later—and the move by Khomeini's secret police and SAVAMA was aimed at simply arresting as many suspected plotters as could be found in order to preempt whatever the pro-Bakhtiar circles might be planning. No doubt, the capabilities of the resistance in Iran have been severely set back by the arrests, but, by the same token, according to Iranian sources, the number of people opposed to the regime has grown enormously as a result of Khomeini's crackdown.

Now leading the opposition inside Iran are two poles of forces, the first around Admiral Ahmad Madani, former commander of the Navy and ex-Defense Minister, and the National Front forces around Karim Sanjabi. Madani, an opportunistic nationalist, at first was a strong supporter of the Khomeini government but has since broken definitively with Khomeini and earlier this month, refused to take his elected seat in the new parliament when his credentials were challenged. Madani has since established an opposition party called the National Struggle Front, and though he does represent a challenge to the regime, it is almost impossible for the Khomeini police to arrest him because of his strong backing from the navy and air force. Recently, Madani delivered a speech calling for the release of the U.S. hostages, and he has been attacked by the ruling IRP and the "students" holding the hostages as an "agent of the CIA."

But Madani himself is not fully trusted by the army because of his overt cooperation with the regime since 1979; he is only part of the much broader opposition in the armed forces. In addition, many tribal leaders, such as Khosrow Qashqai, the clan leader of the 500,000 Qashqai tribesmen, have broken with the regime and in case of civil war, will lead their followers in a fight against the mullahs. In fact, not only the Qashqai but the Lurs and Bakhtiars, the Kurds, the Arabs, and many other minority populations are prepared to revolt against Khomeini should a leader emerge.

Islamic clergy attack the Khomeini heresy

Perhaps the factor that can tilt the balance in Iran against Khomeini is the impact of the opposition within Islam to the brand of cultist mysticism proclaimed by the Khomeini regime. Inside Iran, Ayatollah Shareatmadari, the second most powerful religious leader in Iran, is known to be waiting for the opportunity to give the signal for his followers, which include as much as half of Iran's population centered in Tabriz, Azerbaijan, to demonstrate their opposition to Khomeini. Shareatmadari is under house arrest and has been unable to speak freely since he mounted a challenge to Khomeini last year.

But two major new developments may yet trigger off the religious anti-Khomeini force.

First, the Ayatollah Kho'i in Iraq, residing at the shrine of Kerbala, Iraq, the holiest shrine of the Shiite sect, two days ago denounced the Khomeini regime and said that Khomeini was a heretic who does not represent true Islam. Ayatollah Kho'i is the most powerful leader in the world Shiite community and the de facto "pope" of Shiism, and therefore his word will carry significant weight.

Second, the Saudi Arabia-based Muslim World League, often a spokesman for official Sunni Islam, this week also attacked Khomeini for having said that the Prophet Mohammed, the founder of the Islamic movement, was not powerful enough to deal with modern problems, virtually an open admission of Khomeini's heresy. Because the League reflects Saudi thinking, it would thus appear that both Iraq and Saudi Arabia have begun lining up the religious movement against the madmen of Teheran.

Ghotbzadeh insults the Soviets

Iranian Foreign Minister Sadegh Ghotbzadeh has been the chief agent in Iran leading the Iranian assault on the Soviet Union since the period immediately after the June Venice summit of the Western industrial nations.

Astute political analysts, and some not so astute

otherwise, note that Ghotbzadeh's animosity toward the Europeans and the Soviets, in turn, rises and falls according to what one may adduce to be the attitude of London intelligence circles toward recent "geopolitical" developments involving Europe and the Soviet Union. When London and Zbigniew Brzezinski get mad at Moscow, the foulest sorts of things come out of the Iranian minister's mouth about "communists."

At a Teheran press conference at the beginning of July, just after the July 1 expulsion of a Soviet diplomat on charges of being a "spy," Ghotbzadeh announced that he had requested the Soviet Union to withdraw almost the entirety of its diplomatic staff from the Soviet Embassy in Teheran, citing "numerous cases of wrongdoing by Russian officials." At the same time, he announced that henceforth all Iranian offices would be restricted to a maximum of two Soviet officials and technicians.

On July 6, Ghotbzadeh elaborated on his charges against the U.S.S.R. Citing the activities of the Tudeh Party in Iran, the official Communist Party, immediately after a visit to Moscow by Tudeh Chairman Kianouri, Ghotbzadeh said that the Tudeh were "agents" of the U.S.S.R., and he was specifically attacking the "military section" of the Tudeh Party.

Two days later, the Soviet Union issued a toughly worded and highly unusual warning to Iran. In a release distributed by the Soviet TASS news agency, Moscow warned Iran that "there is information to the effect that elements hostile to the U.S.S.R. intend to carry out provocations against the Soviet Embassy in the Islamic Republic of Iran, up to and including seizing control of the embassy. Such actions have the aim of prejudicing the good neighborly relations between the U.S.S.R. and the Islamic Republic of Iran." TASS also suggested that the "dangerous character of such actions" might threaten Iran.

In light of the U.S. Embassy seizure, the Soviet warning was a clear indication that Moscow would not tolerate a similar action against its own mission.

But in an interview on Teheran radio several days later—after having assured Moscow that no takeover of the Soviet Embassy was being planned—Ghotbzadeh then delivered a vitriolic speech against Moscow and "the communists," declaring that it was his intention to develop closer relations between Iran and the Peking regime, and with Pakistan.

Ghotbzadeh, who is widely known to act as an agent of British intelligence, had begun his anti-U.S.S.R. campaign at the mid-June summit of the Islamic Conference, when he shocked the Muslim foreign ministers by inviting into the Iranian delegation itself representatives of the various Afghanistan guerrilla movements of the Muslim Brotherhood.

The new Tokyo government plans to keep all options open

by Peter Ennis

The view is widespread that the new government formed in Japan last week will not result in any changes in the basic policies that have governed Japan in recent years. "There will be a continuity in policy," many Japanese and Americans have said.

This view however, is mistaken, and fails to take into account two vital aspects of the current situation in Japan. First of all, with the formulation of the new government, the Japanese political system has fully returned to the more traditional "consensus" style of policy-making, in which the major power centers in the country—the business community, the bureaucracy and the ruling Liberal Democratic Party—reach decisions broadly accepted as standing in the national interest.

This is a vast though subtle change from recent years, in which intense factional strife within the ruling LDP allowed the late Prime Minister Masayoshi Ohira to dominate both domestic and foreign policy—to the advantage of the Carter administration and the detriment of Japan.

This revival of the "Japanese system" has paved the way for the second major change, a deep reappraisal of the international strategic environment, and resulted in the "consensus" view that Japan must keep open all its policy options including an effort to improve relations with the Soviet Union, rather than blindly following the path charted by the United States.

These two changes in Japan will not take the form of a dramatic announcement or public shift in the country's domestic or foreign policies. Indeed, the government will attempt to reinforce the view that a continuous policy path exists in Japan. Nevertheless, Japan is a very different country now than it was just a few weeks ago under Ohira, and it is best to watch the country's actions rather than the government's words.

Enforced political peace

The new government is headed by Zenko Suzuki, a 33-year veteran of the parliament (Diet) and the top arbiter of the LDP faction formerly led by Ohira. Suzuki's rise to power follows the sudden death of Ohira last month, and the subsequent victory of the

LDP in national elections.

High-level Japanese sources have stated that the Suzuki government is the product of a "political peace" dictated by the country's powerful business community (zaikai). These sources, backed up by Japanese press reports, emphasize that the zaikai "laid down the line" to LDP leaders and insisted that intraparty factional bickering be replaced by a unified cabinet, enabling Japan to deal effectively with such pressing issues as the economy and relations with Moscow.

Suzuki was chosen to head the LDP and the government as a compromise after factional disputes in the party prevented the recognized front-runners, Yasuhiro Nakasone and Toshio Komoto, from winning the top post. The makeup of Suzuki's cabinet, which he announced July 17, reflects this compromise in its balance among party factions.

Keeping options open

There are several important factors underlying the "all options open" consensus that has developed in Japan, but all of them stem from the view that the political, economic and military instability throughout the world requires that Japan not be overly committed to any one policy or bloc. For this reason, Tokyo has watched with great interest such developments as the independent initiatives to extend détente undertaken by the leaders of France and West Germany, as well as their peace initiatives in the Middle East.

Overall, Japan is very much aware of the declining power of the United States and the growing power of the Soviet Union. While virtually no one in Japan questions the need to maintain relations with the United States as the fundamental cornerstone of the country's foreign policy, the view certainly prevails that shifts in world power requires certain "adjustments" on the part of Japan.

The new consensus was evident even before Suzuki was named to his new posts, especially in the first week of July, when President Carter met Chinese Premier Hua Guofeng in Tokyo while attending the funeral services for Ohira. Perhaps more than anything else, it

was the content of the Carter-Hua talks that provoked the new consensus to surface.

Many in Japan were shocked at that time by the blatant Chinese-American effort to include Japan in an alliance against the Soviet Union, and action was quickly taken to distance Japan from this policy. A top Foreign Ministry official told reporters in Tokyo "off the record" that one of the yet-to-be-named government's highest priorities would be to repair the damage of Japanese-Soviet relations inflicted by Ohira's Peking tilt.

Just as this announcement was made, one of Japan's powerful newspaper columnists, Minoru Hirano, wrote that "to mend Japan-Soviet ties will be a major task for the new Cabinet," especially "in view of the recent talks between French President Giscard d'Estaing and Soviet President Leonid Brezhnev, and between West German Chancellor Schmidt and the Soviet leader." Hirano then stated emphatically: "Japan should take steps to avert misunderstanding, not only by the Soviet Union but also by other countries, that it is a member of the tripartite alliance with the United States and China."

Following his inauguration, Suzuki himself told his first press conference that improving ties with Moscow would indeed be a priority for his government—a statement which sealed the all-important consensus on this policy. In making this announcement neither Suzuki nor his Foreign Minister, Masayoshi Ito, retreated from Japan's tough stance against the Soviet invasion of Afghanistan and other sources of tensions between the two countries. Rather, they both emphasized that there are "special circumstances" that lead Japan to maintain good ties with Moscow despite political frictions. These circumstances include especially the need for economic cooperation, they said.

Thus, nothing dramatic will come out of these announcements, but a revival of long-stalled talks on cooperation in developing resources in Siberia is one opening to look for. More importantly, the announcements represented a signal on Tokyo's part that it is uncomfortable with the very cool relations with the Soviets that have developed under Ohira.

Suzuki the Fixer

As for the choice of Suzuki as premier, this surprised almost everyone in Japan, because he has never been considered "prime minister material." Instead, Suzuki has made a career of being a party mediator or "fixer," working quietly behind the scenes to smooth out factional differences and reach consensus decision.

Japanese newspapers carried headlines such as "Zenko Who?" when the decision was announced, reflecting the fact that despite his long career as a very powerful LDP leader, Suzuki rarely allowed himself to step into the limelight.

Well liked by all factions within the party, Suzuki is

said to be the only LDP leader called by his first name by members of the Diet. While a leader of the Ohira faction, Suzuki has also maintained close personal ties to former Premier K. Tanaka, the party's kingmaker. Tanaka, who is still on trial in Japan for his reported role in the Lockheed bribery scandal, earned the anger of Henry Kissinger during his premiership for pursuing independent Japanese diplomacy.

Since that time, however, Tanaka had kept Kissinger's "favorite Japanese" Ohira in power, both for factional reasons and also because Ohira reportedly made a deal to keep Tanaka out of jail. Tanaka is likely to have a lot of policy influence over Suzuki, as will former Premier Takeo Fukuda, who also backed Suzuki for the top post.

At this point, Suzuki's personal views are not widely known, largely because he has never been in a position where top-level policy decision were required. But Suzuki has held three cabinet posts, including Agricultural and Fisheries Minister, and negotiated a major fishing agreement with the U.S.S.R.

This latter point could give an important insight into Suzuki, and brings out one of the more intriguing aspects of the current Cabinet. Three of the top four ministers—Suzuki himself, Foreign Minister Ito, and Finance Minister M. Watanabe—have very close ties to the nation's powerful fishing community. Fishing is an important industry in Japan, and, due to the waters shared with the Soviet Union, the fishing interests traditionally favor decent relations with Moscow.

Other cabinet posts

The new Minister for International Trade and Industry, R. Tanaka, is also from the former Ohira faction, and part of the "younger generation" of leaders. He formerly held the post of Chief Cabinet Secretary for Ohira, and it is widely said that Suzuki awarded Tanaka with this new post because Tanaka worked hard to make Suzuki premier.

The new Chief Cabinet Secretary, who is the official spokesman for the government, is former Foreign Minister Kiichi Miyazawa. Miyazawa is one of the leaders of the Japan wing of the Trilateral Commission, and is often criticized in Japan for being more international than Japanese. He will probably have important policy input with Suzuki, who is less experienced than Miyazawa, especially in foreign affairs.

The most surprising aspect of the cabinet is the minor role afforded to Nakasone and Komoto, the two front-runners in the race for premier. Both were expected to get top posts, but were given the portfolios of Administrative Management Agency and Economic Planning Agency respectively. This was seen as an effort by Suzuki to weaken the two leaders, but Suzuki did it in such a way that neither could effectively protest.

Part I:

The real story of Mexico's inflation

by Tim Rush

A zooming inflation rate in Mexico has City of London banking circles demanding a new peso devaluation, the first since the 80 percent devaluation of late 1976. Friedmanite circles both inside and outside the country are invoking the standard shibboleth as the culprit: "government overspending."

But an *EIR* economic survey shows a different picture.

Mexico's problems are in fact the kind most other Third World countries would willingly trade places to face. In November 1978, this publication outlined the nature of the "coming industrial boom" in Mexico. Now it's here. The economy as a whole grew 7 percent in 1978 and 8 percent in 1979.

This year's growth will be similar. Permit requests for new factories in the first six months of this year surpassed the entire number of permits requested in 1979. New investments from abroad are paced by upward of half a billion dollars pouring into new investment in auto and tractors; Chrysler may be on its last legs in Detroit but it recently announced \$250 million for building a giant new engine plant in Saltillo for its Mexican operations.

Time lag in expansion

What Mexico now faces is a serious accumulation of "growing pains." The recovery in the first years after the 1976 dropoff was by and large based on putting idle capacity to work.

By 1979 the productive plant was straining its previous limits. But there was an inevitable time gap before the results of the feverish pace of new investment could come on stream, compounded by delays in key core projects such as steel, ports and nuclear.

In 1979 imports shot up a whopping 48 percent, 30 percent in real terms. During the first six months of this year, according to the Mexican Foreign Trade Institute,

imports of machinery and equipment had outstripped last year's levels by another 35 percent.

The supply shortfalls have translated into a sharp inflationary push in the short to medium term. Demand is outstripping supply not only in goods but in labor and management skills and transportation.

Reports from the capital city and regional centers indicate salaries for trained managers and executives are being bid up at unprecedented rates. In many cases the shortfall of skilled labor means investments are stretched out or simply deferred.

And the surge of imports, now compounded by increased foreign grain purchases, has made already congested ports and railroads a nightmare of inefficiency. Transport bottlenecks have led many manufacturers to anticipate raw material and equipment needs, and place import orders "with a delay factor built in." Of course that has only had the effect of further swelling the import flow.

Translated into statistics: the inflation rate, after dipping to about 16 percent in 1978, rose to 18.2 percent in 1979 (the official figure—unofficially, 20 percent is the generally accepted rate). In the first six months of 1980, the consumer index rose 15 percent—for a 30 percent annual rate. And in the first two weeks of July, preliminary reports indicate yet a further sharp boost, as a 100 percent increase in sugar prices decreed in June, price jumps in basic metals such as steel, and the effects of rotating power cuts all took effect.

Operation 1976

But not just the inflation rate has taken off. So has a furious campaign for a devaluation, led within Mexico by a crowd of Mont Pelerin Society spokesmen housed in *Impacto* magazine, the daily *El Heraldo*, and private sector thinktanks such as IPADE. Their foreign co-

factioneers include the City of London bulletin, *International Currency Review*.

In the pages of these press outlets, the most extreme Friedmanites hint of "a new 1976" if the government does not adopt policies aimed at restricting growth. In 1976 the finances of Mexico were left in shambles, after a successful campaign for devaluation spiced with a currency flight estimated at \$4 billion.

A devaluation in today's situation, as the franker private sector leaders will admit, will have only one effect on inflation, to increase it. Skyrocketing exports of oil are keeping pace with the increases in imports, so the trade deficit is not expanding.

True, Mexico's industrial exports are stagnating. But this has little to do with an "overvalued peso." The extraordinary surge in domestic demand has gobbled up some inventories otherwise destined for export; and the U.S. market, Mexico's largest, is softening rapidly as U.S. growth rates crumble.

Finally, the government is building into both its "oil for technology" trade policies and foreign investment policies special export incentive arrangements. In the case of the multinationals, investing companies in many areas are being told they're welcome to a cut of the burgeoning domestic market—if they export a prescribed percentage back into their home operations elsewhere.

Thus the real effect of a drive for devaluation is political. The financial uncertainty leading into a devaluation, plus the dislocations in pricing and wage policy that would result, would undermine the credibility of the government as the major protagonist of Mexico's economic takeoff.

This is heady stuff for Friedmanite and other monetarist opponents of Mexico's dirigist development strategy. And needless to say, many in Mexico's private sector leadership are already planning to translate economic chaos into political leverage in the selection of the 1982 presidential choice to succeed López Portillo.

Drain out of pesos

"Dollarization" has been one of the primary weapons of those seeking to play a devaluation card. The outflow of capital from pesos to dollars resumed in early 1979, after tailing off the previous two years. In the first nine months of 1979, peso deposits increased 18 percent, while dollar accounts zoomed 29 percent. In the first four months of 1980, dramatic growth in dollar accounts continued, causing serious alarm in government circles.

The dollarization trend has for now been reversed, according to a July 14 Bank of Mexico release. Part of this is due to the lowering of international interest rates.

But part of it is due to the late spring decision to take the ceiling off two-year peso deposit rates, which

The voices against growth

The following are excerpts from the May issue of the London-based International Currency Review (ICR).

On GATT: After having sat on the fence ever since assuming office in 1976, President López Portillo has finally come down on the side of short-term political expediency—sacrificing Mexico's long-term economic welfare. . . . By voting the way he did [against GATT—ed.], he showed himself to be in the mould of the short-sighted protectionist and self-glorifying politicians who have contributed so much to bringing the Mexican economy to its present precarious state.

On devaluation: It is now abundantly clear that the López Portillo administration made a most serious blunder in returning to a fixed rate of exchange following the financial crisis in 1976. . . . Having missed the boat in December 1976, Sr. Portillo is drifting toward a repetition of his predecessor's nightmare. The main difference between the present rumbling crisis and President Echeverría's last year in office, of course, is the presence of exploited oil. Far from easing the situation, however, the oil boom has directed the economy into a box, from which a forced devaluation may turn out to be the only viable exit. . . . It is only a matter of time before the country slips into a chaotic revolutionary environment reminiscent of Iran. . . .

The following are excerpts from a column appearing in the Mexico City weekly Impacto's July 16 edition:

Evidently, the regime *does not* want to combat inflation [emphasis in the original]. . . .

We must not delude ourselves or think that through "dialoguing" we can convince the State Interventionists of their error. . . .

We are at the brink of a huge earthquake, and it is dangerously close to the decision-making moments concerning the not-too-distant presidential succession. We who oppose all this; who constitute an amorphous and dispersed party of authentic opposition, we no longer believe, writing as we have, and as *Impacto* and *El Herald* have, that we are going to change things. . . . Many people are breathing a pre-revolutionary climate. . . .

promptly shot up 4-5 percent over the then existing 17 percent rate. Higher interest means higher costs for borrowers: the cost of containing dollarization has been high.

The great cry of the devaluation crowd is for a crawling peg, a constantly devaluing peso in "minidevaluation" steps. Recent behavior of the peso has led some financial analysts to assert that that is now de facto the government policy. From approximately 22.85 pesos to the dollar at the beginning of the second quarter, the July 14 quotation had sunk to 23.05 pesos to the dollar.

But there have been similar small downward adjustments since stabilization of the peso in late 1976. The government policy is ambiguous, and probably deliberately so. The government may well want to have slight

pressure taken off the peso without locking itself into an official policy of minidevaluations.

U.S. policy, currently focused on retaliation for Mexico's March decision not to join GATT, is aiding the devaluation bugs. "We will make Mexico pay," is the way a top aide to Senator Jacob Javits put it to a reporter last week.

Various trade war measures are in the works which will complicate Mexican development plans. The so-called Tuna War (see Dateline Mexico this week) has been seen in Washington as a favorable opportunity to heighten tensions.

Most serious of all, there are strong indications that Washington pressure played a role in Japan's back-off from substantive deals with Mexico during Ohira's early May trip to Mexico—deals including crucial steel and port projects.

While helping to sabotage aspects of Mexico's supply side inflation control strategy, the U.S. is promoting the Friedmanite "demand side" approaches. The U.S. embassy in Mexico reported to the Commerce Department at the beginning of the month that "Inflationary pressures are increasing and could require corrective measures which, in turn, would set back the rate of economic growth." A recent Citibank report and articles in *Business Week* and *Newsweek* have all promoted the devaluation scenario.

Drought and electricity cuts

The government has faced—and faced down—devaluation campaigns in the past. When López Portillo returned from his mid-May 1979 trip to Cuba, suddenly the air was abuzz with the need for a devaluation. The six-month futures market in pesos in Chicago was quoting the peso at 25 to the dollar and lower. In November 1979—just before everyone who had speculated on the Chicago market took a bath—the *Latin American Newsletters* of London were suddenly telling their readers that "Mexican Peso Faces Devaluation after Prolonged Stability."

This time again, the government has moved energetically to deflate the devaluation rumors. Said Bank of Mexico chief Gustavo Romero Kolbeck after the national bankers' convention a month ago: a run on the peso "won't last an hour" because government intervention would halt it.

What encumbers the government's maneuvering room this time around is the combination of severe drought and mismanagement in the government-owned electricity sector.

The drought, coming on top of shortfalls in production in the previous agricultural cycle, has necessitated increased imports of food—up to \$1 billion worth. This

Trade breakdown

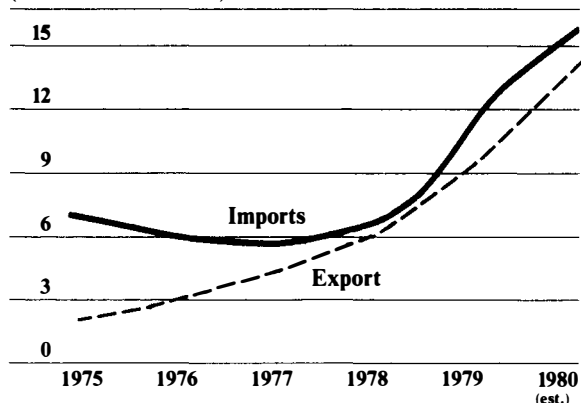
(US \$ billion)

	1978	1979
Total exports	6.2	8.9
Agro	1.5	1.8
Crude oil	1.8	3.8
Mining	0.2	0.3
Manufactures	2.7	3.0
Total imports	8.1	12.1
Transport and insurance ...	0.4	0.6
Consumer goods	0.5	0.7
Intermediate goods	5.3	7.4
Investment goods	1.9	3.4
Trade deficit	1.9	3.2

Source: Banco de Mexico

The trends in trade

(billions of U.S. dollars)



has both drained oil revenue out of the needed supply side productive investment within the country, and increased pressure on the overloaded transport system. Special U.S. Negotiator with Mexico Robert Kreuger reports up to 4000 box cars, a large number filled with corn and sorghum, backed up at the Brownsville and Laredo border crossing alone.

More disturbing, because it involves a pillar of the National Industrial Development Plan (PNDI), are the sudden revelations of mismanagement in the Federal Electricity Commission.

When rotating electricity cuts were first instituted in mid-June, the CFE attempted to lay the blame on low water levels in the country's hydroelectric system, which accounts for approximately 30 percent of total generating capacity. But the calculations of surplus capacity—

on paper—should have covered the shortfall. And the area with the most large dams—the Southeast—was the area least affected by the devastating drought.

Finally it came out that equipment breakdowns and poor design in substations at a number of sites around the country had caught up to the CFE, with the drought the final straw. CFE head Cervantes del Rio was axed. New chief Alberto Escofet Artigas immediately announced that real generating capacity showed only half the margin above average demand that had existed on paper.

Major new facilities, such as the Chicoasen dam project (2,000 MWe) and the Laguna Verde nuclear plant (1300 MWe) are well toward completion. So there is no fundamental crisis of future supply. But far greater revenues will have to be directed at maintaining and refurbishing existing plant and equipment. And in the fallout from the scandal, the Monterrey Group has secured "temporary" approval from the Natural Resources and Industrial Development Ministry to expand one of the only privately-held generating plants in the country, a coal-fired plant in Monterrey dubbed PEGI, its Spanish acronym. This is a significant psychological victory in a country where government-private sector animosity runs deep.

Shift in investment

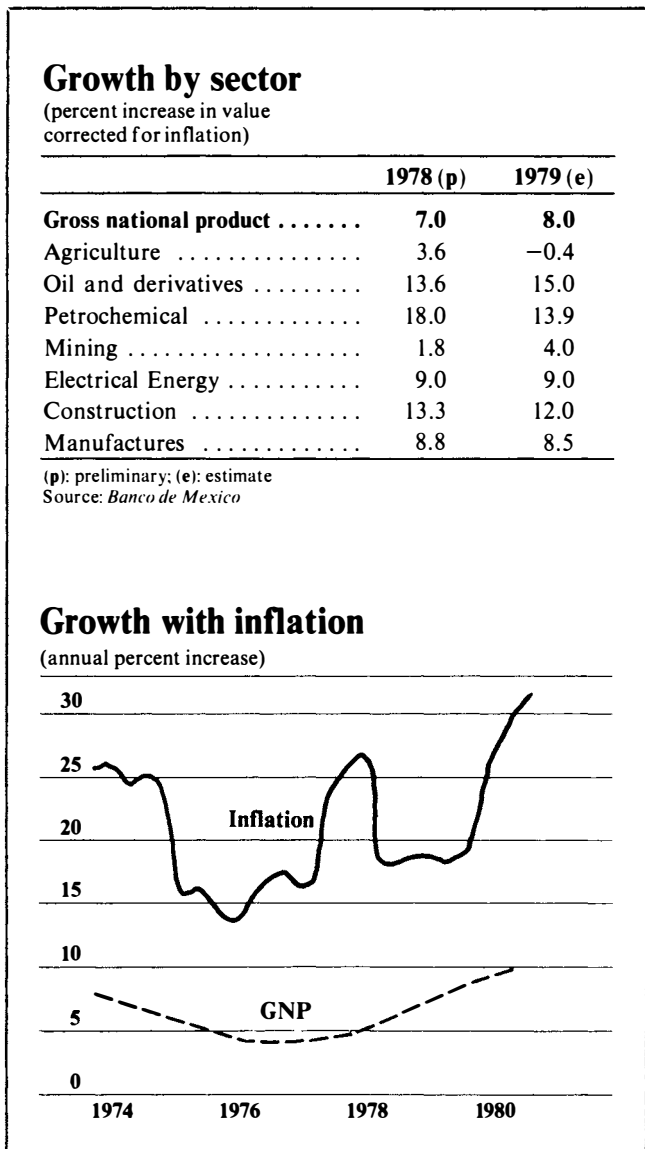
The broad government strategy is to shift more resources into the bottleneck areas of agriculture and transportation now that the initial enormous demands of the oil expansion program have been met. Pemex, by the end of this year, will have reached the "platform" of 2.5-2.7 million bpd set by the President. There may be further small increases later, but nothing to compare with the extraordinary effort of the 1977-1980 period.

As of 1981, *EIR* expects some substantial flows of money will begin to support development in other priority areas, such as the ports.

But it will require a mobilization of the country's will and capacities, on the order of the Pemex effort, to do this in the short time frame available. Much will depend on whether foreign co-investment and trade can be expanded and accelerated in the proper spheres, especially with Japanese, European and U.S. entities that have viewed Mexico's industrialization as serving the mutual interest. Without such a Mexican mobilization, the pressures of inflation combined with political destabilization efforts throw the situation over to the control of the "demand side" followers of Milton Friedman.

* * *

Next week: Part II of The Mexican challenge: Managing the boom—the fight over agricultural policy.



Three areas with growing pains

1. Steel

Steel is a growing trouble spot in Mexican basic industry. Production last year increased only 4.7 percent, to approximately 7.0 million tons. The rest of the 9.0 million ton demand was made up by imports, at a cost of over \$1 billion.

This year, according to early-July statements by Jorge Leipen Garay, director of the state steel holding company Sidermex, it will be necessary to surpass production records "by 20 to 25 percent" during the second half of 1980 to even equal the 7.0 million tons of last year.

Leipen cited the recent electricity rationing imposed by the Federal Electricity Commission as an important factor in the production problems.

Laminated products have suffered a 30 percent drop in output at the Las Truchas plant on the Pacific Coast since the electricity cuts began in mid-June, and a 40 percent drop at the northern Altos Hornos complex.

A costly 50-day strike at Altos Hornos earlier in the year also contributed to the bleak first-half picture. Ahmsa is the largest of the "big three" which make up Sidermex, and the state-owned plants as a whole produce approximately two-thirds of the nation's steel.

U.S. customs officials at the border report Mexican imports of steel during the first four months of 1980 running 25 percent over last year.

But the problems do not stop there. The big long-term projects are backed up.

Leipen made his remarks concerning current production problems at ceremonies initiating infrastructure work for the giant Phase II of the Las Truchas plant. The expansion is slated to raise capacity from the existing 1.3 million tons to 3.3 million, at a cost of \$2 billion.

Phase II construction was originally slated to start at the beginning of the López Portillo term, but was axed by the IMF as part of the conditions for the three-year stabilization loan provided to Mexico by the IMF in October of 1976. Then in the summer of 1979, in accordance with the National Industrial Development Plan

(PNDI), steel production goals were raised considerably, and the Las Truchas program was back on the track.

However, it took until February to resolve the question of which basic technology to use (the planning authorities opted for the HyL direct reduction method with natural gas). And then in early May the Japanese, who were at the sage of advanced negotiations involving a packet of co-investment loans and supply of technology, suddenly pulled back—reportedly under pressure from Washington, which sought to put a damper on Mexico's potential.

Because of these delays, Leipen announced, only a first section of the plant would be completed by the target date of 1982; full operation is now foreseen for 1984.

Private sector investment began to move with the June announcement that 10 private sector semi-basic steel firms were joining forces to build a 750,000 ton per year sponge iron plant at Altamira, near Tampico on the Gulf Coast. Investment by the group, calling itself Pre-Reducidos Mexicanos (Premexsa), is pegged at \$307 million, and inauguration is projected for 1983.

The move had been eagerly sought by government planners. Altamira/Tampico is one of the priority areas for development in the PNDI, and the government plans a later steel complex of its own at the site.

But Mexico is still behind in its drive to have 15 million tons capacity installed and production at 13 million tons by 1985. And for 1990, it is estimated that demand will have surged to some 25 million tons. "Growing pains" for the steel industry will be a fact of life for a number of years to come.

2. Ports

The recently announced government industrial ports project is one of the most ambitious city-building plans in the Third World. But its actual implementation, operating in the budgetary shadow of the massive Pemex expansion, has so far been minimal. The urgency of a crash ports program can no longer be deferred, as reports of backed-up vessels loaded with grain, machinery or Pemex equipment in the outmoded port of Veracruz or other deficient port facilities appear almost daily in the Mexican press.

On July 10, Julio Rodolfo Moctezuma Cid, director of Special Development Projects for the presidency, pushed the project forward by providing the public the first specific review of the program as a whole. He said investments totaling \$20 billion have been programmed from both the public and private sectors. The government will directly invest \$1.4 billion in the port works themselves over the 1980-82 period.

He reviewed progress in the four principal "poles of development" mandated in the government plans (see

map). These poles of development cumulatively involve enormous petrochemical plants, refineries, steel complexes, capital goods production, Pemex facilities, shipbuilding installations, and other capital-intensive industries.

What Moctezuma Cid did not announce is just who will be Mexico's partner in this city-building effort.

During a visit to Tokyo last April, the Minister of Industrial Development, José Andrés de Oteyza, took several proposals for Japanese investment and technical aid in the ports of Lazaro Cardenas and Salina Cruz. Nonetheless, no deals emerged from Premier Ohira's visit to Mexico days later.

Moctezuma Cid has discussed these plans with the French government in several trips to Paris. According to French diplomatic sources, in his visit to France last May, President López Portillo discussed Mexico's industrial projects, including the ports projects, with President Giscard, who saw in them a concrete example of how a new world economic order based on transfer of technology would work. According to the sources, Foreign Minister François-Poncet promoted collaboration with Mexico, while another cabinet faction represented by Finance Minister Monroy opposed it.

3. Nuclear

On July 12, President López Portillo dismissed Hugo Cervantes del Rio as director of the Federal Electricity Commission. A widely accepted explanation for this move was Cervantes's mismanagement of that state company. Nonetheless, the issue also touches on another important problem in the Mexican government's energy planning: its failure to yet define the future expansion of its nuclear program, and the six-year delay in completing Mexico's first nuclear plant in Laguna Verde, Veracruz. If the twin 650 Mw reactors were operating as initially planned, México would not be suffering the electricity cutbacks it has faced since June.

The López Portillo government has repeatedly stressed that it plans an aggressive nuclear program, since its oil, no matter how abundant, will begin to reach limits toward the end of the century. President López Portillo himself has said that by the year 2000 Mexico will have 20 nuclear plants. Nonetheless, no concrete deals were signed during his May trip to Sweden, France and Canada, countries which have completed optimistic nuclear feasibility studies for Mexico.

Decisive in Mexico's nuclear lag has been the Malthusian environmentalist thinking that permeates some top government energy policymaking circles. Most notorious is the director of the National Commission on Energy, Juan Eibenshutz, known for his connections to U.S. and British zero-growth think tanks. His viewpoint

Mexico's planned industrial ports



LAZARO CARDENAS: Agro-industries; SIDERMEX steel complex; capital goods; FERTIMEX fertilizer complex; shipbuilding and repair; PEMEX facilities

TAMPICO: Basic petrochemicals; Lam-black; refining; capital goods (projected); steel (projected)

COATZACOALCOS: La Cangrejas and Pajaritos ammonia plants; refining; fertilizer plants; sulfur plants; methanol plants

SALINA CRUZ: Tanker port for vessels of up to 250,000 tons; refining

is shared by the Undersecretary for Energy and Mines in the Natural Resources and Industrial Development Ministry, Fernando Hiriart.

In a recent interview with a Mexican journalist, Eibenshutz, who is known to bear a visceral hatred for the director of Pemex, Díaz Serrano, energetically praised one of the main founders of the violent European antinuclear movement, Austrian oligarch Otto von Hapsburg, as a "responsible environmentalist."

On July 18, Industrial Development Minister José Andrés De Oteyza once again admitted that the government has not yet taken a decision concerning what kind of reactors Mexico will be using—light-water or heavy-water. He also stated that Laguna Verde and will not come on line until 1983 and suggested that the government may not define the operating details, including sites, of its nuclear program before 1982.

Behind this indecision is the fact that the government has permitted the debate over light- versus heavy-water reactors to occupy a disproportionate place in the planning debate. Manpower training and uranium development, the aspects on which the government is now focusing, are not enough.

U.S. 'Tuna War' escalates

While Mexican officials try to calm the waters, Washington talks about "a can of worms" leading to commercial warfare and tourist boycotts.

Threat and counter-threat escalated at a dizzying pace throughout mid-July in the so-called "Tuna War" between the United States and Mexico.

Radicals in the Mexican Workers Party and other leftists declared July 16 that if the U.S. does not lift an embargo of Mexican tuna imports, Mexico should cut back oil deliveries to the United States.

Julian Nava, U.S. ambassador to Mexico, called a press conference the next day to declare that the U.S. too can "link" issues: "In that case," the Mexican dailies *El Nacional* and *Novedades* quote Nava as saying, "we could also include other [issues] like undocumented workers and tourism." The next morning, when the U.S. Embassy in Mexico issued its official version of Nava's remarks, this unprecedented threat was completely censored in the transcript.

Mexican officials were left puzzled by these contradictory signals from Washington. More than one remarked to *EIR* that the episode reminded them of the infamous bungling and crossed wires between ex-Ambassador Patrick Lucey and Energy Secretary James Schlesinger over the gas negotiations between the two countries. "And anyway," one irate Mexican official told *EIR*, "since when does the American Ambassador in Mexico answer the propaganda of the usual Mexican loudmouths tit for tat.

"It's almost as if Nava was en-

couraging the escalation of the 'Tuna War' into a major *casus belli* between Mexico and the U.S."

The "Tuna War" began July 9 when Mexican Navy patrol boats, under the requirements of a January 1980 Mexican law, seized three American tuna boats fishing inside Mexico's 200-mile sea limit without licenses. The United States recognizes Mexican maritime jurisdiction over 200 miles for all fish species except the "highly migratory" tuna. And so on July 15 the U.S. countered by invoking the provisions of the 1976 Fisheries Conservation and Management Act, embargoing the approximately \$20 million annual imports of Mexican tuna.

Since that move, American officials have repeatedly called for the dispute to be resolved by renewed Mexican membership in the Inter-American Tropical Tuna Agreement (IATTA). In 1976, Mexico and Costa Rica withdrew from IATTA, when U.S. opposition to Mexico's attempts to modernize its tuna fleet prevented Mexican boats from competing with the modern "tuna factories" run from San Diego. The American view was that the fish should be caught by whoever had the means to do it. "The United States owned the biggest fleet and since we had a small one, we were condemned not to grow," Mexican President José López Portillo explained publicly in a July 17 news conference.

The Mexican government made

prompt moves after the American embargo to pull the issue back from the sudden spiral of threats, while sticking by Mexico's attempts to assert control over its 200-mile zone. President López Portillo told a press conference the same day as Nava's that the new conflict was merely "an incident" in a "three-year process" of bilateral negotiations with the U.S. aimed at settling differences on the issue.

The next day, Interior Minister Enrique Olivares Santana explicitly addressed the "anti-imperialist" propaganda drive being mounted from radical left quarters in Mexico. "Let us not exacerbate our nationalism," he said. The issue requires calm reasoning, he added, so it won't "lead us to confrontation."

Mexican efforts to keep the issue in perspective are getting little help from Washington. In addition to Ambassador Nava's dubious diplomacy, the State Department and other U.S. government agencies have seized upon the tuna dispute as another element to throw at Mexico as "punishment" for Mexico's decision not to join GATT last March. (The reasons for Mexican refusal to join GATT are in fact the same as its reasons for trying to renegotiate the tuna agreement—a drive for across-the-board industrialization and modernization. GATT throws "free trade" blocks in the way of such dirigist development policies).

"Mexico has opened a can of worms and who knows what will crawl out," one State Department official commented to *EIR*. He confirmed that the U.S. is considering an enlarged embargo of all fish imports from Mexico, and that it contemplates no new negotiating offers to break the impasse.

Iran treatment for Saudi Arabia?

Partisans of Arab industrialization have launched a counterattack. But the danger of insurgency in Saudi Arabia persists.

A Saudi Arabian leftist group calling itself the "Voice of the Vanguard" is reputed to be aggressively organizing among the 13,000 Saudi students in the United States to build a movement to challenge the Saudi royal family. The group claims to be international, with links to "dissidents" in Saudi Arabia.

It was the *Washington Post* which this week broke the story on the seven-year-old Voice of the Vanguard. The *Post* has been a major conduit of anti-Saudi propaganda since the occupation of the Grand Mosque of Mecca by Moslem radicals last December.

The publisher of the *Post*, Katharine Graham, represents international financial interests which are intent on destabilizing the Saudi royal family. Among those interests is the Brandt Commission, of which Graham is a member. On behalf of the World Bank, the commission is bidding for Saudi Arabia's petrodollars to back up a proposed world resource development fund—a plan the Saudis have snubbed. These same Anglo-American financial interests are intent upon derailing the Saudi industrialization perspective, the most aggressive in the underdeveloped sector.

The radical Voice of the Vanguard is reported to be centered on campuses in the areas of Denver and San Francisco. A recent *EIR* investigation into the assassination

of Saudi King Faisal uncovered the fact that Faisal's assassin, a young Saudi prince studying in the U.S., was indoctrinated in radical leftist politics at the University of Colorado and at the University of California at Berkeley.

The assassin of King Faisal as well as other members of his immediate family had been an ardent opponent of the rapid modernization plans being implemented by Faisal. He was also found to move in the same political circles as the extremist Iranian Student Association and the Muslim Student Association, both of which interface the Muslim Brotherhood and played a central role in overthrowing the Shah of Iran.

There are indeed "dissident" elements in Saudi Arabia linked with the Voice of the Vanguard, according to well-placed sources. They include non-royal-family technocrats who favor reducing Saudi Arabian oil production and halting Saudi Arabia's development plan. A Washington source this week commented that the royal family is not pulling back on its development perspective but expects to accelerate it. The source noted that Saudi Second Crown Prince Abdullah remains an opponent of this policy. Abdullah is the most prominent Saudi member of the Muslim Brotherhood.

Saudi Arabia this week initiated its first public opposition to the

clandestine Muslim Brotherhood networks which have backed the regime of Iran's Ayatollah Khomeini. The Muslim World League, based in Mecca, has denounced the Khomeini regime on theological grounds.

Simultaneously, the Islamic Council of Europe, which is run by another leading member of the Brotherhood, Salah Azzam, was disbanded this week following a meeting of Arab ambassadors in London. The ambassadors whose countries were major funders of the ICE protested to the Saudi Foreign Minister about its activities.

The Saudis are at the same time engaging in a diplomatic offensive to pull the Arab world together around a unified economic development perspective, an offensive bound up with the effort to organize a Pan-Arab front to shift the Mideast negotiation process into an overall framework and away from the hated Camp David agreements. Prince Fahd is expected to begin mediation between the governments of Syria and Iraq, whose animosities represent one of the greatest obstacles to Arab unity. Fahd declared this week that "Camp David has failed." In the same statement he declared that if Israel's Begin government is replaced by an Israeli Labor Party government, "it will be even worse than the present [one]." Earlier this year Prince Fahd publicly castigated Katharine Graham for having printed an interview in the *Post* insinuating that the Saudis might be amenable to joining the Camp David talks. Graham and her circle are now seeking a Peres government in Israel as more "saleable" to the Arabs as a negotiating partner in extended Camp David talks.

National News

'Vote your conscience or else'

The first in a series of "Delegate Days" was kicked off July 19 when 200 Democratic National Convention delegates elected on the Carter-Mondale ticket were brought to the White House for a final psychological profiling.

"Of course we want you to vote your conscience," the President told the delegates. "We all know that your conscience is important."

He stated point-blank that they must, however, "resist" efforts to "change the rules" under which the convention is being run. In other words, they must resist efforts to vote down the new Carter-proposed Rule F(3(c)), which would bind these delegates, regardless of their judgment to vote for Carter on the first ballot.

"Don't let your emotions get out of control" at the convention, the President added. "We may be debating against other Democrats in New York, but we'll be working all all of them throughout the country in November. So keep that in mind. . . . We'll all win together."

Europe reacts to Reagan-Bush ticket

Pierre Lelouche, a member of the French Institute for International Affairs, told the *Washington Post* July 17: "I think it is very regrettable that at the most dangerous moment in East-West relations since World War II, the only political product that America can offer is Reagan in exchange for Carter, even though there are a lot of talented people in the country."

The million-run daily *France-Soir*, covering the GOP convention, said the following: "If Ronald Reagan is elected President of the United States, Washington's relations with Paris and Bonn, which are mediocre, will continue to deteriorate. . . . Reagan's policies are diametrically opposed to France and West Germany."

Writing in *Die Zeit*, Theo Sommer warned that with "confrontation inherent" in Reagan's program, the only thing left for Europe to do is strengthen and develop the French-German alliance. Sommer, a member of the International Institute for Strategic Studies, represents a faction in Germany that is normally reluctant to support European independence from the Anglo-Americans, but has revised its views.

Billygate scandal reaches the top

Columnists Jack Anderson and William Safire this week published the charge that Billy Carter was involved in a deal masterminded by alleged swindler and narcotics controller Robert Vesco to release to Libya several military aircraft withheld from delivery by the State Department. Vesco and Billy reportedly asked Carter intimate John White, chairman of the Democratic National Committee, to convince Carter to "intervene" to release the planes. Safire on July 24 went after Billy's alleged multimillion-dollar commission on Libyan-American oil sales.

Carter-Mondale campaign chairman Robert Strauss of Texas is also implicated. Strauss was reported this week in the Washington press to have signed on a Libyan agent, Washington lawyer Robert Shadyac, as a campaign consultant on "the Arab-American vote." Apart from being on the Libyan payroll with Billy Carter, Shadyac is a prominent member of the "Arab-American Dialogue" at Georgetown University, which serves as an unofficial coordinating body for the Muslim Brotherhood. Clovis Maksoud of Georgetown is a Dialogue member and an open supporter of the Brotherhood. So is Libya's ambassador to the United States, Mansur Kikhia, who has also been consulting with Democratic chairman John White on the Vesco deal.

The special investigative committee established by the Senate July 24 has already received *EIR's* own material on Carter-Muslim Brotherhood links.

FEMA to run farm emergency

President Carter took a trip to Texas last week, where he told drought-stricken farmers and ranchers that he would pray for rain. Carter also announced that he had put the Federal Emergency Management Agency (FEMA), notorious for its "crisis management" of the Three Mile Island anti-nuclear hoax last March, in charge of the emergency drought aid operation.

The implications of giving FEMA the mandate immediately became apparent when Agriculture Secretary Bob Bergland appointed a neo-Malthusian opponent of irrigation to head up Agriculture Department coordination with the FEMA operation.

"We've gotten awfully irrigation-crazy in the last few years," Roger Sandman, Bergland's emergency aid coordinator, told the *Christian Science Monitor* on July 21. "Water is not an unlimited resource."

The Carter administration has done what it could to make sure of that. During his first year in office, in the midst of the 1977 drought, Carter led a charge to kill more than 18 federal water resource development and reclamation projects throughout the Western states now wracked with drought. Many of the projects were already underway.

New York Times an NSC conduit?

Former State Department spokesman Hodding Carter, in an interview with the *Boston Globe* July 20, declared that the *New York Times* has served as a mouthpiece for National Security Council adviser Zbigniew Brzezinski. "The White House," he declared, "sees the press as the enemy."

"There are some people there who are

Briefly

● **JAMES SCHEUER**, Democratic Congressman from Queens, New York, is quoted in the July 24 *Buffalo Evening News* as stating that Congressmen are considering two plans of action for the Democratic convention: abandonment of Carter on the first ballot by delegates pledged to him, or a visit to Carter by Democratic congressional leaders Tip O'Neill and Robert Byrd to tell him they privately urge his retreat, and if he refuses will carry their views to the public. The article is headlined, "House Dems Spurn Carter; Billy Seen As Fatal."

● **MIKE McCORMACK**, Democratic Congressman from Washington, hosted a July 22 reception and banquet at the National Museum of History and Technology to celebrate the 50th anniversary of the development of U.S. particle accelerators, or "atom smashers." In attendance were some of the nation's most prominent pioneers in the field, including Dr. M. Stanley Livingston, a codeveloper of the first cyclotron with E.O. Lawrence. McCormack introduced the distinguished scientists as representative of some of the most "outstanding accomplishments for all mankind."

● **WILLIAM ROTH**, Republican Senator from Delaware, has requested that the Senate Government Operations Committee begin an immediate investigation of the scandals developing around Billy Carter. The chairman of the committee, Connecticut Democrat Abraham Ribicoff, has refused, saying the investigation is best left to the Senate Judiciary Committee. Ribicoff's committee, however, is known to have key files from the Justice Department relating to the affair.

● **DURING** a recent heated argument between the two, David Rockefeller threatened to demote Henry Kissinger to President of the United States.

major leakers themselves, who think the only way reporters get a story is through a leak. I think that one sad thing that happened was that the President, over time, became convinced by Brzezinski, who is doing it for a reason, that it's the State Department" which is responsible for most of the leaks.

"The most substantive leaks come from the White House. You don't have to read anything less juvenile than Richard Burt to see Zbigniew Brzezinski's lips move while Burt writes. Burt is notorious for being an open wound on the National Security Council. They turn on the arterial flow and he transmits it to the *New York Times*."

Asked if he thought the President was aware of the leaks, Carter declared that he did not know but that "everybody else in town surely knows."

AFL's Lane Kirkland goes for Carter

AFL-CIO president Lane Kirkland, in an interview with *Washington Post* economics editor Hobart Rowan, announced his intention July 20 to have the U.S. labor movement support Jimmy Carter for election. The AFL council and executive board "will endorse Carter with some degree of enthusiasm and considerable peace of mind," Kirkland, a Trilateral Commission member, said. Kirkland's office said that he was quoted accurately, and had gone so far as to solicit the interview.

Kirkland's announcement at this time means that the AFL has thrown its full weight behind a Carter renomination, although his office said the formal timing of the endorsement will be after the Democratic convention.

Kirkland and the rest of the AFL-CIO leadership had been reported to be at least flirting with Senator Kennedy or some candidate other than Carter in light of the effects that high interest rates and other economic austerity policies have had on union members and their families.

Like United Auto Workers president

Doug Fraser, who is also on board for Carter, Kirkland asserts that Democratic unity behind Carter is essential to prevent a GOP victory behind Ronald Reagan. However, since local and regional labor leaders are unlikely to back Carter, and so are the rank and file, observers think Kirkland's decision, if it sticks, will weaken the Democratic Party, not Ronald Reagan.

Congressional Dems: Carter a sure loser

Senior Democratic Party officials in Congress said privately this week that in November, Jimmy Carter could only be assured of winning four states—Minnesota, Georgia, Arkansas and Hawaii, along with the District of Columbia. Reagan, they estimate, is already assured of 189 electoral votes, especially from the states west of the Mississippi, the South, and New England states including Maine, Vermont, and New Hampshire. These sources concede Texas to Reagan.

The rest of the states they view as contested if the race is between Reagan and Carter, but they place their bets on Reagan. House Democratic campaign committee sources report that the party faces over 50 tough races in the House, making it an uphill battle to keep the House in Democratic hands. In the Senate, Republicans hope to take over in November; Democrats hope to retain control by one vote.

Democratic Party officials coordinating support for state legislative races are also worried that the party will lose control of the majority of state legislatures—which in turn control redistricting, on the basis of the 1980 census, for congressional elections. Republicans say they only need 120 additional state legislative seats nationally to accomplish this takeover, and predict that they will at least gain control of one or both houses in Illinois, Pennsylvania, Tennessee, Oregon, Ohio, Michigan, Minnesota, Wisconsin, California, Washington, Montana, and New York.

The real Billygate coverup: Muslim Brotherhood links

by Robert Dreyfuss

The national press is now filled with stories of what has rapidly come to be called “Billygate”—the scandal that the President’s brother, now formally registered with the Department of Justice as a paid agent of Libya’s Muammar Qaddafi, has been influencing White House policy, through both Jimmy Carter and National Security Council chairman Zbigniew Brzezinski. Press are demanding to know why Carter’s Justice Department did not prosecute Billy earlier, since it knew then that he was an *unregistered* agent of the Libyans. Other press are charging that Billy was involved in shady business deals with fugitive drug financier Robert Vesco, implicating Democratic National Committee chairman John White and Carter/Mondale campaign chief Robert Strauss.

“Within 24 hours the entire thing could blow wide open,” stated a prominent office-holding Democrat this week. “It would undermine the supposed lock on the Democratic National Convention.”

While on Capitol Hill, the Senate has already formed a special “Watergate” subcommittee which may call the President himself to testify, some are already calling for Carter’s resignation. Buffalo Congressman John LaFalce, a 1976 supporter of Henry Jackson, is also reportedly calling for Carter to “step aside in favor of Secretary of State Edmund Muskie or Senator Jackson.” He stated there is a “possibility of the third person being nominated” if Ted Kennedy were to take the floor at the Democratic National Convention and call for the nomination of a third candidate. Others are talking of a scenario in which all Carter delegates abstain on the first ballot.

The press is already announcing that the firestorm will cost Carter the election if not the Democratic National Convention August 11. ABC-TV broadcast the latest Harris Poll, which shows Reagan 61 percent, Carter 33 percent—a two-to-one lead. *The New York Post* headlined: “Jimmy’s Little Brother Big Thorn in Polls.” Wrote the *Washington Star*: “Billy Business Holdings Danger for President.” Calling the probe “a serious threat to the White House, the *Star*’s Germond and Witcover write that 53 percent of Jewish voters nationally have already rejected Carter, and with this Libyan scandal, it will now be “a definite problem” for him to carry heavily Jewish New York, Pennsylvania, California, and Illinois—that is to say, most of the electoral votes.

But for all that, the facts of the matter go far beyond the apparent involvement of the Carter administration in protecting the President’s drunken brother. “Billygate” is the tip of the iceberg, pointing directly to the facts of Carter and Brzezinski’s National Security Council involvement in soliciting and encouraging Muslim “fundamentalism” and the worldwide activities of the secret Muslim Brotherhood.

Among those Brotherhood activities is the seizure and continued incarceration of 52 American hostages in Iran. Among more recent Brotherhood activities is the assassination of Ali Akbar Tabatabai, a leading anti-Khomeini Iranian exile leader, shot down in a Washington suburb this week.

Ali Tabatabai was the head of the Iran Freedom Foundation, which is comprised of exiled Iranians throughout the U.S. who oppose Khomeini. Before the



1979 Islamic revolution, Tabatabai was a counselor for ten years in the Iranian embassy in Washington.

The July 22 assassination of Tabatabai was ordered by the Khomeini dictatorship in Teheran. It was carried out by the agency of the Savama, Khomeini's secret police, which is headed in the United States by Bahram Nahidian, an Iranian rug merchant based in Washington. The controlling agency, for which the Khomeini dictatorship is a mere puppet entity, is the Muslim Brotherhood.

The persons arrested in connection with the murder of Tabatabai are, according to law enforcement authorities and Iranian sources, directly connected to Bahram Nahidian. Other leads in the case point to the Muslim Student Association (MSA), the U.S.-based organization of the worldwide Muslim Brotherhood.

Yet, on the bogus grounds of national security, NSC director Zbigniew Brzezinski and Attorney General Benjamin Civiletti have clamped down the lid on the assassination. Put together with the facts surrounding "Billygate," it becomes clear that "national security" is being invoked to cover up Carter administration involvement with the Muslim Brotherhood dictatorships in both Libya and Iran.

The dossier

The facts of the matter are as follows:

1. The United States, together with Israeli and Egyptian intelligence, as part of the secret agreements of the Camp David pact, has formed an official alliance with the Muslim Brotherhood headquartered in London

and Switzerland. The Muslim Brotherhood has penetrated the top circles of leading Arab governments, including Saudi Arabia, Jordan, Egypt, Syria, and the PLO, to varying degrees. Although responsible Arab leaderships consider the Muslim Brotherhood an enemy infiltrator, and they have acted to exterminate the Brotherhood in the United States, the Muslim Brotherhood remains in the United States in the form of the Muslim Student Association based in Indiana, with a leadership largely drawn from Egypt and Jordan.

2. Together with Ramsey Clark, Amnesty International, and the BBC, the MSA helped the Carter administration overthrow the government of the Shah and install the Khomeini dictatorship.

3. Involved from the American side is an important faction of the U.S. military, including elements of the Defense Intelligence Agency, CIA, and U.S. Navy and Air Force intelligence. The Iranian general staff, during the Teheran mission of General Huyser in January 1979, was ordered to switch allegiance and to support the Khomeini revolution. Crucial in that period was the role of Admiral Habibollahi, then Commander of the Iranian Imperial Navy. Admiral Habibollahi, presently living in the United States, was the conduit whereby the Khomeini regime was warned by the CIA of the impending coup d'etat plan that was foiled in Teheran last week.

4. Until the closing of the Teheran embassy in Washington several months ago, Admiral Habibollahi's chief contact in the Iranian Foreign Ministry was the defense attaché at the Iranian embassy, Captain Siavash Setoudeh. Captain Setoudeh represented the liaison from the Iranian regime to the MSA and Nahidian; Setoudeh, using his diplomatic cover, smuggled arms and money to terrorists planning actions such as the Tabatabai murder.

Until January 1980, Captain Setoudeh occupied offices at the premises of the U.S. Office of Naval Intelligence, from which he conducted his activities as defense attaché of the Iranian Islamic Republic. Captain Setoudeh's responsibilities included serving as liaison to several dozen U.S. universities at which Iranian students of the MSA Persian-Speaking Group were deployed, with serving Iranian armed forces officers as their control.

Setoudeh was a close collaborator of Bahram Nahidian. All of this activity occurred with the full knowledge of Pentagon and White House officials.

5. Setoudeh, again with the full knowledge of U.S. officials, supplied Nahidian with not only financial and arms support, but also helped up to 300 Iranian terrorists enter the country on false passports. These 300 terrorists were funneled into the network associated with Nahidian, who represents the MSA in Washington, and Nahidian provided identities and cover to the key

controllers among the deployed terrorists.

In the United States, Canada, and Western Europe, these Muslim Brotherhood assassins are under the overall command of Savama and the Anglo-Zionist intelligence community behind it. The assassination of Tabatabai, the attempted murder of Shahpour Bakhtiar, and other such acts—including the murder of Prince Shafik in Paris last year—have been carried out by this circle.

6. Since the departure of Setoudeh, part of the control of the U.S.-based operation has been taken over by Cyrus Hashemi, an Iranian businessman at 9 West 57th Street in New York, who heads the First Gulf Bank and Trust Co. Hashemi supplies the conduit for illegal funds transferred into the United States via the Bahamas and Switzerland for the activities of the MSA and the Iranian terrorists, according to sources.

Our authority

In the past 18 months, the *Executive Intelligence Review* has become the established authority in the field of counterintelligence concerning the Muslim Brotherhood. Extensive documentation has been provided to the U.S. law enforcement agencies, intelligence and security services of Western Europe, and to Arab governments and intelligence services. Published dossiers on the MSA and the Muslim Brotherhood are extensive.

If this information, all of which has previously been published, had been acted upon by the relevant authorities, the assassination of Tabatabai might have been prevented. But because of Carter-Brzezinski sabotage, law enforcement officers' work has been prevented from following *EIR's* leads.

Now, another coverup is underway.

The DNC's John White is subject to investigation. The actions of Attorney General Civiletti must come under the closest scrutiny. It is the duty of the Senate and House Judiciary and Armed Services committees to investigate the allegations made above to the fullest extent. To date, the Carter administration has given the Iranian hostage-takers a free license to carry out assassinations and terrorism within the borders of the United States itself.

Over the coming days, the *EIR* will provide a complete dossier on the activities of the MSA and the Muslim Brotherhood worldwide, including new evidence concerning the inside story of the financial and political organization of the MSA put together from information from defectors from the MSA and related organizations. Together with the Lyndon LaRouche presidential campaign, the *EIR* has already accomplished more than the entire investigative officialdom of the U.S. government. The information is there to put the MSA and the Muslim Brotherhood out of business.

Book review

Serving the national interest

Decent Interval, by Frank Snepp.
Random House: New York, 1977.
Vintage: New York, 1978.

Shortly after Admiral Stansfield Turner and Vice-President Walter F. Mondale had completed their destruction of the Central Intelligence Agency, over the summer of 1977, one of the younger generation of ex-CIA employees, Frank Snepp, struck back at the CIA's wreckers with a book which made mincemeat of the political reputation of Henry A. Kissinger. The Trilateral Commission-owned government, the Carter administration, was not pleased. Snepp was successfully prosecuted for failing to permit pre-publication censorship of the manuscript.

Apart from the devastating job Snepp's *Decent Interval* does on Kissinger and others responsible, the lasting importance of the book for the U.S. today is the detailing of the coming-apart of the Thieu government, combined with the hysterical exertions of the entire U.S. intelligence community officialdom in the effort to conceal from itself the fact that such a collapse was occurring.

Was not the collapse of the Thieu government the collapse of a product created over a period of more than a decade by the leading policymaking thinktanks as well as the military and intelligence command of the United States? All glib, self-consoling excuses put on the one side, is that collapse not then a mirror of grave flaws within the U.S. command?

If one superimposes the principal features of Snepp's account on the United States today, like a map overlap, one has the immediate, eerie, frightening perception that our leading policymaking, military and intelligence commands are doing to the United States today precisely what they did to Vietnam over the course of the 1972-75 collapse of the Thieu government.

Perhaps the most frightening feature of the Saigon collapse, in these terms of reference, is the manner by

which "Big Minh" was brought to nominal power at the last moment of the collapse. Snepp, who lets his anti-French prejudices run away with him at times, underestimates the impact a "Big Minh" replacement of Thieu would have had in Hanoi prior to the time total military victory was immediately in Hanoi's grasp. The frightening thing is not that this option was postponed until the point its deployment no longer had any worth. The point is that the combined structure of South Vietnamese society and U.S. policy precluded serious consideration of such an option at the time it might have had significant impact upon the situation.

Is this the present condition of the United States? Is the inertia of embedded commitment to self-destroying policies so much a part of our political, financial, military and intelligence situations, that those policies cannot be changed until the point we, like Saigon of April 1975, reach the point of futility that the collapse of our nation finally brings about the collapse of those institutions as well?

The case of the Carter nomination illustrates the point.

Most leading Democrats, and many other citizens besides, acknowledge that the nomination of Jimmy Carter means much worse than a devastating defeat of the party in the Congress and state offices. It means almost certain destruction of the party, at least for a long period to come, perhaps forever. This fact is plastered over the faces of leading news media. Even those delegates nominally supporting Carter blackmail and related hooliganism acknowledge this. Yet, having the power to act, they hesitate to act. How very much like Saigon 1975.

It is the same with "Camp David" policy. Most of the governments of the world, plus leading Zionists, now agree that both the Begin government and "Camp David" must be dumped. Yet, in Washington, this issue is treated in a way which reminds us again of Saigon 1975.

The China policy is worse. Yet, our political, financial, military and intelligence communities—for the most part—are clinging to this lunatic military alliance with Communist China in much the same manner Snepp outlines Washington's Vietnam delusions.

Our military policy—"flexible response" and related inanities—is premised on the assumption that the Soviet Union will agree to play by those gentlemen's sandbox rules of theater warfare. Yet, Washington continues to place the United States in jeopardy with repeated efforts to bluff a decisively superior Soviet military capability—even after the bluff has been successively called, in Afghanistan and subsequently. Now, the Carter administration proposes to "punish" Moscow with grain embargos and Olympic boycotts for Moscow's refusal to be bluffed! Saigon 1975's mentality all over again.

Massive cover-up, desperately clinging to policies

which have repeatedly failed, compounded with hysterical exercises in attempted self-delusion: This was U.S. Vietnam policy 1975, and is the character of the policy of the same institutions in the United States today.

As we noted, one has the eerie perception that Saigon 1975 may turn out to be the mirror of our own future. The detailed features of Washington policies have been altered since 1975 somewhat, but what remain are the characteristic features of the Saigon government created earlier by the same sort of policymaking.

It is consistent with the causes for the humiliating disgrace of Saigon 1975, that those responsible prose-

The misfeasance of Henry Kissinger and others, as reported in Snepp's book, is such a past and continuing danger to the vital interests of this nation that this book must be published to aid in exposing that misfeasance. . . .

cuted Snepp for telling it as it was. Snepp was right; that crowd would rather cover up a blunder of policymaking method at any cost, than correct the error.

The law and Frank Snepp

Those who condone the judgement against Snepp have a simple, pat answer. Snepp violated his employment contract with the cookie factory by refusing to permit the agency to censor the manuscript before publication. "We must protect the Agency," they insist; "it is time ex-employees were forced to live up to the rules."

Once the name of Philip Agee is mentioned, there arises a certain stink of hypocrisy in the area of such pat arguments. The same administration which prosecuted Snepp has recently compounded the government's prolonged failure to prosecute Agee, by declaring Agee to be immune from prosecution in the United States. Agee, principal spokesman for an avowedly pro-terrorist organization, an ex-CIA employee who has targeted serving CIA officers for assassination, is not prosecuted. In the case of Snepp, whose book violated no security—according to the concessions of the prosecution—prosecution and judgement were swift.

Some defenders of the judgement against Snepp persist: "That is true, of course. However, the fact that

Agee should have been prosecuted is not grounds for proposing that Snapp should not suffer judgement.”

Snapp violated a contract. The contract was with a national security agency, and is therefore of more weight than an ordinary contract. If the national security rule embedded in the CIA's employee agreement is a valid implementation of the broad construction of the National Security Act, then a violator ought to be subject to prompt prosecution. So far, the matter is clear enough.

It is one thing to presume that a person should be prosecuted. It is another to presume that this is adequate grounds also to force conviction or evil judgement.

Our leading policymaking, military and intelligence commands are doing to the United States today precisely what they did to Vietnam over the course of the 1972-75 collapse of the Thieu government.

Generally speaking, the grand jury system in the United States has broken down. When that system functions properly, the grand jury is composed of relatively tough, influential and broadly experienced members of the community, of the sort who are not awed by the mere titles of federal attorney or district attorney. Unless the prosecutor can prove probable cause and clear and appropriate meaning for each portion of a proposed indictment, such a grand jury will throw out the case, or amend the proposed indictment considerably. Thus, proper juries protect citizens from subjection to unwarranted prosecution on important charges.

It is a travesty of justice that today the Carter Justice Department can walk concocted charges through pathetic grand juries made up of credulous persons awestricken by the supposed importance of the prosecuting attorney. How many innocent citizens are virtually framed up, or terrorized into confessing falsely to evidence against friends and others, or to accept conviction on a lesser count—of which they are innocent—because they lack the means to hire a five-thousand-dollar-a-day law firm to defend them in court, against a governmental agency willing to pour in millions of dollars worth of prosecution effort, in an effort to destroy a political enemy of the Carter administration through exploitation of some cooked-up charge walked

through an incompetent grand jury?

With that aside in mind, it should be understood that when I said that Snapp was liable to prosecution, if not necessarily judgement, I meant that the charges were of the quality which would be honored by one of those competent sorts of grand juries we seldom find any more. I am in no way endorsing the immoral doctrine that anyone accused by a prosecutor ought to have the charges jerked through a dumb grand jury so that the accused may have the five-thousand-dollar-a-day “privilege” of proving his innocence in court. On the face of it, a competent grand jury would buy the proposal to indict Snapp, were the charge in question a criminal one. The contract is clear; the lack of pre-submission according to contract is uncontested in point of fact. Although the issue is not one of criminal proceedings, the same logic applies.

Snapp willfully took that risk.

The issue of trial is essentially this. It is a principle that no provision of contract ought to be enforceable under law if the provision in question violates public policy. In the Snapp case, the province of public policy to be taken into account is constitutional law. To simplify the argument: Did Snapp's course of action represent efficiently his serving his oath to uphold the Constitution at the expense of an inferior obligation to fulfill the terms of his employment contract?

Were you a juror in a trial of Snapp, would you conclude that Snapp was acting in a manner consistent with his oath to uphold the Constitution in overriding his contractual obligation? Would you believe that the Carter administration's Central Intelligence Agency would have attempted bureaucratic subterfuges to prevent, significantly delay or considerably alter portions of the text which, as conceded, violated no security provisions? Would you believe that the misfeasance of Henry Kissinger and others, as reported in Snapp's book, are such a past and continuing danger to the vital interests of this nation, that this book must be published to aid in exposing that misfeasance? Was the position of the accused in the situation he reports of such an exceptional nature that he could have considered himself the only probable person both able and inclined to bring these facts to public attention with approximately equal authority?

Suppose you, as a juror, were sitting upon either the Snapp case or the Agee case. Would you not exonerate Snapp on grounds of your perception of constitutional law, and yet for equivalent nominal offense recommend judgement against Agee to the full extent of the law?

Is it not in our utmost vital national interest to cleanse our institutions of those policymaking practices which are responsible for the disgusting denouement in Vietnam, and which threaten to be responsible for the self-destruction of our nation itself?

U.S. has vast oil and gas reserves

How much oil and gas is yet to be developed worldwide remains one of the hottest political footballs going.

British Petroleum Ltd. has just released a study which claims that world crude oil reserves by January 2001 could be as much as 30 percent less than levels of 1976, assuming production average equal to the 1979 rate of 62.5 million barrels per day. Atlantic Richfield's Robert O. Anderson made a speech recently where he bewailed the "fact" that we have exhausted the large oil and gas fields in the continental United States. Exxon forecasts that domestic production will plummet to 6.1 million barrels per day by 1990 from a current 8.6 million bbd. Lisle Reed, Energy Department oil analyst, adds that augustly inept agency's official imprimatur to the gloom prognosis: "The resource base is shot."

Now, I am not going to hit you with all sorts of nasty "conspiracy theories," but it is a fact that, with escalating economic recession, the U.S. and the world are currently swimming in a glut of oil. What I want to set down here is a dramatically more optimistic projection of remaining U.S. oil and gas reserves. You draw the relevant conclusions.

I had an interesting discussion the other day with H.A. Merklein, Dean of the Graduate School of Management at the University of Dallas. Merklein has just completed a highly valuable study for one of the nation's most outspoken oil and gas producers, Frank Pitts, who is head of the Texas Indepen-

dent Producers and Royalty Owners Association (TIPRO). Merklein's study shows that some "73.3 billion barrels of oil can be developed by 1990 with an all-out drilling effort." He goes on to predict that "by 1988, the equivalent of an additional Prudhoe Bay Field will be added *yearly* to U.S. reserves (emphasis added—WE), for a second-decade reserve discovery of 137 billion barrels of oil-equivalent. Total discoveries, 1980-2000, will be 210 billion barrels of oil-equivalent, or 21 Prudhoe Bay fields." *If* we drill for it.

This is quite a dramatic contrast to the Energy Department and Exxon. Projecting a current demand of 10.2 billion bbl annually, it would permit energy self-sufficiency until at least the turn of the century.

The interesting aspect of Dean Merklein's analysis is that if you use his projected 20 percent per annum increase in new drilling footage, reserves will actually appear to *decline* until 1984. At that point, the effects of three to four years of all-out drilling will begin to be felt in major new discoveries.

Merklein's study takes as its point of departure the fact that reserves increase with the number of feet drilled. He also qualifies this with the fact that it is not until about three years after initial discovery of a reserve that its full size will be known. Hence the lag in

apparent reserves until 1984. To do the job, he calculates that our annual drilling rate must increase to a peak of 989 million feet per year, about four times what it is now.

Frank Pitts makes the point that nationally, "We have explored only 2 percent of our potential areas for oil and natural gas." Pitts, who also heads the Pitts Energy Group of Dallas, emphasizes the implications of this: "98 percent of the onshore and offshore areas of potential production lie waiting to be drilled and developed."

Pitts points out that, rather than encourage this vast development of hydrocarbon reserves, such moves as the recent \$227.3 billion excise tax on domestic production, euphemistically referred to as the Windfall Profits Tax of 1980, will actually inhibit development of these resources. First, much of the oil yet to be discovered (Pitts estimates that 66 percent of all the oil discovered to date in this country is still in the ground) must come from deeper drilling. This means far greater drilling costs, which double for every additional 2,000 feet drilled.

Now, independent oil producers, the 10,000 or so entrepreneurs whose economic existence is tied to further energy production, historically reinvest some 105 percent of revenues—5 percent *over* well-head revenues—in further exploration. So, at just the moment when every dollar of scarce capital needs to be reinvested, Uncle Sam decides to grab several hundreds of billions.

This is one reason why vocal independents such as Pitts tell me that our present energy policy "is energy suicide." But I said I wouldn't talk here about any "conspiracy." For now, I'll let *you* look into that aspect of the problem.

Senate Judiciary to probe Billy Carter, Vesco

Two separate but related investigations are underway in the Senate Judiciary Committee on Billy Carter and fugitive financier Robert Vesco.

The more publicized of these involves Billy Carter's activities on behalf of Libya and the relationship of various members of the Carter administration to that. On July 23 the Senate Judiciary Committee voted to appoint a four-man panel to work out the mechanics of such an investigation.

Members are Birch Bayh (D-Ind.) (acting chairman of the Judiciary Committee—Senator Kennedy has excused himself from the investigations for obvious political reasons), Max Baucus (D-Mont.), ranking Republican Strom Thurmond (R-S.C.) and Senator Bob Dole (R-Kans.).

Whether the investigation will be carried out solely by the Judiciary Committee, or by a combination of the Judiciary Committee and the Senate Foreign Relations Committee, or by a totally new "Watergate" committee, is still to be worked out. Senator Jesse Helms (R-N.C.) has called on the Foreign Relations Committee to participate in such an investigation.

Less publicized, but potentially very damaging, is a Judiciary Committee investigation which has been ongoing for three months. Senator Dennis Deconcini (D-Ariz.) and Orrin Hatch (R-Utah) began an in-

vestigation in April of the Justice Department's closing of several politically sensitive investigations. The most explosive of these is the Robert Vesco case, which Deconcini and Hatch are now concentrating on.

This involves attempted influence-buying by Vesco of top administration officials; and it could implicate Hamilton Jordan, DNC chairman John White and Carter/Mondale Committee chairman Robert Strauss in shady business deals.

At the July 23 Judiciary Committee meeting the suggestion was made to combine the two investigations. Deconcini disagreed, and the Vesco investigation will continue separately from the Billy Carter investigation. But observers noted that numerous links have already surfaced between Vesco's and Billy Carter's Libyan connections, and that the two investigations will undoubtedly interlock.

House debates railroad deregulation

The House postponed debate July 21 on the controversial proposal sponsored by Congressmen Florio (D-N.J.) and Madigan (R-Ill.) to deregulate railroad industry tariffs. The postponement was made in an effort to work out a compromise with the opponents of the bill led by Congressman Eckhardt (D-Tex.), who fear that the rate deregulation will severely hurt farm and utility

interests. Congressman Eckhardt met with Transportation Secretary Neil Goldschmidt and White House economic advisor Stu Eizenstat who are backing the bill. No agreement was reached.

Congressman Eckhardt intends to introduce a number of amendments. One particular amendment would allow the ICC to enter the picture when railroad rates exceed a certain percentage of a railroad's variable costs. Eckhardt also wants to exempt those who ship grains, cotton, soybeans and rice.

However, the House is expected to pass the bill in some form.

Biden issues drug report

Senator Joe Biden (D-Del.) chairman of the Senate Judiciary Committee subcommittee on criminal justice, released a report on July 17 which details the results of his trip to the Mediterranean and the Middle East to investigate international drug running activities.

Biden had earlier proposed to the NATO Committee on the Challenges of Modern Society that NATO play a greater role in the fight against international narcotics. In the same speech, delivered in late 1979, Biden stated that he was going to use his subcommittee to provide information which would hopefully prompt Western Europe to accept greater supranational control over narcotics enforcement.

In the report Biden states: "A major new source of heroin—in the unpoliced tribal areas of Iran, Af-

ganistan and Pakistan—dwarfs anything we have seen in the past.” He states that this new influx of heroin is already swamping Western Europe and then adds “this colossal failure in European law enforcement and the potential for a similar failure here derive mainly from the size and complexity of the threat; not from the incompetence of the law enforcement here or in Europe . . . the first step toward turning back the deadly tide of heroin must clearly be a mandate from the aroused peoples of the Western democracies to their governments.”

Emergency Ex-Im funding moving

Prodded on by a Senate resolution, the House Foreign Aid Appropriation subcommittee on July 22 rushed out a \$526 million bill to keep the Export-Import Bank in business.

The Ex-Im Bank has been virtually out of money since before the July recess, because Congress failed to pass this year’s foreign aid appropriations bill which includes the bank’s funds.

As a result Ex-Im had been held off last year’s funding levels and had virtually run out of funds to finance foreign trade.

The House subcommittee action followed the July 21 introduction of a resolution by Senator Jake Garn (R-Utah) which urged the House to move immediately to restore Ex-Im funding.

Garn noted that his Senate Joint Resolution 191 was technically an appropriations bill which by tradition should originate in the House, but Garn said in introducing the resolution, “The purpose of this resolution is informational . . . so the hope would be that the House would pass a resolution very similar to this which we could then pass quickly and send to the President without delay.”

The Garn resolution would increase the available direct loan authority from \$3.75 billion, which has already been used, by another \$1.25 billion to a total of \$5 billion.

Because of budget ceiling constraints, the increase has to be authorized in a series of smaller amounts, and this method is what the House approved on July 22 with their \$526 million appropriation. The rest of the money will come over the course of the year as the second and final budget ceilings are set by the Congress.

Senate debates Alaska lands bill

The Senate began debate July 21 on the very controversial Alaska lands bill, a bill that will determine whether the enormous economic resources of Alaska will be tapped for economic development or kept locked up by the environmentalists. The bill under consideration was drafted by the Senate Energy Committee, and would place 102 million acres under permanent protection

as national parks, wildlife refuges and wild and scenic rivers and forests.

A bill passed last year by the House would have placed even more lands under protection, closing 128 million acres to timbering, oil drilling and mining.

Alaska Senator Mike Gravel (D), who has led the fight against the environmentalists made it clear that the issue involved is much broader than the question of one state’s resources. “The issue here is not Alaska lands and Alaska. That couldn’t be farther from the truth,” the Senator declared. “What’s at stake here is the next great battle between the preservationists and those who favor economic growth.”

Environmental groups have launched a campaign, with the backing of the Carter administration, to force the Senate to withdraw more acres from development. They are urging the Senate to support substitute legislation by Senator Paul Tsongas (D-Mass.), which would put more land into wilderness and highly protected classifications.

At a meeting in the East Room of the White House, held to inspire environmentalists and other members of the Alaska Coalition seeking to keep Alaska closed to development, President Carter declared that he was determined to prevent development of Alaska’s resources. “Preserving Alaska’s priceless natural resources is my number one environmental priority.”

The tracks of Billygate

The tracks of Billygate will lead far beyond the charges of influence peddling and corruption which have already hit the headlines. The real story behind Billy Carter's work as a Libyan agent will not only lose Carter the presidency, but should land Carter, his National Security Adviser Zbigniew Brzezinski, and Attorney General Benjamin Civiletti in jail.

The tracks of Billygate lead to two crimes of the Carter administration which have been integral to the policy orientation of the White House since Carter took office. The first is the Carter administration's role in bringing Khomeini to power, the playing of Brzezinski's "Islamic fundamentalist card." The second is the operation of the Civiletti Justice Department, which has been releasing convicted terrorists and running terrorist controllers while setting up labor, business and political leaders for prosecution under Abscam and Brilab to get rid of political opposition to Carter and his policies.

EIR has exposed the Abscam/Brilab hoax and presented the evidence of Brzezinski's involvement in Iran since the long period of destabilization before Khomeini came to power. We have documented the role of the Muslim Brotherhood internationally and the Muslim Student Association, its arm in the United States. We have also presented the evidence on the terrorist activities linked to the MSA and the Muslim Brotherhood, and noted the refusal of the Justice Department to investigate this evidence.

Now Civiletti has been personally implicated in a Muslim Brotherhood assassination coverup. *EIR's* Special Report next week will present in detail the evidence which will send Civiletti to prison—and Carter and Brzezinski along with him.

Here are some of the facts. Akbar Tabatabai, the head of the Iran Freedom Foundation and an

active opponent of the Khomeini regime, was assassinated in his home outside Washington last week. The press now widely reports that this was a "planned political murder" carried out by the SAVAMA, Khomeini's secret police. The man wanted for pulling the trigger is a personal bodyguard of Bahram Nahidian, a Washington rug merchant with links to the MSA, where *EIR* has exposed as a key Khomeini agent and terrorist controller.

NBC reported after the assassination that the Justice Department had intervened to prevent the arrest of Nahidian, over the demands of the local police who have been watching Nahidian's activities for months.. Why would Civiletti risk such an intervention?

According to U.S. intelligence sources and Iranian exile circles, the Carter administration is covering up for the assassination of Tabatabai because of a dirty deal with Khomeini and the Muslim Brotherhood in Iran. President Carter and Civiletti have given free rein to the Iranian secret police to eliminate anti-Khomeini opposition forces in the United States in exchange for a deal to free the U.S. hostages on the eve of the Democratic Convention in August. The release of hostage Richard Queen earlier this month was the signal that the deal had been completed, and the murder of Tabatabai was the first fruit of the pact.

The tracks of Billygate lead to a scandal of proportions not yet widely understood. What was really negotiated when Billy Carter set up a meeting for Brzezinski with the terrorist Libyan regime to discuss the hostage question?

More than petty corruption is at stake. Our national security is in the hands of criminals willing to risk anything to ensure that Carter takes the Democratic nomination.